


A COST-BENEFIT ANALYSIS OF FISCAL STIMULUS PACKAGES FOR MITIGATING COVID-19 PANDEMIC

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OVERVIEW AND OBJECTIVE

- **A Pandemic is a Global Catastrophe, but it does not affect each country equally**
 - **United States is the most powerful and resourceful country, but COVID-19 Pandemic has proved failure of leadership in addressing the burning issues resulting in countless preventable deaths and collapse of our economy**
 - **This study is a preliminary assessment of the recovery efforts and a Survey of Literature on Post-Recession Recovery**
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THE COVID-19 PANDEMIC: WHAT WE KNOW NOW

- ❖ **COVID-19 or Coronavirus Disease, 2019 originated in China in late 2019**
 - ❖ **The source of the virus is known to be Bats or Bat meat which was being bought and sold in Wet Markets of Wuhan Province of China**
 - ❖ **The virus started to spread fast, and by March 11, 2020, 110 countries and territories reported at least 118,000 people being infected**
 - ❖ **The World Health Organization (WHO) declared COVID-19 a Pandemic on March 11, 2020**
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THE UNEQUAL BURDEN OF COVID-19

- ❑ United States Contains 4.24% of World Population
 - ❑ As COVID-19 infections started to spread furiously, United States became the hot-spot of infections and number of deaths
 - ❑ According to WHO, the reported number of infections in the U.S. was 28.561 million which was 28.6% of the reported global infection of 114.854 million people. Reported deaths due to Coronavirus was also proportionate – 513,071 versus 2.56 million or 20% of global deaths
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HOW DOES U.S. STACK UP GLOBALLY

Country	Population (millions)	% World Pop.	Deaths	% Global Death
India	1380	17.7	157435	6.16
USA	331	4.24	513071	20.08
Brazil	213	2.73	257361	10.07
Russia	146	1.88	87823	3.43
U.K.	68	.87	123783	4.85
France	65	.83	87093	3.41
Italy	60	.77	98637	3.86
World	7800	100	2554694	100



COVID-19: THE ECONOMY TANKS....

- COVID-19 pandemic has had a significant effect on unemployment in every state, industry, and major demographic group in the United States.
 - The unemployment rate peaked at an unprecedented level, not seen since data collection started in 1948. In April 2020, unemployment rate hit 14.8% before declining to a still-elevated level of 6.7% in December
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COVID-19: THE ECONOMY TANKS, CONTD

- **Current-dollar GDP** decreased 2.3 percent, or \$500.6 billion, in 2020 to a level of \$20.93 trillion, compared with an increase of 4.0 percent, or \$821.3 billion, in 2019
- Measured from the fourth quarter of 2019 to the fourth quarter of 2020, real GDP decreased 2.5 percent during the period.



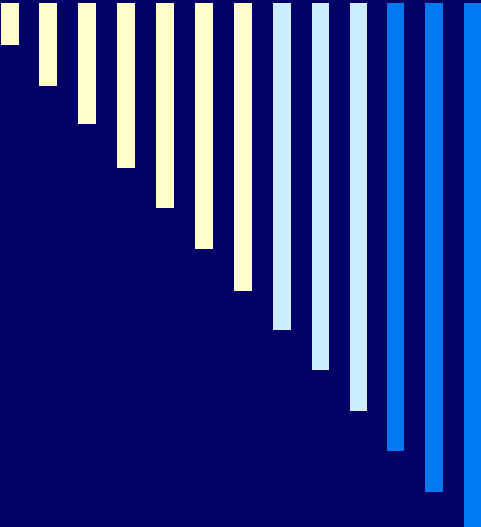
DIFFERENTIAL IMPACT OF THE PANDEMIC

- ❖ Young workers, women, workers with low educational attainment, part-time workers, and racial and ethnic minorities had relatively high unemployment rates
 - ❖ In the early months of the recession, unemployment was concentrated in industries that provide in-person services. Notably, the leisure and hospitality industry experienced an unemployment rate of 39.3% in April, before declining to 16.7% in December.
 - ❖ Part-time workers experienced an unemployment rate almost twice that of their full-time counterparts in April (24.5% vs. 12.9%), but this gap has since effectively closed.
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RECOVERY ON THE HORIZON

- ❑ Three vaccines authorized for Emergency Use
 - ❑ Aggressive vaccination campaign
 - ❑ Stimulus package to boost demand
 - ❑ Targeted support for low-income workers
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STIMULUS PACKAGES

- **Both Fiscal and Monetary Policies were fully deployed to tackle the COVID-19 Pandemic even before it was declared a Pandemic**
 - **Six fiscal stimulus packages dating back to March 6, 2020 pumped nearly \$5.6 Trillion into U.S. Economy**
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STIMULUS ONE

- ❖ **Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (Also known as Phase One, March 6, 2020)**
 - ❖ **\$8.38 Billion**
 - ❖ **Research for a vaccine**
 - ❖ **Aid to State and Local Governments**
 - ❖ **Prevent the spread overseas**
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STIMULUS TWO

