

# Consumer Response to the Coronavirus Stimulus Programs

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# Research Question

- **Are rebates an effective tool to stabilize the economy?**
  - Prior research finds large fraction spent quickly.
  - Field new survey to assess affects of 2020 rebates.
- **Are rebates less effective in pandemic-led recession?**
  - Stay-at-home orders and social distance restrict ability to buy.
  - Mass layoffs and income losses collapse in demand.

# Key findings from prior research

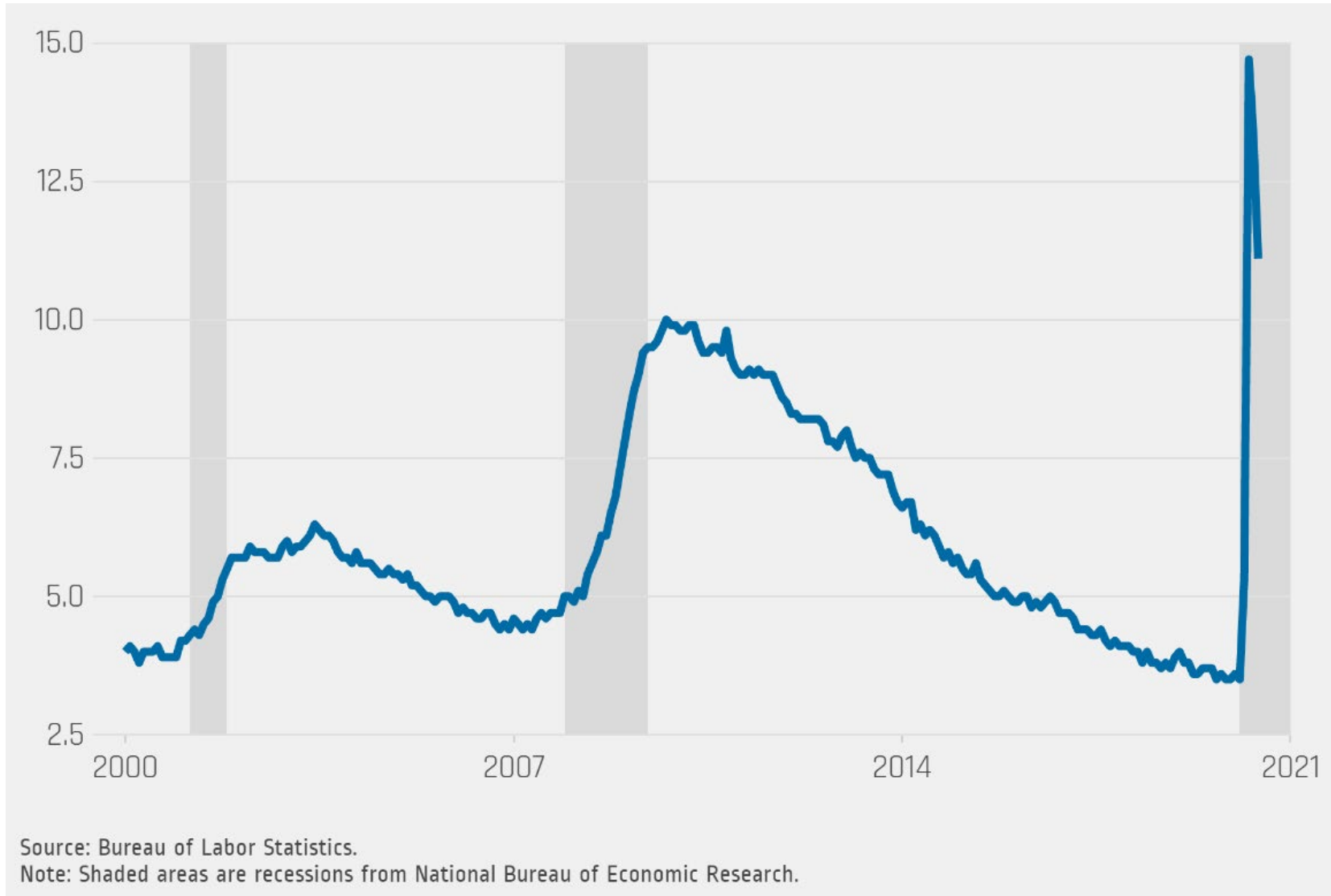
- Numerous studies from 2001 and 2008 rebates show **high fraction spent** out of rebates **rapidly**—supporting demand.  
Johnson, Parker, Souleles (2006); Shapiro, Slemrod (2003, 2009); Agarwal, Liu, Souleles (2007); Parker, Souleles, Johnson, McClelland (2013); Broda, Parker (2014).
- Families with **less money easily accessible (low liquidity)** increase spending more and more rapidly  
Parker, Souleles, Johnson, McClelland (2013); Misra, Surico (2014); Broda and Parker (2014).
- One-time payments are **more effective than other policies** to broadly support families in Great Recession.  
Sahm, Shapiro, Slemrod (2011, 2016).

# Research design

- **Survey of households**, nationally representative sample.
- **Design module** for Surveys of Consumers, University of Michigan in May and June; Google Survey weekly April to June.
- **Ask households directly** how they will use the rebate and how Covid-19 crisis is affecting them.
- **Compare use to 2020 rebate with 2008 rebate.** Prior survey response comparable with spending data. Parker, Souleles (2019).

