

# MCCONNELL'S RESPONSE TO THE CORONAVIRUS RECESSION FAILS KEY TESTS

ISSUE BRIEF BY **MIKE KONCZAL** | MARCH 2020

The recent bill introduced by Senate Majority Leader Mitch McConnell tries to stem the current economic crisis. In a previous document, "[A Forward-Thinking Response to the Coronavirus Recession](#)," we outlined five elements that any response needs to include: (1) Help people directly by providing cash, (2) support workers, (3) help states and municipalities, (4) prevent business collapse, (5) and prevent unconditional support for industries that go bankrupt. We can evaluate the bill along these lines.

Element	What's Needed	What McConnell's Bill Does
Provide cash to people	\$2,000 per person, including dependents, quarterly or regularly until unemployment is down to a sufficient level.	Provides too little: \$1,200 per person and \$500 per dependent. Requires nonfilers to file tax returns. Worse, there is no automatic renewal.
Backstop states and municipalities	Cash grants, backstops of essential programs, support from the Federal Reserve.	Nothing. States can get in line behind private companies for emergency funding.
Support workers	Unemployment insurance rapidly expanded to all workers including self-employed at a high rate of income replacement.	Close to goal. However, without a federal backstop, states will drag on enrollment to protect their funding. State officials are also likely to be overwhelmed by claims.
Provide support for businesses	Blanket guarantee by the government of loans and grants to small- and medium-sized businesses to cover payroll and maintenance costs.	The inadequate \$300 billion in loans for small businesses means many will be unable to navigate the process before funding runs out. Banks receive excessive funding for bearing no risk.
Prevent unconditional bailouts for industries that go bankrupt	Strict terms for any cash assistance for failed firms, including equity stakes, labor reforms, restrictions on stock buybacks and dividends, and maintenance of employment.	Creates a \$500 billion fund executed by the Treasury Secretary. No serious terms regarding governance or labor reforms. The secretary can waive terms and also not disclose who receives bailouts for six months.

The McConell bill is a failure on four of these five dimensions and will struggle on the fifth. Serious changes will be needed in order for this bill to match the scale of our crisis.

