Manahil Jafri

The Pandemic Economy

Analysis Of The U.S. Fiscal Policy Response To COVID-19

Introduction:

Through an examination of three scholarly articles, this paper will investigate the effectiveness of the United States fiscal policy response to the COVID-19 pandemic, deducing that benefits lay in the immediacy of the response, however, lack of proper allocation and weak fiscal rules resulted in poor long term effects.

Timeliness

- **“The Effect Of Fiscal Stimulus: Evidence From Covid-19” by Miguel Casado puts forth an empirical analysis of administrative records and transactional data of consumer spending at the start of the CARES Act implementation.**
- **It is concluded that if the CARES Act was not implemented when it was, consumer spending would fall by 44%, a substantial amount.**
- **Therefore, the timeliness of it’s implementation was instrumental in aiding the economy.**

Safety Net

- **“The Fiscal Policy Response To The Pandemic” by Christina Romer explores the benefits and drawbacks of the U.S. fiscal policy actions.**
- **She concludes that a lack of a clear allocation plan for the stimulus packages lead to an uneven distribution of aid, which was skewed towards higher income individuals.**
- **She critiques the decision of employing a broad response, when a more targeted one would have been more beneficial in mitigating abuse of the system, less national debt, and would allow for people who are actually suffering to receive aid.**

Fiscal Rules

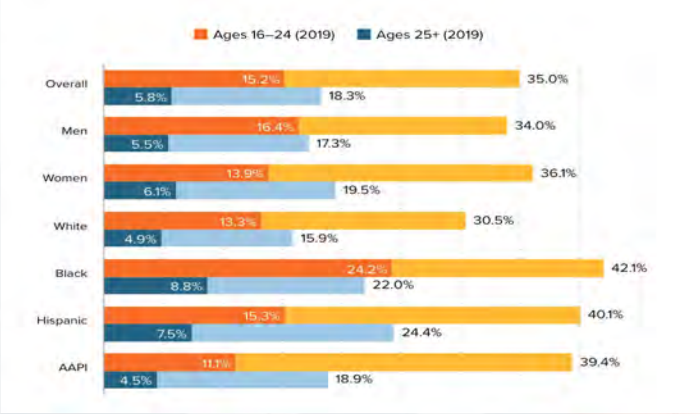
- **“The Global Pandemic: Policy And Fiscal Rules To Achieve Stronger Stabilization Policies” by Michael Hutchinson discusses the relationship between having strong fiscal rules (e.g. making policy makers more accountable, having more measurable objectives, etc) and greater economic recovery.**
- **He concluded that countries with strong fiscal foundations (Sweden and Denmark) were in a much better place during the pandemic then countries with weaker fiscal rules (U.S.).**
- **He asserts that having this foundation in place prior to the pandemic allowed for stronger countries to give out large relief packages with little debt accumulation, which is extremely beneficial in the long run.**

A Generation Overlooked:
The Effects of COVID-19 Economic Relief Measures on Youth Unemployment

[Khadiza T. Kubra POLSC 294.04]

Background

- ➢ Young workers (aged 16-24) have always had higher unemployment rates.
- ➢ Consistently 20% less employed than ages 25-55 for the past two decades.
  (statista.com)
- ➢ Young workers are overrepresented in leisure, hospitality, and retail (the industries hit the hardest by pandemic-related closures).
- ➢ More than half of this statistic is made up of Black, Hispanic, and Asian-American Pacific Islander (AAPI) youth.



Underemployment rates in the spring of 2019 (orange and navy) and 2020 (yellow and light blue), by age, gender, and race/ethnicity (Gould, Kassa, 2020).

Federal Economic Relief - Why Youth are the Exception

- ➢ Families First Coronavirus Relief Act (FFCRA)
  - ○ Targeted towards small business owners and families needing cash assistance, not individuals.
- ➢ The Coronavirus Aid, Relief, and Economic Security (CARES) act
  - ○ One-time $1200 payment not given to those with not employment history
  - ○ "$600 per dependent" clause eligibility cut-off is 17 years old.
  - ○ Assistance directed to business owners, homeowners, etc. to avoid debt or bankruptcy.
  - ○ Paycheck Protection Program (PPP)- relief fund for employers to give out wages, does not apply to the unemployed or underemployed.
- ➢ Lost Wages Protection Program (LWA)
  - ○ Given to weekly $100 unemployment benefit recipients. Cannot apply for unemployment benefits with no employment history.

Where Are We Now?

- ➢ Supplementary programs to existing relief programs still does not reach 18-24 year old age bracket without employment history.
- ➢ After previous recession, youth unemployment remained at high percentages, leaving a permanent scar on career development.
- ➢ Mayor Bill de Blasio is using report from Disconnected Youth Task Force to devise a plan for out-of-school/out-of-work (OSOW) youth, but no action has been taken.
- ➢ While disproportionate youth unemployment is acknowledged, there is no urgent federal action for improvement.

How has Remote Working Affected Worker Productivity?

Background:

Due to the pandemic, the amount of remote workers has increased dramatically. This can be seen through different types of locations and age groups. To the right, are graphs of people from different age groups and different location in the U.S. and how they work now due to the pandemic.

