

July 20, 2020

Dear National Lawmakers,

As you consider a new package of aid to support the nation during the ongoing COVID-19 pandemic, now is an appropriate time for the federal government to consider economic research carefully in order to provide well-targeted, significant relief to state governments and to individuals experiencing economic hardship. Support for state budgets, and for safety net programs, most notably funding for the Supplemental Nutrition Assistance Program (SNAP) and for Unemployment Insurance, are wise ways to do this.

Unlike the federal government, most states cannot issue debt to support operating expenses. Economic theory and history show that significant state and local government spending cuts can exacerbate recessions and weaken recoveries. Facing dramatically reduced tax revenues, states and localities will be forced to cut budgets for essential programs that support health, education, public safety, and public transportation, and that reduce poverty and hardship — unless federal support is provided.

Cutting state budgets is pro-cyclical, that is to say, it removes spending from the economy at a time when private sector demand is already reduced, making a robust recovery more difficult. Providing funds to states is a wise investment to hasten recovery.

SNAP and Unemployment Insurance provide food and funds to individuals and families in need. This funding, too, can contribute to a more rapid recovery, since low-income individuals are likely to spend new resources immediately, fostering economic activity. And, of course, these programs directly help individuals in need. State Unemployment Insurance funds have been dramatically depleted, while SNAP benefits have never been high enough to fully address food insecurity, and are especially inadequate in the current context.

Evidence indicates that the effects of COVID-19 fall hardest on Black and Latinx communities, and other people of color, as well as people with pre-existing health conditions, and people in poverty. These measures would provide some important relief.

A robust recovery package should address these issues with significant funds.

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