**Covid-19 recession different  
from past recessions**

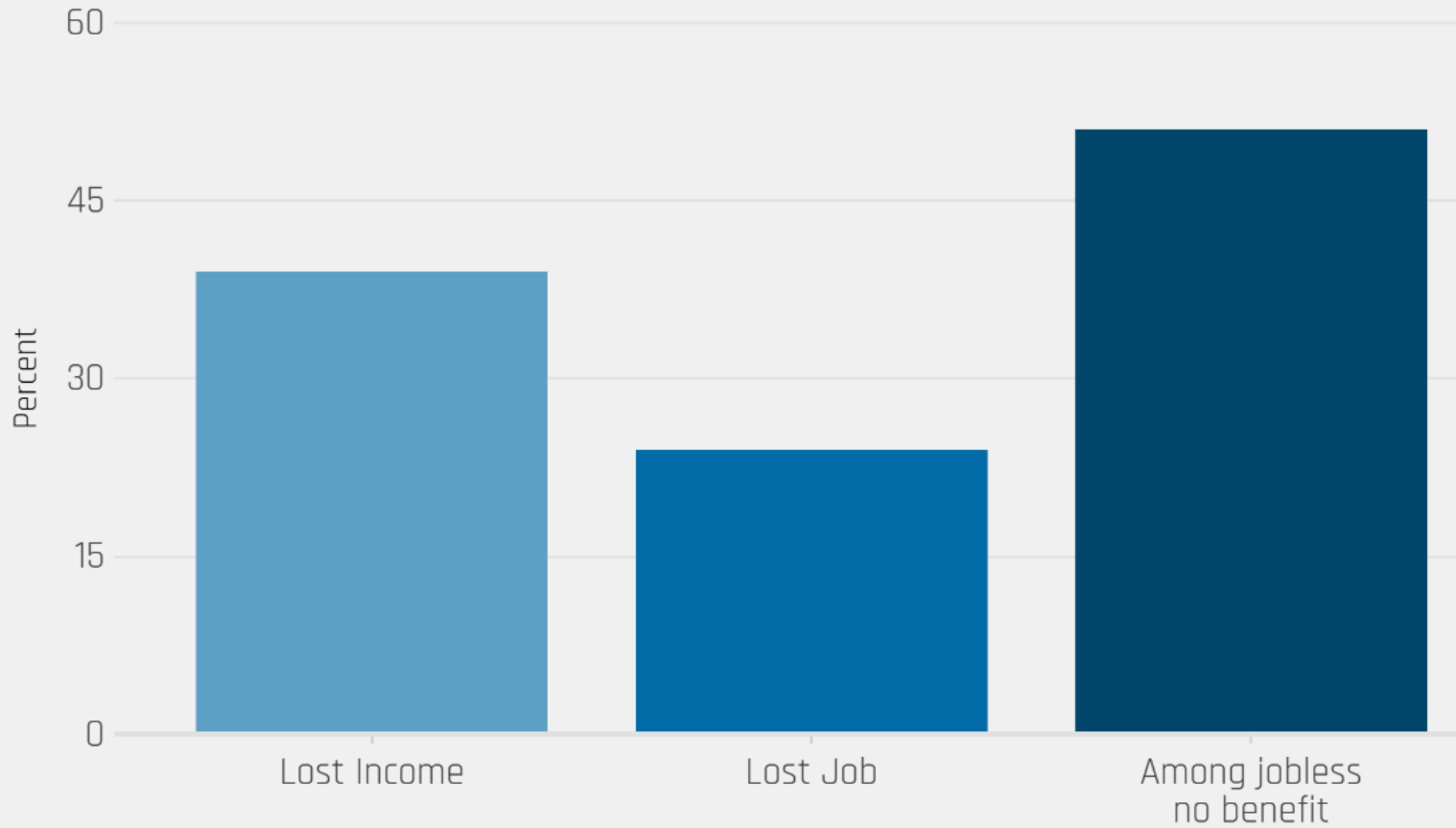
# Unemployment much higher and rebates out faster



- Highest unemployment since 1930s.
- 3 months above 10%, scarring.
- Layoffs going temp to permanent.

