

“Helping People”

IMF/PIIE Rethinking Fiscal Policy Event

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Economic Impact Payments

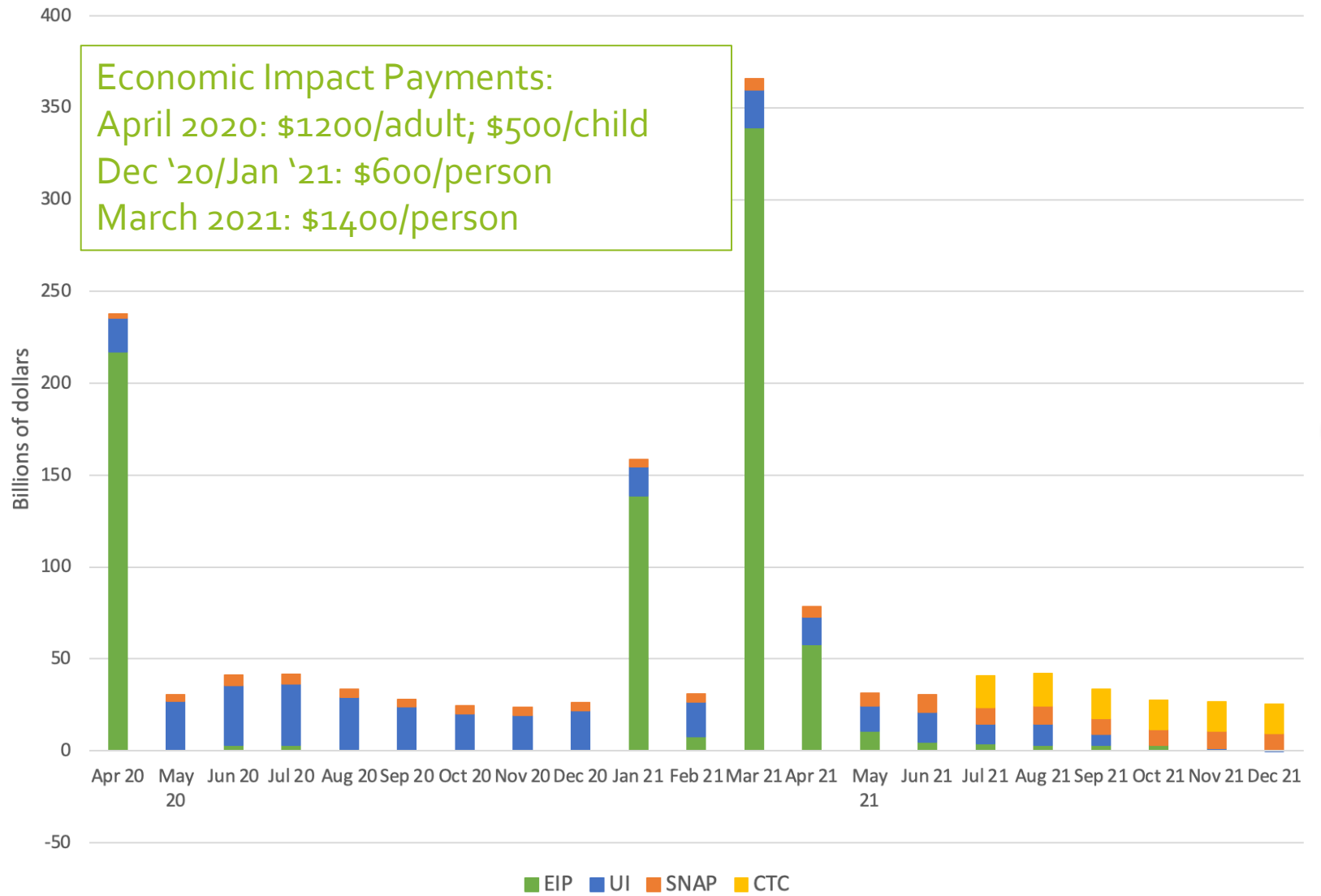
70% received first round

Lower rates for:

- Hispanic (any noncitizen made ineligible)
- Poor (nonfilers)

