HOW THE AMERICAN RESCUE PLAN SAVED LIVES AND THE U.S. ECONOMY

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTEENTH CONGRESS

SECOND SESSION

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HOW THE AMERICAN RESCUE PLAN SAVED LIVES AND THE U.S. ECONOMY

TUESDAY, JUNE 14, 2022

HOUSE OF REPRESENTATIVES
COMMITTEE ON THE BUDGET
Washington, DC.

The Committee met, pursuant to notice, at 10:32 a.m., in Room 210, Cannon Building, Hon. John A. Yarmuth [Chairman of the Committee] presiding.

Present: Representatives Yarmuth, Jeffries, Kildee, Horsford, Lee, Chu, Jackson Lee, Sires, Peters, Moulton Jayapal; Smith, Kelly, McClintock, Grothman, Smucker, Burgess, Carter,Cline, Boebert, Donalds,Geenstra, Good, Hinson, Obernolte, and Carey.

Chairman YARMUTH. The hearing will come to order. Good morning and welcome to the Budget Committee's hearing on How the American Rescue Plan Saved Lives and the U.S. Economy. At the outset, I ask unanimous consent that the Chair be authorized to declare a recess at any time. Without objection, so ordered.

I will start by going over a few housekeeping matters. The Committee is holding a hybrid hearing. Members may participate remotely or in person. For individuals participating remotely, the Chair or staff designated by the Chair may mute a participant's microphone when the participant is not under recognition for the purpose of eliminating inadvertent background noise. If you are participating remotely and are experiencing connectivity issues, please contact staff immediately so the issues can be resolved.

Members participating in the hearing or on the remote platform are responsible for unmuting themselves when they seek recognition. We are not permitted to unmute Members unless they explicitly request assistance. If you are participating remotely and I notice that you have not unmuted yourself, I will ask you if you would like staff to unmute you. If you indicate approval by nodding, staff will unmute your microphone. They will not unmute your microphone under any other conditions.

I would like to remind Members participating remotely in this proceeding to keep your camera on at all times, even if you are not under recognition by the Chair. Members may not participate in more than one committee proceeding simultaneously. If you are on the remote platform and choose to participate in a different proceeding, please turn your camera off. Finally, we have established an email inbox for submitting documents before and during Committee proceedings and we have distributed that email address to your staff.

Now, I will introduce our witnesses. This morning we will be hearing from Dr. Julia Coronado, the Founder and President of MacroPolicy Perspectives. The Honorable Vince Williams, the Mayor of Union City, Georgia, and the President of the National League of Cities. Ms. Sharon Parrott, the President of the Center on Budget and Policy Priorities. And Mr. Stephen Moore, Chair of the Save America Coalition, the America First Policy Institute, and a distinguished fellow in economics at the Heritage foundation. We welcome all of you.

I now yield myself five minutes for an opening statement.

Good morning. I want to welcome our distinguished panel of witnesses. Thank you for joining us for this important hearing on the American Rescue Plan.

This legislation, which I was proud to sponsor, was signed into law 15 months ago. A lot has changed since then and the American people have benefited enormously from the provisions of this law. But they have also been subjected to a lot of misinformation about the law. So today, I want to start by laying out the facts.

In 2021, the Rescue Plan powered the strongest economic growth in nearly 40 years, helping to improve our fiscal standing and laying the foundation for our record-breaking recovery.

On the jobs front, before the Rescue Plan, the nonpartisan Congressional Budget Office projected our unemployment rate would be 5 percent right now, and that it wouldn't drop below 4 percent within this decade. Thanks to the Rescue Plan, unemployment is near historic lows at 3.6 percent. Seventeen states, including my home state of Kentucky, are seeing their lowest unemployment rates on record. In fact, the Rescue Plan nearly doubled GDP growth and led to the creation of 4 million additional jobs in 2021. That is millions of Americans earning a paycheck as a direct result of the Rescue Plan.

And it is not only jobs. Incomes are up too by more than 5 percent overall, and by nearly 12 percent for the lowest-earning workers. That is even after accounting for inflation. The child poverty rate dropped nearly 40 percent from 2020 to 2021. Despite the economic fallout of the pandemic and the possibility of a wave of evictions, foreclosures hit an all-time low last year.

Across-the-board, the data shows that the Rescue Plan helped American families enormously, ensuring they could put food on the table, stay in their homes, and avoid economic devastation despite the turbulent times.

The law was also enormously beneficial to state and local governments. During the Great Recession, the contraction at the state and local level hurt our overall recovery and prevented states from addressing community needs and longer-term impacts of the recession.

This time, funding from the Rescue Plan helped state and local governments avoid massive layoffs, keeping teachers, firefighters, police, and millions of other essential workers on the job. Local leaders had the resources necessary to meet urgent needs and ensure their communities came out of the pandemic better than they went into it.

Not only was the Rescue Plan more effective than other aid packages during the previous recession, it also helped the United states recover more quickly than other nations. In fact, the U.S. had the fastest economic recovery among the G–7 countries, and our economy is projected to be larger at the end of this year relative to its pre-pandemic size than any other G–7 economy.

Clearly, we have made significant progress, but now inflation is a challenge. Again, here are the facts: Experts across the ideological spectrum agree that the main drivers of current inflation are international supply chain issues and energy price hikes caused by Russia's war in Ukraine. These are global challenges, which is why inflation is a global issue. As Treasury Secretary Yellen said last week, "We are seeing high inflation in almost all of the developed countries around the world. And they have very different fiscal policies."

But unlike our global counterparts, America is in a better place to face these economic headwinds because of the American Rescue Plan. We have avoided the kind of long-lasting financial damage to families and communities that typically follows an economic downturn of the size we experienced. We have avoided the grim forecasts CBO projected before the Rescue Plan. We saved our economy and we delivered lifesaving and life-changing relief to families across the country, all while fueling the most equitable and impressive economic recovery in recent memory.

There is a lot to learn from the Rescue Plan and the important role the federal government can play in the lives of Americans. I look forward to discussing this further with our esteemed panel of witnesses today.

With that, I would like to yield to the Ranker Member, Mr. Smith, five minutes for his opening statement.

[The prepared statement of Chairman Yarmuth follows:]

Chairman John A. Yarmuth
Hearing on How the American Rescue Plan
Saved Lives and the U.S. Economy
Opening Statement
June 14, 2022

Good morning. I want to welcome our distinguished panel of witnesses — thank you for joining us for this important hearing on the American Rescue Plan.

This legislation, which I was proud to sponsor, was signed into law 15 months ago. A lot has changed since then and the American people have benefitted enormously from the provisions of this law. But they have also been subjected to a lot of misinformation about the law, so today, I want to start by laying out the facts.

In 2021, the Rescue Plan powered the strongest economic growth in nearly 40 years, helping to improve our fiscal standing and laying the foundation for our record-breaking recovery.

On the jobs front — before the Rescue Plan, the nonpartisan Congressional Budget Office projected our unemployment rate would be 5 percent right now, and that it wouldn't drop below 4 percent within this decade. Thanks to the Rescue Plan, unemployment is near historic lows, at 3.6 percent. Seventeen states — including my home state of Kentucky — are seeing their lowest unemployment rates on record. In fact, the Rescue Plan nearly doubled GDP growth and led to the creation of 4 million *additional* jobs in 2021 — that's millions of Americans earning a paycheck as a direct result of the Rescue Plan.

And it's not only jobs. Incomes are up too by more than 5 percent overall, and by nearly 12 percent for the lowest-earning workers — that's even after accounting for inflation. The child poverty rate dropped nearly 40 percent from 2020 to 2021. Despite the economic fallout of the pandemic and the possibility of a wave of evictions, foreclosures hit an all-time low last year.

Across-the-board, the data shows that the Rescue Plan helped American families enormously, ensuring they could put food on the table, stay in their homes, and avoid economic devastation despite the turbulent times.

The law was also enormously beneficial to state and local governments. During the Great Recession, the contraction at the state and local level hurt our overall recovery and prevented states from addressing community needs and longer-term impacts of the recession.

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There is a lot to learn from the Rescue Plan and the important role the federal government can play in the lives of Americans. I look forward to discussing this further with our esteemed panel of witnesses today.

Mr. SMITH. Thank you, Mr. Chairman. It has been over 15 months since the $2 trillion American Rescue Plan, as I refer to it as the Biden bailout bill, was signed into law, sparking the highest inflation in 40 years. Inflation has risen 12.2 percent since Joe Biden took the oath of office. We have seen gas prices surge to 109 percent above since Joe Biden took the oath of office. I want to thank the Chairman for agreeing to hold this oversight hearing. We have been asking for it for some time and yet, this oversight hearing undercut by the fact that President Biden's Rescue Czar Gene Sperling and Treasury Secretary Yellen are not here.

Mr. Chairman, as you know, I sent you a letter requesting you add a second panel of executive branch witnesses for the hearing so Mr. Sperling and Secretary Yellen could answer the questions they have thus far ignored from our timeless efforts one after another. And I ask unanimous consent to submit the letter to the record.

Chairman YARMUTH. Without objection.

[Letter submitted for the record follows:]

JOHN A. YARMUTH, KENTUCKY
CHAIR

DIANA MEREDITH, STAFF DIRECTOR
(202) 226-2700

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RANKING MEMBER

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U.S. House of Representatives
COMMITTEE ON THE BUDGET
204-E CANNON HOUSE OFFICE BUILDING
Washington, DC 20515

June 8, 2022

The Honorable John Yarmuth
Chairman
Committee on the Budget
U.S. House of Representatives
204-E Cannon House Office Building
Washington, DC 20515

Dear Chairman Yarmuth:

On December 9, 2021, Republican Members of the House Committee on the Budget wrote to you requesting an oversight hearing of the $1.9 trillion American Rescue Plan Act (ARPA). Thank you for complying with this request and scheduling a hearing next Tuesday, June 14, 2022, to review the largest spending bill ever passed by Congress.

As you know, President Biden appointed Mr. Gene Sperling as Senior Advisor to the President and "American Rescue Plan Coordinator" to oversee implementation of the Administration's so-called "Covid relief" spending. Only 9 percent of the funding in that plan actually went to combatting the coronavirus through public health spending. Much of the remainder became a slush fund for state and local governments, disbursed by the U.S. Department of the Treasury, which spent hundreds of billions of taxpayer dollars for uses unrelated to public health – including funds to plant trees in New York, build beach parking lots and bathrooms in South Carolina, update state parks and trails in Michigan, construct a golf course and clubhouse in Florida, and build and expand libraries in Delaware, to name just a few. Republican members of the House Budget Committee have written to Mr. Sperling on multiple occasions, noting countless instances of misuse, and requesting a transparent accounting of how, when, and where American taxpayer dollars in ARPA were spent. We have never received a formal response from him or from anyone in the Biden Administration on his behalf.

The Oversight Plan of the Budget Committee states, "In the 117th Congress, the Committee will be active in its oversight duties… The Committee will continue its efforts to strengthen Congress' power of the purse, through recommending specific reforms to ensure spending and revenue decisions are transparent and effectively carried out by the Executive Branch." It has been recently reported that Treasury Secretary Janet Yellen, at the time that ARPA was under consideration by Congress, "urged Biden administration officials to scale back the $1.9 trillion American Rescue Plan by a third" precisely because she feared the possibility such spending might spark inflation.[1] Mr. Sperling's responsibility as a senior Administration official and Secretary Yellen's role as head of the Treasury Department implementing one trillion dollars of government programs and benefits from ARPA makes it imperative that one or both be invited to testify before this Committee. I request that Mr. Sperling and/or Secretary Yellen be invited to serve as the primary witness(es) in the upcoming Budget Committee hearing, prior to a second panel with the nongovernmental witnesses you have already invited, per the hearing notice, and a yet to be named witness to be invited by the minority as well.

Despite claims made by the Biden Administration as well as Congressional Democrats that spending an additional $1.9 trillion would rescue the American economy, in the first quarter of 2022, America's economy declined by 1.5 percent, and the labor force participation rate remains below what it was prior to the COVID-19 pandemic. At the same time, our country is facing the highest rate of inflation in 40 years – up 11 percent since President Biden took office, a direct result of this reckless spending. As high-ranking officials within the Administration – one of which is specifically charged with oversight over the President's signature spending priority – Mr. Sperling and Secretary Yellen's testimony in front of this committee would be invaluable in shedding light on what American taxpayers have received given the costs paid.

Thank you for your attention to this matter.

Sincerely,

Jason Smith
Ranking Member

[1] Yellen Wanted Biden Relief Plan Scaled Back, Biography Says, Bloomberg, June 3, 2022, https://www.bloomberg.com/news/articles/2022-06-04/yellen-wanted-biden-relief-plan-cut-by-a-third-biographer-says.

Mr. SMITH. Thank you, Mr. Chairman. Mr. Sperling was appointed to oversee the implementation of this $2 trillion boondoggle. Secretary Yellen's Department is responsible for administering over $1 trillion worth of its programs and benefits. Many of these made it more rewarding to stay out of the work force in 2021 than seek gainful employment, worsening the labor and supply chain problems we see today.

For over a year, we have cataloged numerous examples of ridiculous waste of federal tax dollars from the American Rescue Plan:

- $1,400 stimulus checks to Japanese citizens living in Japan;
- $783 million in checks to prisoners;
- $2 million to purchase a ski area;
- $140 million for luxury hotel developments in Florida;
- $20 million to modernize fish hatcheries in Maine;
- $4 million for a bird sanctuary;
- $2 million for a golf course.

Sounds like a lot, but there is a lot more:

- $15 million of taxpayer dollars to help develop a venue in New Jersey to host the 2026 World Cup;
- $7 million to social media influencers to promote seafood;
- $2 million to plant trees in New York;
- $5 million for a moonshine walking trail;
- $7 million for horseracing in Arizona;
- $250,000 for pickle ball courts;
- $800,000 for luxury apartments in Connecticut;
- $4 million for beach bathrooms and parking lots in South Carolina.

This list goes on and on. This is why we need answers from the Administration.

So, what did American families get? I will tell you. They got higher prices and lower real wages. Inflation began to rise to the fastest level in 40 years the month after Democrats passed the $2 trillion bill. Inflation was 1.7 percent in February 2021, the month before passage of this boondoggle.

The economy shrank 1.5 percent in the first quarter of 2022, 4.4 percentage points lower than where the Congressional Budget Office said it should be prior to passage of this boondoggle. The labor force participation rate is still below pre-COVID levels. The deficit in 2021 was $517 billion higher than the Congressional Budget Office said it would have been before passage of this boondoggle. At $2.78 trillion deficit, it was the second highest deficit in the history of this nation.

Interest rates are rising faster than it has seen in 30 years. When Joe Biden took office, the CBO predicted no tax rates until 2024. We have two already, one expected this week. In February 2021, CBO reported that the economic growth would return to pre-pandemic levels by the middle of last year and unemployment would continue decline, all without further federal government stimulus. Despite this and with $1 trillion in unspent COVID money, Democrats chose to gamble with the financial security of the American people.

Our Democrat colleagues are holding this hearing to take a victory lap that which shows just how of touch they are with what real Americans are facing with uncontrollable inflation. I yield back.

[The prepared statement of Jason Smith follows:]

BUDGET | HOUSE BUDGET REPUBLICANS

Rep. Jason Smith
Republican Leader

Smith Opening Statement: House Budget Committee Hearing on the American Rescue Plan

June 14, 2022
As prepared for delivery.

Thank you, Mr. Chairman.

It's been over 15 months since the $2 trillion American Rescue Plan Act was signed into law, sparking the highest inflation in 40 years.

Inflation has risen 12.2 percent since Biden took office, gas prices have surged 109 percent, and a massive trail of misuse of tax dollars has been exposed.

I want to thank the Chairman for agreeing to hold this oversight hearing. We have been asking for it. And yet, this oversight hearing is undercut by the fact that President Biden's "Rescue Czar" Gene Sperling and Treasury Secretary Janet Yellen are not here.

Mr. Chairman, as you know, I sent you a letter requesting you add a second panel of Executive Branch witnesses for this hearing so Mr. Sperling and Secretary Yellen could answer the questions they have thus far ignored about when and where they handed out all this money.

I ask unanimous consent to submit this letter for the record.

Mr. Sperling was appointed to oversee the implementation of this $2 trillion boondoggle. Secretary Yellen's Department is responsible for administering over $1 trillion worth of its programs and benefits. Many of these made it more rewarding to stay out of the workforce in 2021 than seek gainful employment, worsening the labor and supply chain problems we see today.

For over a year, we have cataloged numerous examples of ridiculous waste of federal tax dollars from the American Rescue Plan:

- $1,400 stimulus checks going to Japanese citizens living in Japan
- $783 million worth of stimulus checks to prisoners
- $2 million spent to purchase a ski area

- $140 million for a luxury hotel development in Florida
- $20 million to modernize fish hatcheries in Maine
- $4 million for a bird sanctuary
- $2 million for a golf course

Sounds like a lot. But there's more:

- $15 million of taxpayer dollars to help develop a venue in New Jersey to host the 2026 World Cup
- $7 million to social media influencers to promote seafood
- $2 million to plant trees in New York
- $5 million for a moonshine walking trail
- $7 million for horse racing in Arizona
- $250,000 for pickleball courts
- $800,000 for luxury apartments in Connecticut
- And $4 million for beach bathrooms and parking lots in South Carolina

The list goes on.

An estimated $400 billion has been lost to fraud.

So, what did American families get? Higher prices and lower real wages. Inflation began to rise to the fastest rate in 40 years the month after Democrats passed their $2 trillion bill. Real wages under Biden are down 4.2 percent.

The economy shrank 1.5 percent in the first quarter of 2022, 4.4 percentage points lower than where CBO said it should be prior to the American Rescue Plan. The labor force participation rate is still below pre-COVID levels. The deficit in 2021 was $517 billion higher than CBO said it would have been before ARPA. At $2.78 trillion, it was the second highest deficit in American history. Interest Rates are rising the fastest in almost 30 years. When Joe Biden took office CBO predicted no rate hikes until 2024.

In February 2021, CBO projected that economic growth would return to pre-pandemic levels by the middle of last year and unemployment would continue to decline – all without further federal government stimulus. Despite this, and with $1 trillion in unspent COVID money, Democrats chose to gamble with the financial security of the American people.

Democrats will blame it on Putin, even though inflation had already risen 7.5 percent by the time Russia invaded Ukraine. They will claim inflation is a global problem, ignoring the fact that inflation is higher in American than other developed countries. And their only solution is to spend more.

That our Democrat colleagues are holding this hearing to take a victory lap shows just how out of touch they are with what the American people are facing.

Mr. Chairman, as we said at the time, the American Rescue Plan was the wrong plan, at the wrong time, for all the wrong reasons

I yield back.

###

Chairman YARMUTH. I thank the gentleman for his opening statement. Two points. One is you misspoke. You said tax rates instead of interest rates. I am just correcting it for your benefit.

Mr. SMITH. Thank you. Interest rates are continuing to rise under this Administration.

Chairman YARMUTH. And second, just for point of information. We did extend an invitation to Treasury Secretary Yellen and she was unable to attend. But we did make the invitation to her.

Now, I would like to once again, thank our witnesses for being here this morning. The Committee has received your written statements and they will be made part of the formal hearing record. You each will have five minutes to give your oral remarks. Dr. Coronado, you may begin when you are ready.

STATEMENTS OF JULIA CORONADO, FOUNDER AND PRESIDENT MACROPOLICY PERSPECTIVES; VINCE WILLIAMS, MAYOR, UNION CITY, GEORGIA AND PRESIDENT, NATIONAL LEAGUE OF CITIES; SHARON PARROTT, PRESIDENT, CENTER ON BUDGET AND POLICY PRIORITIES; STEPHEN MOORE, CHAIR, SAVE AMERICA COALITION, AMERICA FIRST POLICY INSTITUTE, AND DISTINGUISHED FELLOW IN ECONOMICS, HERITAGE FOUNDATION

STATEMENT OF JULIA CORONADO

Dr. CORONADO.

[Muted]——

Mr. PETERS. Can't hear her.

Dr. CORONADO [continuing]. before the ARP's passage, forecasters expected a solid GDP performance, but in the event, real GDP grew 5.7 percent in 2021, the fastest pace since 1983. And the unemployment rate fell to 3.9 percent, the fastest one year decline on record.

It is worth revisiting why policy erred on the side of generosity during the pandemic. The recovery from the Great Recession of 2008 featured too little policy support and a labor market that left millions of Americans on the sidelines for years. It took more than six years for the labor market to regain the 2007 level of employment. And only after that did the labor force participation rate of prime aged workers, age 25 to 54 begin to recover. During the pandemic, prime age labor force participation again fell sharply. But a decisive recovery in both jobs and participation has been ongoing for the past 12 months. We are on track to exceed pre-pandemic levels of employment and prime age participation in the next six months, which would be the fastest labor market recovery in four decades.

There is an extensive literature in economics on labor market scarring. That is permanently lower earnings that result when people experience long spells of unemployment or labor force disengagement. Unemployment also adds to income inequality. Unemployment for lower wage and non-white workers rises more in a recession and falls more slowly in a recovery. The disastrously slow labor market recovery from the Great Recession led to a policy reorientation that prioritized speed of the recovery.

A strong labor market and fiscal support has meant a broader based and more inclusive recovery. Workers have had more financial space to bide their time, change employers, and find the right situation for themselves and their families. Younger, non-white and lower wage workers hit harder by job losses during the pandemic are seeing by far the biggest wage gains and can obtain full-time jobs more readily when they want them.

The financial benefits of supporting households has also been broad based. Delinquencies on virtually every loan category have fallen through the recession. The first time we have ever seen an improvement in credit quality through a downturn. Employers have had to adapt to this strong labor market but have largely been able to do so. Business profitability and productivity have risen strongly through the pandemic and applications for new business formation have soared to new highs.

It may sound jarring to describe the U.S. economy in such glowing terms when inflation is soaring and there is rising talk of a recession. But diagnosing the drivers of inflation is key to developing an effective policy response. Excluding food and energy and adjusting for differences in methodology, U.S. core inflation did rise earlier and higher than other advanced economies, which surely reflects in some part the stronger policy response.

But all countries have seen core inflation that is 2 ½ to 3 ½ percentage points above pre-pandemic trends, highlighting that pandemic disruptions including COVID-related shutdowns and supply chain frictions are an important driver of inflation that we are seeing. At the same time, the U.S. has also experienced the strongest recovery in the world in terms of real GDP growth.

The more recent spike in food and energy prices is tied directly to the war in Ukraine and will act as a tax on U.S. consumers. The Fed has been tightening monetary policy, which should cool demand and inflationary pressures in coming months. But lingering supply chain frictions and the vulnerability of food and energy prices to the actions of despots who seek to weaken western democracies and economies will not be addressed through monetary policy and require a more structural response.

Viewing high inflation primarily through the lens of budget deficits is also not likely to be helpful. The federal government ran the largest April surplus in history this year. And a strong economy is producing stronger than expected tax receipts while the expiration of ARP programs has led to an 18 percent decline in outlays. Yet, supply chain frictions and war inflation are still with us. At least a strong economy gives consumers the best shot possible of weathering rising interest rates and the war shock.

The pandemic has been a huge shock to the global economic system. Strong policy support has led to a robust U.S. recovery, but now is the time to address some of the structural elements of this disruption. That will be key to not only bringing inflation down but meeting the challenges of the energy transition and preserving western style democracies. Thank you. I yield back.

[The prepared statement of Julia Coronado follows:]

United States House of Representatives

Committee on the Budget

June 14, 2022

"How the American Rescue Plan Saved Lives and the U.S. Economy"

Written Testimony of Julia Coronado

President and Founder, MacroPolicy Perspectives

Clinical Associate Professor of Finance, University of Texas at Austin

Thank you for the opportunity to testify. My name is Julia Coronado, I am the Founder of the macroeconomic research firm MacroPolicy Perspectives, a Clinical Associate Professor at the McCombs School of Business at UT Austin, and a former economist at various financial firms and the Federal Reserve Board. It is my pleasure to talk about how the American Rescue Plan contributed to the outperformance of the US recovery from the global pandemic.

At the beginning of 2021 the outlook for the US economy was positive but still highly uncertain. Vaccinations for COVID-19 were just getting underway and were not yet widely available. Social distancing and work from home were still the norm for many, while those who could not work from home faced elevated personal health risks. The recovery from the sharp, short recession associated with the global lockdown of 2020 had been impressive, but real GDP growth on balance in 2020 was only 1.1% y/y and employment was still 10 million jobs below pre-pandemic levels at the start of the year.

The American Rescue Plan was signed into law on March 11, 2021, exactly one year after the World Health Organization declared a global pandemic. Before expectations for the plan's passage began to build private and government forecasters were looking for a solid GDP performance in the neighborhood of 4.0% for 2021 and for the unemployment rate to fall from 6.7% at the and of 2020 to a still elevated rate of 5.0%. In the event, real GDP grew 5.7% in 2021, the fastest pace since 1983 and the unemployment rate fell to 3.9%, the fastest one-year decline on record.

In the midst of the pandemic the approach of both fiscal and monetary policy makers was that it was better to err on the side of doing too much rather than doing too little. It is important to revisit why that approach became the consensus. The recovery from the housing crash and Great Recession featured too little policy support and as a result a labor market that left millions of Americans on the sidelines of the economy or underemployed for years. It took more than six years for the labor market to regain the 2007 level of employment, and only after we regained that level did we see the labor force participation of prime aged workers (25-54) which had fallen to the lows of the mid-1980s begin to recover. During the pandemic, prime aged labor force participation again fell to the lowest rate since the early 1980s in April of 2020 and while the recovery in labor force participation has been held back by repeated waves of COVID, a decisive recovery in both jobs and participation has been ongoing in the past twelve months. At the pace of hiring and rising prime aged participation registered over the past three months we are on track to exceed pre pandemic levels of employment and participation over the next six months, which would be the fastest labor market recovery in the past four decades, a fact made more impressive by the fact that we started from the highest unemployment rate since the Great Depression.

There is an extensive literature in economics that documents what we call labor market scarring, defined as the permanently lower earnings trajectories realized by people who experience long spells of unemployment or labor force disengagement. People who experience longer spells of unemployment have a harder time restoring their pre unemployment trajectories of earnings and are more vulnerable to becoming unemployed again. Labor market scarring was a serious concern early in the pandemic given the sharp rise in unemployment and labor force disengagement. It is also well established that unemployment adds to income inequality, that is lower wage and nonwhite workers see higher unemployment rates in a recession and experience slower recoveries. These well established findings coupled with a disastrously slow labor market recovery from the Great Recession led to a reorientation in fiscal and monetary policy that prioritized the speed of the recovery to minimize scarring and income inequality. The ARP was a manifestation of this orientation and has been wildly successful in achieving its labor market objectives.

A strong labor market and fiscal support has meant a broader based and more inclusive recovery for more people. Workers have had more financial space to bide their time, change employers and find the right job situation for them and their families. We are seeing younger, nonwhite, and lower wage workers hit harder by job losses during the pandemic realizing by far the biggest wage gains and obtain full time jobs more readily when they want them.

The financial benefits of supporting households through a pandemic have also been broader based; delinquencies on all loan categories, from auto loans to mortgages to credit cards have fallen through the recession and recovery, the first time we have ever seen household credit quality improve through a downturn reducing the long shadow of financial scarring that often accompanies a recession.

Employers have had to change some of their hiring and business practices to function successfully amid this new stronger labor market dynamic, but they have largely been able to do so. Business profitability and productivity have risen strongly through the pandemic and applications for new business formation have soared to new highs suggesting that it is possible we emerge from the pandemic with a more productive, dynamic economy.

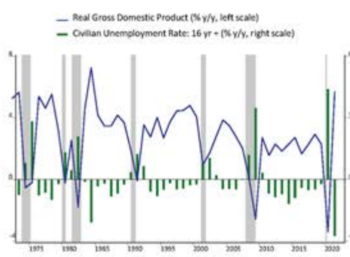
It may sound jarring to describe the US economy in such glowing terms when inflation is soaring, one of the key measures of consumer sentiment that is more tied to inflation is plunging, and there is rising chatter of a recession. But diagnosing the drivers of high inflation is key to developing an effective policy response. One reason some of the initial burst in inflation last year was not expected to last was that during the pandemic consumers shifted their spending sharply to goods after more than fifty years of spending ever more of their budget on services reflecting both restrictions and reluctance on engaging in social activity. That shift strained global supply chains and exposed structural shortcomings. The shift to services and disruptions to production and transportation from COVID related shutdowns were not expected to last, yet here we are in 2022 and China is still closing down factories and ports. Consumers have started to shift back to services, but it has been later and more gradual than expected early in the pandemic.

Excluding food and energy and adjusting for differences in methodology, US core inflation rose earlier and higher than other advanced economies, which surely reflects in part stronger policy support. But all countries have seen core inflation that is between 2.5% and 3.5% above pre pandemic norms suggesting that shifts in spending and interruptions to the flow of production and transport of goods tied to the pandemic is also playing a role. At the same time, the US has also experienced one of the strongest recoveries in the world with real GDP 3.7 percent above the pre pandemic level while most other advanced economies are just reaching pre pandemic GDP and many emerging markets are still well below. Australia had a early and aggressive response to containing COVID, an earlier shift back to services spending, and a recovery on par with the US. The more recent spike in food and energy prices is tied directly to the war in Ukraine and will act as a tax on the purchasing power of US consumers.

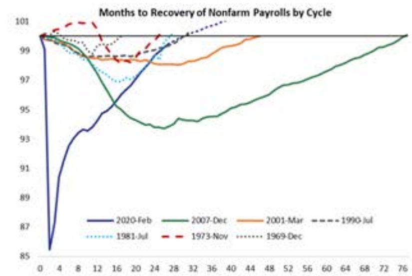
Based on the strength of the US economy, the Federal Reserve has been pivoting toward a faster removal of monetary accommodation in recent months and higher interest rates and tighter financial conditions should begin cooling demand and inflationary pressures in coming months. Lingering supply chain frictions and the vulnerability of food and energy prices to the actions of despots and dictators who seek to weaken western democracies and economies will not be addressed through monetary policy but require a more structural response. Viewing high inflation primarily through the lens of budget deficits and cyclical support is not likely to be helpful; witness that the federal government ran the largest April surplus in history this year as a strong economy produced much stronger than expected tax receipts and the expiration of ARP programs led to outlays that fiscal year to date are down 18% over last year yet supply chain frictions and war inflation are still with us. At least the strong economy has given consumers the best shot possible of weathering tightening policy and the war shock, and that strong recovery came from supporting households and businesses through the pandemic. The pandemic has been a huge shock to the system and left the global economic system grappling with an unexpectedly large amount of lasting disruption. Now is the time to think through some of the complexities of the more structural elements of this disruption which will be key not only to bringing inflation down but meeting the challenges of the energy transition and climate change and preserving western style democracies.

Chart Appendix

Strong policy support helped deliver one of the fastest recoveries from one of the deepest recessions



Sources: MacroPolicy Perspectives/BEA, BLS/Haver

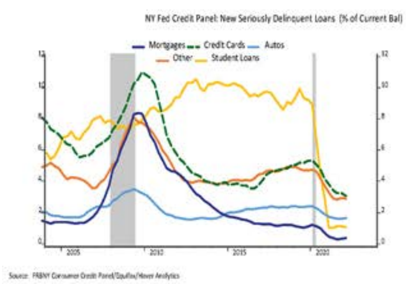


Labor market engagement is recovering rapidly and lower wage workers are seeing the largest wage gains

Source: BLS/Haver/MacroPolicy Perspectives LLC

Source: FRBATL/Haver/Macropolicy Perspectives LLC

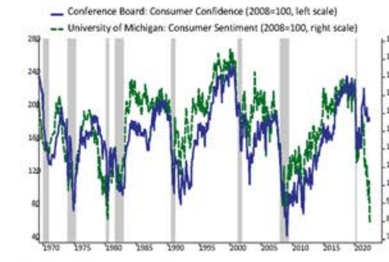
Households have seen fewer loan delinquencies and new businesses are being formed at a record rate.



Source: FRBNY Consumer Credit Panel/Equifax/Haver Analytics

Source: MacroPolicy Perspectives/Census Bureau/Haver Analytics

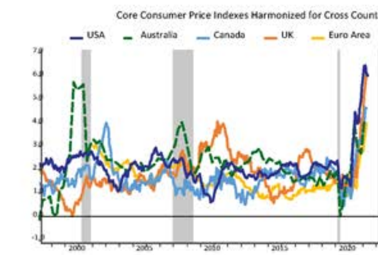
Measures of consumer sentiment are sending mixed messages. Consumers shifted sharply to goods in the pandemic.



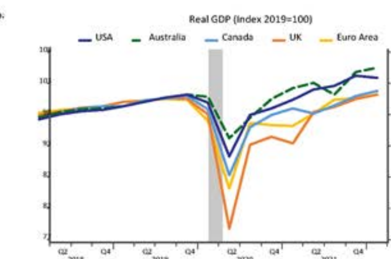
Sources: CB, UMICH/Haver/MacroPolicy Perspectives LLC

Source: Haver/MacroPolicy Perspectives LLC

Fiscal support meant an added boost to US inflation and growth, disruption is a key part of the inflation story

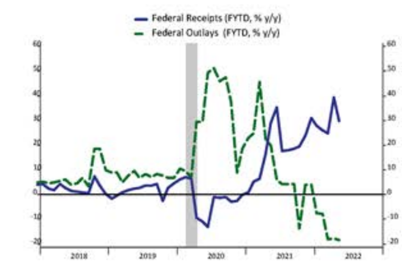


Sources: BLS, ABS/H, SCAN/H, ESTAT/H/Haver/Macropolicy Perspectives LLC



Sources: BEA, ABS, StatCan, ONS, EUROSTAT/Haver/Macropolicy Perspectives LLC

Central banks are tightening financial conditions globally and US fiscal balances are improving dramatically



Source: TREASURY/Haver/MacroPolicy Perspectives LLC

Chairman YARMUTH. Thank you, Dr. Coronado, for that statement. I now recognize Mayor Williams for five minutes. You may begin when you are ready.

STATEMENT OF VINCE WILLIAMS

Mr. WILLIAMS. Thank you. Thank you, Chairman Yarmuth and the Committee for allowing me this opportunity to be here to talk to you and share with you some of the great things that have happened since APRA, the passing of APRA, on behalf all cites, towns, and villages across this nation.

Again, I am Vince Williams, Mayor of the city of Union City, Georgia, and also the proud President of the National League of Cities. Union City is a community of over 26,000 proud residents, 88 percent of whom are African American. Before COVID, Union City was trending in the right direction by nearly every measure. We were revitalizing neighborhoods through immense new investment by businesses in our city and had increased our local revenue by over 81 percent through economic activity and job creation. Our finances are in order and nothing about my city or any city suggested a bail-out. Because the whole nation was set back by COVID–19, so was Union City.

APRA local government grants have given all cities, towns, and villages in our nation the ability to be part of a national economic recovery from bottom up starting with our hardest hit residents. It is not like past efforts when decisions were made in a federal office far away from where problems truly happened.

From the start, Union City followed the advice of public health experts, as we still do today, and state and federal rules. We knew there would be tradeoffs, but we never thought we would have to go it alone. Pausing nearly every local economy while ramping up response to a global health crisis created the kinds of economic uncertainty that the federal government is uniquely authorized to address.

For local governments, the public health crisis was inseparable from the economic crisis. It laid bare long-standing health disparities that underlie why losses have happened in cities in such uneven ways. Households in lower income communities are at greater risk of bad health outcomes, which worsen the effects of COVID–19. This is evident across metro Atlanta where lifespans vary by as much as two decades based on your neighborhood or zip code.

Union city is investing in a greenway trail with ARPA funds. Why? A greenway is a sought-after amenity. It will raise the value of the community and encourage accessible, affordable ways for our residents to be healthier. As a determinant of health, our built environment must facilitate healthier outcomes, or at least, not be an impediment, so that we will be less susceptible to the next COVID wave, or the next pandemic.

And the injection of APRA funds gives us access to the capital our city needs to put contractors and laborers to work. Imagine the transformation. Today, there are two parks in Union City. This project will connect everyone in the community with a recreational system that gives families across the city the opportunity to conveniently access outdoor recreation space.

My city is also spending to reduce food insecurities and to upgrade wastewater and stormwater systems. Our municipal workers in every department are our heroes. For many of them, virtual work is not and was not an option. Imagine for a moment your hometown government has just shut down. Who would fix the busted water pipes flooding your streets in the middle of the night? To acknowledge their work through the pandemic, the city also offered premium pay of $3,000 to eligible employees. This is not only a recognition of excellent work during tough times, it is also an investment in maintaining a qualified and trained work force for the future.

We should note the substantial contributions of local governments to the private economy. Some cities had more than 30 percent of water and sewer residential and business customers on a cutoff list for nonpayment. Many 90 days late or more. Yet, local leaders made the painful but right decision to maintain service and absorb losses. To not have done so would have increased homelessness and joblessness and unhealthy conditions.

City fiscal conditions are also a good indicator of how well low and middle-income households are doing. When there is opportunity for lower-income households and the middle-class is growing, local tax revenue goes up. When the middle-class experiences declines, so will local tax revenue. We call that Main Street. The state and Local Fiscal Recovery Fund is a Main Street program.

I am sure Members of Congress have questions regarding specific expenditures in their districts. I will conclude by encouraging you to first learn more about the context of such expenditures by giving local leaders the courtesy of a phone call or certainly a much-needed visit to explain what their expenditure is all about.

Thank you, Chairman Yarmuth, and Members of the Committee. I appreciated this time.

[The prepared statement of Vince Williams follows:]

NATIONAL LEAGUE OF CITIES

CITIES STRONG TOGETHER

STATEMENT OF

THE HONORABLE VINCE WILLIAMS

MAYOR, UNION CITY, GEORGIA

&

PRESIDENT, NATIONAL LEAGUE OF CITIES

BEFORE THE

HOUSE COMMITTEE ON THE BUDGET

"HOW THE AMERICAN RESCUE PLAN SAVED LIVES AND THE U.S. ECONOMY"

JUNE 14, 2022

Chairman Yarmuth, Ranking Member Smith, and Members of the Committee, my name is Vince Williams, Mayor of Union City, Georgia, and I am the proud President of the National League of Cities (NLC), an organization that represents 19,000 cities, towns, and villages nationwide. It is my honor to testify before you today at this hearing on behalf of my city and other municipalities across America.

Union City, Georgia

Union City is a town within the Atlanta region. We are a community of over 26,000 residents, 88% of whom are African American. Our median income is $38,000 and we have a poverty rate of 16%. Between 2013, when I was elected Mayor, and the start of the COVID-19 pandemic, Union City was trending in the right direction by nearly every measure. Revitalizing neighborhoods through the development of Atlanta Metro Studios, announcing $100 million in new investment from the London-based ASOS company to expand within Union City, and increasing local revenue by 81% through economic activity and job creation are a few of our pre-pandemic success stories.

Union City has long been unwavering in our pursuit of responsible economic development, revitalization and sustainability, and our investments of public dollars reflect our conviction to build on our successes and satisfy our residents' desires to lay a strong foundation for economic recovery, equity, and growth.

Nothing about Union City, before or after the pandemic, suggests that we were a community in need of a "bail-out" by the American Rescue Plan Act (ARPA) or the State and Local Fiscal Recovery Fund. Rather, ARPA grants have given our cities and towns the agency to be part of a national, all-hands-on-deck, economic recovery that starts at the bottom with our hardest-hit residents, and that can accommodate the unique and uneven conditions of harm among localities across the nation. It is the opposite of the top-down approach taken by the American Recovery and Reinvestment Act of 2009, where authority and decision-making were centralized in a federal office far away from where the problems were happening.

The COVID-19 pandemic interrupted a lengthy period of success and growth for Union City and thousands of cities and towns like us. What did the pandemic do to Union City? And how are we responding with ARPA grant dollars?

The Impact of the COVID-19 Pandemic

In the spring of 2020, our nation faced an unprecedented public health emergency that ushered in devastating fiscal uncertainty for our community. In response to COVID-19, Union City followed the advice of public health experts, and complied with rules issued by the federal and state governments. Businesses closed, school operations were upended, and new health services were required, all to stop the spread of COVID-19. This shutdown was understood by most in my community to be a necessary sacrifice. But there is no question it was costly. The pandemic certainly presented a cost burden to households, to businesses, and to the local governments serving them. Hitting pause on nearly every local economy, while ramping up response to a national public health crisis, created the kinds of economic uncertainty and fiscal decline that the federal government is uniquely equipped to address.

For local governments, a public health crisis at the scale of COVID-19 is also an economic crisis. The two cannot be separated. The pandemic laid bare long-standing health disparities that underlie why pandemic harm does not manifest in uniform or obvious ways. Medical research shows that households in lower income brackets are at a greater risk of negative health outcomes such as heart disease and diabetes, which exacerbate the effects of COVID-19. Across metro Atlanta, where my city is, lifespans vary by as much as two decades or more based on geography.[1]

Coronavirus State and Local Fiscal Recovery Fund

Union City is spending part of our State and Local Fiscal Recovery Funds grant on a greenway trail. You may wonder what that has to do with COVID-19. In short, a lot. A greenway trail is a sought-after community amenity. It will lift the value of the community and encourage accessible, affordable ways for our residents to achieve healthier lifestyles, including evidence-based improvements for mental health. As a social determinant of health, our built environment must facilitate healthier outcomes, or at the very least, not act as an impediment, so that we will be less susceptible to the next COVID wave, or the next pandemic.

In addition to direct expenditures, SLFRF funding is helping Union City leverage the value of locally derived revenue to make sure the greenway trail benefits all our residents. We are doing this by connecting all of Union City, from one end of our city to the other, to an ecosystem of outdoor spaces that will help address health disparities in our community. Without the funding from State and Local Fiscal Recovery Funds, we would not have had the resources to get this project over the finish line. The city had this project planned for quite some time, but our finances took a step back when COVID hit. The injection of State and Local Fiscal Recovery funds gives us access to the capital our city needs to put contractors and laborers to work in creating this resource for the community.

