



Short-Run Economic Effects of the CARES Act

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<https://budgetmodel.wharton.upenn.edu/estimates/2020/4/8/short-run-effects-of-the-cares-act>

Summary: We estimate that the \$2.3 trillion CARES Act will dampen the fall in GDP in the second quarter of this year (2020 Q2) from an annualized rate of 37 percent to 30 percent, and will produce around 1.5 million additional jobs by the third quarter (2020 Q3).

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Table 1. Total Output Effects of the American Recovery and Reinvestment Act by Category

Category	Total Output Multiplier	
	Low Estimate	High Estimate
Purchases of goods and services by the federal government	0.5	2.5
Transfer payments to state and local governments for infrastructure	0.4	2.2
Transfers to persons (unemployment benefits, education transfers and food stamps)	0.4	2.1
Transfer payments to state and local governments for other purposes	0.4	1.8
One-year tax cuts for higher-income people	0.1	0.6
Business tax provisions primarily affecting cash flow	0	0.4

Source: Congressional Budget Office Working Paper 2015-02



Table 2: Major Spending Categories for the Coronavirus Aid, Relief and Economic Security Act

Category	Outlay	Total Effect on Output		
		Estimate Using Low Multipliers	Estimate Using High Multipliers	PWBM Estimate
Unemployment Benefits: \$600 per week unemployment benefit increase; Pandemic Unemployment Assistance; 13-week extension of benefits	\$260	\$111	\$553	\$111
One-time Checks: Direct payments of \$1,200 per adult and \$500 per child to middle- and low-income families	\$290	\$123	\$616	\$123
Income Support: Increases in SNAP, child nutrition, housing support, and child and family services	\$42	\$18	\$89	\$18
Small-Business Loans and Grants: Loans of up to \$10 million to small businesses with forgiveness provisions for funds used to meet payroll, mortgages, rent and utility obligations; emergency grants for small businesses	\$377	\$107	\$584	\$132
Loan Programs for Large Businesses & Governments: Loans to directly support airlines, transportation, national security, the U.S. Post Office. Funding a \$4.5 trillion lending facility with the Federal Reserve available to businesses and state and local government.	\$510	\$0	\$22	\$11
Transportation Support: Infrastructure grants to local governments, support to transportation providers to avoid employment and wage reductions, suspension of related taxes and fees.	\$72	\$25	\$131	\$38
Direct Aid to State and Local Governments: Minimum of \$1.25 billion to each state.	\$150	\$53	\$263	\$105
Health and Disaster Spending: Spending directed toward hospitals, other healthcare providers, preparedness, FEMA's disaster relief program, veterans and defense health, and other federal agencies.	\$225	\$87	\$435	\$174
Education	\$32	\$12	\$59	\$20
Individual Taxes: Penalties waived for COVID-19-related early retirement withdrawals, required minimum distribution suspension, other additional provisions.	\$20	\$3	\$12	\$3

Business Taxes: Payroll tax credits for employers keeping employees at a loss, relaxing interest deduction and operating loss caps, defer employer payroll tax payments for 2020.	\$280	\$23	\$207	\$68
Other Spending	\$25	\$9	\$45	\$9
Total	\$2,283	\$570	\$3,016	\$812