- ❖ **Families First Coronavirus Response Act (Phase Two, March 18, 2020)**
 - ❖ **\$3.4 Billion**
 - ❖ **School lunches in lieu of School Closures**
 - ❖ **Sick Leave for companies <500 employees**
 - ❖ **\$1 Billion for unemployment insurance**
 - ❖ **Free COVID-19 Test**
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STIMULUS THREE

- ❖ **Coronavirus Aid, Relief, and Economic Security Act (CARES Act, March 27, 2020)**
 - ❖ **\$2.3 Trillion, Largest Stimulus Package**
 - ❖ **One-time, direct cash payment of \$1,200 per person, plus \$500 per child**
 - ❖ **Additional \$600 of unemployment per week until July 31, 2020**
 - ❖ **\$500 billion in government lending to companies affected by the pandemic**
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STIMULUS THREE

- ❖ \$367 billion in loans and grants to small businesses via [Paycheck Protection Program \(PPP\)](#) and expanded [Economic Injury Disaster Loan \(EIDL\)](#) program
 - ❖ \$60 billion for schools and universities
 - ❖ \$130 billion for hospitals and health care providers
 - ❖ \$150 billion in grants to state and local governments
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STIMULUS 3.5

- ❖ **Paycheck Protection Program Flexibility Act, 2020 (Signed April 24, Modified June 5, 2020)**
 - ❖ **\$484 Billion**
 - ❖ **24 weeks for business to spend aid (up from 8 weeks)**
 - ❖ **Allowed businesses that received PPP loans to delay paying payroll taxes**
 - ❖ **increased loan maturity of PPP loans to five years**
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STIMULUS FOUR

- ❖ **Stimulus and Relief Bill, attached to the main Omnibus Budget Bill (December 27, 2020)**
 - ❖ **\$900 Billion**
 - ❖ **Direct payments of \$600 per person, 16 and younger**
 - ❖ **Individual Income \$75,000 or less per year**
 - ❖ **Eleven weeks of expanded unemployment benefits starting on Dec. 27, 2020**
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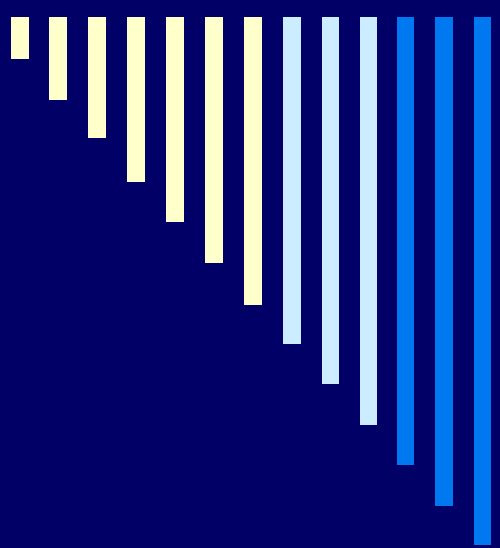
STIMULUS FIVE

- ❖ **American Rescue Plan Act of 2021 (March 1, 2021)**
 - ❖ **\$1.9 Trillion, Second Largest Stimulus Package**
 - ❖ **Direct cash payments of up to \$1,400 for individuals earning less than \$75,000 a year, plus \$1,400 per dependent. The amount of the payment decreases for people with income over \$75,000, phasing out completely for individuals with an income of \$100,000 a year**
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STIMULUS FIVE

- ❖ Increase maximum annual Child Tax Credit from \$2,000 a child to \$3,000 per child ages 6 to 17, and \$3,600 for each child under the age of 6.
 - ❖ Immediate effect, but phases out >\$150,000 joint or >\$112,500 head of household.
 - ❖ \$300 a week in expanded unemployment insurance through Sept. 6, 2021
 - ❖ \$130 billion in funding for K–12 schools
 - ❖ \$25 billion for SBA to make grants for “restaurants and other food and drinking establishments.”
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EARLY EVALUATION OF STIMULUS PACKAGES