Imagine the lasting outcomes of this transformation compared to the reality of today. Right now, there is only one park in Union City, a city of 20 square miles. This project will connect everyone in the community by building a recreational system that will allow residents and their families, no matter where they live in Union City, the opportunity to conveniently access outdoor recreation space.

Another social determinant of health faced by our residents is food insecurity. Access to healthy food was a challenge before the pandemic for most low-income communities. It is a challenge that spread across income brackets due to the job losses and wage declines our community experienced during COVID-19. We know access to healthy food impacts not only the physical health of our residents but also the mental development and wellbeing of individuals. To help meet this need, the city will use part of its State and Local Fiscal Recovery Funds grant to distribute meals and produce to those struggling with food insecurity. This is an opportunity to increase health outcomes and improve lives in the community by making investments directly in people.

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[1] https://cdn.atlantaregional.org/wp-content/uploads/lbe-snapshot-fulton.pdf Atlanta Regional Commission

Additionally, as mayor, I could not have kept my city running over the last two years on my own. This is true for leaders in all cities, but it is especially true for small and rural communities that together form the majority of municipal governments in our country, where elected office is usually a second job that starts after clocking out of one's paying job at the end of the day.

Our municipal workers in every department are heroes, essential to protecting the health and safety of our residents by keeping the city functioning during the COVID-19 pandemic. From fire and police to our public works departments, the city would not have been able to continue running without their tireless efforts and willingness to do more. It is important to acknowledge that municipal workers, such as public safety, public works, utility system staff, sanitation workers and many others could not perform their duties from home. Virtual work was not an option for these jobs. Imagine for a moment if your hometown government shut down. Who would fix a water pipe if it burst in the middle of the night? Who would help transit riders get to work? Who would respond to 911 calls?

To acknowledge essential workers for their efforts to keep our city functioning through tough circumstances stemming from the pandemic, the city offered premium pay of $3,000 to eligible city employees. This is an important investment that not only recognizes these individuals for their work during these tough times but simultaneously ensures that this essential maintenance continues. It is also an investment in maintaining a qualified and trained workforce for the future.

We should note the substantial contributions of local governments to maintain and stabilize the private economy. Some cities had more than 30 percent of water and sewer residential and business customers on a cut-off list for non-payment, many 90 days late or more. Yet local leaders made the financially painful, but right decision for citizens and businesses not to cut off services. To do so would have caused homelessness and joblessness. Yet local governments understood that absorbing these losses was the right thing to do.

A final project I will speak about today is the use of Fiscal Recovery Funds for wastewater and stormwater systems. These are projects that are traditionally out of sight, out of mind—residents do not think about them or talk about them until there is a problem. In Union City, like so many municipalities across the nation, we are one major water main break away from catastrophe. By investing in this critical infrastructure with these funds now, we are making sure Union City is a reliable place for business and can improve the lives of its residents for years to come.

None of this would have been possible without the tremendous work and leadership of Chairman Yarmuth and the House Committee on the Budget, who listened to local leaders in their home districts and responded by making the State and Local Fiscal Recovery Fund part of the American Rescue Plan Act. Without your leadership, my city would have been largely on our own to manage the consequences of a global pandemic. We would have gone from economic engine to economic anchor without having done anything wrong.

Economic Recovery

Historically, not a lot of federal assistance reaches local governments like mine. Most federal funds flow to states and never make it down to fund projects in small cities, and most small cities do not have the capacity or expertise to apply for federal grants. With SLFRF, the federal government has devised a way to successfully bring federal block grant funds directly to every city, regardless of size. And we are working together to ensure that these funds will be spent and accounted for appropriately and transparently.

The SLFRF model for municipal governments is a major step forward in recognizing the vital role all local economies play in stabilizing our national economy. It is also an equitable model that allocates more aid where it is needed most by borrowing the anti-poverty formula from the proven Community Development Block Grant program. City leaders hope this will be the template for getting federal funds to cities in the future. Cities are closest to the people, and my fellow city leaders and I know best how to put funds to work quickly, efficiently, equitably, and effectively to address the unique needs in our communities.

We already know what outcomes look like when federal support is not equitably distributed across our nation. We do not have to go too far back in history to see these lessons repeat themselves. In 2020, under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), less than 40 of the nation's largest metro cities met the criteria for direct relief from the federal government through the Coronavirus Relief Fund, leaving smaller cities like mine to get in line for any aid that might flow down from the state or large counties. NLC research estimates that 6,000 cities, towns, and villages, or approximately 29% of the municipalities we represent, did not receive any federal aid from the CARES Act.[2] That was 6,000 communities left on their own and unable to provide the type of aid to residents that large cities could, because of federal assistance restrictions.

Let us fast forward to today. I understand, I appreciate, and I am thankful for the work that members of this body put forward to ensure that all communities were included in the direct fiscal relief program offered through the American Rescue Plan Act. This is a new approach, and we are convinced the outcomes and the data will prove this is a superior one. I am happy to tell the committee that in my community, and cities, towns and villages across our nation, this approach is working.

As I am sure you have heard from the local leaders in your own districts, these transformative funds are having historic impacts on our nation's communities.

<u>Capacity of Local Government</u>

I know there has been some concern expressed that cities, towns and villages are turning down these funds. These concerns are overly inflated. The Associated Press did a deep dive into communities that turned down the funds, looking at all 50 states. It found that less than five percent of municipalities nationally made the decision not to accept funds. I am sure the few localities not accepting funds are acting in their community's best interests, just as I am for the residents of Union City. But the fact that nearly every unit of local government accepted funding, even with the outsized regulatory burden that small grantees bear when accepting federal grants,

[2] "New Survey Data Quantifies Pandemic's Impact on Cities: Municipal Revenues Down Twenty-One Percent While Expenses Increase Seventeen Percent," National League of Cities, December 1, 2020.

speaks to the reality of the real budget uncertainty and fiscal decline experienced at the local level.

It may only have been two years ago, but so much has changed since the first cases of COVID-19 were detected in the U.S. It is important to keep in mind how long we have been in crisis mode. In the best of times, it takes time and care to spend public dollars responsibly, equitably and in accountable ways. It is even harder to do when fiscal circumstances force cities and towns to let go of staff to keep budgets in balance.

When the economy first began to show signs of decline following the declaration of the COVID-19 emergency, local government employment had just finally been restored to levels that existed prior to the Great Recession over a decade ago. It was not until November 2019 that employment in the state and local sector reached its July 2008 levels (the prior peak) of state and local employment. After COVID-19, the bottom dropped out. State and local governments experienced 1.5 million job losses from February to May 2020, as budget cuts were made to compensate for declining revenues. That really happened. That is an enormous loss of capacity and institutional knowledge for local governments. It is also a major drain on the economy.

It was clear that federal intervention was necessary to stave off a larger recession. According to the Economic Policy Institute, without the interjection of federal aid to states and local governments, 5.3 million jobs in the public and private sectors could have been lost during the pandemic.[3] Congress should be proud that SLFRF made it possible to reverse those losses in relatively short order, rather than the decade it took following the passage of the American Recovery and Reinvestment Act.

Transparency and Accountability

City fiscal conditions are a good indicator of how well low-and middle-income households are doing. Locally derived revenue for municipal budgets is usually some combination of property tax, sales tax, sometimes income tax, service fees, and fines. When there is opportunity for lower-income households and the middle class is growing, local tax revenue goes up. When the middle-class experiences decline, so will local tax revenue. We call that Main Street. It is not Wall Street.

For local governments, the State and Local Fiscal Recovery Program is a "main street" program. It is not a "wall street" program. It is not the Paycheck Protection Program. SLFRF is designed to help main street households, neighborhoods, small businesses, and city and town governments, many of which are often overlooked as measures of the economy broadly.

SLFRF funding–main street funding–is transparent, accountable, and will be subject to oversight long after the program formally ends. Local governments are required by the Department of Treasury to report regularly and in detail on their use of grants, the eligibility of their expenditures, and the outcomes of their decisions. The largest grantees are required to do the

[3] "State and local governments have lost 1.5 million jobs since February: Federal aid to states and localities is necessary for a strong economic recovery," Julia Wolfe and Melat Kass, Economic Policy Institute, July 29, 2020.

most, regularly submitting multiple reports. Many larger cities—like Baltimore, Phoenix, and Cleveland—are going further than is required by maintaining local ARPA spending trackers on their own websites.

Non-entitlement units of local government, which is the technical classification for small and rural town governments, just filed the first of their annual Project and Expenditure Reports with the Treasury. For many of these communities, this was the first time, or first time in memory, engaging with federal grant regulatory requirements and uniform guidance.

Despite the heavy regulatory burden and steep learning curve, most grantees are meeting their reporting requirements with the help of the National League of Cities and state municipal league partners, such as the Georgia Municipal Association, my home state's municipal league. Because of this, more cities, towns, and villages are positioned to be competitive for future federal grant opportunities for the benefit of their residents.

As reporting data is made available by Treasury, NLC, in partnership with the National Association of Counties and the Brookings Institution, is organizing that data and making it searchable by grantee, by spending category, and in other ways. Our ARPA investment tracker is online, free, and available to anyone with an internet connection.

Conclusion

While I am here in my capacity as the President of NLC, I acknowledge that I cannot answer for the expenditure choices of all 19,000+ cities, towns, and villages that we represent. I am sure Members of Congress will have questions regarding certain expenditures in their and others' districts. If you have those questions, I encourage members of the committee to consider the expenditure itself and the context of such expenditures. Similar projects may mean different things to different communities. There will undoubtedly be expenditures you will disagree with. But I urge you, before calling a community's decision into question in a very public way, to give those local leaders the courtesy of a call to explain what their expenditure is all about.

I want to thank Chairman Yarmuth and his staff for their tireless work in bringing the American Rescue Plan and the State and Local Fiscal Recovery Funds to fruition and for providing local leaders with the means to drive economic recovery.

ARPA and Georgia Cities: One Year Anniversary

GEORGIA MUNICIPAL ASSOCIATION

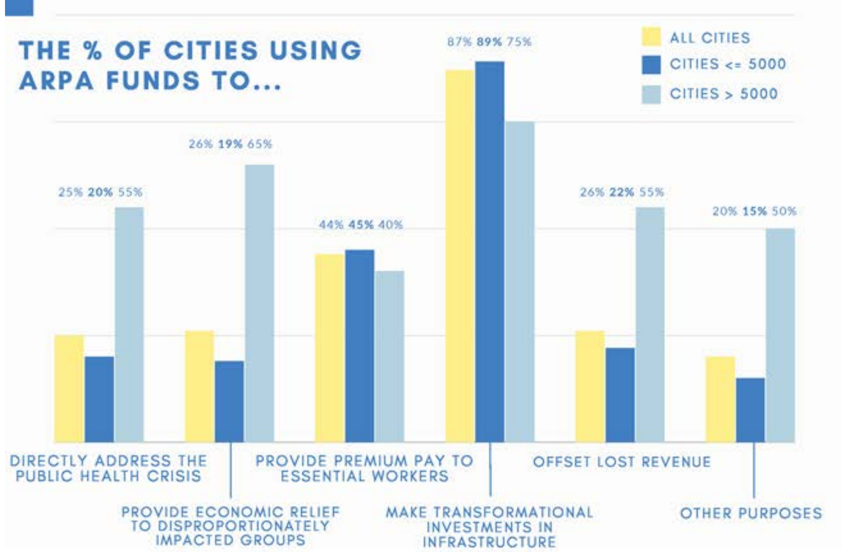
June 2022 (version 2)

gacities.com/arpa

In March 2021, Congress approved the American Rescue Plan Act, delivering $1.4 billion in direct pandemic relief to Georgia's cities through ARPA's State and Local Fiscal Relief Fund (SLFRF). To mark ARPA's one year anniversary, GMA surveyed Georgia cities to learn how investments of SLFRF are bringing much-needed relief to families, businesses, and communities statewide.

Number of cities that responded: **136** (25%)

Share of responding cities below 5000 in population: **73%**
(75% of Georgia's cities have 5000 or fewer people)



MAKE TRANSFORMATIONAL INVESTMENTS IN INFRASTRUCTURE

87%

What cities are doing:

- A variety of water, sewer and stormwater system improvements, such as:
  - Replacement/update of chlorination system
  - Renovation of water tanks to bring up to EPD standards
  - Installation of digital/radio read water meters
  - Building regional connection to another water system in case of emergency
  - Updates to monitoring system to accurately account for water loss and contamination risk
  - Flood mitigation efforts
  - Mapping/e-documenting of equipment citywide
- Pave and resurface city streets
- Broadband provision and expansion, including public Wifi access

SPOTLIGHT

INCLUSIVE WATER, SEWER AND BROADBAND EXPANSION; SIDEWALK IMPROVEMENTS

City of Hamilton pop. 1680
Running a new water line that will serve new houses plus citizens on the lower income scale. "We have wanted to do this for years but have not had the resources..."

City of Lakeland pop. 2875
A new well, water tower and improved water lines to benefit all residents, schools, hospitals and public facilities, and also improve fire protection by increasing the water pressure throughout the city. Being able to use ARPA ensures water usage rates don't increase for customers.

City of Bogart pop. 1326

- Upgrading city computers (government buildings and libraries) to accommodate increased broadband and allow for virtual meetings, research, etc.
- Sidewalk project to increase safety when walking from library to recreation fields.

SPOTLIGHT

VACCINE INCENTIVE PROGRAMS, MORE OUTDOOR SPACES IN QUALIFIED CENSUS TRACTS, PUBLIC INFORMATION CAMPAIGNS

City of Barnesville pop. 6292
Weekly drawings for vaccinated people, including City employees, to win "Barnesville Bucks" that could be spent at local businesses to help small businesses.

City of Chamblee pop. 30,164
Majority of funds for development of outdoor recreational space in low income neighborhoods. Investing in a master park plan buildout to provide more accessible amenities in a qualified census tract.

City of Toomsboro pop. 383
Sent out mass messages and letters with information about vaccines, i.e. what facilities offer them and on what days.

DIRECTLY ADDRESS THE PUBLIC HEALTH CRISIS

25%

What cities are doing:

- Vaccine incentive programs
- Sanitizing public places to prevent contamination
- Improving facilities for better ventilation, social distancing and minimized touching
- Testing/vaccination sites and emergency preparedness centers; supplies and equipment
- Education and awareness to promote healthy physical, social, mental and emotional wellbeing
- Extended policy for sick leave due to COVID-19
- Community violence intervention programs, e.g. Cure Violence

PROVIDE ECONOMIC RELIEF TO DISPROPORTIONATELY IMPACTED GROUPS

26%

What cities are doing:
- Utility bill credits and/or property tax relief to households
- Aid to Tourism Board
- Grants to small businesses and non-profits
- Rental, mortgage and utility assistance
- Tutoring programs to address learning gaps
- Food distribution programs
- Housing rehabilitation
- Support to families from transitional to permanent housing
- Small business incubators

SPOTLIGHT

MENTORSHIP FOR STUDENTS, GRANTS TO RESIDENTS & SMALL BUSINESSES, AFFORDABLE HOUSING

City of Wadley pop. 1643
Grant to Peaches and Cream Foundation providing counseling, mentorships, tutoring and skill development to local student.

City of Conyers pop. 17,305
Grants to qualifying residents and small businesses with an online application process and multiple forms of advertising - city website, newspaper, social media, email blast, flyers at extended stay hotels.

City of Thomasville pop. 18,881
Creation of a Community Development Center to address low income housing.

PROVIDE PREMIUM PAY TO ESSENTIAL WORKERS

44%

Including:
- Hazard pay for essential employees who have worked during the pandemic
- Bonuses to full-time and part-time city employees, i.e. for retention
- Pay raises
- Bonuses to first responders

OFFSET LOST REVENUE

26%

Some cities are using the revenue reduction calculator, while others are electing the standard allowance.

Whichever method they use, cities have relied on ARPA funds to **recover lost revenue**, allowing them to maintain and improve how they provide government services and be prepared to invest where it's needed most.

SERVE OTHER PURPOSES

20%

What cities are doing:
- Support to Police and Fire Departments
- IT investments to make city services more accessible, i.e. livestreaming service for virtual public participation in city meetings and ADA-compliant/ multilingual website
- Parks and recreation improvements, i.e. camera systems to deter illegal activity
- Public safety upgrades at railroad crossing
- Housing rehabilitation; new housing incentives for developers

SPOTLIGHT

City of Pitts pop. 252
Radios for volunteer fire department assist with EMT calls under mutual aid agreement with county.

City of Pinehurst pop. 309
Purchase of individual reflective address signs for all houses for 911 purposes.

Town of Bethlehem pop. 715
Upgrading parks with handicap equipment, benches and picnic tables.

City of Peachtree Corners pop. 42,243
- Incentive program to 'shop local'
- Partnering with local schools to enhance outdoor recreation areas for students
- Providing free Wifi to a lower-income area

MORE FEEDBACK FROM GEORGIA'S CITIES ON HOW ARPA SUPPORTS AND UPLIFTS THEIR COMMUNITIES

City of Dacula pop. 6882
Dacula is working in conjunction with AT&T to provide broadband in the City's park for free to the Citizens that do not have access in that area. Also, there is no broadband access to the City's maintenance facility so AT&T will provide broadband down a residential road that currently has no access.

Town of Trion pop. 1960
With the Town's largest employer, tax generator, and utilities user about to close due to COVID, the town had to use the ARPA funds to offset losses from the mill in order to meet payroll of the employees.

City of Union City pop. 26,830

- Greenway trail to connect and promote public health of city residents
- Distribution of healthy meals to the food-insecure and other assistance programs for small businesses and the senior community
- Premium pay to essential workers

SLFRF funding is helping Union City leverage the value of locally derived revenue to make sure the greenway trail benefits all our residents by connecting all of Union City, from one end of our city to the other, to an ecosystem of outdoor spaces to address health disparities.

City of Davisboro pop. 1832

- Mapping and electronically documenting stormwater, sewage and water drains and pipes throughout the city
- Grading necessary ditches and replacing corrugated pipes for proper stormwater drainage

City of Jonesboro pop. 4235
The use of funds will restore the city's resources and allow for improved functionality and the opportunity to be responsive to the immediate and future needs of those directly and indirectly affected as well as those who have been steadfast in sustaining operations during the crisis.

City of Young Harris pop. 1098
A city the size of Young Harris cannot fund expensive but necessary expansion. We have a growing population due in large part to COVID. Many people are moving to the mountains because they can work from home, the area is not crowded and the lifestyle is better suited to their needs. Due to this influx of people we are in need of expanding our sewer/water lines into parts of our community that does not currently have this infrastructure. Providing this will help with residential and commercial building, economic development and community growth and development.

City of Commerce pop. 7387
ARPA funding will be combined with local funding to improve aged water and sewer infrastructure. This will enhance water quality, provide for expanded storage in case of emergencies, and allow for expansion of waste water treatment capabilities to provide for new industry, businesses, and residents in our region. This is necessary to create economic opportunity and increase the labor force.

Visit **gacities.com/arpa** for more examples.

Chairman YARMUTH. Thank you, Mayor Williams. I now recognize Ms. Parrott for five minutes for her opening statement. And you can unmute your machine and begin.

STATEMENT OF SHARON PARROTT

Ms. PARROTT. Thank you very much. Chairman Yarmuth, Ranking Member Smith, Members of the Committee, thank you for the opportunity to testify here today. I am Sharon Parrott, President of the Center on Budget and Policy Priorities, a nonpartisan research and policy institute here in Washington, DC. I am here to discuss three lessons we can learn from the overwhelmingly successful COVID relief efforts of the last few years, including the 2021 American Rescue Plan, as well as the measures enacted in 2020.

First, we saw that a timely, robust fiscal policy response can greatly speed and strengthen an economic recovery. Relief efforts during the pandemic spurred a remarkable recovery that made the COVID recession the shortest on record and brought the unemployment rate, which peaked at 14.7 percent in April 2020, down to 3.6 percent today. Two years after the Great Recession when the federal response was both historic and undersized, unemployment was still at 9.9 percent. While the causes of the two recessions were different, there is little question that the policy response to the pandemic fostered a stronger and swifter recovery.

Second, well designed relief measures can greatly reduce the harm done by a recession or a crisis, preventing spikes in serious forms of hardship. Relief measures drove poverty down to a record low in 2020, after counting government assistance, and prevented spikes in food insecurity and homelessness. While annual poverty data are not yet available for 2021, one study at Columbia University estimated that the American Rescue Plan alone reduced annual poverty that year by more than 12 million people, including 5.6 million children, a reduction in child poverty of more than 50 percent.

Relief measures included both broad-based policies like economic impact payments, and policies targeted to those facing the greatest hardship like expanded food assistance, housing, healthcare, and unemployment benefits, and extending the full child tax credit to the lowest income children.

Absent relief measures, unemployment likely would have spelled financial disaster for millions of people. Evictions and the number of children facing food insecurity would have soared. The ranks of the uninsured would have risen. Instead, jobless workers got robust unemployment benefits that helped families and the economy. Families got additional nutrition assistance, including additional help when schools were closed. Evictions were averted first through a moratorium, and then through emergency rental assistance that has now helped more than 5.7 million households. Medicaid expanded and in 2021, Affordable Care Act marketplace premiums became far more affordable, helping more people get and stay insured.

Childcare providers got help to stay in business and families got more help too.

These targeted policies helped a broad swath of families who fell on hard times. They were particularly important to people hard hit by the pandemic itself who worked in industries that saw large job losses and who came into the crisis with fewer assets to lean on. This includes a disproportionate number of people of color who often have seen their opportunities shortchanged by structural racism and discrimination in employment, housing, and education.

Of course, the relief effort wasn't perfect. Some families experienced long delays in aid and policymakers allowed help to lapse in the latter half of 2020, which needlessly increased economic insecurity and contributed to a flagging recovery in the latter part of 2020.

Now, it is important to note that large scale temporary relief measures were needed in part because of weaknesses in the nation's underlying economic and health security policies. For example, our regular unemployment insurance system leaves out a large share of unemployed workers and provides low benefits to many who do qualify. Emergency temporary measures were needed and they were difficult to implement because they were built on a rickety foundation.

That brings me to my third lesson. Some of the temporary relief measures proved effective at combatting problems that long predated the pandemic and they point the way to policy advances we should adopt on an ongoing basis. Examples include supporting low-income children through an expanded child tax credit that is fully available to the lowest income families, making marketplace coverage more affordable, supporting workers by expanding the EITC, and revamping the unemployment insurance system, supporting both kids and families by providing access to affordable, quality childcare and preventing housing instability and homelessness by expanding rental assistance.

In sum, COVID relief efforts sharply reduced poverty and hardship and spurred a strong and swift recovery. But shoring up our ongoing economic and health security policies would both improve wellbeing during normal economic times and make our nation more resilient to future recessions and crises. Thank you.

[The prepared statement of Sharon Parrott follows:]

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June 14, 2022

Robust COVID Relief Achieved Historic Gains Against Poverty and Hardship, Bolstered Economy

Testimony of Sharon Parrott, President, Center on Budget and Policy Priorities, Before the House Committee on the Budget

Chairman Yarmuth, Ranking Member Smith, Members of the Committee, thank you for the opportunity to testify before you this morning at this important hearing. I am Sharon Parrott, President of the Center on Budget and Policy Priorities, a nonpartisan research and policy institute in Washington, D.C.

In the following pages, I will discuss the accomplishments of the federal fiscal response to the COVID-19 pandemic and recession and outline its lessons for policymakers.

The COVID relief effort was robust and featured a number of successful policy innovations. As a result, the nation achieved historic gains against poverty and lowered hardship. In 2020, poverty fell by the largest amount in five decades (using the most appropriate annual measure) as a result of direct relief measures like expanded jobless benefits, Economic Impact Payments, and expanded food assistance. And in 2021, relief measures reduced poverty markedly as well, helped people access health coverage, and reduced hardships like the inability to afford food or meet other basic needs based on a variety of data sources. Annual poverty data are not yet available for 2021, but a Columbia University study estimated that the American Rescue Plan *alone* reduced annual poverty that year by more than 12 million people — including 5.6 million children, a reduction in child poverty of 56 percent — compared with poverty without that legislation. These and other projections suggest that the Rescue Plan may turn out to be the most effective single piece of legislation for reducing annual poverty since 1935.

Relief measures included both broad-based policies, like Economic Impact Payments, and policies that targeted those with the greatest needs, like expansions in SNAP benefits, help for those at risk of eviction, and expansions in the Earned Income Tax Credit (EITC) and the Child Tax Credit. (While the child credit expansion was broad based, it also made the full credit available to the lowest-income children for the first time.) Measures targeting those facing the greatest need were critical in preventing spikes in poverty and hardship, and promoted equity in the face of a pandemic and economic crisis that hit Black, Indigenous, and Latino people particularly hard.

The relief measures bolstered the economy, helping make the pandemic recession — which was the deepest of any since World War II — the shortest as well. The unemployment rate, which peaked at 14.7 percent in April 2020, has since fallen to 3.6 percent. Without robust COVID relief measures, including both those enacted in 2020 and the American Rescue Plan, the economy would have recovered more slowly, unemployment would have been higher for longer, and the number of people evicted or experiencing food insecurity would have been higher. Indeed, a Moody's Analytics analysis concluded that in the absence of relief measures, "the economy would have succumbed to a double-dip recession."[1]

Several lessons stand out from the COVID relief effort. First, a rapid, robust, and broad-based fiscal policy response can greatly speed an economic recovery. Second, well-designed relief measures can reduce the harm done by a recession or crisis, preventing spikes in serious forms of hardship. Third, some of the policies adopted in the face of this crisis were shown to be effective at combatting problems that long pre-dated the pandemic and point the way to policy advances the nation should adopt on an ongoing basis. These include policies that:

- Support low-income children, including an expanded Child Tax Credit that provides the full credit to the lowest-income children, increased support for child care, and summer food benefits to prevent an increase in food security when school is out;
- Boost health coverage, including expanding premium tax credits to make marketplace coverage more affordable and increasing continuity of Medicaid coverage;
- Support workers, including an expanded EITC for workers without children at home who are paid low wages, and a revamped unemployment insurance system that protects workers when they lose their jobs and ensures that a temporary job loss does not create a financial crisis for workers and their families; and
- Help low-income households afford housing and avert eviction, such as expanded housing vouchers and eviction prevention assistance.

Despite these impressive results, the federal response was not perfect. Some individuals and families experienced long delays before obtaining benefits, services, and supports. Policymakers allowed aid to stall in the latter part of 2020, leading to unnecessary hardship that could have been avoided with swifter action.

The economy continues to recover at a swift pace, with important labor market measures — jobs restored, unemployment rates, and labor force participation — getting close to pre-pandemic levels. While there are fewer jobs today than we would have expected to have in the absence of the pandemic, hiring remains brisk.

Inflation is high and needs to be brought under control, for the economy overall and for families. Inflation during the pandemic has been multi-faceted and global, and no single factor has been primarily responsible. Supply chain constraints have posed a persistent problem — in part because of COVID variants that have resulted in lockdowns in China and elsewhere — making it more

[1] Bernard Yaros *et al.*, "Global Fiscal Policy in the Pandemic," Moody's Analytics, February 24, 2022, https://www.moodysanalytics.com/-/media/article/2022/global-fiscal-policy-in-the-pandemic.pdf.

difficult for supply to respond to strong demand for certain goods. Wages have risen, especially for workers in industries that pay lower-than-average wages, but higher labor costs have been a smaller than normal share of the increase in prices we have seen recently, suggesting that issues outside of labor costs are a larger factor in today's inflation. (The rise in real wages in many low-wage industries is a positive development that is helping many workers better afford the basics.) Critics who claim the American Rescue Plan caused the current inflation and was therefore a mistake ignore not only the fact that inflation has multiple causes, but that when the measure was enacted, the sustainability of the recovery was far from certain, and hardship was still widespread. Without the Rescue Plan, the recovery would have been slower, leaving more people without jobs and the ability to support their families, and poverty and hardship substantially higher.

The United States and the world economy have faced an unprecedented disruption caused by a global pandemic. Given the level of disruption — and the Russian invasion of Ukraine, which has led to price spikes in food and energy — we should not be surprised that the recovery would not be entirely smooth.

Moreover, it's important to recognize that relief measures have largely phased down, so fiscal policy is currently *contractionary*, which is appropriate given the strength of the recovery. Over the coming months, that fiscal contraction should help temper inflation.

The Federal Reserve has the primary levers to reduce inflation and the actions it is taking, coupled with the unwinding of relief measures, should slow underlying inflation, though prices for items such as food and energy are largely driven by factors beyond the control of fiscal or monetary policy.

Today's inflation should not be an excuse to further delay action against long-standing policy shortcomings that have resulted in high levels of poverty, lack of affordable health coverage for many, and highly unequal access to opportunity. The nation can afford policy advances that address these issues and can finance them responsibly. Given their size and the fact that they can be paid for, they would not have any meaningful impact on economy-wide inflation or reverse our current contractionary fiscal policy posture. And, failing to address these serious issues has long-term negative consequences not only for individuals but for the country as a whole.

When children don't have economic security — when their families struggle to afford the basics — they are less likely to grow up healthy and succeed in school. Not only does this shortchange their futures, but lack of investing in our children robs the nation as a whole of benefitting from their full potential. A near-term inflation problem is no reason to underinvest in proven strategies that help children thrive.

Relief Measures Were Large, Wide-Ranging, Innovative

When COVID-19 began to rapidly spread across the United States in March 2020, the economy quickly shed more than 20 million jobs. Amid intense fear and hardship, federal policymakers responded, enacting five relief bills in 2020 that provided an estimated $3.3 trillion of relief and the American Rescue Plan in early 2021, which added another $1.8 trillion, helping to quicken economic growth after the recovery had slowed at the end of 2020. This strong policy response helped make the COVID-19 recession the shortest on record and helped fuel an economic recovery that has brought the unemployment rate, which peaked at 14.7 percent in April 2020, down to 3.6 percent today. One measure of annual poverty declined by the most on record in 2020, in data back to 1967, and the number of people without health insurance remained stable, rather than rising as typically happens with large-scale job loss. Various data indicate that in 2021, relief measures reduced poverty, helped people access health coverage, and reduced hardships like inability to afford food or meet other basic needs. (We do not have annual poverty data for 2021 yet.)

The federal response to the pandemic was not only large but also broad in its reach and innovative in its policy approaches. In addition to funding the public health response to the pandemic, such as personal protective equipment, testing, and vaccines, the federal government took a number of steps *for the first time:*

- Providing cash payments to individuals regardless of whether they filed taxes or had a minimum level of income and delivering the payments automatically to tens of millions of recipients of federal benefits as well as those who had filed taxes in either of the last two years.
- Expanding unemployment coverage to a broader group of workers, including part-time and self-employed workers, workers in the gig economy, and workers with less tenure, while also increasing benefit levels substantially more than in the Great Recession and, as in past downturns, increasing the duration of coverage.
- Making the full Child Tax Credit available to the lowest-income children and, building on prior expansions, substantially increasing the credit amount.
- Providing uninterrupted health insurance coverage for Medicaid enrollees across all states and lowering or eliminating premiums for Affordable Care Act (ACA) marketplace enrollees.
- Enacting a national paid leave policy, albeit one with substantial gaps.
- Creating a new emergency school meal replacement program using electronic benefit cards and, building on steps taken during the Great Recession, increasing the value of benefits provided through the Supplemental Nutrition Assistance Program (SNAP) and the WIC nutrition program.
- Establishing a federal eviction prevention program and increasing rental assistance while also, as in the Great Recession, expanding funding for homelessness assistance.
- Providing resources to help shore up child care providers in light of concerns that many were going out of business, while also expanding access to child care assistance to stretched families, building on the child care assistance expansion during the Great Recession.
- Providing fiscal aid to cities, counties, and tribal governments, rather than just providing aid to states.

The federal response also included:

- Providing more substantial fiscal aid to states than in the Great Recession.
- Providing funds for states to provide emergency assistance to help families with children with very low incomes.
- Expanding the EITC for workers without children at home and extending the credit to younger and older workers.

The large, broad, and innovative relief effort has directly strengthened the recovery and reduced hardship.

Poverty and Hardship

It is difficult to overstate the importance of federal relief policies in preventing greater hardship during the twin health and economic crises. The pandemic's unprecedented earnings declines could have triggered suffering unprecedented in the post-World War II era, as well as a more protracted downturn and longer period of high unemployment. While many families had harsh financial ups and downs due to the severity of the crisis and delays and gaps in assistance, relief measures lifted many households' incomes above pre-pandemic levels for the year as a whole, turning a likely spike in poverty into a remarkable overall decline in poverty.

Analysis using the Supplemental Poverty Measure (SPM) — the more comprehensive of the government's two annual poverty measures, which counts both cash and cash-like assistance in determining poverty status[2] — shows that, when government assistance is included, the number of people with annual income below the poverty line fell in 2020 by 10 million from the year before. This was the largest one-year decline in more than 50 years and brought this measure of poverty to its lowest point on record, in data back to 1967.[3] *Without* government assistance, the number of people in poverty would have *risen* in 2020 by 8 million, the second-largest amount on record.[4] Government assistance lifted 53 million people above the poverty line in 2020, well above the previous record of 40 million people in 2009. (The decline in the poverty *rate* was also the largest in more than 50 years. See Figure 1.)

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[2] Unless noted, poverty figures in this report use the Supplemental Poverty Measure (SPM). CBPP analysis of the March Current Population Survey merged with historical SPM data produced by the Columbia Center on Poverty and Social Policy. The poverty threshold is the 2020 SPM poverty threshold, adjusted in prior years for inflation. For methods used, see Danilo Trisi and Matt Saenz, "Economic Security Programs Reduce Overall Poverty, Racial and Ethnic Inequities," CBPP, updated July 1, 2021, https://www.cbpp.org/research/poverty-and-inequality/economic-security-programs-reduce-overall-poverty-racial-and-ethnic.

Note that some versions of the SPM use a "relative" poverty threshold that is updated each year for growth in household spending on basic needs and not simply for inflation. Using these relative poverty thresholds would not alter the finding that the 2020 decline in the SPM was the largest in more than 50 years, nor the finding that, when government assistance is *not* included, 2020 experienced the second largest poverty *increase* on record, our analysis finds.

[3] Figures account for all public benefits (including permanent programs such as Social Security, food assistance, rental vouchers, regular state unemployment insurance, and the Earned Income Tax Credit, as well as pandemic programs such as Economic Impact Payments and supplemental unemployment benefits and food assistance), as well as federal and state income taxes and payroll taxes. The decrease in the percentage of people in poverty (from 11.8 percent to 9.1 percent) was also the largest on record.

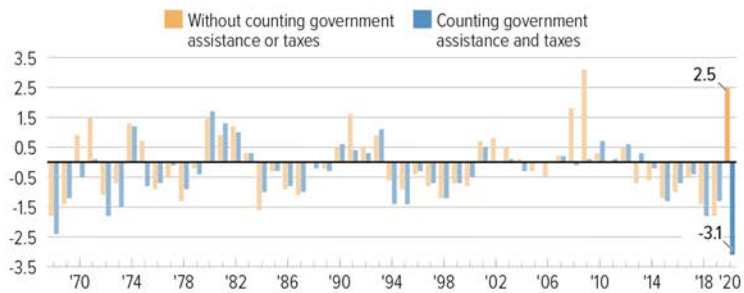
Note that the Census Bureau counts the second Economic Impact Payment, enacted December 27, 2020, as part of families' 2020 income, although Treasury data suggest that families received most if not all of the funds early in 2021. Even if Census had counted this income in 2021 rather than 2020, however, the SPM poverty rate would still have declined in 2020 by the largest amount since 1968 and reached its lowest level since 1967, we estimate.

[4] CBPP analysis of the March 2020 and 2021 Current Population Survey. Figures are based on income before benefits and taxes. The increase in the *percentage* of people in poverty before counting government assistance and taxes (from 22.5 percent in 2019 to 25.3 percent in 2020) was also the second largest on record, with data back to 1967.

FIGURE 1

COVID-19 Relief Achieved Historic Drop in Poverty in 2020; Without Government Assistance, Poverty Would Have Risen Sharply

Percentage point rise or fall in poverty rate from previous year



Note: Figures use Supplemental Poverty Measure (SPM) and 2020 SPM poverty line adjusted for inflation.

Source: CBPP analysis of SPM data from Columbia Center on Poverty and Social Policy (before 2009) and U.S. Census Bureau (2009 and on, accessed via IPUMS-CPS)

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While final annual poverty figures for 2021 are not yet available, it is clear that relief measures — driven in large part by the American Rescue Plan — will have a sizable impact on reducing poverty; in the absence of those relief measures, poverty would have been markedly higher. According to multiple projections poverty in 2021 is likely to remain well below any pre-pandemic level on record, with data back more than 50 years.

Indeed, a number of preliminary projections suggest that *the American Rescue Plan could prove to be the single most effective piece of legislation since the 1935 Social Security Act* for reducing poverty and economic hardship. (The 2020 CARES Act may come close, and the combination of CARES and the other relief measures enacted in 2020 may well have jointly reduced poverty by more than did the Rescue Plan alone.)

Columbia University researchers estimate that the Rescue Plan's advance Child Tax Credit payments reduced the number of children in monthly poverty in December 2021 by an estimated 3.7 million. (When the payments expired the following month, child poverty snapped back upward by over 40 percent.) And that together with several of the plan's other major provisions — including $1,400-per-person Economic Impact Payments, SNAP benefits, expanded unemployment benefits, EITC for workers without children, and Child and Dependent Tax Credit expansion — the Rescue Plan overall is projected to reduce annual poverty in 2021 by more than 12 million people when compared with poverty without this aid. That includes 5.6 million children kept out of poverty by the Rescue Plan, a reduction in child poverty of 56 percent.[5]

Indications of the potency of the policy response in reducing hardship include the following:

- Major measures of food hardship held steady, despite record job losses. The rate of food insecurity in 2020 (the latest year for which the Department of Agriculture (USDA) has detailed annual data) was statistically unchanged from 2019. Less detailed weekly data from the Census Bureau showed the number of adults reporting that their household did not get enough to eat in the last seven days fell sharply in 2021 after each of a number of infusions of relief payments, including the Economic Impact Payments and monthly Child Tax Credit benefits provided by the American Rescue Plan.[6]
- Medicaid enrollment increased by over 16 million from February 2020 to February 2022 due to relief provisions that provided continuity of coverage, and ACA marketplace enrollment grew by more than 3 million from 2020 to 2022. Without these measures, the number of people without health coverage during a pandemic almost certainly would have risen.
- Despite significant administrative challenges, millions of people received jobless benefits because of temporary eligibility expansions and tens of millions received increased benefits. Jobless benefits kept 5.5 million out of poverty in 2020, Census data show. In 2021, the Urban Institute projected, unemployment benefits overall would keep 6.7 million people above the poverty line in 2021, and the Rescue Plan's expansion of these benefits alone would lower poverty from 13.7 percent to 12.6 percent or by more than 3 million people.[7]
- There was no surge in evictions in 2021 when the national eviction moratorium was lifted even though millions of people were behind on paying their rent. This is due both to relief measures overall that helped households make ends meet and brought back jobs more quickly and to critical housing-specific measures. More than 5.7 million households received emergency rental assistance from January 2021 through April 2022 to help them with past-due and current rent bills, forestalling eviction for many.

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[5] Zachary Parolin *et al.*, "Absence of Monthly Child Tax Credit Leads to 3.7 Million More Children in Poverty in January 2022," Columbia University Center on Poverty and Social Policy, Vol. 6, No. 2, February 17, 2022, https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/620ec869096c78179c7c4d3c/1645135978087/Monthly-poverty-January-CPSP-2022.pdf; Zachary Parolin *et al.*, "The Potential Poverty Reduction Effect of the American Rescue Plan," Center on Poverty and Social Policy at Columbia University, March 11, 2021, https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/6113eddb3cde100cb68904ee/1628696027691/Poverty-Reduction-Analysis-American-Rescue-Plan-CPSP-2021.pdf.
An analysis by the Urban Institute found an even larger reduction in 2021 poverty from the Rescue Plan. Laura Wheaton *et al.*, "2021 Poverty Projections: Assessing Four American Rescue Plan Policies," Urban Institute: March 2021, https://www.urban.org/research/publication/2021-poverty-projections-assessing-four-american-rescue-plan-policies.

[6] Patrick Cooney, H. Luke Shaefer, and Samiul Jubaed, "Material Hardship and Well-Being of U.S. Households At the End of 2021," University of Michigan Poverty Solutions, March 2022, http://sites.fordschool.umich.edu/poverty2021/files/2022/03/PovertySolutions-Material-Hardship-2021-March2022.pdf.

[7] Laura Wheaton, Linda Giannarelli and Ilham Dehry, "2021 Poverty Projections: Assessing the Impact of Benefits and Stimulus Measures," Urban Institute, July 2021, https://www.urban.org/sites/default/files/publication/104603/2021-poverty-projections_0_0.pdf; Laura Wheaton *et al.*, "2021 Poverty Projections: Assessing Four American Rescue Plan Policies," Urban Institute: March 2021, https://www.urban.org/sites/default/files/publication/103794/2021-poverty-projections-assessing-four-american-rescue-plan-policies_0_0.pdf.

