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Evaluating Covid-19 Fiscal Policies:

Teaching Pandemic Fiscal Policies through Cooperative Learning

The Covid-19 pandemic presents an opportunity for economic educators to teach fiscal policy through cooperative learning. This paper presents a lesson that has students evaluate a variety of fiscal policies. Students discuss the merits and overall effectiveness of these policies using research and commentary from economists and scholarly resources.

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1. Introduction

The Covid-19 pandemic presents an opportunity for economics educators to integrate the economic implications of the pandemic into their coursework. While discussions around Covid-19 may be relevant, they should also be used with intention (Wooten and Al-Bahrani, 2021). While the pandemic is still evolving, economic educators have a wide variety of ways to discuss the economics around the pandemic. Marks, Zirkle, Shanks, and Moran (2020) and Mateer and Coppock (2020) identify topics for both microeconomics and macroeconomics, including the pandemic's impact on economic indicators such as gross domestic product, unemployment, and unemployment benefits and the connections to fiscal policy, debts, and deficits. Bourne's (2021) *Economics in One Virus* introduces readers to key economic principles through the lens of the pandemic. Bourne (2021) takes a case study of the pandemic and explores sixteen economic concepts that students would find in most principles of economics courses.

Watts and Becker (2008) point to a variety of ways economics courses could be taught but find that most teachers still rely on "chalk and talk" and that cooperative learning is rarely used. Continuing the work of Watts and Becker, Asarta, Chambers, and Harter (2020) published results from the Sixth National Quinquennial Survey. In their survey, they found little change from the observations of Watts and Becker. While shifts in pedagogy are being seen at the collegiate level (DeAngelo, Hurtado, Pryor, Kelly, Santos 2009), those pedagogical methods have been slow to reach the economics classroom. It is also important to note that students at the collegiate level want a mix of instructional methods. Murphy, Eduljee, and Croteau (2021) find that across all academic areas, students prefer a mix of teacher-centered activities and student-centered activities. Whereby the professor presents information to the students, but then allows students to apply the content and skills through a variety of ways such as cooperative learning.[1] Cooperative learning is the process of breaking a classroom of students into small groups so they can discover a new concept together and help each other learn, but many educators are likely to teach the way they were taught, marginalizing kinesthetic and auditory learners (Ransdell, 2005). While papers and books have been published on Covid-19, only seven lesson plans are currently published on EconEdLink, the preeminent resource for K-12 educators for lessons on economics and personal finance.[2] The lesson presented below is an extension of the EconEdLink resources and focuses on engaging students in the learning process using collaborative learning. As an extension, this lesson enhances the original in several ways. First, the lesson adds commentary and statistics on the policy proposals from economists. The addition was made to provide students better scaffolding in arguing for or against the effectiveness of a particular policy. The added commentary is also designed to enhance the perverse incentives that are found between policies and allow for better group discussion. In addition, more structure and support are built into the policies to provide better context for students. Many students likely remember the stimulus checks, but they may not recall, much less understand, the meal exemptions or liability protection. They may also struggle to see or understand why certain policies were considered by Congress. This lesson provides the scaffolding necessary for students to weigh overall effectiveness of policies. The adapted lesson divides students into groups and asks them to imagine themselves as economic advisers to the President. By re-designing the lesson as a role-play, students are more engaged in active learning (Bawa, 2020). This lesson builds on the work of Gundersen and Kaminaga (2022), *Presentations to the President: A Role-Play Assignment for a Macroeconomics Principles Class.* Gundersen and Kaminaga (2022) have two primary goals for their project. The first goal is for students to demonstrate a strong knowledge of the economy from both a long-

[1] While it is generally assumed that high school teachers use a mix of instructional methods, there is currently limited research on pedagogy in high school economics courses. However, Dr. Carlos Asarta along with the St. Louis Federal Reserve, are conducting a survey of pedagogy within Advanced Placement Economics courses.

[2] https://www.econedlink.org/resources/collection/teaching-fiscal-policy-in-the-covid-era/

run and short-run perspective as well as the challenges and opportunities. The second primary goal is to provide policy recommendations to the President (the professor) on achieving those desired outcomes. While the lesson presented below places students in the role of economic advisers, similar to Gundersen and Kaminaga (2022), the lesson described in the article asks students to evaluate policies that Congress has brought to the President. The Covid-19 pandemic served as the backdrop for the simulation and the student advisers were tasked with selecting the best fiscal policy to address the potential economic disaster.

