

3 Glaring Problems with Joe Biden's New Multi-Trillion COVID Package *Brad Polumbo*

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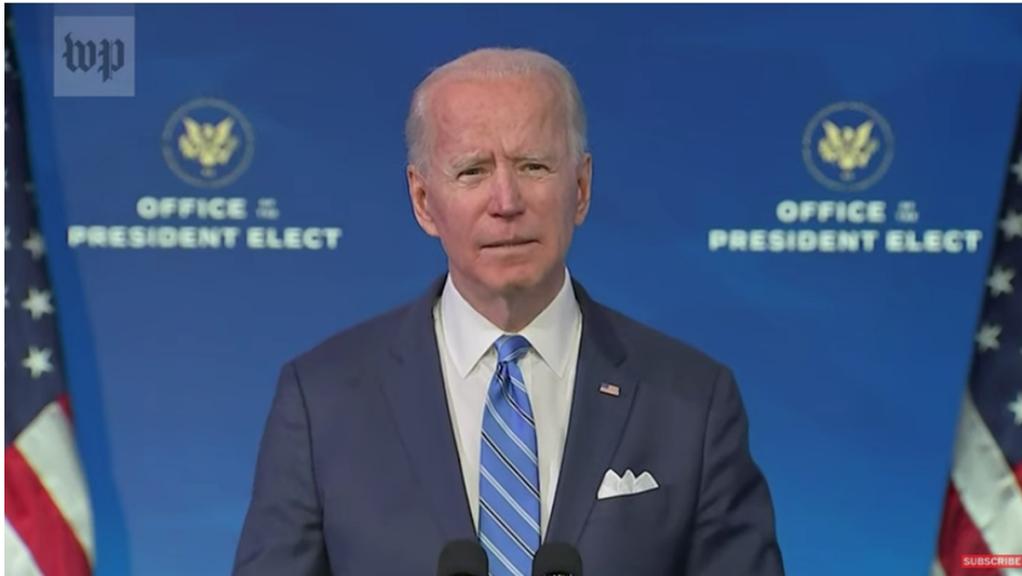


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*On Thursday night, Joe Biden rolled out a **sweeping proposal for \$1.9 trillion** more in COVID-19 relief and stimulus spending.*

"I believe we have a moral obligation," Biden said during a speech in Delaware announcing the plan.

"In this pandemic in America, we cannot let people go hungry, we cannot let people get evicted, we cannot watch nurses, educators and others lose their jobs, we so badly need them. We must act now, and we must act decisively."

It's a massive proposal, and any final legislative text based upon it would no doubt be hundreds of pages (if not thousands). But here are some of the package's main provisions:

An additional \$1,400 in "stimulus" checks to most Americans, upping the recently-passed \$600 payouts to \$2,000.

Renewal and increase of the expanded unemployment benefits that extend payouts to many new classes of workers through September 2021. Biden's proposal would add \$400 a week in federal payouts on top of existing state-level benefits.

Expansion of the child tax credit and the Earned Income Tax Credit.

Increase in food stamp benefits.

A nation-wide \$15 minimum wage.

Extension of the federal government's eviction moratorium.

\$350 billion for local, state, and tribal governments.

\$160 billion for vaccine distribution and other COVID health measures.

Paid leave for millions of workers, much of which would be paid for by taxpayers
Biden's proposed spending splurge comes in the context of the federal government
already having spent an astounding \$3 trillion and counting on COVID-19 relief and
stimulus efforts.

*Many of the government's various economic initiatives have **proven***
ineffective and rife with fraud, but Biden's plan would simply double-down on this
approach and pour more money into it.

Of course, advocates would say that the government has a moral and prudential duty
to step in and steer the economy out of the red. "This [plan] gets money quickly into
*the pockets of millions of Americans who will spend it quickly," Biden **said**.*

But here are three key problems with Biden's multi-trillion-dollar proposal.

1. Ignores the Root Cause of Our Economic Distress

Despite ostensibly being a COVID-19 relief bill, Biden's proposal largely ignores the
root cause of our economic distress: government lockdowns and restrictions on the
economy. Major economic centers like California and New York remain in large part
locked down, with businesses shut down and people largely confined to their homes.
*(Despite the **ample—and growing**—evidence that harsh lockdowns are not an*
effective COVID containment tactic).

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"If states would lift draconian lockdowns we wouldn't have to keep revisiting
conversations about stimulus spending," Republican congresswoman Lisa McClain
argued. "We need more jobs, not more government bailouts."

