

# Recurring relief is the key to a strong recovery

Targeted checks until the economy recovers will promote an equitable, sustained 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 targeted at low- and middle-income households, continuing until the economy recovers, will:

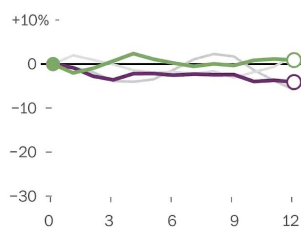
- △ **Help families meet basic needs** in the first few weeks of the new administration;
- △ **Shorten the recession**, to ensure a strong economy by 2022;
- △ **Promote racially equitable outcomes**;
- △ **Boost state and local economies** and revenues; and
- △ **Complement other relief programs** that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

## TARGETED, RECURRING CHECKS ARE THE KEY TO AN STRONG RECOVERY

**Half of Americans are in financial trouble:** Though unemployment has declined some, [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.

**This is the Inequality Recession.** The data show a clear chasm between high-income and low- and middle-income families:

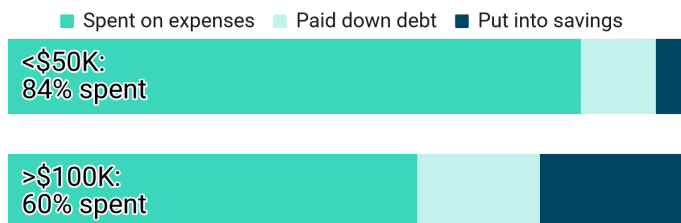
2008 recession



Coronavirus crisis



- △ **A jobs crisis.** Low-wage workers have lost [far more](#) jobs and wages than top earners (see chart below left). While employment for people earning more than \$60k has [recovered](#) to pre-recession levels, employment is still down 20% for those making less than \$27k.
- △ **An income crisis.** Low- and middle-income households are less than [half as likely](#) to have had their incomes recover compared to wealthier households. Even workers who kept their jobs lost income: while 21% of households [report](#) income disruptions from job loss, 19% lost income from hours cuts and 16% because they were unable to do business as usual.
- △ **Use of checks.** Experience with this recession [shows](#) that low-income families are more likely to spend stimulus money than high-income households, who may save it.



**Future relief must focus on low- and middle-income households** – those who are still struggling and need money, and who the data show will spend it. In the first round of relief, Congress sent near-universal checks because there wasn't sufficient data to know who needed the most help. Now they do, and data show that low- and middle-income people are still living with financial precarity – they're more likely to have lost jobs, had their hours cut, and be living on less on income than before the pandemic started. What's critical now is getting help to them, and ensuring that help lasts as long as it takes for them to get back on their feet. Targeting to the bottom half of households reduces the cost of each round of payments, making recurring payments more politically feasible.

## A FULL RECOVERY DEPENDS ON RELIEF LASTING AS LONG AS AMERICANS NEED IT

**The data show recurring checks will speed the recovery.** The impact of the two rounds of relief checks Congress has already sent has been broad and deep, but one-time payments only last people weeks to a couple months. Direct payments have been very successful at improving financial wellbeing, but recurring payments are critical to sustain the recovery. Recurring direct payments:

- △ **Could keep millions out of poverty.** One-time 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.
- △ **Will boost the economy by providing certainty and increasing spending at all income levels,** and the most sharply among low-income people. People spent the CARES Act payments [quickly](#), and most spent them on [food, rent, and utilities](#). Despite a strong initial stimulus, spending [leveled off](#) about two months after checks were received. Recurring payments would not only increase aggregate demand, but give Americans more certainty to spend, knowing that more help is on the way.
- △ **Increase 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.
- △ **Would help 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

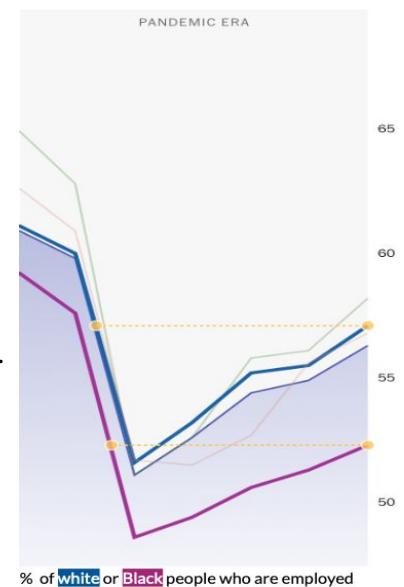
given state budget writers facing shortfalls some [reason for optimism](#). Recurring payments, tied in duration to the economic recovery, would give state budget writers more certainty to plan.

- △ **Are a political winner.** The promise of \$2,000 checks was a pivotal, winning campaign issue in the Georgia elections.

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

**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.

**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.

**Targeted stimulus checks have a bigger impact for families of color.** Even relief programs that were aimed at helping families of color have failed at providing the significant relief needed. As a result, Black and Brown families are some of the hardest hit by the pandemic – economically and from a health standpoint – and the least likely to get help. Cash is one of the only tools that flips that dynamic on its head, reaching the vast majority of Black and Brown families. If direct payments were targeted to those in the bottom half of the income spectrum, 75% of Black and Latinx families would get a check. And 41% of total benefits would go to families of color, compared to just 30% of total benefits under the CARES Act. The data show that direct payments help close the racial income gap, a stark illustration of our country’s history of systemic racism.

**“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](#)

**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.

**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.

**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 [70% 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.

## POLICY DETAILS

### Recurring cash payments until the economy recovers.

- Initial \$1,400 to raise the recent payments to \$2,000 (\$247B), followed by:
  - \$2,000 quarterly (\$353B each); or
  - \$1,200 quarterly (\$207B each).
- Payments last until the employment rate (EPOP) has reached 60% or four payments, whichever comes first, followed by a required congressional vote on whether to continue checks.

### Target to those who need it most and will spend it the quickest.

- Concentrate payments on the bottom 60% of earners and keep a top-end income of \$100K.
- Phaseouts between:
  - **Single:** \$30K and \$40K
  - **Married with no kids or head of household (single parents):** \$40K and \$80K
  - **Married with kids:** \$50K and \$100K

### Provide an equal credit to immigrant workers and dependents of all ages.

**Improved administration,** including automatic payments to all eligible households, and stronger outreach to communities left behind in previous rounds.

## IMPACTS

- 65% of Americans receive a check, with 84% of benefits going to bottom 60%.
- 41% of benefits to people of color (vs. 30% for CARES).
- 75% of Black and Latinx households receive a check.