The Daily Dish

Stimulus Dance Steps

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Eakinomics: Stimulus Dance Steps

The stimulus dance continues. Yesterday the *New York Times* featured an article pushing the panic button on a double-dip recession in the 1st quarter of 2021 and reporting that Biden advisers "are pushing for Democratic leaders in Congress to reach a quick stimulus deal with Senate Republicans, even if it falls short of the larger package Democrats have been seeking, according to people familiar with the discussions." Simultaneously – and strictly coincidentally, I am sure – 127 left-leaning economists issued a public letter arguing "A stimulus at the scale of the recession will boost consumer spending, driving the economic recovery and shortening the recession," and "Direct checks, especially if targeted to the bottom half of households, would ensure those struggling the most, particularly Black, Latinx, and Native American families, aren't left behind."

The question is: Will this continue to be the stimulus stiletto, a solo dance just for the exercise, or will it transform to stamoulo, a wedding of the parties? Let's think about the developments separately.

On the politics, Speaker Pelosi and Minority Leader Schumer need a way to exit gracefully from their dogged insistence on a $3 trillion wish list of sorta-COVID-related and just-cuz-we-can-get-it demands. This was a nice way to preclude a victory for President Trump prior to the election, but now they need more flexibility. The Biden advisers are providing air cover for just exactly that.

What could such a quick stimulus look like? The economists' letter emphasized direct payments to households, with a brief mention of "other valuable programs like unemployment benefits, aid to state and local governments, stronger SNAP benefits, robust child care funding and more." Indeed, they argue the stimulus should be the sized at the "scale of the recession." That size is not entirely clear, but 3rd quarter gross domestic

product was $21,157.6 billion, down by $403.5 billion from its 1st quarter level of $21,561.1 billion. This amounts to roughly $3,100 per household or $1,250 per person. That's pretty close to the checks sent out under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Notice, however, that the economists argue that the checks should be targeted on the lower 50 percent of households, raising this size to the ballpark of $6,200 per household or $2,500 per person.

The $400 fits into the rough size that Senate leadership has embraced. But the real question is what Senate majority priorities – for example, business liability protection – will the House majority be willing to accept. Finding those terms and controlling their own party is the real challenge for the Biden advisers if they want to succeed and quickly.