Eligible up to ~600% poverty

New Monthly Spending



Unemployment insurance

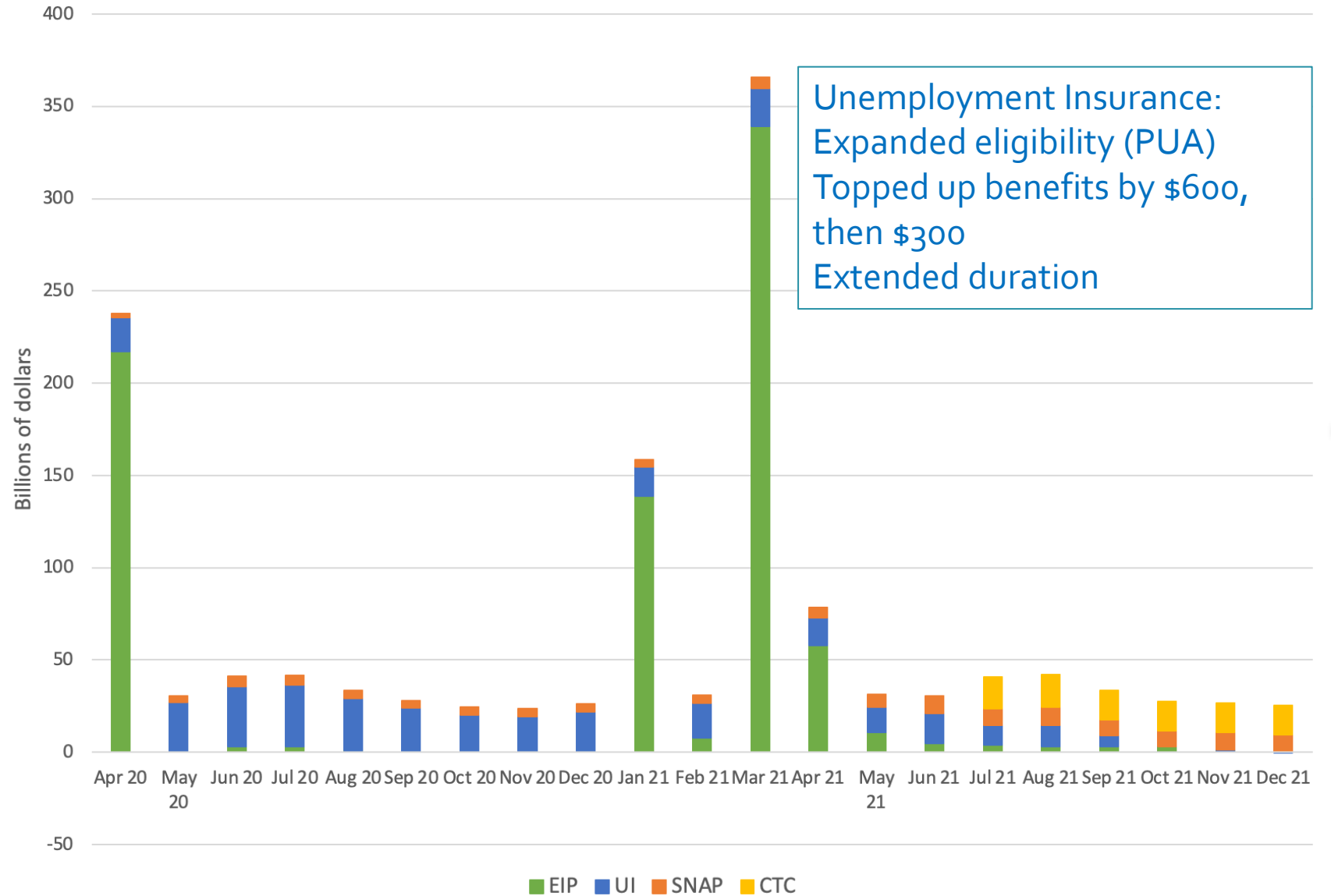
Targeted to those who lost jobs

Topped up b/c low payment levels

Monthly payments

Aggregate less baseline: ~\$2B UI

New Monthly Spending



Supplemental Nutrition Assistance Program (SNAP)

Monthly or (during COVID) twice-monthly food vouchers

Average payments:

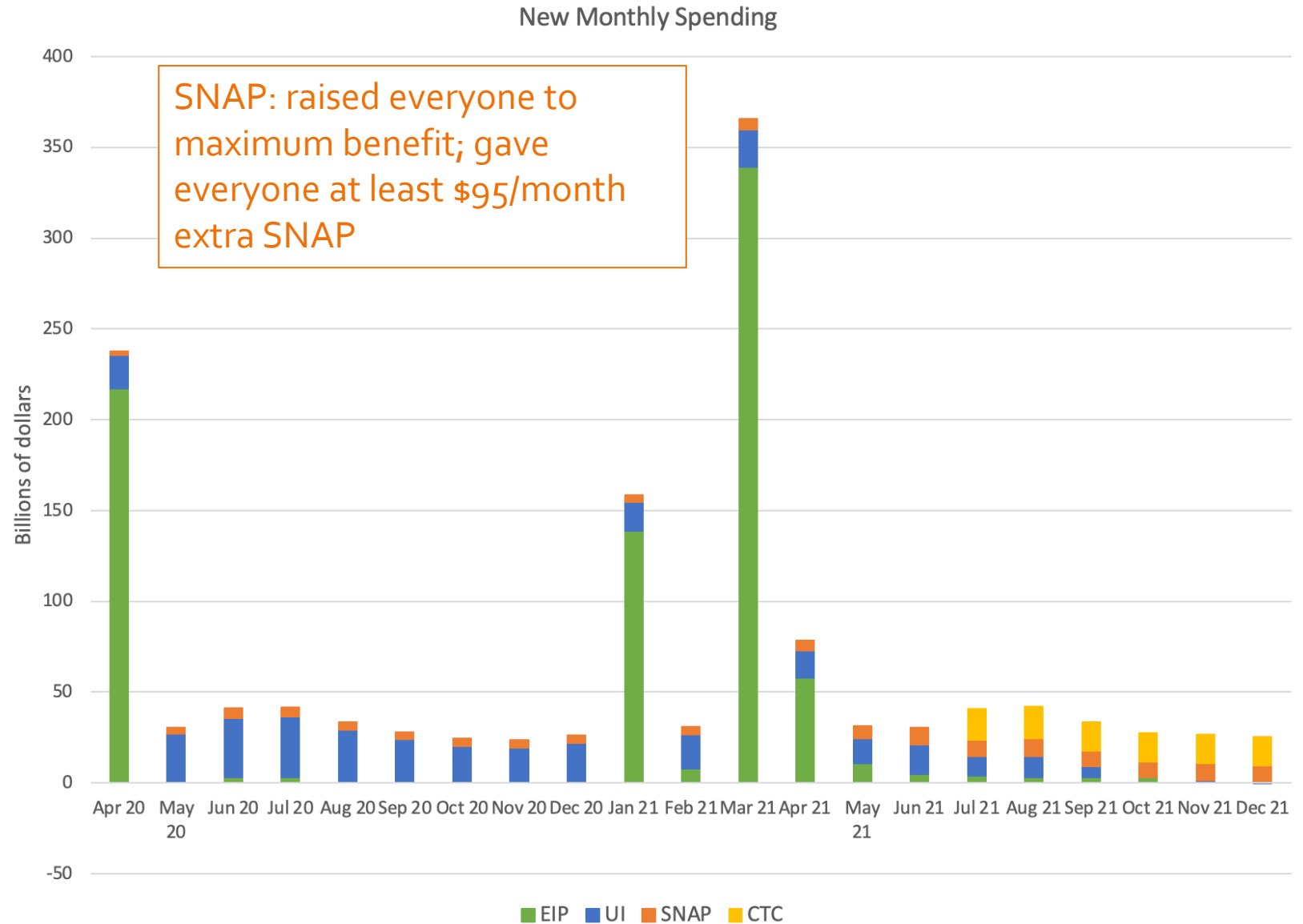
- Pre-COVID: \$340
- COVID increase: \$110 then \$154

