Universality and Conditionality in Cash Transfer Programs: Lessons from the COVID-19 Stimulus

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ABSTRACT

COVID-19 caused a global health crisis on an unprecedented scale. As countries around the world raced to contain the virus with lockdowns, quarantines, travel restrictions, and social distancing measures, disruptions also reverberated throughout the global economy, leading to widespread unemployment and a sharp decline in global GDP. In response, governments spent massive sums on fiscal measures, with the hopes of hastening recovery and providing relief to those in need. One common measure involved the provision of direct cash transfers to households. Direct cash transfers are not a new economic tool, but the pandemic marks the first time they were administered on a universal or nearly universal scale, with few or no conditions attached. As such, it provides a unique vantage point from which to study the impact of broad-based unconditional cash transfers as an economic tool. This paper evaluates the effectiveness of the Economic Impact Payments (EIPs), a series of three unconditional cash transfers that were extended to the vast majority of households in the United States. First, it examines how effective EIPs were in achieving their primary objectives of stimulating economic activity and providing relief to those in need. Second, it examines their impact on inflation and inequality. From these observations, lessons are drawn about how cash transfer programs can be better designed. The paper concludes that universality and unconditionality are not ideal for permanent transfer programs, but may be warranted temporarily if the paramount goal is getting quick relief to those in need during pandemic-like disruptions.

Introduction

COVID-19 caused a global health crisis on an unprecedented scale. As of December, 2022, there have been over 640 million confirmed cases and 6.6 million deaths worldwide.[1] As countries around the world raced to contain the virus with lockdowns, quarantines, travel restrictions, and social distancing measures, widespread disruptions also reverberated throughout the global economy. In 2020 alone, the pandemic was estimated to have resulted in a 3.5% fall in global GDP, representing a cumulative loss of US$11 trillion.[2] Meanwhile, studies have documented the devastating impact of the pandemic on a wide range of economic indicators, from consumer spending, to savings, to unemployment, to business revenues.[3]

In response, governments around the world spent massive sums on fiscal measures, with the hopes of hastening recovery and providing relief to those in need. One specific measure, embraced by many countries including the United States, South Korea, Japan, Singapor

[1] "WHO Coronavirus (COVID-19) Dashboard." WHO Health Emergency Dashboard, World Health Organization, https://covid19.who.int/

[2] Kim, Seonghoon, et al. "Do COVID-19 Stimulus Payments Stimulate the Economy? Evidence from Card Transaction Data in South Korea." The World Bank, World Bank Group, 23 Apr. 2021, https://swb.skku.edu/_res/sier/etc/DS2021_0514.pdf.

[3] Kim, Seonghoon, et al. "Do COVID-19 Stimulus Payments Stimulate the Economy?"

e, and others, involved the provision of direct cash transfers to households. Overall, these pandemic cash transfers reached over 1.3 billion worldwide.[4] Direct cash transfers are not a new economic tool. In the past, they have often been provided by federal and local governments alike, most often with the aim of alleviating poverty or incentivizing behavior seen as desirable. However, these transfer programs have generally been limited to specific groups, such as the poor or unemployed, and have often been contingent on beneficiaries' willingness to meet specific conditions. Recently, there has been growing interest in unconditional universal cash transfers, with a number of politicians and economists endorsing programs like Universal Basic Income as a means to alleviate poverty and improve income security. Nevertheless, the pandemic marks the first time universal or nearly-universal unconditional cash transfers have actually been adopted on such a large scale. Thus, it provides a unique vantage point from which to study their effectiveness as an economic tool.

This paper will examine the impact of the Economic Impact Payments (EIPs), a series of cash transfers implemented by the United States intended to mitigate the economic damage of the pandemic by stimulating aggregate demand and providing relief to those in need. It will not only evaluate the extent to which the EIPs accomplished those objectives, but also examine their effect on other economic indicators, such as inflation and inequality. Moreover, it will draw on evidence from pandemic cash transfer programs in other countries in order to explore how such programs could be better designed to maximize their effectiveness in combating future economic disruptions and to evaluate the extent to which they might be advantageous on a permanent basis.

Background

Conditional vs. Unconditional Cash Transfers

A conditional cash transfer is a payment to groups or individuals that requires the fulfillment of certain conditions.[5] These may be conditions regarding how the money can be spent, or actions that must be completed in order for the money to be received. In contrast, an unconditional cash transfer is a cash payment provided to people with no such conditions.[6] The most common rationale for conditionality in cash transfers is that it incentivizes behavior deemed socially optimal. The effectiveness of conditional cash transfers as an incentive has been demonstrated in numerous studies conducted in diverse countries around the world. For instance, one study found that child vaccination rates increased by 50% among eligible groups after the Colombian government implemented a cash transfer system conditional on people getting their children vaccinated.[7] Similarly, experiments conducted in Burkina Faso and Malawi concluded that conditional cash transfers dependent on school attendance were more effective than unconditional cash transfers at improving enrollment, reducing dropout, and boosting test scores.[8] If the main goal of a cash transfer program is to promote behavior seen as desirable, conditionality is generally the preferred method.

[4] Gentilini, Ugo. "10 Lessons from the Largest Scale-up of Cash Transfers in History." World Economic Forum, World Economic Forum, 20 July 2022, https://www.weforum.org/agenda/2022/07/10-lessons-largest-scale-up-cash-transfers/.
[5] "Conditionality in Cash Transfers: UNICEF's Approach." UNICEF Eastern Caribbean, UNICEF, Feb. 2016, https://www.unicef.org/easterncaribbean/reports/conditionality-cash-transfers
[6] "Conditionality in Cash Transfers: UNICEF's Approach."
[7] Özler, Berk. "How Should We Design Cash Transfer Programs?" World Bank Blogs, The World Bank Group, 6 Feb. 2020, https://blogs.worldbank.org/developmenttalk/how-should-we-design-cash-transfer-programs.
[8] Özler, Berk. "How Should We Design Cash Transfer Programs?"

