



The Daily Dish

Stimulus Again

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Eakinomics: Stimulus Again

Testifying on Capitol Hill yesterday, Treasury Secretary Mnuchin came down in favor of another piece of “stimulus” – a word that simply invites misinterpretation – legislation. According to [Bloomberg](#), “A fourth round of fiscal stimulus should include help for travel, retail and leisure businesses, and possibly more cash for American families, Mnuchin said Wednesday.”

That sounds ominous. Not the “cash for American families,” but the rest. The Trump Administration has always displayed a fondness for industrial policy, starting with its advocacy for the iron, steel, and aluminum industries and continuing to U.S. farmers. But it would be unwise to target recovery funds to travel, retail, and leisure.

Before attentive readers start screaming “you raging hypocrite, you gave full-throated [support](#) for the airline industry,” let me make an important distinction. Airlines are a key part of the supply chain. A disruption of airline service would ripple through the supply chain, creating further economic harm to all businesses – and vital businesses in particular – that still need to receive intermediate goods. The success of the airlines, thus, has a spillover to the larger economy.

You cannot make the same case for most industries, and not for travel, retail, and leisure. They are no more – but also no less – deserving of economic support in recovering from the COVID-19 recession. The best strategy is to formulate the nature of support – help in adjusting supply to the coronavirus, increased demand, etc. – and make it broadly available to all sectors. There are (at least) four problems with departing from this stricture.

First, it invites complaints of self-dealing. The Trump family – aka POTUS, his key staff, and FLOTUS – still have extensive leisure and hospitality holdings. It’s a bit rich to focus the taxpayer funds in this way.

Second, it sets the administration up for failure. There is little doubt that there will be significant downsizing, closures, and losses in those sectors. Each one will be held up as evidence that “stimulus failed.” It is dangerous to have the population lose faith in the policy response and dicey to have perceived policy failures headed into an election. Just saying....

Third, it interferes with the natural adjustment mechanisms in the economy. Propping up that which is destined to go away just means that it will take longer to get everyone back to work and growth at its potential.

Fourth and finally, it is unfair, and other industries will take notice. This invites yet another piece of legislation to balance the scales – probably at least one more piece than is ideal – and results in a government that is overly intrusive in the economy.

There is almost certainly going to be one more piece of legislation designed to address the recession. It is important to get it right.