

# Unemployment Insurance and Spending

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## Abstract

Abstract goes here

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## 1 Introduction

Unemployment insurance (UI) is a crucial social welfare institution that is, although mandated by the federal government in the United States, administered on a state-by-state basis. UI walks a tightrope of free-market ethics; on the one hand it must help the unemployed stay afloat financially and provide a buffer as they look for new employment, and on the other hand it cannot be so abundant that it incentivizes individuals to stay unemployed. Differences in valuation between these two factors have resulted in differences in payment amount and duration in UI policies between different states.

Peter Ganong and Pascal Noel’s article, “Consumer Spending During Unemployment: Positive and Normative Implications”<sup>1</sup>, examines the effects of UI policies by tracking changes in income, spending, and employment prior to, during, and post UI benefits using anonymous banking information from JPMorgan Chase Institute (JPMCI). Some metrics are also compared across different states to examine how differences in UI policies are manifested in the economy. Ganong and Noel conclude that the increased marginal benefit

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<sup>1</sup>Ganong and Noel (2019)

of income as unemployment duration increases means that an extended duration of UI payments would benefit more than an overall increased in payment amount.

Using the original data provided by Ganong and Noel, this paper replicates the consumer spending, income, and employment hazard metrics to expand their conclusion, arguing that a diminishing payment schedule for UI across a longer duration would be even more effective. To develop this argument, this paper first provides a literature review on existing theories between UI and its effects on the labour and consumption market in section 1.1. Section 2 examines the source, methodology, ethics of the data, and the data itself provided by the original authors. In section 3, we examine how employment, spending, income, UI duration connect. Finally, in section 4 we discuss the possible policy implications using the relations shown in section 3.

## 1.1 Literature Review

## 2 Data

### 2.1 Source and Methodology

### 2.2 Data ethics

### 2.3 Tables

Table 1: Spending Change at Unemployment Insurance Exhaustion

Spending Type	Category	Pre-UI	During UI	Post-UI	\$ Change Post and During UI	% Change Post and During UI
Durable	Home Improvement	48.7	46.5	37.2	-9.4	-20.2
Other ND	Discount Stores	57.7	58.1	47.1	-11.0	-18.9
Other ND	Department Stores	19.4	16.5	13.6	-2.9	-17.7
Durable	Miscellaneous Durables	27.1	26.3	21.8	-4.5	-17.1
Other ND	Other Retail	148.0	137.0	114.4	-22.6	-16.5
Strict ND	Food Away from Home	193.4	164.3	138.2	-26.1	-15.9
Strict ND	Groceries	302.3	293.7	247.4	-46.3	-15.8
Other ND	Drug Stores	39.5	35.4	30.0	-5.4	-15.3
Durable	Retail Durables	48.3	43.3	36.7	-6.6	-15.3
Nondurable	Cash	703.7	584.1	495.9	-88.2	-15.1
Other ND	Medical Copay	35.4	29.3	25.3	-4.0	-13.6
Durable	Entertainment	29.4	27.0	23.4	-3.6	-13.4
Durable	Auto Repair	40.4	36.3	31.6	-4.7	-12.9
Other ND	Online	42.6	38.8	34.1	-4.7	-12.1
Strict ND	Transportation	155.6	127.6	114.0	-13.6	-10.6
Durable	Hotels and Rental Cars	27.0	21.4	19.2	-2.2	-10.3
Strict ND	Professional & Personal Services	55.4	50.0	45.0	-5.0	-10.0
Strict ND	Telecom	111.6	106.6	97.4	-9.2	-8.7
Strict ND	Utilities	190.1	182.4	173.3	-9.2	-5.0
Strict ND	Flights	32.5	24.5	23.5	-0.9	-3.9
Nondurable	Miscellaneous Nondurables	308.6	NA	268.5	-8.1	-2.9
Durable	Insurance	151.6	NA	154.6	-4.4	-2.8
Other Bank Account Outflows	NA	NA	NA	NA	NA	NA
NA	Transfer to External Account	356.1	271.6	237.3	-34.3	-12.6
NA	Uncategorizable Electronic	635.2	485.4	441.9	-43.6	-9.0
NA	Paper Checks	1057.6	968.9	923.7	-45.2	-4.7
NA	Non-Chase Credit Card Bill	436.8	365.2	351.1	-14.1	-3.9
NA	Installment Debt	380.9	348.7	335.3	-13.3	-3.8

