

# Recurring direct checks in the first 100 days

*Cash is crucial for relief at the scale of the crisis and hastening the recovery*

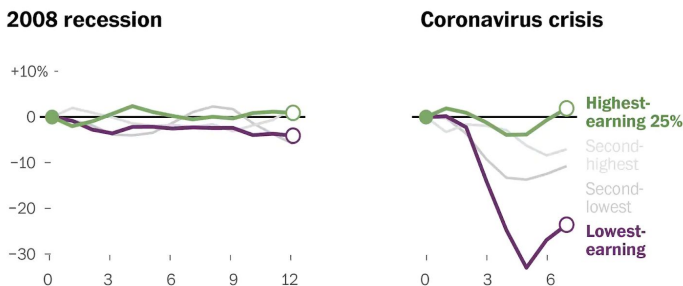
## SUMMARY

The stunning economic crisis for those on the bottom of the economic ladder demands massive relief to those who need it most. Recurring direct payments until the economy recovers, passed in the first 100 days, will:

- △ **Help families meet basic needs** in the first few weeks of a new administration;
- △ **Shorten the recession**, to ensure a strong economy by 2022;
- △ **Promote racially equitable outcomes**;
- △ **Boost state and local economies** and revenues; and
- △ **Complement other relief programs** that fall short of getting help to all who need it.

## ACTION AT THE SCALE OF THE CRISIS

**The most unequal recession in modern times.** Low-wage workers have lost [far more](#) jobs and wages than top earners:



**This is an income recession, and half of Americans are in financial trouble:** Though unemployment is slowly declining, [46% of households](#) have experienced serious financial trouble during the pandemic, including running out of [savings](#), trouble affording [food](#), paying [utility](#) bills, and paying their [rent](#) or mortgage, and [60%](#) of those who have lost income are still making less than they were before the pandemic. Yet many policymakers don't personally feel the effects of the recession.

## CHECKS ARE A CRITICAL PART OF THE SOLUTION AND WILL HELP DRIVE A RACIALLY EQUITABLE RECOVERY

Other programs, including unemployment insurance and the Child Tax Credit, cannot solve the problem on their own. Direct payments are critical to reach all of those struggling to make ends meet, particularly Black, Latinx, and Native Americans who are hit hardest by the pandemic.

The data show that direct payments have been very successful at improving financial wellbeing. Direct payments:

- △ **Were the primary reason that poverty fell** by as many as 4 million people at the start of the recession. As aid ran out, up to [8 million](#) people were forced into poverty.
- △ **Boosted the economy by increasing spending** at [all income levels](#), and the most among low-income people. People spent the direct payments [quickly](#), and most spent them on [food, rent, and utilities](#).
- △ **Directly increased rural small business revenue**, especially in [rural communities](#) in the South.
- △ **Could keep 3.5x more people out of poverty than unemployment insurance.** Urban Institute [estimates](#) that sending one more check would keep more than 8 million people out of poverty, and two checks would keep 14 million out of poverty, much greater impacts than UI and SNAP expansions which together keep only 4 million additional people out of poverty.
- △ **Are helping state and local economies recover by putting more cash into local households and state budgets.** The CARES Act payments increased Americans' incomes, boosting their spending and the tax revenue that consumer activity generates. That cash flow directly into households [buoyed](#) state revenues – and has given state budget writers facing shortfalls some [reason for optimism](#).

**Increases in EITC and CTC were never designed to address the urgency and scale of the current crisis.**

While they are essential long-term solutions to reducing poverty, EITC and CTC do not address the immediate needs of American families nor do they respond to the magnitude of financial insecurity people are facing. These programs are crucial complements to direct checks, not alternatives, in part because most of the benefits from those credits will not come until 2022. In a best-case scenario, a monthly CTC could distribute \$10 billion three months after passage, while direct checks could distribute hundreds of billions of dollars in a matter of weeks.

Even the expansions to the two programs proposed in the HEROES Act would reach only [a fraction of the households that have lost income](#) due to the crisis, and are estimated to lift only as many people out of poverty as a single round of direct checks. A year of quarterly direct checks would likely lift 3-4 times more people out of poverty than the EITC/CTC expansions alone. That is why these expanded credits and recurring direct payments must go hand in hand.

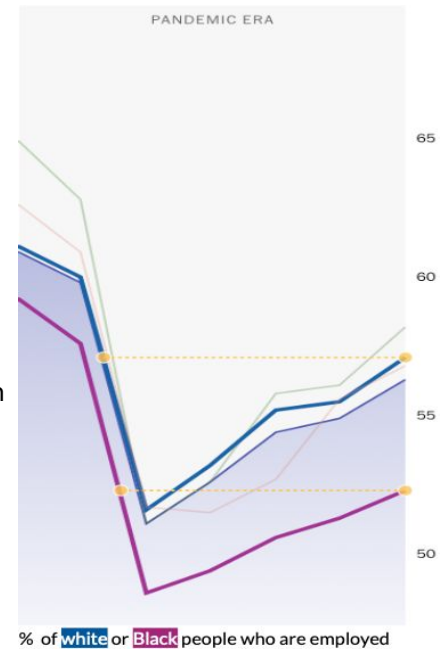
**Black and Latinx households are having a difficult time meeting household expenses at almost [twice the rate](#) of white households.** Black and Latinx households are experiencing higher levels of [food insecurity](#), COVID-related [mortality](#), and [business closures](#), among many other measures. A majority have [used up all their savings](#), compared to just one-third of white adults.

