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Hearing on the Impact of Pandemic Relief Legislation
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In early March 2020, I was deeply concerned about the impact of the coronavirus pandemic on the economic security of low- and middle-income Americans. I knew that job loss would be felt most by those who live paycheck to paycheck. During previous recessions, food and housing insecurity spiked and I expected they would this time too, likely more so. I was especially worried about families with children, who even during the best of times have the most trouble making ends meet, and who in this pandemic faced massive job losses as well as school closures. Looking back today, there is no question this has been a time of trial for American families. Yet it has also proven to be a time when government worked, when public policy shielded millions of families from economic crisis like we have never done before.

The social safety net response ushered in by the bipartisan Coronavirus Aid, Relief, and Economic Security (CARES) Act and continued in the December COVID Relief Bill and American Rescue Plan (ARPA) is truly historic, both in approach and level of investment. A wealth of evidence now shows that it has also proven incredibly effective. I believe this success is due in large part to the speed and flexibility of a broad-based approach that prioritized putting money in people's pockets— through Economic Impact Payments (EIPs) and expanded unemployment insurance. American households spent this help on food, housing, and other household needs, paid down debt, and took other actions to get on stable financial footing.

Much of my research during COVID uses the Household Pulse survey, which the U.S. Census Bureau has fielded since April 2020 to better understand how Americans are dealing with the public health and economic impacts of the pandemic. Surveys include a battery of questions on employment, income, financial stability, food hardship, and mental health. In a report from summer 2020 using Pulse data that I co-authored for Poverty Solutions at the University of Michigan, we found that despite historically high unemployment, rates of hardship were stable—and in some cases declining—following the roll-out of the CARES Act.[1] That hardship did not spike during the summer months of 2020 is remarkable. Just this month USDA reported that annual food insecurity in 2020 did not rise and rose only modestly among households with children.[2] I never could have dreamed that would be true at the start of the crisis.

When we updated the Pulse data a few months later, however, we could see that things took a wrong turn in November 2020 as COVID-19 infections began to rise, the economic recovery stalled, and Congress delayed action. Among adults with children, food insufficiency increased by nearly 25% from October to December 2020, and financial instability increased by 20%. The share of adults reporting poor mental health also grew.[3] Even as I was impressed by the success of the CARES Act, by the end of 2020 I believed we were headed in the wrong direction without further federal action.

Then Congress acted, twice, through the COVID-19 relief bill in late December 2020 and the American Rescue Plan in March 2021, and we could visibly see the impacts in the PULSE data, clear as day. From December 2020 to April 2021, food insufficiency plummeted by over 40%, financial instability fell by 45%, and reported adverse mental health symptoms fell by 20%. Declines in material hardship were greatest, in percentage point terms, among low-income households but also evident among middle class Americans.[4] Hardship has started to inch up in recent months as we get further away from EIPs, but even now, food hardship and financial instability remain well below levels seen in December 2020.

Scores of studies using all sorts of data come to substantively similar conclusions about the success of this unprecedented safety net response. The credit scores of Americans are better in 2021 than in 2019, which was the peak of a decade-long economic expansion. Fewer people are behind on their mortgages. Credit card debt was lower and fewer people were missing payments.[5] It looks like this is true for Black and Hispanic Americans as well as non-Hispanic whites.[6] A study by the Federal Reserve found that more households reported being able to cover a $400 expense in July 2020 compared to October 2019, especially among low- and middle-income households.[7] A later wave of the same survey found that financial well-being at the end of 2020 was comparable to 2019. Another study found increased savings especially among lower-income households.[8] Nathanial Hendren and colleagues draw on private sector data from credit and debit card transactions to find that the spending of Americans fell off a cliff during spring 2020, but following the CARES act, immediately rebounded in striking fashion.[9] Their latest data finds spending is above pre-pandemic levels. My own research using these data finds that the roll-out of expanded unemployment insurance contributed to a rebound in health care spending last year, especially in states that did not expand Medicaid and suffered more coverage losses.[10] People used the money they received to address health care needs.

