

US Senate passes massive economic “rescue” bill

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Senate Democratic and Republican leaders reached agreement with the Trump administration early Wednesday on an economic “rescue” package of unprecedented dimensions—an estimated \$2 trillion. The bill was passed late Wednesday night by a 96–0 margin, despite the effort of a handful of Republican senators to block it for providing too much money for those thrown out of work by the coronavirus crisis.

Vermont Senator and presidential candidate Bernie Sanders voted for the bill, despite its unprecedented transfer of taxpayer funds to corporations and limited benefits for workers.

The bill’s overall terms were negotiated between Senate Majority Leader Mitch McConnell, Senate Minority Leader Charles Schumer, Secretary of the Treasury Steven Mnuchin and two White House officials, Legislative Affairs Director Eric Ueland and White House Chief of Staff Mark Meadows. McConnell and Schumer announced the deal about 1 a.m. Wednesday morning.

The major change from the first version proposed by McConnell and the Republicans last week involved an expansion of unemployment benefits for the rapidly escalating number of workers being laid off as lockdown orders are issued in state after state to try to head off the spread of the coronavirus pandemic.

The number of workers filing new applications for unemployment compensation was expected to jump to more than three million this week, a more than tenfold increase over the previous week but only the beginning of what is expected to be a virtual shutdown of large parts of the US economy over the coming weeks.

Faced with the prospect of levels of unemployment that could exceed those of the Great Depression of the 1930s—and massive social unrest that would result—both Republicans and Democrats agreed on two stopgap measures to stave off an explosion of social struggle by the working class.

The first is immediate and direct federal payments to most Americans, amounting to \$1,200 per adult and \$500 per child. The payments are to be distributed by the Internal Revenue Service to anyone who filed an income tax return in 2018 or 2019, as well as some of those who were too poor to file, although the exact details of eligibility depend on the final language of the bill, not yet publicly available.

The second measure is a substantial temporary federal supplement to unemployment compensation benefits, which are administered by the states. The federal government will add up to

\$600 a week to the benefits set by the states, which themselves range on average from under \$200 in Mississippi to a high of \$515 in Massachusetts. The federal supplement is to last for four months, ending in early August for workers filing claims this week.

The total cost of these two measures is \$550 billion—\$300 billion for the direct payments and \$250 billion for the increase in unemployment benefits. The still leaves the biggest share of the \$2 trillion package for corporate and business interests.

Those provisions include \$500 billion for corporate bailouts, with about \$75 billion earmarked for specific industries, including \$50 billion for passenger airlines, \$8 billion for cargo airlines, and \$17 billion for Boeing (although the company is not named).

Democrats objected to the \$500 billion being under the sole control of Treasury Secretary Mnuchin, with even the names of the companies receiving aid to be kept secret for at least six months. They accepted a “compromise” under which auditing is to be carried out by an “independent” inspector-general—the same method employed during the 2008–2009 bailout of Wall Street—and oversight by a five-member panel appointed by congressional leaders.

While corporate borrowers are to be prohibited from stock buybacks and the payment of dividends for a year after the loans are repaid, and will have minor limitations on executive compensation, Mnuchin will have the power to waive those restrictions “upon a determination that such a waiver is necessary to protect the interests of the Federal Government.”

Corporate borrowers will have to commit to maintaining until September 30 the employment levels in place on March 24, but only “to the extent practicable,” another gigantic loophole. They will be barred from cutting employment by more than 10 percent.

More importantly, the \$500 billion does not really represent an adequate measure of the scale of the bailout. Besides the \$75 billion for transportation, the remaining \$425 billion will be used to underwrite lending by the Federal Reserve to companies approved by Mnuchin on a much larger scale, estimated by various analysts as ranging from \$2 trillion to \$4 trillion.

Another \$367 billion is set aside to aid “small business,” although these firms can employ up to 500 workers, a ceiling that will allow many hedge funds and private equity firms to qualify. Trump’s personal holding company, the Trump Organization, would likely have qualified but for a special provision inserted in the bill to make companies owned by the president, vice president

or members of Congress ineligible.

