The Daily Dish

The American Rescue Plan

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Eakinomics: The American Rescue Plan

Twelve committees in the House of Representatives are putting together pieces of the text that will transform the Biden Administration's American Rescue Plan (ARP, not to be confused with any of these) from campaign-inspired fantasy to legislative reality (real ARP, or RARP). I did not expect to be super gruntled by RARP, but seeing the early work has been eye-opening. Thanks to the great, timely work of the AAF experts, we have an early look at the climate change piece from Ewelina Czapla, and we learn that the plan is to spend taxpayer money. Thomas Wade provides a guide to the housing piece, where it turns out the plan is to spend taxpayer money ($45 billion for renters, homeowners, and the homeless). He also takes a quick tour through financial services, where we find that the plan is to spend taxpayer money ($60 billion, with $25 billion dedicated to restaurants).

There seems to be a pattern here, which is a problem because the Congressional Budget Office (CBO) put out the most recent budget projections and…there's no money! The debt already exceeds the size of the economy. The deficit is already on track to be $2.3 trillion in 2021, and RARP would jack that straight up to $4.2 trillion. It should be named American Rescue Folly (ARF) because it is a dog and I want to RARF when I read it. It is particularly galling because the vast majority of it has nothing, Nothing, NOTHING to do with "rescue" from the COVID-19 pandemic and recession. It is a partisan effort designed to prove that the partisans can do what they have wanted to do for a long time, whether it makes any sense or not.

Exhibit A in supporting this assertion comes from Gordon Gray, who took a look at the multiemployer pension provisions. Now, these pensions are a real problem: The roughly 1,400 plans have $496 billion in assets compared to $1.2 trillion in liabilities, and the Pension Benefit Guaranty Corporation is itself to be bankrupt and unable to guarantee anything for anybody. So 10 million active and retired workers are at risk.

As Gray documents, there has been several years of serious, good-faith, bipartisan work on crafting a solution to the problem that provided limited taxpayer assistance and shared sacrifice by stakeholders. Nothing of the sort is going on here. Indeed, the normally mild-mannered Gray has been driven over the edge, opining: “But that progress has been supplanted by a crass bailout. In the House reconciliation bill, congressional Democrats have scrapped any pretense of reform, accountability, or any acknowledgement of moral hazard. The “pension assistance” is not the open-ended loan program of prior versions of Butch-Lewis, nor is it a taxpayer partition with significant stakeholder contributions. Rather, the Democrats’ pension relief measure simply provides the worst-funded plans with a taxpayer commitment to fund their shortfalls for the next 30 years.”

RARF.