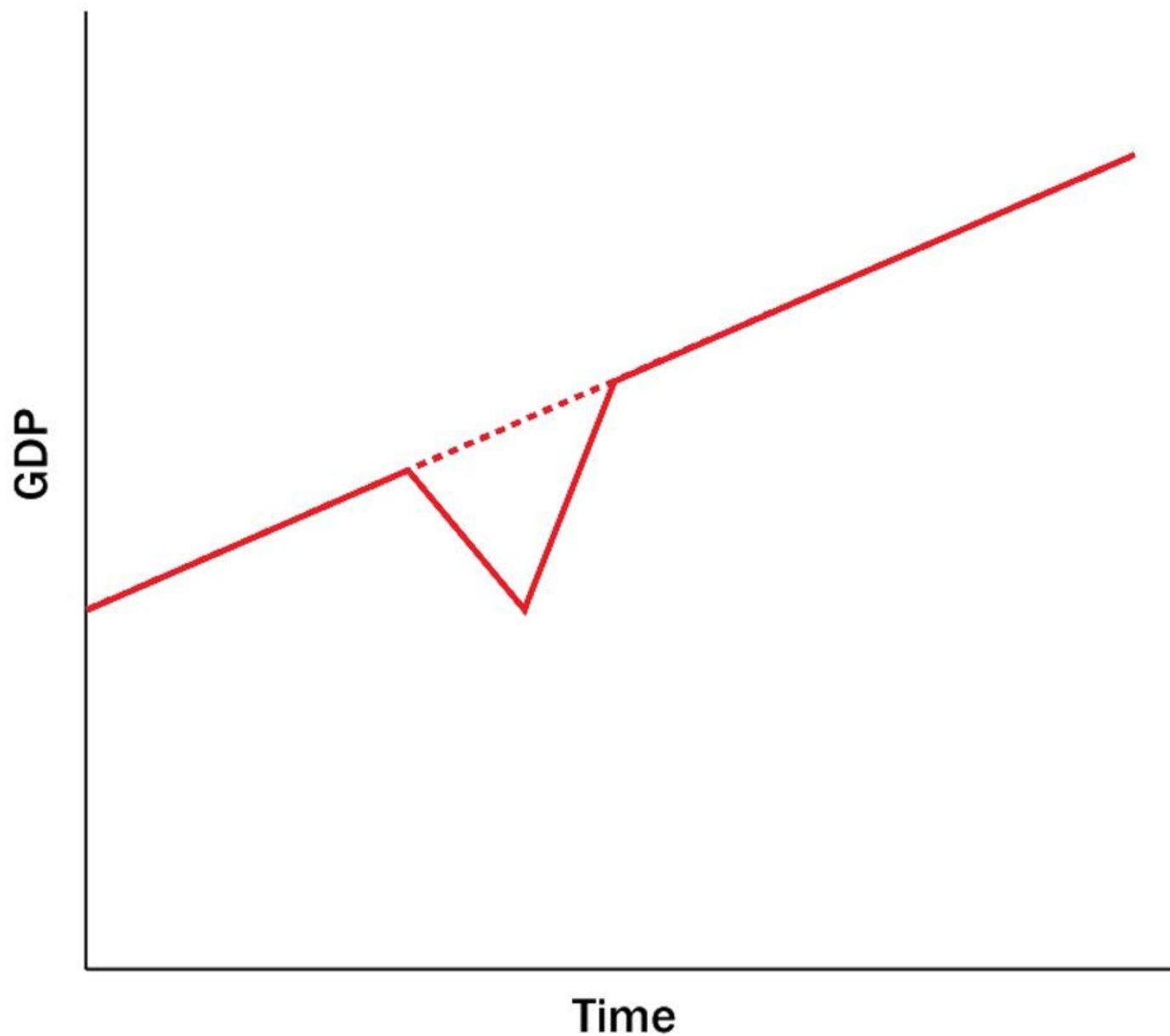
- ❖ **What Shape Recovery?**
 - ❖ **Income Distribution**
 - ❖ **Sustainable Growth – Will the Temporary Supply-Shock Inflation halt Permanent Recovery?**
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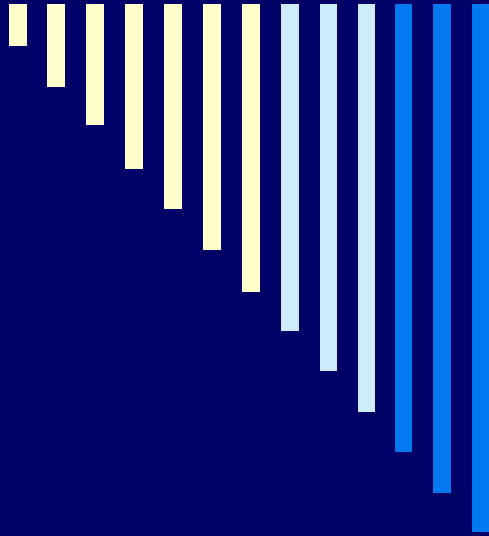


ALPHABET AND NON- ALPHABET-SHAPED RECOVERY: V, U, K, W, L AND MORE

- THE V-SHAPE RECOVERY. THE ECONOMY BOUNCES BACK QUICKLY TO ITS BASELINE BEFORE THE CRISIS. GROWTH CONTINUES AT THE SAME RATE AS BEFORE. THIS IS ONE OF THE MOST OPTIMISTIC RECOVERY PATTERNS BECAUSE IT IMPLIES THAT THE DOWNTURN DID NOT CAUSE ANY LASTING DAMAGE TO THE ECONOMY.
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V-Shaped Recovery