However, despite the clear value of conditionality in incentivizing desirable behavior, unconditional cash transfers are often viewed as preferable, at least in certain situations. First, it has been argued that conditionality serves as a form of discrimination that runs counter to the concept of human rights. If the goal of a cash transfer system is to help those who truly need it, withholding aid from needy parties who refuse to comply with the conditions may be seen as unfair or even unethical.[9] For instance, withholding a food allowance from a mother of starving children because she refuses to get them vaccinated could result in the malnutrition or even death of those children. Another problem with conditional cash transfers is that they may be seen as paternalistic, as they imply that those receiving them are unable to make good decisions about how to use their money.[10] This also can lead to inefficiencies, as it deprives recipients from using funds in the way that may be more productive or important. For instance, money given to a family to purchase school supplies might be better spent on rent if the family is at risk of eviction and homelessness. Consequently, while conditional cash transfers may promote the behaviors on which they are contingent, unconditional cash transfers may be more likely to result in unanticipated benefits. For example, the same experiment in Malawi found that unconditional cash transfers were more effective than conditional cash transfers at enhancing psychological well-being and reducing teenage pregnancies and child marriages.[11] There is even some debate about whether conditionality actually does promote the desired behaviors. A number of recent studies found no statistically significant difference in the respective impacts of conditional and unconditional transfers on nutrition, health, and education outcomes.[12] Finally, conditionality often places greater burdens both on administrators and recipients.[13] For instance, if a program requires recipients to vaccinate their children, it would need administrators to oversee that families are meeting this requirement.

Targeted vs. Universal Cash Transfers

A targeted cash transfer supplies financial assistance to groups or individuals that meet a predetermined criteria, generally to those who are deemed needy such as the poor or elderly.[14] In contrast, a universal cash transfer provides financial assistance to everyone, regardless of their circumstances.[15] The main argument in favor of targeting cash transfers is the belief that targeting constitutes a more efficient use of scarce resources.[16] Since money is limited, governments often feel that it should be used where it would make the most impact, and that typically involves giving it to those who need it most. Because universal cash transfers make no discrimination between recipients, they end up devoting money and resources to those who may not benefit from them as much, a phenomenon known as leakage.[17] Due to the perceived wastefulness of leakage, the majority of cash transfer programs tend to involve at least some form of targeting.

Nevertheless, despite the obvious benefits of targeting, there are a number of reasons why some favor universal cash transfers, at least in certain situations. The first is that targeted cash transfer programs involve more overhead costs on a per capita basis.[18] T

[9] "Conditionality in Cash Transfers: UNICEF's Approach."
[10] "Conditionality in Cash Transfers: UNICEF's Approach."
[11] Özler, Berk. "How Should We Design Cash Transfer Programs?"
[12] "Conditionality in Cash Transfers: UNICEF's Approach."
[13] "Conditionality in Cash Transfers: UNICEF's Approach."
[14] Devereux, Stephen, et al. "TARGETING SOCIAL TRANSFERS." *Regional Hunger and Vulnerability Programme*, https://europa.eu/capacity4dev/.
[15] Devereux, Stephen, et al. "TARGETING SOCIAL TRANSFERS.".
[16] Devereux, Stephen, et al. "TARGETING SOCIAL TRANSFERS.".
[17] Devereux, Stephen, et al. "TARGETING SOCIAL TRANSFERS.".
[18] Devereux, Stephen, et al. "TARGETING SOCIAL TRANSFERS.".

his is because oversight is needed to ensure that benefits are only received by those who meet eligibility requirements, and that requires resources. For instance, if a government decides to provide cash transfers to families with income below a certain threshold, it would need to check the payment records of all applicants to ensure they meet this criterion. This would not only be a drain on government resources—it would also present a burden to potential recipients, who would need to overcome bureaucratic hurdles in order to prove that they meet eligibility requirements.[19] Another problem with targeted transfers is that they can sometimes lead to perverse incentives. For example, if the government announces a plan to provide cash transfers to multi-child families, suddenly people in need of money may have many children and try to force themselves to be included in the group. This may be desirable if the government's main goal is to encourage population growth, but if the program's aim is to alleviate child poverty, it could actually backfire by encouraging the birth of more poor children. Finally, universal transfer systems are less susceptible to political abuse.[20] While corrupt politicians may be tempted to reward their constituencies with transfers specifically targeting them, universal transfers benefit all equally. As such, they also tend to receive more broad-based public support.

Universal Basic Income

Historically, most cash transfer programs, especially in the developed world, have been narrowly targeted to help demographics deemed particularly needy. In the United States, prominent examples include social security for the retired and welfare for the poor. Such programs also often impose conditions, such as the requirement that recipients of unemployment insurance demonstrate that they are actively seeking employment. However, recently there have been increasing calls for Universal Basic Income (UBI), an unconditional universal cash transfer program that would provide a "periodic cash allowance" to all citizens, regardless of their needs and without any form of means test required.[21]

Proponents of UBI claim that it would reduce poverty and improve job security. They argue that providing everyone with an automatic basic income is particularly important because of advancements in automation, which they predict will lead to a "job apocalypse" as human workers are replaced by machines.[22] A trial program in Finland that provided 2,000 people with a €560 monthly stipend suggests that it may have other benefits as well.[23] Those receiving the stipend were nearly a third less likely to experience depression than those in the control group, and also reported higher overall life-satisfaction scores.[24]

Despite these promising results, however, critics have countered that UBI would simply be too expensive and that governments would not be able to afford it without cutting back in other areas. As economist Woo Seok-jin observed, individuals need not just money but public services that the state must provide, and these services could "collapse if UBI

[19] Devereux, Stephen, et al. "TARGETING SOCIAL TRANSFERS.".
[20] Devereux, Stephen, et al. "TARGETING SOCIAL TRANSFERS.".
[21] "What Is UBI?" The Stanford Basic Income Lab, Stanford University, https://basicincome.stanford.edu/about/what-is-ubi/.
[22] Gallo, William, and Lee Juhyun. "In South Korea, Universal Basic Income Is Having a Pandemic Moment." VOA News, Voice of America, 9 Mar. 2021, https://www.voanews.com/a/east-asia-pacific_south-korea-universal-basic-income-having-pandemic-moment/6203070.html.
[23] Crowley, John, and Iulia Sevciuc. "What We Know and What We Don't about Universal Basic Income." *World Economic Forum*, 12 Aug. 2021, https://www.weforum.org/agenda/2021/08/why-data-needs-to-underpin-the-basic-income-debate/.
[24] Crowley, John, and Iulia Sevciuc. "What We Know and What We Don't about Universal Basic Income."

is adopted."[25] Potentially, UBI could be funded by increasing taxes, but doing so would almost certainly be politically controversial. A recent study by the Fraser of Allander Institute found that financing a UBI program even at "current benefit levels" would require an 8% increase in taxes, and to create a program would "achieve wider goals of significantly reducing insecurity and allowing more people to choose whether to care, train, or hold out for better jobs" would cost roughly five times more.[26] Even if the funding for UBI could be obtained without raising taxes dramatically or sacrificing other public services, some feel that it would be better to focus limited resources on those who need them most.