The Census Bureau's poverty report released last week brings all this home, showing that the Supplemental Poverty Rate—a metric that while imperfect better accounts for government's impact on poverty—actually fell in 2020 when compared to 2019. Unemployment assistance lifted 5.5 million Americans out of poverty in 2020. Economic Impact payments did the same for an estimated 11.7 million Americans.[11] Those are remarkable numbers.

Nearest to my heart is the expansion of the child tax credit, with monthly advance payments that rolled out this past July. This policy that mirrors benefits seen in many other countries holds the promise to cut child poverty by 45% and eradicate its most extreme forms.[12] Since July we have continued tracking well-being in the Pulse data. Once again we saw food hardship and poverty drop as this help was delivered, this time for those with children while it remained relatively stable for those without.

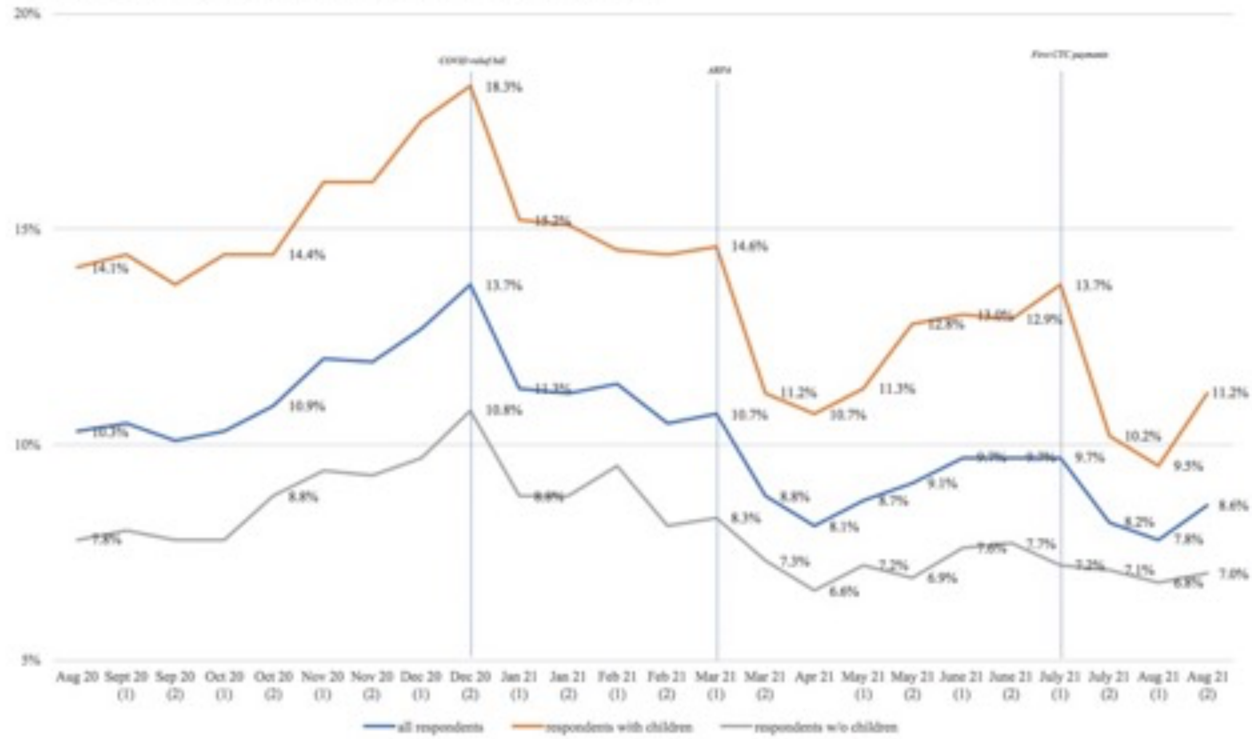
None of these programs have worked perfectly. Some people were unable to get on unemployment insurance, some did not receive their EIP, and some eligible families have still not received their child tax credit payments. Yet, on the whole, the vast majority of Americans were able to access these critical supports, that together formed a robust, cash-based safety 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.

Going forward, I have three big asks of you. I want to recognize this success, and make sure we carry this bipartisan blueprint forward, both to future recessions and times of relative economic normalcy. Families are in better financial shape because of your actions, and the economy is fundamentally strong. We can debate the details of the package, but I hope we will learn from the success of this bipartisan effort as we structure the future of our social safety net.

