The Daily Dish

The Case for Supporting the Airlines

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Eakinomics: The Case for Supporting the Airlines

Congress is considering the next step in responding to the coronavirus pandemic, and included in the mix is the request by U.S. airlines for $50 billion in cash grants and unsecured loans, as well as some aviation tax relief. That's a pretty big ask. Does it have any merit?

The situation facing the airline industry today is unprecedented. The downturn in demand for commercial air transportation has been swift and dramatic. The International Air Transport Association predicts an almost 20 percent loss in worldwide passenger revenues, an astounding figure that would amount to more than $110 billion. Internationally and domestically, airlines have already cut routes, reduced jobs, and even shut down operations.

But things are tough everywhere. Hotels and restaurants are empty, Broadway has been shuttered, and the entire private sector is faced with a sharp liquidity crisis. What's so special about airlines?

Airlines are a key part of the supply chain. Even passenger flights are not just for passengers – they are the backbone of the cargo industry. Roughly a quarter of all cargo is transported on those same passenger flights that are rapidly being grounded. The health of the transportation sector – airlines in particular – is inextricably linked to the health of our nation's economy as a whole.

A disruption of airline service will ripple through our supply chain, creating further economic harm beyond the recent drop in demand. Businesses – and vital businesses in particular – still need to receive goods that they can then sell to the public. Airlines help ensure they receive those goods.

To be sure, intervening in a market economy is fraught. But this is no "bailout" of bad

behavior. The airlines were in good financial shape: They had been raising compensation for employees and investing in their business models. This isn't bailing out bad behavior – and the moral hazard that engenders. It is throwing a lifeline of bridge finance to get past the pandemic and back to business.

Almost 20 years ago, the U.S. airline industry faced what we all assumed would be its greatest crisis of our lifetimes following the 9/11 attacks. It was only through a smart, coordinated effort between government and industry that carriers were able to remain afloat to keep supporting American commerce and business following that tragedy. That approach consisted of a mix of grants, loan guarantees, and relief from excise taxes. It worked then, and it can work again. Congress must act quickly in order to preserve our nation's economy.