Another concern is that UBI would incentivize laziness. The argument is essentially that if people receive money automatically from the government, they will not bother to work. However, supporters of UBI counter that, while conventional relief programs like unemployment insurance can tempt people to give up work in order to receive benefits, UBI offers no such disincentive, as everyone would receive it regardless of whether they are employed. Thus, those who are unable to find jobs would have a social safety net, while those who are able to find jobs would still have a reason to work them. Preliminary evidence suggests that UBI does not have much impact on recipients willingness to work. In the Finnish program, recipients of UBI actually worked more days over the test period than those in the control group, although it is worth noting that the results may not be representative as the test specifically covered the young and the long-term unemployed, a group known to face "high and well-known barriers in (re)entering the labour market."[27]

Overall, empirical evidence on UBI is limited. This is why pandemic cash transfer programs like the EIPs, which despite their temporary nature resembled UBI in terms of their universal or nearly-universal reach and lack of conditions, may offer valuable insights.

Cash Transfers and the U.S. Fiscal Response to COVID-19

The United States issued three rounds of cash transfers as part of its pandemic relief response. These transfers, formally known as Economic Impact Payments (EIPs) and commonly referred to as stimulus checks, were issued between March 2020 and March 2021. The first was CARES Act, which took effect on 27 March 2020 and provided $1,200 per individual.[28] The second was the Coronavirus Relief Act, which took effect exactly nine months later, on December 27, 2020, and provided an additional $600 per recipient.[29] The last one was the American Rescue Plan Act, which was enacted on March 11, 2021, and provided $1,400 per person.[30] All three rounds were unconditional, meaning that recipients were not required to fulfill any requirements in order to receive them and there were no restrictions about how the money was spent. These programs were not completely universal, as those earning the highest incomes were not eligible. For all three rounds, payments began to phase out for individuals earning over $75,000, though the phase-out rate differed, with the third round phasing out m

[25] Gallo, William, and Lee Juhyun. "In South Korea, Universal Basic Income Is Having a Pandemic Moment."

[26] "Is Universal Basic Income a Good Idea?" JRF, Joseph Rowntree Foundation, 21 July 2022, https://www.jrf.org.uk/report/universal-basic-income-good-idea.

[27] Crowley, John, and Iulia Sevciuc. "What We Know and What We Don't about Universal Basic Income."

[28] Konish, Lorie. "How Effective Were Those Stimulus Checks? Some Argue the Money May Have Fueled Inflation." *CNBC*, CNBC, 11 June 2022, https://www.cnbc.com/2022/06/11/the-pandemic-stimulus-checks-were-a-big-experiment-did-it-work.html.

[29] Konish, Lorie. "How Effective Were Those Stimulus Checks?"

[30] Konish, Lorie. "How Effective Were Those Stimulus Checks?"

ore quickly.[31] Nevertheless, the EIPs were far broader than previous cash transfer programs like welfare and social security, with payments extending to 90 percent of taxpayers.[32]

Together, EIPs amounted to roughly $817 billion, making them the single largest component of federal aid to individuals and families.[33] However, it is important to note that cash transfers were just a small part of the federal government's overall fiscal response to the pandemic, which was valued at close to $5 trillion and included a number of historic firsts.[34] For instance, the government expanded its unemployment benefits in value and coverage, including groups that had traditionally been excluded, such as self-employed workers and part-time workers, at a total cost of $678 billion.[35] Moreover, the federal government provided substantial aid to businesses, with the Paycheck Protection Program alone amounting to $835 billion.[36] Other unprecedented measures included substantially increasing child tax credits and the expansion of federal aid previously reserved for states to cities, counties, and tribal governments, all of which faced unprecedented budget constraints due to the pandemic.[37] Nevertheless, the economic impacts were likely the most visible aspect of the federal response and the widest in terms of total reach, going to over 150 million households.[38]

Methodology

In order to better understand the impact of universal or nearly universal unconditional cash transfer programs and determine their effectiveness as an economic tool, one must first consider their intended purpose. Policymakers tended to cite two primary objectives behind the creation of such programs in response to the pandemic. These objectives were to stimulate economic activity by boosting aggregate demand and to mitigate the suffering of those in need by providing relief.[39] Thus, any investigation into the effectiveness of these programs must begin by examining to what extent they accomplished the aforementioned objectives. Economic theory also suggests that the adoption of universal unconditional cash transfers would have a number of additional effects, with two of the most prominent being increasing inflation and decreasing inequality. To provide a more complete picture of their impact on the economy, these effects too must be considered. Therefore, this paper will assess the extent of the impact of cash transfer programs on four key domains: stimulating macroeconomic activity, providing relief, reducing inequality, and increasing inflation. As a ca

[31] Konish, Lorie. "How Effective Were Those Stimulus Checks?"
[32] Konish, Lorie. "How Effective Were Those Stimulus Checks?"
[33] Parlapiano, Alicia, et al. "Where $5 Trillion in Pandemic Stimulus Money Went." The New York Times, The New York Times, 11 Mar. 2022, https://www.nytimes.com/interactive/2022/03/11/us/how-covid-stimulus-money-was-spent.html
[34] Parlapiano, Alicia, et al. "Where $5 Trillion in Pandemic Stimulus Money Went."
[35] Parlapiano, Alicia, et al. "Where $5 Trillion in Pandemic Stimulus Money Went."
[36] Parlapiano, Alicia, et al. "Where $5 Trillion in Pandemic Stimulus Money Went."
[37] "Robust COVID Relief Achieved Historic Gains Against Poverty and Hardship, Bolstered Economy." *CBPP*, Center on Budget and Policy Priorities, 24 Feb. 2022, https://www.cbpp.org/research/poverty-and-inequality/robust-covid-relief-achieved-historic-gains-against-poverty-and.
[38] "How Did Americans Spend Their Stimulus Checks and How Did It Affect the Economy?" PGPF, Peter G. Peterson Foundation, 14 May 2021, https://www.pgpf.org/blog/2021/05/how-did-americans-spend-their-stimulus-checks-and-how-did-it-affect-the-economy.
[39] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned from the U.S. Economic Policy Response to COVID-19." *RECESSION REMEDIES: Lessons Learned from the U.S. Economic Policy Response to COVID-19*, edited by Wendy Edelberg et al., The Brookings Institute, 2022, https://www.brookings.edu/wp-content/uploads/2022/04/RR-Chapter-3-Economic-Impact-Payments.pdf.

se study, it will use the U.S. EIPs, drawing comparisons to similar programs in other countries when applicable. The goal is to provide greater insight about how cash transfer programs can be better designed to maximize their impact in combating future economic disruptions, as well as to determine whether universality and unconditionality might be appropriate on a permanent basis.

