

A deal on a COVID-19 stimulus package is needed urgently, but hurdles remain.



As COVID-19 numbers spike in the US, and the economy looks increasingly fragile, Democrats and Republicans continue to debate the details of a possible stimulus package. Will the two sides strike a deal soon? In this Q&A, [Thomas Gift](#) examines the prospects for compromise, the main hurdles preventing a deal to this point, and the political dynamics at play going forward.

Will Democrats and Republicans strike a stimulus deal before the recess?

Senate Majority Leader Mitch McConnell (R-KY) has [vowed](#) not to recess (the 18th was due to be the last day the Senate would be in session) until a deal is brokered, but the truth is that no one knows if a stimulus package will get done soon. Its fate has been in flux, even over the last 24 hours. Clearly, the two sides are much [closer to inking a deal](#) now than a week ago, but there are still major disagreements between Democrats and Republicans. As we know from past negotiations, compromises can often get derailed even when signs look promising. Right now, it seems like any relief package that's enacted would total around \$900 billion. It would [include](#) direct checks to Americans, an extension of unemployment benefits and rental assistance, and aid to small businesses and schools. It would also include funding assistance for the distribution of COVID-19 vaccines. It's worth noting that the \$900 billion figure would be less than 50 percent of the \$2 trillion stimulus [passed back in March](#) as part of the [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#).

What have been the main hurdles to reaching a deal?

There have been two primary sticking points. One is the dollar figure. House Speaker Nancy Pelosi at one point was [demanding](#) \$3.4 trillion, which was light years away from what Republicans would ever agree to. But another hurdle, of course, has been the composition of the bill. In recent weeks, major issues dividing Democrats and Republicans have been funding for state and local governments and COVID-19 liability protections for companies. Democrats seem to have [dropped their insistence](#) on committed funding channels to state and local governments, whereas Republicans appear to have [dropped their demands](#) for broad-based COVID-19 liability protections. Those concessions are notable because, without them, it's unlikely we'd be on the verge of compromise. But one issue that's emerged as significant at the eleventh hour are so-called [Federal Reserve crisis lending programs](#), which Republicans want to constrict, and Democrats don't. They're basically one tool that the Fed would have at its disposal to tackle economic challenges ahead.

What are the main political dynamics at play?

The political landscape regarding the stimulus package has shifted considerably since the November 3rd election. On the Democratic side, President-elect Joe Biden has [reportedly](#) exerted heightened pressure on Congressmembers within own his party to get a deal done. So far, much of the resistance has come from the more progressive side of the Democratic Party, which has been holding out for a larger relief bill. As president-elect, however, Biden wants a deal struck sooner rather than later because it could help jumpstart an economic recovery under his watch. On the Republican side, Senate Majority Leader Mitch McConnell has also increasingly recognized that there's political urgency to broker a deal. There are, as we know, high-stakes run-off elections in Georgia slated for January that will determine whether Republicans maintain control of the Senate. Some observers [say](#) that McConnell is concerned that a failure to enact a stimulus now could hurt the odds of Republican incumbents David Perdue and Kelly Loeffler winning those seats.

- These remarks are based in part on an [interview](#) by Thomas Gift on BBC World on December 18, 2020.
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