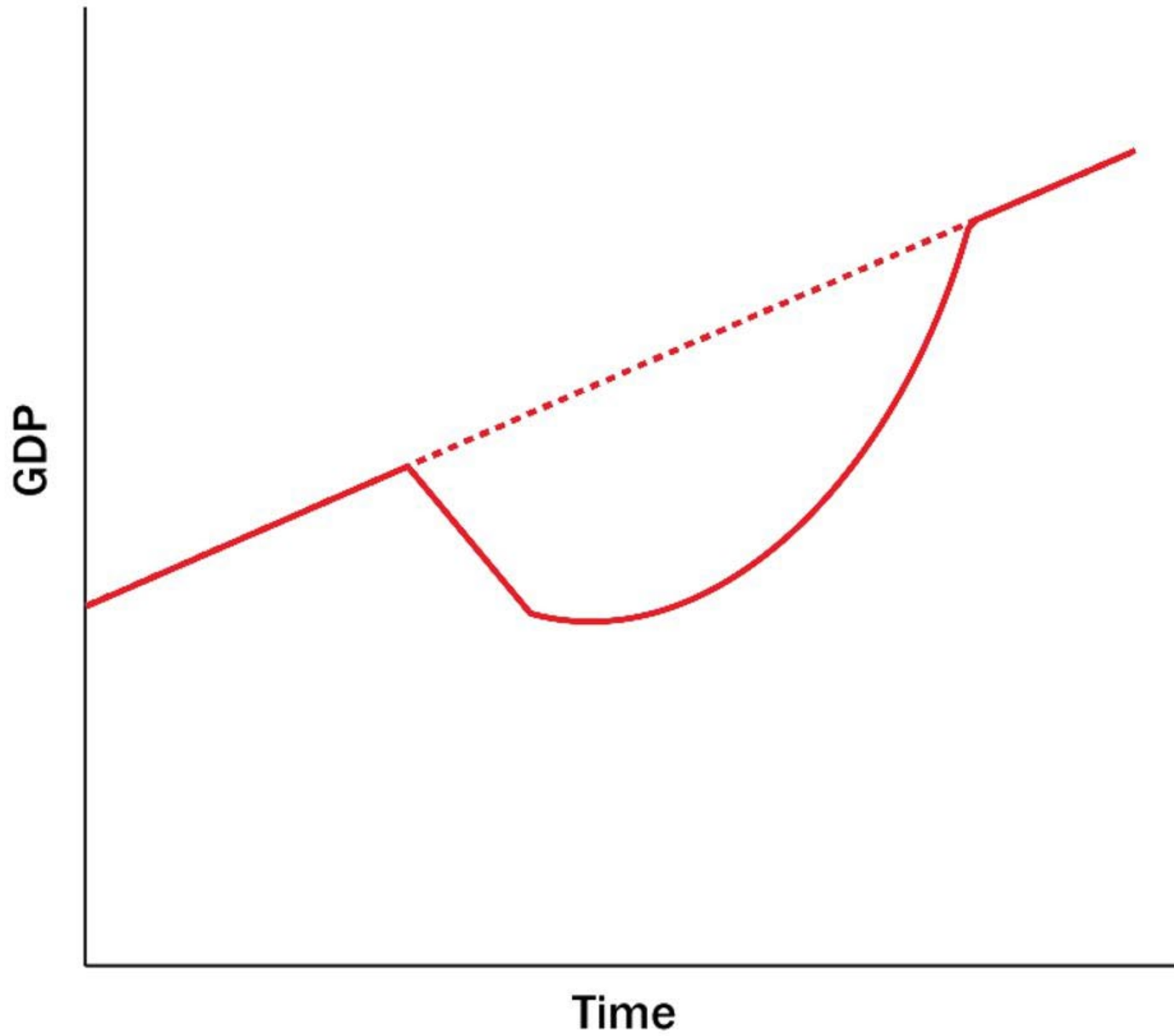




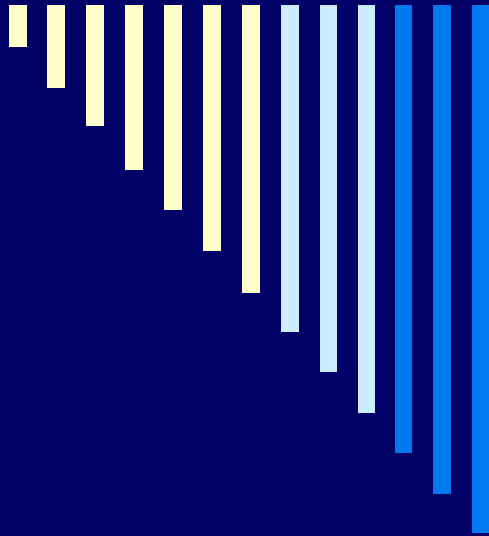
U-SHAPED RECOVERY

- ❖ THE ECONOMIC DAMAGE LASTS FOR A LONGER PERIOD OF TIME BEFORE EVENTUALLY REACHING THE BASELINE LEVEL. THE ECONOMY BOUNCES BACK, BUT THE DAMAGE AT THE BOTTOM LINGERS FOR A WHILE.
