

Welfare and Spending Effects of Consumption Stimulus Policies

2025-04-05

Christopher D. Carroll¹ Edmund Crawley² William Du³
Ivan Frankovic⁴ Håkon Tretvoll⁵

Using a heterogeneous agent model calibrated to match measured spending dynamics over four years following an income shock (?), we assess the effectiveness of three fiscal stimulus policies employed during recent recessions. Unemployment insurance (UI) extensions are the clear “bang for the buck” winner when effectiveness is measured in utility terms. Stimulus checks are second best and have two advantages (over UI): they arrive faster, and they are scalable to any desired size. A temporary (two-year) cut in the rate of wage taxation is considerably less effective than the other policies and has negligible effects in the version of our model without a multiplier.

html: <https://llorracc.github.io/HAFiscal/>
PDF: [HAFiscal.pdf](#)
Slides: <https://llorracc.github.io/HAFiscal/HAFiscal-Slides.pdf>
GitHub: <https://github.com/llorracc/HAFiscal>

The views expressed in this paper are those of the authors and do not necessarily represent those of the Federal Reserve Board, the Deutsche Bundesbank and the Eurosystem, or Statistics Norway. This project has received funding from the European Research Council (ERC) under the European Union’s Horizon 2020 research and innovation programme (grant agreement No. 851891) and from the Research Council of Norway (grant No. 326419).

The authors would like to thank seminar participants at the Board of Governors of the Federal Reserve System, Deutsche Bundesbank, the European Central Bank, the Norwegian University of Science and Technology, Oslo Macro Group, the Society for Computational Economics in 2023 and 2024, Statistics Norway, the University of Pennsylvania, Vanderbilt University, and West Virginia University for valuable feedback. The authors would also like to thank Sasha Indarte, Adrian Monninger, Plutarchos Sakellaris, three anonymous referees, and the editor Morten Ravn for insightful comments on earlier versions of the paper.

¹Carroll: Department of Economics, Johns Hopkins University, ccarroll@jhu.edu, and NBER .

²Crawley: Federal Reserve Board, edmund.s.crawley@frb.gov

³Du: Johns Hopkins University, wdu9@jhu.edu

⁴Frankovic: Deutsche Bundesbank, ivan.frankovic@bundesbank.de

⁵Tretvoll: Statistics Norway, Hakon.Tretvoll@ssb.no