Examining real-time hardship and consumer spending data, many analysts have noted the policies' powerful influence.[8] The share of adults in households without enough to eat in the last seven days fell a statistically significant amount on three occasions after federal aid was distributed:

- In early January 2021, after the Treasury Department delivered Economic Impact Payments (EIPs) worth $600 per person (starting December 29), the share of adults with children in food-insufficient homes, where someone did not have enough to eat in the past seven days, fell one-sixth.
- In late March 2021, after the Treasury Department disbursed EIPs made available through the American Rescue Plan worth $1,400 per person (starting mid-month), food insufficiency for adults with children fell one-fourth.
- In late July 2021, after the Treasury Department made the first payment (on July 15) of the expanded Child Tax Credit worth up to $300 a month per child and newly available to many of the lowest-income children, food insufficiency reported by adults with children fell significantly and rapidly. Numerous analyses, drawing on multiple sources and types of data, attribute the improvement to the Rescue Plan's Child Tax Credit monthly payments.[9]

The economic fallout from the pandemic was especially severe for workers in low-wage sectors of the economy, such as restaurants and hospitality, in which people of color and women are overrepresented (as discussed more below). Black and Latino people entered the pandemic with lower income and fewer assets due to structural racism and discrimination, which have limited

[8] See, for example, Patrick Cooney and H. Luke Shaefer, "Material Hardship and Mental Health Following the Covid-19 Relief Bill and American Rescue Plan Act," University of Michigan Poverty Solutions, May 2021, http://sites.fordschool.umich.edu/poverty2021/files/2021/05/PovertySolutions-Hardship-After-COVID-19-Relief-Bill-PolicyBrief-r1.pdf; Paul R. Shafer *et al.*, "Association of the Implementation of Child Tax Credit Advance Payments With Food Insufficiency in US Households," *JAMA Network Open*, January 13, 2022, https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2788110; Lauren Bauer, Krista Ruffini, and Diane Whitmore Schanzenbach, "An Update on the Effect of Pandemic-EBT on Measures of Food Hardship," Brookings Institution Hamilton Project, September 29, 2021, https://www.hamiltonproject.org/blog/an_update_on_the_effect_of_pandemic_ebt_on_measures_of_food_hardship; Zachary Parolin *et al.*, "The Initial Effects of the Expanded Child Tax Credit on Material Hardship," Columbia University Poverty and Social Policy Working Paper, September, 20, 2021, https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/6148c84a76d7c27c418bcd13/1632159820347/Child-Tax-Credit-Expansion-on-Material-Hardship-CPSP-2021.pdf; Michael Karpman *et al.*, "Child Tax Credit Recipients Experience a Larger Decline in Food Insecurity and a Similar Change in Employment as Nonrecipients Between 2020 and 2021," Tax Policy Center, May 2022, https://www.urban.org/research/publication/child-tax-credit-recipients-experienced-larger-decline-food-insecurity-and; Patrick Cooney, H. Luke Shaefer, and Samiul Jubaed, "Material Hardship and Well-Being of U.S. Households At the End of 2021," University of Michigan Poverty Solutions, March 2022, http://sites.fordschool.umich.edu/poverty2021/files/2022/03/PovertySolutions-Material-Hardship-2021-March2022.pdf; Elizabeth Adams *et al.*, "Patterns of Food Security and Dietary Intake During the First Half of the Child Tax Credit Expansion," *Health Affairs*, Vol. 41, No. 5, May 2022, https://www.healthaffairs.org/doi/10.1377/hlthaff.2021.01864; Allison Bovell-Ammon *et al.*, "The Child Tax Credit Benefits Whole Families: Preliminary Data Show Improved Food Security and Parental Health," Children's HealthWatch, May 2022, https://childrenshealthwatch.org/wp-content/uploads/Childrens-HealthWatch-Preliminary-CTC-findings-vf.pdf.

[9] For adults without children, food insufficiency also declined after the EIP payments (which they received) but not after the start of the monthly Child Tax Credit payments (which they did not receive), consistent with the conclusion that these and other relief policies eased hardship. Studies linking the Child Tax Credit payments with declines in hardship include Shafer *et al.* (2022), Cooney *et al.* (2022), Parolin *et al.* (2021), Karpman *et al.* (2022), and Adams *et al.* (2022).

opportunities for people of color in employment, housing, education, and other areas. This meant that many elements of the pandemic response that targeted those with the greatest need had particularly large, positive impacts on Black and Latino people.

At the same time, many relief measures excluded some immigrants, who are important members of our communities and who were particularly affected by the pandemic and recession, and immigrants and their families often feared receiving help they qualified for. The American Rescue Plan helped by expanding access to Economic Impact Payments — providing them to people with Social Security numbers who lived with others without an SSN — and the Biden Administration has taken steps to reduce fear among immigrants and their families so that they don't forgo help they need and qualify for.

Surveying the relief policies' impacts on hardship, H. Luke Shaefer of the University of Michigan wrote:

> None of these programs have worked perfectly. Some people were unable to get on unemployment insurance, some did not receive their EIP, and some eligible families have still not received their child tax credit payments. Yet, on the whole, the vast majority of Americans were able to access these critical supports, that together formed a robust, cash-based safety[-net] unlike anything we've seen before. A safety-net that buoyed households during a time of widespread joblessness, and prevented the economy from slipping into a prolonged recession. While we should always think about the ways that we can do better, I think it is also critical to recognize the successes we have had. *This is the best, most successful response to an economic crisis that we have ever mounted, and it is not even close.*[10] (Emphasis added.)

Macroeconomic Impacts

The spread of COVID-19 triggered the deepest recession since World War II. Policymakers' rapid, powerful response was instrumental in turning the economy around. (See Figure 2.)

Federal relief measures in the U.S. were larger as a share of GDP than in most European countries and Japan, and the U.S. has gotten back to pre-pandemic levels of economic activity faster.[11] The path of the recovery in 2020 and 2021 largely tracked the policy response, though shifts in the virus and in restrictions on economic activity also had an impact. Following enactment of the CARES Act in March 2020, the economy grew strongly[12] and by mid-summer, the jobs deficit had been cut in half. However, around the time the federal supplement to weekly unemployment benefits expired at the end of July — and COVID cases then rose substantially from mid-September

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[10] H. Luke Shaefer, Testimony Before the Select Subcommittee on the Coronavirus Crisis Hearing on the Impact of Pandemic Response, September 22, 2021, https://docs.house.gov/meetings/VC/VC00/20210922/114055/HHRG-117-VC00-Wstate-ShaeferH-20210922.pdf.

[11] Gian Maria Milesi-Ferretti, "A most unusual recovery: How the US rebound from COVID differs from rest of G7," Brookings Institution, December 8, 2021, https://www.brookings.edu/blog/up-front/2021/12/08/a-most-unusual-recovery-how-the-us-rebound-from-covid-differs-from-rest-of-g7/#cancel.

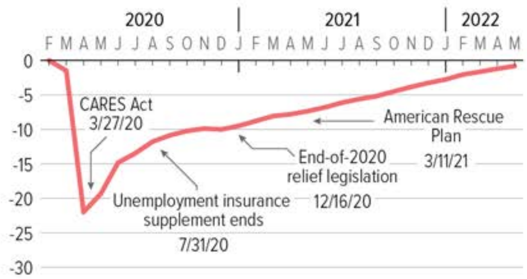
[12] The National Bureau of Economic Research (NBER), the acknowledged arbiter of business dating, has determined that the pandemic recession lasted two months, from the previous peak in February 2020 through April 2020. On a quarterly basis, NBER determined that the recession lasted two quarters, from the previous peak in the fourth quarter of 2019 through the second quarter of 2020.

through the end of the year — job growth slowed, and remained slow until the end of 2020, when Congress passed another major relief package. With that package and the American Rescue Plan in March 2021, as well as progress against the virus, job growth picked up, averaging 540,000 per month between December 2020 and May 2022.

FIGURE 2

Relief Legislation Key to Solid Jobs Recovery

Change in payroll employment since February 2020, in millions of jobs



Note: The Goldman Sachs Effective Lockdown Index for the United States is a combination of official restrictions and actual mobility data from the U.S. economy.

Sources: Bureau of Labor Statistics

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A Moody's Analytics analysis finds that in the absence of relief measures, "the economy would have succumbed to a double-dip recession," and unemployment, particularly among low-paid workers, would be significantly higher. And without the Rescue Plan, but if the other relief packages had been enacted, the U.S. still would have "come close to suffering a double-[dip] recession in spring 2021."[13]

The pattern of job loss and recovery has varied widely across industries, occupations, and demographic groups. A Congressional Budget Office (CBO) analysis found that just 11 out of 264 private industries accounted for about *half* of the job losses in the downturn and about half of the rebound in employment over the next 12 months, with restaurants and other food services accounting for the largest decline and rebound.[14] In general, women, workers of color, workers without a bachelor's degree, and foreign-born workers were employed in the industries and occupations most affected by the pandemic. These workers had greater job losses in the recession

[13] *Yaros et al., op. cit.*

[14] Congressional Budget Office, "Additional Information About the Updated Budget and Economic Outlook: 2021 to 2031," July 2021, Figure 2-1, https://www.cbo.gov/publication/57373#_idTextAnchor084.

than workers who were white, native born, and four-year college graduates, but also substantial bounce-backs in the robust, relief-fueled recovery.[15]

The strong recovery and tight labor markets have produced rapid nominal wage growth over the past two years, especially for the lowest-paid workers, which has offset some of the effects of recent inflation. For workers in many low-paid jobs, in fact, wage increases appear to have modestly exceeded inflation over this period.[16]

In the 12 months ending in April, average annual earnings in 18 industries with 34 million non-management jobs of the total of 126 million payroll jobs grew faster than the 8.3 percent rise in the consumer price index (CPI), according to an analysis of industries ranked by average hourly earnings. (Employment was averaged over the 12 months ending in April.) Nine of those industries, with a total of 18 million jobs, were in low-paid industries that experienced the largest and most sustained job losses since February 2020.

However, inflation is high and is causing strain on families. CBO's most recent projections show inflation remaining elevated but gradually coming down over the course of 2022 and 2023. The pandemic economy has been like no other, with fluctuations in the demand and supply of goods, services, and labor. Blaming inflation solely on the demand created by pandemic relief programs, which supported struggling families and unemployed workers and supported spending that promoted a robust recovery, is misguided. Inflation emerged for a number of reasons, including supply constraints that created shortages that in turn led to price increases. In particular, constraints in meeting demand for goods relative to services contributed to rising inflation, as have shortages of intermediate goods like computer chips. Those constraints often stem from the health crisis itself, which hampered production of some key goods (and continues to cause supply shortages of some goods today). More recently, inflation has been driven in part by the Russian invasion of Ukraine, which has significantly affected energy and food prices globally and in the U.S., and by virus-related shutdowns in China.

Nor is high inflation confined to the United States. Inflation is at the highest rate in decades in the euro area, the U.K., and Canada. U.S. consumer prices have risen by 8.3 percent in the last year, but they also are up 8.1 percent in the euro area[17] and 9 percent in the U.K.[18] While the timing and causes of inflation in the U.S. and in Europe are not the same, inflation is far from limited to the U.S.

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[15] The recovery from the large job losses between February 2020 and April 2020 has generally been largest for the same groups that experienced the deepest losses, but in many cases, all of the recession losses have not yet been made up. For example, while the share of Hispanic workers with a job in December 2021 was 0.3 percent higher than in February 2020, Hispanic women's employment was still 0.6 percent below what it was in February 2020.

[16] Employment Cost Index calculations reported in Jason Furman and Wilson Powell III, "US wages grew at fastest pace in decades in 2021, but prices grew even more," Peterson Institution for International Economics, January 28, 2022, https://www.piie.com/blogs/realtime-economic-issues-watch/us-wages-grew-fastest-pace-decades-2021-prices-grew-even-more.

[17] Eurostat, European Union, "Flash estimate – May 2022, Euro area annual inflation up to 8.1%," May 31, 2022, https://ec.europa.eu/eurostat/documents/2995521/14636256/2-31052022-AP-EN.pdf/3ba84e21-80e6-fc2f-6354-2b83b1ec5d35.

[18] Trading Economics, "United Kingdom Inflation Rate," May 2022, https://tradingeconomics.com/united-kingdom/inflation-cpi.

Some have sought to blame rising labor costs for recent inflation, but the contribution of labor costs to recent price increases has been much lower than normal, while the contribution of corporate profits has been much higher than normal.[19] This strongly indicates that a substantial share of inflation is being caused by factors outside of labor market issues. The share of the population with a job and the labor force participation rate among prime-age workers have continued to recover and are now quite close to pre-pandemic levels, which themselves were higher just before the pandemic than at any time since 2001 and 2008, respectively.

The Federal Reserve has declared its commitment to bringing inflation down and has the tools to slow aggregate demand growth while remaining attentive to its dual mandate from Congress to promote both stable prices and maximum employment. In December 2021, the Fed announced plans to taper and eventually end quantitative easing and to begin raising its target range for the federal funds rate, and it began implementing those policies starting in March 2022. In May the Fed raised its target federal funds range to 0.75 to 1.0 percent and in June it began reducing its holdings of long-term assets, initiating a policy of quantitative tightening.

Lowering inflation is necessary, but it is important to consider what the state of the economy would have been over the course of the crisis — and the amount of hardship that families would have faced — if the nation hadn't enacted robust relief measures, including the American Rescue Plan. The Moody's analysis noted above found that without these measures, the recovery would have been far slower and weaker, high unemployment would have been far more protracted, and as a result, hardship far worse.[20] The Moody's analysis also points to the importance of the American Rescue Plan in bolstering the recovery in 2021 and bringing about a more rapid jobs recovery. And supply constraints likely would have raised inflation above pre-pandemic rates for a while in any case, as would the impact of the Russian invasion.

The federal response to the COVID-19 pandemic helped tens of millions of people get adequate food, shelter, and medical care and cover other basic household expenses during the crisis while also sparking a historically rapid recovery from recession. Higher inflation today is preferable to a more protracted recession that left more people unable to pay their bills and more businesses shuttered, economist Paul Krugman (among others) has argued.[21]

What Specific Policies Achieved

Child Tax Credit. The American Rescue Plan included a one-year expansion of the Child Tax Credit that increased the maximum credit amount (to $3,600 for children under age 6 and $3,000 for children aged 6 to 17), made the full credit available to children in families with low or no earnings in the year (often called making it "fully refundable"), allowed families to claim their 17-year-old children for the first time, and delivered half of the credit via advance monthly payments rather than

[19] Josh Bivens, "Corporate profits have contributed disproportionately to inflation. How should policymakers respond?" Economic Policy Institute, April 21, 2022, https://www.epi.org/blog/corporate-profits-have-contributed-disproportionately-to-inflation-how-should-policymakers-respond/

[20] Yaros *et al.*, *op. cit.*

[21] See, for example, Paul Krugman, "The Secret Triumph of Economic Policy," *New York Times*, January 13, 2022, https://www.nytimes.com/2022/01/13/opinion/pandemic-economic-recovery.html.

entirely as a lump sum at tax time.[22] The Treasury Department issued monthly Child Tax Credit payments to over 61 million children in December 2021.[23]

These payments sharply reduced monthly child poverty, with full refundability almost certainly being the main driver of that poverty reduction. In December 2021, by which time most families had received half the credit through advance monthly payments, the payments kept an estimated 3.7 million children out of poverty (using a monthly poverty measure), a 29 percent reduction that was reversed when the credit expired the following month.[24] The vast majority of families with low incomes spent their payments on necessities — food, housing, clothing, utilities — and education, data from the Census Bureau's Household Pulse Survey show.[25] (See Figure 3.) Reported food insufficiency dropped significantly and rapidly after the first round of monthly payments, according to Pulse data. There is no evidence the payments negatively affected parental employment.[26]

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[22] These larger credit amounts start to phase down to $2,000 for families with incomes above $112,500 for a head of household and $150,000 for a married couple. The $2,000 credit starts to phase down for families with incomes above $200,000 for a head of household and $400,000 for a married couple.

[23] Department of the Treasury, "By State: Advance Child Tax Credit Payments Distributed in December 2021," December 15, 2021, https://home.treasury.gov/system/files/131/Advance-CTC-Payments-Disbursed-December-2021-by-State-12152021.pdf.

[24] Zachary Parolin, Sophie Collyer, and Megan A. Curran, "Sixth Child Tax Credit Payment Kept 3.7 Million Children Out of Poverty in December," Columbia University Center on Poverty and Social Policy, Vol. 6, No. 1, January 18, 2022, https://static1.squarespace.com/static/5743308460b5e922a25a6dc7/t/61ea068f13dbfa56bfc9be17/1642727056209/Monthly-poverty-December-2021-CPSP.pdf; Parolin *et al.* (February 2022), *op. cit.* Note that monthly and annual poverty-reduction calculations differ. The estimated monthly poverty impact of the expanded Child Tax Credit, for instance, does not include the lump-sum payments received at tax time, so monthly poverty reductions understate the eventual full-year effect of the credit.

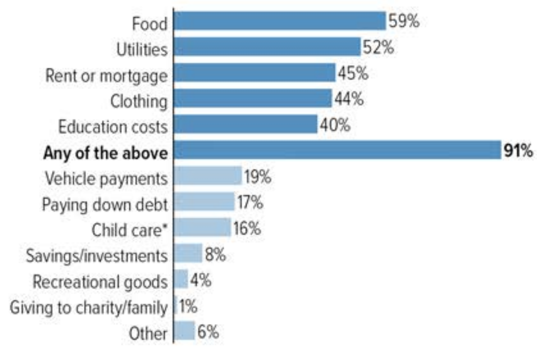
[25] Claire Zippel, "9 in 10 Families With Low Incomes Are Using Child Tax Credits to Pay for Necessities, Education," CBPP, October 21, 2021, https://www.cbpp.org/blog/9-in-10-families-with-low-incomes-are-using-child-tax-credits-to-pay-for-necessities-education.

[26] Megan A. Curran, "Research Roundup of the Expanded Child Tax Credit: The First 6 Months," Columbia University Center on Poverty and Social Policy, Vol. 5. No. 5, December 22, 2021, https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/61f946b1cb0bb75fd2ca03ad/1643726515657/Child-Tax-Credit-Research-Roundup-CPSP-2021.pdf.

FIGURE 3

Families With Low Incomes Spent Expanded Child Tax Credit on Basic Needs, Education

Percent of households with incomes below $35,000 who spent their credit payments on:



*Percent of households with child(ren) under age 5.

Note: Education costs include school books and supplies, school tuition, tutoring services, after-school programs, and transportation for school. Household income is in 2020. Figures are for households who reported receiving a Child Tax Credit payment in the last 30 days in data collected July 21–September 27, 2021.

Source: CBPP analysis of U.S. Census Bureau Household Pulse Survey public use files for survey weeks 34-38

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Making the credit fully refundable also reduced racial and geographic income disparities. Prior to the Rescue Plan, an estimated 27 million children — including about half of Black children, half of Latino children, and about one-fifth of white children[27] — received less than the full credit or no credit at all because their families' incomes were too low.[28] Roughly half of children in rural (that is, non-metropolitan) areas also received less than the full credit or none at all. The fully refundable credit made these previously excluded children eligible.

The Rescue Plan's improvements in the Child Tax Credit also reached all five U.S. Territories — Puerto Rico, Guam, U.S. Virgin Islands, American Samoa, and the Northern Mariana Islands — which together are home to nearly 4 million U.S. residents. Not only did the Rescue Plan extend its

[27] Sophie Collyer, David Harris, and Christopher Wimer, "Left behind: The one-third of children in families who earn too little to get the full Child Tax Credit," Center on Poverty & Social Policy at Columbia University, May 14, 2019, https://www.povertycenter.columbia.edu/news-internal/leftoutofctc.

[28] Kris Cox *et al.*, "If Congress Fails to Act, Monthly Child Tax Credit Payments Will Stop, Child Poverty Reductions Will Be Lost," CBPP, updated December 3, 2021, https://www.cbpp.org/research/federal-tax/if-congress-fails-to-act-monthly-child-tax-credit-payments-will-stop-child.

temporary expansions of the credit to the territories, it also permanently erased long-standing discriminatory barriers that had prevented the bulk of families with children in the territories from accessing the credit. Together, these changes will significantly reduce child poverty in the territories, which is much higher than in the rest of the country.[29]

Health coverage. In the early days of COVID-19, several independent analyses projected that tens of millions of people would lose employer-based coverage and 2.9 to 8.5 million would become uninsured.[30] Such losses would have created especially severe risks in a pandemic, as uninsured adults are much more likely to delay or forgo needed medical care.[31] Largely due to federal relief legislation, however, coverage has remained mostly stable since the pandemic began.[32]

Since March 2020, states have received an increase in federal Medicaid funding if they maintain continuous coverage for Medicaid enrollees, rather than conducting annual benefit redeterminations as is normally required for most enrollees. This largely eliminated coverage losses due to administrative "churn" (that is, due to individuals' inability to navigate the administrative requirements or glitches in state processes). It also allowed people to maintain Medicaid coverage who otherwise would have become ineligible due to a change in their income, age, or status, such as a pregnant woman losing coverage shortly after giving birth.

All states have participated. As a result, Medicaid and Children's Health Insurance Program (CHIP) enrollment grew by 16 million from March 2020 to February 2022, reaching a record 87.4 million.[33] The continuous coverage provision likely played a particular role in advancing racial equity, as Black and Latino people are disproportionately enrolled in Medicaid and Latino people experience particularly frequent gaps in Medicaid coverage.[34]

The American Rescue Plan temporarily increased the value of premium tax credits and expanded eligibility in the ACA marketplaces, leading to a 19 percentage point increase in the number of

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[29] Javier Balmaceda, "Tax Credit Expansions Expected to Significantly Reduce Poverty in Puerto Rico," CBPP, March 14, 2022, https://www.cbpp.org/blog/tax-credit-expansions-expected-to-significantly-reduce-poverty-in-puerto-rico.

[30] Jessica Banthin and John Holahan, "Making Sense of Competing Estimates: The COVID-19 Recession's Effects on Health Insurance Coverage," Urban Institute, August 2020, https://www.urban.org/sites/default/files/publication/102777/making-sense-of-competing-estimates_1.pdf.

[31] Jared Ortaliza *et al.*, "How Does Cost Affect Access to Care?" Peterson-KFF Health Systems Tracker, January 14, 2022, https://www.healthsystemtracker.org/chart-collection/cost-affect-access-care/.

[32] Joel Ruhter *et al.*, "Tracking Health Insurance Coverage in 2020-2021," Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, October 29, 2021, https://aspe.hhs.gov/reports/tracking-health-insurance-coverage.

[33] Medicaid.gov, "Monthly Medicaid & CHIP Application, Eligibility Determination, and Enrollment Reports & Data," https://www.medicaid.gov/medicaid/national-medicaid-chip-program-information/medicaid-chip-enrollment-data/monthly-medicaid-chip-application-eligibility-determination-and-enrollment-reports-data/index.html. February 2022 data are preliminary.

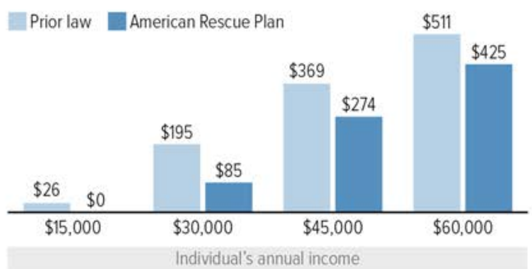
[34] Gideon Lukens, "Medicaid Coverage Gap Affects Even Larger Group Over Time Than Estimates Indicate," CBPP, September 3, 2021, https://www.cbpp.org/sites/default/files/9-3-21health.pdf. Black and Latino people are more likely to be enrolled in Medicaid largely because they are more likely to live in low-income families, a legacy of unequal opportunities due to racism and discrimination. It is unclear why Latino people experience more frequent disruptions in Medicaid coverage, but reasons could include higher rates of income volatility or administrative obstacles to renewing coverage.

uninsured people eligible for zero-premium plans.[35] (See Figure 4.) As marketplace coverage became more affordable and the Administration expanded outreach efforts, a record 14.5 million people selected marketplace plans during the 2022 open enrollment period, up from 12 million in 2021 and 11.4 million in 2020. For marketplace enrollees who used HealthCare.gov during the 2022 open enrollment period, average monthly premiums fell by 23 percent as compared to premiums charged during the 2021 open enrollment period before the Rescue Plan reductions.[36]

FIGURE 4

American Rescue Plan Made Marketplace Coverage More Affordable

Monthly premium for benchmark marketplace coverage for a 45-year-old, based on national average premium, 2021



Note: These premiums are applicable in all states except for those with different poverty level standards than the national standard (Alaska and Hawai'i) and those states that subsidize marketplace premiums beyond the federal subsidy (California, Massachusetts, New York, and Vermont).

Source: CBPP calculations based on American Rescue Plan

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Largely due to these Medicaid and ACA marketplace provisions, the uninsured rate did not increase in 2020 or 2021, which is highly unusual for a major economic downturn, (and preliminary

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[35] D. Keith Branham *et al.*, "Access to Marketplace Plans with Low Premiums on the Federal Platform: Part II," Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, April 1, 2021, https://aspe.hhs.gov/reports/access-marketplace-plans-low-premiums-uninsured-american-rescue-plan. Estimates are for uninsured non-elderly adults potentially eligible for marketplace coverage in Healthcare.gov states.

[36] "Marketplace 2022 Open Enrollment Period Report: Final National Snapshot," Centers for Medicare & Medicaid Services (CMS), January 27, 2022, https://www.cms.gov/newsroom/fact-sheets/marketplace-2022-open-enrollment-period-report-final-national-snapshot; Marketplace Open Enrollment Period Public Use Files, 2020 and 2021; "Biden-Harris Administration Announces 14.5 Million Americans Signed Up for Affordable Health Care During Historic Open Enrollment Period," CMS, January 27, 2022, https://www.cms.gov/newsroom/press-releases/biden-harris-administration-announces-145-million-americans-signed-affordable-health-care-during.

data suggest it may even be lower now than before the pandemic. In 2021, an estimated 30.0 million people were uninsured, compared to 31.6 million in 2020 and 33.2 million in 2019.[37]

While the health coverage measures helped millions of people, a significant gap remained: low-income adults in states that refused to adopt the Medicaid expansion continued to lack access to affordable health coverage. Some 2 million people who should be covered by Medicaid are uninsured because their states have refused to adopt the Medicaid expansion. This left a hole in our pandemic response and is a policy that needs to be fixed permanently.

Unemployment insurance. Responding to rapid job losses as the pandemic spread, Congress passed the most expansive set of temporary unemployment benefits in our nation's history. These steps were necessary largely because the permanent unemployment insurance (UI) system does not cover many unemployed workers and often provides inadequate benefits. The temporary programs significantly increased the coverage, duration, and adequacy of unemployment benefits compared to regular UI. These expansions were not without challenges: there were frequent delays in delivering benefits, in part due to lack of investment in technology modernization prior to the crisis, which left states unprepared for the large volume of claims. Additionally, criminal organizations used stolen identities to claim fraudulent benefits, especially before new documentation safeguards were put in place in the Pandemic Unemployment Assistance (PUA) program. (PUA was designed to provide benefits for those not covered by the regular UI program, including self-employed and "gig" workers.) Nevertheless, the expansions substantially reduced hardship and provided important stabilization and impetus for recovery for a sharply declining economy.[38]

Before the pandemic, the regular federal-state UI system was providing coverage to less than a third of jobless workers and on average replacing only about 40 percent of lost wages for those who received benefits. Without the temporary pandemic expansions, about 5 million more people would have had annual income below the poverty line in 2020 (and potentially 6 million more in 2021);[39] many additional millions would have had less money for food, shelter, and other necessities for their families; the jobs rebound that far surpassed initial projections would have lost steam; tens of

[37] Robin A. Cohen and Amy E. Cha, "Health Insurance Coverage: Early Release of Quarterly Estimates From the National Health Interview Survey, July 2020-September 2021," Centers for Disease Control and Prevention (CDC), January 2022, https://www.cdc.gov/nchs/data/nhis/earlyrelease/Quarterly_Estimates_2021_Q13.pdf; Robin A. Cohen *et al.*, "Health Insurance Coverage: Early Release of Estimates From the National Health Interview Survey, 2020," CDC, U.S. Department of Health and Human Services, August 2021, https://www.cdc.gov/nchs/data/nhis/earlyrelease/insur202108-508.pdf.

[38] The new federal initiatives had three major elements. *Pandemic Unemployment Assistance* extended unemployment benefits to large segments of the workforce who would have been ineligible for any UI benefits at all under the standard program. These included certain low-paid workers and self-employed workers and independent contractors in the so-called "gig" economy. *Federal Pandemic Unemployment Compensation* increased weekly benefit amounts (first by $600 and subsequently by $300); regular state UI benefits replace only about 40 percent of prior wages on average, leaving many workers — especially low-paid workers — with very low benefits. *Pandemic Emergency Unemployment Compensation* provided extra weeks of benefits to people who had exhausted their regular state UI benefits and needed more time to find work.

[39] U.S. Census Bureau, "The Supplemental Poverty Measure: 2020," September 14, 2021, https://www.census.gov/library/publications/2021/demo/p60-275.html; Suzanne Macartney *et al.*, "Federal Economic Stimulus Projected to Cut Poverty in 2021, Though Poverty May Rise as Benefits Expire," HHS Assistant Secretary for Planning and Evaluation, February 2022, https://aspe.hhs.gov/sites/default/files/documents/452493535752b7b9e60f7406d6a40a7b/poverty-projections-2021-2022-rb.pdf.

millions of workers not covered by regular UI, especially workers of color, would not have received any benefits; and up to 27,000 more people may have died from COVID-19 in its early months because they needed to work in higher-risk occupations to make ends meet. Also, studies strongly suggest that unemployment benefits did not hold back employment growth, despite rhetoric to the contrary.

Economic Impact Payments. To provide income support and shore up overall consumer demand, relief legislation in 2020 and 2021 provided three rounds of EIPs to most households, ranging from $600 to $1,400 per adult and $500 to $1,400 per child (or other dependent, in the third round). In total, the IRS issued over 480 million EIPs, with each round reaching 146 to 175 million households.[40] The first two rounds alone lifted 11.7 million people above the poverty line in 2020, including 3.2 million children, according to the Supplemental Poverty Measure.[41]

The EIPs' success in reaching those who needed help partly reflected design and implementation improvements compared to similar stimulus payments in 2008. The earlier payments went only to individuals who had filed tax returns, and only individuals with sufficient tax liability received the full amount. The EIPs were the first time the IRS provided direct cash payments to households with no minimum earnings threshold or tax filing requirement, so people with the lowest incomes were eligible for the full rebate amount. And, unlike in 2008, the Treasury Department was able to deliver benefits automatically to recipients of Social Security, Supplemental Security Income, railroad retirement, and certain veterans' benefits, rather than forcing them to file tax returns that were otherwise unnecessary.

There will be opportunities for improvement if policymakers issue stimulus payments in a future crisis. For instance, they could improve outreach by leveraging state agencies that administer SNAP and Medicaid, which are uniquely placed to use existing contact information to alert eligible people about payments and connect them with sign-up mechanisms or even provide payments directly.

Housing. The U.S. was already facing a crisis of homelessness and housing instability when the pandemic hit; homelessness was rising in a majority of states and the number of people at risk of homelessness was high, increasing the risk that homelessness could surge just when it presented the greatest health risks. The onset of the pandemic worsened the difficulties for many people experiencing homelessness, with people in congregate care facilities as well as unsheltered arrangements facing increasing risk of infection. Also, shelters needed to reconfigure and downsize to comply with public health guidance and meet their staffing challenges.[42]

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[40] Internal Revenue Service, "All third Economic Impact Payments issued," January 26, 2022, https://www.irs.gov/newsroom/all-third-economic-impact-payments-issued; Internal Revenue Service, "SOI Tax Stats – Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Statistics," June 28, 2021, https://www.irs.gov/statistics/soi-tax-stats-coronavirus-aid-relief-and-economic-security-act-cares-act-statistics. These figures omit households who received payments not as an "advance" but instead as a credit on their tax returns.

[41] Kalee Burns, Danielle Wilson, and Liana E. Fox, "Two Rounds of Stimulus Payments Lifted 11.7 Million People Out of Poverty During the Pandemic in 2020," U.S. Census Bureau, September 14, 2021, https://www.census.gov/library/stories/2021/09/who-was-lifted-out-of-poverty-by-stimulus-payments.html.

[42] For more information see the following: California Project Roomkey, https://www.cdss.ca.gov/inforesources/cdss-programs/housing-programs/project-roomkey; Shelter Guidance, https://files.hudexchange.info/resources/documents/Non-Congregate-Approaches-to-Sheltering-for-COVID-19-Homeless-Response.pdf and https://www.hud.gov/sites/dfiles/CPD/documents/Model-Transitions-

To address hardship for people experiencing homelessness and housing instability during the pandemic, Congress made substantial investments across several relief bills — including $46.6 billion for the new Emergency Rental Assistance (ERA) Program, $5 billion for 70,000 Emergency Housing Vouchers, $5 billion for the HOME Investments Partnerships program, and $4 billion for the Emergency Solutions Grants-COVID program. The measures are unprecedented in scope and will have a lasting positive impact by averting hardships that can have long-term negative consequences.

Over 5.7 million households received emergency rental assistance (first enacted in December 2020 and expanded under the American Rescue Plan) from January 2021 through April 2022, according to Treasury Department data.[43] This assistance is likely a key reason that evictions didn't surge after the end of the national eviction moratorium in August 2021. In the six states and 31 cities in which the Eviction Lab tracks data, eviction case filings were down overall by about 50 percent in 2021, compared to average pre-pandemic rates,[44] and remained below pre-pandemic levels through the end of 2021. Low eviction filings in 2021 reflect the importance of the moratorium, and, given the amount of rental debt that accumulated during the pandemic, the lack of a surge in evictions speaks to the effectiveness of emergency rental assistance and other housing-related resources, measures that bolstered the job market, and income support for households during the crisis. These efforts, in combination with eviction moratoriums, helped people obtain or maintain stable housing and prevented an estimated 1.36 million evictions nationwide.[45] Based on data from 2021, these programs are providing well-targeted assistance: 86 percent of the households served (excluding households served by tribes) have incomes at or below 50 percent of the area median.

Unfortunately, eviction rates have risen in 2022 in most places where data are available, likely reflecting sharply rising rents, the phasing down of many relief measures (including the expiration of the Child Tax Credit expansion), and the underlying gaps in our rental assistance programs that provide help to a small share of households that need it due to inadequate funding.

Food assistance. Early in the pandemic, hunger was poised to soar. Calls to "211" for help with food in the first two months of the pandemic were over four times greater than earlier in 2020.[46] Use

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Document_FINAL.pdf; King County, https://kingcounty.gov/depts/health/covid-19/providers/~/media/depts/health/communicable-diseases/documents/C19/hch/shelter-in-place-guidance.ashx.

[43] U.S. Department of the Treasury, "Emergency Rental Assistance Program," https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program.

[44] Eviction Lab's analysis uses a baseline that averages cases filed across several pre-pandemic years. The places Eviction Lab tracks account for about 25 percent of renter households in the U.S.

[45] Peter Hepburn *et al.*, "Preliminary Analysis: Eviction Filing Patterns in 2021," Eviction Lab, March 8, 2022, https://evictionlab.org/us-eviction-filing-patterns-2021/. Note that the estimate of evictions prevented compares evictions in 2021 with the number of evictions that would have been expected in a *typical* year, and so is a conservative estimate because many more renters would have been at risk for eviction during the pandemic in the absence of strong relief measures that bolstered household income.

[46] Rachel Garg *et al.*, "A new normal for 2-1-1 food requests?" Washington University in St. Louis Health Communication Research Laboratory, June 15, 2020, https://hcrl.wustl.edu/a-new-normal-for-2-1-1-food-requests/; Cindy Charles *et al.*, "Trends of top 3 food needs during COVID," Washington University in St. Louis Health Communication Research Laboratory, August 7, 2020, https://hcrl.wustl.edu/trends-of-top-3-food-needs-during-covid/.

of food banks also increased.[47] While SNAP eligibility and participation expand automatically in response to job and income losses, Congress made numerous policy changes beginning in March 2020 that took advantage of SNAP's ability to deliver benefits quickly by adding benefits to households' EBT cards. These changes included giving states flexibility to provide emergency SNAP benefit supplements, which all states did;[48] boosting SNAP maximum benefits by 15 percent from January through September 2021; and creating a Pandemic-EBT program to provide benefits (via SNAP cards or similar EBT cards) to households with children who miss meals at school or child care due to the pandemic. Congress also temporarily suspended SNAP's three-month time limit, which takes benefits away from many adults under age 50 without children in the home when they don't have a job more than 20 hours a week.[49]

Average SNAP benefits across all households rose from about $120 per person per month before the pandemic to about $230 in the summer and fall of 2021. Since then, SNAP pandemic relief has fallen as one benefit increase expired and states have started to pull back on emergency supplements.[50]

Early evidence shows the real-time impacts of these relief measures. For example, researchers found that receipt of P-EBT benefits in 2021 reduced the share of SNAP households where children experienced very low food security by 17 percent and reduced food insufficiency among SNAP households by 28 percent.[51] Another study found that the January 2021 increase in the SNAP

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[47] Paul Morello, "The food bank response to COVID, by the numbers," Feeding America, March 12, 2021, https://www.feedingamerica.org/hunger-blog/food-bank-response-covid-numbers.

[48] Through SNAP, all states have provided Emergency Allotments (EA), which Congress authorized in March 2020, and all but a handful of states continue to provide them. USDA may approve states to provide EAs for as long as the federal government has declared a public health emergency and the state has issued an emergency or disaster declaration. In states providing EAs, all households receive the maximum benefit for their household size; if the difference between the maximum benefit and the household's original benefit under the SNAP benefit formula is less than $95, then the household's EA is increased so the total EA benefit is no lower than $95. See USDA, "USDA Increases Emergency SNAP Benefits for 25 million Americans," April 1, 2021, https://www.fns.usda.gov/news-item/usda-006421. Families First and the American Rescue Plan provided funding for additional commodity purchases for emergency food programs and increased funding for the nutrition assistance block grants in Puerto Rico, American Samoa, and the Northern Mariana Islands.

[49] For a description of the temporary flexibilities in SNAP, see CBPP, "States Are Using Much-Needed Temporary Flexibility in SNAP to Respond to COVID-19 Challenges," updated October 4, 2021, https://www.cbpp.org/research/food-assistance/states-are-using-much-needed-temporary-flexibility-in-snap-to-respond-to.

[50] When the federal public health emergency ends, the temporary SNAP benefit increases will end, but due to a permanent change in the Thrifty Food Plan (TFP), SNAP benefits will remain higher than before the pandemic, averaging roughly $170 per person per month. In August 2021, USDA announced a revision of the TFP, which raised maximum SNAP benefits by 21 percent compared to what they would have been beginning in October 2021 (and in future years). See "USDA Modernizes the Thrifty Food Plan, Updates SNAP Benefits," USDA, August 16, 2021, https://www.fns.usda.gov/news-item/usda-0179.21; and Joseph Llobrera, Matt Saenz, and Lauren Hall, "USDA Announces Important SNAP Benefit Modernization," CBPP, August 26, 2021, https://www.cbpp.org/research/food-assistance/usda-announces-important-snap-benefit-modernization.

[51] Lauren Bauer *et al.*, "An Update on the Effect of Pandemic EBT on Measures of Food Hardship," Brookings Institution Hamilton Project, September 29, 2021, https://www.brookings.edu/research/an-update-on-the-effect-of-pandemic-ebt-on-measures-of-food-hardship/. As explained in the report's technical appendix, households were considered to have very low food security among children if they reported that the children sometimes or often did not

maximum benefit reduced food insufficiency in early 2021, resulting in a significant drop in the number of adults reporting that their household didn't get enough to eat in the past seven days.[52] Although it is not always possible to separate the effect of food assistance from other aid, the nutrition expansions played a key part in averting increased hunger during an unprecedented crisis.

State fiscal relief. When the pandemic hit in the first half of 2020 it quickly caused state, local, tribal, and territory revenues to collapse and their costs to rise sharply. Without federal aid, this would have forced deep cuts in state and local services at a time when *increased* supports — including public health measures to respond to the pandemic — were needed.

In March 2020 Congress passed the Families First legislation, which increased the federal share of Medicaid funding, a crucial step given the rapid surge in people needing health coverage. The added Medicaid dollars strengthened states' overall fiscal picture while protecting coverage for millions of people. Later that month Congress passed the CARES Act, which included $150 billion in aid for states, local governments with populations over 500,000, tribal governments, and U.S. Territories, which they could use for new costs incurred due to the public health emergency through the end of 2020 and not to make up for revenue losses.[53]

The American Rescue Plan of 2021 provided $350 billion in more flexible aid to help states, local governments of all sizes, tribal governments, and U.S. Territories respond to the pandemic. The law's State and Local Fiscal Recovery Funds (SLFRF) provided funds that governments could use to make up for pandemic-induced revenue losses, providing a hedge against expected shortfalls and helping them rehire workers and reverse spending cuts from earlier in the pandemic. About a fifth of the state funding has gone to offset pandemic-induced revenue losses, including funds used to hire back school workers and others laid off earlier in the pandemic. Nearly another quarter has gone to health care and human services for people affected by the pandemic. Specific examples of spending include:

- Massachusetts invested $387 million in a wide range of housing assistance efforts, including supporting homeownership, homeless shelter repairs, and rental housing development.
- Michigan spent $121 million on its Great Start Readiness Program, a state-funded preschool program for 4-year-olds in foster care, experiencing homelessness, from households with low incomes, and those with disabilities.
- Texas allocated $113 million to the Texas Child Mental Health Care Consortium to expand mental health initiatives for children, pregnant women, and women who are up to one year postpartum.
- North Carolina used $31.5 million to expand outreach and advising to community college students from households with low or moderate incomes and to provide need-based grants

eat enough in the last seven days because the household could not afford food. Households that experienced food insufficiency reported that they were sometimes or often not able to get enough to eat in the previous seven days.

[52] Andrew Bryant and Lendie Follett, "Hunger Relief: A Natural Experiment from Additional SNAP Benefits During the COVID-19 Pandemic," *The Lancet Regional Health-Americas*, Vol. 10, June 2022, https://www.sciencedirect.com/science/article/pii/S2667193X22000412.

[53] On December 27, 2020, when most of the funds were allocated, Congress extended the deadline, allowing states and populous cities and counties to use the funds to cover costs incurred through the end of 2021.

to cover up to two years of tuition and fees for graduating high school students through the Longleaf Commitment Grant program.