# Covid-19 crisis is damaging economic security

Percent of families by status in June 2020



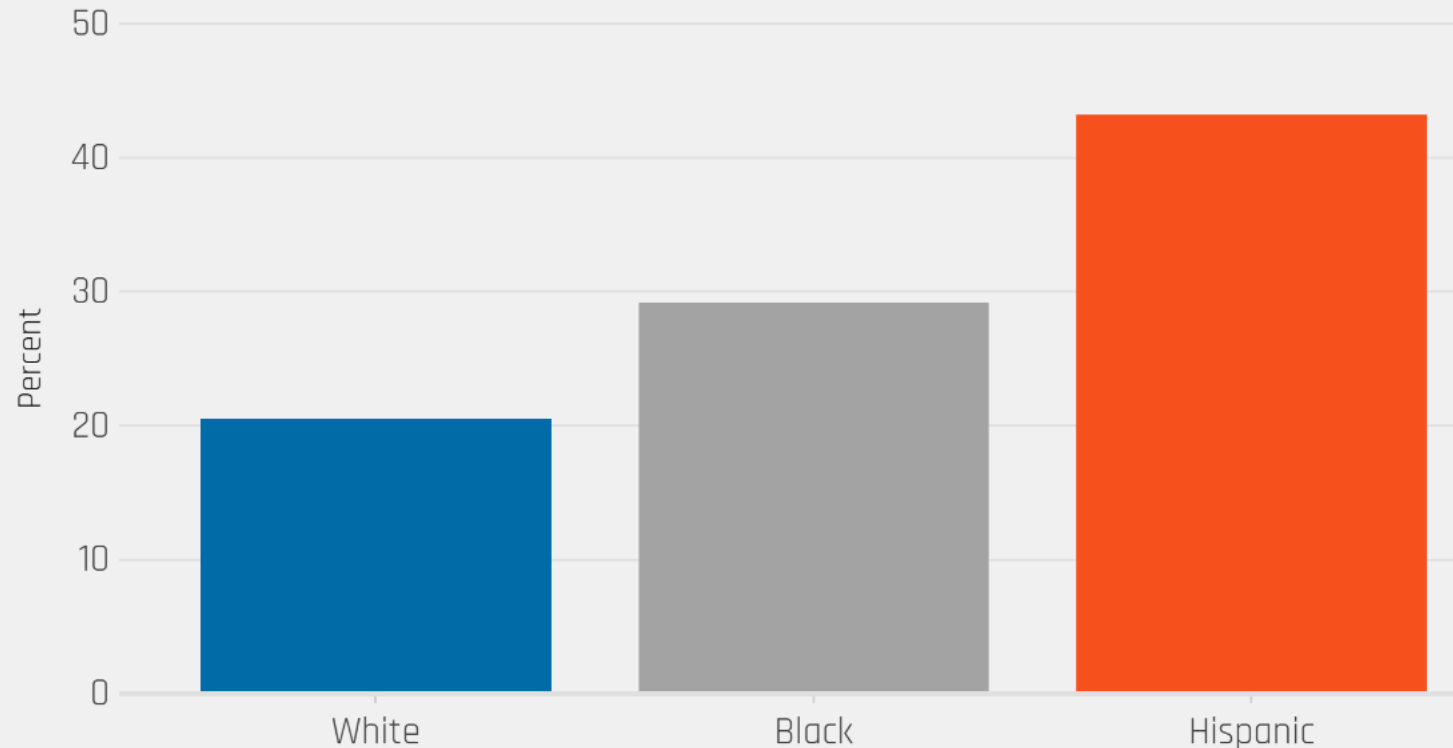
Source: Michigan Survey, June 2020.

- 2 in 5 families with less income.
- 1 in 5 families lost a paycheck.
- Many jobless have no gotten benefits.

# Distress differs across families by race: lost job

## Black and Hispanic families more likely lost a paycheck

Percent lost job by race



- 1 in 5 White families.
- 1 in 3 Black families.
- 4 in 10 Hispanic families.

Source: Michigan Survey, May and June 2020.



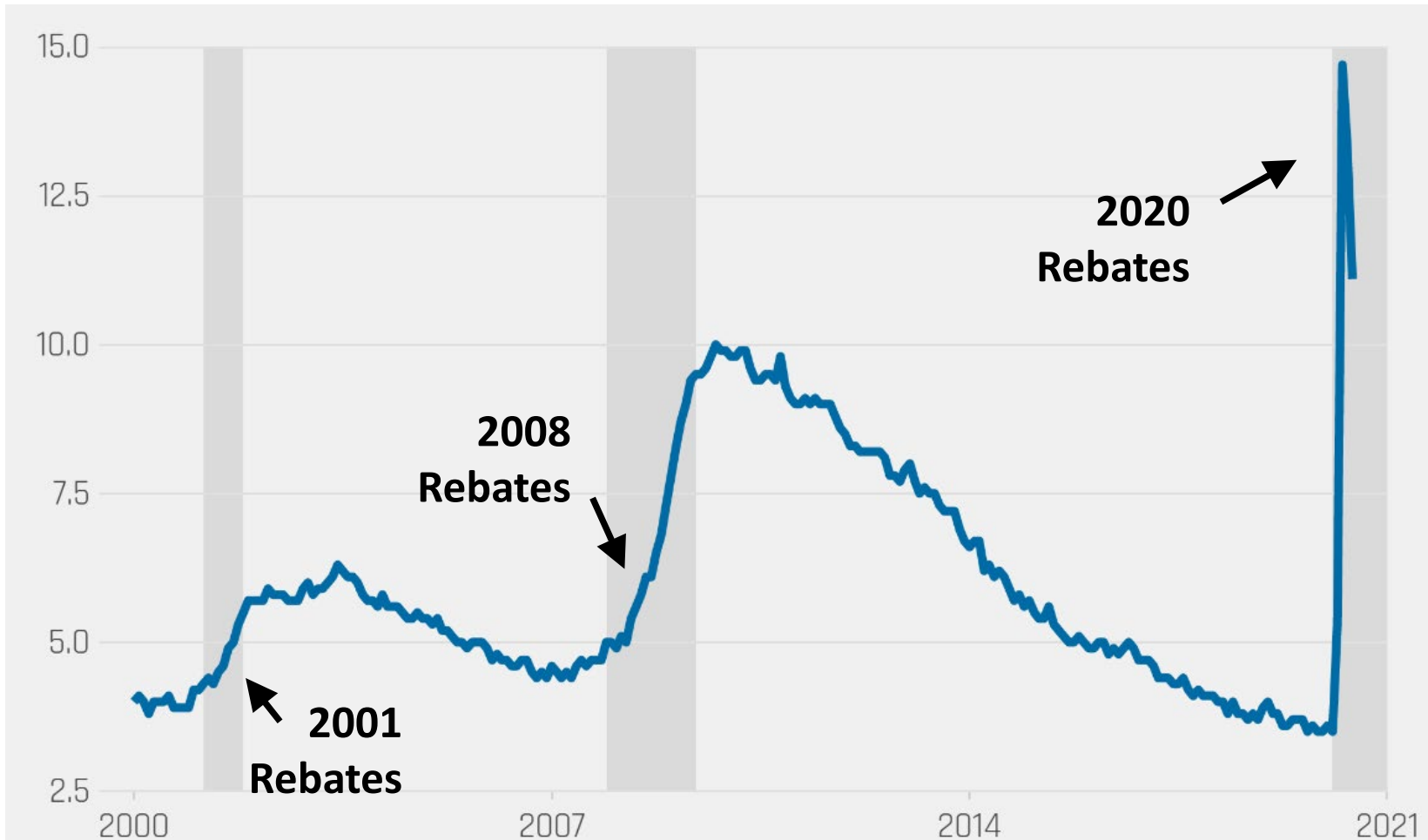
**Rebates are different from  
past recessions**