**“It wasn’t perfect, but hands down it’s the most successful thing we’ve ever done in negating hardship.”**

Luke Shaefer, University of Michigan, [The New York Times](#)

**Unemployment hit Black workers hardest, and job recovery has been slower.**

While white workers have already regained over half of the jobs they lost, Black workers have recovered [only a third](#). Thus, the gulf in employment between white and Black workers has [more than doubled](#) since the pandemic caused massive job losses.



**Unemployment insurance is less accessible by far to Black workers than white workers.**

As AFL-CIO economist Bill Spriggs has [written](#), and the [data show](#), unemployed Black workers are much less likely to receive unemployment benefits than white workers. These racial disparities have [long existed](#) in unemployment insurance, from its [original design](#) to [failures](#) in state administration – “[rationing by friction](#).” Direct payments, on the other hand, if implemented appropriately and directed to low-income families, could virtually eliminate these roadblocks to access and be 100% targeted to high-need families. To get help to all households who need it, unemployment insurance is essential but not enough: direct payments are a critical complement.

**Stimulus checks have a bigger impact for families of color.**

The data show that direct payments help close the racial income gap. [Another round](#) of payments as in the HEROES Act would increase Native American, Latinx, and Black family incomes by 4.1%, 3.9%, and 3.6% respectively, compared to 2% of household income for white families. If direct payments were limited to those in the bottom half of the income spectrum, those racial equity benefits would intensify.

## THE BIDEN-HARRIS ADMINISTRATION MUST ACT DECISIVELY IN THE FIRST 100 DAYS AND SOLVE THE BIG PROBLEMS IT INHERITS

### **The 2009 Recovery Act was too small, and a decade later many Americans still struggled.**

[Many economists agree](#) that ARRA fell short of delivering a speedy recovery and the decisive political win that would have come with it, because it wasn't big enough, sustained enough, or visible enough to everyday Americans (and thus viewed as a bailout). Christina Romer, chair of Obama's Council of Economic Advisers described the ARRA as, "Not the knockout punch the administration had hoped for." A 2021 Biden stimulus faces a much more serious economic crisis, especially for low-wage workers.

### **If relief is big enough, it can shave years off this recession.**

Recent research from the [Brookings Institution suggests](#) that a \$2 trillion relief package, including a round of direct payments, would get GDP *briefly* back to pre-pandemic levels by late 2021, but that periodic checks (alongside other policies) would keep the economy strong through 2022. Of course as the last recession proved, GDP growth isn't shared equally across households, and low-wage workers could be left behind for years. However, direct checks targeted to the bottom half of households would ensure those struggling the most, particularly Black, Latinx, and Native Americans who have been hit the hardest by this crisis, aren't left behind. Brookings adds that without a major relief bill, "[That return likely would not occur for perhaps as long as a decade.](#)"

### **Direct checks will help millions of Americans feel relief faster than almost any other policy.**

Americans experiencing economic disaster need relief that is both fast – the IRS can get money into most Americans' bank accounts far faster than a \$15 wage, infrastructure, or tax credits – and sustained – Lake Research found [76% of voters support "regular payments](#) until the

economic crisis ends" rather than a one-time payment (56% strongly). The Brookings analysis [confirms](#) that direct payments would have a greater impact on GDP in the immediate term than other major policies under consideration.

### **Early 2021 will likely be the best chance to pass a stimulus at the scale needed, perhaps with bipartisan support.**

Assuming the Biden administration works to pass a relief package through a closely-divided Senate in the first 100 days, while the economic impacts of COVID are still widespread and palpable for most Americans, multiple direct checks could be a potential area of bipartisan agreement. Relief at the scale of the crisis will be a popular investment: [70% of swing-district voters](#) (and [76% of voters nationally](#)) say the government should spend what it takes to help people meet basic needs, while only 20% would scale back support to reduce the national debt.

### **Politically, a Biden-Harris recovery package must deliver visible results. Direct checks are effective, proven, and tangible for voters.**

The 2009 ARRA was criticized for delivering aid largely through hidden pathways, and that is part of how it ended up portrayed as a "bailout." However, [no voter will forget receiving a relief payment](#) in the first few months of a new administration, especially if it continues monthly or quarterly and helps them meet their basic needs. That will pay crucial political dividends in the midterm elections and in the 2024 presidential race, as will running in 2022 and 2024 on a strong economy rather than a sluggish recovery.