Localities, territories, and tribal governments have also made productive use of the SLFRF. For example:

- Puerto Rico created the nation's largest program to provide premium pay to essential workers, including both government employees and private-sector workers.
- Buffalo funded short-term aid to low-income families to cover housing and other bills, new affordable housing development, job training programs with stipends to make it possible for people to take time from work, and improvements to parks and other public infrastructure.
- Tribal nations are especially vulnerable to COVID-19's health risks and the pandemic sharply reduced the revenues of tribal governments that rely on tourism and casinos. The Recovery Funds have transformed tribal governments' ability to respond to the pandemic and help tribal members recover. The Navajo Nation, for example, is using Recovery Funds for broadband and water projects, support for tribal businesses, care for COVID-19 patients, and burial assistance for the families of COVID victims, among other uses.

Unfortunately, some states have used the funds in ways inconsistent with the law's spirit. The SLFRF expressly forbids using the funds for tax cuts,[54] but states can use their own funds for such purposes. While the SLFRF may have indirectly helped make these proposals more affordable, many states likely would have considered tax cuts this year ***without*** the SLFRF funds, for reasons that vary by state; policymakers in some states were trying to dismantle or sharply reduce income taxes even before the pandemic.[55] (Conservatives pursued tax cuts after the Great Recession as well, though the federal government provided much less state fiscal aid then.)[56] Other states are considering one-time tax cuts aimed at reducing household costs.

Some critics have charged that the relief funds ended up larger than necessary. It is true that state revenues came in stronger than expected, but if federal policymakers had undershot the fiscal relief funding — as they did after the Great Recession — states, localities, territories, and tribal governments could have faced large budget holes and made budget cuts that would have prolonged the downturn, forced more layoffs, and weakened needed services during the crisis. Instead, these governments have been able to make investments that strengthened the economy and addressed the needs of individuals and communities that were severely impacted by the pandemic and its economic fallout. And these governments were given time to spend the resources, allowing them to

[54] Court rulings have stopped this prohibition from having effect in some states.

[55] For example, the governors of Mississippi and West Virginia both announced their support for eliminating income taxes shortly after the November 2020 election, before the American Rescue Plan was adopted. And conservative policymakers in several states have called for income tax cuts for years, and in many cases have enacted them.

[56] In the aftermath of the Great Recession, Kansas, Maine, North Carolina, Ohio, and Wisconsin all enacted large income tax cuts, and several other states enacted income tax cuts that were smaller as a share of revenues. In all, between 2008 and 2019, 18 states enacted personal income tax rate cuts and 17 states (plus Washington, D.C.) enacted corporate income tax rate cuts. See Michael Leachman and Michael Mazerov, "State Personal Income Tax Cuts: Still a Poor Strategy for Economic Growth," CBPP, May 14, 2015, https://www.cbpp.org/research/state-budget-and-tax/state-personal-income-tax-cuts-still-a-poor-strategy-for-economic. See also Michael Leachman and Erica Williams, "States Can Learn From Great Recession, Adopt Forward-Looking, Antiracist Policies," CBPP, February 11, 2021, https://www.cbpp.org/sites/default/files/2-11-21sfp.pdf.

make sound use of the funding for longer-term recovery efforts. This was particularly appropriate since the pandemic produced a highly uncertain and still-unfolding economic and fiscal situation, and many of its harmful impacts may last longer than the effects of a more typical recession.

Ultimately, crises are dynamic and policy calls must be made without perfect information. But fiscal aid to states, localities, tribal governments, and territories is an important part of our response to this crisis and needs to be a part of our recession-response toolbox.

Child care. Many child care providers saw their revenues plummet during the pandemic, as programs had to shut down temporarily and many families pulled their children out due to pandemic-related health concerns or inability to afford care. States have used the COVID relief funding to help child care programs stay in business, reopen, or open for the first time; help more families afford child care; and increase the amount child care providers receive to care for children so they can, among other things, improve wages for child care workers and improve program quality.[57]

Surveys by the National Association for the Education of Young Children have shown that these investments are helping child care providers stay open, increase pay, and pay down debt. For example, in an online survey of nearly 5,000 child care providers in January 2022, most indicated that they (or the provider they worked for) had received relief funding, and a large share of those who had received funding reported that it helped them remain open, improve worker pay, and reduce debt.[58]

States are also using child care-related relief funding to reduce child care costs for families, such as by waiving co-payments, and to provide more families with child care assistance.[59]

Income assistance for very low-income families. The American Rescue Plan provided $1 billion to state TANF (Temporary Assistance for Needy Families) agencies through the Pandemic Emergency Assistance Fund, which they could provide to TANF families and other families with very low incomes to meet additional needs resulting from the pandemic. All states except Idaho opted to take the funds.

TANF's low monthly payments made it nearly impossible for families to cover the additional expenses resulting from the pandemic. In the median state, the monthly TANF benefit for a family of three is just $498, or 27 percent of the federal poverty line. Like most other families with children, TANF participants faced rising food prices and additional expenses related to schooling and caring for their children at home, along with new expenses for cleaning supplies and masks to protect them from getting the virus. But because TANF benefits are fixed, their incomes did not increase to help

[57] For information on how states are using funds provided by relief bills for child care, see Child Care Aware, "Federal Relief Funds: State Progress, Winter 2022," January 31, 2022, https://info.childcareaware.org/blog/federal-relief-funds-state-progress-fall-2021-0; and Child Care Aware's tracker of state use of funds, https://infogram.com/1pw0r2v9enjpy6uvljv6j9jynjb97k936e6?live.

[58] National Association for the Education of Young Children, "Saved But Not Solved: America's Economy Needs Congress to Fund Child Care," February 2022, https://www.naeyc.org/sites/default/files/wysiwyg/user-98/naeyc_ece_field_survey_february2022.pdf.

[59] Child Care Aware, "Federal Relief Funds: State Progress, Winter 2022," January 31, 2022, https://info.childcareaware.org/blog/federal-relief-funds-state-progress-fall-2021-0.

offset their increased expenses. Also, many families use TANF only temporarily when parents are between jobs, but some parents faced longer periods of joblessness during the pandemic, so the inadequacy of TANF benefits was even more problematic for them.

Most states have used the funds to provide a one-time payment to supplement families' regular monthly cash benefits. A few states also provided payments to SNAP families with no income.

Lessons From Policy Responses to the Pandemic Recession

The COVID relief effort teaches three important lessons for responding to future downturns.

First, it shows that a rapid, robust, and broad-based fiscal policy response can greatly speed an economic recovery. Economists' thinking about anti-recessionary policies has evolved in the last decade, informed in part by the limits of conventional monetary policy that fighting the Great Recession revealed. This experience generated renewed attention among policy economists to the importance of fiscal stimulus in supporting overall spending and employment when the economy weakens and preventing serious and long-lasting damage when recessions do occur.[60]

The fiscal policy measures employed to address the Great Recession were much larger than in other post-World War II recessions and prevented it from turning into the "Great Depression 2.0," but they failed to deliver a strong recovery. While decried by some at the time as too large, they proved to be undersized and ended too soon. As a result, the economy remained weak for longer than was necessary and families suffered avoidable hardship. Two years after the Great Recession began, unemployment was still 9.9 percent and food insecurity remained one-third above its pre-recession level.

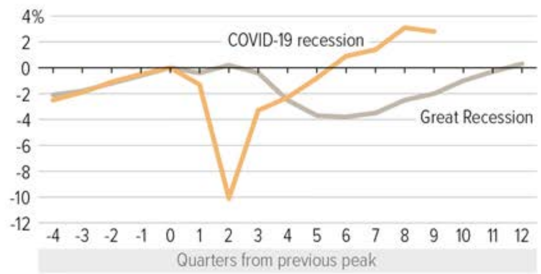
The fiscal policy measures adopted in 2020-2021 were roughly three times as large as those employed in 2008-2010 for the Great Recession, when measured as a share of the economy, and had much more positive results. While some of the difference in the two recoveries stems from differences in the downturns' causes, some is clearly due to the strength of the policy response to the pandemic. Analyzing the pandemic response, Mark Zandi and the economists at Moody's Analytics conclude, "policymakers' decisiveness in pushing forward with substantial government support has been an economic gamechanger." (See Figure 5.)

[60] Chad Stone, "Fiscal Stimulus Needed to Fight Recessions: Lessons from the Great Recession," CBPP, April 16, 2020, https://www.cbpp.org/research/economy/fiscal-stimulus-needed-to-fight-recessions.

FIGURE 5

Pandemic Recession Much Deeper But Shorter Than Great Recession

Change in real gross domestic product from previous peak



Source: CBPP analysis of Bureau of Economic Analysis data

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As of May 2022, the unemployment rate was 3.6 percent, just above the 3.5 percent pre-pandemic rate; the labor force participation rate for prime-age workers (aged 25-54) was within 0.4 percentage points of its pre-pandemic rate; and payroll employment was within 822,000 jobs of recouping all of the jobs lost during the pandemic recession and on track to recouping all of them later this year. Moody's analysis found that without these measures, payroll employment losses would not have been erased until summer 2026, the unemployment rate would have remained stuck at a double-digit rate through 2021 and would still be close to 6 percent in 2024, and "[l]ow-wage workers, which … suffered most financially during the pandemic, would have been set back even further."[61]

This doesn't mean the COVID response was perfect. As noted earlier, there were delays in getting aid to many people and the lapse in key help to jobless workers in 2020 increased hardship and slowed the recovery. And, crisis response requires, by definition, making policy decisions with highly imperfect information. An important area for further study is how relief measures and underlying policies can be tied to changing economic conditions so they turn on or off more automatically.

Second, well-designed relief measures can reduce the harm done by a recession or crisis, preventing spikes in serious forms of hardship. The measures we put in place in 2020 and 2021 prevented a spike in poverty and hardship and even *reduced* poverty significantly as compared to pre-pandemic levels, increased access to health coverage, helped more unemployed workers weather the storm, prevented evictions, shored up the child care system, preventing many child care programs from going out of business, and ensured that state, local, territory and tribal governments had funding that allowed them to stave off deep budget cuts that could have been a significant further drag on the economy and reduce services to people and communities that needed them.

[61] Yaros *et al., op. cit.*

Third, some of the policies adopted in the face of this crisis were shown to be effective at combatting problems that long pre-dated the pandemic and point the way to policy advances the nation should adopt on an ongoing basis. The pandemic highlighted serious underlying problems in the U.S. economy and public policies that predated the crisis and will persist if left unaddressed. For example, prior to the pandemic, 1 in 7 U.S. children lived in poverty, including 1 in 4 Black and Latino children, 1 in 8 Asian children, and 1 in 13 non-Latino white children[62] — and in international comparisons, child poverty has long been far higher in the U.S. than in other similarly wealthy nations. Many households with incomes somewhat above the poverty line or whose incomes or costs fluctuate also struggle to make ends meet, including facing challenges affording food and housing, child care and preschool, and health care and elder care. Roughly 30 million people lacked health coverage prior to the pandemic, and large racial gaps in opportunities and outcomes, the result of long-standing racism and discrimination, persist in health, education, incomes, and other areas. In rural and urban communities alike, millions of households from a wide range of backgrounds have trouble covering the cost of necessities.

Many policies adopted during the pandemic were intended to address households' immediate needs. But evidence shows that some of them, if in place on an ongoing basis (sometimes with modifications), would significantly improve economic and health security. For example, expansions of the Child Tax Credit and EITC, reforms to the unemployment insurance system that broaden the group of jobless workers eligible for benefits and make benefits more adequate, expansions in health coverage, investments in affordable housing, and efforts to shore up child care providers and expand access to affordable care for families are all areas where long-term policy advances could build on successful pandemic relief policies and improve economic and health security for millions of people in the U.S.

As noted, annual poverty fell a record amount to a record low in 2020 and likely remained about as low or lower in 2021. Health coverage increased in the pandemic, food insecurity declined, and there was no surge in evictions. Such positive results amidst a recession are testament to the powerful effects of the policies employed — and evidence that they can help address the long-standing challenges we face.

Economic and health security programs have an important role to play even when the economy is healthy by supporting individuals and families who nonetheless fall on hard times due to job loss or other factors. Many people are paid low wages that aren't enough to make ends meet. And personal circumstances such as a worker's illness or a family member's need for care can lead families to need help. Finally, in a dynamic economy, resources are constantly reallocated to their most effective use. This means that even in times of economic growth, some businesses are closing and jobs are being lost.

Shoring up our ongoing economic and health security policies would not only improve well-being and reduce poverty in the short term but also expand opportunity and promote well-being over the long term. For example, multiple studies demonstrate significant benefits for children and young people from investments in child tax credits, rental assistance, child nutrition, quality child care and

[62] CBPP analysis of the Census Bureau's March 2019 Current Population Survey using the Supplemental Poverty Measure, again using an inflation-adjusted 2020 poverty threshold. Figures are for 2018, the last reliable year of data before the pandemic. (The COVID-19 health emergency interrupted the Census Bureau's collection of 2019 data, scheduled for February through April of 2020.)

preschool, higher education, and paid leave. Children of color, who are more likely to experience economic insecurity and lower-quality schooling, would especially benefit from these investments. Similarly, expanding access to health coverage has long-term positive health benefits for adults and children alike.

Strengthening economic and health security policies can also strengthen the nation's resiliency to recessions and other crises. Currently, the U.S.' "automatic stabilizers" — the features of tax laws and spending programs like unemployment insurance and SNAP that automatically reduce income losses and support consumer spending in a downturn — are weaker than in other countries. This requires policymakers to enact larger temporary discretionary measures to mitigate the effects of a downturn, as was done during the pandemic. And, often we don't do enough or take the steps necessary in a timely enough manner when a recession hits.

If we had a stronger set of economic and health security policies that automatically helped more people when more people fall on hard times, fewer discretionary measures would be necessary during a recession. For example, a reformed unemployment insurance system that covers more workers when they lose their jobs and provides more adequate benefits would help people who lose their jobs during normal economic times. And, during a recession, such a reformed system will automatically expand in a more comprehensive way when more people are out of work. Similarly, making marketplace health coverage more affordable would help people afford health coverage during normal economic times. When a recession hits and people's incomes fall, those expanded subsidies would help more people get or retain coverage.

Chairman YARMUTH. Thank you, Ms. Parrott. I now recognize Mr. Moore for five minutes. Unmute your mic and proceed. Welcome.

STATEMENT OF STEPHEN MOORE

Mr. MOORE. Thank you very much for the opportunity to testify before this Committee. I am honored to be here and thank you, Mr. Smith, for the invitation as well.

To say the least, the timing of this hearing is extremely unfortunate, given what is happening with the American economy as we speak. We have now $5 gasoline in this country and in many states, we have $6 to $7 a gallon gasoline. It was $2.39 when Trump left office. We now have 9 percent inflation in the U.S. And the numbers just came out this morning, unfortunately, on the Producer Price Index numbers were up to 10 percent, Producer Price Index. That, of course, means that consumer prices are going to rise in the months ahead. We haven't peaked on inflation. It is not transitory.

We have increased the national debt over the last two years by $4 trillion, which is a disgrace. And most importantly, and I hope you will all focus on this, by most estimates in the last 14 months or so, the average family in America, the median family income has dropped by $3,500 in real terms. Let me say that again. A $3,500 reduction in real median income. Now, we don't have the official numbers yet. We will get those in September. But I track these numbers pretty closely. It will be close to that. And that is because you have this huge hurdle of 8½ percent inflation. That means nominal incomes have to go up by at least 8½ percent and wages have to go up by that amount just to keep pace with inflation. You all know we are at 5 percent wage growth. So, nowhere near.

And so, incidentally, under Trump and, look, I worked for Donald Trump. I was one of his senior economic advisors. You know, we cut taxes. We reduced regulations. We got government off the back of our businesses. And one of the things we are most proud of is that we saw over those four years, a $6,500 increase in median family income. That is huge. That is a huge amount of economic progress. And incidentally, minorities saw huge gains. Hispanics and Blacks saw—and we are really proud of that, the gains that were made with Hispanics and Blacks.

So, frankly, to have a hearing today that is saying that this economic strategy has been a success, is delusional and dangerous. And when I talk to people outside the Beltway, they think it is just further evidence that Washington is completely out of touch, frankly, with the real problems that Americans are facing in paying their bills.

So, there were three—we lived through three economic crises in my lifetime. The economic crisis of the 1970's, when we had the massive inflation and the stagflation that happened when Reagan came into office. We had, of course, the financial crisis of 2007 and 2008, and then, of course, we had the COVID crisis. And it is so important that we learn the lessons of what works and what doesn't work.

So, Reagan came in in the middle of what was arguably the greatest crisis since the Great Depression. And what did Reagan do? We did not have a massive spending stimulus. Reagan cut taxes, reduced regulations, and we got control of the money supply with Paul Volcker at the Fed. Something that should be happening now. And we saw a ferocious recovery. What happened in the 1980's was an economic miracle that no one thought was possible. Mr. McClintock, the economic recovery was so strong, it was like we added another California to the economy under the Reagan years. So, obviously, that strategy worked.

Then we tried what happened under the Obama years. And Ms. Coronado is right. We tried $200 billion of stimulus spending. And it was a complete failure. We had the worst recovery from a recession in modern times. It was a horrific recession. We were effectively in a recession for five years. And the thing that is so amazing is that the lesson that many on the left learned was we didn't spend enough money. We didn't spend enough. So, instead of doubling down and tripling down and we quadrupled down. And instead of spending $250 billion, we spent a trillion, or actually $2 trillion. And now we see the result of this. It is economic wreckage, in my opinion.

Now, yes, the jobs market is strong right now. There is no question about it. It is the best jobs market right now that I have seen in my lifetime. But I got to tell you this, it does not look good right now. I am very, very worried about a recession. This could be very severe. And I think most economists would agree with me.

So, we should learn the lessons of what has happened here. This was not a success. And to call this a success is really problematic because the first stage of any kind of recovery, if you have an addiction, is to acknowledge you have a problem. And to not acknowledge that we have a massive budget that is out of control, that we have an economy that is teetering on a recession, that Americans are suffering greatly in terms of their purchasing power and their incomes, is problematic.

And so, let's learn the lessons. Let's get it right. We should cut taxes going forward, not increase government spending. Thank you, Mr. Chairman.

[The prepared statement of Stephen Moore follows:]

Testimony before the House Budget Committee

Stephen Moore

Chair of the Save America Coalition - America First Policy Institute
and Distinguished Fellow in Economics - Heritage Foundation

June 14, 2022

Chairman Yarmuth, Ranking Member Smith, and Members of the Committee,

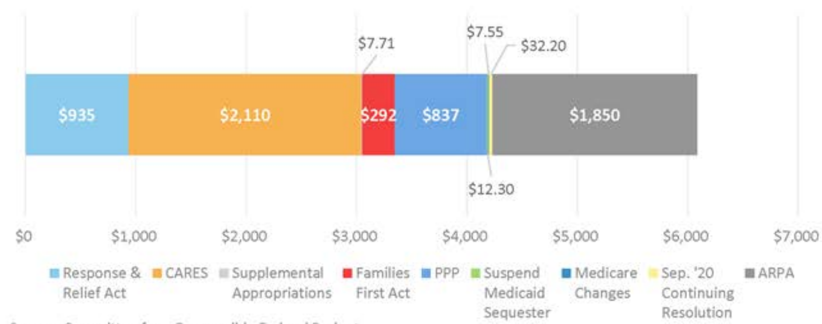
Thank you for the opportunity to speak with you today on the American Rescue Plan.

My name is Steve Moore, and I am the Chair of the Save America Coalition at the America First Policy Institute and Distinguished Fellow in Economics at the Heritage Foundation.

The federal government has now spent roughly $6 trillion in response to the COVID-19 crisis and the economic lockdowns which began in March of 2020. Adjusting for inflation, this was on par with the amount of money spent by the federal government to fight World War II.

Despite the $6 trillion price tag (See figure 1), more than 1 million Americans have died from COVID-19, tens of millions of Americans were thrown into unemployment lines, hundreds of thousands of small businesses have gone bankrupt, our debt has climbed to more than $30 trillion, and inflation is raging.

Figure 1



Source: Committee for a Responsible Federal Budget

We should be asking ourselves as a Nation whether, if we could turn back the clock to March of 2020, and we had simply protected the vulnerable population in our society and warned the other 80% of Americans of the high health risks associated with COVID-19, but NOT shut down society and not spent and borrowed $6 trillion, whether we could possibly have had a worse outcome. The price we pay as a society for the bad choices we made—especially shutting down our schools—will be paid for decades to come.

The Failure of Lockdowns

I salute this Committee for investigating what went wrong and how we can avoid this failed public policy response as we fight pandemics in the future.

It is now well established that economic lockdowns were a catastrophic mistake. We know from the evidence across countries and across states that the impact of mandatory lockdowns, stay-at-home orders, and other government-imposed mandates on health outcomes was small. The seminal research on this was done by the Johns Hopkins University economic/health research team which found that the death rate from COVID-19 was reduced by 0.2% due to lockdowns.

A group that I am involved with, the Committee to Unleash Prosperity, released in the Spring the seminal analysis of state responses to Covid. We examined three policy outcome metrics: 1) the mortality rate among states adjusted for co-morbidity factors, such as age and other health problems; 2) education outcomes (how many days of schooling children missed); 3) and the economic losses in terms of output in unemployment in each state.

Our results are highly relevant to this discussion of why the $1.9 trillion American Rescue Plan was such an economic and fiscal policy failure.

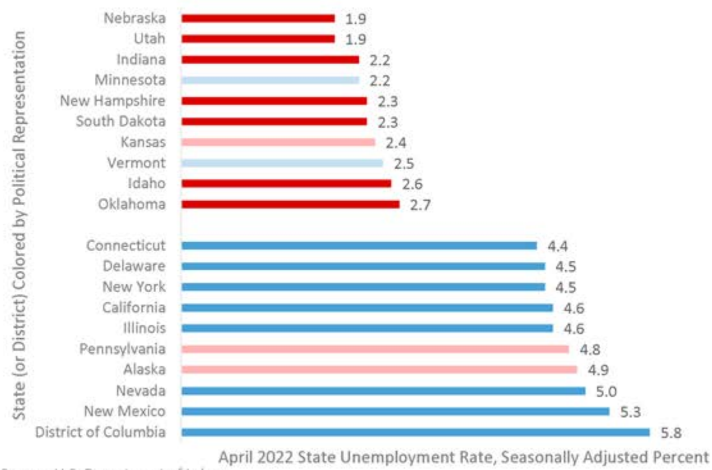
These results shown in Figure 2 indicate that the states which avoided lockdowns and kept their schools, stores, churches, and restaurants open had far superior economic outcomes to the states that locked down, with virtually no worse health outcomes than the states that locked down. For the most part, red states that did not lock down their economies as shown in Figure 3 have had substantially lower unemployment rates for the past two years than blue states that did close down their economies. There were a few blue states including Vermont, Hawaii, and Colorado, which performed well.

Figure 2

Grade	States/DC	Combined Rank	Economy Rank	Education Rank	Health Rank
A+	Utah	1	4	5	8
A+	Nebraska	2	3	6	11
A+	Vermont	3	19	11	2
A	Montana	4	1	7	40
A	South Dakota	5	2	4	44
A	Florida	6	13	3	28
A	New Hampshire	7	18	28	3
A	Maine	8	11	31	4
A	Arkansas	9	10	2	37
B	Idaho	10	5	20	26
B	Iowa	11	16	16	16
B	South Carolina	12	8	12	31
B	North Carolina	13	17	34	7
B	North Dakota	14	20	9	30
B	West Virginia	15	26	27	9
B	Missouri	16	15	22	29
B	Kansas	17	22	21	19
B	Indiana	18	21	15	33
C	Georgia	19	23	13	36
C	Alabama	20	28	17	32
C	Wyoming	21	37	1	45
C	Washington	22	9	47	5
C	Mississippi	23	7	14	49
C	Tennessee	24	24	18	38
C	Texas	25	31	8	43
C	Minnesota	26	30	37	13
C	Rhode Island	27	41	24	17
C	Kentucky	28	14	39	25
C	Louisiana	29	43	10	34
C	Oregon	30	27	49	6
D	Wisconsin	31	35	36	18
D	Ohio	32	34	30	35
D	Alaska	33	39	29	24
D	Oklahoma	34	36	19	41
D	Colorado	35	32	26	39
D	Virginia	36	33	44	12
D	Arizona	37	6	25	51
D	Delaware	38	42	38	14
D	Hawaii	39	51	46	1
D	Michigan	40	44	32	23
D	Massachusetts	41	46	39	15
D	Pennsylvania	42	45	35	21

D	Connecticut	43	49	23	22
D	Nevada	44	12	42	48
D	Maryland	45	38	48	10
F	Illinois	46	47	43	20
F	California	47	40	50	27
F	New Mexico	48	29	45	50
F-	New York	49	48	33	47
F-	District of Columbia	50	25	51	46
F-	New Jersey	51	50	41	42

Figure 3



Source: U.S. Department of Labor

My favorite comparison is California and Florida. In Florida, Gov. Ron DeSantis kept the Sunshine State economy mostly open. In California, Gov. Gavin Newsom shut down businesses for many months. Florida's economy suffered only moderately. California's economy was hit with the policy version of a wrecking ball. And yet when adjusting for co-morbidities like average age, California and Florida had virtually identical death rates.

The states with the best policy responses and best policy outcomes considering education, economy, and health were Utah, Nebraska, Vermont, Florida, and Idaho.

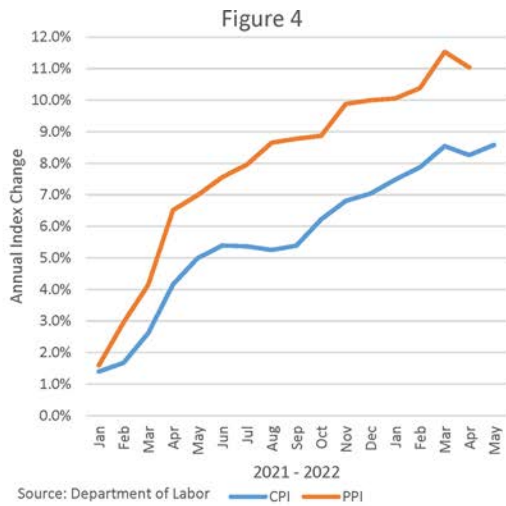
The Negative Economic Impact of the American Rescue Plan

This brings me to an assessment of the highly negative economic and fiscal impacts of the 2021 American Rescue Plan. Here are my conclusions:

1) The $1.9 trillion of spending was entirely unnecessary. The economy was already in recovery that predated the passage of the Recovery Act by at least six months. In the third quarter of 2021, we had the largest increase in GDP on record (particularly assisted by the red states that reopened their economies in the late spring and summer of 2020). The further and overriding stimulus to the economy in 2021 was the vaccine created under President Trump's Operation Warp Speed. This program delivered the vaccine more than a year or two ahead of what almost all experts thought was possible. This saved hundreds of thousands of lives in the U.S. and millions of lives across the planet. It also facilitated even more businesses reopening.

2) There was already more than $1 trillion in the fiscal pipeline from previous COVID-19 relief bills—as even Democratic economists like Larry Summers, who served under Presidents Clinton and Obama, warned.

3) The $1.9 trillion of spending and borrowing has unleashed the cruelest tax of all on American families and businesses: the worst inflation rate in 40 years. Figure 4 shows that the match that lit the forest fire of 8% to 10% inflation was clearly the Recovery Act. It is worth noting that the inflation rate when President Trump left office was 1.4%—even as the recovery was well underway. Economic growth does not cause inflation. Inflation is caused by excessive money and policies that reduce the supply of goods and services.



Because we haven't seen inflation this high since the early 1980s, it is critical for the members of this Committee to understand how destructive a rising CPI can be to American families. In the late 1970s and early 1980s when inflation last hit double digits, real family incomes plummeted. The lowest-income families took the biggest loss in real incomes—which is why inflation is such a regressive tax that increases income inequality.

During the Trump presidency, before COVID-19, the median household income rose by $6,446. This was one of the largest three-year gains in income for middle-class families in American history. The combination of output gains due to deregulation, America first energy, and the Trump pro-growth tax cuts PLUS inflation of less than 2% facilitated these enormous gains in family incomes for all income groups and all races, as well as a highly prosperous period in terms of incomes and wealth creation. As a result, the poverty rate for all races hit their lowest levels on record.

Under President Biden, inflation has cost the average American roughly $1,550 a year in lost real income. It is my prediction based on the cascading inflation levels we have experienced over the last year, that virtually ALL of the income gains delivered under President Trump may be erased as a result of the surge in inflation by the end of President Biden's second year in office.

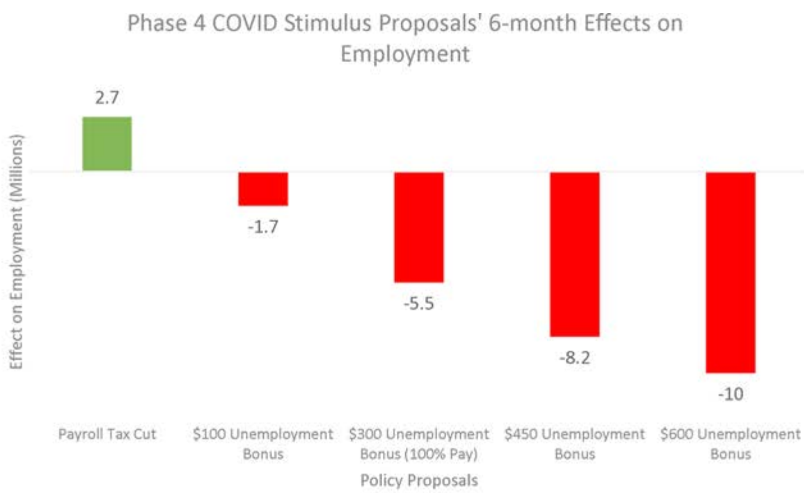
In other words, under President Trump real median income gains were more than $6,000. Under President Biden, real median income losses will be as much as $5,000 to $6,000 when adjusting average wages and salaries for the 8.6% inflation over the last year.

To put it very simply, Americans are getting poorer month after month because of the inflation unleashed by the American Rescue Plan.

Of course, this doesn't even include the highly negative effects of a possible recession later this year that many economists are now forecasting as a result of the high inflation levels that the Federal Reserve is now having to combat with higher interest rates. The American Rescue Plan generated negligible improvements to output and incomes, and those would be entirely negated by a recession.

4) One of the worst mistakes in the Recovery Act was the supplemental unemployment benefits. These supplemental benefits began with a deal between President Trump and House Speaker Nancy Pelosi to increase unemployment benefits by $600 a month. This was later reduced to $300 a month. Our studies at the Committee to Unleash Prosperity showed that with the supplemental UI, plus expanded food stamps, plus rental assistance, plus expanded Medicaid, and the evisceration of the Clinton-era work-for-welfare reforms, families with two unemployed parents and two kids could receive a tax-free income of $100,000 or more—WITH NEITHER PARENT WORKING A SINGLE HOUR. Our analysis also showed that states which canceled the early UI benefits early had much lower unemployment rates. Extended unemployment has deleterious effects on families. Paying people not to work is a REALLY BAD IDEA.

   University of Chicago economist Casey Mulligan and I published a paper last year showing that if we had reduced the payroll tax rather than increased unemployment benefits, we would have had 3 million more Americans working throughout 2020, 2021, and through the first half of 2022.



Worst of all was the rampant and uninvestigated/unpunished fraud in the UI benefits program run by the states. Investigations by the Inspector General at the Labor Department as reported in the Washington Post indicate that between $100 billion and $150 billion of erroneous payments were disbursed through the UI program, with many of the criminals being in Africa, Russia, and South America. The ARPA may have had a stimulus effect—but it wasn't in the United States. Other reports have found additional tens of billions of fraud, waste, and error in other programs such as food stamps, Medicaid, and rental assistance—again with no oversight or investigation.

The error rates for UI benefits under ARPA reached nearly 20%. In private programs, such as credit cards, insurance, and financial services, fraud rates are closer to 2% to 3%.

Congress has been a poor steward of the taxpayers' money when it comes to the ARPA benefits. There needs to be additional investigative work on one of the greatest criminal frauds in history and, in the future, any large disbursements of funds should come with a fraud unit to expose and prosecute fraud.

5) ARPA rewarded states for bad behavior and punished states for good behavior. This was a BLUE STATE BAILOUT BILL. The major purpose of the ARPA program was to provide more than $300 billion dollars to states and localities to help them pay their bills during COVID. But the red states—including Florida, Texas, Tennessee, South Carolina, Iowa, Idaho, Utah, and Nebraska—were NEVER in need of funds. Many of the governors in these states told

Congress they did not need the funding because they had already balanced their budgets and kept their workforces employed. The states that potentially needed federal aid because of their bad policy decisions were blue states: New Jersey, New York, California, Connecticut, Michigan, and Illinois. These were the states that foolishly slashed the wrists of their economies by locking down businesses, stores, restaurants, and hospitals. However, in hindsight, the finances of even those states were never as bleak as their governors claimed publicly.

Red-state governors recognized very early in the COVID-19 experience that lockdowns merely hurt local economies with almost no health benefits. As we have shown, they had much lower unemployment throughout the pandemic. Blue state governors were quick to shut down and kept their economies closed for many months and sometimes close to a year after the red states reopened.

But in Washington, no good deed ever goes unpunished. ARPA took money from red states and gave it to blue states because states with high unemployment rates got a higher share of the revenues. (The only way that the federal government can give money to California and New York is to take the money from residents of the other states. There is no free money in Washington, only redistribution of money.)

This wasn't just unfair to the red states that handled COVID-19 far more professionally than the blue states. It was an incentive program for blue states to keep their economies shut down. Even today, as shown in figure 5, red states have almost all gained the jobs back they lost from COVID-19, but with a few exceptions, it is still blue states without a full jobs recovery. It also enabled blue states to keep their economies closed for even longer periods of time and increased the economic misery of residents of these states.

In conclusion, I find it a bit strange that the title of this hearing is "How the American Rescue Plan Saved the Economy and Saved Lives." Whether these interventions saved lives is for health professionals to debate.

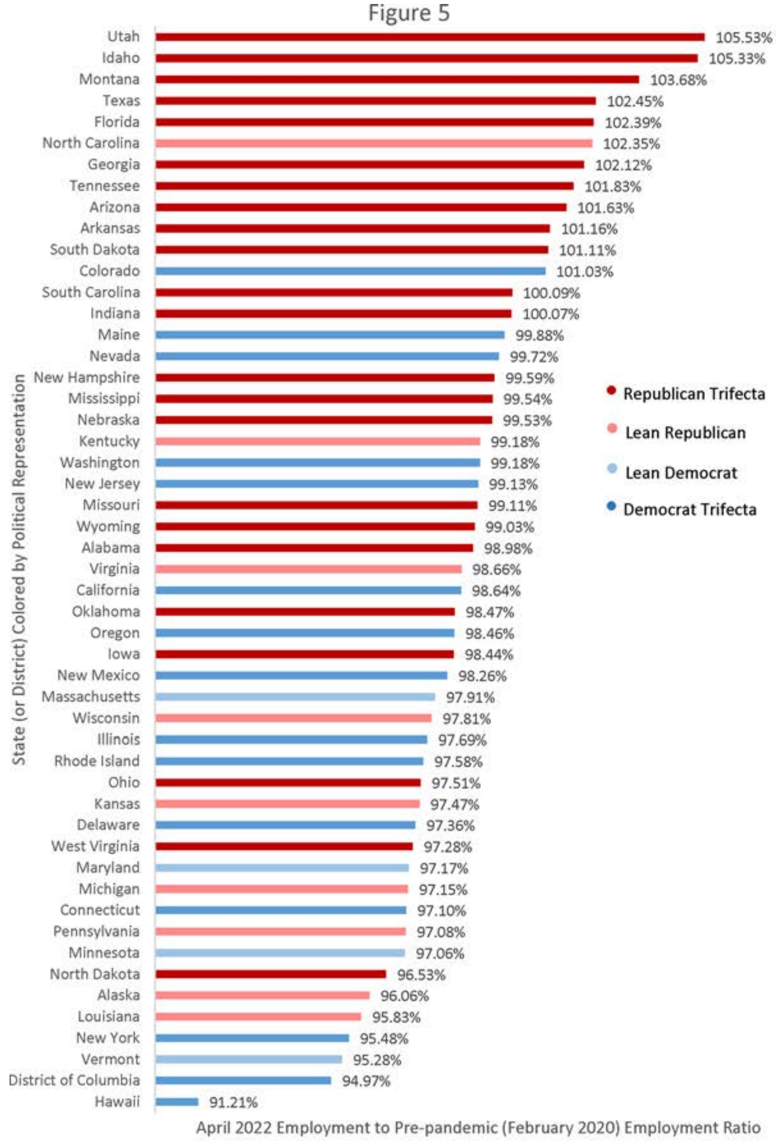
But the Rescue Plan surely did not "rescue" the American economy; it set the table for the economic crisis the nation faces today with only two of 10 Americans rating the economy as good or great, and a complete collapse in consumer and small business confidence.

Inflation has, like a cancerous tumor, metastasized in our economy and is eating away at the paychecks and the savings of American families. The inflation rate was 1.5% the month before the Rescue Plan was passed and now rests at 8.6%. If this is an economic success story, I shudder to think what a failure would look like. The supporters of the Rescue Plan—including more than eight Nobel economists—were simply dead wrong when they predicted there would be no inflationary effect. They should, as Janet Yellen has done, apologize for their erroneous forecasts.

We have a strong labor market for sure. But paychecks are shrinking as are savings—as prices sprint ahead of wages.

Finally, had it not been for the correct strategic decision of red-state governors like Ron DeSantis of Florida, Bill Lee of Tennessee, Greg Abbott of Texas, and Kim Reynolds of Iowa—among others—to keep their economies up and running throughout Covid, the U.S. economy would have capsized. These red states carried the U.S. economy on their shoulders as blue states went into an economic fetal position.

Figure 5



Source: U.S. Department of Labor

What are the five takeaways?

First, there is no free lunch with massive government "stimulus programs." ARPA's major stimulus effect was in stimulating more demand and more inflation that could take years to extinguish.

Second, paying people not to work is always and everywhere a misguided economic strategy.

Third, Operation Warp Speed was the program that saved lives and the economy. This was mostly a strategy that involved short-circuiting regulations and federal roadblocks that inhibit and delay innovation and life-saving medications and vaccines.

Fourth, federalism works, and although the Trump Administration made mistakes during the pandemic, Trump's masterstroke was in letting the 50 states take the lead in combating the health and economic effects of the virus. States became laboratories of democracy and we quickly learned from the governors and state officials what policies worked and which did not. Lockdowns were an expensive mistake from a health, economic, education and civil liberties perspective—and we must never let that happen again.

Fifth, once again we have learned that government spending is not a "stimulus" to the economy, but rather a stimulus to debt, inflation, and aggregate income losses. The best stimulus to the economy going forward would be a plan for dramatic reductions in government spending and debt. I would advise starting with an across-the-board reduction in the budget of nearly every agency by 10 to 15%.

Thank you, Mr. Chairman, for the opportunity to testify before this panel today.

Chairman YARMUTH. Thank you, Mr. Moore. We will now begin our Q&A session. And as is my customary proceeding, I will reserve by time until the end. So, I now recognize the gentleman from Michigan, Mr. Kildee, for five minutes.

Mr. KILDEE. Well, thank you, Mr. Chairman, for holding this hearing and for the witnesses for your participation to discuss the effect of the American Rescue Plan and how it impacted working families.

It is important for us to remind ourselves that in the first few months of the pandemic, 22 million people lost their jobs, 22 million of our fellow Americans. And while our unemployment rate is now much lower and our economic recovery has gained most of these jobs back, it is important to remember that the quick and decisive passage of the American Rescue Plan, despite some of what may have been said, did help to save our economy. The choice of doing nothing was not an acceptable choice given the circumstances. Otherwise, we obviously would have risked spiraling into what could have been another Great Depression.

The pandemic also exposed weaknesses in our economy, including our reliance on foreign supply chains, for critical components in goods. And of course, because of the pandemic and broken supply chains, and now Vladmir Putin's war in Ukraine, I know a lot of families are experience higher costs because of inflation. We acknowledge that.

But what my focus has been, and many of us have been working on is lowering costs for working families, lowing costs on gasoline, prescription drugs, groceries. And so, I am happy to see that Congress will once again this week act on legislation to fix supply chains and pass the Lower Food and Fuel Costs Act to provide relief for families.

The title of today's hearing suggests the American Rescue Plan focused on helping working families, not people at the top. And provided meaningful support in the form of tax cuts for working families. A million Michigan families with children got a monthly tax cut. In my district alone, the middle-class tax cut put millions of dollars back into the pockets of hardworking Michigan families. For mothers like Cordelia, a single working mom I represent. She has twin daughters in my hometown of Flint. These tax cuts made a huge difference helping her afford school supplies, school uniforms, shoes, socks, coats, the basics, for her two daughters. That is just story among millions. Millions of Michiganders and Americans who were helped through this terrible period by those important tax cuts for American families.

So, Ms. Parrott, I wonder if you might, and you mentioned it in your opening statement, but I wonder if you might go a little further to describe how these important tax cuts helped working families, their individual budgets, and also helped boost the American economy.

Ms. PARROTT. Yes, thank you for the question. The monthly payments provided through the child tax credit provided a lifeline to families in 2021. We have data that tell us what families spent the money on. When we look at low-income families for whom the increase was the largest because for the first time, we ensured that low-income children got the same child tax credit that middle income children received. When we look at low-income children, we asked the question what did they spend it on? We get the answer that I think most of us would expect. They spent it on food. They spent it on rent. They spent it on their mortgage. They spent it on school supplies. They spent it on childcare. They spent it on all the things that families need to care for their children. Many of them used it for broadband access, which during the pandemic was entirely essential for their children's schooling and for their family's connection and interconnection to the economy. Others paid down debt.