## 2020 Recovery rebates in Covid-19 crisis

- **Congress enacted rebates** as part of \$2.2 trillion Coronavirus Aid, Relief and Economic Security (CARES) Act on March 27<sup>th</sup>.
- One-time payment of **\$1,200 per adult and \$500 per dependent child**; anyone with Social Security Number but not high income.
- Total rebates of **\$300 billion** distributed to families, starting mid April and nearly all paid out by end of May.

**Did families use rebates in 2020 as in the past?**

# Unemployment much higher and rebates out faster



Source: Bureau of Labor Statistics.

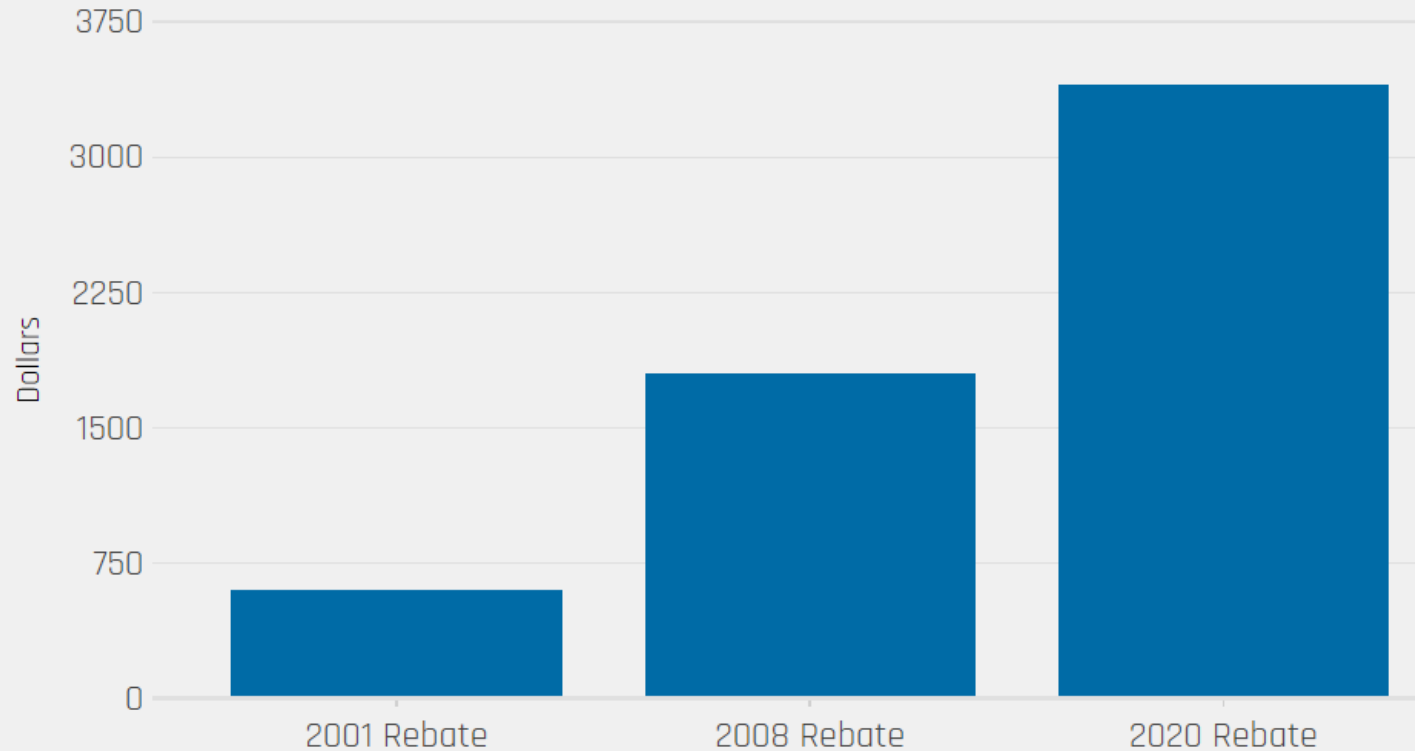
Note: Shaded areas are recessions from National Bureau of Economic Research.

- Most job losses since 1930s.
- 2020 rebates to families quickly .
- High economic uncertainty.

