

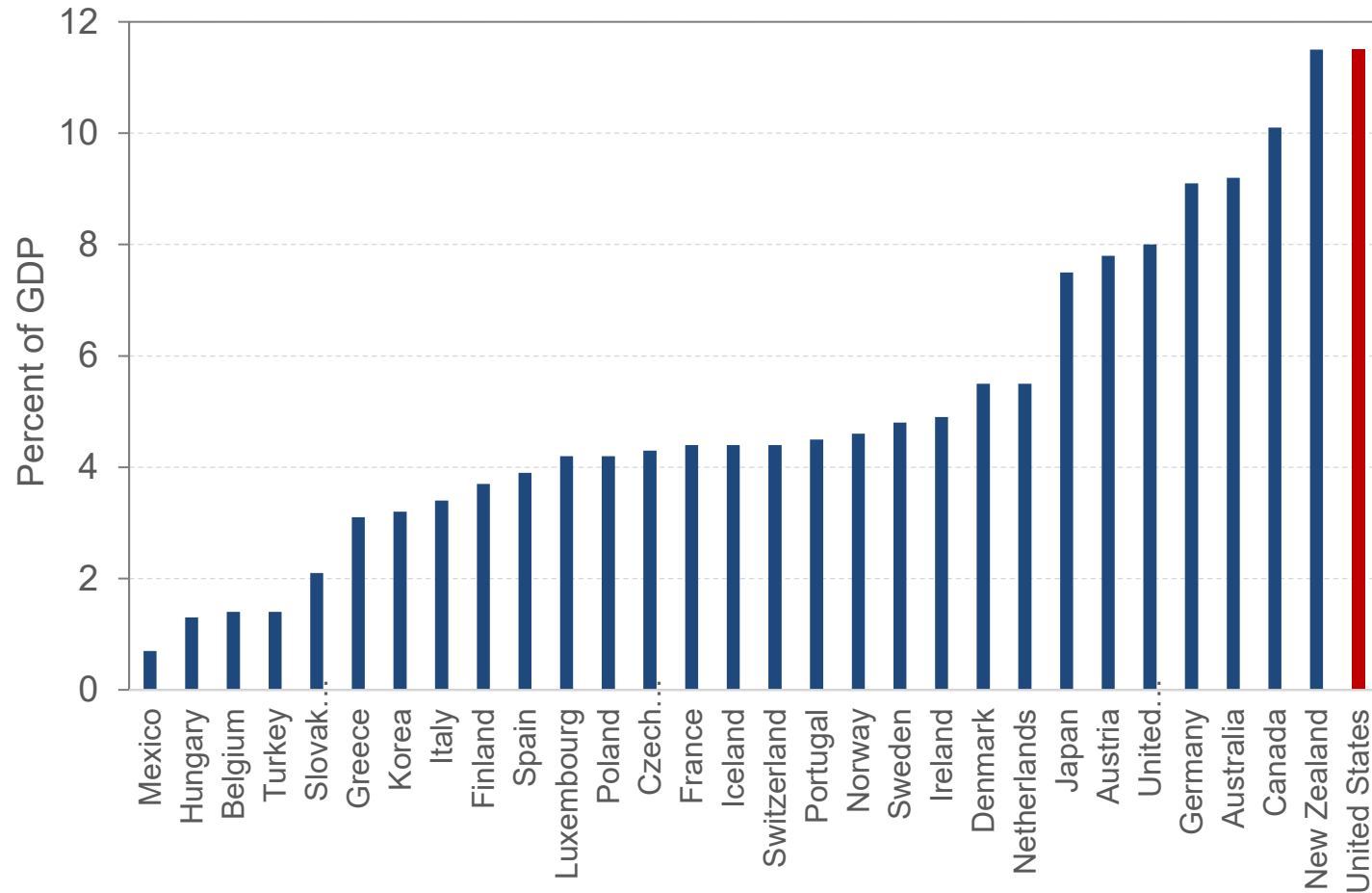
THE FISCAL POLICY RESPONSE TO THE PANDEMIC



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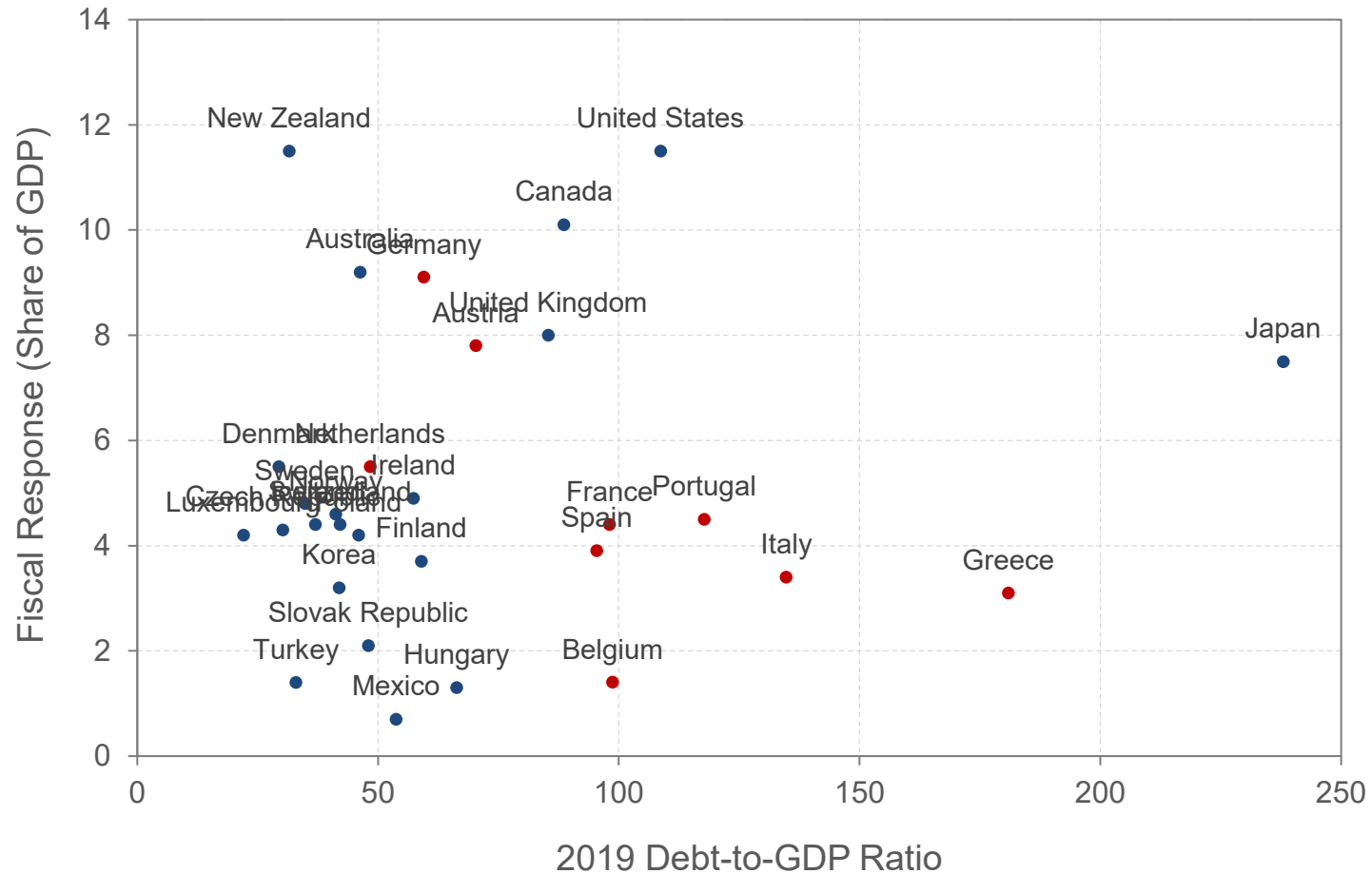
I. VARIATION IN THE SIZE OF THE FISCAL RESPONSE

Early Pandemic Fiscal Packages in OECD Countries



Source: Romer and Romer, unpublished.

The Fiscal Response and Debt-to-GDP



Source: Romer and Romer, unpublished, and IMF.

II. EVALUATING THE U.S. FISCAL RESPONSE

What Is Different about a Pandemic Recession?

- Pandemics thrive on economic activity, so the goal cannot be to prevent all falls in output or employment.
 - Corollary: The public health situation is crucial.
- Impact of the pandemic is highly unequal.
- Measures to increase aggregate demand do not help everyone harmed by the pandemic.

