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PREMIUM VIEWPOINTS

The CARES Act: A Three-Year Retrospective



Rep. Thomas Massie (R-Ky.) in Washington on March 8, 2022.
(Anna Moneymaker/Getty Images)

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Print

Commentary

On the very day that lockdowns were announced (March 16, 2020), the Federal Reserve revved up its printing press and Congress prepared the CARES Act that spent \$2.2 trillion to feed the lockdown beasts at the state level.

It was a huge turning point in U.S. history that changed everything. We are still dealing with the fallout today in the form of inflation and the growing bank crisis.

The slogan 15 Days to Flatten the Curve was enough of a blow from which it would have taken a very long time to recover. But if it had only been that, history would have seen the period as a brief moment of insanity before normalcy returned.

It was the action of Congress, egged on by every special interest and the White House, that cemented lockdowns as policy and guaranteed years of suffering.

Congress prepared a vote on March 27 but they were planning on doing it via Zoom, without even having read the bill. One man in Congress stood up and said no. Thomas Massie of Kentucky, citing the U.S. Constitution, demanded an in-person vote.

After all, the Constitution does say: “a Majority of each shall constitute a Quorum to do Business; but a smaller Number may adjourn from day to day, and may be authorized to compel the Attendance of absent Members, in such Manner, and under such Penalties as each House may provide.”

He pressed the point and thereby required at least half of everyone to come back, traveling to Washington, D.C., precisely when they were most scared to leave their homes.

It made sense. If you are going to shower the country with that much money, the least one could do is adhere to the rules of the house and show up for a vote!

And by the way, Massie is not only a fan of the Constitution. He also knows about engineering and math and therefore knew for certain that two weeks of couch surfing would achieve absolutely nothing. He knew based on existing data that the virus would need to become endemic through exposure. Delaying that only prolongs and intensifies pain.

He did the math on the rate of infection and knew for certain that the 15 Days thing was a ruse. They intended very long lockdowns. The only way it would happen is if Congress funded it with unprecedented largess. Given the panic in the air, he figured it would pass but he wanted history to record the votes in person.

That day Massie became the most hated man in Washington. Not that he cared much. He was more interested in facts, science, and good economics rather than popularity. He got into politics to achieve something good, not vote for a mass pillaging.

The president, however, was a huge supporter of the bill and the lockdowns, and therefore furious at Massie. He tweeted that Rep. Massie—one of the more brilliant and humble members of Congress—was a “third-rate Grandstander.” “He just wants the publicity,” he said, and called for party leaders to “throw Massie out of [the] Republican Party!”

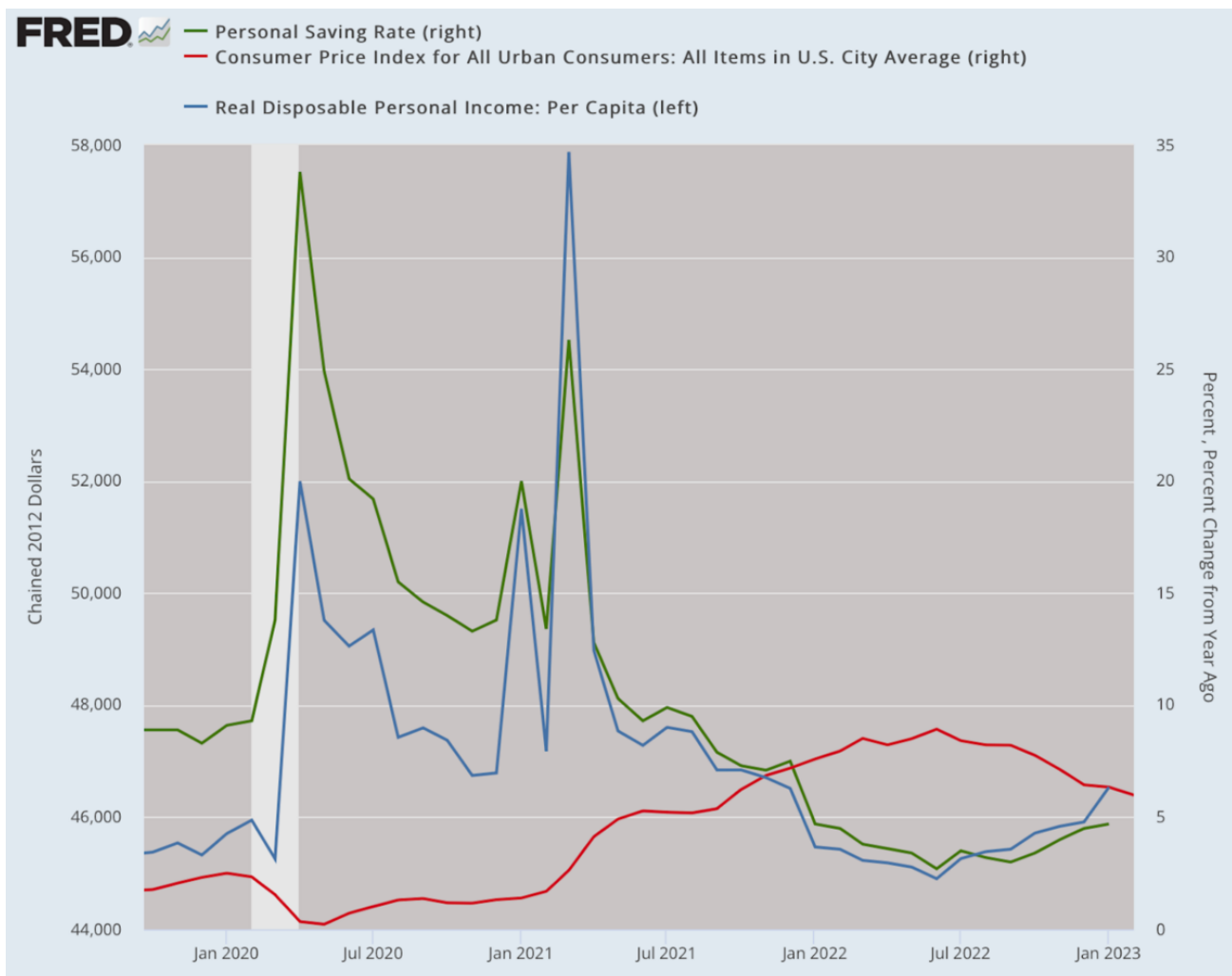
Of course the bill sailed through, with only Massie in opposition. That bill ended up being a disaster. It could arguably be blamed for why so many states kept their economies closed as long as they did. The money itself, rather than being used for compensation for lockdowns, became a moral hazard to continue the lockdowns for as long as possible.

