Spending effects of fiscal transfers in a pandemic

by Nils Wehrhöfer, Olga Goldfayn-Frank, and Vivien Lewis

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Discussion by Annika Bacher (BI Norwegian Business School)

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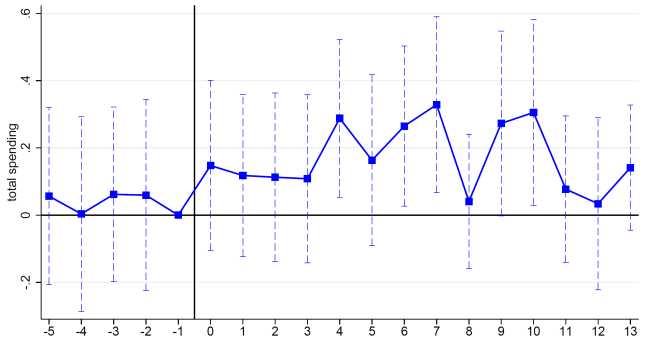
Relate findings to the **macroeconomic and pandemic** situation:

1. Spending effects weaker when infection rates are higher (irrespective of gov. restrictions)
2. Payments increased number of shop visits, possibly contributing to the spread of Covid-19

Comments – Baseline Estimates

Paper finds **significant but somewhat imprecise** spending effects of first payment (September 2020):

Figure 2: Daily effects on total spending



Notes: This figure plots point estimates and 95% confidence bands from estimating equation (3) using the event study estimator by Sun and Abraham (2021) with normalized total spending as an outcome.

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   - Paper assumes two-day lag between day payment is made and received on bank account
   - However, SEPA transfers take typically *one business day*

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   → What happens if you reduce this lag to one day? Do you account for weekends?

   → Could you provide evidence that payments usually arrive on time?

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1. Elicit exact date of payment receipt more precisely:

2. Control for the age of children:
   - Households are eligible for benefit until child is 25 (and still in education or training)
   - If children are old enough: parents may transfer money directly to them

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   $\rightarrow$ Do you observe independent consumption of (older) children?

   $\rightarrow$ Drop households whose children have moved out/ are old enough to spend own money

Comments – Null Results for last two Payments

Paper argues spending response to last two payments is weaker because of higher Covid incidence.

Comments – Null Results for last two Payments

Could be driven by other factors as well?

1. Size of transfer: last two payments were smaller (200 € vs. 100 € vs. 150 €)
   - Rule out channel bc same response across HHs with different number of children
     → If money is primarily spent on children (as intended), one would expect same response?

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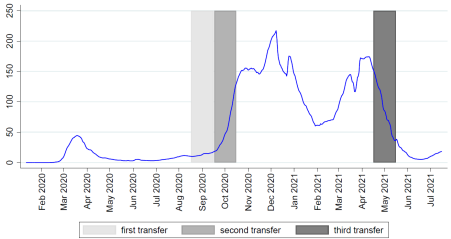
3. September 2020 response may be arising from "stock piling" of what is to come?



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Further remarks/suggestions regarding proposed "Covid incidence" channel:

1. Can you compare response of HHs in counties with same covid incidence across payments?
   - Controlling for the number of infections, did HH react the same in Sep 20, Oct 20, and May 21?

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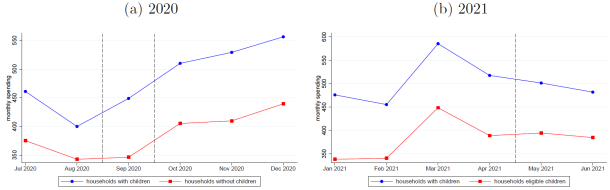
1. Can you compare response of HHs in counties with same covid incidence across payments?
   - Controlling for the number of infections, did HH react the same in Sep 20, Oct 20, and May 21?

2. If weak response is driven by high Covid rates, why did agg. consumption increase from Sep-Oct 20?

Figure 1: Monthly spending by households with and without children



Notes: This figure plots average monthly expenditures for German households with and without children eligible for the child bonus from July until December 2020 (Panel a) and January until June 2021 (Panel b). The dotted lines indicate the months in which the child bonus was paid out (September and October 2020, May 2021).

Comments – Anticipation of Payment

Transfers and their exact payment date were fully anticipated by households:

- Theory would predict no variation in monthly spending patterns depending on exact date of payment
- Authors test for announcement effect of policy in June 2020:
  - no spending effect of households with children directly after announcement of policy
- HHs may smooth their spending within a given month $\rightarrow$ small effect when exploiting daily variation?

Comments – Implications beyond direct spending effects

Paper focuses on direct spending effects up to three months after payment receipt.

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It would be interesting to also study more long-term effects:

1. If households mostly save the money, did they spend it after the pandemic, contributing to inflation?
   - Possible to quantify that effect?

2. If Sep 2020 response was stock-piling, triggered just an intertemporal shift in consumption?

Some Minor Comments

1. As first evidence: increase in spending from Aug - Sep 20 only for HHs with children (Fig. 1a)
   - this pattern is most likely driven by start of the school year?
   - to use it as evidence for spending effects: is pattern different one year later/earlier?

2. I would use the specification without public sector employees as baseline
   - for this (non-randomly) selected group, payment occurs on the same day as salary

3. Why do you not report the intercepts (i.e., dummy for treat and post) in the regressions?

Conclusion

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My main suggestion(s):

- More robustness on exact day of payment receipt
- Long term effects of child benefit payments