# 2020 rebates **different** from past rebates

## Dollar amount of rebates is largest in 2020

Rebate for couple with two children by year



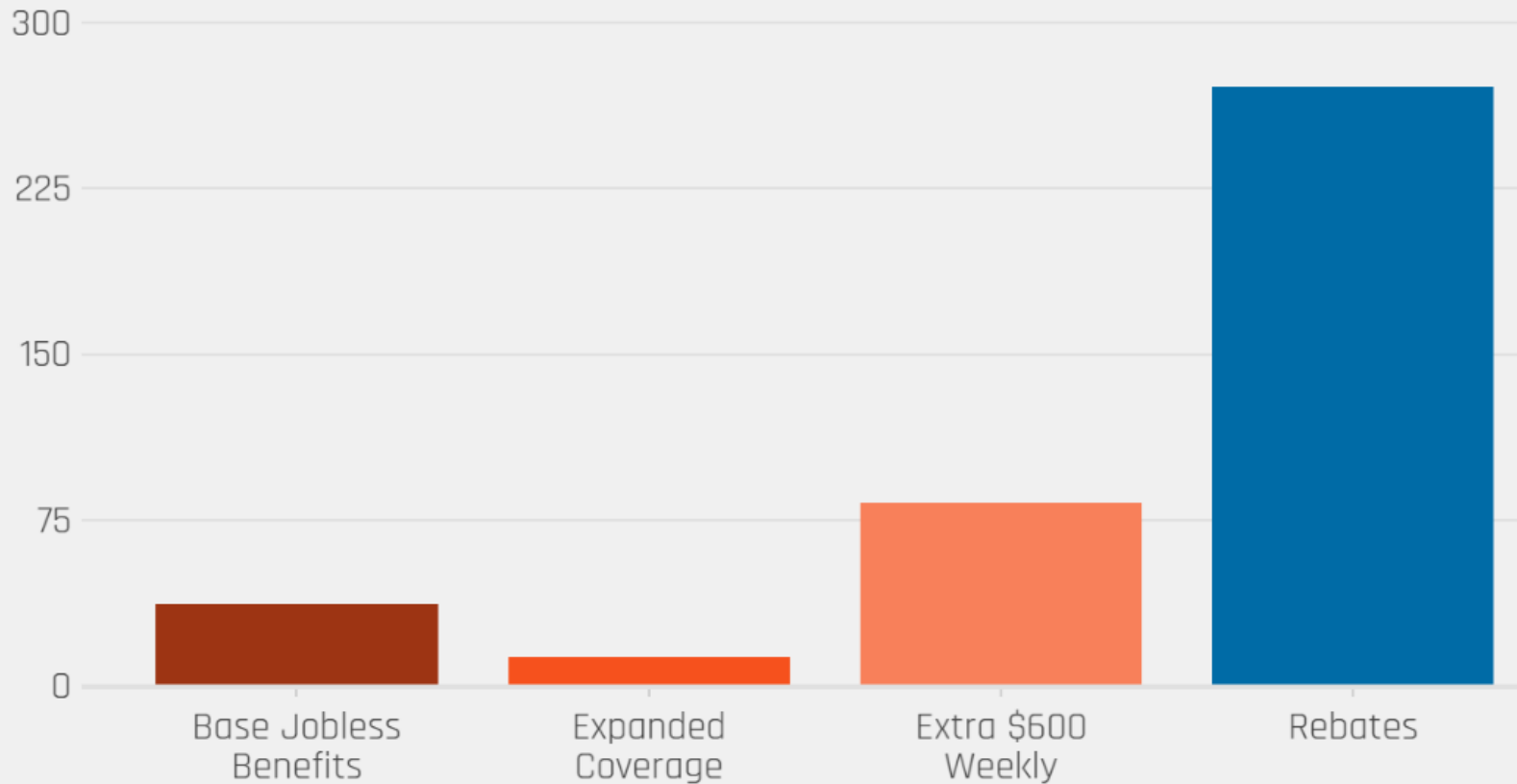
- Larger rebate
- Faster delivery
- Wider eligibility

**\$300 billion to families within 3 months of recession start**

# Rebates got a lot of money out fast

## Rebates twice as much income into economy as jobless benefits

Total billion dollars by relief program in April and May



Source: Bureau of Economic Analysis

- Rebates within weeks to families.
- Jobless benefits ramp up slowly.
- Rebates: most families, not jobless benefits.