2. Lesson Summary

This lesson was adapted from a lesson titled "Multipliers and Fiscal Policy" from Econ Ed Link.[3] The original lesson put a heavy emphasis on students calculating spending multipliers. Students were then assigned groups and asked to read through six fiscal policy proposals that were part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Students were asked to evaluate which policy was best based on whether the proposal was targeted to groups most in need, groups that have a high marginal propensity to consume (MPC), minimized time lags, and were temporary in nature.

3. Curriculum & Content Standards

While the original lesson was developed for an Advanced Placement (AP) Macroeconomics course, the revised lesson can also be used in a collegiate level course, general education high school course, honors course, or an inclusion classroom. Students taking an AP Macroeconomics course are introduced to the Keynesian aggregate expenditure model in the third unit of the College Board (2020) AP Macroeconomics Course and Exam Description (CED). As part of the CED, Standard 3.2 states that students are expected to define the expenditure multiplier, the tax multiplier, the marginal propensity to consume, and the marginal propensity to save. In addition, students must explain and calculate how changes in spending and taxes lead to changes in real GDP. At a minimum, students are expected to know that the expenditure multiplier and tax multiplier depend on the marginal propensity to consume.

In addition, Standard 3.8 in the content guide asks students to define why lags exist in discretionary fiscal policy. At a fundamental level, the College Board expects that students know there are lags in discretionary fiscal policy because of factors such as the time it takes to decide on and implement a policy action. While the CED sets the minimum framework of what students are expected to know, it is important for teachers to help students develop a deeper understanding of a standards-based framework. The University of Wisconsin Superior (2019) finds pros and cons with a standards-based framework. Standards make it clear what students should learn and teachers should teach. But challenges are also presented. Dr. Lauren Resnick (2001), professor of Psychology, worries that by pursuing a set goal, students are missing the pleasure and motivation of learning. Students live in an economic world where they are not only participants in daily decisions that impact their lives, but also witnesses to the daily decisions that governments make that may also impact their lives; this reality is not recognized within a standards-based framework unless the standards are fully developed and explored.

4. Lesson

<u>Lesson Introduction</u>

In this lesson, students will explore the limits and effectiveness of fiscal policies by taking the role of the Council of Economic Advisers. As advisers to the President, students will work in groups to evaluate six Covid-19-related fiscal policies and discuss the merits and overall effectiveness of the policies.

[3] https://www.econedlink.org/resources/multipliers-and-fiscal-policy/

Standards

CEE National Voluntary Standards in Economics

- Standard 16: Role of Government and Market Failure
- Standard 20: Fiscal and Monetary Policy

College Board Advanced Placement Macroeconomic Standards

- CED 3.2: Multipliers
- CED 3.8: Fiscal Policy

Vocabulary

1. Autonomous Consumption Spending: The expenditures that consumers must make even when they have no disposable income.
2. Dissaving: To consume more than income; essentially the opposite of saving.
3. Fiscal Policy: Spending and taxing policies of the federal government to influence the economy.
4. Liquidity: The quality that makes an asset easily convertible into cash with relatively little loss of value in the conversion process.
5. Marginal Propensity to Consume (MPC): The proportion of an increase in income that gets spent on consumption.
6. Marginal Propensity to Save (MPS): The proportion of each added dollar of income that is saved rather than spent.
7. Multipliers: An effect where an increase (or decrease) in a component of aggregate demand (i.e., consumption, investment, or government spending) produces an increase (or decrease) in national income that is greater than the initial increase (or decrease) in the component. This greater-than-proportional change in national income is the result of chain reactions that generate more (or less) activity than the original increase (or decrease).[4]
8. Perverse Incentives: An incentive that has an undesirable or unexpected outcome that are contrary to the original design.
9. Time Lags: The time between the recognition of an economic problem, the negotiation and implementation of a solution, and the realization of results in the economy.

Essential Question

How do the limits of fiscal policy impact the overall effectiveness of public policy?