Discussion

Stimulating Economic Activity

Perhaps the most obvious goal of the EIPs, as well as similar cash transfer programs in other countries, was to stimulate economic activity. Indeed, policymakers cited the need to stimulate the economy and avoid recession in passing the legislation, and these payments were informally referred to as stimulus checks. The pandemic was devastating for businesses, as measures like quarantines and social distancing drastically reduced the demand for goods and services. The global GDP fell by an estimated 3.5% in 2020, amounting to a loss of $11 trillion by the start of 2021.[40] As businesses faltered, unemployment soared. Between February and April 2020, the unemployment rate in the United States rose from 3.5% to 14.8%. This posed a problem not merely for the millions who found themselves out of work, but for the economy as a whole. When people lose their jobs, they spend less, and that spending impacts the bottom line of other businesses, which may be forced to lay off more employees or even shut down. This can create a feedback loop in which lower spending leads to business failure which leads to lower income which leads to lower spending. Even those who are unaffected directly may feel concerned about the overall economic situation and decide to cut back on spending, exacerbating the problem. Thus, there was a significant fear that, in absence of a strong government response, the pandemic could trigger a demand-driven recession that would take years to recover from. This fear wasn't merely theoretical. Many economists believe that Congress's failure to inject more money into the economy in 2008 was responsible for the "long and grinding recovery" from the Great Recession.[41] Therefore, this time around, policymakers were determined to do whatever they could to counter the macroeconomic damage of the pandemic, even if that meant spending large sums on fiscal stimulus programs such as the EIPs. The rationale was that, when given money, people generally spend more, and that spending boosts aggregate demand, which could counterbalance the impact of the pandemic and push the economy back toward equilibrium.

Preliminary evidence suggests that the EIPs may indeed have had such an effect. First of all, the recession was relatively short. The annualized growth of real GDP fell in the first quarter of 2020 to -4.6% and plummeted to -29.9% in the second quarter.[42] However, that plunge in real GDP was almost entirely counterbalanced by the 35.5% annualized growth of real GDP in the 3rd quarter.[43] Overall, real GDP fell by just 3.4% in 2020, and in 2021 it grew by 5.7%, the highest rate since 1984.[44] This rapid recovery is also evident when looking at unemployment rates. Over 20 million jobs had been lost by April, 2020, but over h

[40] Kim, Seonghoon, et al. "Do COVID-19 Stimulus Payments Stimulate the Economy?"
[41] Nerkar, Santul, and Amelia Thomson-DeVeaux. "Were the Stimulus Checks a Mistake?" *FiveThirtyEight*, FiveThirtyEight, 26 Apr. 2022, https://fivethirtyeight.com/features/were-the-stimulus-checks-a-mistake/.
[42] Statista Research Department. "U.S. Real GDP Growth by Quarter 2022." *Statista,* 3 Jan. 2023, https://www.statista.com/statistics/188185/percent-change-from-preceding-period-in-real-gdp-in-the-us/.
[43] Statista Research Department. "U.S. Real GDP Growth by Quarter 2022."
[44] "U.S. GDP Growth Rate 1961-2023." *MacroTrends*, https://www.macrotrends.net/countries/USA/united-states/gdp-growth-rate.

alf of those were recovered by the end of the year.[45] Nearly all of the jobs lost were recovered by 2022, a milestone that Moody's Analytics concludes "would not have been achieved until summer 2026" without government support.[46] In short, it seems clear that the pandemic did not lead to a major long-term recession, and that without the government's fiscal response, it likely would have.

Nevertheless, it is important to keep in mind that the EIPs were just a small part of the government's overall fiscal response to the pandemic. Were the EIPs themselves a major part of this quick rebound? Could the over $800 billion have been put to more efficient use? These questions are more difficult to answer. One study found that, even adjusting for inflation, consumer spending increased 3% in January 2021, the month the majority of payments provided in the second round of transfers were disbursed.[47] Yet even if we observe an increase in spending following the disbursement of payments, it is hard to separate the impact of the cash transfers from other factors that could also influence macroeconomic activity. Therefore, efforts to better assess the effectiveness of pandemic cash transfers have sought to determine recipients' marginal propensity to consume (MPC), a number between 0 and 1 that indicates the fraction of the additional money devoted to consumption. MPC has important implications for the effectiveness of the stimulus, because when people spend more, that additional money doesn't simply disappear. Rather, it boosts the profits of other businesses, which may pass them onto owners or employees, who, in turn, increase their spending. Just as an event like the pandemic could theoretically cause a feedback loop of falling aggregate demand, a cash transfer could create a feedback loop in the opposite direction, a phenomenon known as the multiplier effect, and the extent of the multiplier effect depends on MPC. If the MPC is high, the multiplier effect is larger, making the payments more effective at boosting aggregate demand and spurring economic activity. However, if the MPC is lower, the effect would be smaller, making the overall impact of the transfers more limited.

