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Source: Romer and Romer, unpublished.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Source: Romer and Romer, unpublished, and IMF.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

<table>
<thead>
<tr>
<th>Provision</th>
<th>Deficit Impact</th>
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<tbody>
<tr>
<td>Enhanced Unemployment Compensation</td>
<td>$748 billion</td>
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<tr>
<td>Direct Assistance for State and Local Govts.</td>
<td>$597 billion</td>
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<tr>
<td>Health Care Spending</td>
<td>$599 billion</td>
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<tr>
<td>Direct Payments to Households</td>
<td>$870 billion</td>
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<tr>
<td>Paycheck Protection Program</td>
<td>$808 billion</td>
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<tr>
<td>Other Loan and Grant Programs</td>
<td>$222 billion</td>
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<tr>
<td>Other Spending Provisions</td>
<td>$938 billion</td>
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<tr>
<td>Other Revenue Provisions</td>
<td>$426 billion</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$5.2 trillion</strong></td>
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</tbody>
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*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
Source: Bureau of Economic Analysis.
Source: Congressional Budget Office and Auerbach calculations.