Participation up 17%

Spending more than doubled

Targeted to low-income

Subtracts baseline: ~\$5B/month



Refundable Child Tax Credit

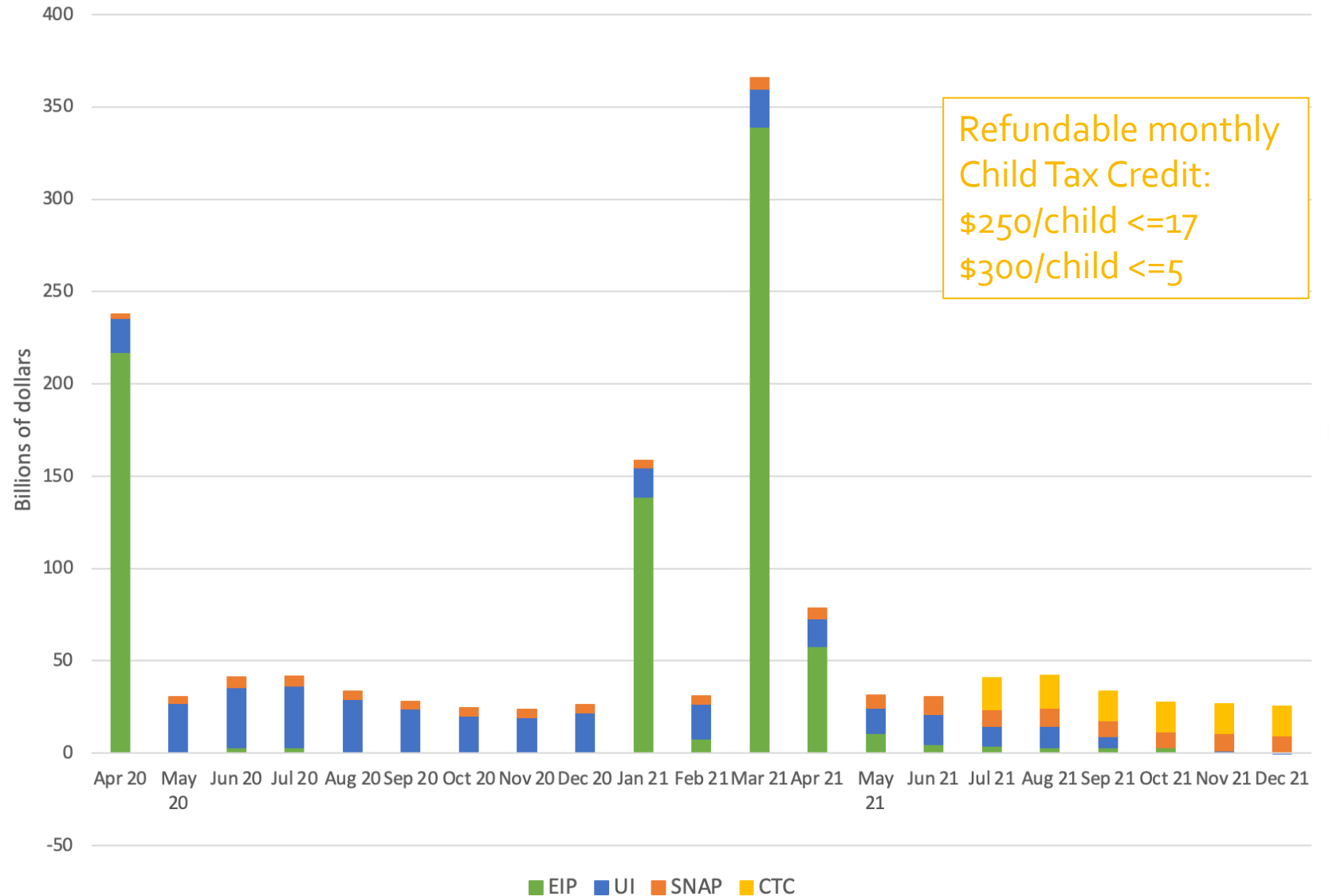
Usual case:

- Annual tax credit
- Children from bottom families receive none (20%) or some (13%)

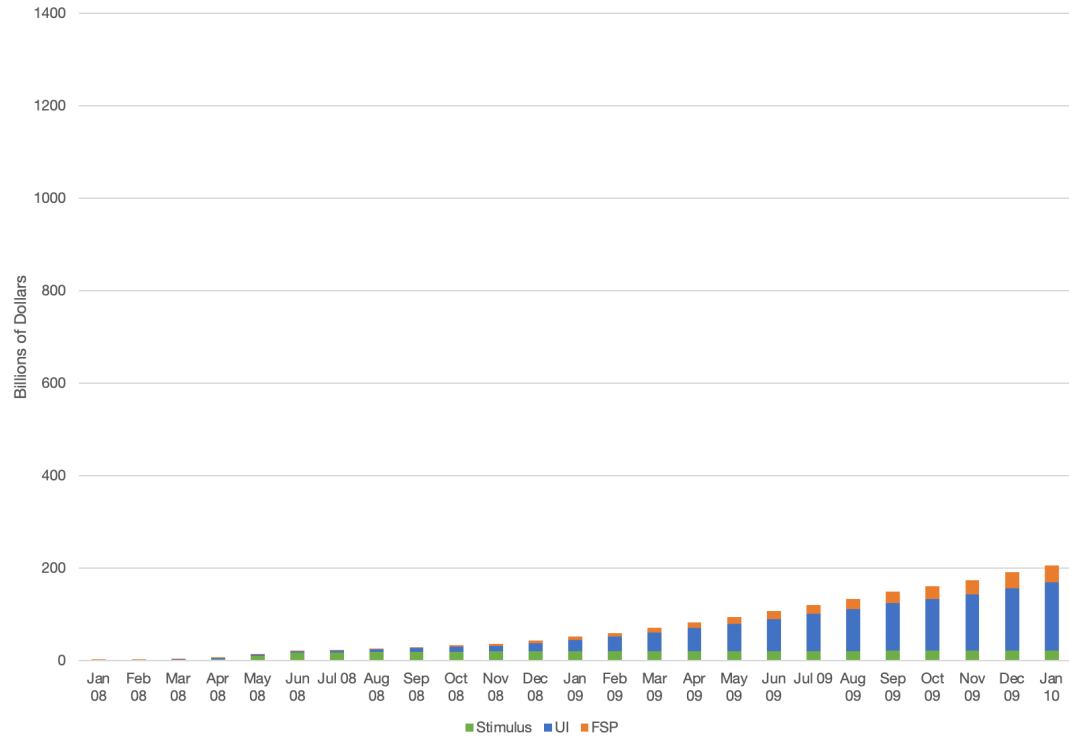
COVID:

- Increased level
- Made refundable to bottom
- Paid monthly

New Monthly Spending

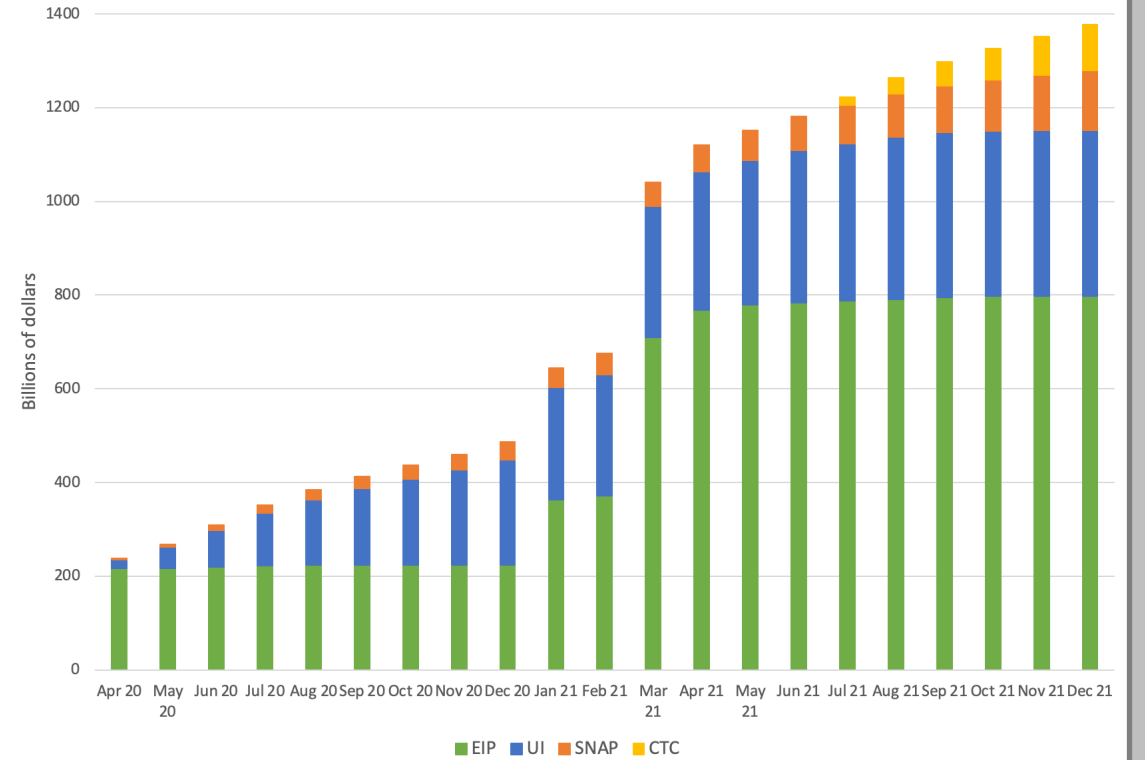


Cumulative New Monthly Spending (Adjusted for Inflation)



Note: Great Recession response also included payroll tax cuts (not shown)

Cumulative total new spending



What impact
of fiscal
response?

How differ by
race/ethnicity?

How differ for
kids?