Two primary methods have been used to assess the MPC of recipients of the EIPs, each with its own advantages and limitations. One involves data from bank and credit card transactions, which can be aggregated to assess how much was spent within a designated time period.[48] The other involves data from surveys in which households were asked to self-report expenditures within a designated time period.[49] The primary advantage of the transactional data method is that it can offer a large sample size. It is also less prone to measurement error, as subjects in a survey are liable to misremember what exactly they purchased and when, especially over a longer reference period.[50] Yet the transaction data method is imperfect, as it can also overlook larger expenses like automobiles, which tend not to be purchased with cards. It also is more likely to miscategorize debt repayments and transfers as spending. Ultimately, these two methods are not mutually exclusive, but should rather be viewed as "complementary sources" that, together, can provide greater insight regarding the consumption response to pandemic cash transfers.[51]

A study by Baker et al. using transactional data to measure spending over a two week period following the disbursement of the first round of economic impact payments yielded an MPC of 0.37.[52] One limitation of the study, however, was that subjects had a median post-tax income of $25,824 and bank account balance of $98, indicative of "a user base that i

[45] "Robust COVID Relief Achieved Historic Gains"
[46] "Robust COVID Relief Achieved Historic Gains"
[47] "How Did Americans Spend Their Stimulus Checks"
[48] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"
[49] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"
[50] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"
[51] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"
[52] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"

s low income and struggling to save money."[53] Baker et al. acknowledge this limitation, proposing that an MPC of 0.27 would be more representative of the entire population.[54] It is also worth noting that, even within this relatively low-income sample, Baker et al. found significantly larger spending responses by individuals with comparably lower incomes, less liquidity, and greater income drops.[55]

Another study by Coibion, Gorodnichenko, and Weber based on survey data with sample weights to produce estimates representative of the national population yielded a higher MPC of 0.40.[56] One explanation for this higher figure is that the study was conducted in mid-July, nearly three months after disbursements of the first round of economic impact payments began, whereas Baker et al. merely observed spending over the first two weeks of disbursement. Overall, Coibion, Gorodnichenko, and Weber found that, by mid-July, households had devoted an average of 40% of the payments to spending, 30% to saving, and 30% to paying off debt.[57] Moreover, like Baker et al., they noted significant discrepancies between certain classes of recipients. Specifically, they observed that recipients who were "liquidity constrained, out of the labor force, residing in larger households, [or] less educated" had higher MPCs.[58]

Parker et al. also utilized survey data to assess the spending response to the first round of stimulus payments, but found a much lower MPC of 0.11.[59] This small figure is "difficult to reconcile" not only with the higher results of other studies but with the response that 56% of subjects in the survey "reported mostly spending the EIP."[60] Regardless of the reason for these anomalous results, one consistency is the difference in spending response among different groups. Like Baker et al. and Coibion, Gorodnichenko, and Weber, Parker et al. observed much higher MPCs among recipients with low levels of liquidity.[61]

A fourth study by Chetty et al. bypassed considerations of MPC altogether, evaluating the impact of the transfers by measuring changes in spending, comparing post stimulus spending with a baseline of January 2020. Like the three studies discussed above, they found that the payments increased overall spending, but that the impact varied widely based on the economic situation of recipients.[62] For households in lowest income quartile zip codes, post-stimulus consumption was 25% higher than it had been in January.[63] However, for households in the highest income quartile zip codes, the difference was only 8%.[64] Given that the baseline was January 2020, before the pandemic, it is likely that the actual impact on spending for both groups was higher, as the pandemic may have naturally resulted in lower spending due to the loss of other income sources. However, this does not diminish the significant difference in response between high and low income recipients.

The wide range of spending responses observed in these studies makes clear the difficulty of firmly establishing the impact of the EIPs on consumption. Nevertheless, there are two main conclusions that can be drawn. First, overall, the consumption response to EIPS appears to have been lower than the response to similar forms of stimulus such as tax credits or rebates given in previous recessions. A possible explanation for this lies in the unusual conditions of the pandemic. It has been noted that the impact of the stimulus paym

[53] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"
[54] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"
[55] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"
[56] Coibion, Olivier et al.
[57] Coibion, Olivier et al.
[58] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"
[59] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"
[60] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"
[61] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"
[62] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"
[63] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"
[64] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"

ents may have been "neutralized due to risk avoidance behavior" as well as by policies like lockdowns and social distancing measures, which likely limited recipients' opportunities to spend.[65] The second main conclusion, supported by all four of the studies discussed, is that the impact of the EIPs on consumption varied widely based on the economic situation of recipients. Individuals and households with low levels of income and liquidity or that had experienced significant income shocks demonstrated considerably higher MPCs than their counterparts, a trend that has clear implications for policymakers. In order to maximize the impact of future cash transfer programs on aggregate demand, it would make sense to target such demographics. These findings lend support to policymakers' decision to phase out EIPs for individuals and households above a certain income threshold. However, it is likely that lowering income thresholds further would have yielded a higher average change in consumption, and could have thus provided a more efficient mechanism for simulating aggregate demand.

The relatively low consumption response of the EIPs may also have benefited from conditionality. In this regard, South Korea's pandemic cash transfer program may serve as a useful model. Unlike the EIPs, South Korea's program imposed several conditions regarding when and how the money could be used. Perhaps the most pertinent condition was that the payments, which were part of a law enacted on April 30, 2020, had to be spent before the end of August, 2020.[66] Granted, money is fungible, so even though recipients were required to spend the money or lose it, they could have compensated by spending less of their other money. Nevertheless, this condition may have provided a psychological incentive for recipients to spend more, making the consumption response of the payments more significant.[67] The South Korean program also involved restrictions regarding where the money could be spent. Payments had to be used in the province in which a recipient resided and could not be used for online transactions or spent at certain types of establishments such as "department stores, Walmart-like hypermarkets, gyms, hotels and entertainment outlets, such as casinos, bars, pubs and karaoke lounges."[68] It is likely that these conditions would have actually decreased MPC, as they made the money more difficult to spend. Nevertheless, they may have provided a more targeted boost to sectors of the economy that were particularly damaged by the pandemic.

Providing Relief

Another important goal of the EIPs was to provide relief and alleviate the suffering of those most impacted by the pandemic and subsequent restrictions. In this regard, the overwhelming majority of evidence suggests that the EIPs were quite effective. One study found that the first two rounds of stimulus alone were responsible for lifting 11.7 million out of poverty, including 3.2 million children.[69] Another concluded that shortly after the disbursement of the second round of EIPs, in January 2021, "the share of adults with children in food-insufficient homes, where someone did not have enough to eat in the past seven days, fell one-sixth."[70] After the disbursement of the third round of EIPs, in March 2021, that figure fell even more drastically, by one-fourth.[71] In short, it appears that the EIPs allowed many struggling households, which would have otherwise gone hungry, to maintain an adequate standard of living.