With the flexibility that came from monthly cash payments, families made decisions that supported their children and the needs of their families. They had the ability to make those decisions for themselves.

We also have real time data that showed some of the positive impacts that families felt. After the first round of monthly payments, the share of adults with children reporting that their family didn't have enough to eat in the past seven days dropped significantly and rapidly according to data from the Census Bureau. Just stop and think about that for a moment. We provided a modest monthly child tax credit to families and fewer kids were in families struggling to afford food here in the United States of America.

More broadly, in 2021, among parents with incomes under $25,000, the share doing at least OK financially and that is how the question was worded in the survey, rose by 13 percent, according to a report issued by the Federal Reserve. And similarly, the share of parents across income levels who would be able to pay for a $400 unexpected expense with cash rose from 56 percent in 2020 to 64 percent in 2021.

Again, I want you to think about what it means for a family to be able to absorb a $400 increased cost. A car breaks down, a repair in the house is needed. For many of us, $400 doesn't seem like a lot. And for these families, it made all the difference to being able to absorb that kind of cost.

The last point I would just like to make is that helping families with kids make ends meet has long-term positive impacts. A large body of research finds that lifting children out of poverty and preventing hardship yields important dividends for children's and parents' emotional wellbeing. Children's short and long-term health outcomes, and success in reading in math, their school completion, their future earnings prospects. In short, for the future wellbeing of the next generation of adults.

That is why it is so important that we do these things not only during crisis times, but in normal times to help our kids have a chance to succeed. Thank you.

Mr. KILDEE. Thank you so much. My time has expired. I, again, thank the witnesses for their participation. And thank you, Mr. Chairman, for this hearing. I yield back.

Chairman YARMUTH. The gentleman's time has expired. I now yield 10 minutes to the Ranking Member, Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman. Mr. Moore, a common excuse that we hear from our Democrat colleagues over and over when it comes to high inflation is that it is Putin's fault. First, when inflation was an issue, Democrats and folks in the Administration said it was temporary. It was transitional. They said it was a high-class problem. Now they are saying it is Putin's fault. So, what is your response when you hear Democrats say that inflation is high because Putin invaded Ukraine at the end of February 2022. Never mind the fact that inflation had been rising since the American Rescue Plan was passed and was already up by 7.5 percent before Putin ever moved any forces.

Mr. MOORE. So, a couple observations. First, the recovery began in around June 2020. So, the second half of 2020, the economy grew by about 20 percent. It was the fastest—so, this idea that somehow the recovery began with the American Recovery Act is just plainly false. The growth happened, the real growth, happened in the second half of 2020.

And the thing that is kind of missed in all of this is that what happened with the economy is we made a huge, huge mistake. We shut down our economy. We shut down our businesses. We shut down our restaurants. We shut down our churches. It was catastrophic. And now we have the evidence that the health benefits of that were *de minimis*. So, we got almost no health benefits, but we did incredible damage to our economy.

Now, here is the interesting thing that happened. Starting in around June 2020, most of the red states in America, Florida, Tennessee, Texas, Utah, Iowa, Nebraska, Missouri, those states opened up. Because one of the things that Trump did that was really brilliant—and he made mistakes, anybody would make a mistake in that kind of crisis. But he allowed federalism to work. And he said we are going to let the states decide their policy.

Now, Mr. McClintock, your state didn't do a very good job of it. Your state was a disaster. And by the way, the death rate when you adjust for age, was no higher in Florida than it was in California. For the second half of 2020, Florida was almost completely wide open and California, as you know, was completely shut down. So, these problems in these—the problems that you are all talking about were in the blue states in America that made a bad point, bad decision on that.

Now, so we had a big recovery in the second half of 2020. Do you know, Mr. Smith, what the inflation rate was the month Trump left office? I know exactly.

Mr. SMITH. 1.4?

Mr. MOORE. 1.4 percent. So, how do you go from 1.4 percent inflation to 8.6 percent inflation in 14 months? You can't blame it on the recovery because we already had a ferocious recovery——

Mr. SMITH. We spent $2 trillion dollars.

Mr. MOORE [continuing]. that was happening. It was clear—now look, there were a lot of factors, but the match that lit this forest fire was the $1.9 trillion. Plus, let's not forget, then we passed a $1.1 trillion so-called infrastructure bill. So, that is $3 trillion of spending. Now, let me just make one other quick point.

Mr. SMITH. OK. Let's make it quick.

Mr. MOORE. OK.

Mr. SMITH. Because I am running out of time.

Mr. MOORE. The economists, there were 14 Nobel Prize economists who said there would be no inflation. Mr. Chairman, with all due respect, you said there would be no inflation. Wrong, wrong,

wrong, wrong. We now have—and inflation is the cruelest tax of all. It is the one thing, you talk about poverty, the thing that is going to drive millions and millions of families into poverty is this high inflation rate.

Mr. SMITH. So, I just want to say this. Another thing that our colleagues they try to say over and over that inflation is a global problem. And I just want to chat with you a little bit about this. The U.S. economy is 25 percent of the entire world's economy, 25 percent. So, 1/4 of the world's economy. It is larger than the economies of Canada, France, Germany, Italy, and the United Kingdom combined. So, when the U.S. decides to spend $2 trillion, it is going to have a global impact when they control 1/4 of the economy. What is your response given that the inflation in the U.S. is actually higher than it is everywhere?

Mr. MOORE. It is a great question. And in my opinion, the world is pretty dollar denominated. We are the world reserve currency. I mean, Mr. Chairman, you have made that point many times. So, this happened—the same thing happened in the 70's. When we have inflation, inflation spreads around the world. So, this is like reverse foreign aid. We are actually hurting all of these other countries in the world because, you know, the euro is indirectly tied to the dollar. So many other countries basically peg their—China, for example, has essentially pegged their yuan to the dollar.

So, we export inflation when we have inflation here. And that explains why if we bring our inflation rate down, Mr. Smith, I guarantee you the rest of the world will see a decline in inflation as well.

Mr. SMITH. So, despite the rosy commentary from the Biden Administration and Democrats that you will hear today, here are the facts. The economy shrank 1.5 percent in the first quarter——

Mr. MOORE. Right.

Mr. SMITH [continuing]. this year. Labor force participation is below what it was before the pandemic. The largest Consumer Price Index has inflation up 8.6 percent. Since President Biden took office, inflation is up 12.2 percent. The Fed has already increased interest rates twice this year with another increase poised to take place tomorrow. Real wages are down 4.2 percent since Joe Biden took office. And gas is up 110 percent. And the 2021 deficit at $2.78 trillion was the second highest on record, $517 billion more than CBO said it should have been. Why do you think—why do you think our—what do you think our economy will look like? What effects specifically did the American Rescue Plan have on economic growth and inflation?

Mr. MOORE. Well, look we had a—there was a huge stimulus at the beginning of 2021. There is no question about it. And that stimulus was not the American Recovery Act. I actually think that was negative for the economy. The stimulus, Mr. Smith, was Operation Warp Speed. We had a virus and that—I mean a vaccine. And that vaccine allowed millions and millions of more businesses to reopen their doors and allowed millions and millions of Americans to go back to work. Look, I frankly think that if Trump had been President over the last, we would not be facing this situation. We would have a booming economy.

We lowered the poverty rate under Trump's policies to the lowest level in recorded history for Blacks, Hispanics, women, any group you want to talk about. You want to talk about reducing poverty rates in this country, Trump did it.

Mr. SMITH. Exactly. In your statement earlier, you made the comment that we should cut taxes——

Mr. MOORE. Mm-hmm.

Mr. SMITH [continuing]. and it is quite interesting what the Democrats keep trying to do over and over is to spin the Build Back Better, the Build Back Broke bill. They keep revitalizing it, which is over $1 trillion in tax increases. Taxes on U.S. energy to increase gas prices. But yet, they want to continue to spend money. So, would you say that passing the Build Back Broke Act, as I refer to it, which would increase taxes on Americans, increase taxes on U.S. energy, and also increase government spending, do you think that is the solution to our economy right now?

Mr. MOORE. So, can I say something nice about a Democrat, Mr. Smith? Because I am kind of a nonpartisan guy. I mean, Joe Manchin saved this country. Joe Manchin saved this country. If we had passed that—at that time that bill was, by many estimates, $4 trillion. I mean, I shutter to think. You think, you know, 8, 9, 10 percent inflation is bad. If we had passed that bill, I think we would be—we are talking about inflation rates that could have hit 15 percent.

Mr. SMITH. Thank you. I want to ask Dr. Coronado, in February 2021, you took to Twitter to dismiss concerns Dr. Larry Summers raised about inflation and the American Rescue Plan. You gave the concerns a thumbs down and said he was invoking an inflation boogeyman. Later the same month, on Twitter, you pushed around a tweet from a New York Times author who said in his post that the fear of inflation has become a greater threat to the American economy than inflation itself. A month after that you said, people with terrible track records forecasting who refuse to acknowledge and learn from their mistakes do not deserve to be at the center of our—or set the terms of policy discussions.

In fairness, you were not alone. The Biden Administration, numerous Democrats, have similarly dismissed inflation. But given what you know now, would you agree that dismissing inflation concerns back in 2021 was a mistake?

Dr. CORONADO. I also as a forecaster, and I make my living as a forecaster, I have to acknowledge my mistakes. And so, I definitely underestimated the persistence of the supply chain issues. I would say part of that is just that the pandemic, we all expected it to be short lived and go away. And in fact, it didn't. And we are still dealing with supply chain shutdowns in China today. So, that is a real problem and we have built that into our thinking about inflation. If I think about the current rate of inflation, I think it goes into three main buckets. One is those pandemic-related frictions that have disrupted the entire global economy. We were at an incredibly integrated place of global supply chains and efficiency.

And that entire model has been disrupted by the pandemic. That was exacerbated also by a shift to spending on goods over services. That was unanticipated. I mean, we should have, in retrospect, maybe anticipated that everybody was hunkered down and not spending on services, which is more than 2/3 of consumer spending. And so, they had a lot of spending power to spend on goods and that strained global supply chains. My hope is that supply friction that we have uncovered will see some improvement in productivity and efficiency investment into those supply chains to improve their resiliency as we go forward.

The other bucket that is the dominant one right now is food and energy prices. That is tied to the war in Ukraine. That is not something that came from the American Rescue Plan or anything that the Biden Administration done. That came from the decision of Vladimir Putin to invade Ukraine. And so, we need to be thinking about, again, ways we can address the supply side of food and energy to give some relief to U.S. consumers.

Mr. SMITH. I see that my time has expired. Food prices continued to go up prior to invasion of Ukraine as well. They have continued to increase but we have the data. Thank you.

Chairman YARMUTH. The gentleman's time has expired. Do you want to finish your answer?

Dr. CORONADO. Well, I mean, I would say it would be certainly stimulating the U.S. economy was one contributor to higher inflation relative to other countries. But what you cited in my tweets and I still have that same frustration is we got something for this stimulus. Very, very important outcomes. We have gotten the strongest labor market in two generations. And I live outside the Beltway. I see it all around me in all kinds of people. And it is the working-class people that are reaping the benefits of this strong labor market more than anybody else. And that is the reality. I know the numbers too. I live by them. And they are quite impressive.

Chairman YARMUTH. The gentleman's time has expired. I now recognize the gentlewoman from California, Ms. Lee, for five minutes.

Ms. LEE. Thank you very much, Mr. Chairman and our Ranking Member for having this important hearing. And thank you to all of our witnesses.

First of all, it seems like it is lost on Republicans that one of the major outcomes of the Rescue Plan is we saved lives and livelihoods. And if that is not important, I don't know what is. People are alive because of that. People are surviving and beginning to thrive because of the Rescue Plan. And that is the bottom line.

And also, let me just say I very clearly remember Reaganomics. The rich got richer and the poor got poorer. And every time I see a homeless veteran I think of Reaganomics. And so, I know what Reaganomics did especially for low-income people and people of color.

Let me ask you, anyone can answer this. I would like to hear from all of our witnesses. In terms of low-income communities, the issues around income inequality and structural racism, people were living on the edge before the pandemic. People were barely surviving. And I know for people of color, the structural racism and the issues around income inequality is why.

And so, I am wondering now, the structural issues, the institutional issues, the policy changes that are necessary so that people don't fall back into those same old systems, did we address any policy changes, any of the structural issues so that people who have been living on the edge can move forward now and not have to go through the same rigamarole that they have had to go through because of their race or because of their economic status?

Mr. WILLIAMS. Thank you. I will dive in. I have been Black all my life. And my city certainly is predominantly African American, as I stated, 88 percent. And what I do want to say is I stick, you know, I must say this, I take issue with being referred to as delusional. Because I work in my community day in and day out. I am in the streets each and every day making sure that families are moving toward being better, you know.

But one of the things I can say that we used and chose to use the money in a deliberative fashion in my community with seeking and making sure that our community had a voice in some of the things that we would do to get the best bang for the funding that we received. It is rare and unprecedented in my lifetime that the federal government gave grants to every and so many units of local governments.

At the same time, the city we knew there were critical investments that had to be made to stabilize our community to afford all of our members of the community. I don't operate Republican or Democrat as a mayor. I don't have that luxury, you know. So, I am a little concerned of the conversations that we are having because it seems like I might be in the wrong room.

But I do know what I have been focusing on is the uplift my community and those communities that I serve. But also working with the members of the National League of Cities that we serve over 19,000 cities, towns, and villages which provides service to over 200 million people and many of those are people of color. So, certainly this has been a great opportunity and it still is a great opportunity for us to do more. People are getting back to work.

We have an unfortunate situation because of COVID–19 pandemic. Stressed supply chains have been big problem. And we know that, you know. But I am very concerned that this conversation is shifting in another direction. But, you know, ma'am,——

Ms. LEE. Thank you.

Mr. WILLIAMS [continuing]. thank you and I hope that helps you.

Ms. LEE. Thank you.

Mr. WILLIAMS. Thank you.

Ms. LEE. And, Ms. Parrott, can you also respond in terms of not just providing more resources, but are we changing those systems that are barriers for people of color and low-income people?

Ms. PARROTT. Yes, thanks for the question. I think that the American Rescue Plan did a lot to push against the spike in hardship that we would have seen that would have disproportionately fallen on communities of color that have for centuries faced systemic racism, which is why they came into the crisis with fewer assets, lower income, more vulnerabilities to both the virus itself and the economic fallout.

But temporary measures can't solve permanent problems. And one of the things that is, I think, important and exciting is that we tested some things that worked that could push back in a more systemic way and that really paint the way or pave a path for the future.

I think of it as the need to invest in three areas. Our kids, our workers, and our healthcare. And in each of those areas, communities of color face systemic barriers that hold them back in ways, and make them less likely to achieve their full potential, and to thrive and to be able to chart their own destiny, right?

So, we need to invest in our kids because when we invest in our kids, when kids have more economic stability, when they go to good quality schools, when they have adequate nutrition, when those things happen, kids thrive and they can succeed. And so, that is why I talk about expanding the child tax credit permanently to make it fully available to kids who need it most. It is why we need to invest in childcare so that families can work and kids get the help they need to develop.

When we think about investing in workers, we know that in a dynamic economy people lose jobs. But in the United States, a temporary job loss can be an absolute financial crisis for a family because our unemployment insurance system breathes, builds, creates so much financial insecurity for people.

And the third thing I would say is healthcare. We have 2 million people in the United States, 2 million people who should be getting Medicaid coverage that provides comprehensive coverage including mental health coverage, acute, and long-term care, they should be getting Medicaid and they aren't. And the reason is because their states, like the state of Georgia, has refused to adopt the Medicaid expansion. And that means that we have of that 2 million people, 60 percent are people of color, systematically left out of healthcare coverage that they need to be able to thrive and support their families.

So, we know what we can do. We know it can make a difference. And the question is whether we will take those steps to get it done. Thank you.

Chairman YARMUTH. Thank you. The gentlewoman's time has expired. I now recognize the gentleman from Mississippi, Mr. Kelly, for five minutes.

Mr. KELLY. Thank you, Mr. Chairman. And naming an act something does not and naming a hearing something. Saving lives in the United States economy that is the name of this hearing. Since 2021, since this American Rescue Plan passed, more people died from COVID than did before. That is a fact. So, it is not saving lives or explain to me how it saved lives. So, that is just a misnomer from the get.

Our economy is not better today than it was in 2020. It is worse. And I know that because I think in the army I spent a long time and I am trying to say this in a nice way, don't pour water down my back and tell me it is raining.

And my people in my district do not feel they are better off today. They do not feel like they are safer because of this American Rescue Plan. It is like scoring a touchdown in a college football game, which is that is life where I live. You score a touchdown and you go up seven to nothing. And you celebrate the rest of the game even though the final score is 63 to 7. Yes, the American Rescue Plan had some benefits when it first passed. But those benefits have long passed and the actions and policies that we have done since then have added to inflation.

We can tout the work force. We can tout that unemployment is the lowest and all that. But here is what I know. I can't go to restaurants because they are closed because they can't find workers to do the job. I think right now we are tone deaf to the cries of the American people. Especially those people in my district. We have $5 gas prices, record high, which happened long before the Putin invasion.

I can point back to the 2020 budget where President Biden said in his budget that he intended to raise gas prices on the consumer. That is in his budget. Not my word, his word. Record inflation, 8.6 percent last seen during the Carter Administration. Supply chain issues that persist. The most recent, the baby formula, which we have taken steps way too late. Not when we were notified of the problem in the Administration, but months after they finally made a effort to do something that a problem that they knew was coming.

Grocery prices. Talk to your constituents or talk to your people. It is amazing what little food you bring home in the plastic bags from a grocery store for spending more money than we did just months ago. It is appalling.

My people cannot afford to eat and live. They have to make choices to feed their kids that they should not have to make. Input costs for our farmers continue to rise, whether that is diesel prices, whether that is fertilizer, tons of different input prices continue to rise, which guess what, means a year from now that the costs of those groceries are going to go even higher.

A work force that is still disengaged because of us paying people not to work in this plan. We still, our service industry is especially impacted by this. And if you don't believe that you can see that restaurants that close at lunch because they don't have enough employees to open up and serve a meal to people.

A border crisis that there has been no attempt, no attempt to solve. Under President Trump, we had an increasing average wage and now wages are stagnant or decreasing at best, especially in light of an—celebrate, I think not. I think it is time to reduce gas prices. Mr. Moore, what things can we do? I don't really want to talk about the past and I definitely am not celebrating. What things can we do to improve our economy now?

Mr. MOORE. Well, Mr. Chairman, first of all, you know, I don't recall all these supply chain problems when Trump was president. And it makes a big difference. I mean, look, Donald Trump, love him or hate him, you know, I didn't always agree with his antics and some of the things he said, you know, but he was a businessman. He knew how to make things work. He knew logistics. Who in this Administration knows anything about business? I mean, Pete Buttigieg, Jennifer Granholm.

If we are concerned about the supply chain, why would the first act of Joe Biden when he came into office was to kill a pipeline. Pipelines are critical to the supply chain, right? It is by far the most efficient way to transport our oil and gas. Why would we take millions of acres of prime oil and gas lands off of limits? Why would we do that?

The International Energy Administration estimated that we would be right now at about 14 million barrels of oil a day if we had continued with the Trump policies. You know where we are at today? Eleven million. So, think about that. We have lost 3 million barrels of oil a day in production at $120 a barrel. You are talking about almost a half a billion dollars a day, a day that the United States is losing in terms of our GDP. That is tragic. That is tragic.

So, we have got to end the war on American oil and gas. We are all for a clean environment and we all want to deal with climate change but shutting off American oil and gas was a really bad idea.

I think we need to make the Trump tax cuts permanent. They were a success. I mean, everything shows that they were a success. We had the lowest poverty rate, the lowest unemployment rate. We had record revenues on the corporate and personal income tax. I mean, everything, you know, I helped design that plan. So, I feel personally engaged with it. But all the claims that we made worked.

And the other thing that is really critical that you just said, Mr. Kelly, one of the big mistakes that we made under Trump within the first, you know, year of COVID under Trump, and then accelerated under Biden, was increasing unemployment benefits. And if you look at our chart in my testimony on page 9. I don't know if you have it in front of you. We estimate that if we, instead of increasing unemployment benefits which pays people not to work, if we had done what Trump wanted to do which was cancel the payroll tax, we would probably have about 4 million more Americans working today. Four million more Americans.

So, let's incentivize people to work. Look, the heroes of the American economy in 2020 and 2021 were the firefighters, the policemen, the delivery people, the nurses, the people who were working. Why didn't we reward them rather than the people who were not working? It just didn't make any sense.

Mr. KELLY. Mr. Moore, my time has expired. I yield back.

Chairman YARMUTH. The gentleman's time has expired. I now recognize the gentleman from California, Mr. Peters—no, I am sorry, the gentlewoman from Texas, Ms. Jackson Lee, for five minutes.

Ms. JACKSON LEE. Thank you very much, Mr. Chairman. And what an amazing amount of delusional presentation that we have heard. And let me just quickly submit information into the record. The tax bill or the tax debacle of President Trump at the time, it ignored the stagnation of working-class wages and exacerbated inequality. In addition, it weakened revenues at a time when the nation needed to raise more revenues. It encouraged rampant tax gaming and risks undermined the integrity of the tax code.

In particular, down in Houston where I represent, and I ask unanimous consent to submit a February 27, 2019, document into the record, how Trump's——

Chairman YARMUTH. Without objection.

[Document submitted for the record follows:]

HOW TRUMP'S TAX CUTS COULD ACCELERATE GENTRIFICATION AND INEQUALITY IN HOUSTON

https://www.texasobserver.org/trumped-up-incentives-houston-gentrification/

Once a crown jewel of Black Houston, the Third Ward is no longer affordable for many longtime homeowners and tenants. High-end townhomes have subsumed many parts of the historically African-American neighborhood just east of downtown. From 2000 to 2013, median home values here soared 176 percent, while the African-American share of the ward's population fell by more than 10 percent over roughly the same period.

That trend is playing out across the sprawling, unzoned city as developers move in on traditionally black and brown communities, fueling rapid socioeconomic change. And thanks to Donald Trump, those transformations could soon get a lot more severe.

Tucked inside Trump's 2017 tax cuts is a tax break for real-estate investors worth $1.5 billion, ostensibly meant to spark new development in economically distressed neighborhoods that the bill defines as "opportunity zones." Critics warn that it could quickly become a gentrification accelerant. White House power duo Ivanka Trump and Jared Kushner were behind the idea, and could now stand to make a lot of money from Kushner's real estate holdings in opportunity zones.

So far, the Trump administration has signed off on the creation of several thousand opportunity zones across the country. Houston has 105, more than almost any other city. But as development experts point out, many of the areas that qualify for the incentives aren't having much trouble attracting investment in the first place.

Take Houston's Downtown and Midtown neighborhoods, for instance. These "opportunity zones" have undergone a dramatic makeover in recent years as luxury developers have swooped in. As the ***Houston Chronicle*** pointed out, if the federal government used census data from 2017 rather than 2015, these rapidly gentrifying areas wouldn't have qualified. Now, developers that were already planning to build in Downtown and Midtown can get a fat capital gains tax break.

The Bayou City is notorious for uninhibited development, and that has community activists concerned that the incentives will only exacerbate gentrification in the Third Ward.

"History does not bode well," said Assata Richards, a Third Ward community organizer. "We can wake up in five years in an extremely inequitable city."

SO FAR, THE TRUMP ADMINISTRATION HAS SIGNED OFF ON THE CREATION OF SEVERAL THOUSAND OPPORTUNITY ZONES ACROSS THE COUNTRY. HOUSTON HAS 105, MORE THAN ALMOST ANY OTHER CITY.

While Richards and other housing advocates don't think opportunity zones are inherently bad, they also don't believe investor-led redevelopment without local input will benefit existing communities.

"We have not disciplined ourselves in Houston to talk about ways to manage development," Richards said. "We're operating as a speculating town where any deal is a good deal."

Housing advocates say that Houston leaders need to ensure that the incentives are used in collaboration with communities, not to their detriment. Many point to Mayor Sylvester Turner's Complete Communities pilot project, which aims to implement comprehensive planning visions for low-income neighborhoods, as a good start. But new development also needs to be coupled with more robust affordable housing requirements and local hiring ordinances, Richards said.

Time is running out, as the tax incentives begin to kick in for 2019. The ink has already dried on the state's first opportunity zone project: A commercial real-estate developer is building a $16 million self-storage facility in a swanky planned community on San Antonio's South Side.

Ms. JACKSON LEE. In addition, Trump's tax cuts accelerated gentrification and inequality in Houston. We also realized that after two years, the Trump tax cut failed to deliver on GOP promises. And, of course, our own committee recognized that the tax law showers benefit on the wealthy, large corporations, while abandoning the middle class and the Main Street businesses.

We would not have survived. The American Rescue Plan provided $8.2 million in American Rescue Plan dollars toward the Texas healthcare work force, the very point that the gentleman just previously made.

I am not going to sit here and tolerate a lopsided presentation that suggests that we would have been in nirvana if we had had the previous president here. We would have had 3 million dead Americans because we would not have had the distribution of the vaccines and/or the testing. As a Member of the U.S. Congress, I did about 85 testing sites and another 80 vaccinationsites with local health collaborators. Right now, we are stuck. Why are we stuck? Because the bill that we passed in the House on COVID testing is languishing in the Republican strangled Senate. Even though Democrats want to do it.

I believe that we should recognize that we can work together. We need to work together on improving the supply chains. We need to work together on dealing with the question of inflation. But I can assure you that if Joe Biden had not been elected and the previous person had been elected, now promoting the Big Lie, we would have been in an enormous disaster. More people would have died. The moneys to move the distribution of the vaccines and the testing protocol would not have worked. And families would have been in the streets carrying their belongings as we saw in Houston before those dollars came with whole families taking baby carriages out.

This is an outrage that anyone would want to characterize the American Rescue Plan as anything but a rescue plan. That is what it was. It was a rescue plan. Mayor Vince Williams, I was a board member of the National League of Cities. Let's here you pound the table. Tell me what a lifeline, very quickly, because I want to get another question in, that the American Rescue Plan was for your cities that you represent.

Mr. WILLIAMS. Thank you, Representative. I appreciate that. I do want folks to understand that when we think about a lifeline for America's people, you know, this is about people over politics. And we have got to make sure and you just made the comment about working together. This is about everyday Americans and it doesn't matter what district you are representing. There are people hurting in all of our districts and communities.

But, you know, I do want to touch on, you know, how the American Rescue Plan further moved racial equity, if you will. You know, my statement in my written testimony includes a focus on the social determinants of health. Life expectancy is shaped by many factors beyond an individual's control. And that is what we are talking about. Those things that we can help people with where they have no ability to control it. And that is health disparities, access to internet, access to food insecurities. Those are things we have got to focus on. And we are really having a discussion about some partisan differences that, look, I wasn't brought here for this. I was brought here to talk about how ARPA assisted America's cities, towns, and villages across this nation. And——

Ms. JACKSON LEE. Thank you so very much.

Mr. WILLIAMS [continuing]. my main focus is about the people who have been hurting. The people who have died as well. And certainly, I mentioned in my commentary that our first responders were our heroes. Certainly, the nurses in our community. But when we talk about healthcare, my——

Ms. JACKSON LEE. Thank you, Mayor.

Mr. WILLIAMS [continuing]. city doesn't have a hospital.

Ms. JACKSON LEE. Ms. Parrott——

Mr. WILLIAMS. We have two urgent care facilities, you know, so, certainly——

Ms. JACKSON LEE. Mayor, please can I——

Mr. WILLIAMS [continuing]. hospital opportunities——

Ms. JACKSON LEE.—ask a question——

Mr. WILLIAMS [continuing]. are needed.

Ms. JACKSON LEE.—of Ms. Parrott, if I might——

Mr. WILLIAMS. Yes.

Ms. JACKSON LEE.—ask her a question? Thank you, Mayor, very much.

Mr. WILLIAMS. Thank you.

Ms. JACKSON LEE. On what effect did the American Rescue Plan had on poverty and if you can just restate the value of the child tax credit in my waning moments. Mr. Chairman, if she can answer that question. Ms. Parrott?

Chairman YARMUTH. She may answer.

Ms. PARROTT. OK.

Ms. JACKSON LEE. Thank you so much.

Ms. PARROTT. Over the last 80 years or more it might be difficult to think of a single piece of pre-pandemic legislation that has been more effective than the Rescue Plan at preventing poverty. Final poverty figures are not available for 2021 yet, but researchers know enough about the Rescue Plan to say several things.

First, the American Rescue Plan kept a huge number of people above the poverty line in 2021. More than 12 million people according to projections by Columbia University. This includes 5.6 million children compared to what poverty would have been without that legislation. The study found that the Rescue Plan overall lowered poverty by nearly 1/3 and by more than 1/2 for children compared, again, to where poverty would have been without the plan.

A second study by the Urban Institute found larger reductions in poverty. These and other projections suggest the Rescue Plan may prove to be the single most effective law since 1935 for protecting people from poverty and hardship in a given year.

But as I stated earlier, temporary measures help us see what is possible, but can't solve a long-term underlying problem. A key feature of the American Rescue Plan was making the full child tax credit available to the lowest income children. That has enormous positive effects on children, can lower poverty, and improve their future trajectories. Thank you.

Chairman YARMUTH. Thank you. The gentlewoman's time has expired. I now recognize the gentleman from California, Mr. McClintock, for five minutes.

Mr. MCCLINTOK. Thank you, Mr. Chairman. First, Mr. Moore, you keep bashing California's socialist economy. But I need to remind you that despite its problems, California is still one of the best places in the country to build a successful small business. All you have to do is start with a successful large business.

Mr. Chairman, there are times when I wonder if the majority is completely disconnected from reality. The American Rescue Plan that spent and printed nearly $2 trillion that we didn't have, that amounts to about $15,000 for every family in America, unleased a wicked inflation that is now robbing families of thousands of dollars of their earnings. It turns out that all that free money that you sent out is pretty expensive. And Americans are paying it back every day at the grocery store, the gas station, the rents they pay, everywhere.

Government can't put a dollar into the economy without first taking that same dollar out of the economy. Whenever government gives you a dollar it has to take a dollar from you. It does so through current taxes, which rob you of your current earning power and suppresses productivity. It does so through your future taxes by borrowing, which robs you of your future earnings, and it does so through inflation, which ravages your savings and purchasing power.

ARPA was financed through inflation and it is crushing working families. And at the same time, you keep flooding the labor market with cheap illegal labor assuring working Americans will never recover. And the sad irony is they trusted you. Even your own economists warned you this would happen. Steve Rattner and Larry Summers, among others. And yet, you listened to the socialists in your party instead and this is what we have got. Before you passed ARPA, the CBO projected 2 percent inflation for 2022. We are now at 8.6 percent and accelerating. It projected zero interest rate increases until 2024. We have had 1.25 so far. As much as two when the dust settles at the Fed. And mortgage rates have doubled. CBO projected 4.6 percent economic growth for 2021, 3 percent for 2022. Instead, we have had a 1 ½ percent economic shrinkage in the first quarter.

And you have the gall to tell us that ARPA is doing great things for the economy and everybody is wonderful. Are you out of your minds? I keep trying to warn you you cannot spin the economy. Everybody knows precisely how they are doing. And when you try to tell them otherwise, you sound foolish. And when you keep trying, you sound delusional. You are not fooling anybody but yourselves.

Now, Mr. Moore, we just heard about poverty. Didn't we reach the lowest poverty rate in 60 years under the Trump Administration?

Mr. MOORE. In recorded history of the United States.

Mr. MCCLINTOK. How did communities of color fair in the Trump economy?

Mr. MOORE. So, we had the lowest Hispanic, Asian, and Black poverty rate ever recorded in the history of the United States after——

Mr. MCCLINTOK. How about wage growth?

Mr. MOORE. Pardon me?

Mr. MCCLINTOK. How about wage growth?

Mr. MOORE. Very strong. I mean, we had, according——

Mr. MCCLINTOK. The fastest wage growth.

Mr. MOORE [continuing]. according to the Census Bureau data does kind of the, you know, the critical research on this and they found over the four years of Trump Administration roughly $6,000 after inflation real income gain for the median income——

Mr. MCCLINTOK. And that was——

Mr. MOORE [continuing]. that was for——

Mr. MCCLINTOK [continuing]. that was——

Mr. MOORE [continuing]. people just in the middle.

Mr. MCCLINTOK. That was the fast wage growth in 40 years, was it not?

Mr. MOORE. Roughly, yes.

Mr. MCCLINTOK. And——

Mr. MOORE. Wage growth was pretty good——

Mr. MCCLINTOK [continuing]. weren't the principal beneficiaries——

Mr. MOORE [continuing]. in the late Clinton Administration.

Mr. MCCLINTOK [continuing]. working class Americans? Wasn't the income gap between rich and poor finally beginning to shrink?

Mr. MOORE. So, this is really the most important point. You know, I think that—I think we would all agree on this panel that one of the—one ways—one way that you should assess a government policy is how it affects the least among us. You know, and I think I agree with that.

Mr. MCCLINTOK. And how did it affect the economy?

Mr. MOORE. How does it affect minorities? How does it affect the lowest income people? So, if we accept that criteria, we saw big gains for low-income people under Trump. And here is the thing that is reason I said——

Mr. MCCLINTOK. What are we seeing now?

Mr. MOORE [continuing]. the reason I said inflation is the cruelest——

Mr. MCCLINTOK. What are seeing now and how are communities of color doing now?

Mr. MOORE. Well, see this is the thing. When I said inflation is the cruelest tax, it is, sir, it is a—it is the most regressive tax of all. Look, if you have 8 percent inflation, I guarantee you Bill Gates doesn't care. I guarantee you someone who is making more than $1 million doesn't care. But——

Mr. MCCLINTOK. Well, let me just——

Mr. MOORE [continuing]. people making $50,000——

Mr. MCCLINTOK. I have got——

Mr. MOORE [continuing]. they get crushed.

Mr. MCCLINTOK. If they are making $50,000 doesn't an 8.6 percent inflation rate mean they just lost $4,300 of purchasing power here?

Mr. MOORE. Well, wages are up by 5. So, it is——

Mr. MCCLINTOK. But at $50,000, an 8.6 percent inflation rate means reduced wages, of purchasing power of $4,300. Does it not?

If I set aside $100,000 toward my retirement, doesn't that mean that the Democrats' inflation just took $8,600 of purchasing power?

Mr. MOORE. Well, except that wages are up by 5 percent. But you know what is really down, sir, is savings. I don't understand why Joe Biden keeps saying savings is up. We have seen $11 trillion lost in the stock market in the last four months. We do people have their savings? So, this is the biggest evaporation of savings since the——

Mr. MCCLINTOK. If you have got $100,000 in your savings account that you put toward your retirement, isn't it worth now $8,600 less this year because of the Democrats' inflation?

Mr. MOORE. Yes.

Mr. MCCLINTOK. Thank you.

Chairman YARMUTH. The gentleman's time has expired. I now recognize the gentleman from California, Mr. Peters, for five minutes.

Mr. PETERS. Thank you, Mr. Chairman. You know, in San Diego the American Rescue Plan has been a lifeline for my constituents. federal funding has flowed to San Diego families, students, hospitals, small businesses, restaurants, and communities that were facing disaster at the beginning of this pandemic. Since the day that the American Rescue Plan became law, the number of San Diegans who are vaccinated has grown five times. More than 75 percent of the county is now fully vaccinated. I am proud that $95 million of relief went to live venues.

And almost 17,000 PPP loans granted to small businesses in my district. Our team has connected dozens of small business owners with the Small Business Administration to secure shuttered venues, operators' grants, restaurant relief grants, paycheck protection loans like Mr. Lamb in Rancho Bernardo whose salon received a $79,000 PPP. Mr. Buono from Little Italy whose family restaurant received 124,000 PPP loan. We have also disbursed over $200 million to more than 10,000 renters to cover unpaid rent and utility bills. The fact is that these have been great benefits and kept us out of much worse problems. And that was what we were trying to do at the beginning.

I would like to ask Dr. Coronado about the claim that we have exported inflation. Would you respond to that notion? And I don't know how, by the way, I don't know how that would have affected the supply of chips and the demand for goods. But tell me what the response to that is.

Dr. CORONADO. Right. I think it is fair to say that, yes, when American consumers spend it supports the global economy. But it is very difficult to tie any of that directly to the inflation we have seen. One of the things we saw here and abroad was a shift to goods spending that was after, you know, we have seen declining goods spending in advanced economies since World War II.

It has been—we have become ever more service-oriented economies. And, in fact, so much so that the infrastructure of supply chains was underinvested in. And I think when we suddenly shifted back to goods spending both here, and in Europe, and in Canada, and in Australia, it strained these global supply chains. And that has been revealed as a really fundamental structural problem that bears some focus and some investment. And that will help increase efficiency globally.

And ultimately what we want when we run into supply chain constraints like these supply chain issues we are facing, is that we invest in them and come out of this with better efficiency and better productivity. So, I think what we are seeing is very isolated focused inflation in areas that are most impacted by the supply chains. That is a global phenomenon.

And then there are differences across countries depending on structures. And the other universal reality is the food and energy price inflation that we see.

Mr. PETERS. I mean, it is pretty preposterous to suggest that Ukraine had nothing to do with that. I abhor that, you know, this was not driven in large part by outside events related to COVID.

Dr. CORONADO. Yes.

Mr. PETERS. One of the other benefits, I think, and maybe, Dr. Coronado and Ms. Parrott could speak to this, was we put in place temporary protection from evictions. I agree this should be temporary and we should get back to business as normal. But can you describe the economic benefit of keeping people in their homes through this pandemic as we climb out of it?

Dr. CORONADO. Yes, absolutely. There are so many—and I will just speak briefly and then turn it over to Ms. Parrott. There are so many interlinkages between the benefits that were provided. Keeping people in their homes during a pandemic and allowing them to pay the rent also meant that they were better able to feed their families, which reduced distress. It meant that they were more able to continue working and continue to earn income. And it meant that that they were also more able to pay their other financial responsibilities.

So, again, one of the points I made in my testimony is we have never seen—we have record low delinquencies on all kinds of loan categories. We have seen record low repossessions of cars. These are meaningful benefits to working class families. So, the spillover—and I think one of the innovations of the stimulus that we provided and the fiscal support we provided is just giving people the money to make the decisions they need to make for their families.

Mr. PETERS. Right.

Dr. CORONADO. So, you mentioned the rental assistance. That was important and then you also had cash on hand to do what you needed to do depending on the needs of your family.

Mr. PETERS. We are going——

Dr. CORONADO. And it just provided so many spillovers.

Mr. PETERS. We are going to run out of time, but I just wanted to address the notion that we didn't help the poorest people. The child tax credit cut childhood poverty in half. That should be extended. Also, the notion that the answer to this problem is to extend the Trump tax cuts. Trump tax cuts are in place today. This had nothing to do with——

Dr. CORONADO. Yes.

Mr. PETERS [continuing]. those as well. So, thank you. Mr. Chairman, I yield back.

Chairman YARMUTH. The gentleman's time has expired. I now recognize the gentleman from Pennsylvania, Mr. Smucker, for five minutes.

Mr. SMUCKER. Thank you, Mr. Chairman. Just a few comments and if I can submit a letter into the record, I would appreciate it.

Chairman YARMUTH. Without objection.

[Letter submitted for the record follows:]

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March 22, 2022

Chairman Yarmuth:

Thank you for hosting the recent House Budget Committee hearing on "Ensuring Women Can Thrive in a Post-Pandemic Economy."[1] This was an important opportunity for members of the Committee to review the impact on women of policies enacted during the COVID-19 pandemic.

I am writing to confirm your support for, and to request, a House Budget Committee hearing regarding the impacts of inflation, its causes, and policies to reduce it.

As I mentioned during the recent hearing, one of the worst consequences of the federal government's response to the pandemic is the 7.9 percent inflation rate we see today. Trillions of dollars in wasteful deficit spending has led to the four-decade high inflation our economy is currently experiencing.[2] When President Biden's American Rescue Plan Act (P.L. 117-2) was signed into law, former Clinton and Obama Administration economic advisor Larry Summers deemed the American Rescue Plan Act the "least responsible macroeconomic policy we've had in the last 40 years,"[3] and warned that it would "set off inflationary pressures of a kind we have not seen in a generation."[4] With inflation raging, I believe now is the time for the House Budget Committee to explore the causes of inflation and its consequences for our economy.

I strongly agree with your closing comments expressing the importance of the House Budget Committee's role in the oversight of federal spending and share your desire to hold a hearing on inflation. This would be an instructive opportunity for Committee members and the public to hear expert witnesses discuss how federal deficit spending drives inflation and what policies Congress can pursue now to soften the impact on low and middle-income households. I look forward to this hearing in the near future and to the testimony from a range of economists on this crucial topic.

Sincerely,

Lloyd Smucker
Member of Congress

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[1] House Budget Committee, "Ensuring Women Can Thrive in a Post-Pandemic Economy," Hearing, March 16, 2022, https://budget.house.gov/legislation/hearings/ensuring-women-can-thrive-post-pandemic-economy.

[2] Gabriel T. Rubin, "Inflation Reached 7.9% in February; Consumer Prices Are the Highest in 40 Years," Wall Street Journal, March 10, 2022, https://www.wsj.com/articles/us-inflation-consumer-price-index-february-2022-11646857681.

[3] Jordan Williams, "Larry Summers blasts $1.9 T stimulus as 'least responsible' economic policy in 40 years," The Hill, March 20, 2021, https://thehill.com/policy/finance/544188-larry-summers-blasts-least-responsible-economic-policy-in-40-years.

[4] Lawrence H. Summers, "Opinion: The Biden stimulus is admirably ambitious. But it brings some big risks, too," The Washington Post, February 4, 2021, https://www.washingtonpost.com/opinions/2021/02/04/larry-summers-biden-covid-stimulus/.