Learning Objectives

- Identify and explain why various groups have different marginal propensities to consume (MPC).
- Identify and explain the limits to fiscal policy.
- Evaluate fiscal policy based on given criteria.

Classroom Set-Up

Arrange desks in groups of 3-4. Give each student a copy of Appendix 1 & Appendix 2.

[4] Multipliers are only discussed in the introduction of the lesson as the original lesson was designed for an AP course. If this lesson is used in a general education setting or if a professor chooses not to cover multipliers, discussion of multipliers can be omitted.

Warm-Up

Ask students to discuss in their groups what they would do if they were given $100. Would they spend it all, save it all, or a combination of the two? How much of the $100 would they spend? What motivates students to spend a large amount of money or a small amount of money?

While the first half of the question might be easy for students to figure out what to do when given $100, students might struggle more with the question of their motivations for spending money. Some students may be inclined to answer that they would spend most of the money due to their current spending habits, how they were raised, etc. Other students might find that they spend less money because they come from a more frugal background, they are saving for a purchase down the road, etc.

Explain to students that the MPC is the proportion of an increase in income that gets spent on consumption. If a student identified that given $100, they would spend $30, they have an MPC of 0.30. Explain to students that the marginal propensity to save is the proportion of each added dollar of income that is saved rather than spent. When calculating the MPS, students use the formula 1 – MPC. Using the example above, with an increase in income of $100, if a student spends $30, they have an MPC of 0.30, this will lead students to calculate an MPS of 0.70. Explain to students that this means they would save 70% of their newly acquired income and spend 30% of their newly acquired income. Students taking an AP course are expected to know how to calculate the MPC and the MPS.

Direct Instruction

Begin by highlighting the variety of responses provided by student groups. Likewise, economists have found that different groups have different MPCs. First, individuals with lower incomes have higher MPCs.[5] Second, areas with lower taxation rates tend to have higher MPCs. Lastly, higher levels of consumer confidence tend to lead to higher MPCs. Ask students why these groups tend to have higher MPCs. Expected responses include that in general, people with low incomes tend to spend more newly acquired money, such as stimulus checks, on necessities; therefore, they likely have higher MPCs. It is important to remind students that MPC specifically deals with additional income, not an individual's regular paycheck. The ability to save could be considered a luxury. When tax rates are lower, this allows consumers to have greater disposable income, thus they can spend more. Finally, consumer confidence and perception of the economy will impact their spending. Show students the University of Michigan Consumer Sentiment Survey.[6]

Explain that the survey is used to estimate future spending and savings. In addition, you can also show students the change in restaurant reservations tracked by OpenTable.[7] Explain to students that in the months before lockdowns took hold in the United States, consumer spending started to fall due to fears of lockdowns. As states started lifting lockdowns, consumers' view of the economy shifted, altering their spending patterns. Explain to students that effective fiscal policy to correct business cycle fluctuations should meet three specific criteria. The policy must be (1) targeted, (2) avoid time lags, and (3) temporary.

(1) Effective fiscal policy will target those most in need. In the case of Covid-19, individuals unemployed as well as businesses forced to shut down would be great examples where the government could target fiscal policy aid.

(2) Mateer and Coppock (2021) explain that fiscal policy often encounters three different

[5] https://www.investopedia.com/ask/answers/051515/which-factors-drive-marginal-propensity-consume.asp#citation-4

[6] https://fred.stlouisfed.org/series/UMCSENT

[7] https://www.opentable.com/state-of-industry

time lags: recognition lags, administrative lags, and implementation lags. Recognition lags occur when Congress fails to realize that there is an economic problem due to lags in the data availability. In the case of Covid-19, it was evident early on that unemployment numbers would be historically high based on weekly unemployment claims data. Administrative lags are the result of bureaucratic processes because Congress must draft legislation. The legislation must go through the various committees inside the House and Senate before receiving final votes in front of both chambers. Once Congress passes the bill, it then goes to the President for his or her signature (or veto). During the pandemic, the administrative lags were short. Administrative lags can be exasperated when the various branches of government are controlled by different political parties. Implementation lags occur after legislation is signed into law. Once policies are authorized, the implementation of those policies take time. If Congress authorized spending on building highways, there is a lag time on hiring contractors and getting equipment in place to begin the project.

