

## Session 3 Handout

### Priming the Pump: Government Stimulus Policies

#### **General Concepts Covered**

- Government Spending vs. Consumer Spending
- How you can stimulate Consumer Spending and what really works
- Modeling a Government Stimulus Package (Federal Rebate, State Rebate, and Federal Business Stimulus)

#### **Key Inputs**

##### Output

- Disposable income
- Government Spending
- Consumer Spending

##### Labor and Capital Demand

- Productivity

##### Wages Prices and Cost Blocks

- Production Costs
- Business Taxes and Credits
- Compensation

#### **Key Results**

- Employment
- Personal Income
- Output
- Demand
- Labor Force
- Population

#### **Background Information/Tips**

- ✓ Government Stimulus Packages can be simulated in numerous ways and with numerous inputs. We have chosen to directly affect personal taxes because it seems most direct. However, it could also be done by reallocating government spending or on the supply side.
- ✓ Make sure you are selecting the correct number of years for a stimulus package. Unlike employment, which is a change from baseline employment for a number of years, tax breaks or changes in personal income generally only last for a year – maybe a few years at most.