

Overview

The American economy has experienced economic recessions and downturns throughout history, and in some instances, the U.S. government has been forced to respond at varying levels. Some legislative responses have helped circulate money, while others have prioritized job creation. Historically, stimulus legislation has often provided initiatives to promote economic recovery whilst providing jobs, advancing infrastructure, and implementing social programs. This Basic will consider the success and failures of three major stimulus bills passed in the midst of economic crises.

The Great Depression and the New Deal

In wake of the Great Depression, there was an assumption that the federal government would need to intervene. Within the first days of the Roosevelt administration, banking reform laws, emergency and work relief programs, as well as agriculture programs were passed. The First New Deal (1933-1934) handled the pressing banking crisis through the Emergency Banking Act and the Banking Act of 1933. Economic challenges and unemployment persisted, and FDR launched what is now known as “The Second New Deal” (1935-1936), which was a series of programs referred to as “alphabet soup.” Programs created that remain today include: The Social Security Board (SSB), Securities and Exchange Commission (SEC), Federal Housing Administration (FHA), Federal Communications Commission (FCC), Federal Deposit Insurance Corporation (FDIC), Farm Credit Administration (FCA), and Tennessee Valley Authority (TVA). Additional legislation passed included the Social Security Act, union protection programs, and programs for aid farmers and migrant workers.

In order to boost the economy and provide jobs, Congress passed a series of infrastructure bills that helped build major bridges, roads and other improvements including the Hoover Dam and the Golden Gate Bridge. The bills met the needs of modernization while supplying jobs and money to those suffering financially. The long-term effect of the New Deal programs set a precedent for the federal government to partake in economic, health, and social affairs within the United States.

Great Recession of 2008

In 2007, as a result of financial deregulation and banks engaging in hedge fund trading, the U.S. Economy began to falter. Housing prices started falling as supply outpaced demand. Homeowners couldn't afford payments on their houses, but also couldn't sell their homes. Eventually, banks stopped lending to each other when the values of the derivatives crumbled, leading to the Financial crisis known as the Great Recession. In response, President George W. Bush signed the Economic Stimulus Act in 2008 to alleviate the effects and stave off the recession. The act consisted of \$152 billion that included a \$600 tax rebate to low- and middle-class households.

When President Barack Obama entered office, he signed the American Recovery and Reinvestment Act ([ARRA](#)) of 2009 on February 17, 2009 in response to the Great Recession. The law aimed to save existing jobs, create new jobs, invest in infrastructure, education, health, renewable energy, and provide temporary relief programs for those most affected.

Center Forward Basics

Center Forward brings together members of Congress, not-for profits, academic experts, trade associations, corporations and unions to find common ground. Our mission: to give centrist allies the information they need to craft common sense solutions, and provide those allies the support they need to turn those ideas into results.

In order to meet our challenges we need to put aside the partisan bickering that has gridlocked Washington and come together to find common sense solutions.

For more information, please visit www.center-forward.org

The ARRA stimulus package boosted the economy immediately, and additional legislation known as the [Dodd-Frank Act](#) instilled confidence in American consumers, helping to prevent further economic collapse.

COVID-19 Recession

Due to the effects of the Coronavirus, many businesses were forced to temporarily close their doors, and by April 2020, more than 23 million people had filed for unemployment, bringing the unemployment level to 14.7 percent. From February 12, 2020 to March 11, 2020, the Dow had fallen 20.3%, and as of June 8th, The National Bureau of Economic Research declared a recession had started in February. In March, to combat the economic effects of COVID-19, lawmakers passed a series of bills to support families and businesses affected by the virus. These bills included: The Coronavirus Preparedness and Response Supplemental Appropriations Act ([H.R. 6074](#)), The Families First Coronavirus Response Act ([H.R. 6201](#)), and the Coronavirus Aid, Relief, and Economic Security (CARES) Act ([H.R. 784](#)).

Federal lawmakers passed and the President signed into law an unprecedented \$2 trillion-dollar stimulus package known as the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This response focused on allocating money to individuals, small and large businesses, and healthcare systems and hospitals to assist in buying personal protective equipment (PPE) to assist in the global pandemic of COVID-19. Some of the major provisions in the CARES Act included:

- \$367 billion loan and grant program for small businesses
- Expansion of unemployment benefits to include benefits increased by \$600 per week for a period of four months
- Direct payments to families of \$1,200 per adult and \$500 per child for households making up to \$75,000
- Over \$130 billion in grants to hospitals, health care systems, and providers
- \$500 billion fund for loans to corporate America
- Cash grants of \$25 billion for airlines (in addition to loans), \$4 billion for air cargo carriers, \$3 billion for airline contractors to support payroll
- A ban on stock buybacks for large companies receiving government loans during the term of their assistance plus one year
- \$150 billion in loans to state and local governments.

While the stimulus package provided funds to various sectors including the military, individual citizens, and hospitals, most of the funds were made available to help health care providers and businesses. The CARES Act differed from previous stimulus packages because it did not create jobs, expand broadband internet, or create medical innovation.

Despite receiving a stimulus check, many Americans still struggle to make ends meet. As case numbers rise, the White House and Congress seek to introduce legislation that would provide additional money to help struggling individuals and families. One legislative proposal is the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act ([H.R. 6800](#)) which provides additional emergency funding, including more stimulus checks. While the HEROS Act is stalled in the Senate, legislators continue to propose stimulus packages that include rent coverage or forgiveness, stimulus checks, and unemployment payment extensions.

Conclusion

Due to the economic impact of COVID-19, necessary payments and financial aid were made to help struggling families stay afloat in a struggling economy. As 2020 and the effects of COVID-19 are different than any other financial or economic crisis in United States history, the stimulus packages also differ greatly from previous stimulus packages. Historically, stimulus packages included employment programs, working or environmental standards, infrastructure development, among other things to help stimulate the economy further than combating against the immediate crisis. Similar to former stimulus packages, the U.S. now has a unique opportunity to expand needed infrastructure, create jobs that stimulate the economy, and implement permanent changes to protect people from either a resurgence of the virus or another global pandemic.

Links to Other Resources

- Congressional Budget Office - [Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output in 2014](#)
- Congress.gov - [The Heroes Act](#)
- Congress.gov - [CARES Act](#)
- Congress.gov - [Families First Coronavirus Response Act](#)
- Congress.gov - [Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020](#)
- CRS Reports - [American Recovery and Reinvestment Act of 2009 \(P.L. 111-5\): Summary and Legislative History](#)
- CRS Reports - [The Coronavirus Aid, Relief, and Economic Security \(CARES\) Act—Tax Relief for Individuals and Businesses](#)
- CRS Reports - [The Federal Reserve's Legal Authorities for Responding to the Economic Impacts of COVID-19](#)
- Curbed Opinion - [Coronavirus stimulus: Where's the New Deal for a post-pandemic America?](#)
- Forbes - [The CARES Act Has Passed: Here Are The Highlights](#)
- New York Times- [Opinion | This Stimulus Bill Will Not Save the Economy From Collapse](#)
- Library of Congress - [Franklin Delano Roosevelt and the New Deal](#)
- Politico - [Why the Trump Administration Won't Be Able to Make the Stimulus Work](#)