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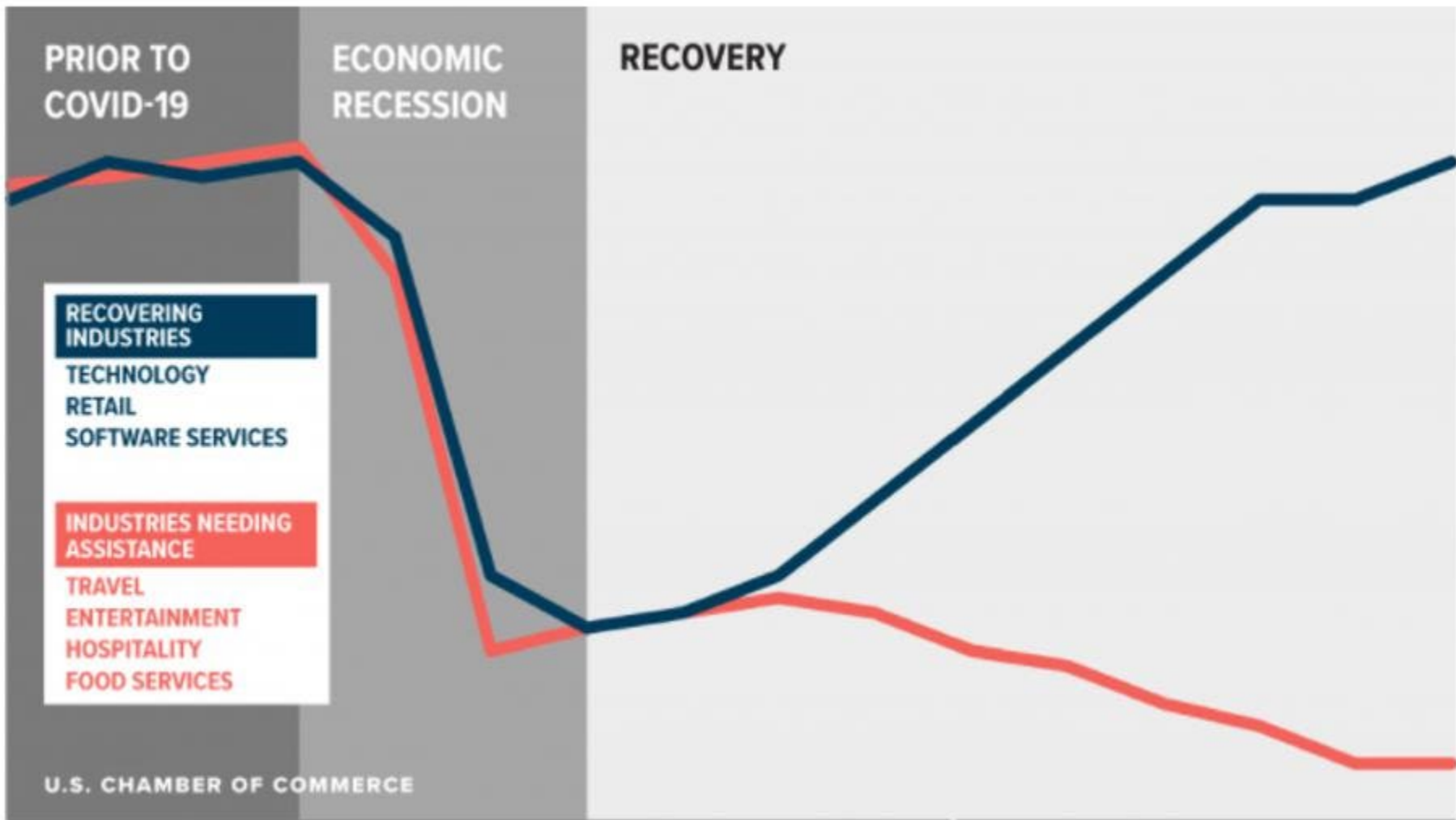
U-Shaped Recovery



K-SHAPED RECOVERY



A 'K' means an unequal recovery – wealthier Americans do well but poorer Americans remain stuck in recession.

