Economic Impact Payments and Household Spending During the Pandemic

**Author:**Jonathan A. Parker, Jake Schild, Laura Erhard, David Johnson

Households spent only a small fraction of their 2020 Economic Impact Payment (EIPs) within a couple of months of arrival, consistent with i) pandemic constraints on spending, ii) other pandemic programs and social insurance, and iii) the broader disbursement of the EIPs compared to the economic losses during the early stages of the pandemic. While these EIPs did not fill an urgent economic need for most households, the first round of EIPs did provide timely pandemic insurance to some households who were more exposed to the economic losses from the pandemic. Households with lower liquid wealth entering the pandemic and those less able to earn while working from home each raised consumption more following receipt of their EIP. While our measurement for later EIPs is not as reliable, our estimates suggest even less spending on average to the second and third rounds of EIPs. Our point estimates imply less short-term spending on average than in response to economic stimulus payments in 2001 or 2008. While our analysis lacks the power to measure longer-term spending effects, the lack of short-term spending contributed to strong household balance sheets as the direct economic effects of the pandemic on households waned.

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