

## Deficit concerns rise as Democrats eye new spending

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The White House raised fresh concerns Monday about piling on more borrowing on top of this year's already massive budget deficit, as House Speaker Nancy Pelosi prepared an emergency bill to spend as much as \$2 trillion more, including aid for states and cities hit hard by the coronavirus crisis.

Treasury Secretary Steven T. Mnuchin, noting that Congress and the administration have already spent nearly \$3 trillion on relief in just six weeks, said President Trump wants to allow that money to make an impact before throwing more cash on top of it.

"Let's be very considerate in what we do in the next round before we go consider spending another trillion dollars or more of taxpayer money," Mr. Mnuchin said on CNBC. He said the president is determined to do "whatever we need to do."

The federal budget deficit last year was \$984 billion. This year, it is projected to skyrocket to \$3.8 trillion, not including the cost of the Democrats' latest proposal.

Mrs. Pelosi told Democratic colleagues in a letter that her spending proposal will include "direct payments, unemployment insurance, rental and mortgage help and student loan assistance ... essential to relieve the fear that many families are facing." She will also include a provision to allow mail-in voting.

"The chair of the Federal Reserve Bank has told us to 'think big' because interest rates are so low," Mrs. Pelosi said. "We must 'think big' for the people now, because if we don't, it will cost more later. Not acting is the most expensive course. We must put more money in the pockets of the American people."

Asked about the Democrats' proposal for more direct payments to Americans, Mr. Trump said, "We're talking about that with a lot of different people."

"I want to see a payroll tax cut" for workers, the president said. "I want the workers to be taken care of. We're negotiating with the Democrats. We'll see what happens."

The House could hold a vote on the package Friday.

White House economic adviser Larry Kudlow has said the administration won't begin discussions with Democrats until late May or early June.

Some fiscal conservatives say enough is enough. Chris Edwards, director of tax policy studies at the libertarian Cato Institute, said more aid to states and cities will act as a disincentive to reopening for business.

“There should be no more relief packages,” Mr. Edwards said in an interview. “One of the negatives of passing even more relief is that it would dissuade states from reopening their economies. I think it’s becoming more and more obvious every week this goes on, we have to reopen. More federal aid will give governors an excuse not to move forward with reopening.”

The unemployment rate for April was 14.7%, up from a historic low of 3.5% in February. Over a seven-week stretch of shutdowns and stay-at-home orders, more than 33 million Americans were thrown out of work.

At a White House Rose Garden event to announce expanded coronavirus testing in states, Mr. Trump said his administration has “met the moment” and prevailed.

“We will revive our economy, and we will transition into greatness,” the president said. “That’s a phrase you’re going to hear a lot. The greatness is going to be in the fourth quarter.”

Mr. Edwards also disagrees with Mr. Mnuchin and some economists outside the administration, such as Obama White House economic adviser Larry Summers, who say that borrowing now is essentially cost-free because interest rates are near zero.

“It’s completely wrong,” he said. “You’re reducing the interest cost a little bit, but it’s like borrowing for your home. The big chunk of money you’ve got to pay is the principal. Every dollar they borrow is a cost moved to the future. Every dollar we borrow now makes us poorer down the road, creates a lower standard of living for the next generation of Americans.”

The Democrats’ proposal is expected to include about \$750 billion for states and cities that have lost tax revenue and incurred unexpected expenses during the pandemic. Sen. Bill Cassidy, Louisiana Republican, and Sen. Robert Menendez, New Jersey Democrat, are introducing a measure that would provide \$500 billion to states and cities.

States that have lost 50% or more in revenue from April 2019 to last month are Massachusetts, Missouri, Kansas, Pennsylvania and Montana, according to the Urban Institute.

Senate Majority Leader Mitch McConnell, Kentucky Republican, didn’t address more aid to states on Monday. Instead, he said the Senate will hold hearings on “smart and safe ways for Americans to get back to work and back to school,” and on “legal liability during this unprecedented time.”

“It is crucial that as we continue to fight the pandemic itself, we ensure it is not followed up by a second job-killing epidemic of frivolous lawsuits,” Mr. McConnell said.

The president waded into the fray about reopening Pennsylvania. He sided with Republican leaders in several southern-tier counties who are moving to reopen for business ahead of the schedule of Gov. Tom Wolf, a Democrat.

“The great people of Pennsylvania want their freedom now, and they are fully aware of what that entails,” the president tweeted.

Mr. Trump said Democratic leaders are reopening states slowly in hopes of hurting his reelection chances.

“The Democrats are moving slowly, all over the USA, for political purposes,” the president said. “They would wait until November 3rd if it were up to them. Don’t play politics. Be safe, move quickly!”

Pennsylvania is a key battleground in the presidential election.

About a half-dozen Republican-led counties are planning to reopen ahead of Mr. Wolf’s phased-in regional approach. The governor authorized 24 of the state’s 67 counties to move into the first phase of reopening on Friday.

At his press conference, the president reiterated his belief that some Democratic governors are playing politics with the pandemic.

“If you look at various other states,” Mr. Trump said, “the people want to go back. The numbers are getting to a point where they can. And there just seems to be no effort on certain blue states to get back into gear. And the people aren’t going to stand for it. They want our country open. I want our country open, too. I want it open safely, but I want it open.”

Mr. Trump said there are no guarantees of safety either way.

“People are dying the other route,” he said. “You can go with the enclosed route, everything’s closed up, you’re in your house, you’re not allowed to move ... people are dying that way too. You look at drug addiction, you look at suicides. People are dying in a lockdown position, too.”

Increasingly, conservatives are calling on the administration and Congress to stop throwing money at the problem.

“Rather than throwing more gasoline on the debt fire, Congress should begin cutting back on some of the excess spending they have already authorized, including ending the excess payments of unemployment insurance benefits that make being unemployed more profitable than going to work for about half of all newly unemployed,” said Rick Manning, president of Americans for Limited Government. “America does not need more debt-fueled spending to recover; we need the economy reopened. That is the only prescription which will heal our nation.”