



The Inconvenient Truth About COVID-19 Relief Scandals

Raise your hand if you're surprised that the trillions of dollars spent on COVID-19 relief gave way to billions of dollars in government waste, fraud and abuses. I'm not, but based on recent reporting, you might think this type of carelessness with taxpayers' money has never before happened. Sadly, such waste and fraud are normal byproducts of most government programs.

Too much focus on waste and fraud misses a more important problem: Lots of the COVID-19 spending that doesn't qualify as wasteful or fraudulent was nonetheless misspent.



Veronique de Rugy

When the pandemic hit the United States in March 2020, people all over the country panicked. Everyone seemed to agree that the right thing to do was pump the nation full of as much money as possible, as fast as possible. As a result, nearly everyone — married, unmarried, employed, unemployed, through businesses small and large — got cash through the \$2 trillion CARES Act.

Some people did raise the potential for fraud. We were told that there was no time to put in place measures sufficient to prevent it. However, the CARES Act did create an oversight mechanism called the Pandemic Response Accountability Committee (PRAC). The committee had a difficult task due to the enormous size of the relief bill, a hardship compounded by the fact that the program had to become functional before it could even start looking into the spending. Dollars were pouring forth fast from Washington, and the committee was basically behind from the start.

Then Congress added another two relief bills totaling around \$3 trillion and including extensions of some programs implemented in the CARES Act. It's now clear that an enormous amount of the eventual \$5 trillion was spent "improperly," and that some was downright fraudulent.

For instance, according to the Labor Department, at least \$163 billion of the \$873 billion in unemployment insurance benefits was spent in error, and little of this sum was recovered. Making matters worse is that a significant share of the \$163 billion was claimed by organized fraudsters and scammers in the United States and countries like China and Russia.

The inconvenient truth behind all this fraud and waste is that these government programs never should have been designed as they were. For example, while the federal government justifiably boosted state unemployment benefits at the beginning of the pandemic, it was irresponsible to enhance the benefits by \$600 a week. As a result, 76% of the individuals who received such benefits were making more by not working than by working. It was also irresponsible to extend the program long after the economy reopened and resumed growing.

The same is true of the overly generous three rounds of \$1,200, \$600 and \$1,400 individual payments paid to people who either already received the enhanced unemployment benefits or who never lost their jobs. Most recipients of these funds didn't need them. In fact, only 15% of people who received the first



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round of checks said they had spent it or planned to spend it. And there were other benefits on top of these checks.

The end result was that, according to Marc Goldwein at the Committee for a Responsible Federal Budget, COVID-19 benefits were so generous that a family of five could have received \$25,000 independently of the parents' employment status. This non-fraudulent spending is now helping to fuel inflation.

Then, you have the money dispensed to corporations. In one way or another, that spending made up a huge share of the COVID-19 relief. Indeed, whether through the airline bailouts or the Payroll Protection Program, shareholders collected trillions of dollars in government handouts they didn't need. Most of the PPP funding, for example, went to companies whose workers were never at risk of losing their jobs since they were well-suited to work from home.

Finally, billions of dollars went to state and local governments, including for schools that stayed closed, even though many of these governments' revenue growth equaled or exceeded pre-pandemic levels.

Of course there was some fraud, but the malfeasance happened only because the programs were created in the first place and designed to go to everyone regardless of need. This reckless "design" is the true scandal.

Will Congress ever learn its lesson? I assume not, as it's easier to complain about fraudsters than to acknowledge that the real scam is the entire process — a process that starts on Capitol Hill.

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