Table 2: Spending Change at Unemployment Insurance Exhaustion Organized by Spending Type

Spending Type	Category	Pre-UI	During UI	Post-UI	\$ Change Post and During UI	% Change Post and During UI
Durable	Home Improvement	48.7	46.5	37.2	-9.4	-20.2
Durable	Miscellaneous Durables	27.1	26.3	21.8	-4.5	-17.1
Durable	Retail Durables	48.3	43.3	36.7	-6.6	-15.3
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Other Bank Account Outflows	NA	NA	NA	NA	NA	NA
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## 2.4 Graphs

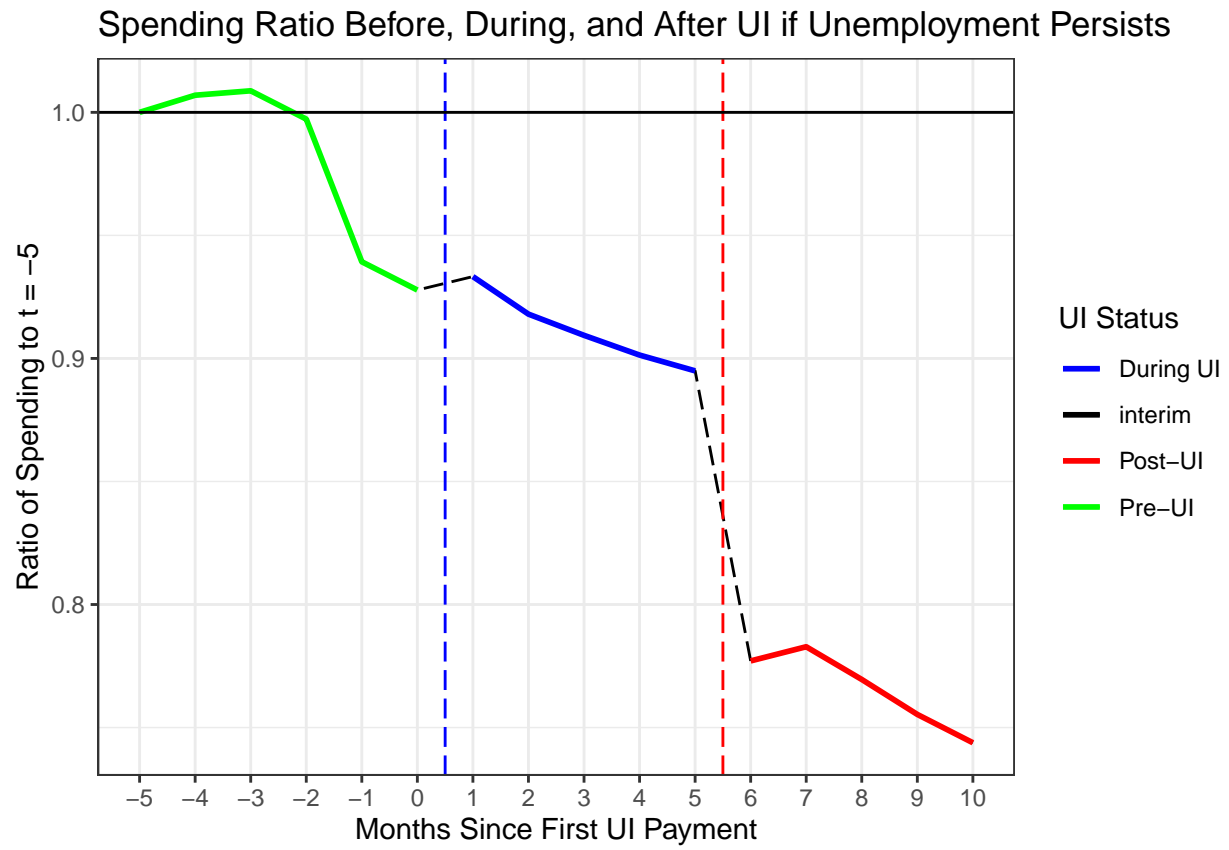


Figure 1: Spending Patterns Before, During, and After UI



Figure 2: Income Stream Before, During, and After UI

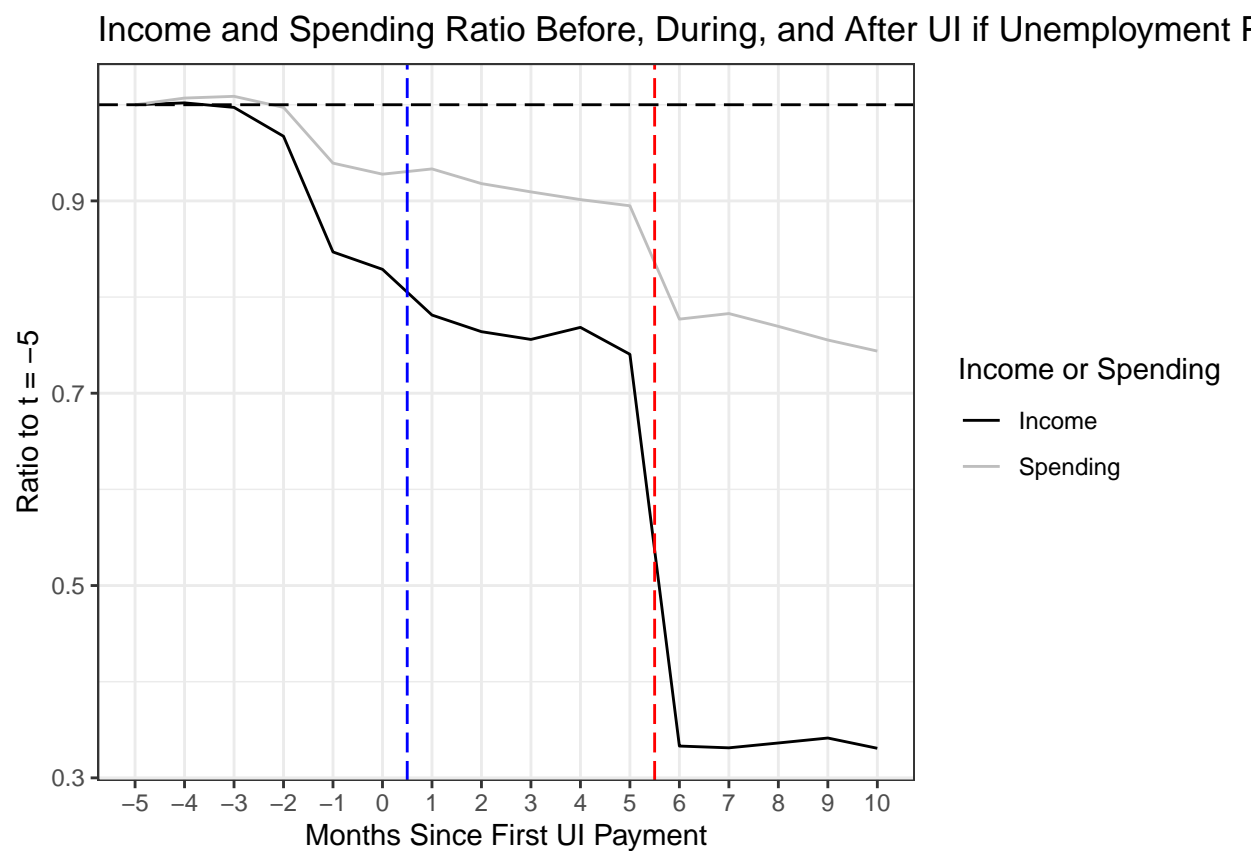


Figure 3: Income and Spending Before, During, and After UI

