

Fiscal interventions must stay targeted and apolitical, say public policy experts

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All emergency financial actions the federal government takes during the pandemic crisis should be temporary and targeted, said two Rice University Baker Institute for Public Policy experts.

"Temporary policies reduce the incentive for politicians to try to implement policies unrelated to the battle against the pandemic," wrote Jorge Barro and John Diamond in a Baker Institute blog post. "This is not the time to move the country's fiscal policy in a partisan direction or alter the long-run size or scope of government."

Congress passed three bills in March to provide funding and aid during the coronavirus pandemic. The first authorized \$8.3 billion in emergency funding designed primarily to help government agencies fight the pandemic. The second, the Families First Coronavirus Response Act, provides free coronavirus testing to the public, creates a federal emergency paid sick and family leave program, allocates \$1 billion in grants to states for expanded unemployment insurance and dedicates more than \$1.5 billion for food assistance programs. The third, the Coronavirus Aid, Relief

and Economic Security Act (CARES), provides \$2 trillion in aid to businesses and health care providers.

"While the measures passed to date were not perfect, they were mostly temporary and targeted," Barro and Diamond wrote. "In fact, many elements did serve to dampen the collateral economic damage of the pandemic spread-mitigation efforts. Ongoing economic policy should remain narrow in focus and correspond directly to the limited duration of the disruption. Such an approach provides an atmosphere conducive to a rapid expansion of economic activity and minimizes near-term moral hazards."

Barro and Diamond note the current crisis has exposed existing [economic issues](#)—like low household savings, high corporate debt and excessive government debt—that will frame economic policy debates in the aftermath of this [pandemic](#).

Barro is a fellow in public finance at the Baker Institute. His area of research involves the development of dynamic macroeconomic models for fiscal policy evaluation. Prior to joining the institute, Barro was an economist at the University of Pennsylvania's Wharton Public Policy Initiative, where he led the development of its dynamic macroeconomic model and helped launch the nonpartisan Penn Wharton Budget Model.

Diamond is the Edward A. and Hermena Hancock Kelly Fellow in Public Finance and director of the Center for Public Finance at the Baker Institute, an adjunct professor of economics at Rice and CEO of Tax Policy Advisers, LLC. His research interests are federal tax and expenditure [policy](#), state and local public finance, and the construction and simulation of computable general equilibrium models.

Provided by Rice University

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