Implications for Pandemic Fiscal Policy

- Policy should be aimed much more at social insurance than at general stimulus.
- Dealing with the underlying problem (the virus) is more central than usual.

Effects of U.S. Pandemic-Related Legislation on the Deficit

Provision	Deficit Impact
Enhanced Unemployment Compensation	\$748 billion
Direct Assistance for State and Local Govts.	\$597 billion
Health Care Spending	\$599 billion
Direct Payments to Households	\$870 billion
Paycheck Protection Program	\$808 billion
Other Loan and Grant Programs	\$222 billion
Other Spending Provisions	\$938 billion
Other Revenue Provisions	\$426 billion
Total	\$5.2 trillion

Source: Committee for a Responsible Federal Budget Covid Money Tracker.

Appropriateness of the Various Actions

Valuable and effective:

Public health spending

Enhanced unemployment benefits

State and local fiscal relief

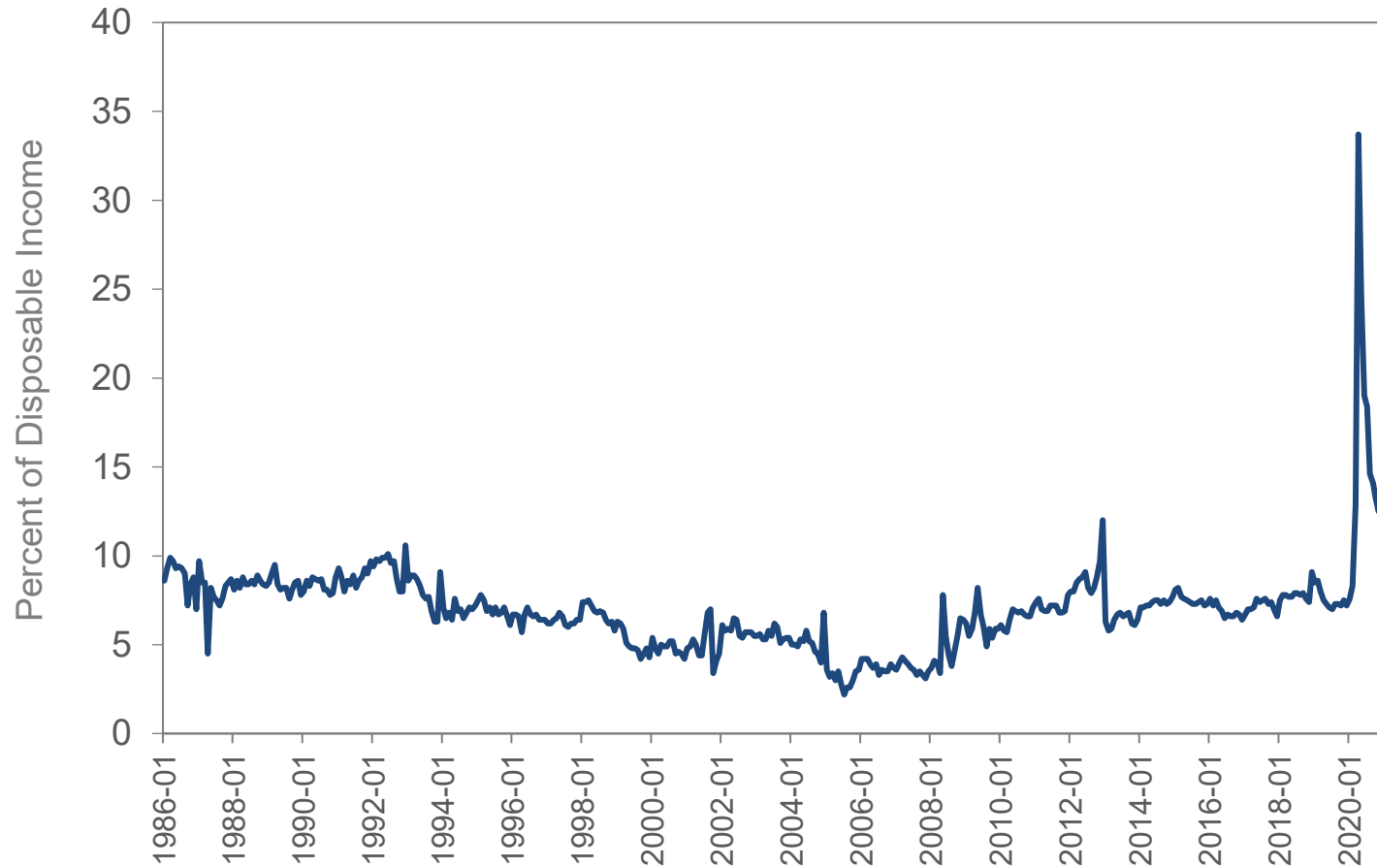
Not well suited to the unique challenges:

One-time stimulus payments

Paycheck Protection Program

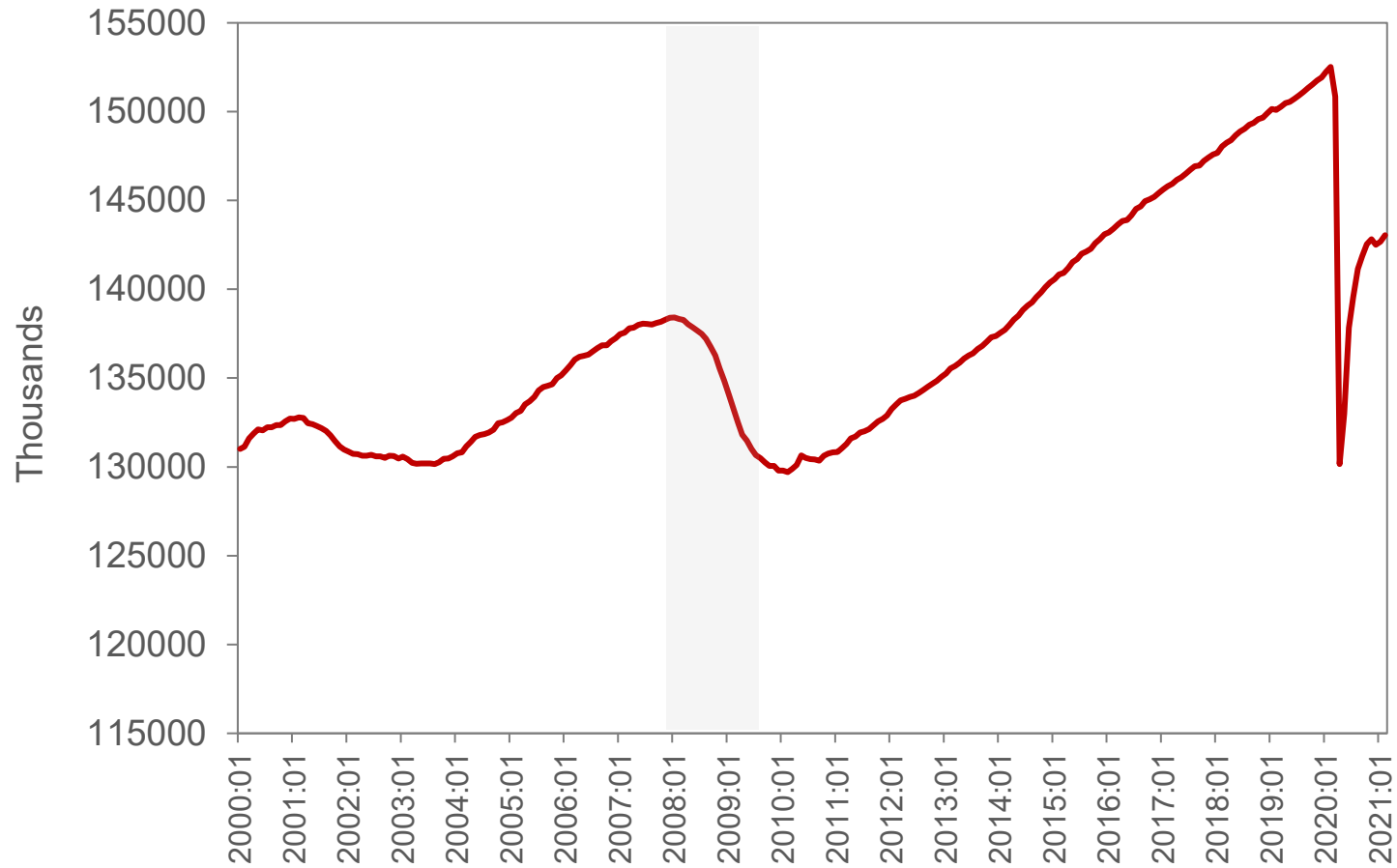
III. LONGER-RUN CONSEQUENCES OF FISCAL POLICY

Personal Saving Rate



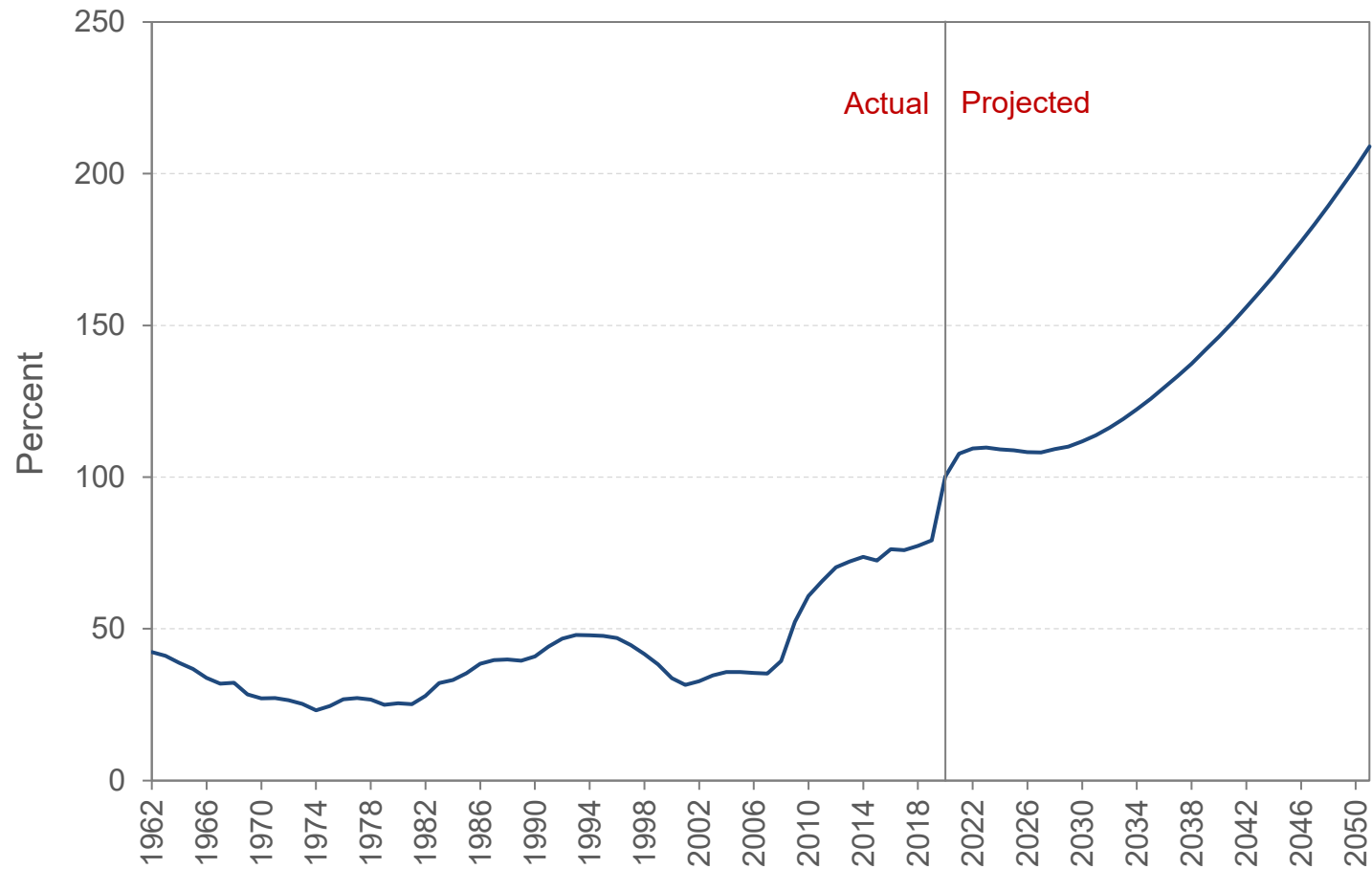
Source: Bureau of Economic Analysis.

Total Non-Farm Employment



Source: Bureau of Labor Statistics.

U.S. Debt-to-GDP Ratio



Source: Congressional Budget Office and Auerbach calculations.