

# Welfare and Spending Effects of Consumption Stimulus Policies

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STIMULUS CHECKS, UNEMPLOYMENT INSURANCE EXTENSIONS, PAYROLL TAX CUTS,  
HANK/HETEROGENEOUS AGENT MODELS, MARGINAL PROPENSITY TO CONSUME, SPEND-  
ING MULTIPLIERS

E21, E62, H31

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HAFISCAL-ABSTRACT.TXT USING A HETEROGENEOUS AGENT MODEL CALIBRATED TO  
MATCH SPENDING DYNAMICS OVER FOUR YEARS FOLLOWING AN INCOME SHOCK (?), WE  
ASSESS THE EFFECTIVENESS OF THREE FISCAL STIMULUS POLICIES IMPLEMENTED DURING  
RECENT RECESSIONS. UNEMPLOYMENT INSURANCE (UI) EXTENSIONS ARE THE “BANG FOR  
THE BUCK” WINNER WHEN THE METRIC IS EFFECTIVENESS IN BOOSTING UTILITY. STIM-  
ULUS CHECKS ARE SECOND-BEST AND HAVE TWO ADVANTAGES (OVER UI): THEY ARRIVE  
FASTER, AND ARE SCALABLE. A TEMPORARY (TWO-YEAR) CUT IN WAGE TAXATION IS CON-  
SIDERABLY LESS EFFECTIVE THAN THE OTHER POLICIES AND HAS NEGLIGIBLE EFFECTS IN  
THE VERSION OF OUR MODEL WITHOUT A MULTIPLIER.

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