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The CARES Act: Subsidized Normalcy in an Intractable Era

In response to the demand and supply shocks caused by the coronavirus (COVID-19) crisis in the U.S., the two trillion dollar CARES (Coronavirus Aid, Relief, and Economic Security) Act was approved at the end of March to provide emergency relief to many institutions and individuals. Some of the largest components of the act included cash payments to most Americans, increased unemployment benefits, funding for both large and small businesses, and funding for medical institutions and research. While critics argue that it doesn't address some of the underlying problems in society or comes too late, the scale of the emergency has caused this bill and similar ones in many other countries to gain overwhelming support. The CARES Act cannot be compared to previous recessions because of the forced circumstances; we cannot even provide a "stimulus" bill at this time because of mandatory isolation and the resulting inability to buy goods, so the best that can be done is financial "lifelining." Given the current overall state of the nation and our prior economic situation, the CARES Act is a very necessary fiscal policy to fight the recession: it offers relief to those in the most dire situations, and it offers incentives to keep unemployment low (which will help recovery).

In providing a temporary universal basic income for low-income Americans, the CARES Act maintains a basic standard of living for low-income Americans, which prevents escalating the disaster further. It's no secret that income inequality in the U.S. has been growing in recent years, but this virus exacerbates the problem. Those in the lowest income bracket tend to have jobs in the service industry (increasing their likelihood for catching the disease), have less access to health insurance (increasing mortality rate), and have a smaller unemployment wealth buffer (forcing them to stay on their job, increasing the likelihood for spreading the disease). In an article by the New York Times, Fisher summarizes these effects, concluding that "inequality itself may be acting as a multiplier on the coronavirus's spread and deadliness," and claiming that other historical crises also tended to increase inequality (Fisher, 2020). The CARES Act has money allocated to providing almost all adults with a small income and increased unemployment insurance, which will help mitigate two of these effects and thus decreasing the inequality "multiplier." While the lowest income bracket is most in need of this basic income, roughly half of all Americans live paycheck-to-paycheck (Heflin, 2020), so this should help a great number of people be able to continue living pseudo-normally under isolation conditions, either with the government-subsidized incomes or unemployment insurance. With assurance of an income, improved insurance, and tax cuts, the CARES Act mitigates the spread of economic inequality and curbs panic, either of which would worsen the current situation. While the Act certainly doesn't solve the problems of high inequality (rather, it exposes many areas of improvement for low-income people, such as poor access to healthcare and high student loans), maintaining the economic status quo may be the best we can do in an emergency situation.

In addition to providing immediate relief to low-income Americans, another important factor of the CARES Act is its measures to keep many businesses afloat to allow for recovery after the recession. Similar to low-income individuals, many small businesses don't have funds to last very long without revenue; a recent report found that small businesses on average only have enough funds available for twelve days without revenue (Farrell et al., 2018). Mandated isolation periods and the closure of "non-essential businesses" have clearly exceeded that interval, even far before the release of the CARES Act, which forced many small businesses to close permanently or indefinitely. Even if the tsunami of unemployed workers could be supported by this temporarily bolstered unemployment insurance, it is an unsustainable pattern. Economics professor Ricardo Reis notes that the "re-matching of markets, companies and workers often makes recessions prolonged and painful. It is better to stop businesses failing in the first place, if the lockdown is going to be short-lived" (Reis, 2020). Fortunately, almost half of the CARES Act is allocated towards businesses toward fulfilling Reis's philosophy, with small businesses receiving a sizable amount: three-quarters as much as large businesses (Routley, 2020). While the methods and terms by which the government subsidizes companies differs, a similar policy is in place throughout modern countries facing the pandemic. Denmark, for example, subsidizes up to three-quarters of a worker's salary, under the condition that the workers stay employed and that they stay isolated; in France, the government will subsidize the entire worker's wages if the company cannot provide it (Synder, 2020). In the U.S., there is less of a guarantee of direct government subsidy of wages, but small businesses are incentivized with loans to continue to keep their workers employed and to rehire recently laid-off employees. While the U.S. doesn't force its workers to stay at home in order to receive government subsidy (like Denmark) or offer seamless handoff of paying wages to the government (like France), it does encourage businesses to keep employment and offers some flexibility on what to spend on.

Facing an unprecedented pandemic with the potential for a massive economic downturn, whatever that can be done to help citizens maintain their economic status and keep businesses open until the crisis is over is an effective measure. The CARES Act is a lifeline bill tackling both of these major problems, and thus is effectively helping us mitigate the economic disaster as we wait for the health disaster to pass us by.

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