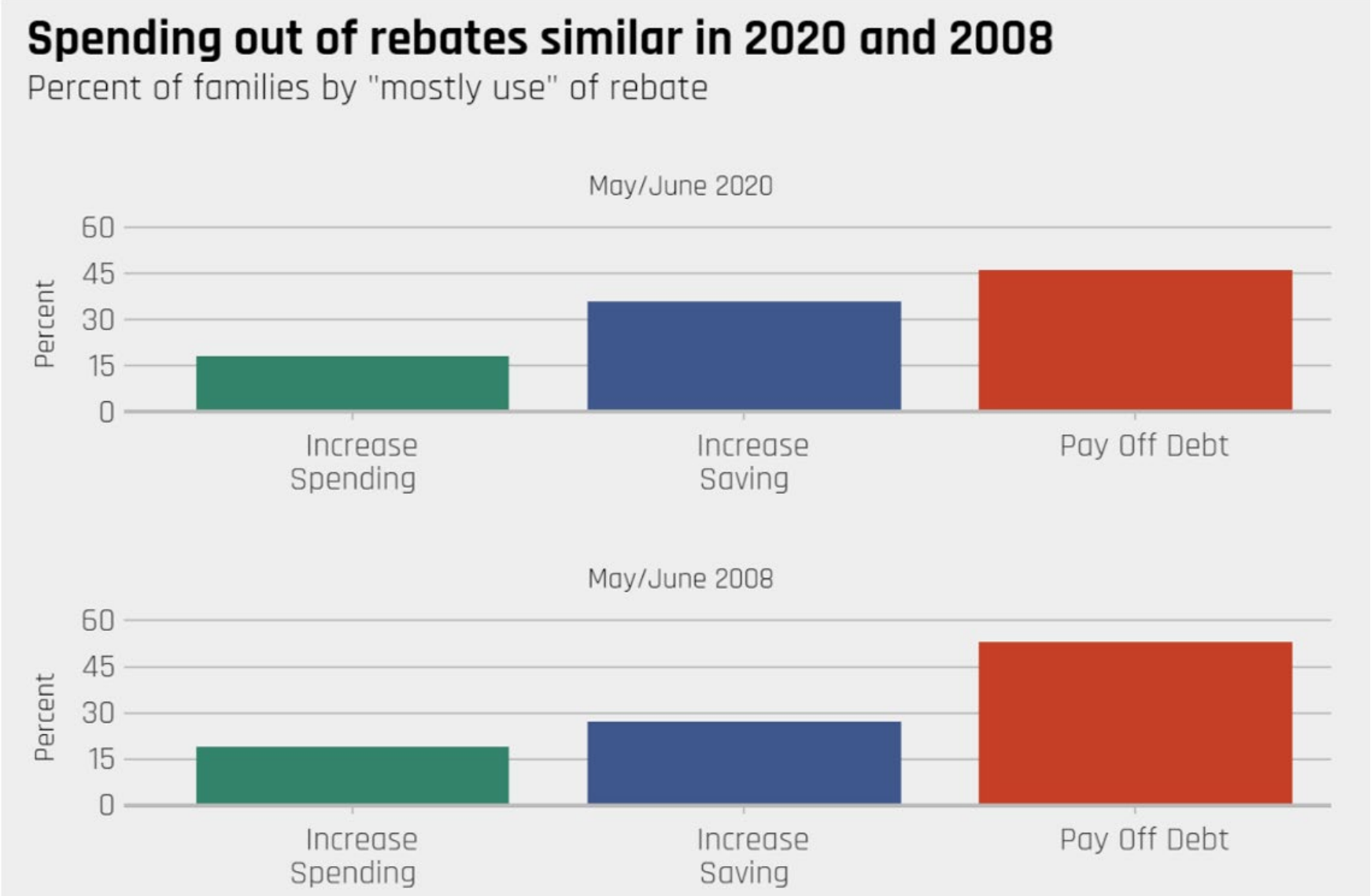
**Use of rebates are different  
from past recessions**

# Main Survey Question

We want to understand **how the rebate will change decisions** you would have made without the additional money.

Thinking about your (family's) financial situation this year, will the rebate lead you mostly to **increase spending**, mostly to **increase saving**, or mostly to **pay off debt**?