[65] Kim, Seonghoon, et al. "Do COVID-19 Stimulus Payments Stimulate the Economy?".
[66] Kim, Seonghoon, et al. "Do COVID-19 Stimulus Payments Stimulate the Economy?".
[67] Kim, Seonghoon, et al. "Do COVID-19 Stimulus Payments Stimulate the Economy?".
[68] Kim, Seonghoon, et al. "Do COVID-19 Stimulus Payments Stimulate the Economy?".
[69] "Robust COVID Relief Achieved Historic Gains"
[70] "Robust COVID Relief Achieved Historic Gains"
[71] "Robust COVID Relief Achieved Historic Gains"

A similar conclusion can be drawn from data on how recipients spent these transfers. In all three rounds of EIPs, the most common purchase with stimulus funds was food. In the first round, 70.7% of recipients spent some of the money on food, while in the second and third rounds, that number was 57.6% and 61.3% respectively.[72] The next most common category was utilities, which were purchased by 53.5% of recipients in the first round, 44.2% in the second round, and 45.7% in the third round.[73] The fact that such high numbers of recipients used the funds to cover necessities like food and utilities suggests that, without this aid, many would have gone hungry or cold. This was especially true in the first round, in which 74% of recipients reported that they mostly spent the money.[74] Although the need for the funds was less clear in the second and third rounds, even in these cases, more than two thirds of recipients used the majority of funds for spending or paying off debt.[75]

However, while the EIPs certainly did alleviate suffering, providing individuals and families with much needed liquidity to cover essential expenses, many have criticized them as too broad, arguing that more narrowly targeted transfers could have achieved similar objectives at a fraction of the cost. 90 percent of taxpayers received money, regardless of whether or not they were experiencing financial difficulties.[76] Indeed, it seems that a significant proportion of those who received the cash transfers, especially in the second and third rounds, would not have suffered without them. In the first round, 14% of recipients reported that they mostly saved it, while in the second and third rounds, this number increased to 26% and 32% respectively.[77] The fact that these recipients were able to save the money makes it clear that they were not in dire need of relief, and would have been able to maintain a decent standard of living without the transfers. It is understandable, therefore, that some would consider these programs wasteful, especially considering the strain that pandemic placed on already-limited government budgets. From a utilitarian standpoint, it would appear to make sense to limit payments to those who need them most desperately, such as those who have experienced a loss in income. By targeting a more narrow group of recipients, it may be reasoned, the government could have reduced overall expenditures while simultaneously providing more to those eligible.

Yet despite these powerful arguments for narrower targeting, there are a number of reasons why the nearly universal nature of the EIPs may have been warranted. Perhaps the most compelling of these is speed. The pandemic caused unprecedented disruptions, with many losing much-needed sources of income. One report found that the pandemic put almost half of the world's whole workforce in danger of losing their livelihoods.[78] Many of those who found themselves unemployed needed urgent assistance, and a broad-based program was the fastest method to get them that assistance. In the first round of EIPS, the first direct deposits were issued within two weeks.[79] The process grew even faster in future rounds, with the first batch of deposits in the third round made just the day after the legislation was signed.[80] Erica York, a senior economist and research manager at the Tax Foundation, notes that while the broad nature of the EIPs may have reduced "accuracy," this sacrifice was deemed necessary as "a higher priority for lawmakers was getting relief out fast because of

[72] Konish, Lorie. "How Effective Were Those Stimulus Checks?"
[73] Konish, Lorie. "How Effective Were Those Stimulus Checks?"
[74] "How Did Americans Spend Their Stimulus Checks"
[75] "How Did Americans Spend Their Stimulus Checks"
[76] Konish, Lorie. "How Effective Were Those Stimulus Checks?"
[77] "How Did Americans Spend Their Stimulus Checks"
[78] "Impact of Covid-19 on People's Livelihoods, Their Health and Our Food Systems." *World Health Organization*, World Health Organization, 13 Oct. 2020, https://www.who.int/news/item/13-10-2020-impact-of-covid-19-on-people%27s-livelihoods-their-health-and-our-food-systems.
[79] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"
[80] Gelman, Michael, and Melvin Stephens Jr. "Recession Remedies Lessons Learned"

the nature of the pandemic."[81] In fact, it may even be countered that the EIPs were too targeted. The first round of payments excluded any household in which any adult listed on the household's tax return lacked a Social Security number, which meant that 15 million otherwise eligible recipients, including approximately 4 million U.S citizens, did not receive relief.[82] This problem was resolved in the third round of EIPs, which expanded eligibility to include any child in a household who had an SSN, even if neither parent did.[83] It also expanded coverage to other groups of dependents that had been excluded from previous rounds, including "5 million 17- and 18-year-olds, nearly 4 million college students aged 19 to 23, about 400,000 children aged 19 and older with disabilities, and more than 5 million other adult relatives (such as elderly parents) who have little income and are claimed as tax dependents by their children or other relatives."[84] Thus, through broader targeting, later rounds of EIPs were more effective at providing relief to households in need.

Granted, there were a number of practical limitations that prevented the EIPs from providing relief to all in need. The first was that funds were disbursed through the IRS, which made it easy to get aid to those who file taxes, but harder to reach those who don't, a problem compounded by the fact that non-filers often lack back accounts or internet access.[85] As Dorian Warren, co-president of Community Change, an organization dedicated to helping poor Americans, noted, "it was really, really difficult to get money into the hands of the most vulnerable, people that are transient or unbanked or folks with little to no internet access, particularly in rural areas."[86] Potential recipients may have also been dissuaded by the complexity of application forms or the stigma of dealing with the IRS.[87] Overall, it was estimated that, as of January 2021, eight million eligible people still hadn't received the transfers.[88] Yet narrower targeting would not have resolved these problems and would have likely just compounded them, causing even more to slip through the cracks.