Indeed, the more money that Congress allocated to lockdown relief, the longer the lockdowns went on. And the money, of course, led to unprecedented fraud and waste, with billions outright stolen.

There is even an online tracker of fraud cases that you can search. There is good reason to believe that this is only the tip of the iceberg.

As for the money pumped into the bank accounts of regular Americans, it seemed like gold out of nowhere. Savings ballooned, people paid off credit cards, splurged on laptops and flat-screen TVs, and otherwise wondered how it was that hardly anyone was working and yet everyone was more prosperous than ever.

It was because the Congress had just spent what amounted to 10 percent of GDP on straight-up welfare for the American people and businesses. It was one of the great policy head fakes in U.S. history. Savings soared, until they later plummeted. Income rose until inflation began to eat away the paychecks. Then credit card debt blew up in the midst of rising interest rates.



(Data: Federal Reserve Economic Data [FRED], St. Louis Fed; Chart: Jeffrey A. Tucker)

By the middle of 2021, only a year and a few months later, the fake prosperity revealed itself. The money vanished and American living standards began a long decline that continues to this day. In addition, life expectancy is dramatically decreasing. A whole generation of kids missed two years of school and the country has plunged into illiteracy and cultural collapse.

The masks and unwarranted shots for masses of people led millions to job displacement and ill-health. The political divisions unleashed by these lockdowns and their aftermath have made the idea of “one nation” a distant memory. There is widespread consensus that the age of the American empire seems to have closed.

The counterfactual is elusive but one still wonders. How might history have been different had more people smelled a rat during the second week of March 2020? What if we had scientists with a public presence who understood the virus, could read the risk demographics, understood endemicity, and convinced politicians to inform the public in responsible ways?

Further, what if Congress had not gone on this wild spending spree that ended up prolonging lockdowns? If that had never happened, the states would have opened up fairly quickly just to preserve a functioning economy. Once Congress started throwing around that kind of cash, governors rethought, realizing that there is good money to be made in lockdowns. In other words, they realized that they would pull in more cash by keeping their citizens' locked than they would lose in tax revenue from the closures. They were bought off to keep assaulting their citizens' rights.

In all, there was a close match between increases in government spending and increases in hot money on the street: between \$6–7 trillion of both within the course of little more than one year. It was a perfect combination of the worst-possible fiscal and monetary policies all wrapped into a single week, arguably the worst week in U.S. history. And it was only the beginning. Congress ended up approving about four times that amount in spending over the course of the pandemic.

The inflation it unleashed needed to be tamed, which the Fed attempted to do with higher interest rates. It embarked on the largest and fastest rate increases in U.S. history, which of course led to a massive mismatch between bank assets and existing bond yields. That this had to happen is first-year finance but, still, the banks found themselves in trouble.

Incredibly, the Secretary of the Treasury promised a full bailout of all depositors regardless of insurance limits, which only increases the moral hazard and discourages sound banking practices. Once again, the entire fiasco, which continues to this day, began three years with a panicked Congress spending money it did not have on a policy that was untenable from the outset.

In a just world, every single member of Congress who voted for the CARES Act should be booted from office, leaving only Thomas Massie as a lawmaker in the House of Representatives with a brain and courage to do what is right. It was certainly a turning point in American history when we as a nation went from teetering on the edge to taking a full plunge into economic insanity and bankruptcy.

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