# Saving more common in 2020 than past recessions

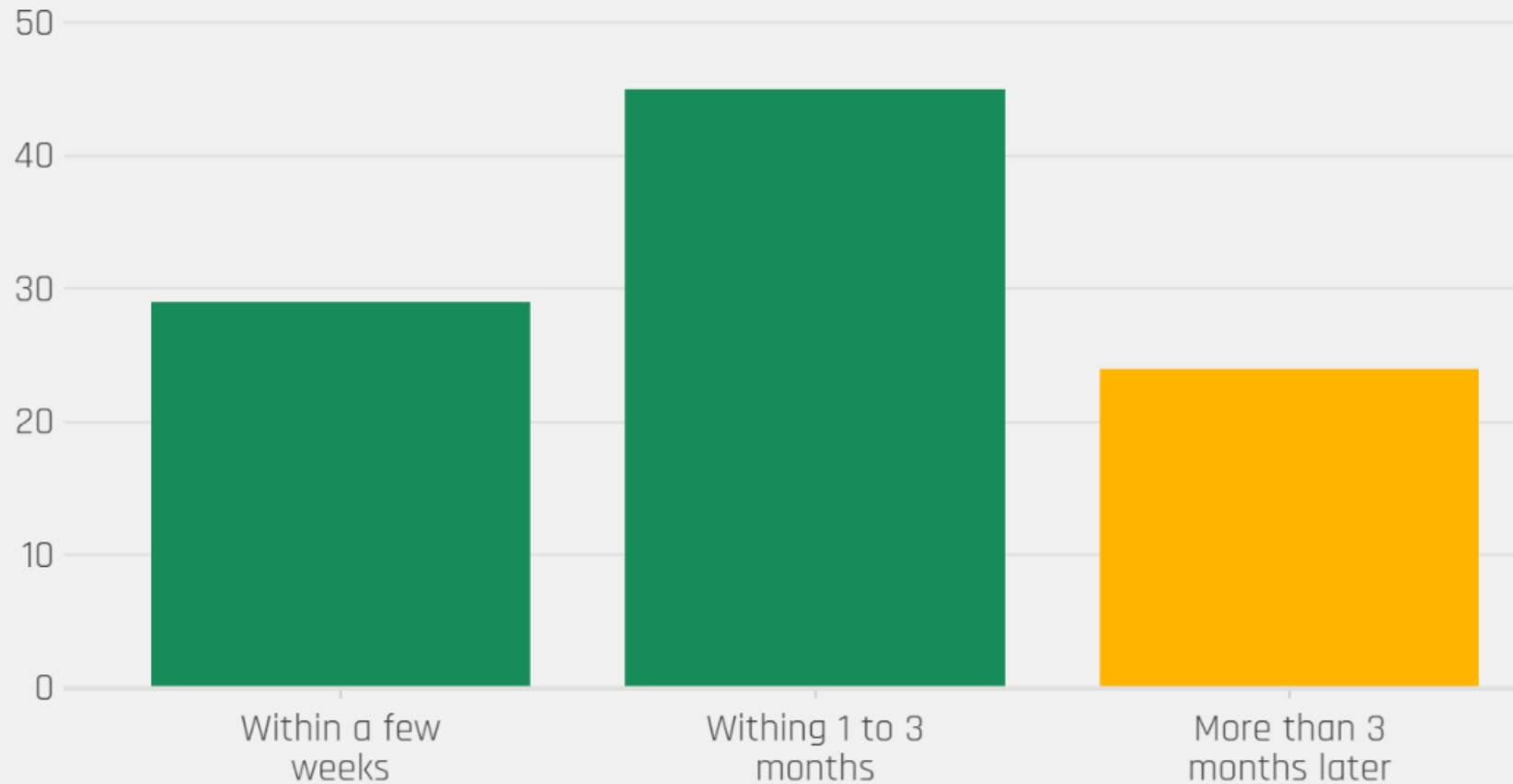




# Rebates got to families fast and they spent rapidly

## Families who plan to mostly spend rebate will do so quickly

Percent of "mostly spend" families by time horizon for spending

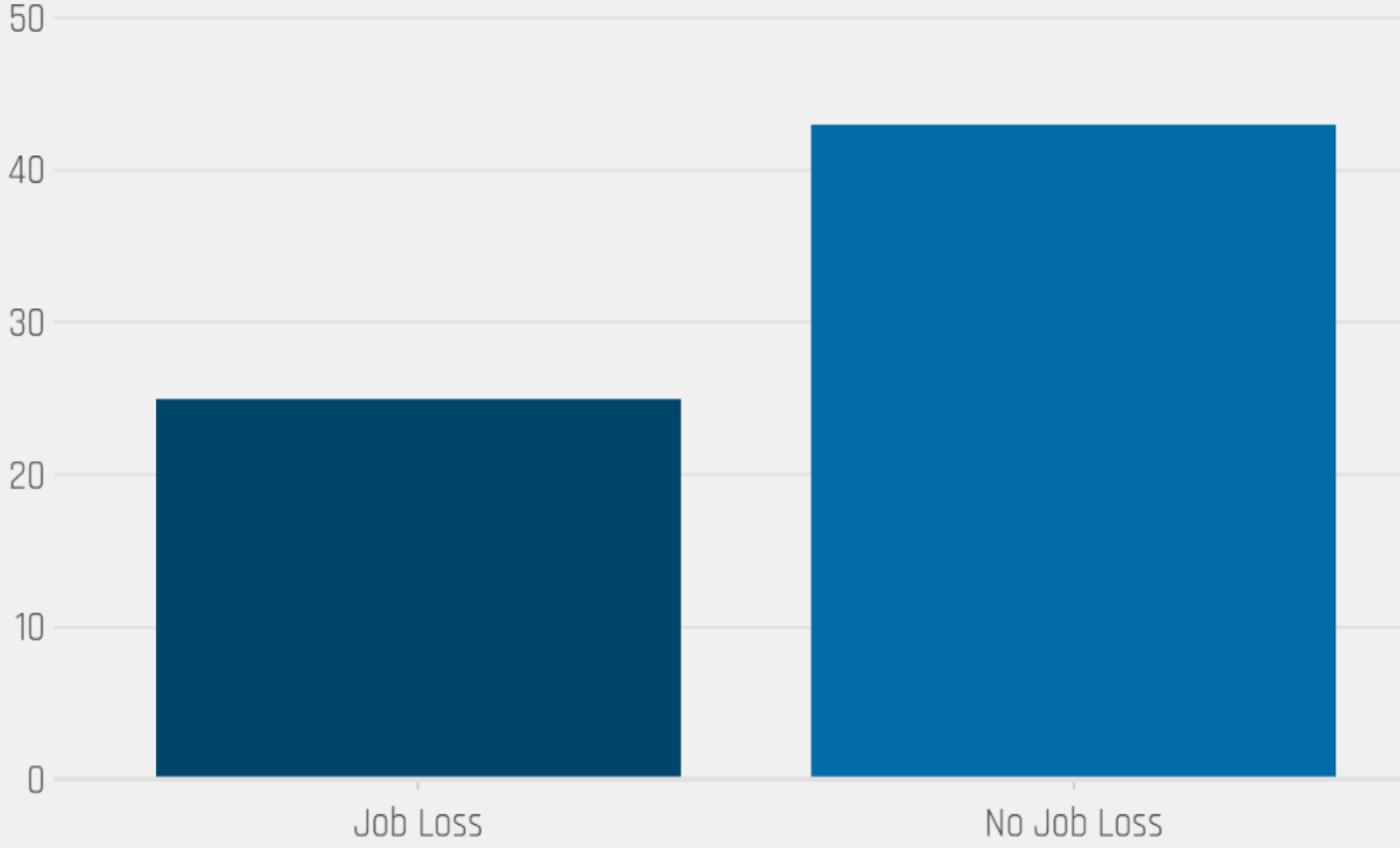


Source: Michigan Survey, May and June 2020.