(3) One final problem of fiscal policy is the overall length of time the policy is in place. Policies that last a long time can dramatically increase the national debt. In addition, some policies create perverse incentives. As noted by Bourne (2021), the Paycheck Protection Program (PPP) was largely designed to maintain employees on payrolls, but there was also a financial incentive for workers to remain unemployed. Further discussion can be found in Marks, Zirkle, Shanks, and Moran (2020) where they present data showing the financial incentives of the enhanced unemployment benefits from several different states across high income vs. low-income earners.

<u>Classroom Simulation</u>

Begin the simulation by explaining to students that it is now March 2020. A new, novel coronavirus emerged a few months earlier in China and is now quickly spreading. As cases of Covid-19 appear throughout the United States in early 2020, the Federal Reserve takes action to increase liquidity throughout the financial system. In the U.S., trading on Wall Street is halted for 15-minutes on three separate days, an unprecedented move to prevent investors from panic selling. As states implement shelter-in-place orders and schools enter lockdowns, the President realizes that more action is needed. Congress presents the President with six fiscal policy proposals to blunt the impact of shelter-in-place orders. The President has convened his Council of Economic Advisers to evaluate each proposal based on four criteria: minimization of time lags, targeted to those most in need, targeted to those with the highest marginal propensity to consume, and finally, the policy must be temporary and avoid perverse market incentives.

Tell students that they represent the President's Council of Economic Advisers and that they have been given a briefing folder. Inside their folder are two handouts, Appendix 1, and Appendix 2. Appendix 1 is the set of questions to evaluate each proposal and Appendix 2 contains a brief overview of the policies presented to the President for the advisers to evaluate. Give students 15-20 minutes to read through each policy and discuss each one based on the criteria provided. After reading through the various policies, they should rank each policy in order of most effective to least effective using question 1 in Appendix 1. Once they rank their policies and select the most effective policy, they need to complete questions two through six in Appendix 1.

<u>Talking Points with Groups</u>

As students are discussing, many of them will likely be drawn to the stimulus check payments being the most effective. This policy appears to have had the most immediate impact regardless of an individual's employment status. While students are working through the policies, use this period to also discuss with each group why they selected one policy as being more effective over another policy. Some potential discussion points could include:

- Point out that the stimulus checks were initially only $1,200 per person for most people. An individual who lost their job may find that they are now in a state of a dissaving: they're spending more than they earn. For example, recipients who previously earned $4,000 in income, but had $2,000 in autonomous consumption spending would have $2,000 of disposable income. If the recipient were to lose their job, and in the absence of unemployment insurance, they would have a dissaving of $2,000. The stimulus checks would offset only $1,200 of their dissaving, but they still have $800 in outstanding expenses that must be paid. In this instance, enhanced unemployment insurance might be a more targeted option because the policy is in place until the individual finds a job or the benefits expire, whichever comes first.

- Students might be quick to identify the liability protection program as being one of the least effective policies. While this policy does not meet the main goals of the President, you can certainly challenge your students to consider the policy from the businesses' viewpoint. Businesses can re-open more quickly if owners know that there is a reduced chance of being sued in the event someone catches Covid-19 while conducting business. This policy provides businesses with confidence to reopen with reasonable safety measures in place.

- Students may struggle identifying the impact of the paycheck protection program (PPP). When students rank the policies from most to least effective, they are likely to place this one among the more effective policies. Ask students to consider whether the paycheck protection program, alongside the enhanced unemployment benefits, creates perverse incentives for workers. This is a great opportunity to explain to groups what a perverse incentive is. Perverse incentives are created when there is an undesirable or unplanned outcome that is contradictory to the original intention of the policy. For example, under the PPP, businesses had to keep workers on payroll for 8-weeks while enhanced unemployment benefits created a strong incentive for workers to file for unemployment. In some cases, enhanced unemployment benefits paid more than the workers' original jobs. This creates a strong perverse incentive for workers. After the 15-20 minute discussion period ends, have each group spend five minutes to complete the following items:

- Write a brief recommendation for the President that explains which policy they believe to be most effective.
- Identify one group member to read their policy selection to the rest of the class.