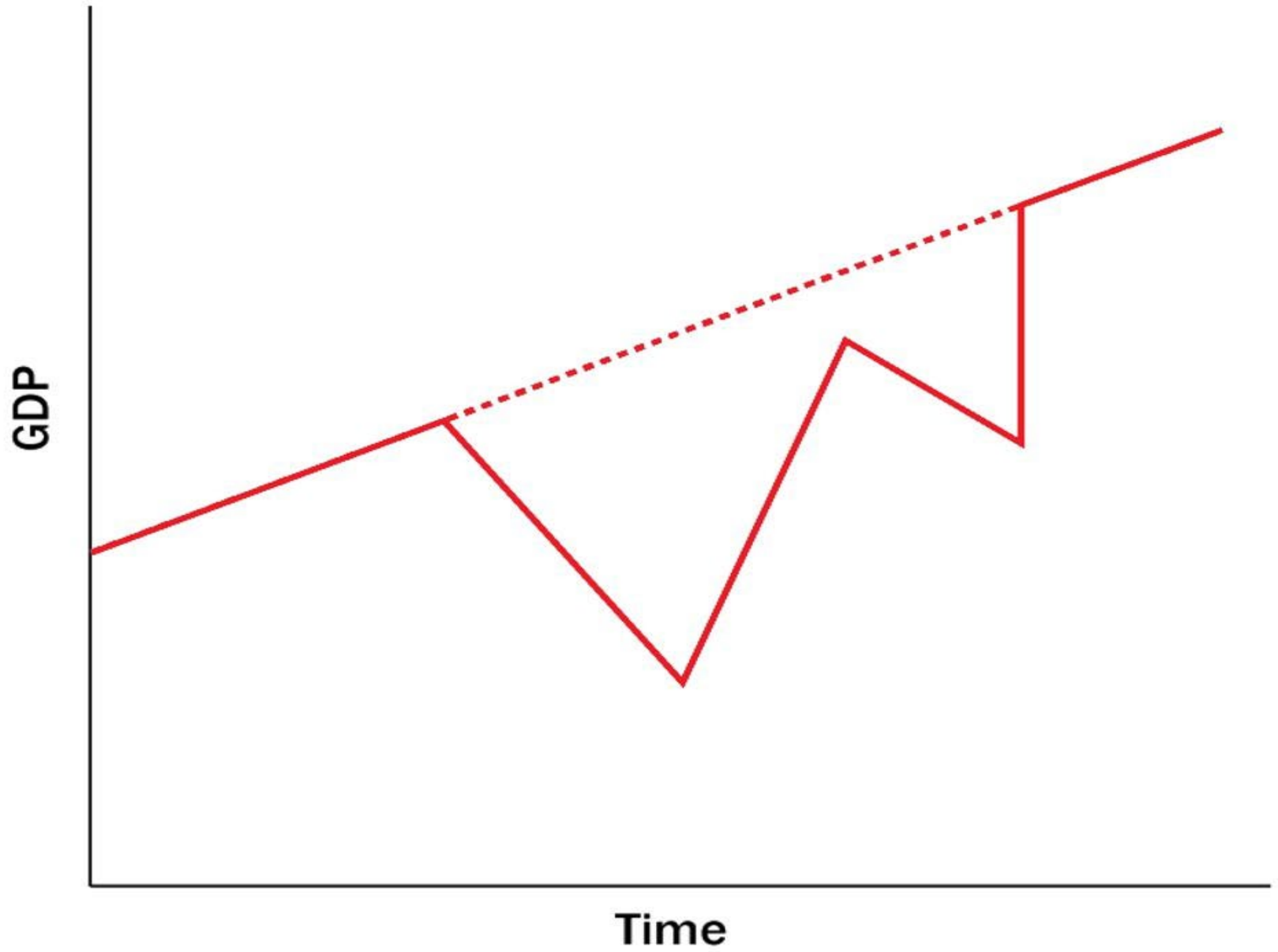




W-SHAPED RECOVERY

In a W-shaped recession, also called a double dip, the economy moves beyond a recession into a period of recovery before falling back down into another recession. The initial recovery is sometimes known as a bear market rally.

