

Title: The CARES Act: Providing financial relief during COVID-19

Activities: Distribute cash assistance to communities

Stakeholders: World Bank Group; World Health Organization

Phases: Intervention

Years: 2020

Countries: United States of America

Agent: COVID-19

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In the month after President Trump declared a national emergency due to the COVID-19 pandemic, stay at home orders were implemented across the country, and twenty-two million Americans filed for unemployment, pushing the total rate to something like twenty percent unemployment nationally. The resulting economic devastation put businesses on the line.¹ Food banks likewise struggled, with an additional 17.1 million people facing food insecurity.² In addition to loss of wages, demand fell with many confined at home and increasing savings as much as possible. These factors combined created a dire humanitarian need for economic assistance.³

In response, the United States' Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide financial relief to mitigate the impact of reduced demand and mass furloughs due to the COVID-19 pandemic. This legislation targeted critical infrastructure, small businesses, and low income and furloughed individuals. It included \$367 billion in loans and grants for small businesses and \$500 billion in loans to corporations who agreed to not take part in stock buybacks for one year. In addition, airlines received \$32

¹ Long, H. (2020, April 16). *U.S. now has 22 million unemployed, wiping out a decade of job gains*. The Washington Post.

<https://www.washingtonpost.com/business/2020/04/16/unemployment-claims-coronavirus/>.

² Morello, P. (2020, May 4). *COVID means a new normal for food banks*. Feeding America. <https://www.feedingamerica.org/hunger-blog/covid-19-means-new-normal>.

³ Long, H. (2020, April 16). *U.S. now has 22 million unemployed, wiping out a decade of job gains*. The Washington Post.

<https://www.washingtonpost.com/business/2020/04/16/unemployment-claims-coronavirus/>.

billion and the healthcare industry \$130 billion in direct payouts. State and local governments received \$150 billion in aid.

For individual citizens, those making less than \$75,000 received direct payments of \$1,200 per adult and \$500 per dependent, with gradually reduced amounts for those with larger incomes. Unemployment payments were also increased by \$600 per week. This massive stimulus package cost over \$2.3 trillion, making it the largest in U.S. history.⁴

Early economic models suggest this legislation substantially reduced the financial consequences of COVID-19. In Q2 of 2020, it may have mitigated GDP contractions by as much as seven percent annualized. In Q3 2020, the CARES Act may create as many as 1.5 million jobs.⁵ These measures will create essential stopgaps for vulnerable communities, those facing unexpected hardship, and essential businesses that keep the economic system running.

However, the CARES Act faced its share of criticism. Millions of the most vulnerable—including those without social security numbers and the homeless—were unable to receive direct stimulus payments they would otherwise have qualified for.⁶ Technical glitches slowed the process for many others desperate for their \$1,200 checks. Plus, the Payroll Protection Program for small businesses rapidly ran out of funds, leaving many without support.⁷ These issues arose, in part, due to a lack of pre-existing structure for humanitarian aid at this scale. Forced to scrape together a system of social relief well after the pandemic was underway, Americans faced serious delays in receiving financial support. This suggests the need for greater preparation and a strengthening of infrastructure with integrates public health and humanitarian response efforts in a way that allows for rapid intervention.

Please include case study summary text below this line.

The CARES Act provided targeted assistance for American businesses and individuals struggling financially due to the COVID-19 outbreak.

⁴ Chappelow, J. (2020, April 24). *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. Investopedia.

<https://www.investopedia.com/coronavirus-aid-relief-and-economic-security-cares-act-4800707>.

⁵ Paulson, M. (2020, April 8). *Short-Run Economic Effects of the CARES Act*. Penn Wharton Budget Model. <https://budgetmodel.wharton.upenn.edu/issues/2020/4/8/short-run-effects-of-the-cares-act>.

⁶ Nu, S., & Ahmad, H. (2020, April 18). *Where the CARES Act went wrong*. TheHill. <https://thehill.com/opinion/white-house/493458-where-the-cares-act-went-wrong>.

⁷ LaBarre, S. (2020, April 17). Why the rollout of the \$2 trillion CARES Act was a colossal mess. Fast Company. <https://www.fastcompany.com/90491891/why-the-rollout-of-the-2-trillion-cares-act-was-a-colossal-mess>.