After the five-minute discussion period ends, have the selected reader from each group read their proposal explanation out loud. As each group reads their proposal, track the policies that each group selects. Inform the class that the President will select the policy that received the most recommendations and is what will be recommended to Congress.[8]

<u>Closure</u>

Explain that in 2020, Congress not only passed the students' top policy recommendation, but all six policies, along with many more. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed with relatively short administrative lag time and is the largest spending bill in U.S. history at around $2.2 trillion. During the Great Recession of 2008-2009,

[8] In the event of a tie, students could vote on the two policies that received the most votes or the educator, acting as the president, could make an executive decision.

Congress believed that the American public would not tolerate a spending bill above $1 trillion. That bill totaled $787 billion, later revised to $831 billion between 2009-2019.

Summarize how the students ranked the policy as a class from most to least effective. Explain that it is hard to settle on a correct answer of which policy is most effective versus least effective. Based on how they were to evaluate the policies (avoid time lags, temporary, and targeted), the most effective policies that met all criteria would be the enhanced unemployment and the stimulus checks. The policy that met the fewest was the liability protection program.

However, students can make a case for almost any proposal. If the group valued state decisions over federal decisions, they would have selected the Local and State Aid as being the most effective.

If students favored big business, the liability protection could have been a good, effective policy.

If students favored small businesses, the paycheck protection program would be an excellent option.

The meals deduction is probably the hardest for students to defend. It only helps a small sector of the economy, the restaurant industry.

It is crucial to consider what economists think about the CARES Act as a whole and in part. The University of Chicago's Initiative on Global Markets conducted a survey related to the CARES Act.[9] The group surveys leading economists across the country on their beliefs and certainty regarding a variety of topics. Related to the CARES Act, the respondents were asked:

> *Assuming that additional federal spending were to be structured as in the CARES Act, a substantial further spending program now will ultimately be less costly than a smaller program because it will better help to avoid long-term economic damage and promote a stronger recovery.*

Students may be surprised to find that world-renowned economists have differing opinions, just as the students did when ranking the effectiveness of each policy. Of the surveyed economists, 53% (strongly) agreed with the statement while another 36% were uncertain. If time allows, some of the surveyed economists provided comments on their responses that may be of interest to students. Further down the webpage, the teacher can read the comments from the economists on the CARES package. Some economists point out that the money would have been better going to state and local aid, others point out that small businesses did not receive as much as expected, and some noted that the programs were not well designed nor well targeted.

4. Differentiation and Enrichment

While the lesson was designed for an introductory macroeconomics course, it can also be used in an inclusion setting. If this lesson is used in an inclusion setting, the teacher would provide students with Appendix 1 & 3. Appendix 3 has each policy proposal for students to read. They can then check either the yes or no boxes identifying if the policy is timed, targeted, and temporary. If the policy is timed, targeted, or temporary, students will then identify evidence within the policy that led them to that conclusion by either underlining, circling, or placing a box around the evidence in the proposal to support their claim. Furthermore, some of the discussion points in the closure using the University of Chicago survey can be turned into an

[9] https://www.igmchicago.org/surveys/stimulus-and-stabilizers/

open-ended student response assessment. Appendix 4 provides three additional enrichment ideas for the teacher to assign to students. Enrichment 1 allows students to respond to the University of Chicago poll and explain their reasoning, much like the economists that responded to the poll. Enrichment 2 provides students the opportunity to disagree with and critique the response of one of the economists. Enrichment 3 allows students to compare and contrast the federal government's response to other historical events by using the timed, targeted, and temporary framework.

5. Conclusion

The lesson described above was implemented as part of a teacher of the year candidate observation. Following the observation, the candidate reached out to the chair of the committee requesting feedback to include in this paper. The committee noted a strong level of rigor in the lesson including high levels of student engagement, critical thinking, and problem solving. The committee also noted that the lesson presented students with enough context to have meaningful discussion among the group. This lesson moves students from understanding lags in fiscal policy and invites them to be participants in a simulation that requires them to discuss the merits of policies.

