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## Building a Responsible COVID Relief Package

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*The House of Representatives is currently developing a \$1.9 trillion COVID relief package. Policymakers should spend what is necessary to end the pandemic, support the economic recovery, and assist struggling households and businesses through the pandemic. However, borrowing is not free and comes with risks. Elected officials should be good stewards of the money they borrow.*

*A responsible COVID relief package should:*

- 1) Focus on the needs of the economy, not arbitrary spending targets.** A \$1.9 trillion package would be enough to [close the output gap two to three times over](#) and keep personal income well above pre-pandemic levels. A recent analysis from the [Brookings Institution](#) found that a package one-third as large could restore the economy to its potential by the end of the year. While it is reasonable to err on the side of too much fiscal support, overdoing it to this degree could prove wasteful and carries many economic [risks](#). Reconciliation instructions provide each committee a cap, not a floor. The overall package should be sized appropriately to match the needs of the economy, not the wish list of politicians.
- 2) Target spending thoughtfully.** While the package's size should be based largely on gaps in the overall economy, its composition should reflect the needs of those most adversely affected by the pandemic. Aid to struggling households, unemployed workers, and state and local governments are all sensible uses of funds. However, there is little need to send thousands of dollars to households making six figures who have experienced no income loss, to pay [two-thirds of unemployed workers](#) more in benefits than their previous paycheck, or to distribute over \$500 billion to state and local governments knowing their cumulative shortfall is [a fraction](#) of that and that some are currently [enjoying surpluses](#).
- 3) Stick to COVID relief, pay for the rest.** Congress should limit the upcoming package to measures directly related to the current pandemic and economic crisis. It should not be seen as an opportunity to pass pet projects, special interest giveaways, or well-intentioned policies that aren't related to the pandemic and recession. Policies like repealing the cap on state and local tax deductions or cancelling student debt would represent massive [giveaways to higher-income households](#) while offering [almost no boost to the economy](#), and therefore have no legitimate place in the upcoming package. Other policies included in the package that aren't directly COVID-related, [such as expansions](#) of the child, child care, and earned income tax credits – or



spending on the Affordable Care Act and cybersecurity – should be [fully offset](#) with [tax increases or spending reductions](#). Borrowing has a cost. While House PAYGO rules rightly allow borrowing to address the pandemic, the exemption does not apply to long-standing policy priorities, which should not be deficit-financed.

- 4) **Don't cut off COVID relief too early.** With vaccinations picking up speed and the economic recovery in sight, policymakers should provide enough support so households can make it through the entire crisis. Under the current House proposal, expanded unemployment benefits would expire by the end of August, at which point most workers would lose their benefits altogether. Rather than cut off benefits before the economy has fully recovered, it would be more responsible to phase down supplemental benefits as the jobs outlook improves. Ideally, this phasedown would be based on an economic trigger, but could also be scheduled in advance based on the best economic projections available. Jobless workers should not be exposed to another payment cliff, nor should Congress set the stage for hundreds of billions in deficit-financed borrowing after the need has passed because they failed to design this package prudently.

The country continues to face a serious public health and economic crisis which merits the serious attention of policymakers. Politicians should not be taking advantage of this opportunity to buy off voters, pursue their long-term policy agenda, test the limits of the economy, or set up a series of future budget showdowns. Taking this crisis seriously means spending money wisely – especially when we're borrowing it from those too young to have a vote.