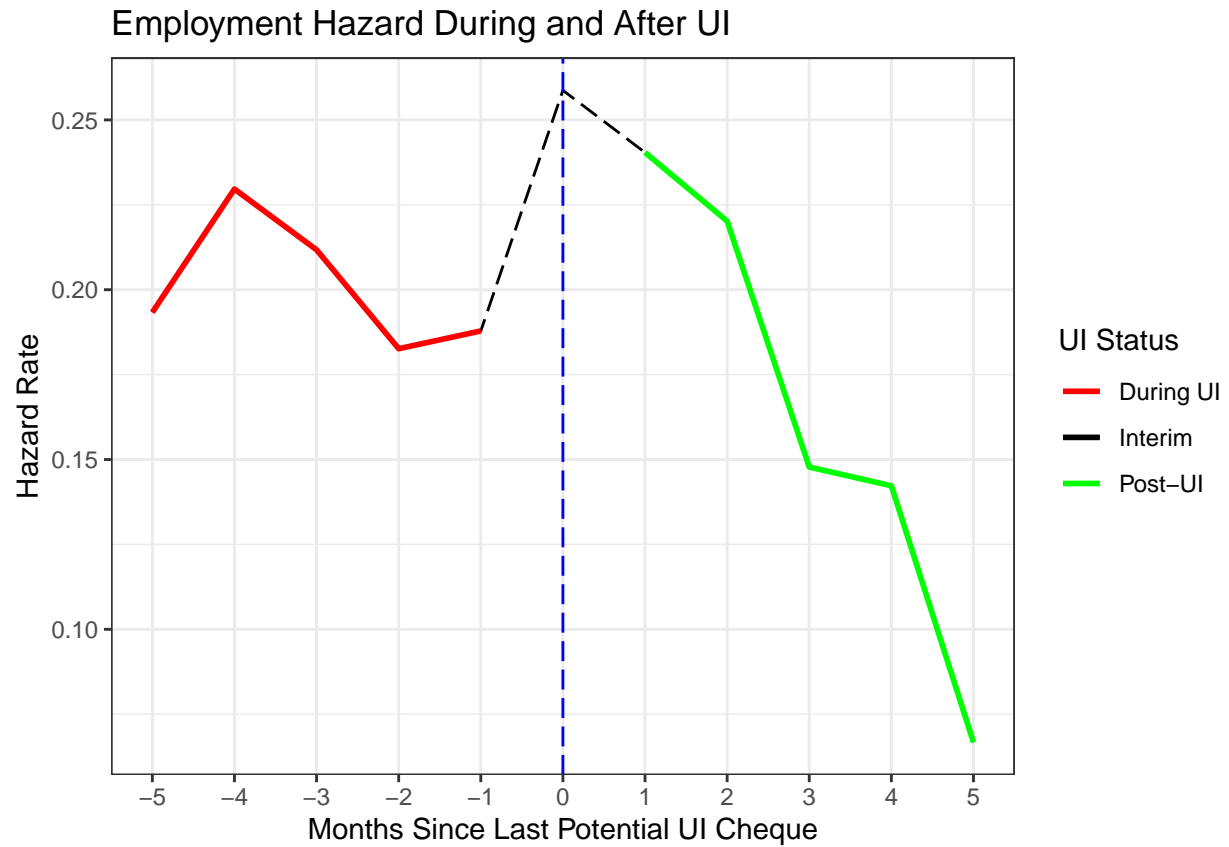


Figure 4: Employment Hazard Rate During and Post-UI

### 3 Results

Results go here

### 4 Discussion

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### References

Ganong, Peter, and Pascal Noel. 2019. “Consumer Spending During Unemployment: Positive and Normative Implications.” *American Economic Review* 109 (7): 2383–2424. <https://doi.org/10.1257/aer.20170537>.