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THE CURRENT: Does the latest COVID relief bill do enough?

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Host: Adrianna Pita, Office of Communications, Brookings

Guest: William G. Gale, Arjay and Frances Fearing Miller Chair in Federal Economic Policy, Senior Fellow and Co-Director, Urban-Brookings Tax Policy Center, Brookings

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PITA: You're listening to The Current, part of the Brookings Podcast Network. I'm your host, Adrianna Pita.

On Monday night, Congress passed a \$2 trillion spending bill, some \$900 billion of which makes up an economic relief package to sustain the U.S. economy against rising pandemic numbers that will continue to worsen throughout the winter.

With us to discuss what's included in this relief package is Bill Gale, the Arjay and Frances Fearing Miller chair in federal economic policy, senior fellow and co-director Urban-Brookings Tax Policy Center. Bill, thanks for talking to us today.

GALE: Happy to be here. Thanks for having me.

PITA: So, in addition to the COVID-related relief, this bill also funds the government through the end of the fiscal year. So, in the end it wound up being more than 5500 pages, meaning that members of Congress weren't actually able to read through it all before passing it and of course everyone today is still reading it to get through all the details. But if I could ask you to start with -- in terms of economic relief that was related to the pandemic -- what are some of the major elements that they passed through?

GALE: You're right. This is a really big, messy bill. Besides the budget resolution to keep all the agencies open at the same level of spending till the end of the fiscal year, there are also a variety of climate change provisions; there are what are called tax extenders, which are temporary provisions that get moved back every year. And there's some legislation on surprise medical billing, which is a surprise. As you mentioned, it's almost 5600 pages worth of stuff and we're still learning what details are coming out.

In terms of the relief bill, it's a big, messy bill. There's some good stuff, there's some bad stuff. Basically, I would describe it as too little, too late. The size is about \$900 billion. And to be clear, that's a lot compared to almost any other relief package in history, but it's not a lot compared to what could have been done and what could usefully have been done. And then in terms of the timing, even Senator McConnell who was a big source of the delay himself says that this could have been passed sooner, and of course, doing so would have provided relief to millions of households on a more timely basis.

PITA: Why don't you run us through what you think are some of the better and some of the worse elements of this? As you mentioned, there's a lot in this. What are some of the highlights and lowlights in terms of effective or less effective policies?

GALE: Sure, that's a great question. The highlights are the extension of unemployment insurance benefits, the new provision of per-person payments, in general, the extension of the Paycheck Protection Program, and in particular, the boost of food stamps, or what we used to call food stamps, Supplemental Nutrition Assistance Program and food provisions for kids. So those are, in my view, many of the strong points.

The biggest weak point is that they left out state and local governments, and that makes no sense on either humanitarian or economic grounds. On the humanitarian grounds, most of the services that people get from government actually come from state and local governments. On economic grounds, state and local governments face balanced budgets and so they have to cut back during recessions when income falls. When the economy falls income falls, and then their revenue falls, and that means that either have to raise tax rates or cut spending right in the middle of a recession, which is exactly the wrong response that we want from a macro level. We want sectors to be boosting their spending, not cutting it. So, the absence of federal aid to state and local government seems like a particularly unfortunate aspect of this bill. And it was quite a political aspect of the bill in that the Republicans strongly opposed it.

The other provisions which don't make much sense to me are making the expenses that the government covered with the PPP loans, making them deductible for businesses in next year's taxes. It seems to me that if the business didn't bear any net burden from the expense – that is if they were compensated by the government – then they shouldn't be allowed to deduct the expense on their taxes.

And then the third feature which is questionable is making 100% of business meals deductible. In normal times, allowing a deduction for business meals is questionable adjustment since people need to eat anyway. It's hard to tell whether the business meal was personal consumption or really a business expense. But that's in normal times. During a pandemic, it's doubly stupid to expand the deduction. It's stupid on economic grounds because of the reason I just mentioned, and it's stupid on public health grounds, because we don't want people gathering and sitting close to each other and not wearing their masks and eating. So, it's just the wrong policy at the wrong time.

PITA: After the CARES Act, the first economic relief package that Congress passed in March, the House then went on to pass some subsequent relief bills over the summer, but the Senate never took them up. Negotiations have been happening behind the scenes on this between congressional leadership, including Treasury Secretary Mnuchin. They've been going on for months. What were some of the biggest sticking points on these negotiations? What were some of the most contentious elements?

GALE: I think one of the biggest ones was simply whether there should be another relief bill, and there, I think all the good evidence suggests, yes, there should be. In fact, historically countries tend to cut off stimulus too soon and I think we were in danger of that. In addition, the state and local assistance which, again, I view as key and a big agenda item for next year, was controversial and the Republicans at various points were trying to restrict the ability of the Federal Reserve Board to help boost the economy.

Those were the particular sticking points. The more general point is, members of Congress wake up every day and decide “do we want to cooperate or do we want to fight?” and basically for the last several years, they've woken up every day and decided that they want to fight. Which particular issues

they chose to make the poster child for their disagreement is less important than the general notion that the Republicans in the Senate found it in their self-interest to oppose a new stimulus package for a long time.

PITA: The big question about this of course is, is it going to be enough? When we look at what unemployment and underemployment is right now, when we look at the massive lines at food banks, is what was passed now going to sustain American families until enough people are vaccinated that businesses, employment, schools are going to be able to get back to something approaching normality?

GALE: Yeah, I think this bill, it has a lot of good things in it and it helps move us in the right direction, but I don't think it will be enough. The unemployment insurance for example runs out in the spring, the one-time payment of \$600 per person is not going to carry many people for very long. It's half as big as the one-time payment was in the spring and, you know, now it's nine months later, and people are hurting from the pandemic. I think the good news is that they did something and they started getting relief to the American people. The bad news is that this still leaves a big agenda for next year. They didn't by any means solve the problem of providing enough relief to tide the American people through the end of the pandemic.

PITA: So then what would you recommend the priorities should be for the next Congress and/or the Biden administration?

GALE: I think we need to continue to focus on people who have lost their jobs, people who are low income. The food needs of people are just heart-breaking. Here we are in the United States of America and a significant number of people can't get enough food to eat. It's embarrassing that we are not wiping that problem off the agenda.

Aid to state and local governments is a huge thing and you know, people tend to think of that as a government thing, but that's just a shorthand way of saying that we need to make sure that people continue to get the services that they need and they get the services that have been lost over the past year. So there's a big agenda in terms of making sure that people get through the pandemic in a safe and healthy way. And I think we'll see Congress, at least we'll see the Biden administration, moving on this in the next year.

PITA: All right. Bill, thanks very much for talking to us today about this.

GALE: Thank you.