It is easy to teach a basic economics course at the high school level that does not move beyond the prescribed state and national curriculum. However, the standards alone do not connect the material and move students to higher order thinking skills. Standards-based frameworks are merely a minimum and do not consider current events, new research, etc. Utilizing a lesson such as the one described in this article, accounts for the deficiencies found within standards-based models. The lesson described not only addresses the national standards from the College Board (2020), but it also moves students into a deeper understanding of the standards, incorporating current events, data, opinions from renowned economists, and a high level of rigor for students regardless of whether they are in a high school or college setting.

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Appendix 1: Briefing Document

State of the Economy: Over the course of three days, trading on the S&P 500 stock index halted trading for 15 minutes. The Federal Reserve Bank has taken multiple emergency actions to try and keep the markets and banks fluid with cash. Concerns in the White House and on Capitol Hill are swirling as lockdowns start to go into effect. This could become an economic catastrophe.

Presidential Request: The President has called you, the Council for Economic Advisers, together to evaluate six different policy proposals that Congress is considering. The President is insistent that the policies must minimize time lags, target those with the highest marginal propensity to consume, and be temporary in nature, avoiding perverse market incentives.

Directions: You will have approximately 15-20 minutes to evaluate and rank all six proposals. After your group selects the policy you believe to be most effective, complete questions 2-6 for that particular policy. After completing questions 2-6, your group will be given another 5-10 minutes to draft a brief report that you will present to the entire Council for Economic Advisers with your group's policy recommendation.

1. After reading through all six proposals, you will write a brief report to the other advisory groups with your group's policy recommendation. Based on your review of the six policy proposals, rank them from most to least effective.

   1. ______________________ (Most Effective)
   2. ______________________
   3. ______________________
   4. ______________________
   5. ______________________
   6. ______________________ (Least Effective)

Covid-19 Fiscal Policy Proposals

Paycheck Protection Program (PPP)
Federal Pandemic Unemployment Compensation Program
Liability Protection
Local & State Aid
Meals Deduction
Stimulus Checks

2. Which policy does your group think will meet all the President's requirements?

3. Does your policy target individuals with a high marginal propensity to consume? Explain.

4. Is there a short or long implementation lag? Explain.

5. Is the policy targeted to those most in need? Explain.

6. Is the policy temporary? Explain.

Recommendation from the Council of Economic Advisers

Remember the limits of effective fiscal policy

Timed	Targeted	Temporary
1. Recognition Lag - takes time for Congress to calculate and quantify macroeconomic data. 2. Administrative Lag - Difficult for Congress and the President to agree, especially if political parties are different. 3. Implementation Lag - Economy does not begin to recover until people receive and spend money.	Target benefits towards 1. Those that are hurt most by the crisis. 2. Those in most financial distress. 3. Individuals with the largest MPC to have the largest impact on the economy.	1. Too much expansionary fiscal policy contributes to the national debt. 2. Assistance should help with recovery while avoiding perverse incentives.

Appendix 2: Summary of Potential Policy Options

Report from the Presidential Council of Economic Advisers

1. The Paycheck Protection Program (PPP) is a loan program from the US Small Business Administration (SBA) to help businesses keep employees on the payroll. The SBA will be given $659 billion to loan out to small businesses to keep them afloat and workers on payrolls. The loans are forgiven if a business keeps all workers on the payroll for eight weeks, where use of the money is restricted to paying wages, utilities, and rent/mortgage interest. However, 75% of the funds must be used for payroll. The policy is designed to create a strong incentive for businesses to rehire or retain workers that would otherwise be laid off. This policy will help save jobs. Local banks and loan agencies will be responsible for administering the loans based on criteria from the Treasury Department.

2. Federal Pandemic Unemployment Compensation Program (FPUC) provides an additional $600 per week to individuals who are collecting regular unemployment compensation. The duration of the benefits will increase from 26 weeks to 39 weeks and eligibility guidelines will be more flexible. For example, a parent with permission to work from home, but who needed to care for young children (due to school closures) could be eligible for coverage for a limited time. Those who were self-employed and seeking part-time work, populations generally not eligible for unemployment, could also potentially receive benefits. The University of Chicago estimates that roughly 76% of those eligible will receive more in unemployment than in their current job. State unemployment offices will be responsible for administering.