The broad-based nature of the EIPs may also be justified given the larger context of the government response. While theoretically narrower targeting could have enabled the government to give higher sums to those who actually needed relief, it is important to note that there were many other programs designed to accomplish that objective through narrower targeting, such as unemployment insurance. Though these narrower programs may have helped those they reached, they often failed to reach those who needed them most. One problem with unemployment insurance is that it is inherently reactive people must lose their jobs in order to receive it. However, many have argued that during a crisis like a pandemic it is important to have preventative measures that give people the economic freedom to exit the workforce if they feel at risk, and broad-based cash transfer programs like the EIPs can provide that.[89] Another problem with unemployment insurance is that the systems that deliver it are often not prepared to withstand sudden surges in employment, such as those that occurred during the pandemic. It has been widely noted that with their "antiquated computer systems, deficient staffing and resources, and outdated administrative practices" governm

[81] Konish, Lorie. "How Effective Were Those Stimulus Checks?"
[82] "Robust COVID Relief Achieved Historic Gains"
[83] "Robust COVID Relief Achieved Historic Gains"
[84] "Robust COVID Relief Achieved Historic Gains"
[85] Konish, Lorie. "How Effective Were Those Stimulus Checks?"
[86] Konish, Lorie. "How Effective Were Those Stimulus Checks?"
[87] Konish, Lorie. "How Effective Were Those Stimulus Checks?"
[88] Konish, Lorie. "How Effective Were Those Stimulus Checks?"
[89] "Should Cash Transfers Used as an Emergency Response Be Universal or Targeted?" *The Stanford Basic Income Lab*, Stanford University, https://basicincome.stanford.edu/emergency-cash-targeted-or-universal/

ent agencies were ill-equipped to handle the massive influx of new claims.[90] Indeed, claims shot up 1000% during a single week in March 2020, jamming phone lines, crashing websites, and creating long delays for recently laid-off workers in accessing benefits they desperately needed.[91]

In short, the EIPs may have reached those who didn't really need relief, but their nearly-universal coverage was probably the only way to ensure that those who may have slipped through the cracks of more targeted programs received at least some assistance. Given these considerations, universal or nearly universal cash transfer programs are likely the right response to future disruptions, at least assuming that the paramount objective is getting emergency aid to those who need it most.

EIPS & Equality

It has been widely observed that the economic burden of the pandemic fell disproportionately on the poor and middle class. According to a Pew Research Center survey conducted in January 2021, 49% of lower-income households reported experiencing a job or wage loss since the start of the pandemic, compared to only 33% for upper-income households.[92] Yet the EIPs may have mitigated this disparity by specifically targeting lower and middle-income families. In 2020, 97% of lower-income and 100% of middle-income households received EIPS, compared to only 53% of upper income households.[93] Moreover, the impact on lower-income households was inherently larger considering that the payments represented a higher proportion of income to those with low incomes. In short, the EIPs were responsible for "lifting low incomes and only minimally changing top incomes."[94] As such, it may be expected that they had at least some impact on overall economic equality.

Though only limited research has been done to test this assumption, the results are promising. A study in California found that the gap between the ten percent of highest and lowest income earners has grown substantially over the past four decades and would have widened further in 2020, but narrowed due to EIPs. Specifically, they found that the income of the poorest 10% would have fallen by a staggering 16% between 2019 and 2020 without government aid.[95] However, this was more than reversed by the EIPs, which provided these households with a 19% income boost.[96] When unemployment insurance is factored in too, the lowest

[90] Traub, Amy. "7 Things We Learned about Unemployment Insurance during the Pandemic." *NELP*, National Employment Law Project, 16 Nov. 2021, https://www.nelp.org/publication/7-things-we-learned-about-unemployment-insurance-during-the-pandemic/.
[91] Traub, Amy. "7 Things We Learned about Unemployment Insurance"
[92] Kochhar, Rakesh, and Stella Sechopoulos. "Covid-19 Pandemic Pinches Finances of America's Lower- and Middle-Income Families." *Pew Research Center's Social & Demographic Trends Project*, Pew Research Center, 1 Sept. 2022, https://www.pewresearch.org/social-trends/2022/04/20/covid-19-pandemic-pinches-finances-of-americas-lower-and-middle-income-families/.
[93] Kochhar, Rakesh, and Stella Sechopoulos. "Covid-19 Pandemic Pinches Finances"
[94] Bohn, Sarah, et al. "How Did Pandemic Stimulus Funds Affect Income Inequality in California?" *Public Policy Institute of California*, Public Policy Institute of California, 3 Oct. 2022, https://www.ppic.org/blog/how-did-pandemic-stimulus-funds-affect-income-inequality-in-california/#:~:text=Yet%20together%2C%20stimulus%20and%20UI,advance%20Child%20Tax%20Credit%20payments.
[95] Bohn, Sarah, et al. "How Did Pandemic Stimulus Funds Affect Income Inequality in California?"
[96] Bohn, Sarah, et al. "How Did Pandemic Stimulus Funds Affect Income Inequality in California?"

income households experienced a 14% growth in income in 2020.[97] The wealthy also benefited from EIPs, but to a far smaller extent. For those in the top 10%, income would have increased 3% even without any government aid.[98] However, the EIPs provided a 1% boost, while unemployment insurance increased the figure by an additional 1%, meaning that top earners ended up seeing a 5% growth in income in 2020.[99] In short, EIPs provided a substantial income boost to the lowest income families, who would have otherwise suffered a dramatic loss of income, ultimately closing the gap between rich and poor. Theoretically, EIPs could have been even more effective at reducing inequality if they had more narrowly targeted the poor. However, as discussed in the previous section, narrower targeting might have also caused many needy recipients to slip through the cracks, thereby limiting their impact in this domain.

EIPS & Inflation

Because cash transfers put more money in the hands of consumers, they tend to raise consumer spending, which can lead to an overall increase in aggregate demand. This is the main reason they are often utilized for preventing or mitigating recessions, yet it can also lead to an increase in price level over time, a phenomenon known as demand-pull inflation. The extent to which an increase in aggregate demand can cause inflation depends on the nature of the aggregate supply curve, a matter of dispute between economists. However, there is a general consensus that, at least when the economy is already operating at or near the full employment level, an increase in aggregate demand does spark inflation. And though a small degree of inflation may, in fact, be beneficial for an economy, it is widely agreed that when the rate of annual inflation exceeds 2 or 3%, it becomes problematic.

