Lauren Lamberson

Fiscal Policy Paper

4/22/22

The COVID-19 pandemic affected the United States economy in an unprecedented way. Millions of jobs were lost in a few short months, and many people were struggling to make enough money to sustain themselves and their families. The government responded to the struggling economy in many ways, including the enormous $5.2 trillion fiscal response to the pandemic.

According to Christina D. Romer, an Economics professor at the University of California, Berkeley, the recession we experienced during the pandemic fundamentally differs from other recessions, such as the one in 2008. She argues that “fiscal policy during a pandemic should be geared much more toward helping those who are directly harmed.” This is as opposed to increasing aggregate demand in a more general sense and should work toward giving social insurance rather than broad stimulus. In addition, although this fiscal policy was a substantial sum of money, it was necessary to start economic recovery. There was $599 billion added to the federal deficit to pay for public health measures because one of the only ways to get the economy back under control was to get the virus under control. As vaccinations have been rolled out and more medicines have been provided, the government can now focus more on the economy. There were some downsides to this policy, however. Some direct payments to households nationwide were given to families who were not financially in trouble from the pandemic. However, they did help many families who had lost jobs. This was a huge sum of money for the fiscal policy, but it was necessary to get the economy back under control.

https://www.brookings.edu/bpea-articles/the-fiscal-policy-response-to-the-pandemic/