Background: the Coronavirus & Economic Distress

As of early spring 2020, the respiratory disease known as the novel coronavirus, or Covid-19, is affecting just about everybody. The infection rate is climbing steadily in many countries, especially in the U.S.

The great majority of people who are infected with the coronavirus do not get seriously ill. But some do, and they need treatment. Unfortunately, our hospitals are not prepared to handle a huge influx of coronavirus patients all at once. We also don’t have the quantity of medical supplies we need, including hospital beds and respirators. We don’t have enough healthcare workers to handle such a big and sudden surge of people.

So state and local governments around the country (and the world) have enacted policies to slow the virus’s spread and make the flow of patients more manageable for hospitals. This has included temporarily closing most school buildings and non-essential businesses, banning large and small public gatherings, and the practice we now know as “social distancing” (staying at home and eliminating physical contact with people from outside our household).

During this period, in many places around the world, we can only go out for essential purposes. We are unable to go to school or hang out with friends. We’re stuck in the same physical space with our families 24/7. For many of us, the crisis is hitting extra hard: Millions of people have been laid off or fired from their jobs or are working reduced hours. That can make it hard for people to pay rent and other expenses. Healthcare workers and their families are feeling extra strain, as workers try to handle the flood of people needing treatment for Covid-19.

According to an ABC News poll released on March 26, 2020, one-third of Americans report that they or someone in their family had lost their job or were laid off. Half reported a cut in pay or hours. Predictably, the numbers were worse for people of color, women, and those making $50,000 a year or less. Also on March 26, we learned that a record 3.3 million Americans had filed for unemployment, by far the largest jump ever recorded.

The cumulative outcome of all the people who are not working, not buying, not traveling, not eating out, not doing a lot of things, is having a devastating effect on the overall economy.

Government Response

The U.S. government has so far enacted three major pieces of legislation intended to address the growing crisis.

On March 5, 2020, Congress approved an $8.3 billion aid package. (President Trump had requested only $1.25 billion in new funds.) The bulk of the appropriation provided money for research and for helping local health agencies cope with the growing number of infections.
On March 18, 2020, the President signed the Families First Coronavirus Response Act into law. It provided for free testing, sick leave and family leave for some workers, and additional benefits for those receiving government assistance such as food stamps.

The aid package passed on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, was the biggest of them all: $2 trillion. (In 2019, the U.S. government spent a total of $4.45 trillion.) This enormous package is a mix of support for individuals and for businesses. The funds were allocated as follows:

- About $560 billion in direct payments to individuals
- $500 billion in loans and grants to large corporations, to be administered by the Treasury Department
- $377 billion to small businesses
- $340 billion to state and local governments
- $153 billion for public health, including hospitals and the Centers for Disease Control
- $26 billion for a low-income safety net, including food stamps and school lunches

See a chart of this breakdown here: https://www.npr.org/2020/03/26/821457551/whats-inside-the-senate-s-2-trillion-coronavirus-aid-package

In this appropriation, the partisan divide was clear. Republicans pushed for more aid to business and less to people, and Democrats the reverse. The results reflected some wins and losses for both parties. The $500 billion in corporate support pushed by Republicans was modified by Democrats, who demanded that the administration be more more accountable for how the loans and grants would be made. And the payments to individuals in the bill passed by the Democratic-controlled House of Representatives were reduced by about 20 percent by Republican efforts.

Who gets what (and who doesn’t)

Individuals

- People earning $75,000 or less per year will receive a one-time payment of $1200, and $500 more for each child.
- Those receiving unemployment insurance will get extended benefits (up to $600 per week for up to four months in federal benefits, on top of state benefits).
- Many part-time workers and gig workers, who are not normally eligible for unemployment insurance, will qualify for benefits under this law.
- Payments on most student loans are suspended for six months.
- Some evictions for nonpayment of rent will be banned for four months.