Figure 2: Responses by US region

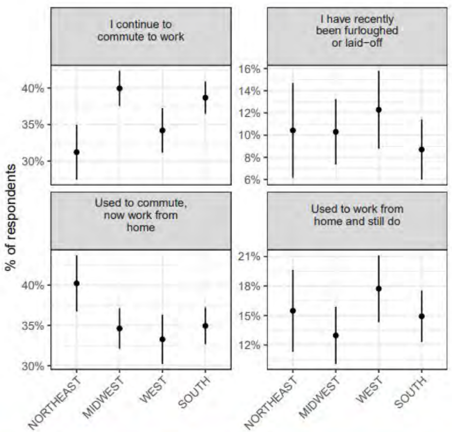
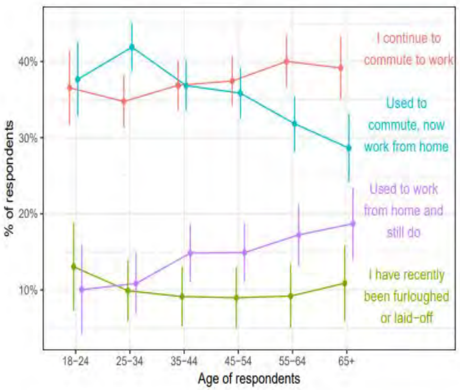


Figure 4: Responses by inferred age



Ways to Increase Productivity:

- Create a schedule
- Stay on top of organization of your space
- Create a specific workplace
- Hold yourself accountable to getting tasks done
- Focus on one task at a time
- Communicate challenges one is facing

Thesis:

Remote working has played a major role in worker productivity. Due to remote working, employees have been able to have a more flexible schedule, create less of a carbon footprint, increase one's self-discipline, and creativity. However, many have experienced downsides to remote working such as work-home interference, ineffective communication with colleagues, heighten procrastination, and a larger workload.

Enhances Work:

- Less carbon footprint
- More family time
- Flexibility with schedule
- Increase self discipline
- Increase creativity

Hinders Work:

- Work-Home Interference
- Ineffective communication
- Procrastination
- Higher Workload

Conclusion:

Remote working has been crucial during the Coronavirus. There have been several positives while their being a lot of downsides. However, it has helped people value their health and safety while being able to attend work. Remote working was never new but was uncommon. Now, with this pandemic, remote working doesn't seem like something that will go away. More people will want to keep remote working, thus leading companies to think of innovative ways to accommodate for them and adjust.

By: Jalyssa Laboy

Pandemic Economy: How have unemployment insurance impacted Americans?

Alice Yee

Introduction

Unemployment insurance (UI) is state provided insurance that pays money to individuals on a weekly basis when they lose their job and meet certain eligibility requirements, such as being laid off or if business is closed.

Due to the current pandemic and previous recessions, many Americans have been collecting/collected unemployment insurance due to not being able to go back to their previous employers at no fault of their own.

Great Recession

- Unemployment in men, workers from goods producing industries, young and non college workers
- High risk of being long-termed unemployed
- Assistance includes (emergency) extended benefits
- Structural Problems: Wage inequality, geographic disparities in location, potential job openings, education attainment/specialization, job polarization

Policies/Solutions

- *Wage Insurance for permanent job losers with high tenure in previous jobs*
- *Improving employment services, job search assistance, education and job training systems*
- *Sectoral Employment Programs* (prepare and connect unemployed/under-skilled workers to employers under industry-specific programs

Source: Katz, Lawrence. "Long-term Unemployment in the Great Recession." 29 April 2010, p. 9-10.

COVID-19 Pandemic

- Factors: search frictions, wage loss, duration of benefit collection, job occupation/specialization, previous wage amount when returning/not returning to work

Static Comparison	**Dynamic Comparison**
-monetary value of benefits only	-limited duration of benefits -possibility of returning to job is repealed -duration of finding new job -prospect of lower wages

Optimal Policy for the Covid 19 Pandemic

- Increases welfare with minimal effects on unemployment
- Optimal Policy: raise replacement rate of unemployment benefits drastically as more search for jobs, then lower once search efficiency recovers
- Setbacks including inactive recovery and hysteresis may occur when policy is placed

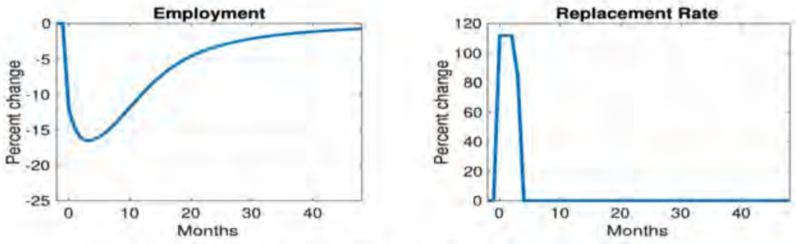


Figure 2: Employment and Benefits under the CARES Act.

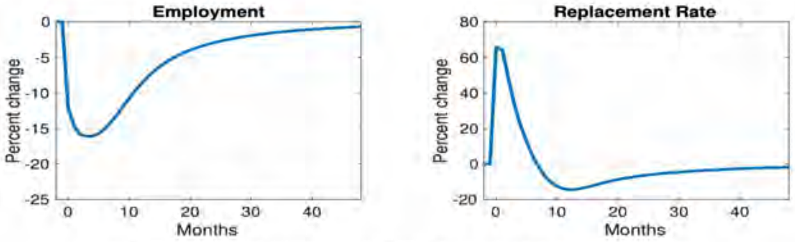


Figure 3: Employment and Benefits under the Optimal Policy.

Source: Mitman, Kurt. "Optimal Unemployment Benefits in the Pandemic." June 2020, p. 7.

Conclusion

By examining the unemployment sector of the pandemic and recession, we can see those who were affected most due to the hit. In addition, by analyzing the previous policies, we can use those to help our current pandemic. This can bring the best results to those unemployed during the pandemic economy.