Mr. SMUCKER. This is a letter, Mr. Chairman, to you that I submitted, sent to you after a previous hearing when we talked about the need for a hearing on inflation. And I still stand. I think diving into what caused this inflation and what we in Congress can do to combat that is a really good discussion to have. I know we had some of that here today, but I would like to see us do that further. So, that letter remains.

It is interesting to hear the Chairman's take on this, talks about 2 percent wage increase, but completely ignores, or almost ignores the real wage decrease that we have seen. And Democrats know that this economy is not working for the American people. That is why their dais has been empty most of this hearing. It is difficult for them to defend what is happening in the economy.

Mayor Williams, I would like to—I appreciate you being here. Thank you for what you are doing in your community. You are working to help to see that the needs of your constituents are met. I want you to know that you are not the only one in the room that is in that position. We all come here to Congress to work. I ran for Congress to help to ensure that the poorest among us can live their own American Dream.

And this is a real discussion about policies that make that happen or will prevent that from happening. So, yes, maybe sometimes it is political, but I want you to know that I think every member on this dais agrees with you that we should have policies that work.

The inflation in your community, does that affect your constituents?

Mr. WILLIAMS. Yes, it does.

Mr. SMUCKER. The gas prices I am sure do. If there were—if we agreed that the American Rescue Plan caused that, would it have been worth it?

Mr. WILLIAMS. Yes. It would have been worth it.

Mr. SMUCKER. I can tell you—I can tell you that my constituents don't believe that.

Mr. WILLIAMS. Yes.

Mr. SMUCKER. I don't know about yours. But mine do not.

Mr. WILLIAMS. Yes.

Mr. SMUCKER. They would prefer to have an economy that is growing, an economy like you had before the pandemic when you said Union City was trending in the right direction by nearly every measure. That was not by accident. That was a result——

Mr. WILLIAMS. No it wasn't.

Mr. SMUCKER [continuing]. of work that you have done and of work that had been done on the federal level that helped to ensure that we had policies in place that allowed every community to benefit. So, these are important issues that we are talking about.

Mr. Moore, appreciate your testimony. I think we need a better understanding of what causes inflation and maybe I want to get back to the basics. And the testimony of—I am sorry, Coronado, Dr. Coronado, she said U.S. core inflation rose earlier and higher than other advanced economies after inflation rose. This is her direct quote U.S. core inflation rose earlier and higher than other advanced economies. I have a chart that shows that. This is before

Ukraine because there are obviously supply chain issues, Ukraine issues that do have an impact. But this was before that occurred.

This is OECD countries. So, countries comparable to the U.S. The red is their inflation rate and look how the U.S. inflation rate jumped just after the American Rescue Plan. Can you tell me, Mr. Moore, how do governments cause inflation? What causes inflation?

Mr. MOORE. Well, if you just hold up—can you hold up that chart one more time?

Mr. SMUCKER. Sure.

Mr. MOORE. Because it is remarkable. Look at the end of, you know, 2020. Look at where the—look at where the inflation rate just goes straight up under Biden. We had 1.4 percent inflation the month Trump left office. So, that is a pretty remarkable malfeasance.

We hadn't had, Mr. Smucker, inflation for about 35 years in this country, you know. One of the reasons the U.S. got so well through the 1980's, 1990's, 2000's, and 2010's was we had very low inflation. Our inflation rate ranged from 2 to 3, maybe sometimes it would 4 percent, but we were in the sweet zone. And, look, what you want from monetary policy is very simple. You want a strong and stable currency.

And by the way, just as an aside, I am very concerned about this idea that the Federal Reserve Board is going to get involved in, you know, climate change issues and race issues and so on. No. The Federal Reserve has to hold inflation down, stop——

Mr. SMUCKER. Sure. OK. And I am sorry. I am out of time.

Mr. MOORE. I am sorry.

Mr. SMUCKER. I would love to ask you some more questions. But you know what I am concerned about is the impact on the communities of Mayor Williams and other——

Mr. MOORE. Yes.

Mr. SMUCKER [continuing]. communities across the country of inflation that is not tailing off.

Mr. MOORE. Right.

Mr. SMUCKER. That the Fed is going to have a very difficult time dealing with that without causing a severe recession. So, we have hard times ahead as a direct result of policies that have been put in place by this Administration.

Mr. MOORE. Mr. Smucker, I believe in the first two years of the Biden Administration if we stay on the course we are on, we will see all of the median income gains that happened under Trump completely eliminated.

Mr. SMUCKER. I am out of time. Thank you.

Chairman YARMUTH. The gentleman's time has expired. I now recognize the gentleman from Massachusetts, Mr. Moulton, for five minutes. Is he on? Mr. Moulton? No. OK. We can't find Mr. Moulton. I now yield five minutes to the gentleman from Nevada, Mr. Horsford.

Mr. HORSFORD. Thank you very much, Mr. Chairman, for holding this hearing. And thank you to our esteemed witnesses for appearing before the Committee. I am actually glad that we have your expertise and incite to highlight just how fundamental the American Rescue Plan has been to our country's pandemic recovery. When my constituents sent me here to Congress, they expected me to deliver results. They sent me here with the dual mission this past two years of crushing the COVID pandemic and implementing an equitable recovery for working Americans.

So, I am proud to say that I voted to pass the American Rescue Plan in the moment that it was needed. Not one of my colleagues, my Republican colleagues on the other side voted for that bill. What was their plan to crush the pandemic? What was their plan to help small businesses and entrepreneurs? What was their plan to help lift 50 percent of families out of poverty through the child tax credit? And what was their plan to help state and local governments who have been at the forefront of providing the response to crush the virus and to help with our economic recovery?

When I talk to my mayors in my local governments, they tell me they used that money for what? Public safety. The only ones to defund law enforcement were the Republicans who voted no on the American Rescue Plan. That is the facts.

Now, I didn't come here to defend every program. That is not what I came to Congress to do. I came to make sure that the federal programs that Congress approves and that the Administration implements works for my constituents. And there are areas that need to be improved. But when you don't even have a plan to address how you would crush the pandemic or ensure economic recovery that is equitable, I think that is a major problem.

Now, by supporting America's entrepreneurs, the American Rescue Plan ensured that our country would be ready to grow when COVID was finally crushed. Would you agree, Dr. Coronado, that the American Rescue Plan positioned our economy on the path for growth by mitigating the worst impacts of the pandemic? And could you please speak to how aggressive fiscal policy may have lessoned the long-term scarring effects we often see after severe downturns.

Dr. CORONADO. Yes. Undeniably the American Rescue Plan and the fiscal support helped the economy recover even through the pandemic and now more as we move beyond it into the endemic phase. And I think that you are putting your finger on the most important aspect, which is the support to the labor market and getting people back to work when they are able and ready to do so. It did take, you know, we did lose participation and now that is roaring back. It is roaring back.

Mr. HORSFORD. Yes.

Dr.. CORONADO. And that is because people now are able and ready and they are actually able to come in and command higher wages, and better situations, more full-time work.

Mr. HORSFORD. I agree.

Dr. CORONADO. So, there is a lot of things about the labor market that you highlight that, you know, last recovery we didn't do that. And people were out of the labor force for years, many years. We didn't see that recovery happen until seven years into the expansion——

Mr. HORSFORD. And it is disproportionately——

Dr. CORONADO [continuing]. in participation.

Mr. HORSFORD [continuing]. on women and people of color, which I think——

Dr. CORONADO. Absolutely.

Mr. HORSFORD [continuing]. also speaks to where is your plan to help with an equitable recovery for every community?

Now, one of the challenges that I continue to hear from in people in my district is the cost of living, affordable housing, with the cost of rent on the rise. People do still need help and that is why I applaud my home state of Nevada for allocating funding from the American Rescue Plan, which will now invest $500 million directly into affordable housing.

Now, those solutions can take many different forms. But, Mayor Williams, will you please discuss the many ways in which municipalities have used ARP funding to help constituents with essentials, such as keeping food on the table or a roof over their head.

Mr. WILLIAMS. Yes, sir. And thank you for that question. That was something that was so important to my community. Certainly, we had people who were at risk of evictions. We certainly used the funding to be able to stave those evictions off by helping with rental assistance. As well as mortgage assistance and utility assistance. Something as meaningful as being able to have your water service. Those are the things that we focused on. But also, assisting folks with being able to have money to go to the grocery store. Those were some of the things we have been dealing with.

And now, this issue around access to internet. That was a big one in my community because, you know, many of my families had to drive their kids to the local McDonalds to sit on the parking lot to be able to receive access to Wi-Fi. Those were things we were focusing on to make sure that we assisted families to be able to pay for their internet bill if they had a service. But, you know, thanks to this affordable high-speed internet service that is coming, many families will receive that.

But the everyday support, but the everyday need to keep families alive, those were the things we were focusing on in our communities.

Mr. HORSFORD. Well, thank you for focusing——

Mr. WILLIAMS. Thank you.

Mr. HORSFORD [continuing]. on the American people. I yield back.

Chairman YARMUTH. The gentleman's time has expired. I now recognize the gentleman from Texas, Dr. Burgess, for five minutes.

Dr. BURGESS. I thank the Chairman. I do feel the necessity in answering a couple of the questions that were just asked by my colleague from Nevada. If you will recall, March 21 of 2020, this Congress passed the CARES Act, the biggest single bill that I have ever seen in my tenure in Congress, was well north of $1 trillion. It was right at the beginning of the pandemic. We thought it was necessary to be able to withstand some of the blows that we were in line to receive from this terrible disease that was visited upon us by another country.

But the damaging thing was not so much in just spending the money. I will still argue that the money was necessary. The damaging thing was we never went back and sort of looked at what was necessary. For example, I am a physician. We put $150 billion in the Provider Relief Fund. Arguably a good thing. But we really didn't know what the dollar figure was to put into the Provider Relief Fund. We had no organized plan. I am also on the Energy and

Commerce Committee. We are the major authorizing committee for healthcare expenditures. We never once had a hearing, a single hearing before or after passing that $1.1 trillion bill. We never had a single hearing of what was actually necessary to help our healthcare sector who had been delivered this terrible blow by the coronavirus.

And as a consequence, we had funds that were unspent that were probably necessary somewhere else. And then in December, we come back and add more money on that of that. So, I would simply argue that the—Mr. Moore, I think, has pointed out that by June 2020, things were starting to stabilize. And our CBO Director, Mr. Swagel, has told us that the economy going into the coronavirus, and I think Mr. Mayor, you have kind of underscored this, going into the coronavirus, the economy was actually doing pretty darn well. As Jack Kemp taught us, the rising tide was lifting all boats. Then we were delivered this terrible blow.

But honestly, to never go back and look at what we did, what was necessary, if more is necessary, we can have that discussion. But then here is the real damaging thing, we get to February 2021, and we pass a $1.9 trillion bill that is entirely partisan. It is passed under reconciliation. Guaranteed that we are going to have——

VOICE. Will the gentleman yield?

Dr. BURGESS. No, I will not. You can get your Chairman to yield to. I am sure he will. Guaranteed that it was going to be a partisan exercise and that no voices on the Republican side would be heard. And yet, you can see just by the—just by the attendance here today in this hearing, yes, on the Republican side, we are terribly interested in what this bill was going to do and what this bill did do.

And here is the other part of the problem. When you passed that bill in February 2021, right, you are not a prognosticator. You don't know what is going to happen in August. But what if you have the most humiliating defeat that the United States has ever encountered in the country of Afghanistan and the leader absconds with all the money, and then because we all know from President Reagan that weakness is provocative. And then you see the invasion of Ukraine, which anybody could have predicted because the Russian Army was aggregated around the borders. What did you think was going to happen?

So, what was your plan for this? Well, turns out there was no plan. We were told by the same geniuses who couldn't predict Afghanistan, we were told by those same folks that Ukraine would fall in three days. Three days Kyiv would be under the control of the Russians. Completely underestimating the fact that Ukrainians have showed the past and shown again repeatedly that they are willing to fight for their own homeland.

So, look, forgive me if I am skeptical about some of the discourse that we have heard here this morning. It almost sounds like we are stuck in a Charles Dickens novel. It is the best of times. It is the worst of times. But, Mr. Moore, let me just give you the last word here. You have been through all this. You saw it from the inside of the administration. You saw what was going to happen. You are bound to have had misgivings as you saw what this Committee was going to do in February of last year.

Mr. MOORE. Well, let me just give you one example of the kind of crazy spending priorities in this bill. So, we spent more money under the American Recovery Act on subsidizing the New York subway system than we did on therapies and treatments. I mean, how lunatic is that, really? I mean, talk about a, you know, misallocation of resources.

I urge you. I urge all of the members of this panel, we spent $1.9 trillion. There was a front-page story in the New York Times about three or four weeks ago, $140 billion, not a $140 million, $140 billion was ripped off from the unemployment benefit program. That didn't stimulate the American economy. It stimulated economies in Africa and South America. Half of the fraudsters didn't even live in the United States. So, can we please do a thorough investigation of what happened in the Medicaid funding? Unemployment insurance program, the food stamp program. You mentioned the rental assistance program. The fraud rates were 20 percent in a lot of these programs. A private sector program has about a 2 percent fraud rate. We cannot allow that to persist.

Dr. BURGESS. We cannot allow. Thank you, Mr. Moore. Thank you, Mr. Chairman. I will yield back.

Chairman YARMUTH. The gentleman's time has expired. I now recognize the gentleman from Massachusetts, Mr. Moulton, for five minutes.

Mr. MOULTON. Thank you, Mr. Chairman. You know, I would like to point out that in any piece of legislation, there are going to be problems. There are going to be—there is going to be fraud that needs to be investigated. But let's not lose the bigger picture here. You know, Representative Smucker, my colleague who just spoke, saw Lancaster, a city in his district and his hometown, receive more than $36 million from the ARP to prevent layoffs, to boost the local economy. Dr. Burgess' district received more than $52 million in ARPA dollars. In fact, Ranking Member Smith, Missouri received nearly $1 billion.

All of you have gone and talked about the investments that you have made all over the country. In fact, it is amazing that Republicans all across America can't seem to stop promoting the benefits of the American Rescue Plan that they continue to oppose.

In my home district in Lynn, Massachusetts, the largest city, they have been able to make a generational investment to improve the quality of the lives of residents through affordable housing, food security, entrepreneurship, small business assistance, work force development, including childcare and digital access. Mental and behavioral health, so critical in this pandemic, and environmental investments in infrastructure, as well.

Mayor Williams, could you just talk briefly about your city's experience with the pandemic and what would have been the impact to your city's local economy if not for the American Rescue Plan?

Mr. WILLIAMS. Thank you, sir. The economy in my city would have certainly continued to do as many communities have, and that is collapse. I do have to say the city of Union City was one of the highest in the metro Atlanta area as it relates to COVID. We had some of the highest case rates. And that is not something to be proud of. You know, I mean, we are a municipality of less than 30,000 individuals. But we were always at the top when it came to COVID cases. But also, being making sure that our individuals in our community had access to healthcare. You know, the biggest problem we had was getting people tested, getting people to physicians, or hospitals that could treat them.

You know, so, those have been some of the biggest challenges we had during the COVID, the early——

Mr. MOULTON. OK. Thank you.

Mr. WILLIAMS [continuing]. stages of COVID. Thank you.

Mr. MOULTON. Thank you very much. And let me just say that just because many of my Republican colleagues are hypocritical here about this Rescue Plan and the investments that have been able to make in their communities as well, it doesn't mean they are all wrong. I will agree as a Democrat that the ARP has impacted the current inflation rate. But it is also important to understand the broader context globally, as well as the recession that we would have likely faced if not for this legislation. I mean, inflation has been across the world, primarily from pandemic disruptions, Russia's invasion of Ukraine. I mean, even before the ARP passed, as Marc Goldwein on the Committee for Responsible Budget noted, "The seeds for a high inflation environment were already planted."

Right now, we are experiencing inflation with low unemployment and high growth. And if not for global issues such as the invasion of Ukraine, we wouldn't be seeing negative wage growth. Dr. Coronado, is the American Rescue Plan responsible for the 8.1 percent inflation rate in Europe?

Dr. CORONADO. I am sorry. It is certainly worth, you know, not the majority, not even close to the majority of the inflation we are seeing right now.

Mr. MOULTON. OK. Is the ARP responsible for the oil prices set on the international market, for the price of oil, which is set internationally?

Dr. CORONADO. No, clearly not. Or the food prices.

Mr. MOULTON. OK. Isn't it true that if the ARP wasn't enacted, we would likely have entered into a global economic recession with serious ramifications or a recession for America with serious ramifications for the global economy?

Dr. CORONADO. We were still in a very precarious situation, yes. We had started to see positive economic growth in the U.S. But the global recovery was far more fragile and remains more fragile. And, yes, without the fiscal support, especially in light of the repeated waves of COVID that were stressing communities and public health——

Mr. MOULTON. U.S. growth is set to surpass China for the first time since 1976.

Dr. CORONADO. Yes.

Mr. MOULTON. Forecasts suggests U.S. GDP will grow by 2.8 percent this year compared with just 2 percent in China. Dr. Coronado, did we see this during the Trump or even the Reagan Administrations, U.S. growth path higher than China?

Dr. CORONADO. No, we did not.

Mr. MOULTON. Thank you, Mr. Chairman. I yield back.

Chairman YARMUTH. The gentleman's time has expired. I now recognize the gentlewoman from Colorado, Ms. Boebert, for five minutes.

Mrs. BOEBERT. Thank you, Mr. Chairman. And thank you to the witnesses who showed up. I would have loved to have seen some members from the Biden Administration from the Executive here today to speak on this. But today, the House Budget Committee will be playing along with Speaker Pelosi's con game of titling a bill something magnificent and then loading it with a bunch of liberal wish list items. And then claiming success on that legislation. And, you know, I would probably actually be a yes vote on a lot more legislation that we see in the House of Representatives if the language in the bill actually matched the title.

It has been just over a year since Joe Biden signed the $2 trillion so-called American Rescue Plan into law that incentivizes lockdowns. Paid workers to stay home. Gave stimulus checks to government employees who are at no risk of losing their jobs. And really fueled the fire of inflation this crisis that American families are now paying the price for. American families are paying the price for bad policy.

And this chart that I have here it shows exactly what that bill did for the cost of goods and services. You see that there.

You cannot force millions of Americans out of the work force and then allow them to go back to work and call that job creation. You cannot treat the American people like your own personal slush fund. It has been said before but one day you will run out of other people's money to spend.

Since the passage of this blue state bailout, the Biden White House has claimed the "the economy is in a better place than it has been historically." Well, I am curious, is it the highest inflation of my lifetime? The highest gas prices in American history? Or a shrinking GDP that would cause Jen Psaki's replacement to make such an outrageous claim?

Under President Trump, which I would like to pause and just say, happy birthday to my all-time favorite president. But gas prices were less than half of what they are today. GDP had positive growth. And moms and dads had formula to feed their babies. I miss and the American people miss the Trump economy. Not only was the so-called American Rescue Plan entirely unnecessary, but it was riddled with swampy deals for Biden's political allies in blue states and did not include commonsense protections to mitigate fraud.

Less than 9 percent of this $2 trillion sham went to anything COVID-related. Now, the average American family is paying the price for these failed policies. And that price is $5,200 per year. Heck, if you are a senior living on fixed income, Joe Biden's economy it is a death sentence.

Mr. Moore, I have a question for you, if you don't mind. With just a brief answer, if you were advising Joe Biden on how to make our economy as weak as possible, what would you tell him to change?

Mr. MOORE. I am sorry. To make it as strong as possible?

Mrs. BOEBERT. As weak. If you were advising him, make America's economy weak, what would you have him change?

Mr. MOORE. Well, I would do pretty much what we have done. I mean, this idea that somehow we are in a recovery right now, I just looked at the numbers, the latest numbers for the GDP forecast for the second quarter, there is a 0.9 percent. We had 1.5 percent in the first quarter. So, if you put those numbers together, for the first half of 2021, we have had negative growth. What recovery are you all talking about? There is no recovery in the economy. We are negative. We are negative for the first half of the year after spending $1.9 trillion.

Mrs. BOEBERT. Yes. Mr. Moore, thank you so much for laying that out. Actually, I would love to give a copy of Trumponomics to everyone here on the Budget Committee. I think that would be something that everyone would——

Mr. MOORE. I have got copies available.

Mrs. BOEBERT [continuing]. really finish it. There you go. We will get you some signed copies over there.

Mr. Mayor Vince Williams, can you please tell me what bird sanctuaries, a beachside 800 room luxury hotel, pickle ball courts, ski resorts, and Halloween festivals have in common?

Mr. WILLIAMS. I have no idea. I don't have either of those in my city.

Mrs. BOEBERT. Well, your city is paying for them, Mr. Williams. Mayor Williams, each of these non-COVID health-related projects was paid for by state and local governments with COVID–19 aid. Washington politics—Washington politicians are addicted to spending. We don't have a revenue problem. We have a spending problem. And this addiction, like the American Rescue Plan is causing, it is similar to parmesan cheese and Hunter Biden. Thanks, and I yield back.

Chairman YARMUTH. The gentlewoman's time has expired. I now recognize the gentleman from New York, Mr. Jeffries, for five minutes.

Mr. JEFFRIES. I thank the distinguished hair of the Budget Committee. To the extent that there is a public policy problem in Washington, DC, Exhibit A was the GOP tax scam. That is the Republican singular signature piece of legislative accomplishment relative to the economy that occurred during the prior Administration. Eighty-three percent of the benefits went to the wealthiest 1 percent saddling our country with approximately $2 trillion worth of unnecessary debt simply to subsidize the live styles of the rich and shameless. That is problematic economics.

I am thankful that we have a president who leaned in to lifting up the economy for every day Americans beginning with the American Rescue Plan. A few questions for you, Dr. Coronado. Thank you for your presence here. I thank all of the witnesses for testifying here today.

The unemployment rate in January 2021, when President Biden left office was approximately 6.3 percent. Is that correct?

Dr. CORONADO. That is right.

Mr. JEFFRIES. And today, with the American Rescue Plan in effect, under President Biden's leadership, the unemployment rate has dropped to 3.6 percent. Is that correct?

Dr. CORONADO. That is where it is, yes.

Mr. JEFFRIES. And that means that millions of Americans are actually back to work being able to provide for their families. Is that correct?

Dr. CORONADO. That is right. We have been creating millions of jobs a year.

Mr. JEFFRIES. And approximately how many jobs have actually been created since President Biden came into office in January 2021?

Dr. CORONADO. I have don't have that number but it is several million.

Mr. JEFFRIES. Yes, I believe the number is 8.7 million jobs since——

Dr. CORONADO. Yes. That sounds about right.

Mr. JEFFRIES [continuing]. President Bident came into office. And that is a record in American Presidential history——

Dr. CORONADO. That is a record.

Mr. JEFFRIES [continuing]. for a similar period of time. That is a significant development. And that is meaningful progress for the American people. Is it fair to say that the American Rescue Plan was able to head off a wave of evictions as well as a foreclosure crisis that could have devastated American families all across this country?

Dr. CORONADO. Absolutely. Absolutely.

Mr. JEFFRIES. Now, the American Rescue Plan, which was a necessary intervention at a time when the economy was on the brink of collapse. Absent that level of intervention, what are the possibilities—there are some economists who express grave concerns that at the time, we could lapse into perhaps a great recession. Was that a reasonable concern at the time, absent the type of intervention that occurred relative to the American Rescue Plan?

Dr. CORONADO. Yes. I mean, we were in the deepest recession since the Great Depression during the middle of the pandemic. And had we not provided the various waves of fiscal support we would not have had a quick recovery. In fact, most economists of all institutions and of all stripes were expecting a very prolonged and painful and difficult recovery before that fiscal support was provided. And you would have had a lot more lasting disconnect from the labor force, more failures of businesses, more people losing their homes. Much as we saw immediately after the housing crash in the Great Recession.

A lot of the thinking was that the recovery would look like that and that was very halting and slow. And the main difference is the fiscal approach that was taken during this episode that to err on the side of supporting people, giving them both targeted interventions like rent support and health support, as well as just cash to determine what they needed to spend that cash on has led to a variety of benefits, including, you know, best credit, best wage gains, best credit scores, best wage gains for lower-income households that we have ever seen.

Mr. JEFFRIES. Thank you. And, certainly, there are issues that we need to continue to work on and we are doing that as Democrats in terms of lowering costs for everyday Americans. But the American Rescue Plan was absolutely necessary and decisive in trying to put us into a better space both on the economic side and as it relates to the public health crisis. Less than 2 million Americans fully vaccinated when President Biden took office. Now, there are more than 225 million Americans fully vaccinated, giving us the opportunity to march toward normalcy.

I thank you, Mr. Chairman. I thank the witnesses for their presence. And I yield back.

Chairman YARMUTH. The gentleman's time has expired. I now recognize the gentleman from Virginia, Mr. Good, for five minutes.

Mr. GOOD. Thank you very much, Mr. Chairman. Mr. Moore, I don't think you can potentially overestimate how important your presence is here today to try to educate the Democrat majority on basic economics, basic budget principles. Just to refer to something that was said by the previous speaker, you cannot give tax cuts to those who don't pay taxes. That, of course, would be welfare basically. You are paying people beyond what they earn. Because it was said, hey, the Tax Cuts and Jobs Act, you know, most of the benefits were to higher income earners.

Speaking of revenues from the tax cuts, what was the impact from the 2017 Tax Cuts and Jobs Act? What happened to tax revenues when those—when tax rates were reduced, what happened to overall revenues?

Mr. MOORE. So, one of the kind of it is important for people to understand exactly what we did. Because I helped design that with Larry Kudlow and Art Laffer and, obviously, Trump was heavily engaged in this. But the whole idea was we had the highest business taxes in the world. You know, that just doesn't make America competitive. We all want to create jobs, right? You know, the United States having a business tax rate that was in some cases 20 percentage points higher than all the countries we were competing with. As I used to say to Donald Trump, that is a Head Start program for every program we are competing with.

So, we brought that rate down from virtually the highest in the world. By the way, think about that. Five years ago, the United States had the highest business tax rate in the world and we cut it to below the average. And we saw enormous gains, you know, as mentioned. Lowest unemployment rate, lowest poverty rate for every group. The idea that 83 percent of the benefits went to the top 1 percent is just fallacious. We saw gains throughout the economy.

And there was just a piece in the Wall Street Journal about two weeks ago, sir. I will get that for the record. That showed low and behold, guess what has happened to corporate tax receipts in the last two years? They have gone way up. So, there was—and I didn't even expect this. I thought we would see a revenue loss, but I just thought it would be good for the economy. But we actually saw a gain in corporate tax revenues even though we lowered the rates. Pretty amazing.

Mr. GOOD. Wonderful job. And thank you for confirming that. You know, I submit that the majority party here if you could demonstrate that cutting taxes on higher income earners would grow the pie, increase revenue for the government, the government could do more things, they would be against it just because they don't think it is right to cut taxes for people who make too much and because they believe that it is unfair, if you will.

It is incredible, frankly, that the Dem majority would hold a hearing to defend the ARP, the American so-called Rescue Plan, and their disastrous economic policies. Democrats have two choices. They can admit failure, apologize, and change course. Or they can do what they are doing, which is double down, lie about the impact of their spending programs, their economic programs, and try to fool the American people.

As we know, less than 9 percent of the massive $2 trillion in the ARP was actually directed to combat the China virus. The rest of it was wasted. That is what the federal government does best, of course. And it actually increased inflation, decreased job growth, increased welfare, and dependency. Of course, massively increased the deficit.

Can you point to—do you think that—and I know you feel like you are on repeat, but repetition is the key to learning. Hopefully, the other side is listening to this. Can you point to how the ARP has helped or hindered the job recovery over the last year? It is amazing they crushed the economy. They eliminate more jobs. They make it impossible for employers to operate their businesses for people to go to work. They fire workers for not getting a vaccine.

So, they crushed the economy, eliminate millions of jobs like has never happened in the history of the country. And now they want credit because they say they created jobs. federal government didn't create any jobs. All they can do is create an environment as you did during the Trump Administration that facilities or allows businesses to do that. But do you think that the American Rescue Plan helped or hindered America's job recovery over the last year? The ARP itself, did it help or hinder the job recovery over the last year?

Mr. MOORE. Sorry, is that for me?

Mr. GOOD. That is to you. Yes, sir.

Mr. MOORE. If you look at figure 5 in my testimony, this is really important about what happened with the American economy. Starting in late 2020, the red states opened up their economies. They didn't need any fiscal help. They opened up their businesses. They opened the restaurants, their stores, their churches, their playgrounds, their blah, blah, blah. There were no negative health effects to that.

And if you look at this chart, you see the 10—there is now roughly 10 states, sir, that are actually above the employment level they had before pandemic. Guess what? Every single one of them is a red state that opened up their economy.

I will read to you. Utah, Idaho, Montana, Texas, Florida, North Carolina, Georgia, Tennessee, Arizona, Arkansas, South Dakota. There is one actually blue state, Colorado. They handled it pretty well. Look at the states at the bottom. New York, New Jersey, Pennsylvania, these states kept their—the way we should have stimulated the economy was by getting these blue states to open up their businesses. They refused to do it and that is why they needed trillions of dollars from the federal government.

Mr. GOOD. The Democrats' policies did not crush the virus. They crushed the economy. And the state with the highest per average age in the country, Florida, was aggressive in opening up——

Mr. MOORE. Exactly right.

Mr. GOOD [continuing]. and, of course, we did not have a negative impact on Florida in terms of the China virus——

Mr. MOORE. That is exactly right.

Mr. GOOD [continuing]. impact. So, thank you, Mr. Moore. I yield back.

Chairman YARMUTH. The gentleman's time has expired. I now recognize the gentlewoman from California, Ms. Chu, for five minutes.

Ms. CHU. Ms. Parrott, as a Member of the Ways and Means Committee, I want to draw attention to something we worked on as an aspect of the American Rescue Plan that made a considerable impact on the lives of working Americans. The American Rescue Plan increased affordability of health coverage, enhancing the advanced premium tax credit for the ACA plans. And this ensured that working families could continue to access health insurance throughout the pandemic. And included eliminating the so-called cliff that families who made just over the subsidy cutoff, which is $110,000 per year for a family of four.

Can you talk about the impact of these affordability measures? And with these important tax credits set to expire at the end of this year, could you discuss who would be most likely to see their monthly premiums go up?

Ms. PARROTT. Yes, thanks so much for the question. The Rescue Plan reduced or eliminated premium costs for most marketplace enrollees and helped spur record marketplace enrollment. If these enhancements had not—if these enhancements are not extended, the large majority of the 14½ million people who signed up for marketplace coverage this year, will either lose coverage or pay significantly more in premiums in 2023. According to estimates by both the Urban Institute and HHS, about 3 million people would lose coverage and become uninsured. Over 10 million additional people would remain insured but see their premium subsidies reduced or eliminated entirely, according to HHS estimates.

These premium costs increase would make coverage much less affordable at a time when people are struggling with increased costs for food, housing, and other basics. For example, the Urban Institute estimates that subsidized marketplace enrollees with incomes between 150 and 400 percent of poverty, which is hard to know what that means, so, let me break it down. About $20,000 to $54,000 for an individual would pay over $1,000 more per person in annual premiums. A 60-year-old couple making $75,000 would see annual marketplace premium costs more than triple, rising from about $6,400 to more than $22,000.

The premium spikes may also coincide with the end of the federal public health emergency when millions of Medicaid enrollees made no longer eligible for Medicaid coverage, will need to secure coverage in the marketplace, making those premium tax credits incredibly important for assuring that they seamlessly are able to access coverage. The expiration of those premium tax credits would drive up the rate of uninsured, which we have actually made progress in driving down the rate of uninsured over the last year because of both the Medicaid continuous coverage provision, as well as the expansion in premium tax credits.

Ms. CHU. Well, Ms. Parrott, let me ask about—and thank you for that answer. Another thing that I think was very, very beneficial. We, in the Ways and Means Committee are proud of the tax credits that we enhanced like the child tax credit. And there was another tax credit that had a major positive impact, not only in the finances of struggling businesses, but on our ability to fight the pandemic.

The American Rescue Plan created paid family and sick leave tax credits that reimbursed employers who offered their workers paid time off because of the COVID pandemic. And to be eligible, businesses needed to give employees paid leave to quarantine, get a vaccine, find a test, or care for a family member or child.

Can you talk about the impact that this paid leave had on both employers who claimed the credits and workers who were able to take the time they needed to care for themselves and their families without losing their jobs or their paycheck? And what lessons can we learn from these credits as Democrats work to pass a national comprehensive paid leave plan?

Ms. PARROTT. Yes. You know, paid leave is a really good example of a place where because of our underlying policies, we tried, with some success, to sort of fix things for purposes of the crisis. So, we added some temporary paid leave measures. And for those who were able to benefit, I think those measures were quite helpful, both in stabilizing families' incomes when they needed to take time off and helping employers and employees stay connected.

But the real—and you talked about this at the end of your question—the reality is that the United States stands alone among most wealthy nations in the world in not having paid family, some kind of paid family medical leave program for workers. And because of that, when people are unable to work because they need to care for their own illness or an illness in their family or welcome a new child into their household, too often they are forced to separate from their jobs. That is bad for the economy and it is bad for families.

And so, you know, trying to shoehorn something during the pandemic provided some help to some people, and that is really important. But the real path forward is getting to a place where all workers have access to paid family medical leave when they need it.

Ms. CHU. Thank you.

Chairman YARMUTH. Thank you. The——

Ms. CHU. I yield back.

Chairman YARMUTH. Yes. The gentlewoman's time has expired. I now recognize the gentleman from California, Mr. Obernolte, for five minutes.

Mr. OBERNOLTE. Thank you, Mr. Chair. Dr. Coronado, in your testimony you said something I completely agree with. You said that diagnosing the drivers of inflation is key to crafting a response to it. And you have answered a couple of questions about this already. And I was interested when in explaining why the United States has a substantially higher inflation rate than other countries, you said that you thought that deficit government spending, including the American Rescue Plan, was not even close to being the predominant cause.

Several weeks ago, the San Francisco branch of the Federal Reserve issued a report in which they were investigating why the United States has a higher interest rate—higher inflation rate than other countries. And they reached the opposite conclusion. They concluded that deficit government spending here, in particular, the American Rescue Plan, was the predominant cause of why inflation was higher here than in other countries. Have you read that report? And do you disagree with it?

Dr. CORONADO. I am familiar with that report. And since the data that was used for that report, we have seen a pretty marked acceleration in core inflation across other countries. So, in some senses, that finding is stale.

Mr. OBERNOLTE. OK.

Dr. CORONADO. That now that gap——

Mr. OBERNOLTE. OK. Well, it sounds like the they are talking apples and oranges here. They were talking about why last year the——

Dr. CORONADO. Right.

Mr. OBERNOLTE [continuing]. United States had higher inflation than other countries.

Dr. CORONADO. Correct.

Mr. OBERNOLTE. You are saying it doesn't matter now because everyone has high inflation.

Dr. CORONADO. Well, we have——

Mr. OBERNOLTE. I am talking about why——

Dr. CORONADO. We have to keep——

Mr. OBERNOLTE [continuing]. why we got out ahead.

Dr. CORONADO. We have to keep learning about from the incoming data and what we are seeing is that there is a considerable rise in inflation across countries. As you saw some of these charts that have been presented, there is not—there sometimes is a lag between when things happen. And what we have seen is that a lot of this supply chain inflation, other countries because their recoveries were delayed, the U.S. recovery was strong and early. Other recoveries was delayed so, as that spending came forward, you did start to see that supply chain inflation take hold too.

So, I am not one to say it had no impact. There is an impact. And there is also a benefit. There is a cost and a benefit——

Mr. OBERNOLTE. Right.

Dr. CORONADO [continuing]. to providing very strong support. So, I am not saying there is no impact or that there isn't a meaningful cause in the wedge. The wedge that I estimate now is, you know, maybe a percentage point.

Mr. OBERNOLTE. Well, let's talk about it worldwide then.

Dr. CORONADO. Mm-hmm.

Mr. OBERNOLTE. So, you know, the WTO has been looking at this same issue.

Dr. CORONADO. Mm-hmm.

Mr. OBERNOLTE. You know, from a worldwide perspective, not just a U.S. centric perspective.

Dr. CORONADO. Mm-hmm.

Mr. OBERNOLTE. And Robert Koopman, who is the chief economist at the WTO, has estimated that between, he says, 2/3 and 3/4 of supply shortages worldwide are a result of excess demand resulting from government spending. So, do you agree or disagree with that?

Dr. CORONADO. So, there is more—I put more weight on the first part of that and less on the second part of that. So, remember, a very key development in the pandemic globally was the shift to goods spending over services spending. So, that is unprecedented.

We have not seen that kind of shift in consumer spending in our lifetimes ever since, actually, the last time we saw this kind of shift was World War II.

Mr. OBERNOLTE. Sure, but the WTO is saying that that is a result of all of this excess money being injected into worldwide economies.

Dr. CORONADO. So, that is the part that I take more issue with.

Mr. OBERNOLTE. OK. Well, I mean, so, you disagree with the Federal Reserve. You disagree with the WTO. The CBO, well, you know, we are not going to get into that.

Dr. CORONADO. The Federal Reserve is a big system with hundreds of economists all of which have an opinion. So, you know, there are different—there are—I agree with the Federal Reserve and disagree with the Federal Reserve——

Mr. OBERNOLTE. Right.

Dr. CORONADO [continuing]. depending on the analysts we are talking about.

Mr. OBERNOLTE. Yes. I understand. But, I mean, I think that—and this isn't a question. You know, I don't think it is an exaggeration to say the majority of economists now would acknowledge that government spending has played a substantial role, if not the predominant role, in catalyzing the growth of inflation.

This leads me to my last question, which I will go to Ms. Parrott. And this is, you know, it has been an interesting hearing. We have got these two ideas and tension, which is what Dr. Coronado was just talking about. You know, the fact that the American Rescue Plan undoubtedly catalyzed this round of inflation. We can argue about how much. But undoubtedly contributed to it, if not caused it. And you have testified that the American Rescue Plan was, what you said, the most substantial antipoverty legislation since 1935.

So, you know, here is the question. Was it worth it? Was this round of inflation that is leading the interest rate hikes. The Fed is meeting today. You know, was it worth that, you know, had that result for the good that the legislation did?

Ms. PARROTT. So, I think you set up a false counterfactual. So, right, the American Rescue Plan helped strengthen the recovery, reduced unemployment, lots more people working. I agree with Dr. Coronado. I think it is—I wouldn't say that it had no effect on inflation. But I do think we would be facing high inflation today regardless of whether we had the American Rescue Plan. But I also think that in the absence of the American Rescue Plan, we would have had more kids in poverty. We would have seen a spike in evictions. We would have seen a lot of people struggling.

And so, I am not going to speak to a false counterfactual that I don't think is accurate. But I will say is that the American Rescue Plan made an enormous difference in the lives of tens of millions of people and in communities across the country.

Mr. OBERNOLTE. All right. Well, I see that I am out of time. It is interesting discussion. But here is, you know, what really, really depresses me about this argument is that, you know, you also have to consider the effects of inflation on the impoverished here in America. And it has been said that inflation is one of the most regressive taxes because it disproportionately affects the people who can least afford to pay for it. And, you know, we are in a situation now where——

Chairman YARMUTH. The gentleman's time has——

Mr. OBERNOLTE. Yes, sir.

Chairman YARMUTH [continuing]. long expired.

Mr. OBERNOLTE. All right. OK. Well, thank you,——

Chairman YARMUTH. Yes.

Mr. OBERNOLTE [continuing]. for the—thank you, Mr. Chairman, for the extra time.

Chairman YARMUTH. All right. The gentleman's time has expired. I now recognize the gentlewoman from the U.S. Virgin Islands, Ms. Plaskett, for five minutes.

Ms. PLASKETT. Thank you, Mr. Chairman, for this hearing. Thank you for the ability to question the witnesses. I find it so interesting and specious that one of the witnesses say that we should take advice from Donald Trump, who before coming to the presidency, was a failed businessman. Who had companies that went bankrupt. That is who we are supposed to take business advice from?

The most recent hearings have shown that not only is he a failed businessman, but he is a con artist, who created a slush fund off of the backs of American people through his attempt to overthrow our government through January 6. So, will I take advice from someone like that? I think not. And I think our country is better off without having him as the leader of our country at this point.

You know, we have had a lot of discussions about child tax credit and the American Rescue Plan and what it has or has not done. For people living and families living in the U.S. Virgin Islands, by extending the child tax credit to the territories and providing that funding, there has been an enormous uplifting of children that are living in poverty.

Ms. Parrott, would you explain to us how the Medicaid provisions and the reconciliation bill passed by the House Democrats in November 2021 would improve access to healthcare and equity for low-income Americans living in the territories?

Ms. PARROTT. Yes, thank you for your question. This issue doesn't always get the attention that it deserves. The Medicaid provisions in the 2021 House Reconciliation bill ensures that people in U.S. territories can continue to get the healthcare they need by increasing Medicaid funding to the territories, which unlike states, receive capped federal funding for Medicaid that can and sometimes does run out. The bill passed by the House included a permanent increase to the block grants as well as the—as well as an increase in the federal government's share of Medicaid funding for the territories.

Now, I want to be clear. The bill did not provide full parity with State Medicaid programs because it would continue to provide annual allotments of federal funds rather than the kind of open-ended funding stream that states receive to meet their residents' healthcare. Ultimately, parity is what people in the territories need and deserve. But the amount of the House-passed allotments along with the realistic growth factor based on actual Medicaid costs and the increase in the federal government's share of their Medicaid costs, would provide the stable and adequate funding the territories need to bring them closer to what states provide by increasing eligibility benefits and provider payments. This is a key, core equity issue. And I thank you for the question.

Ms. PLASKETT. Thank you. You know, we are talking about children. We also, of course, have to then talk about working parents. One of my colleagues talked about not being able to go to restaurants. But we know from many working families the ability to have proper childcare is still not there. The pandemic has affected childcare. Has affected those children who are not vaccinated. Who families do not feel safe bringing them or do not have the support for them to go back to work. Not all of us has had the luxury of working from home. Many of us have had to go to work in some instances and had to find childcare.