The stimulus plan, though large, in many ways fails people who are already struggling to make ends meet:

- Immigrants who don’t have a Social Security card—even those who are paying taxes or working in the health field—are largely excluded from receiving benefits.
- The payments are made automatically to those who file tax returns, but many families with low incomes are not required to file tax returns. They will have to file in order to receive a payment.
- The additional direct $500 payments for children do not also cover adult dependents, such as college students or elderly or disabled adult dependents.
People who are uninsured are not covered for treatment of Covid-19, and even those who are insured are likely to pay a lot for it. (The average out-of-pocket cost for insured patients with pneumonia is about $1,300, according to the Kaiser Family Foundation.)

Payments to hard-hit states are insufficient to prevent budget cuts to essential programs.

Millions of families have little or no savings to help them in an emergency. A few thousand dollars in federal support is not sufficient to protect low-income families over time if school meals are unavailable, off-the-books income is lost, cars need repair, medical care is needed, or local services or charities are closed. The restrictions on foreclosures and evictions only cover buildings with some sort of federal financing, and are only temporary; the rent or mortgage is still owed. Many advocates had pressed for monthly payments to low-income families and for rent assistance rather than just a suspension of payments.

States

The stimulus package also disadvantages those states that have been hit the hardest. Aid to states is based on population, not on the number of coronavirus cases. For example, New York will receive half as much money as California (based on their respective populations), but had about ten times as many cases of the virus, as of late March. Similarly, Louisiana, with only one-fifth the population of its next-door neighbor Texas, had almost 50 percent more cases than Texas.

Businesses

Most of the money allocated for small business is in the form of a loan (up to $10 million). If the business keeps its employees through June, the loan could be forgiven. No funds have been allocated for the non-profit sector – about 10 percent of the workforce.

The funds designated for large corporations are the most controversial. Money for corporations with over 500 employees amounts to one quarter of the total CARES Act funding. Over $60 billion is allocated for the airline industry. Half of that will be in grants to ensure that employees are kept on the payroll. The other half will be loans. Congress attached certain conditions to the bailout: Airlines cannot cut jobs, pay, or benefits through September 2020. In addition, the money can’t be used to buy back their own stock or increase dividends to investors.

The remainder of the $500 billion will be in the form of low-interest loans or loan guarantees. Conditions for loans include limitations on executive pay, using the money within two months and in some cases, accepting a government stake in the company. Companies that have cut operations will be given a tax credit as incentive to retain employees.

A Debate Over ‘Bailouts’

Critics of the corporate loans argue that large corporations don’t need money from taxpayers to sustain their business—even in the face of economic downturn. A New York Times editorial entitled “These Companies Enriched Themselves. Now They’re Getting a Bailout” noted that most large corporations, including the airlines, have enjoyed huge profits in recent years. Instead of using the profits and the windfall from the 2017 tax cuts to build the company, hire more employees or prepare for inevitable downturns, they bought back their own stock (benefiting their investors), and increased executive pay.
Republican proponents of this $500 billion segment of the bill insist it is not a bailout. Senator Richard Shelby of Alabama, chair of the appropriations committee, said in a statement:

“We are not bailing out the airlines or other industries — period. We are allowing the Treasury Secretary to make or guarantee collateralized loans to industries whose operations the coronavirus outbreak has jeopardized. ... This approach strikes an appropriate balance between providing assistance and protecting taxpayers.”

The aid that the federal government provided to corporations following the 2008 economic collapse contributed to huge political shifts in this country. That widely acknowledged “bailout” rescued banks and other large financial institutions that were largely responsible for the financial collapse, but left many low and middle-income people jobless or bankrupt. On the right, the bailouts helped give rise to the anti-“big government” Tea Party, laying the groundwork for a rightward shift in the Republican Party and the election of Donald Trump. The bailout also helped spark the Occupy Movement and other social movements calling for economic, racial, and climate justice. Since that bailout, wealth inequality has continued to grow in the U.S.

Many have argued for legislation that goes beyond the current crisis to address the underlying conditions that have made the coronavirus so devastating in the U.S. From their perspective, this includes our country’s lack of public health insurance for everyone, our failure to guarantee sick pay and family leave for workers, and the economic inequality and racial injustice that leaves low-income families especially vulnerable at times like this. As with the 2008 bailout, the current legislation, even with its temporary support for individuals, may well lead to the growth of movements for more systemic change.