There is no doubt that the United States has emerged from the pandemic with historically high rates of inflation. Throughout the decade preceding the pandemic, inflation was low, with an annual rate never surpassing 3.2%. In 2019 and 2020, the annual inflation rates were just 1.8% and 1.2% respectively.[100] However, inflation began to climb in early 2021, not long after the third round of EIPs. The year-on-year inflation rate rose steadily throughout 2021 to a peak of 7.0% in December.[101] In 2022, it increased further, reaching a maximum of 9.1% in June before subsiding slightly.[102]

However, there is little consensus as to whether the EIPs or even the overall fiscal response to the pandemic were responsible for these high numbers. That's because inflation is a complex phenomenon with a number of distinct causes, and it can be nearly impossible to isolate the impact of any particular cause. Most economists believe that the inflation the U.S. experienced in the wake of the pandemic was primarily driven by supply-side rather than demand-side factors. One of those factors is the pandemic itself, which upended businesses around the world, causing severe shocks to the global supply chain. This has led to a shortage of many important goods, driving up prices. Another important factor is the Russian invasion of Ukraine and subsequent sanctions on Russia, which have exacerbated shortages, especially of key commodities like oil and natural gas. Since these commodities

[97] Bohn, Sarah, et al. "How Did Pandemic Stimulus Funds Affect Income Inequality in California?"
[98] Bohn, Sarah, et al. "How Did Pandemic Stimulus Funds Affect Income Inequality in California?"
[99] Bohn, Sarah, et al. "How Did Pandemic Stimulus Funds Affect Income Inequality in California?"
[100] "Current US Inflation Rates: 2000-2022: US Inflation Calculator." *US Inflation Calculator*, 13 Dec. 2022, https://www.usinflationcalculator.com/inflation/current-inflation-rates/.
[101] "Current US Inflation Rates"
[102] "Current US Inflation Rates"

are often used in the production of other goods, they can lead to ripples throughout the production process, a phenomenon known as cost-push inflation.

Amidst all this noise, what impact, if any, did the pandemic cash transfers actually have? Some say a lot, citing the divergence between inflation rates in the United States and Europe. One study conducted by the Federal Bank of San Francisco estimated that stimulus checks could be responsible for up to 3% of the U.S.'s 8.5% inflation as of March 2022, effectively wiping out all nominal gains of the 5.6% year-on-year increase in wages over the same period.[103] However, these figures are disputed by others who contend that the stimulus checks represent just a "minor factor," noting that historically the main drivers of inflation have been "staples such as education, health care, and housing, all of which were independent of stimulus checks."[104] Economic Policy Institute Director of Research Josh Bivens, for instance, has downplayed the impact of these payments, pointing out the "acceleration of core inflation across every advanced economy, even the ones that did very, very little fiscal relief."[105] It is also worth remembering that the EIPs represented under 17% of the total fiscal response to the pandemic in the U.S., meaning that even if fiscal policy is to blame for inflation, the EIPs themselves are probably not more than a small part of that.

Ultimately, it seems unlikely that the EIPs were the primary factor driving high inflation in the U.S. Nevertheless, they almost certainly did play at least a minor role in driving inflation, especially the third round, which critics note were administered when the economy was already on the brink of recovery.[106] While the inflationary pressure of transfer programs like the EIPs is not necessarily enough to outweigh the potential advantages of such programs, it is something that policymakers will need to keep in mind. Moreover, it is likely that if such programs were administered not just in response to economic crises but on a permanent basis, at times when the economy is closer to full employment, the impact on inflation would be even greater. This could be a major barrier to the success of programs like UBI. On the other hand, it is unlikely that narrower targeting would have reduced the inflationary impact of the EIPs. In fact, it might have only exacerbated it. As discussed previously, more narrowly targeted programs would have probably resulted in a greater spending response, as the poor tend to have higher MPCs, and therefore would have even had a more drastic impact on aggregate demand and, by extension, on inflation.

Conclusion

In short, the EIPs seem to have been relatively effective at accomplishing their primary objectives. As a major component of the U.S. fiscal response to the pandemic, they contributed to the fast job recovery and economic growth in the second half of 2020 and throughout 2021, and it is likely that the recession would have dragged on much longer without them. Moreover, they provided aid that enabled millions of struggling Americans to afford necessities like food and utilities. In addition to accomplishing these objectives, the EIPs also helped reduce inequality, although they probably contributed slightly to the high inflation throughout 2022.

Yet despite the EIPs' apparent success, it is possible that they could have even been better designed, depending upon the priorities of policymakers. If the paramount objec

[103] Nerkar, Santul, and Amelia Thomson-DeVeaux. "Were the Stimulus Checks a Mistake?"
[104] Sigalos, MacKenzie. "Don't Blame Stimulus Checks for Inflation, Says Andrew Yang, Who Still Supports Sending Free Cash to Most Americans." *CNBC*, CNBC, 18 Apr. 2022, https://www.cnbc.com/2022/04/18/stimulus-checks-not-to-blame-for-inflation-andrew-yang.html.
[105] Chang, Ailsa, and Kathryn Fox. "What's Causing Inflation? One Expert Walks through Some of the Factors." NPR, NPR, 29 June 2022, https://www.npr.org/2022/06/29/1108388304/inflation-biden-fed-interest-ukraine-stimulus.
[106] Nerkar, Santul, and Amelia Thomson-DeVeaux. "Were the Stimulus Checks a Mistake?"

tive was to stimulate aggregate demand, it is likely that a program more narrowly targeted at lower income households would have been more efficient. The primary basis for this recommendation is the observation across numerous studies that those with lower incomes have higher MPCs, boosting the impact of money given through the multiplier effect. Conditions requiring recipients to use the money by a certain date, such as those imposed in South Korea, may have also made them more effective in this regard. Nevertheless, if the paramount objective was to provide relief to those in need, the unconditionality and near universality of the EIPs may have been better justified. Although, theoretically, narrower targeting could have enabled the government to focus its limited resources where they would have the most impact, it is also likely that it would have delayed aid at a time when people needed it urgently, and would have excluded some of those in most dire need. Therefore, unconditional and nearly-universal programs like the EIPs may be deemed an appropriate response to pandemic-like disruptions in the future.

The case for universality and unconditionality is weaker, however, in the context of permanent welfare programs like UBI. Under normal economic circumstances, the need to boost economic activity and provide relief is less apparent, while the adverse impacts of a broad-based unconditional cash transfer program would be more pronounced. Though the EIPs seem to have contributed only slightly to the high inflation the U.S. experienced throughout 2022, the inflationary impact of such an influx of cash into the economy at a time when the economy is already operating at full employment would almost certainly be greater. Moreover, while a program like UBI may be effective at reducing inequality even in normal times, programs with narrower targeting and conditionality could likely accomplish the same, with far less damaging side-effects. As such, though the near universality and unconditionality of the EIPs were justified in the context of the pandemic, a more narrowly targeted program, potentially with conditions beneficiaries must meet to receive payments, would be preferable in the long run.

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