Childcare providers were also hit very hard. Many closed or could not keep talented staff who were struggling through the pandemic as well. Again, Ms. Parrott, how has the childcare and development block grant helped working parents afford their childcare?

Ms. PARROTT. So, the childcare development block grant, which sometimes we wrongly shorthand as CCDBG, which is hard to say and remember, provides funding to states that allows them to provide subsidies to parents with low earnings to cover the cost of childcare. And it also does a lot to actually improve the quality of childcare for all children.

CCDBG provides critical but underfunded support to state childcare programs. And most families eligible, most families eligible for childcare assistance don't get it because of inadequate resources.

During the pandemic as you mention, many childcare providers closed or reduced their capacity. And when parents were ready to come back to work, many couldn't find childcare or they couldn't afford it. When families can't access quality affordable childcare, they are left with really quite terrible choices. Stop working or reduce hours, which is often impossible to do and make ends meet. Or use more informal, lower quality care. The American Rescue Plan provided $39 billion in additional childcare funding, including funding for CCDBG, as well as funding for stabilization grants.

This was incredibly important. It helped shore up the childcare providers. It helped people stay in business or expand capacity. It also expanded help to families. Raising eligibility thresholds, reducing co-pays, and also, increased compensation for childcare workers who I think along with those municipal workers that Mayor Williams talked about, are true heroes——

Ms. PLASKETT. Thank you.

Ms. PARROTT [continuing]. of this time period.

Ms. PLASKETT. I have run of time. But, you know, if my colleagues who I understand are so concerned with the life a child, let's make sure that we do that throughout the child's life, even after they are born. And I yield back.

Chairman YARMUTH. The gentlewoman's time has expired. I now recognize the gentleman from Florida, Mr. Donalds, for five minutes.

Mr. DONALDS. Thanks, Mr. Chairman. Witnesses, panelists, thanks for being here. I find it interesting that we are talking about the American Rescue Plan since it just didn't work, guys. I mean, come on, we got a—I am a finance guy by trade. I just got to Capitol Hill.

Couple things. I know the witnesses have said previously that the benefits of the American Rescue Plan have been the potential evictions of people not having enough money to pay rents, decrease in child poverty, and those are like the big two. Well, we will come back to that. Give me a second. We will get there.

But it is without question that the American Rescue Plan has led to inflation. Every economist basically has said this. I mean, look, if you want to talk about inflation, you have a lot of money going to people. Right, wrong, or indifferent, money went to people. They didn't have to earn it. Which means productivity in the economy is actually down. So, people have money, but productivity is down.

But when people take that money to go spend it, I mean, yes, Doctor, this is kind of how this works. When they take the money to go spend it in an economy where productivity is down because there is not enough supply of goods and services available, prices then go up in response. Because productivity is down but everybody has got money. That is how we get to inflation.

The job market. Let's talk about that one real briefly. Yes, coming out of the time when the American economy was shut down by government policy because of COVID–19, the job market suffered major hits. But it is virtually without question that in the red states that had opened up—I am the gentleman from Florida, I know—the job market actually responded quite well to businesses being able to open up and operate. It was in blue states that the job market did not respond as well. Well, we all knew up here on Capitol Hill that if you just, you know, opened up, the businesses would come back. Look no further than right here in D.C. Muriel Bowser's policies basically wrecked the restaurant market here in D.C. Most people could not go to work in D.C. There was no traffic coming into D.C. And the second she alleviated COVID–19 policies businesses started opening up again. People started going back to work, et cetera.

So, I don't think we needed about $2 trillion to recover jobs in the United States. I think what we really needed was just sound, you know, local government policy or state government policy to just open up economies. Because the states that did that that is what happened.

I want to speak to inflation, specifically. Because this is where we are now. The trip down memory lane was cool. One thing I will say about the states and local governments is that when the American Rescue plan came through, I know myself and several of the members were looking for an Excel spreadsheet about what states and localities actually needed and what they perceived were going to be the shortfalls in their budget. There was a funding formula that was created, but there was no spreadsheet about, OK, New York needs this. Mayor Williams, your city needs X. Los Angeles needs Y. Miami, Florida needs Z. There was no spreadsheet and no allocation. There was no back and forth that actually rose to a number. It was a funding formula. And they just picked a number out of the air and said we are going to spend X amount of money to state and local governments. So, when state and local governments have money to spend, I am not quite sure what they are going to spend on. Some figured it out. Some did it. You have a glut of money sitting out there in the economy that gets spent in reckless means.

And I am going to bring this back to the productivity point. People were not working to the degree that they need to work in an economy like ours. Which means product is not available for purchase to the degree of the amount of money that is out there to purchase. Which means prices go up. Mayor Williams, you said earlier that your constituents would still say that the American Rescue Plan is still a good thing in spite of the inflation that has been created in the United States. Do you think your constituents would actually chose paying $65 per fill up or the American Rescue Plan?

Mr. WILLIAMS. Thank you for that question. I am not going to play that game. You know, I mean——

Mr. DONALDS. Well, I am going to——

Mr. WILLIAMS [continuing]. this is——

Mr. DONALDS [continuing]. reclaim——

Mr. WILLIAMS. This is——

Mr. DONALDS [continuing]. reclaim my time right there.

Mr. WILLIAMS. Yes, reclaim your time.

Mr. DONALDS. They are having to—they are going to have to fill up. It is $65 bucks, man. Look, I got a sedan, it——

Mr. WILLIAMS. I know how much it is.

Mr. DONALDS. It was $57.

Mr. WILLIAMS. I, sir, I know how much it is. I just got a text from my daughter yesterday.

Mr. DONALDS. I know how much it is too.

Mr. WILLIAMS. She spent $65——

Mr. DONALDS. Which one would——

Mr. WILLIAMS. She spent $75——

Mr. DONALDS [continuing]. your daughter prefer?

Mr. WILLIAMS [continuing]. to fill her tank up. You know, but——

Mr. DONALDS. And what is better——

Mr. WILLIAMS. But, you know, the American Rescue Plan saved human lives. So, I am not going to equate the price of gas——

Mr. DONALDS. I am going to reclaim my time.

Mr. WILLIAMS [continuing]. over a human life.

Mr. DONALDS. Let's talk about human lives. Let's talk about this. The COVID–19 vaccinations were basically ready for distribution around January 2021. That is when they were ready for deployment. They were deployed out in a systematic fashion. If you look at the deployment rate per day of COVID–19 vaccines, there was no change in the rate per day between the Trump Administration and the Biden Administration. There was no change.

As a matter of fact, the Biden Administration was slow in vaccine deployment. They had to actually drop the FEMA sites that were doing because it was most inefficient way. They actually had to follow the Ron DeSantis model, which was actually giving it to pharmacies so they can deploy the vaccines in a much more efficient manner. Thanks, Mr. Chairman. This was fun. I yield back.

Chairman YARMUTH. The gentleman's time has expired. I now recognize the gentleman from New Jersey, Mr. Sires, for five minutes.

Mr. SIRES. Thank you, Mr. Chairman, for holding this hearing today. You know, I can agree with my colleague, Stacey Plaskett when people refer to Donald Trump as an economist and take his advice to run the economy, they should all return to New Jersey and how he ran the Trump casinos to the ground. And how he left people holding the bag because he refused to pay for the work. And his attitude was, well, take me to court. This is how he made his money, abusing from the little guy.

But, Dr. Coronado, I am here to talk a little bit about the recovery and from the pandemic that supposedly or did occur more swiftly than many forecasted. Is there an explanation why we missed the forecast, Dr. Coronado?

Dr. CORONADO. Yes, I mean, we had never provided as much support in as direct a fashion as we have. There is always some uncertainty around what we call the fiscal multiplier, how much bang for your buck did you get. And I think one of the things we are learning is that providing direct support to households gives you a big bang for your buck.

Mr. SIRES. Yes, I always get a kick because there is always looking backward and attacking some of the things that basically maybe not have gone as swiftly, as smoothly as could have gone. And it makes for a great political point. But can you also tell me the role of the Rescue Plan in spurring the recovery?

Dr. CORONADO. Yes,——

Mr. SIRES. If it wasn't for that, what would have happened?

Dr. CORONADO. Yes, absolutely. So, when you give people the money that they need to pay their rent, to buy their food, to pay for all the needs and even some things that are not necessities, that money is revenue to some business. And then that business then hires employees. And again, we had tremendous profitability and productivity over the past year and so, you know, from a macroeconomic standpoint, these—just the money going into the economy is going to create that kind of activity, profits, jobs, incomes.

It is a positive feedback loop. That is, in fact, the definition of a recession versus an expansion is taking the economy out of a negative feedback loop where job losses and uncertainty begets more job losses and uncertainty and putting it into a positive feedback loop. Where spending creates jobs, creates more spending, creates more jobs. And that is, in fact, what the American Rescue Plan, that is the dynamic it helped foster.

Mr. SIRES. Thank you. Mayor Williams, as a former mayor, I understand how impactful state and federal funding are to starting and maintaining a city's program and services. I can tell you that in my district many of the mayors were starting to panic during the pandemic because they didn't know if help was coming or not. They didn't realize they weren't getting the amount of money coming in as they thought they were getting. Can you talk a little bit about how your town prioritized the funding it received from the American Rescue Plan?

Mr. WILLIAMS. Thank you, Representative. Certainly, how we prioritized the use of the funding in our city was certainly first and foremost to our first responders, police and fire and public services or public works. Those folks who had to be in work. They could not work from home. So, certainly, that was important to us. But also, I spoke earlier about the rental assistance, mortgage assistance, utility assistance. But also, assisting families with food insecurities.

We had families because schools were shut down, there were families whose kids were going to school and we know this for a fact, that when kids are going to school, usually that meal that they get at school is the only meal that they have. So, we wanted to make sure that we took care of that. But not just have one meal a day, three meals a day throughout the week. And we did that and still are doing that to make sure that our families are secure as it relates to food and other necessities such as Wi-Fi, and all of those types of things that keeps a community's quality of life flowing.

But also, people deserve that. This is about, you know, our piece of the promise for all of American citizens. You know, so, we have got to make sure that we keep that focus first and foremost. Thank you.

Mr. SIRES. Thank you. You know, one of the things that I am most proud of in my community is how they handled this, especially the lunch programs for kids. If it wasn't for the lunch programs that we had, a lot of kids would have gone hungry. I see that my time is up. Thank you, Chairman.

Chairman YARMUTH. The gentleman's time has expired. I now recognize the gentleman from Wisconsin, Mr. Grothman, for five minutes.

Mr. GROTHMAN. Thank you. First of all, a general comment because some of these things just really irritate me. It bothers me that we have people before me today who find it so easy to print so much money. Because when you do that and create inflation, you are just destroying the people on fixed incomes on pensions, which eventually will really rip into people who have savings for their whole life. They rely on that savings. They think it is going to be there when they retire. All of a sudden the value of the dollar falls. And for you it is just like no big deal. It is my money. It is my pension. I can do with it whatever I want because I am part of the government. And you have hurt people so much through this inflation.

I think for the first time since I have been in politics there is genuine fear back home as you have driven not just the cost of gas, but the cost of housing through the roof. I think the amount of inflation, the official numbers are way understated. And you really may have taken big steps toward destroying the American Dream.

I think as far as talking about people who couldn't work during the pandemic, when I go home at night, I go by three cheese plants. Big cheese plants. And I saw those people because they were considered required working or necessary working. They were—those plants were the parking lots were filled even if I went home at midnight. There were people working three shifts around the clock and they didn't have a problem doing it. And to this day, I believe a lot of the government people who ordered people at home, ordered people at home unnecessarily. Because all those working people who provide our food, they were out there working all the time. And people shouldn't have ordered all these other people to stay at home.

Now, I will comment a little. Around the time that this debacle, and I will mention, I should say debacles, because not only this bill that we are looking at today, but that infrastructure bill was another complete debacle, another over a trillion dollars just put into the economy like it wasn't going to hurt anything. But we will give Mr. Moore a question here. One of the things I noticed over time and it is maybe one of the reasons why I am afraid we are going to have a poor America is the over time lowering labor rate participation of men. I don't care if we take men across the board, men aged 25 to 55. There has over a period of years, been a dramatic decrease in the labor participation rate there. I am not sure how much is kind of this anti-man thing that is out there. I don't know much is across the board unemployment benefits. But could you comment on the reduction in the percentage of men working both over the last 10 years and over the last 30 years?

Mr. MOORE. Look, economics really isn't very complicated, Mr. Grothman. If you pay people not to work they won't work. And if you increase the rewards to working, you will get more work. It is not complicated. This is just a law of economics. And that is why I mentioned earlier in my testimony. I will go back to that. We should have cut the payroll tax. We shouldn't have expanded all these programs. I mean, this idea that all we have to do is give people money. I mean, one of the previous witnesses saying, oh, we gave people money for healthcare. We gave money for their food. We gave money for people money for the rent. We gave, I mean, wouldn't it be a wonderful world if we could solve all our economic problems by just giving people money?

Mr. GROTHMAN. I think it——

Mr. MOORE. I mean, it would be a wonderful thing.

Mr. GROTHMAN. Yes.

Mr. MOORE. I wish that worked.

Mr. GROTHMAN. I think you are hitting on something that should be obvious. Larry Summers,——

Mr. MOORE. Yes.

Mr. GROTHMAN [continuing]. one of Obama's top advisors said at the time, I think this is a least responsible economic policy in 40 years. I think more recently Steve Rattner, a Democrat, the $1.9 trillion American Rescue Plan passed in the early days of the Biden Administration will go down in history as——

Mr. MOORE. Mm-hmm.

Mr. GROTHMAN [continuing]. as an extraordinary policy mistake. And I think that is what happens when we have people who think that the reason America is a great, vibrant economy and the envy of the rest of the world probably almost since we were founded, is because we believe in freedom, OK? And we believe in people making their own wealth and finding a job and earning their own money. And there are other people who think wealth comes from the government either printing money or taxing money or going deeper into debt.

And obviously, those people right now are running the show. Everything any lobbyist could think of or any cool idea that one of the squad could think of wound up in these bills and now here we sit. I think the only way, I will ask you, the only reasonable way to get rid of the inflation look how we got rid of inflation in the

1980's, it wasn't good, although we eventually did get rid of it. And it is something we have got to get rid of to get America back on the straight and narrow. And I don't know whether we have elected officials anymore who have the integrity to say no to the people back home or whether they think they run for reelection putting on their campaign literature look at all the money I took from the public and spread out for everybody under the sun.

Like I said, I think of all those hardworking people in my district who were working third shift through this thing without complaining a bit. And nevertheless, we had politicians ordering people to stay at home. And after they ordered them to stay at home, they pretended like it was something beyond their control. It is just unbelievable.

Mr. MOORE. Well, Mr. Grothman, at the peak of the—when we were paying people $600 a week unemployment benefits, plus rental assistance, plus expanded food stamps, plus Medicaid, plus the $300 child per credit, Casey Mulligan of the University of Chicago and I did a study that found that you could—you had families in many states with two parents and two kids that could make $80 to $100,000 in government benefits and not work a single hour. And the reason I mention that, you know who that is unfair to? The people that you are talking about. The people working double shifts and sometimes triple shifts, working 50 hours a week, and they are making less money than people on—look, I am for a safety net.

Mr. GROTHMAN. Nobody gives a damn about the working man nowadays.

Mr. MOORE. Yes.

Mr. GROTHMAN. Nobody cares about the working man.

Chairman YARMUTH. The gentleman's time has expired.

Mr. GROTHMAN. Oh, by the way. Just other comment, part of that free spending happened a little bit under our buddy Trump too, you got to admit.

Mr. MOORE. It did, yes. The CARES Act.

Mr. GROTHMAN. OK.

Chairman YARMUTH. The gentleman's time has expired. I now recognize the gentlewoman from Washington, Ms. Jayapal, for five minutes.

Ms. JAYAPAL. Well, thank you, Mr. Chairman. That was very instructive that last five minutes. Let me just take on several points. The other side puts money out too. Let's be really clear. That is the $2 trillion tax cut that Donald Trump passed with Republican votes. And that is a tax cut that went to the top 10 percent of the country. And that is if you are generous it went to the top 10 percent. So, don't tell me that we don't—that you don't like to give out free money because you are giving it out all the time.

Let's look at, if you want to look at a debacle. How about the debacle of what is happening right now with oil and gas companies profiteering and the profits of these corporations going up massively even as working people across this country cannot afford their gas at the pump. This is profiteering and it is not just by those oil companies. Look at the food companies. Look at the agriculture companies. You are seeing people profiteering right now and those are the people that our colleagues on the other side of the aisle want to help.

The difference here is that Democrats want to help regular, working people, folks who are struggling across the country just to make ends meet. That is what Democrats are about. And that is why when you look at the American Rescue Plan, it was an unmitigated success and it was an unmitigated success for the right group of people. For the 90 percent of Americans who desperately need the help. Not for the top 10 percent that the Republicans are always trying to deliver freebees for.

No, the reality is our economy was devastated by the pandemic. Unemployment was at its lowest levels in over half a century. But President Biden and Democrats acted boldly to deliver a relief package that met the scale of the crisis. And thanks to the American Rescue Plan, the U.S. economy has rebounded faster than anyone predicted. It helped people stay in their homes. We have cut hunger by 25 percent. We have cut child poverty in half. We have helped wages to rise. Unemployment is down to 3.6 percent, a level that the Congressional Budget Office did not predict we would reach for the entire decade. A level, by the way, that is the lowest level of unemployment in over half a century.

So, you want to talk about a debacle, talk about the economy under Donald Trump that rewarded only the richest people and the Republican tax cut of several years ago. You want to talk about success for working people, talk about the American Rescue Plan.

Now, let me get back to my questions. After just 2½ years, we have returned the U.S. labor market back to its pre-pandemic strength. And our recovery has been much more equitable in stark contrast to the response to the Great Recession. Dr. Coronado, can you elaborate on why it was so important to go big and provide meaningful relief quickly and how this response contrasts to the Great Recession?

Dr. CORONADO. Yes. So, there is a lot of research that shows when people are unemployed for an extended period of time or out of the labor force for an extended period of time, it leaves a permanent imprint on their earnings capacity. So, their wages. The wages that they return to the labor force at are lower and the growth is slower. And they are more prone to spells of unemployment down the road. There is lots of evidence of this.

Which is why speed is important. It is important not just to restore the economy but to bring people back in. There has been a lot of talk of people being on the sidelines. That has been turning around with great force. People were on the sidelines for a lot of reasons because of childcare problems, because of health concerns, even after the lockdowns were lifted. So, it was a complex and difficult situation for many families. That is now beginning to heal. And we are seeing the labor force participation of prime age people. We are on track to exceed the pre-pandemic levels in the next six months. So, there is no problem with people's willingness to work. They want to.

And now, as you noted, the structure of the benefits is going to disproportionately to lower wage workers who have had decades and decades of underperformance. We have seen widening income inequality since the 1980's. And for the first time since then, we are seeing actually wage gains much stronger, twice the pace, for the lowest quintile of workers as it is for the top quintile of workers.

Ms. JAYAPAL. Let's talk about——

Dr. CORONADO. And just——

Ms. JAYAPAL [continuing]. that.

Dr. CORONADO. I just want to clarify one other point of red versus blue states since I live in a red state. The cities are blue and we definitely took advantage of all the American Rescue Plan programs. Our mayor heartily engaged in providing assistance to renters to keep them and we are a service sector city. We got hit. I am in Austin. We got hit really hard and we bounced back really fast in large part because a lot of these programs kept people going.

Ms. JAYAPAL. Well, I am going to ask you a quick question because my last colleague went over time. So, I know——

Chairman YARMUTH. Your time is up.

Ms. JAYAPAL [continuing]. my time's expired. But really quickly, Mr. Chairman.

Chairman YARMUTH. Be quick.

Ms. JAYAPAL. The last part of the U.S. response was necessary because of holes in our existing supports. What could we do differently so that the help that people need during a crisis are in place automatically, Dr. Coronado?

Dr. CORONADO. Yes. So, again, I think one of the things that these programs did expose were some of the creakiness of the infrastructure in terms of getting money to people. I think we actually did incredibly well. But the IRS is stretched to breaking point in terms of its ability. We could do—the unemployment insurance systems at the state level experienced a lot of technical difficulties in administering these programs.

So, I think that there is a lot that can be done in terms of modernizing the digital infrastructure both at the IRS and at the unemployment insurance system to bring it up to date and make sure that we can get money to people quickly. Identify who is eligible, get the money quickly. That would certainly facilitate the efficiency of these programs.

Ms. JAYAPAL. Thank you.

Chairman YARMUTH. The gentlewoman's time has expired.

Ms. JAYAPAL. Mr. Chairman, I yield back.

Chairman YARMUTH. I now recognize the gentleman from Georgia, Mr. Carter, for five minutes.

Mr. CARTER. Thank you, Mr. Chairman. And thank all of you for being here today. I appreciate your attendance here. Particularly you, Mayor Williams, a fellow Georgian. Thank you. And just full disclosure, I was a mayor in another life as well. So, I appreciate your service and appreciate you being here from the great County of Fulton and the great city of Union City. I am very familiar with it.

Mr. Mayor, I wanted to ask you. You have had great praise for the American Rescue fund and for the funds that it brought to our state. And I say our state because it is your state, my state, the state of Georgia. But I haven't heard you say a whole lot about the fact that the state of Georgia under our Governor Brian Kemp that we were one of the first to reopen. And that we were one of the ones who really never closed down completely. And I just want to ask you, with all due respect, how do you differentiate between the impact of the state reopening, allowing people to get back to work and to school and the impact of the American Rescue Plan? I mean, how do you differentiate between those two?

Mr. WILLIAMS. Well, thank you. And, certainly, no, I had not spoken about Georgia and certainly our great Governor Brian Kemp. And Georgia is a blue state now for those who don't know that.

Mr. CARTER. I beg your pardon?

Mr. WILLIAMS. Well, the——

Mr. CARTER. I am talking Georgia in the southeast.

Mr. WILLIAMS. Yes, yes. But anyway, you know, yes, we are talking about Georgia in its entirety. But I did want to certainly say that Georgia was one of the first states to stay open. But it was a challenge for most of the communities in Georgia who had struggles with people who were not essential workers. People who didn't have public transit access. There were a number of factors as to why a lot of the folks that were employed and needed to get to work, couldn't get to work. But also, a lot of the jobs were shut down because of the pandemic. Certainly, the state was still open, but a lot of people couldn't work.

So, you know, there were a lot of variables in that, Congressman. But we have to be focused on how do we get people to work in an open environment? Many of us were afraid because we didn't have the necessary healthcare, the necessary testing that needed to be done to get people to work. But also, our schools were shut down. That was a big fight, as you know, in Georgia about schools being open, being closed. So, that was a big challenge.

Mr. CARTER. Well, Mr. Mayor, again, and I don't mean to be confrontational here. But I am afraid that we are—we certainly disagree with red and blue. But nevertheless, I am afraid we disagree with which one really, I mean, which one had the most impact and the most benefit here? I mean, opening early didn't cause the inflation that we are experiencing right now. It didn't cause the high need for employees that we are experiencing right now.

I know in your city alone, I believe I have got the figures here that according to Indeed.com, a job search engine, there are 6,730 open restaurant jobs within 25 miles of Union City, Georgia. And, you know, all this money that was pumped into the economy and particularly by the American Rescue Plan, which in my opinion, was not necessary.

Now, there were programs that were necessary. Programs that I voted for. The CARES Act, PPP programs, EIDL, all of those were important. And they helped these people out as you indicate. But the American Rescue Plan has resulted in the high inflation and the need for employees that we have right now. We have simply got too many dollars chasing after too fewer products right now. But opening up the economy that is what helped us in the state of Georgia recover from this.

Mr. WILLIAMS. All due respect, you mentioned the CARES Act. The CARES Act did not help cities like my city. There were only 36, 37 big cities that received CARES Act funds, you know. The CARES Act funding went to the county, Fulton County.

Mr. CARTER. OK. Well,——

Mr. WILLIAMS. Now, certainly that was a challenge we had in having discussions with the county.

Mr. CARTER. But Fulton County had the ability to have it designated to you as well in the city.

Mr. WILLIAMS. Well, let me tell you that was a huge——

Mr. CARTER. I understand.

Mr. WILLIAMS. OK. Well, then——

Mr. CARTER. I am familiar with Fulton County

Mr. WILLIAMS [continuing]. OK.

Mr. CARTER. Enough said. But when we talk about the American Rescue Plan, all I have heard you say is that you were able to finish a greenway trail. I mean, what that is——

Mr. WILLIAMS. Not finish. Not finish.

Mr. CARTER. Not finish.

Mr. WILLIAMS. No, I didn't say finish.

Mr. CARTER. It is still not finished?

Mr. WILLIAMS. Yes, I didn't say finish a greenway trail. It has allowed us to be able to move forward with the creation and implementation of a greenway trail. It is helping us to be able to create recreational outlets for our community. We are not finished with it.

Mr. CARTER. Well, certainly that is important. I get it.

Mr. WILLIAMS. Yes.

Mr. CARTER. I was a mayor too.

Mr. WILLIAMS. Yes.

Mr. CARTER. And I understand that recreational trails are important to the life of the community. But I would submit that it is not important enough to where the federal government needs to be sending dollars down there that is going to result in inflation. And what we see now in the need of employees and businesses struggling like they are struggling in my district in the First congressional District along the coast of Georgia.

Chairman YARMUTH. The gentleman's time has expired.

Mr. CARTER. Mr. Chairman, thank you, and I yield back.

Chairman YARMUTH. I now recognize the gentleman from Virginia, Mr. Cline, for five minutes.

Mr. CLINE. Well, thank you, Mr. Chairman. I want to thank you for holding this hearing on the so-called American Rescue Plan. It is something we have been asking to do for quite a while. The hearing has provided us with the opportunity to highlight some of the most disastrous impacts of the plan on the American economy and on American families, as well as the devastating inflation that has resulted. In fact, over the last 15 months, the economic outlook has also deteriorated in many aspects of society. The federal deficit in 2021 was $2.78 trillion, the second highest deficit in American history. And $517 billion more than CBO projected. So far this year, the Federal Reserve has already increased interest rates twice by 1/4 of a point in March and 1/2 point in May. I expect it to increase rates again later this week.

Prior to ARPA, CBO projected no rate increases until 2024. The S&P 500 is down 16 percent from its peak. Productivity fell at 7.3 percent annual pace last quarter. The largest decrease in 75 years. Labor force participation remains below what it was prior to the COVID–19 pandemic. Gas prices are above $5 a gallon, up 109 percent since Biden became President. Real wages have declined by 4.2 percent since Biden became President. And the federal debt has increased by almost $3 trillion and is on track to increase by another $16 trillion under the President's budget proposal, reaching the highest level in American history as a percentage of the economy.

And what is even more egregious is much of the funding from this American Rescue Plan was lost due to fraud, unemployment insurance fraud. The government has confirmed at least $163 billion, which with third-party estimates as high as $400 billion. All of this because architects of the American Rescue Plan, congressional Democrats and the Administration refused to include guardrails such as identity verification, which would protect the funding.

It is clear that much of the taxpayer funded spending from the Rescue Plan was spent on policies that actually reduced labor force participation and spent on things completely unrelated to combatting COVID–19.

I want to ask Mr. Moore, as I said, interest rates are rising. You say GDP will grow at less than a point in the second quarter. In your opinion, what does the next six months look like for the American consumer?

Mr. MOORE. Look, I think this is a really dangerous time for the U.S. economy. We are at, you know, I am kind of in agreement with one of the—Jamie Dimon who said last week that it just feels like we are on the beach and tsunami is coming. And hey, look, I hope I am wrong. The last thing—I have lived through six recessions during my lifetime, deep recessions. And they were extraordinarily painful and they caused incredible pain and suffering. So, I pray. I pray. I pray that we can skate around this. But, Mr. Cline, what has bothered me, frankly, about this hearing is the "it is not our fault" is not an economic strategy, right. To just say it is not our fault.

You know, I have been in economics for 35 years. I never even heard the term supply chain problems until Joe Biden came into office. Where did this idea of supply chain problems come? We had under Reagan, we had, when we had the massive recovery, we had an 18-month period where the economy grew by 12 percent. There were no supply chain problems. Inflation rate fell. It didn't grow. Economic growth is associated with lower inflation. When you produce more goods and services, the inflation rate goes down. It doesn't go up. If the economy produces more apples, what happens to the price of apples?

So, I think what worries me right now, sir, is what is the solution? When Joe Biden says we should pass the Build Back Better bill and add another $2 or $3 trillion to the debt, it scares the hell out of me. You know, if that is the solution, more and more spending, more price controls. We had price controls in the 1970's, Mr. Cline, and it was a disaster. That is what led to gas lines and kind of the collapse of the economy.

So, very worried about things. I think what we ought to do is call for an immediate 10 or 15 percent across the board cut in every government program. They have had 30 percent increases. Let's get government spending down quickly to help solve this inflation problem. Make the tax cuts permanent. And let's suspend all this, you know, green energy stuff for a while. And produce what produces 70 percent of our energy, which is oil, gas, coal, nuclear power.

Mr. CLINE. Thank you. I want to note that our colleague, Ms. Jayapal, who is not on right now, was talking about the pre-pandemic economy, and how it was going. And it was going quite well due to the tax cuts that were passed by the Trump Administration by the Republican Congress prior to the pandemic. So, I would hope that we would adopt some of the policies that you are recommending and we can save this economy from sliding into a recession. I yield back.

Chairman YARMUTH. The gentleman yields back. I now yield five minutes to the gentleman from Iowa, Mr. Feenstra.

Mr. FEENSTRA. Thank you. Thank you, Chairman Yarmuth. And thank you, Ranking Member Smith. It is a pleasure to talk about this topic today. I appreciate the testimoneys of each one of you concerning the American Rescue Plan and whether or not it was successful and talk about the implications of it.

My past, I taught business and economics at a university. And I quickly pulled out my public finance book, right? Because I wanted to clarify economics and, Mr. Moore, you noted that economics is really not complicated. It is not complicated. It is really about consumer satisfaction and how you get there. And the book, you know, the first five sentences of the book it talks about injecting cash into a system inherently creates inflation. It automatically does, right?

So, that is what happened. That is factual, right? We do have inflation, runaway inflation, which is factual. Whether Mrs. Yellen says that, Mr. Powell says that. I mean, this is fact. So, now when you look at the economics piece of it, it also deals with utility. So, as economists when we look at utility, that means consumer satisfaction.

So, what happened with the American Rescue Plan, we injected all this money. Did we create consumer satisfaction? Well, let's think about that. When gas is up 48 percent, eggs are up 33 percent, utilities up 30 percent, milk up 16, meat up 12, oh, and by the way, we are sitting here less than 24 hours after the S&P 500 closed in a bear market dropping 20 percent in the last six months, threatening retirements of millions of seniors who have left the labor market. Do you think they are satisfied? No.

I mean, this is why there is so much anger in America right now. People are furious because they have to make a decision. They have to make this decision. Rational person, a rational person sitting around the table with their family has to make this decision, do I work more? Economics. Do I have to get more money? Or do I have cut going to the grocery store? Do I got to cut the pop? Or do I have to cut the meal for my kids?

This is real. This is what Americans are facing. So, you can talk about the American Rescue Plan how glorious it. And yet, you have mom and dad sitting at the kitchen table trying to understand that they have to cut. Or does somebody have to get a second or third job? And the same thing with businesses. The businesses have seen dramatic inputs going up going all right, now what do we do? And this is scary stuff.

You know, the chief economists of the World Trade Organization estimates that between 2/3 or 3/4 of the supply shortages are a result of excess demand, money put in the system, resulting from government spending. So, we look at all this stuff, and this is, again, chief economists of the World Trade Organization saying this. This isn't Randy Feenstra. This is an expert.

It is caused by all this money that is going into the system. More importantly, and it was just noted by Representative Cline, that it would be something if we were all collaboratively sitting in this room today figuring out a plan to mitigate inflation. But, no, no, no, no, we are doing that. What we are doing is we are trying to revive Build Back Better. We are asking the President to forgive student loans. And we are also asking for more COVID dollars. Don't we understand the train wreck that is already happening? And it was just noted that is their storm clouds on the horizon? No. it is a matter of a hurricane and we are not sure if it is going to be a hurricane of a strength of 2, 3, 4, or 5. And it is scary because I think it could be a 5. This is how catastrophic this is going to be.

Because you know how you—how you resolve the problems, and the Feds get it. They are going up a .75 percent or a .75 basis points this week, maybe even more. Because they understand the only way you fight inflation is increasing your interest rates. And when you increase your interest rates, right? Think about what happens. That slows down the economy. You create a recession and all of a sudden a year from now we are going to talk about extended high unemployment because work forces are going—businesses are going to have to lay off people because less people are buying product. Again, it is not necessarily me. It is economics. It is written about over and over and over again.

I am scared. The country is scared. And yet, we are talking about spending more. Thank you. I yield back.

Chairman YARMUTH. The gentleman's time has expired. I now yield five minutes to the gentleman from Ohio, Mr. Carey. And give him time to sit down.

Mr. CAREY. Thank you, Mr. Chairman, Ranker. So, in June 2021, the EPA announced that $50 million from the American Rescue Plan would go to fund environmental justice initiatives. This money from a law that was supposedly meant for COVID relief, went to environmental climate-related programs across the country. For example, some of the money went to the city of Milwaukee for "outreach and education through a healthy people homes and neighborhood campaign." Last month, you guys, the Center of Budget and Policy Priorities, put out a report that called for flexible recovery funds because it offers states a tool to advance environmental justice. Congressional Democrats and the Biden Administration's federal guidance for state and local dollars use was purposely vague so they could be used to advance their green new deal.

In addition, $30 billion, with a B, was allotted through the American Rescue Plan for mass transit system improvements to reduce emissions. Not sure how that falls in line with COVID. So, it is obviously that the American Rescue Plan looked to fund the Administration's new green deal, doling out billions of dollars, taxpayer dollars, with little guidance on how those dollars should be used. So, my question to you, Mr. Moore, how do you think this money allotted for climate change has contributed to the runaway inflation that we are now seeing?

Mr. MOORE. Well, you know, there is no question that climate change funding was a huge part, especially of the $1.1 trillion, well, I call it the green new deal bill, but they call it infrastructure bill. Look, when you raise energy prices, which is what we have been doing as we try—I mean, look, Biden's been very clear on this. He wants to go to zero on oil and gas development in the United States by 2030. So, the high—when you think about it, I mean, the high oil and gas prices is something the Biden Administration wants. They don't want people to use oil and gas. So, a good way to do that is to raise the price of it.

But my point is, when energy prices go up, the gas price—I will tell you, I have a friend who, you know, for example, just give you one story. My friend owns restaurants. The kind of middle income like Denny's and Red Lobsters and so on. And he said, Steve, I can tell you what my sales the next week in my store will be based on what the gas price is today. In other words, when—I think a lot of people don't realize that Americans, 70 percent of Americans are living paycheck to paycheck. And if the gas price goes up, I am just using this one example, he said, you know, they won't have the money to go to Red Lobster. They have to take the family to McDonalds or something like this.

So, this is why all this talk about inequality, inflation is the ultimate regressive tax that hurts the people at the bottom. That is why it is so inexcusable that we are allowing this to continue to go on and pretending that somehow we are helping the lowest income people. When, in fact, we are doing great damage to their living standards. And incidentally, I will make this prediction, and Mr. Chairman, if I am wrong, I will eat my words. But in six months, we are going to see a huge increase in the poverty rate in this country, huge. Because people's incomes can't keep pace with a 9 percent inflation rate. They just can't.

Mr. CAREY. Thank you, Mr. Moore. I will tell you, I think we all know the term energy poverty. And I think what we are going to see as you mentioned——

Mr. MOORE. Absolutely.

Mr. CAREY [continuing]. in the next six months we could see that. Again, I think, what were some of the things, and we only have a minute unfortunately, but you know, we are going to see probably gas go up to $6 a gallon.

Mr. MOORE. I hope not.

Mr. CAREY. The cost of obviously, domestic oil and gas recovery it is going up as everything else is. What do you think the Rescue Plan should have been focused on with domestic energy?

Mr. MOORE. Drill, drill, drill, drill. Use everything we got, all of the above American strategy. I mean, I talked to Trump many times about this. It was basically, I used to say we can be energy independent with the right strategy. He said I want America to be energy dominant. We should be. We have more oil and gas and coal than any other country in the world. We have 300 years' worth of natural gas. We have 250 years' worth of oil. We have 600 years' worth of coal. We have the cleanest energy in the world. It makes no sense that we have shut down so much of our energy supply. I find it tragic.

Mr. CAREY. Thank you, Mr. Moore. Mr. Chairman, I yield back.

Chairman YARMUTH. The gentleman yields back. I now yield myself 10 minutes. And thank you all for your patience. I am the last questioner so we will get out of here.

Ms. Boebert mentioned this is Donald Trump's birthday and wished him happy birthday. I want to acknowledge that today is National Bourbon Day and coming from Kentucky, I think that is an important thing to get on the record. And I will be celebrating appropriately later in the day.

Mr. Williams, Mayor Williams, thanks for being here. And you are more than the Mayor of Union City. You are representing the League of Cities across the country. How many of the mayors that you are familiar with think the American Rescue Plan was a bad deal?

Mr. WILLIAMS. I know no mayors that think the American Rescue Plan was a bad deal.

Chairman YARMUTH. And that is Republicans, Democrats,——

Mr. WILLIAMS. It is Republicans——

Chairman YARMUTH [continuing]. and nonparties.

Mr. WILLIAMS [continuing]. and Democrats. We are a nonpartisan organization. So, I have no mayors that have reached out and said I think this is a bad deal because we worked in consort with a lot of your committee members and certainly with the Biden Administration to craft this legislation to make sure that cities did get direct funding.

Chairman YARMUTH. And one of the complaints about the CARES Act was that there was not enough flexibility offered, that the guidelines were too strict. And therefore, when we were crafting——

Mr. WILLIAMS. Exactly.

Chairman YARMUTH [continuing]. this legislation, that is what we wanted to do was to give the cities and states and counties more flexibility in the use. And, obviously, that doesn't guarantee that everybody will use them for the best possible purpose. But the Ranking Member mentioned a list of things. The ones he mentioned, and I know he said there were more that he didn't mention, didn't amount to $2 billion, which means that is less than .1 percent of the total investments made under the American Rescue Plan.

So, there were a lot of things that were done really well. In my state, and I have a letter which I ask unanimous consent to enter into the record. Without objection.

[Letter submitted for the record follows:]

COMMONWEALTH OF KENTUCKY
OFFICE OF THE GOVERNOR

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GOVERNOR

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June 14, 2022

HEARING BEFORE THE COMMITTEE ON THE BUDGET
UNITED STATES HOUSE OF REPRESENTATIVES

"How the American Rescue Plan
Saved Lives and the U.S. Economy"

Dear Chairman Yarmuth, Ranking Member Smith, and Members of the Committee:

Thank you for the opportunity to highlight in writing the impact of the American Rescue Plan Act (ARPA) in Kentucky.

Today in Kentucky, we are at an important point in our history. Better schools, cleaner water, reliable high-speed internet, and stronger communities are now more within our reach than ever before.

The last two years have been challenging. We've faced a once-in-a-100-year pandemic, historic flooding, ice storms, and deadly tornadoes, all in just a few years. But we have never taken our eye off the ball and worked every day to build a brighter future for our kids.

Even with those challenges, we've shattered every economic development record in the books. Last year, we attracted a record $11.2 billion in private-sector investments. We created more than 18,000 quality jobs for Kentucky families, another record.

My *Better Kentucky Plan* is deploying state and federal dollars, including ARPA funding, to boost our local economies by building new schools, delivering clean drinking water and expanding access to high-speed broadband internet. Our mission is to help the Commonwealth lead in the post-COVID economy.

Defeating COVID-19

My administration's response to COVID-19 is and always will be based on saving lives: not what is easy, not what is popular, but what is necessary, and what is right. We can and should take pride in the fact that Kentucky's vaccination rate has consistently been in the top three in our region and now more than 77% of all Kentuckians 18 and older have received at least their first shot of hope.

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PAGE TWO

ARPA provided the resources we needed to rollout statewide, comprehensive testing, tracing, and vaccination campaigns. Along the way, Kentucky became one of the very first states to prioritize vaccinations for our educators. It's how Kentucky was one of the first states to return to in-person instruction in every single school district. The rest of the nation later adopted our approach.

Cleaner Water

In Kentucky, we believe access to clean water is a basic human right. That is why we are investing $500 million in ARPA funding for water and sewer-related projects statewide. These projects will improve the quality of life for Kentuckians while boosting the Commonwealth's infrastructure and local economies. It is estimated that delivering clean drinking water to Kentuckians will create at least 7,600 jobs.

Better Internet

The COVID-19 pandemic underscored the need for all Kentucky citizens to have access to high-speed, reliable internet access to stay informed and connected to school, work, family, church, health care, and other critical services. We are using federal and matching dollars to invest $600 million to address the connectivity needs of unserved communities across the Commonwealth. It is estimated that supporting broadband expansion in Kentucky will create more than 10,000 direct and indirect jobs.

Better Schools

In Kentucky, we want to provide our people with the best possible educational and training opportunities. That is why we are investing more than $200 million, including some ARPA funding, for the construction of schools and educational facility upgrades. These projects could generate as many as 1,000 jobs.

Conclusion

The continued investments we are making with ARPA funding in Kentucky will provide a brighter future and more opportunities for Kentuckians for generations to come. None of this would have been possible without the leadership of the Chairman, Kentucky's-own Congressman John Yarmuth.