# Families hit hardest in recession less likely to save

## Families with a job loss much less likely to save their rebate

Percent of "mostly save" families by job status

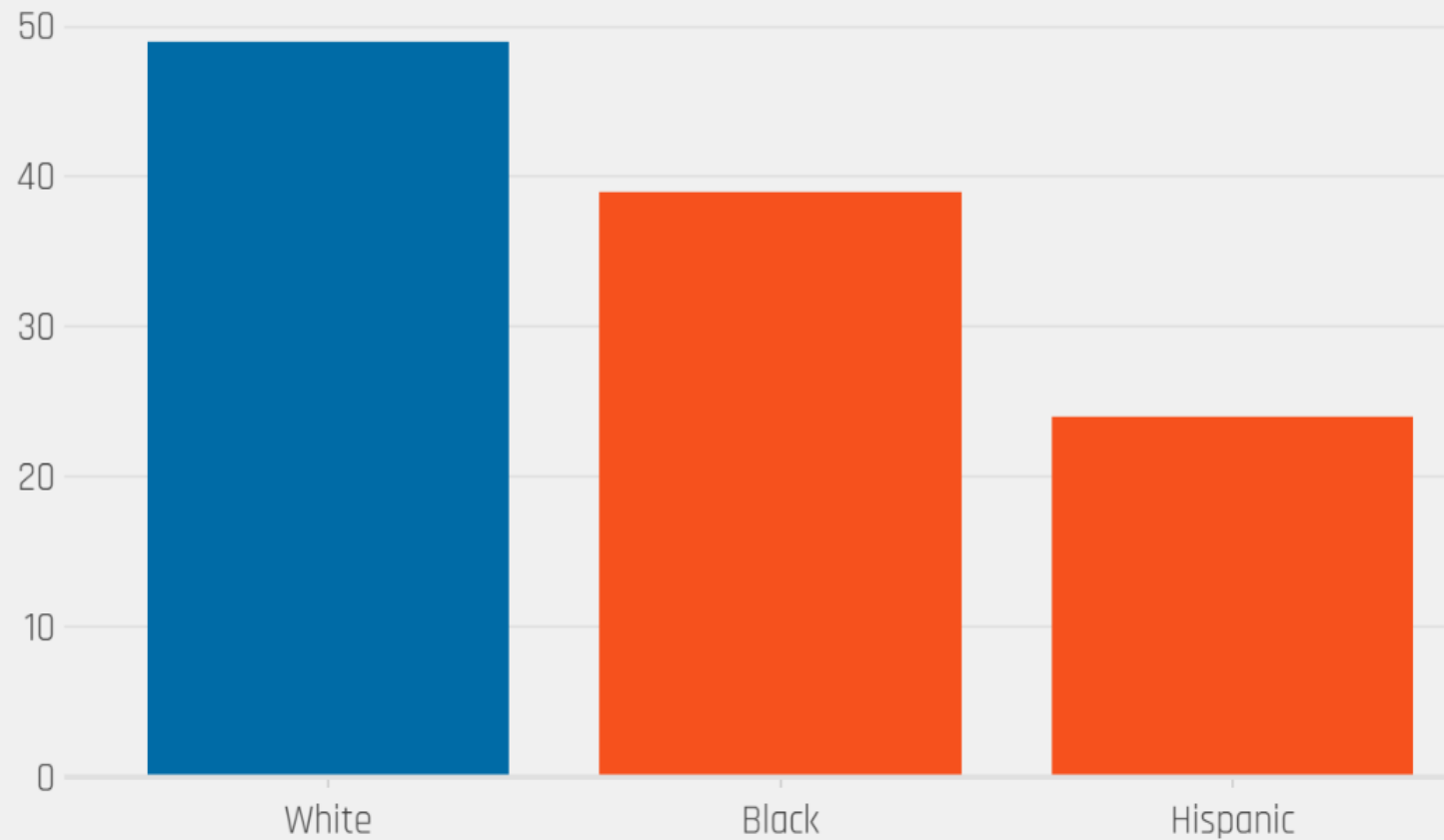


Source: Michigan Survey, May and June 2020.

# Ability to save not same across all families

## Black and Hispanic families much less likely to save their rebates

Percent of "mostly save" families by race and Ethnicity



Source: Michigan Survey, May and June

# Implications for **future** **policies** from Congress

# We know what works and how to do it

- Countless researchers have **studied our economy from Great Depression to Great Recession**. Volumes have been written.
- *Recession Ready* from Equitable Growth and Hamilton Project offers **many ideas for today, using evidence and research**.
- None of the lessons from the past matter, if policymakers do not apply them today. **Actions and money matter**.

# What should Congress do next?

- **Pass legislation to continue relief**—better jobless benefits, more food stamps, and money to state and local governments.
- Do not pass relief for six months or a year. **Use automatic stabilizers** tie to unemployment rate.
- **Continue relief until unemployment is back to 5%**, even if debt to GDP becomes much larger.

# How to get back on track in the coming years?

- Everything Congress and the Federal Reserve is doing for the economy is **about helping families get back on their feet.**
- Damage from a recession lasts generations unless policymakers actively fight back. **Policymakers must fight for everyone.**
- Congress must get **more relief out immediately.** And they must **commit to continue all the relief until we win.**