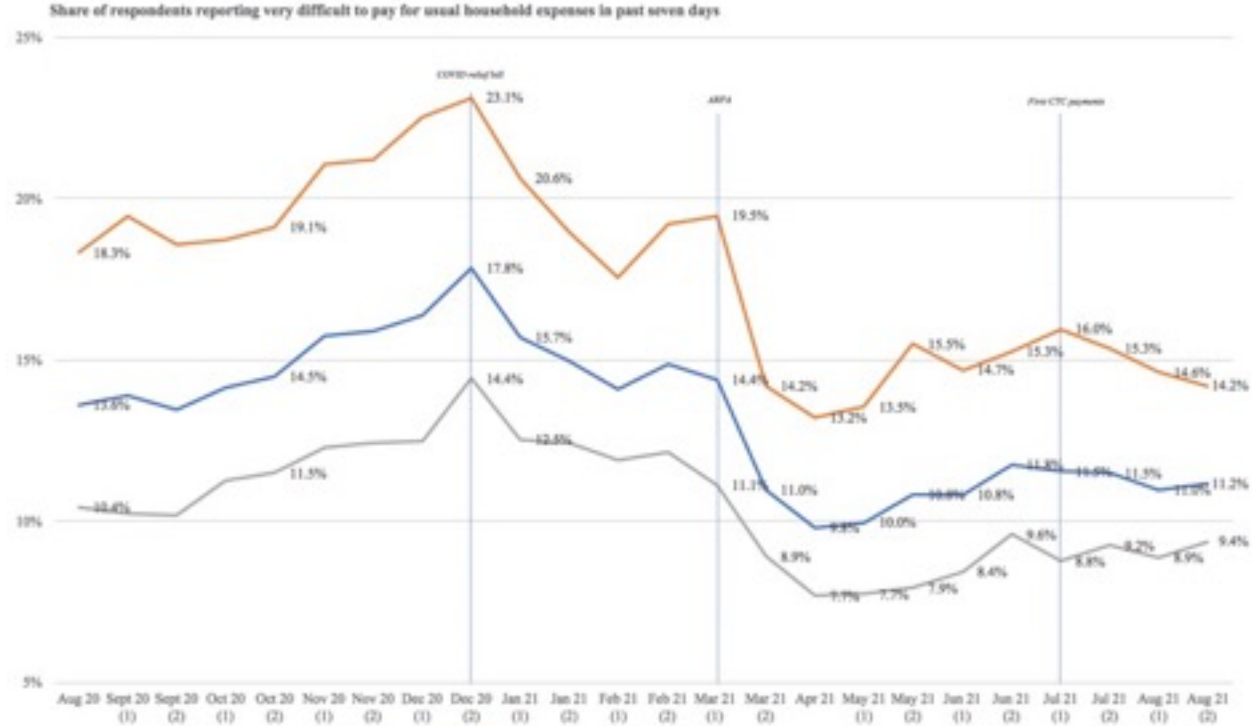
Second, now is the time to watch the numbers. Expanded unemployment insurance has expired. Watching the evidence from states that ended this aid early, we see no increase in employment, but a definitive rise in food hardship and economic insecurity. I hope I am wrong, but I expect the next few months will be harder for many.

Most importantly to me, I urge you to make the expansion of the child tax credit permanent. This policy—based on benefits that have been tried and tested in countries all around the world—holds the promise to dramatically reduce child poverty in this country, especially among children of color. Research from the U.K. and Canada finds that such a child benefit led to declines in spending on alcohol and tobacco.[13] Families in the United States face the greatest rates of hardship. The expanded child tax credit is as simple as it is transformative in that it treats all low- and middle-income children the same. It says that raising kids is expensive and society has a reason to come alongside parents in that work. Research indicates that we will benefit from this investment into our children for years to come. We are at a crossroads and you have the power to chart a very different path forward. I am deeply grateful for what you have done for American families so far, and I hope you will take the next step to make a very different future possible.

Share of respondents reporting sometimes or often not enough food in the past seven days



Share of respondents reporting very difficult to pay for usual household expenses in past seven days



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