We extend our deepest gratitude to Chairman Yarmuth and congratulate him on 16 years of distinguished service to his community and the constituents of the Third Congressional District of Kentucky. It is altogether fitting for his legacy that one of our nation's most historic and transformative pieces of legislation, the American Rescue Plan Act, will bear John's name, as the lead sponsor, in perpetuity.

Thank you to Congress and this Committee for passing ARPA. I say it every chance I get, but our time is here, and our future is now. The investments we are making in Kentucky with ARPA dollars will enable us to look back decades from now and see that it was this moment, right here, that made all the difference.

Sincerely,

Andy Beshear
Governor

This is from the Governor of the Commonwealth of Kentucky talking about all the ways in which they have used, not all of them but some of the prominent ways and you mentioned of them, water systems, broadband. We made a considerable investment in schools, both remediation of schools so they are safer, but also, construction of schools. And the point I raise there is not all of the benefits of the American Rescue Plan have been realized. There are many that will be realized as time goes on because of these important investments.

Mr. WILLIAMS. You are exactly right. And it was, you know, mentioned during my conversation with Member Carter, the greenway trail, for example. Those things take time. You know, certainly this is something that we are engaged in now and developing that resource through our community. But, you know, one of the great things that I do see have happened with this ARPA plan is that I am noticing and have noticed, not just in Georgia, in my city, but around the country that elected officials at all levels have begun to somewhat work together in consort when it comes to the needs of people.

It just concerns me that we still have a lot of this back and forth with a lot of our federal members who chose not to support it. And that is fine. That is your right. But when you think about the needs of the people of this nation, it is imperative that every person that has been sent to Washington to serve their communities, their districts, that they do the right thing when it comes to saving lives.

Chairman YARMUTH. I totally agree. You know, we know that funding helps states and localities. We have survived the pandemic and make investments that are evidence based and community supported. I ask unanimous consent to enter a letter from Results for America into the record, which makes that case. Without objection.

[Letter submitted for the record follows:]

Statement of Michele Jolin, Chief Executive Officer, and David Medina, Chief Operating Officer, Results for America before the

U.S. House Committee on the Budget

How the American Rescue Plan Saved Lives and the U.S. Economy

June 14, 2022

Thank you Chairman Yarmuth and Ranking Member Smith for the opportunity to provide a written statement for today's full committee hearing, "How the American Rescue Plan Saved Lives and the U.S. Economy." This hearing comes at a critical time as state and local governments are making the second traunch of ARP investment decisions. The $350 billion in the ARP's State and Local Fiscal Recovery Fund (SLFRF) provides a powerful tool for governments to move beyond the traditional service-delivery model of governing and focus instead on the outcomes leaders want to see in their communities. It represents the biggest federal investment in state and local government capacity to build and use data and evidence to achieve long-sought progress.

The U.S Treasury guidance for the ARP SLFRF encourages state, local, and tribal governments to invest in solutions with evidence of effectiveness. And it backs that up by requiring officials to track certain cradle-to-career outcomes that will advance economic mobility, such as evidence-based tutoring, job training, and home visiting programs. By supporting state and local capacity to make data-driven decisions and prioritize funding for initiatives that have proven, long-term results, state and local government leaders can advance economic mobility in their communities, giving a renewed hope for those who have been historically left behind.

The five key evidence-based policy strategies in the U.S. Treasury ARP SLFRF Final Rule[1] and Compliance and Reporting Guidance[2], encourage state, local, and tribal governments to take advantage of the one-time infusion of dollars to make better decisions and maximize impact.

[1] U.S. Department of the Treasury [31 CFR Part 35, RIN 1505-AC77], Coronavirus State and Local Fiscal Recovery Funds. https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds

[2] U.S. Department of the Treasury Coronavirus State and Local Fiscal Recovery Funds Guidance on Recipient Compliance and Reporting Responsibilities, March 11, 2021. https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds

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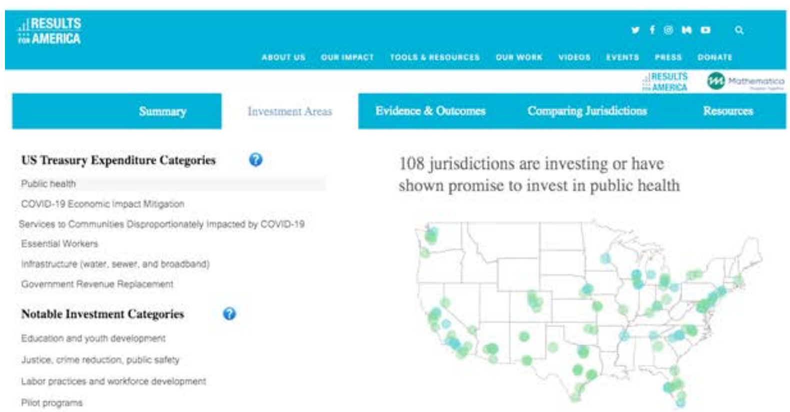
We were pleased to see that the guidance on how state and local governments should spend and report on the funding reflect some of the key recommendations made by Results for America.

The Recovery Plan Performance Reports submitted by state, local, and tribal governments to the U.S. Treasury Department over the summer of 2021 showed signs of progress toward an "invest in what works" approach. The new ARP Data and Evidence Dashboard— created by Results for America and Mathematica that reviewed the spending plans of over 200 cities, counties, states, and tribal nations —found that 21 percent of jurisdictions demonstrate clear commitments to evidence-based interventions, and another 29 percent demonstrate promising commitments to evidence-based interventions. As noted, these numbers reflect early reporting; we expect these numbers to improve during the next reporting period as communities have more time and experience with the funding.

A map of the spending plans is featured in Results for America's ARP Data and Evidence Dashboard.



The dashboard spotlights how local leaders are seizing this historic opportunity to invest ARP funds in a way that could leave a lasting impact. Policymakers are learning from each other, piloting innovative new approaches, and tracking the outcomes of these investments for their residents. The White House and the U.S. Treasury Department should be encouraged to double down on their efforts to guide state and local government leaders to invest in evidence-based solutions and measure the results.

To ensure the recovery is accompanied by advances in economic mobility and racial equity, Results for America has been strongly encouraging and helping state and local government officials leverage the following five key data, evidence, and outcomes provisions of the ARP program:

1. **Build Data Capacity and Use Evidence-Based Interventions:** The Treasury guidance makes clear that local, state, and tribal governments can invest their ARP funds to build and strengthen their evidence and data capacity. It allows authorized recipients to strengthen their capacity to use data and evidence to make data-driven investment decisions and improve outcomes. This includes hiring staff and purchasing tools to deliver better results. Allowable activities include:
   - Support of strategic evidence-building and selection of evidence-based interventions;
   - Program, impact, rapid-cycle evaluations, and cost-benefit analyses;
   - Identification of evidence models that would work for the community through tools, such as the Economic Mobility Catalog; and
   - Establishment of a set of mandatory performance indicators and programmatic data to allow oversight and analysis of aggregate program outcomes across recipients

Our work with officials at the local, state, and federal level to establish and share best practices for data-driven governance shows the long-term dividends of investing in capacity. Cities certified by our What Works Cities (WWC) Certification initiative are at the forefront of investing ARP and other government funds to build and use data and evidence to improve lives. For example, Washington, D.C. is Investing its ARP dollars in a new Launch, Evaluation, and Monitoring hub that will include a new capacity-building team that will provide support to select ARP investments through the execution of performance management and rigorous evaluation of programs and services.

When considering how to invest in their data and evidence capacity, state and local government leaders should look at this example — and others from our work with jurisdictions around the country — with the idea of adopting and scaling promising strategies. Governments should also invest in staff and infrastructure to enhance their ability to use data and evidence in procurements and policy decision-making.

2. **Use Data to Drive Investments:** The Treasury Guidance allows authorized recipients to gather, assess, and use data and evidence for effective policy-making and real-time tracking of program performance as well as defining "evidence-based" when allocating funds for competitive grant programs. This includes allowing resources to be used to collect high-quality data, hire and build

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the capacity of staff, adopt new processes and systems, and use new technology and tools in order to effectively develop, execute, and evaluate programs. The guidance also recommends that local, state, and tribal governments use federal "evidence clearinghouses" to help assess the level of evidence in their ARP-funded efforts.

Government officials can also turn to Results for America's Economic Mobility Catalog for help in identifying successful approaches that are grounded in evidence. For example, Connecticut plans to invest ARP dollars to create a universal home visiting program, a well-documented evidence-based program, sending registered nurses from the community to the homes of newborns within the first three weeks after birth to conduct health and wellness checks for both the infant and mother.

3. **Evaluate Investments:** The Treasury Guidance makes clear that local, state, and tribal governments can invest their ARP funds in evaluations of their ARP-funded efforts.
   - Allows agencies to purchase technology infrastructure to improve data management, increase public access and improve public delivery of government programs. Allowable activities include:
     i. Government information technology systems;
     ii. Upgrades to hardware and software; and
     iii. Public-facing websites or data management systems.
   - Requires jurisdictions to specify whether projects are based on evidence or are being evaluated. If a project is put under evaluation, the government does not have to report on whether it has also used the funding on evidence-based solutions.
   - Incentivizes evaluations by waiving program reporting requirements in exchange for rigorously evaluating the new approaches.

If sufficient evidence for an innovative initiative or pilot project is lacking, it's important to invest in evaluation to build evidence and understand the impact so future leaders can learn from the experience and program tweaks can be made.

For example, Madison, WI is using the ARP authority to include new evidence-based programs that require evaluation to determine the efficacy of the program. The city of Madison is investing in an external evaluator to design a study and independently assess the effectiveness of a pilot program that takes an alternative approach to handling mental health crisis calls. Tennessee, as part of its ARP recovery plan, allocated $2 million to its Office of Evidence and Impact within the Department of Finance and Administration. The funding will accelerate a program inventory across

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executive branch agencies, allowing the state to gather better performance metrics, understand which programs are working, and re-evaluate funding for those that are not.

4. **Authentically Engage Communities:** The Treasury Guidance requires jurisdictions to describe how planned or current use of funds incorporates written, oral, and other forms of input that capture diverse feedback from constituents, community-based organizations, and the communities themselves. It encourages the use of funds to build the capacity of community organizations to serve people with significant barriers to services, including people of color, people with low incomes, limited English proficiency populations, and other traditionally underserved groups. Allowable activities include:
    - Human-centered design activities;
    - Behavioral science techniques; and
    - Training on using data and evidence in designing, executing, and evaluating programs.

Community engagement is key to any successful program, and it's even more important now to ensure the recovery is equitable and widely shared. Treasury's guidance encourages governments to seek and incorporate feedback from a diverse range of residents and community-based organizations.

For example, Cook County, Illinois, which encompasses Chicago and its suburbs, recognizes the importance of a robust engagement process to hear directly from residents on how federal aid could be most effective. To that end, it is partnering with a local professional organization and diverse community organizations to help conduct outreach. The county has also set up a community website, newsletter, and social media toolkit to educate and engage with residents. Detroit, Michigan, conducted extensive public meetings and used public input to direct ARP funds, and Cook County, Illinois, which encompasses Chicago and its suburbs, utilized this authority to implement a robust engagement process to hear directly from residents on how federal aid could be most effective.

When seeking to forge partnerships with community-based organizations, local leaders should enable meaningful engagement not just in planning projects, but also in implementing projects. To reduce barriers to participation, they should also support grantees, evaluators, and service providers that represent communities of color and other disenfranchised populations by providing technical assistance.

5. **Ensure Equitable Outcomes:** The Treasury guidance encourages jurisdictions to design projects that prioritize economic and racial equity and promote

equitable outcomes. It requires jurisdictions to report on whether certain types of infrastructure projects are targeted to economically disadvantaged communities.

The government recovery programs are a tremendous opportunity to address deep-seated disparities across the country, and Treasury emphasizes the importance of promoting strong, equitable growth. Ensuring equitable outcomes starts with recognizing the disproportionate impact of the pandemic-related recession on low-income communities, so jurisdictions are asked to report on whether certain types of projects, such as food and housing assistance, are targeted to economically disadvantaged communities.

Equity has been an early area of relative strength among ARP plans. For example, King County, Washington, is using an equity impact review tool, strategic plan, and equity dashboard to ensure its investments of ARP dollars lead to equitable outcomes for residents. The county has developed pro-equity tools for designing programs and a number of dashboards to track how the pandemic is exacerbating existing inequities and creating new ones. Milwaukee County, Wisconsin, was the first jurisdiction in the U.S. to declare racism a public health crisis in 2019. This enabled them to develop a data-driven framework centered on health and equity, which they are now applying to the use of its ARP dollars. This includes the development of an Opioid tracking dashboard to help target supports.

In seeking to prioritize racial and other equities and reduce disparities in their spending plans, jurisdictions should use data and evaluation to maximize the impact of projects. A key part of that is to disaggregate data by race, ethnicity, and other equity dimensions.

State and local governments have followed this guidance and implemented high-impact projects across the county. Some key examples include:

- Phoenix, Arizona has implemented a program that will utilize existing and customized training programs, including apprenticeship programs, that will leverage the Phoenix Workforce partnership. These programs will provide tuition assistance and wraparound services to Phoenix residents to promote training and job placement in high growth, in-demand industries and occupations while addressing barriers to accessing training and employment.

- Jersey City, New Jersey is launching a new violence prevention program that aims to promote community-based interventions as opposed to increasing policing capacity. Funding will be utilized to train more people in violence intervention, increase the risk reduction capacity of the city, and draw on evidence-based public health solutions to fight violence at the source rather than seeking out purely punitive policies.

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- Travis County, Texas, is planning a project that supports workforce development services designed to help individuals displaced by the pandemic transition into more stable, higher-paid careers in high growth industries such as healthcare, skilled trades, advanced manufacturing, and information technology. The program will provide individuals with professionally managed career training scholarships through qualified educators; cash stipends while individuals are in training; additional support services such as childcare scholarships, emergency housing support, and work related payments; and subsidized employment while in work-based learning and apprenticeship programs.

- Michigan will allocate ARP funds to its Great Start Readiness Program is an example of a funding decision based on a strong evidence base. Research studies have offered positive cost-benefit analyses of similar preschool programs and proven the long-term effects of early learning participation.

In conclusion, Results for America applauds Congress and the Biden Harris Administration for providing local, state, and tribal governments the funds they needed to address our nation's ongoing pandemic and its related economic recession and for encouraging and in some cases requiring these governments to use these funds in their efforts to advance economic mobility and racial equity.

Thank you for this opportunity to provide our testimony to you today.

Now, I am going to—one question. It was this Fed report, the San Francisco Fed Report was referenced earlier. Didn't the Fed issue a report within the last six months that said they had estimated that the American Rescue Plan accounted for less than 1 percent of the total inflation, like .6 or .7 percent?

Dr. CORONADO. So, I would have to look and I am not familiar with that report. But there are numerous reports from, you know, there are 12 regional Federal Reserves.

Chairman YARMUTH. Right.

Dr. CORONADO. Each has a research staff. All of them are doing research on these things. So, if it is of use, I could gather the various reports and provide you with those references.

Chairman YARMUTH. OK. That would be appreciated. There is a recent one now that I would like to mention and enter into the record.

This is from Moody's Analytics. This is decomposing consumer price inflation year over year change through May 22 on seasonally adjusted CPI, a total of 8.5 percent. That number has been mentioned frequently. Russian invasion of Ukraine. Direct impact of higher commodity prices, 2.8 percent. Indirect impact of higher commodity prices, .7 percent. So, according to this, 3.5 percent, or almost half, actually, of the 8.5 they say is directly or indirectly attributed to the Russian invasion. Stressed supply chains, 1.5 percent. Labor shortages, .1 percent. Reopening effect .4 percent. Energy regulation, zero. American Rescue Plan, .1 percent. So, I am sure there are people who will come up with different numbers, but these numbers are pretty revealing as well.

And I want to turn to inflation for a minute because we hear a lot about gas prices. Mr. Moore, do you know what gas prices, the price of a barrel of oil was in January before the Russian invasion when Russia actually aggregating troops nearby? Do you know what it was a barrel?

Mr. MOORE. Sorry, January 2021?

Chairman YARMUTH. 2022.

Mr. MOORE. 1922, I mean. I don't know, $3. I don't know, $3, $3.50, I don't know.

Chairman YARMUTH. No, not a gallon. Oil, a barrel of oil.

Mr. MOORE. Oh, the oil price.

Chairman YARMUTH. On the market, yes.

Mr. MOORE. Well, I know that the month that Trump left office the oil price was about $60 to $65 a barrel. I don't know what it was in——

Chairman YARMUTH. It was in the low 80's.

Mr. MOORE. Wait, are you talking about January 2021?

Chairman YARMUTH. 2022.

Mr. MOORE. Oh, 1922, yes. OK.

Chairman YARMUTH. Yes, just——

Mr. MOORE. In the low $80's.

Chairman YARMUTH [continuing]. just weeks before the invasion,——

Mr. MOORE. Right.

Chairman YARMUTH [continuing]. a barrel of oil was $80 to $85——

Mr. MOORE. Mm-hmm.

Chairman YARMUTH [continuing]. a barrel. And it is now $120 a barrel. It is a pretty compelling evidentiary case that the invasion dramatically raised the increase in oil prices. And everybody wants to say, well, we ought to have an all-in policy. You just said that. What are we going to do? Are we going to tell the oil companies to drill more? You think they will listen to us? You mentioned 11 million gallons a day. Does anybody else in the world produce as much as we do?

Mr. MOORE. Sorry, does—I couldn't hear you.

Chairman YARMUTH. Does any other country in the world produce as much oil as we do?

Mr. MOORE. We are slightly now below—we were the number one producer when Trump left office. And we are now we have fallen below Saudi Arabia and Russia.

Chairman YARMUTH. I don't think so. I think Saudi Arabia is 8.5 million barrels a day.

Mr. MOORE. I think Saudi Arabia's higher than our——

Chairman YARMUTH. Which is——

Mr. MOORE [continuing]. we are. But my point is when the price goes from $80 a barrel to $120 a barrel, we should be producing 15 or 20 million. I mean, we should——

Chairman YARMUTH. And isn't it the case that the reason they are not producing more when they have 9 million acres of leases that they are not using right now in the United States that they make too much money at $120 a barrel. Why would they go out and explore for oil? By the way, which is not going to do anything today, tomorrow, or next month to alleviate the crisis because it takes a long time to find oil and build that capacity. And just like the Keystone Pipeline you mentioned, how long will it take for that to be completed?

Mr. MOORE. Well, we have said that for 10 years.

Chairman YARMUTH. Right.

Mr. MOORE. I mean, we would have it completed if we hadn't continued——

Chairman YARMUTH. Well——

Mr. MOORE [continuing]. to stop it. But, look, my point is that when the price of oil goes up, production goes up. I mean, these companies are incredibly sensitive to the price of——

Chairman YARMUTH. Well, apparently it is not.

Mr. MOORE [continuing]. they make—every additional dollar is an additional dollar of profit for them.

Dr. CORONADO. Their investors are demanding that they don't respond with drilling and investing.

Chairman YARMUTH. And they know that electric cars are coming, an increasing factor. And to make a long-term investment now in drilling for more oil is something that in their economic interests and shareholder interests are something they are not going to do.

Mr. MOORE. But, sir, the President says he wants to—he said he wanted to destroy the oil and gas industry.

Chairman YARMUTH. He doesn't control the oil companies——

Mr. MOORE. He doesn't want oil and gas development.

Chairman YARMUTH. He doesn't control the oil companies.

Mr. MOORE. What is that?

Chairman YARMUTH. He doesn't control the oil companies. He doesn't control Shell.

Mr. MOORE. They just took——

Chairman YARMUTH. He doesn't control Exxon Mobil.

Mr. MOORE. They just took hundreds of thousands of acres——

Chairman YARMUTH. He doesn't control——

Mr. MOORE [continuing]. off limits. They just did two weeks ago in the middle of an——

Chairman YARMUTH. There are 9 million acres already under lease that they have. What more property——

Mr. MOORE. When you talk——

Chairman YARMUTH [continuing]. do they need?

Mr. MOORE. When you talk to the people in the oil industry, you cannot have a red-light, green-light, red-light, green-light policy. You are talking about billions of dollars investment. You can't say, oh, you can drill, you can't drill, you can, you can't.

Chairman YARMUTH. Nobody——

Mr. MOORE. There is so much uncertainty.

Chairman YARMUTH [continuing]. nobody——

Mr. MOORE. They are not going to do that.

Chairman YARMUTH. Nobody has said you can't drill—that they can't drill. One other question before I conclude and my time will be up. And just to try and set the record straight. You were talking about the corporate tax rate lowering it under the Republican tax plan, which——

Mr. MOORE. Right.

Chairman YARMUTH [continuing]. you were part of it. And how corporate tax revenues increased. What was the rate that corporations were paying before we lowered the tax rate from 35 to 21?

Mr. MOORE. Our statutory rate when you count the federal rate and the state and local, were at 40 percent.

Chairman YARMUTH. What was the effective rate that corporations——

Mr. MOORE. So, what we did—the effective rate was much lower. Our plan, our plan——

Chairman YARMUTH. It was much lower than 21 percent——

Mr. MOORE. This is——

Chairman YARMUTH [continuing]. wasn't it?

Mr. MOORE. This is the essence of a bad policy, right? We had the highest tax rate in the world and we weren't raising much revenue from it. So, we cut the rate and we are actually getting more revenue from it. Isn't that a better——

Chairman YARMUTH. But they weren't paying 21 percent on average to begin with, were they?

Mr. MOORE. They weren't.

Chairman YARMUTH. Yes.

Mr. MOORE. A lot of companies were paying zero.

Chairman YARMUTH. They weren't, exactly.

Mr. MOORE. The wind and solar industry have never paid a penny——

Chairman YARMUTH. Exactly, so how can claim——

Mr. MOORE [continuing]. of——

Chairman YARMUTH [continuing]. I don't understand how you can claim effectiveness on that basis. But that is probably an argument for another time.

Anyway, my time is up and we are going to have a vote in a minute. And I—what is that? Oh, they have called votes. So, we have a vote. Anyway, once again, thanks to all the witnesses. We truly appreciate your responses, your testimony, and I am sure this argument and debate will not conclude. But we have had a vibrant and animated discussion and I appreciate that.

With that, if there is no further business, the hearing is adjourned.

[Whereupon, at 1:48 p.m., the Committee was adjourned.]

“How the American Rescue Plan Saved Lives and the U.S. Economy”

06/14/2022

Questions for the Record for Stephen Moore

Representative Ashley Hinson (IA-01)

1. What impact did provisions like enhanced unemployment benefits, removal of work requirements, and the extension of Obamacare subsidies have on the labor market?
    - Some states, like Iowa, ended the federal unemployment benefits early and saw people return to work. What long-term trends have you seen nationwide for this?
2. Reports show that hundreds of billions of COVID and ARPA dollars have been lost to fraud – handing out taxpayer dollars to criminal organizations. Funds that were intended for working families and small businesses. In your opinion, how preventable was this fraud?
3. What efforts could House Democrats have taken to ensure that ARPA funding stayed out of the wrong hands?

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1. What impact did provisions like enhanced unemployment benefits, removal of work requirements, and the extension of Obamacare subsidies have on the labor market?
    - Some states, like Iowa, ended the federal unemployment benefits early and saw people return to work. What long-term trends have you seen nationwide for this?

I am attaching a study that I did with Casey Mulligan which shows conclusively that the states with higher benefits and extended benefits had much longer and more severe bouts of unemployment. For the past 18 months, the mostly blue high-benefit states have had unemployment rates about two percentage points higher than red states that cut off benefits earlier and capped the size of UI benefits.

2. Reports show that hundreds of billions of COVID and ARPA dollars have been lost to fraud – handing out taxpayer dollars to criminal organizations. Funds that were intended for working families and small businesses. In your opinion, how preventable was this fraud?

We believe that the fraud in PPP, UI, food stamps, rental assistance, Medicaid, and Medicare has approached $500 billion. The UI program alone has had more than $150 billion in fraud. These are error/fraud rates that approach 20% of benefits paid out. These erroneous payment rates compare with 2% to 3% fraud in private programs.

3. What efforts could House Democrats have taken to ensure that ARPA funding stayed out of the wrong hands?

Steps to prevent fraud:

Congress needs to install very stringent anti-fraud programs with much more punitive criminal penalties for fraud perpetrators. So far, there has been almost no effort to discover who the criminals are and to prosecute them. We also need a new Grace Commission to expose throughout the government how much money is wasted, lost, fraud, and error. Americans believe that about 30% of all federal dollars are wasted and they may be right.

June 2021

Bonus Unemployment Benefits Are Causing Major Labor Shortage in America

Casey Mulligan
Stephen Moore
E. J. Antoni

COMMITTEE TO UNLEASH PROSPERITY

Mulligan is a professor of economics at the University of Chicago, who served as chief economist at the White House Council of Economic Advisers. Moore is an economist at Freedom Works. Antoni is an economist at the Texas Public Policy Foundation. Mulligan is a senior fellow and Antoni is a visiting fellow at the Committee to Unleash Prosperity, where Moore serves as president.

Executive Summary

Because of the $300-a-week bonus unemployment benefits enacted in March 2021, along with other expansions of welfare benefits and cash payments unrelated to work:

- In 21 states and DC, households can receive wage equivalent of $25 an hour in benefits with no one working.
- In 19 states, benefits are equivalent to $100,000 a year in salary for a family of four with two unemployed parents.
- In all but two of the blue states, $300 Supplemental Unemployment Insurance benefits plus other welfare pay more than the wage equivalent of a $15 minimum wage.

Introduction

The latest monthly jobs report from the Department of Labor for April and May have shown disappointing employment increases, flat job participation rates, and a slight increase in the number of Americans collecting unemployment benefits. Two weeks before the May jobs survey, the BLS counted 9.3 million unfilled jobs in America, even with more than nine million Americans "unemployed."

The 9.3 million unfilled jobs is almost 2 million beyond the pre-pandemic record for the U.S., and the policy riddle is why more unemployed workers are not getting back in jobs. Small business owners around the country—construction firms, restaurants, bars, retailers, hospitals and factories—are complaining that workers they want to rehire are less likely to work now. According to the U.S. Chamber of Commerce, some nine of 10 small employers are citing a shortage of workers as a top concern.

Back in March, Congress and President Biden enacted the $1.9 trillion American Rescue Plan, which among other things offered $300 a week supplemental unemployment benefits through September, along with other welfare benefits and cash payments not associated with working. We estimated at the time of that bill passing that this would reduce national employment by roughly five million workers.

The slow rebound in employment we are now seeing is consistent with our original predictions.

In response to the emerging worker shortage and the slow return of workers to the workplace, 25 states, all with Republican governors, have suspended the extra $300 a week unemployment benefits.

This leaves 25 states and DC continuing to offer the unemployment insurance (UI) bonus payments for at least two more months.

Some economists have disputed our contention that high UI benefits are reducing employment. These critics argue that the UI payments are not high enough to have a significant work disincentive.

Bank of America Global Research issued a highly quoted study finding that UI benefits typically pay up to $32,000 a year. They argue that workers with incomes above that amount would lose income by not going back to their job. Benefits can vary widely among states. An analysis of California Employment Development comes to a similar conclusion and estimates that an income of $31,200, or $15 an hour, is the break-even point between working and collecting benefits. Neither of these studies take into account how these benefits are taxed versus a paycheck.

We believe these estimates of $32,000 in UI benefits vastly understate the extent of the work versus welfare tradeoff. These calculations fail to account for several factors that make the decision not to work financially attractive for millions of workers.

1) A myriad of benefits and payments (other than UI payments) add to the financial attractiveness of not working.
2) Since UI benefits are paid to workers, not households, a family with two unemployed workers gets double the UI benefits.
3) Unemployed workers do not pay the 7.65% payroll tax on their earnings, whereas employees earning a paycheck do and some states with an income tax do not tax UI benefits.

In this study we attempt to quantify the real work versus welfare tradeoff in the 25 states continuing to provide $300 a week extra UI benefits. The Table below shows the list of states as of June 3rd that have suspended $300 a week supplemental UI benefits:

States Ending Participation in Enhanced Jobless Benefits

State	End Date
Alabama	June 19
Alaska	June 12
Arizona	July 10
Arkansas	June 26
Florida	June 26
Georgia	June 26
Idaho	June 19
Indiana	July 19
Iowa	June 12
Maryland	July 3
Mississippi	June 12
Missouri	June 12
Montana	June 26
Nebraska	June 19
New Hampshire	June 19
North Dakota	June 19

State	End Date
Ohio	June 26
Oklahoma	June 26
South Carolina	June 26
South Dakota	June 26
Tennessee	July 3
Texas	June 26
Utah	June 26
West Virginia	June 19
Wyoming	June 19

This leaves 25 states, almost all with Democratic governors, and DC, which will continue to pay the supplemental UI benefits through September.

We have calculated the wage equivalent of the payments that households can receive that are not dependent on working. These estimates err on the side of conservatism. We do not take into account the availability of food stamps, school breakfast and lunch programs, rental assistance, and the fact that some unemployment benefits are not subject to federal income tax.

The table below shows the wage-and-salary equivalent to the entire array of social welfare programs and other payments for each state. We show the average benefits and the maximum benefits paid out assuming a family of four with two unemployed parents. In most of these states, the maximum benefit package when including the $300 a week supplemental UI benefit exceeds $100,000 at an annual rate. The average annual UI benefit in these states for a family of four with two unemployed parents exceeds $72,000. Median household income in the United States is closer to $68,000. (We define average benefit as the midpoint benefit between the highest and lowest payment per week.)

Wage and Salary Equivalent of *Maximum* Benefits on an Annualized Basis

Two Unemployed Parents and Two Children[1]

State/District	Annualized Payments	Hourly Wage Equivalent
Massachusetts	$147,198	$37
Washington	$138,095	$35
New Jersey	$136,403	$34
Minnesota	$132,644	$33
Connecticut	$129,656	$32
Oregon	$125,441	$31

[1] These figures include UI benefits, a portion of the value of the ACA subsidy, and the enhanced child tax credit for children between 6 and 18 years old.

State/District	Annualized Payments	Hourly Wage Equivalent
Hawaii	$123,654	$31
Pennsylvania	$121,911	$30
Illinois	$121,363	$30
Rhode Island	$119,208	$30
Colorado	$117,568	$29
Kentucky	$115,482	$29
Maine	$115,312	$29
Vermont	$112,049	$28
Kansas	$109,271	$27
California	$109,062	$27
New York	$108,859	$27
New Mexico	$107,541	$27
Nevada	$106,131	$27
DC	$101,176	$25
Delaware	$98,698	$25
Virginia	$97,771	$24
Wisconsin	$91,678	$23
Michigan	$90,123	$23
North Carolina	$90,047	$23
Louisiana	$82,044	$21

Wage and Salary Equivalent of *Average* Benefits on an Annualized Basis

Two Unemployed Parents and Two Children

State/District	Annualized Payments	Hourly Wage Equivalent
Washington	$90,996	$23
Massachusetts	$85,766	$21
New Jersey	$84,162	$21
Illinois	$83,463	$21
Oregon	$82,414	$21
Maine	$82,025	$21
Connecticut	$80,907	$20
Minnesota	$77,677	$19
Rhode Island	$77,473	$19
Pennsylvania	$76,480	$19
Hawaii	$73,898	$18
Kansas	$73,608	$18

State/District	Annualized Payments	Hourly Wage Equivalent
Vermont	$72,928	$18
New York	$72,090	$18
Kentucky	$71,445	$18
New Mexico	$71,115	$18
Colorado	$70,101	$18
Nevada	$66,079	$17
Michigan	$65,369	$16
California	$65,187	$16
DC	$64,446	$16
Delaware	$62,558	$16
Virginia	$61,090	$15
Wisconsin	$59,126	$15
North Carolina	$56,279	$14
Louisiana	$53,474	$13

What is clear from this analysis is that even in the states with the lowest valued package of benefits, (that are still paying $300 supplemental UI payments) the welfare equivalent of having a job that pays a wage or salary is far higher than $36,000 a year. The median household income in the United States in 2019 was $68,500. There are now 17 states giving benefits—the average unemployment benefits combined with other cash and noncash payments—which exceed the national median income. Every state's maximum benefit package exceeds the median household income in the United States by at least 20 percent and in two states by 100 percent.

It is also noteworthy that most of these states, California, Connecticut, Hawaii, Illinois, Massachusetts, Nevada, New Jersey, New Mexico, New York, and Pennsylvania, have state unemployment rates above the national average of 6.2% in April.

Competing Theories of Why Unemployment Remains High

We have argued that high government cash and in-kind benefits, such as food stamps and health care subsidies, that are not related to work, act as a tax on working.

Our study published in March provides a comprehensive analysis of how the UI program works, and the range of other benefits unemployed workers receive. We refer readers to that study for the full analysis. Suffice it to say here that if an individual can get benefits that equate to, say 50% of their after-tax wage and salary, then this is the equivalent of a 50% tax on working. In other words, the worker can receive half the after-tax income from the employer without working. With benefits 100% or more from working, the tax on employment is more that 100% and the individual loses money from going back to work. (One of the few programs that sometimes limits this work disincentive is the earned income tax credit, which provides cash assistance to low-income workers.)

During COVID, the government purposefully made benefits high to dissuade Americans from working and getting exposed to the virus. At that time, UI benefit supplements added $600 a week to the normal benefits. The work disincentives were not an issue for Congress because a) tens of millions of jobs were suspended because of business closures, b) the benefits were high enough that many millions of workers would not lose income during the pandemic, and c) government wanted to encourage consumer demand through these payments.

Whether those policies made sense or not a year ago, what is clear is that today, America faces the opposite problem. Demand for workers is very high with the pandemic close to being completely behind us and businesses reopening. Labor shortages are now an economic growth deterrent, and, in most states, jobs are widely available in most professions.

Myriad studies (we provide a bibliography at the end of this paper) purport to find that high UI benefits have not discouraged work in 2020 or in 2021. The Wall Street Journal recently summarized many of the arguments brought forth: "Surveys suggest why some can't or won't go back to work. Millions of adults say they aren't working for fear of getting or spreading Covid-19. Businesses are reopening ahead of schools, leaving some parents without child care. Many people are receiving more in unemployment benefits than they would earn in the available jobs. Some who are out of work don't have the skills needed for jobs that are available or are unwilling to switch to a new career." The story does acknowledge that the Department of Labor has calculated that the average worker is now receiving the equivalent of more than $15 per hour in UI benefits today.

It is worth noting also that many of the advocates of continuing very high unemployment benefits predicted that they should continue at least until September (Senators Ron Wyden of Oregon and Bernie Sanders of Vermont want the higher benefits to be made permanent), because unemployment would remain "very high" until "at least the end of 2021." Those predictions have been wildly inaccurate, and Congress misjudged the rapid recovery as a result of the COVID vaccine. The labor problem today is too few workers, not too few jobs.

How the Critics Were Wrong

There is much contradictory evidence to the contention that UI benefit premiums had no impact on workers staying on public benefits longer or signing up for benefits. Many economists believed that there would be no relationship between changes in unemployment benefits and changes in employment. That hypothesis has been proven wrong by the monthly Labor Department employment data. Below, we show the pattern of benefits over the past nine months and the pattern of employment, Clearly, reductions in benefits coincided with increased employment.

- UI claims are correlated with the amount of the bonus. When bonuses went up, unemployment rose.

caseybmulligan
@caseybmulligan

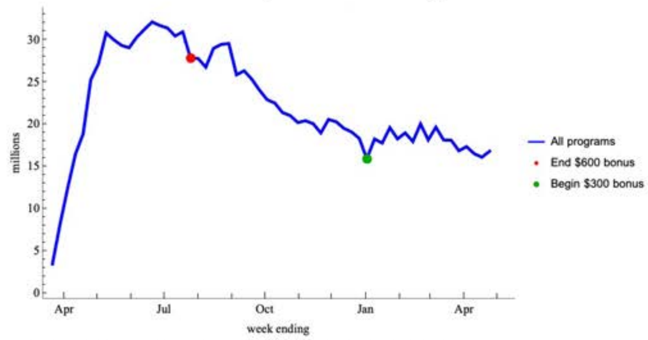
Why does the lull in new job openings coincide perfectly with the lull in UI bonuses?

Is Congress' timing perfectly bad -- shutting off bonuses exactly when businesses do not want to post more job openings?

Or maybe UI bonuses prevent job openings from being filled.

3:53 PM · May 22, 2021 · Twitter Web App

Participation in Federal UI Programs

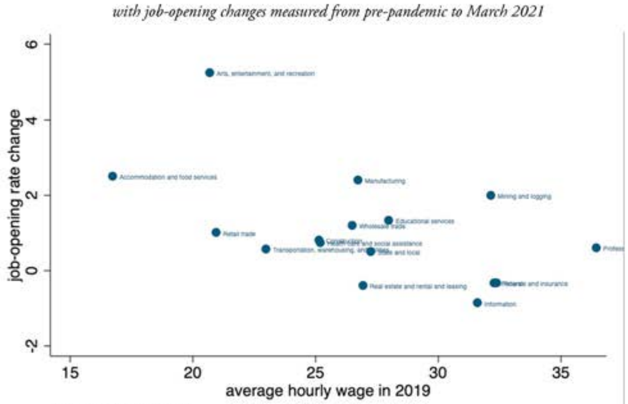


Note: Participation is measured according to weeks claimed, which may reflect batch retroactive claims.

- Job openings are greatest in low-wage industries, where the bonus looms large.

Wages and Job Openings Across Industries

with job-opening changes measured from pre-pandemic to March 2021



Source: JOLTS and CPS-MORG

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It is also noteworthy that most of these states, California, Connecticut, Hawaii, Illinois, Massachusetts, Nevada, New Jersey, New Mexico, New York, and Pennsylvania, have state unemployment rates above the national average of 6.2% in April.

- Even the often-quoted San Francisco Fed study fit with our explanation. For example, "The results show generally negative effects of UI benefit generosity on job finding: [unemployment] exit rates during the months of April through June are lower for individuals whose post-CARES UI replacement rates rise the most."

Welfare Packages in the 25 States that Still Pay $300 a Week Supplemental UI Benefits

Nearly all of the studies cited above suffer from a common defect. They almost all look at UI benefits in isolation, not in combination with other welfare benefits and cash payment programs in 2021 that have made working financially unattractive for millions of Americans who could be working but are not employed. When looked at in isolation, UI benefits which Americans are receiving this year may not be severe disincentives to work. But this year Americans are getting significant benefits whether they are working or not.

These include:

- Normal unemployment benefits, which average roughly $375 per week but vary widely by state.
- $300-a-week supplemental unemployment benefits per unemployed worker.
- A $3,000-per-child credit. Expansion of food stamps (note: with high unemployment benefits most workers will not qualify for both programs).
- Rental assistance benefits (note: with high unemployment benefits most workers will not qualify for both programs).
- $2,000-per-person checks ($600 under Trump and $1,400 under Biden).
- Expanded healthcare benefits including Obamacare subsidies that can reach families with incomes of up to $200,000.
- Other cash and benefit programs, such as the $21,000 paid-leave benefit for federal employees ($1,400 a week for 15 weeks), student loan write-offs, the elimination of federal income taxes applied to unemployment benefits (with certain income caps).
- Payroll taxes are not applied to UI benefits and almost all other government payment programs, but do apply to income from work.
- Six states do not apply their state income taxes to UI benefits and most other aid programs.
- Extended weeks of UI benefits (dependent on state laws and unemployment rate), which makes the program more financially attractive.

The goal of UI is to provide a temporary lift to workers who lose their job through no fault of their own, and to incentivize workers to rejoin the workforce as quickly as possible. Any amount of UI compensation at the margin eases the pain of unemployment and therefore discourages work, of course. The traditional government-provided safety net of UI has been to give approximately 50% of an individual's previous pay, paid out on a weekly basis.

As the previous tables show, UI benefits for a family of four with two unemployed workers pay more than the median household income in most of the 25 states that are continuing to provide $300 supplemental benefits through September. This means that many households with two unemployed parents receive more income from the government than the incomes of half the households in that state. Households eligible for the highest benefits can receive handouts that would put them in the top 10% of income in that state. This is quite a generous safety net.

Implications of Our Findings

It is now nearly beyond dispute that supplemental unemployment benefits are reducing employment and that explains the record 9.3 million job openings across the nation and the "Help Wanted" signs at stores, restaurants, and construction sites throughout the country. Many of the studies cited purportedly showing no negative effects of high UI benefits are not pertinent to the current and unique real-world situation of the end of a pandemic that held more than 20 million Americans out of the workforce for nearly a full year.

To alleviate the current labor shortage problem, half the states have suspended those benefits. In almost all states, the shortage of workers is slowing the recovery, not a shortage of jobs. This worker shortage problem will surely persist through the summer months if the 25 states that have not canceled supplemental benefits, continue with high benefits through September. We estimate that if Congress or the remaining states were to suspend the weekly benefit supplement, several million more workers would gain employment over the summer months.

Our policy recommendation is that if states want to facilitate a "back to work" strategy to reduce unemployment and help workers and firms, the $300 a week supplemental UI benefits should be immediately suspended. This strategy would continue the safety net of regular UI benefits for those who qualify. It would restore fairness in the UI system and ensure that nonworkers are not earning more money than workers on the job. The continuation of benefits at the current level will lead to higher unemployment in the mostly blue states that today already have among the highest unemployment rates.

Some states are providing reemployment bonuses to workers who have been unemployed. We are agnostic on the benefits of that program. It is unfair to workers who did not quit their jobs and have worked through some or all of the COVID crisis. But reemployment bonuses are clearly preferable to continued high payments to the unemployed.

We also believe that getting Americans who have been unemployed for as many as 14 months through the pandemic will help the workers themselves. A study by the Urban Institute on long term unemployment has found: "The long-term unemployed tend to earn less once they find new jobs. They tend to be in poorer health and have children with worse academic performance than similar workers who avoided unemployment. Communities with a higher share of long-term unemployed workers also tend to have higher rates of crime and violence."

Our policy objective should be to get unemployed Americans back in the workforce as rapidly as possible.

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