

Macro Roundup Article

Headline: [Recent and Near-Term Fiscal Policy: Headwind or Tailwind?](#)

Article Link: <https://www.frbsf.org/economic-research/publications/economic-letter/2023/november/recent-and-near-term-fiscal-policy-headwind-or-tailwind/>

Author(s)	Brigid Meisenbacher and Daniel Wilson
Publication	Federal Reserve Bank of San Francisco
Publication Date	November 14, 2023

Tweet: [A @sfed analysis argues the fiscal tailwind is fading and going forward fiscal policy will be effectively neutral.](#)

Summary: What accounts for the large increase in the deficit during the pandemic recession? As Figure 2 implies, [the pandemic] spending increase, especially in 2021, was largely the result of discretionary policy. In particular, several major spending bills, including the \$2 trillion Coronavirus Aid, Relief, and Economic Security Act, were enacted over the course of 2020. These pieces of legislation included spending on small business support, unemployment benefits, and other household transfers, aid to state and local governments, and health care. To be clear, this spending surge and the resulting “excess” cyclical response of the deficit do not say anything about whether this was good or bad policy. Nonetheless, the large increase in the deficit was likely a strong tailwind to stimulate economic growth during the pandemic recovery. Related: Fiscal Arithmetic and the Global Inflation Outlook and Fiscal Influences on Inflation in OECD Countries, 2020-2022

Primary Topic: Business Cycle

Topics: Business Cycle, Fiscal Deficits, Fiscal Policy, GDP, Government Spending, Op-Ed/Blog Post

Permalink: <https://www.edwardconard.com/macro-roundup/a-sfed-analysis-argues-the-fiscal-tailwind-is-fading-and-going-forward-fiscal-policy-will-be-effectively-neutral?view=detail>

Featured Image Link: <https://www.edwardconard.com/wp-content/uploads/2023/11/Federal-Primary-Deficit-And-Its-Components.png>