General fiscal response

- Most money not targeted to job losers or poor
- Patched many known holes in (shortcomings of) safety net
 - Workers not covered by unemployment insurance
 - Low SNAP benefit
 - Those left out of Child Tax Credit

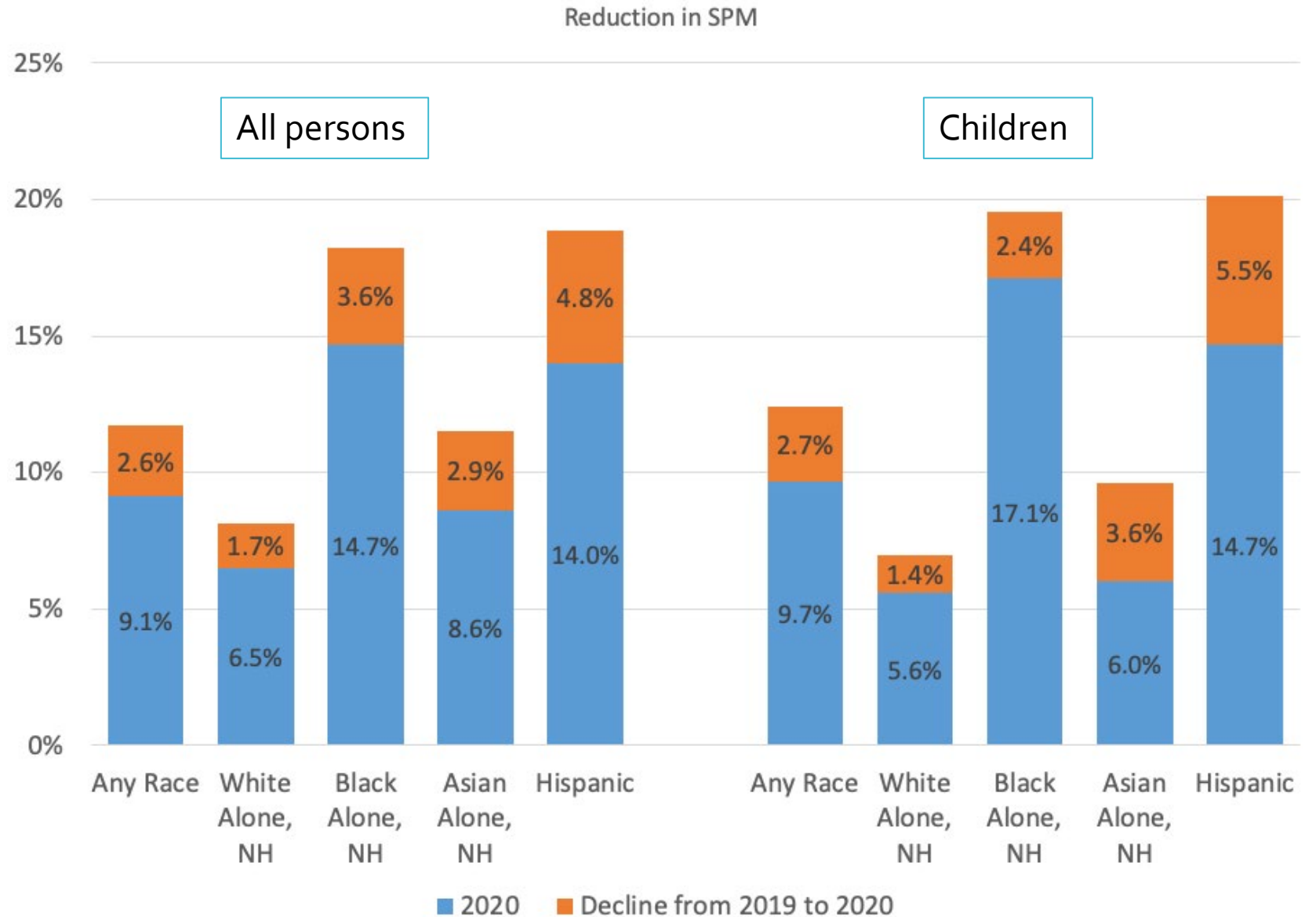
Impacts

- Sharp declines in poverty, food hardship when payments sent
- Larger protective impacts for Blacks, Hispanics