W-Shaped Recovery

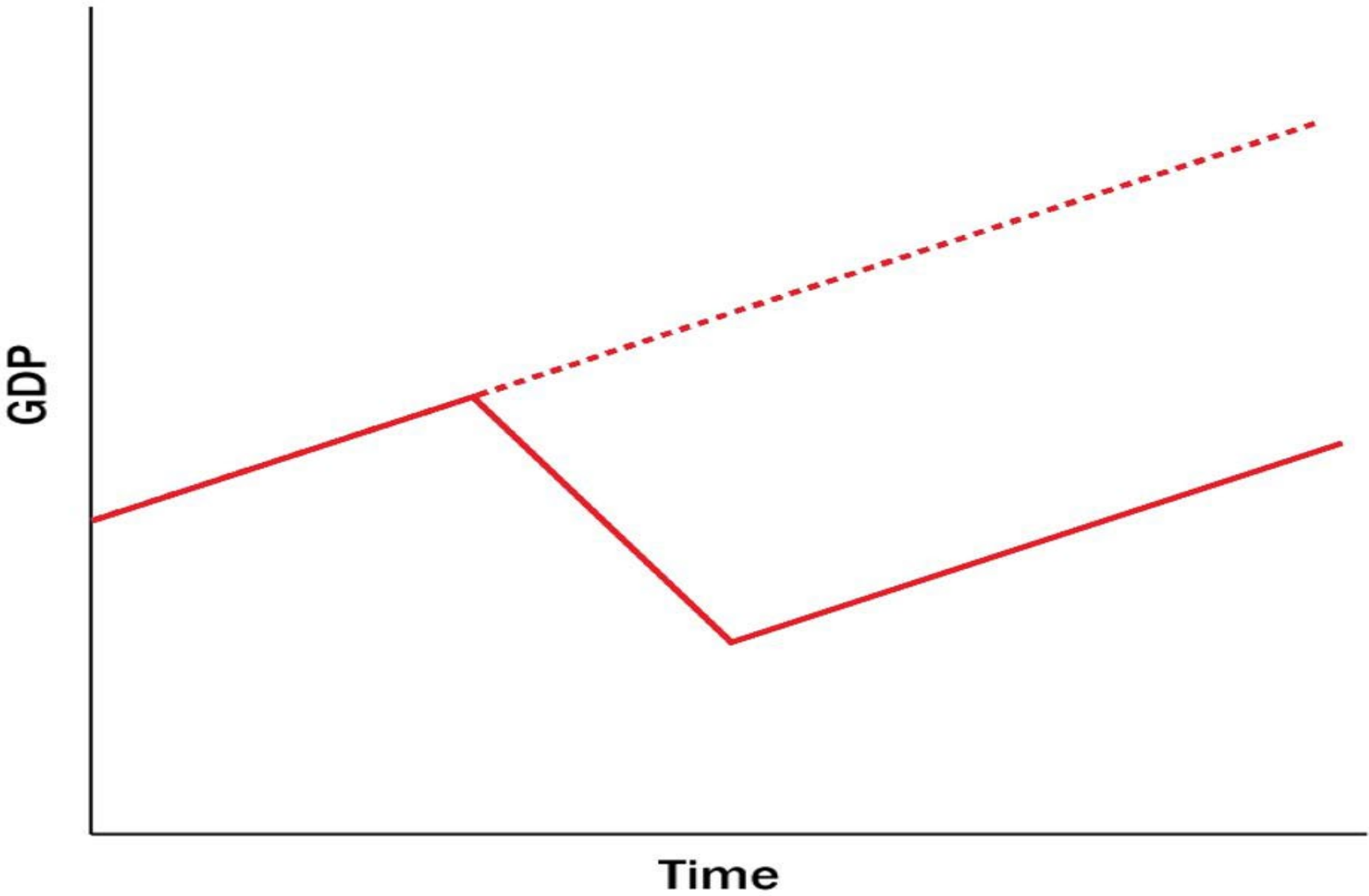




L-SHAPED RECOVERY

AN L-SHAPED RECOVERY IS THE MOST PESSIMISTIC SCENARIO WHERE THE ECONOMY RECOVERS TO A CERTAIN DEGREE FROM A STEEP DROP, BUT GROWTH FAILS TO REACH PRE-CRISIS LEVELS FOR YEARS. A PERIOD OF ECONOMIC STAGNATION FOLLOWS.