Another \$50 billion is allocated for an “employee retention tax credit” for businesses that keep workers on the payroll rather than laying them off. The details of this, including which companies will benefit, remain to be clarified.

Nearly \$500 billion is to be distributed for the front-line costs of fighting the coronavirus epidemic and other social needs. That sum includes \$207 billion for state, local and tribal governments, school districts and public transit agencies; \$130 billion for hospitals and public health facilities; \$45 billion for the Disaster Relief Fund of the Federal Emergency Management Agency; and \$41 billion to pay for additional personal protection equipment for health care workers and to replenish the national emergency stockpile of such materials.

There are lesser amounts for bailouts of farmers hit by Trump’s trade war with China and for other social services, including food stamps, child nutrition, allowing students to defer loan payments for six months with interest waived, and waiving Pell grant restrictions for students forced to leave school because of coronavirus-related closures. There is even \$100 million for the National Endowment for the Arts and the Kennedy Center for the Performing Arts, a provision that set off howls from the ultra-right media, although it represents 0.005 percent of the massive bill.

In sum, the spending breaks down into three major components: about \$1 trillion for corporate and business interests (although with the Fed’s lending, this could climb to \$2.5 trillion); about \$500 billion to keep the US population from starving over the next four months; and about \$500 billion more directly linked to the effort to contain the pandemic.

The money to support state governments—hit by huge drops in tax revenues just at the point when they must spend more to fight the coronavirus—is not distributed according to need, but according to a political formula that reflects the intrinsic inequities of the Senate, where every state has two votes, regardless of population.

The bill distributes \$60 billion in the form of \$1.2 billion for each of the 50 states, with the remaining \$90 billion distributed based on population, so that New York receives less than Texas, even though it has 30 times as many coronavirus cases.

This slap in the face to the people of New York did not faze Senate Minority Leader Schumer, one of two senators from New York state. In remarks just before the final series of votes, Schumer praised the bill, claiming it would save “millions of small businesses and tens of millions of jobs.” His real concern—like that of all the other senators—was that the corporate bailout and the temporary relief checks to millions of workers would help safeguard the wealth and power of the US financial aristocracy.

One event before the bill’s passage illustrated the vast class divide between the ruling elite and the working people who are the vast majority of the American population. Four Senate Republicans began howling that the price of the bonanza for corporate America was too great. They did not object to the \$500 billion for big companies. What stuck in their craw was the unemployment compensation payments to workers whose jobs have been wiped out by the lockdown of half the United States, which they regarded as excessive.

At a remarkable press conference Wednesday afternoon, the four

Republicans—Ben Sasse of Nebraska, Tim Scott and Lindsey Graham of South Carolina, and Rick Scott of Florida— inveighed against the unemployment compensation payment of \$600 a week. They issued a statement declaring that the payment was a “strong incentive for employees to be laid off instead of going to work.”

Graham and Scott said that with their state’s average unemployment compensation of \$360 a week, workers laid off because of coronavirus would be entitled to \$960 a week in combined state and federal aid, the equivalent of \$24 an hour for a 40-hour work week. They complained that South Carolina employers would be unable to find workers who would take jobs at the usual pay level for the state, a notorious low-wage haven.

Ben Sasse, of a more philosophical bent, declared that the unemployment compensation provision threatened to “disrupt the employer-employee relationship”—Karl Marx called it wage slavery—and was therefore un-American.

But the most revealing comments came from Rick Scott of Florida, a former corporate CEO in the health care industry, who claimed that small businesses could not survive if workers were unwilling to work for low wages because they could make more on unemployment pay. One reporter apologized for asking him, “Do you understand how bad the optics are to have probably the wealthiest person in the Senate potentially holding up this bill for a couple hundred bucks for some of the poorest people in this country?”

The four threatened to use procedural obstacles to slow passage of the bill, thus giving Vermont Senator Bernie Sanders the opportunity for a bit of “left” demagoguery. He threatened that if they objected to the unemployment compensation section of the bill, he would raise objections to the corporate bailout. In the end, the four settled for a recorded vote on an amendment by Sasse, which was defeated, and Sanders joined in the bipartisan vote to approve the bill.



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