Poverty rates declined across all groups in 2020

Child poverty dropped even more in 2021 to 5.2%--lowest on record

2021 had impact of refundable Child Tax Credits



CTC monthly payments reduced hunger

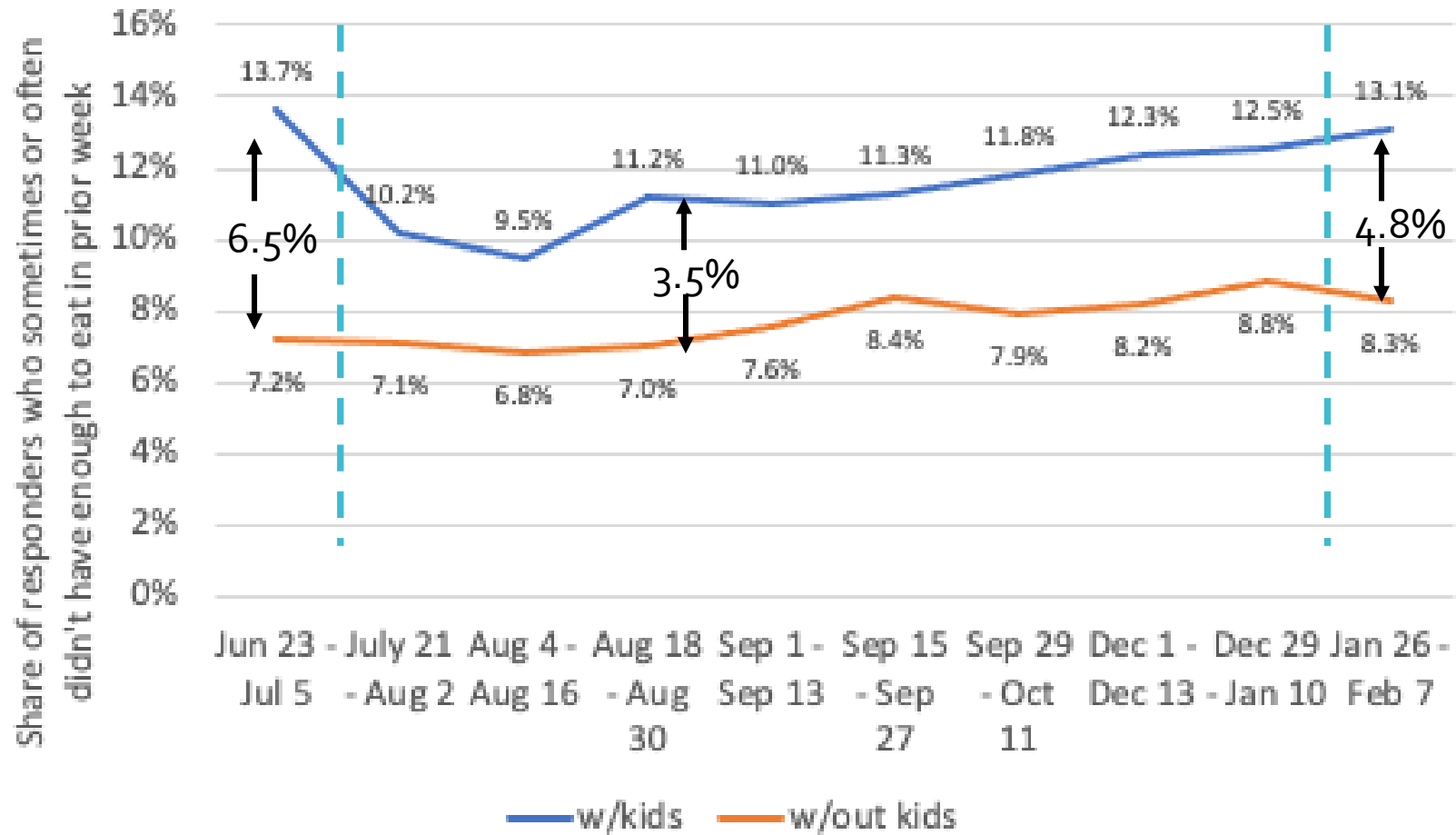
Hunger, trouble paying bills down relative to those without kids

