



The Daily Dish

CARES Act in Historical Perspective

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Eakinomics: CARES Act in Historical Perspective

I get it. It is Friday of another long week of quarantine. You've had it with the coronavirus and even more over talking about it. After a week of drama the Senate finally passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and you're praying the House does so today without any drama. In short, please don't talk about CARES in Eakinomics!

Sorry.

CARES is historic. We - especially we in the policy community - have become numbed by the enormous numbers that are the federal budget, deficit, size of the economy, and so forth. So, while there is an intellectual recognition that \$2.2 trillion is a lot of money, it doesn't exactly stir the soul.

So think about these (hat tip to AAF's Gordon Gray). The CARES Act is 10 percent of gross domestic product (GDP). One bill, 10 cents of every dollar of U.S. income. The Treasury has a [list](#) of large tax bills, including the largest - the Revenue Act of 1942 - that raised 5 percent of GDP. The CARES Act is twice as big. According to a St. Louis Federal Reserve Bank [publication](#) President Obama's Recover Act was 5.7 percent of 2008 GDP. Again, CARES is twice as large.

But that is nothing. Again looking at the Treasury data, the Revenue Act of 1941, the Revenue Act of 1942, and the Revenue Act of 1943 combined raised 8.4 percent of GDP. The CARES Act is bigger than financing World War II (okay, slight exaggeration, but you get my point).

Of course, the Big Kahuna of all rescues was the New Deal, introduced to counter the Great Depression. The same St. Louis Fed publication indicates that the New Deal was a stunning

40 percent of 1929 GDP. But note that the spending occurred over 7 years, so only 5.7 percent per year.

Simply put, we are witnessing history.

If this has piqued your interest in CARES, find out everything you might want to know in AAF's [collection](#) of COVID-19 papers and take a listen to my take in the [latest edition](#) of AAF's podcast, *The AAF Exchange*.