2. Includes Job-Killing Provisions and Would Discourage Work

One might understandably assume that a COVID relief bill should promote work and
job growth, not kill it. But Biden's proposal upends this assumption.

At the same time the president-elect is promising to steer the nation to economic renewal, he is proposing the expansion of an ultra-generous unemployment benefits system for the next 7 months.

It's Econ 101, and an intuitive matter of basic incentives, really, that government programs that make unemployment more attractive—in many cases this expanded program would pay close to or more than people's regular job—hurt job growth and prolong unemployment.

*Economists Casey Mulligan and Stephen Moore **estimate** that the Biden bill would destroy at least 4 million jobs due to the work disincentives it would create. How's that for "stimulus?"*

*And the inclusion of a federal \$15 **minimum wage** is equally counterproductive. Even setting aside the objection that such a partisan priority shouldn't be slipped into a COVID emergency package, the policy on its merits alone would crush small businesses.*

*A **recent survey** found that almost 60 percent of small business owners said that they don't expect their enterprise to survive through June 2021. Hiking their wage bill—often an enterprise's biggest expense—would no doubt deal the killing blow to many of these businesses.*

"If you actually wanted to create more jobs during this pandemic, then why would you impose a costly \$15 minimum wage on small businesses?" Republican congressman Greg Murphy asked.

"This is just another example of progressives trying to pass their liberal agenda under the guise of COVID relief."

*A federal \$15 minimum wage would also hurt workers directly by killing millions of jobs. It's basic economics that when the cost of a service goes up, less of it is demanded. So, it's no surprise that the nonpartisan Congressional Budget Office has **projected** that a federal \$15 minimum wage would eliminate an estimated 1.3 million to 3.7 jobs.*

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3. Sends Hundreds of Billions in Taxpayer Money to Non-Needy People

Another glaring flaw plaguing Biden's package is that so much of its expenditure would not go to the needy or those actually impoverished by the COVID-19 crisis and lockdowns, but to affluent or well-off Americans. Consider the president-elect's stated desire to send out increased "stimulus" checks, for example.

We can safely assume that Biden would use the same or similar eligibility requirements as the House Democrats did with their bill to send out \$2,000 checks.

Under this scenario, taxpayers would be on the hook for billions sent to wealthy families.

As economist Peter Jacobsen and I [previously explained for FEE](#):

The Committee for a Responsible Federal Budget's Marc Goldwein examined the House Democrats' proposed boosted stimulus checks legislation. He reports that a single adult with a \$100,000 salary would get \$750 courtesy of the US taxpayer—even if their (rather sizable) income hasn't been disrupted at all. A married couple with 3 kids with a household income of \$200,000 would get \$7,500 (!!!) in taxpayer money.

These are just two examples. But it's true, broadly speaking, that these proposals would spray billions of dollars—funded by our taxes and debt—to well-off people whose employment has not been adversely impacted by COVID-19 lockdowns.

In a similar vein, Biden's package allocates hundreds of billions in taxpayer money to bail out poorly-managed state and local governments.

“This is a bailout package for blue states for their bad policies, for their lockdown policies,” Republican congressman Michael Waltz, who represents Florida, explained.

After all, in stark contrast to Waltz's home state, in California and New York draconian lockdown policies have caused a budget crisis. (What they have not caused is much amelioration of the pandemic, which is far worse in California and New York than in Florida.)

“They have to fill that hole,” Waltz said. “States have to balance their budget, the federal government doesn't. So AOC and now Joe Biden are going to the big piggy bank in the sky that prints nonstop money.”

Suffice it to say it is neither fair nor prudent to force federal taxpayers to bail states out of the consequences of their poor decision-making. The relief such states truly need is relief from the impoverishing policies of their governments.

The Takeaway: Using Crisis to Expand Big Government's Power

Biden's new stimulus plan may be intended as an opening salvo in negotiations. Many of the above provisions might not make it into the final bill Congress ends up considering. But the president-elect's sweeping proposal still offers the public a glaring example of a timeless principle: Politicians will always exploit a crisis to expand their power.

This is the danger economist [Robert Higgs](#) identified in his seminal work [Crisis and Leviathan](#) as “the Ratchet Effect.”

Higgs showed how throughout history, crises have been used to excuse government power grabs. After each crisis, the government lets go of some of the power, but never all of it. As a result, the federal government's power (the Leviathan) has 'ratcheted up,' crisis after crisis, throughout the last hundred years.

So, Americans must not treat Biden's COVID stimulus proposal like an app's terms and conditions of service and simply accept it after a brief skim. We must guard against big government power grabs and radical economic interventions foisted on us in the name of crisis response.

Brad Polumbo