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HOME > ECONOMY

The \$5 trillion in pandemic-era stimulus is more than triple Great Recession-era aid — and suggests a permanent shift in the way Congress spends

Ben Winck Mar 10, 2021, 8:58 PM



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Passage of President Joe Biden's stimulus plan brings the total pandemic-relief tab to \$5 trillion.

The relief packages handily surpass past measures and mark a turning point for how Congress spends.

Americans largely back the new approach, with 66% supporting Biden's measure in a recent poll.

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The amount of fiscal stimulus used to keep the US economy afloat over the past year blows past packages out of the water. But Americans don't seem all that worried. In fact, one could say they're getting used to it.

House Democrats [passed President Joe Biden's \\$1.9 trillion relief package](#) on Wednesday, sending the bill to the Resolute Desk for a final signature. The plan's approval brings the sum of federal aid passed during the pandemic to roughly \$5 trillion, a level practically unimaginable just 10 years ago.

Individually, all three spending packages passed during the pandemic handily surpassed the largest relief measure approved during the 2008-2009 financial crisis. When compared with older aid measures, the pandemic-era bills are gargantuan.

The scope of the virus' economic fallout is just one reason for the packages' hefty price tags. Some have [critiqued past plans as inadequate](#) and urged Congress to err on the side of overspending.

Yet even adjusting for inflation, the deals enacted by President Donald Trump and, as is expected Friday, by Biden exist in a league of their own. And despite the swelling amounts, several recent polls suggest Americans are largely on board.

Bridging the prior crisis

For comparison, stimulus approved by President George W. Bush at the start of the financial crisis totaled just \$152 billion. The Troubled Asset Relief Program created soon after allocated \$700 billion for buying up banks' toxic assets. Yet only \$426 billion was invested through the program.

President Barack Obama's first major legislative

accomplishment came in February 2009 when he signed the American Recovery and Reinvestment Act into law. The stimulus plan included some \$831 billion in aid spread across tax cuts, expanded unemployment benefits, education funding, and aid for state and local governments.

The Obama administration at one point hoped to pass a \$1 trillion bill, but it gave up on such plans after considering how difficult it would be to market the legislation to more moderate lawmakers, according to the former president's memoir. Still, the approved bill was then the largest-ever stimulus package by a large margin.

But stimulus measures aren't the only laws to boast increasingly massive price tags. The Tax Cut and Jobs Act signed by Trump in 2017 is estimated to raise the federal deficit by \$1.9 trillion from 2018 to 2028, according to the nonpartisan [Congressional Budget Office](#).

The bill included the largest-ever cut to the corporate tax rate. Still, analysis by the Committee for a Responsible Budget pegs it as the eighth-largest in US history when measured as a proportion of the country's gross domestic product.

Looking further back, it's clear that Washington has grown more comfortable with spending swaths of cash in response to crises. Just weeks after the 9/11 terrorist attacks froze the travel industry, Congress passed a measure to extend \$15 billion in relief to struggling airlines. That sum amounts to roughly \$22.2 billion when adjusted for inflation.

Even New Deal policies enacted throughout the 1930s pale in comparison with the COVID-19 rescue packages. The collection of programs and laws is estimated to have cost \$41.7 billion at the time, according to a 2015 study by economists Price Fishback and Valentina Kachanovskaya. That equates to about \$789 billion in today's dollars, less than Obama's stimulus package and roughly 40% the size

of Biden's plan.

Pay now, worry later

Passage of the third major pandemic-relief bill marks a turning point in how Congress spends, but Americans are generally for the change. Two-thirds of Americans in a [late-February poll](#) conducted by The Economist and YouGov backed Biden's plan, while just 25% opposed it. That makes it more popular than Obama's stimulus bill, the 2008 TARP plan, and Trump's 2017 tax cut.

Studies of the \$2.2 trillion CARES Act, enacted last March, suggest the main tenets of the latest package — \$1,400 direct payments and expanded unemployment benefits — will quickly lift consumer spending and accelerate growth. Americans receiving checks from the first relief measure immediately raised spending by \$604 on average, according to research from the [Federal Reserve Bank of Chicago](#).

Americans living paycheck to paycheck spent 62% of their stimulus payment in just two weeks. That compares with 35% for Americans who save most of their monthly income, the Fed researchers said. The data signals that targeting lower- and middle-income Americans with additional aid is the most efficient way to spur growth.

Wall Street is also optimistic Biden's bill can supercharge the climb to pre-pandemic strength. [Morgan Stanley](#) and [UBS](#) lifted their growth forecasts this week, citing the plan and its size for their rosier outlooks. The plan's passage and fast-acting effects on spending can bring US GDP to levels seen before the pandemic by the end of the month, economists at Morgan Stanley said.

To be sure, the unprecedented amount of federal spending has racked up a similarly historic bill. Federal debt was expected to reach [102% of GDP this year](#) even before Biden's plan was approved, the CBO said last month. The office also pegged the pre-stimulus budget deficit at \$2.3

trillion, meaning the bill's passage stands to lift the shortfall to its largest level ever.

Yet officials at the Fed aren't immediately concerned with paying for the trillions of dollars in aid. The central bank has signaled it plans to hold interest rates near zero through 2023, ensuring that the cost the US pays to service its debt won't rise to dangerous levels.

Chair Jerome Powell reiterated to lawmakers in February that, though the debt can't remain at such elevated levels, Congress' focus should remain on reviving the economy.

"I think that we will need to get back on a sustainable fiscal path," Powell said while testifying to the Senate Banking Committee. "That's going to need to happen, but it doesn't have to happen now."

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