



Economic Review

Fiscal Relief during the COVID-19 Pandemic

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The fiscal policy response to the pandemic aided sectors of the economy most in need of funds, but the long-term effects of these programs remain to be seen.

In response to the sharp economic downturn during the COVID-19 pandemic, Congress passed unprecedented policy relief measures to support households, businesses, and the broader economy. Compared with previous fiscal stimulus responses, these relief programs have been unmatched in size and scope, speed of response, and novelty of design.

Huixin Bi and Chaitri Gulati review recent empirical research on three fiscal relief programs—stimulus checks, augmented unemployment insurance (UI) benefits, and the Paycheck Protection Program (PPP)—to understand their effects on the broader economy as well as their effectiveness. Bi and Gulati find that stimulus checks provided direct income support to liquidity-constrained and lower-income households, but because households who did not suffer income losses put the money into personal savings, the full boost to consumption has yet to be seen. Augmented UI benefits fully replaced earnings for the majority of recipients who lost jobs. And the PPP aided the continuity of the small business sector and boosted employment at a modest pace. Overall, Bi and Gulati find that the fiscal policy response to the pandemic largely benefitted segments of the economy most in need, but the long-term effects from these programs remain to be seen.

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