L-Shaped Recovery

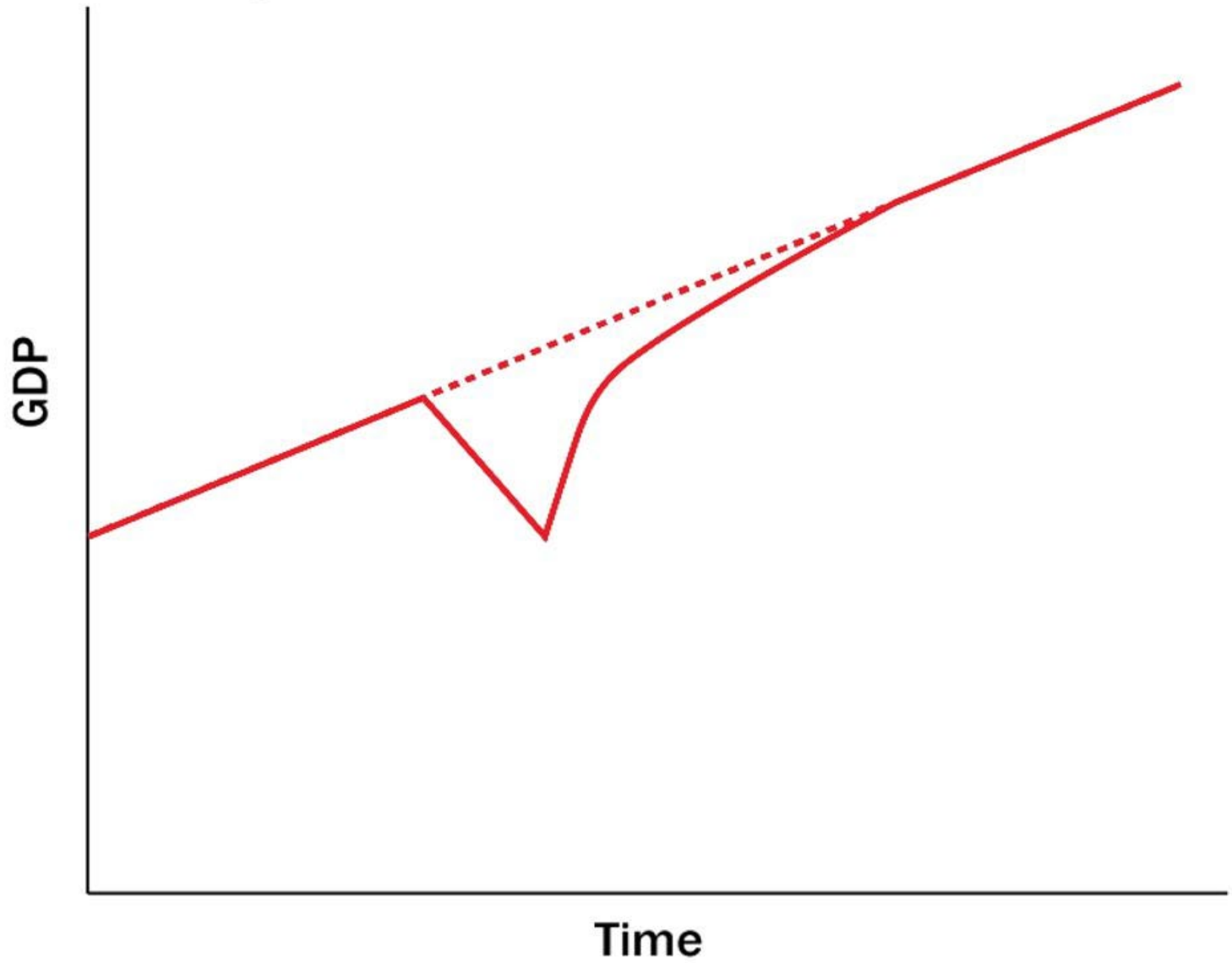




NON-ALPHABET SWOOSH-SHAPED RECOVERY

A recovery scenario resembling the Nike “swoosh” logo is characterized by a steep drop and a gradual recovery, meaning that it takes much longer to return to pre-crisis growth levels than it took to fall into recession

Swoosh-Shaped Recovery



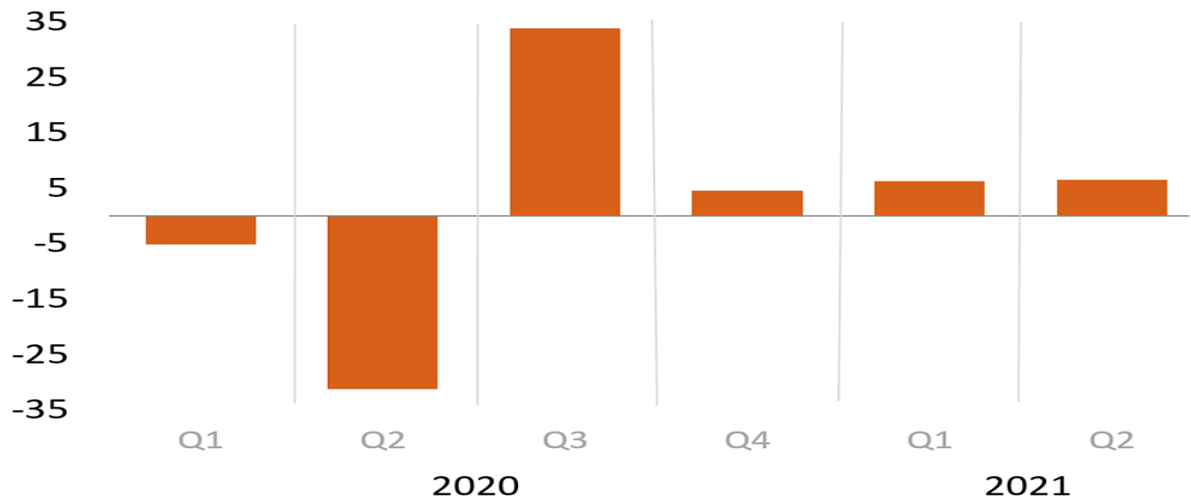


SO, WHAT SHAPE RECOVERY

- ❖ **Most Optimistic U or most Pessimistic L?**
 - ❖ **Too Early to Tell**
 - ❖ **One Key – Driven by Demand or Vested Interest**
 - ❖ **Lessons Learned from Great Recession**
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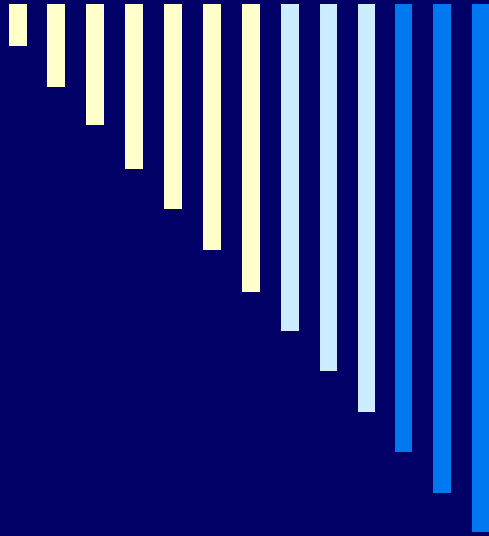
GDP GROWTH RATE – 2020, Q1 AND Q2, 2021

Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates



QUESTIONS?

THANK YOU!