Estimated poverty rates down

People report spending \$\$ on necessities, kids' goods

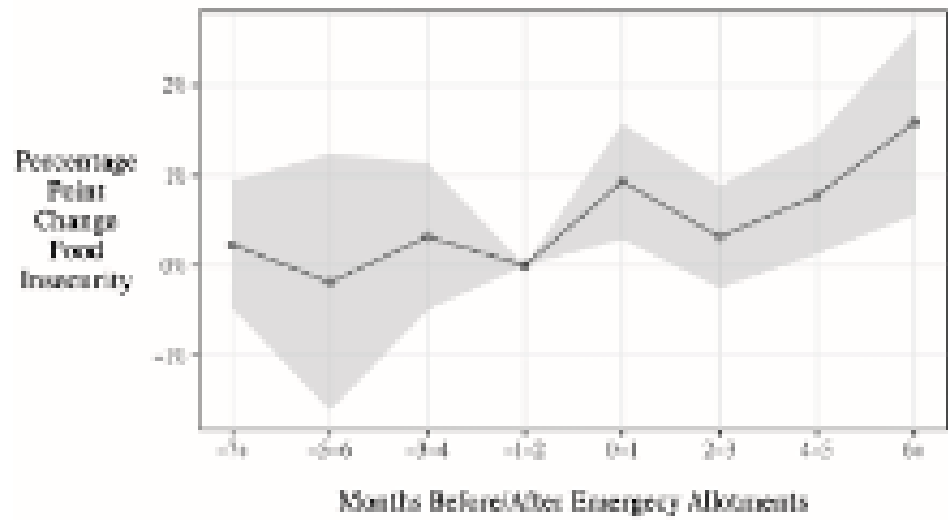
Also large drops with each stimulus/EIP

Hunger Last Week, by Presence of Children

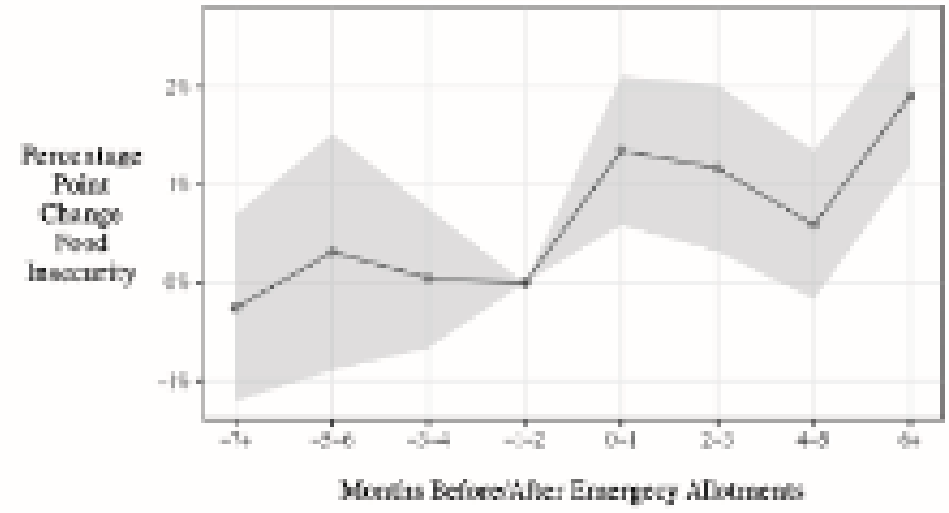


Ending additional SNAP payments increased food insufficiency (left) and economic difficulty (right)

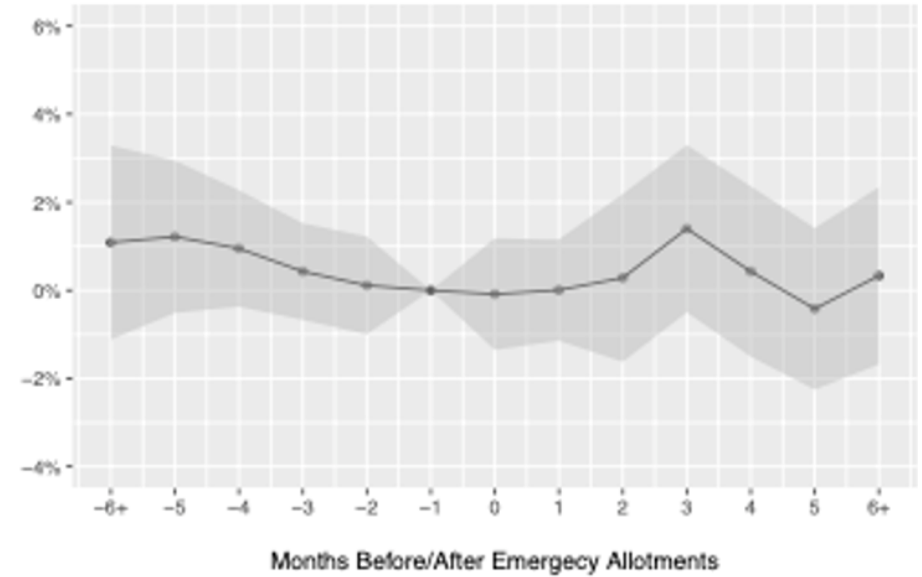
End of Emergency Allotments Effect on Food Insecurity



End of Emergency Allotments Effect on Difficulty With Normal Expenses



Employed



Ending additional SNAP payments had no impact on employment rates

Conclusions

- Economic shock was large, disparate
- Fiscal response was large, less targeted
- SNAP response
 - Large spending increase, small share of total relief packages
 - Reduced food insufficiency, improved other economic outcomes
- EIP's drove a lot of poverty reduction
 - Percentage point increases larger for Blacks, Hispanics
- Child Tax Credit reduced child poverty, children's hardship
- Universal \$ had strong protective impact for Black, Hispanic
 - Important b/c hardship bad for development
 - Important to understand strengths & weaknesses of this approach
- Long-term harms: Learning losses could result in lost productivity on order of \$14T.