3. Liability Protection will be granted to entities to protect them from lawsuits tied to coronavirus infections. This includes businesses, schools, hospitals, churches, nonprofits, universities, and government agencies. This would not protect entities that engage in gross negligence or consciously engage in reckless disregard for the safety of their customers and employees.

4. Local & State Aid: $339.8 billion for programs that will go to state and local governments. It is divided up to put $274 billion toward specific Covid-19 response efforts, including $150 billion in direct aid for those state and local governments running out of cash because of a high number of cases. $150 billion in direct assistance for state governments, local and tribal governments. These funds will be known as the Coronavirus Relief Funds (CRF). Each state will receive a minimum allocation of $1.25 billion. Local governments with a population of at least 500,000 were eligible for direct payments.

5. Meal Deductions: a provision that would permit businesses to fully write off the value of meals during the pandemic. This is an increase from a 50% deduction that is currently allowed for meals and snacks at work, as well as client meals if business is being conducted. This policy would incentivize business owners to patronize restaurants impacted by the Covid-19 shutdown orders while stimulating the economy. So by offering this 100% meal deduction, the government is attempting to help out the restaurant industry so that business owners can order food for their team during meetings or client events. Under the law, the temporary full deductibility expires on December 31, 2022, and the federal tax deduction for business-related meals will return to the 50% level.

6. Stimulus Checks: Stimulus checks will be sent to households below a certain income limit. The first stimulus payment will be a $1,200 check issued to most individuals earning less than $75,000/year. The checks will be phased out by $5 for every $100 made above $75,000

for single tax filers (and above $150,000 for those filing joint returns). Qualifying families can also receive $500 for each dependent (children or elderly parents), with the same phase out. These funds do not have to be repaid and do not increase future taxes owed by recipients. Money will be direct deposited to those who have their tax returns direct deposited. Individuals that do not use direct deposit will have a check mailed to them.

Appendix 3: Summary of Potential Policy Options

Report from the Presidential Council of Economic Advisers

1. The Paycheck Protection Program (PPP) is a loan program from the US Small Business Administration (SBA) to help businesses keep employees on the payroll. The SBA will be given $659 billion to loan out to small businesses to keep them afloat and workers on payrolls. The loans are forgiven if a business keeps all workers on the payroll for eight weeks, where use of the money is restricted to paying wages, utilities, and rent/mortgage interest. However, 75% of the funds must be used for payroll. The policy is designed to create a strong incentive for businesses to rehire or retain workers that would otherwise be laid off. This policy will help save jobs. Local banks and loan agencies will be responsible for administering the loans based on criteria from the Treasury Department.

   Is the Paycheck Protection Program

   Timed: ______ Yes ______ No (If the policy is timed, underline a key statement or phrase that led you to this)

   Targeted: ______ Yes ______ No (If the policy is targeted, place a box around a key statement or phrase that led you to this)

   Temporary: ______ Yes ______ No (If the policy is temporary, circle a key statement or phrase that led you to this)

2. Federal Pandemic Unemployment Compensation Program (FPUC) provides an additional $600 per week to individuals who are collecting regular unemployment compensation. The duration of the benefits will increase from 26 weeks to 39 weeks and eligibility guidelines will be more flexible. For example, a parent with permission to work from home, but who needed to care for young children (due to school closures) could be eligible for coverage for a limited time. Those who were self-employed and seeking part-time work, populations generally not eligible for unemployment, could also potentially receive benefits. The University of Chicago estimates that roughly 76% of those eligible will receive more in unemployment than in their current job. State unemployment offices will be responsible for administering.

   Is the Federal Pandemic Unemployment Compensation Program

   Timed: ______ Yes ______ No (If the policy is timed, underline a key statement or phrase that led you to this)

   Targeted: ______ Yes ______ No (If the policy is targeted, place a box around a key statement or phrase that led you to this)

   Temporary: ______ Yes ______ No (If the policy is temporary, circle a key statement or phrase that led you to this)

3. Liability Protection will be granted to entities to protect them from lawsuits tied to coronavirus infections. This includes businesses, schools, hospitals, churches, nonprofits, universities, and government agencies. This would not protect entities that engage in gross negligence or consciously engage in reckless disregard for the safety of their customers and employees.

   Is the Liability Protection

   Timed: ______ Yes ______ No (If the policy is timed, underline a key statement or phrase that led you to this)

   Targeted: ______ Yes ______ No (If the policy is targeted, place a box around a key statement or phrase that led you to this)

   Temporary: ______ Yes ______ No (If the policy is temporary, circle a key statement or phrase that led you to this)

4. Local & State Aid: $339.8 billion for programs that will go to state and local governments. It is divided up to put $274 billion toward specific COVID-19 response efforts, including $150 billion in direct aid for those state and local governments running out of cash because of a high number of cases. $150 billion in direct assistance for state , local, and tribal governments. These funds will be known as the Coronavirus Relief Funds (CRF). Each state will receive a minimum allocation of $1.25 billion. Local governments with a population of at least 500,000 were eligible for direct payments.

   Is the Local & State Aid

   Timed: ______ Yes ______ No (If the policy is timed, underline a key statement or phrase that led you to this)

   Targeted: ______ Yes ______ No (If the policy is targeted, place a box around a key statement or phrase that led you to this)

   Temporary: ______ Yes ______ No (If the policy is temporary, circle a key statement or phrase that led you to this)

5. Meal Deductions: a provision that would permit businesses to fully write off the value of meals during the pandemic. This is an increase from a 50% deduction that is currently allowed for meals and snacks at work, as well as client meals if business is being conducted. This policy would incentivize business owners to patronize restaurants impacted by the Covid-19 shutdown orders while stimulating the economy. So by offering this 100% meal deduction, the government is attempting to help out the restaurant industry so that business owners can order food for their team during meetings or client events. Under the law, the temporary full deductibility expires on December 31, 2022, and the federal tax deduction for business-related meals will return to the 50% level.

   Is the Meals Deduction
   Timed: ______ Yes ______ No (If the policy is timed, underline a key statement or phrase that led you to this)

   Targeted: ______ Yes ______ No (If the policy is targeted, place a box around a key statement or phrase that led you to this)

Temporary: ______ Yes ______ No (If the policy is temporary, circle a key statement or phrase that led you to this)

6. Stimulus Checks: Stimulus checks will be sent to households below a certain income limit. The first stimulus payment will be a $1,200 check issued to most individuals earning less than $75,000/year. The checks will be phased out by $5 for every $100 made above $75,000 for single tax filers (and above $150,000 for those filing joint returns). Qualifying families can also receive $500 for each dependent (children or elderly parents), with the same phase out. These funds do not have to be repaid and do not increase future taxes owed by recipients. Money will be direct deposited to those who have their tax returns direct deposited. Individuals that do not use direct deposit will have a check mailed to them.

   Is the Stimulus Check

   Timed: ______ Yes ______ No (If the policy is timed, underline a key statement or phrase that led you to this)

   Targeted: ______ Yes ______ No (If the policy is targeted, place a box around a key statement or phrase that led you to this)

   Temporary: ______ Yes ______ No (If the policy is temporary, circle a key statement or phrase that led you to this)

<u>Memo to the President:</u>

After reviewing the six policies Congress has put forward, our group believes that the ___________________________ *(fill in policy your group chose)* meets all the required components. That is, the policy we selected is timed, targeted, and temporary. The following evidence from the policy summary helped us make this recommendation.

The policy is timed because ____
____
____.

The policy is targeted because ____
____
____.

The policy is temporary because ____
____
____.

Thank you.

Appendix 4: Enrichment

Enrichment 1: Respond to the University of Chicago poll: Assuming that additional federal spending is to be structured as in the CARES Act, a substantial further spending program now will ultimately be less costly than a smaller program because it will better help to avoid long-term economic damage and promote a stronger recovery.

Do you agree or disagree? Explain.

Enrichment 2: Visit the University of Chicago poll, found here: https://www.igmchicago.org/surveys/stimulus-and-stabilizers/ Read through the comments that economists had for Poll A.

Select one of the comments from the economists and write a critique of their position. Be sure to include evidence in your critique.

Enrichment 3: The Covid-19 pandemic is one of many historic crises that the Federal Government has responded to. Select another historical crisis, such as the Great Depression, and compare the Federal Government's response and policies. As you compare and contrast the policies, you should address the three limits of fiscal policy: timed, targeted, and temporary.