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Real-Time Inequalities and Policies during the Pandemic in the US

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The work analyzes the effects on consumer spending and employment of the measures adopted by the Federal Reserve (Fed) during the Covid-19 pandemic, combining high-frequency data from private sources (Chetty et al 2020) and data from the US Bureau of Economic Analysis at the county level.

The analysis, which covers the period from January 20, 2020, to March 31, 2021, is based on VAR models that link monetary policy shocks to the daily pattern of per capita expenditure and employment of the counties (grouped by quarters of the distribution of per capita income) and to measures of the inequality of the distribution of these variables among all counties. Monetary policy shocks are identified through a narrative approach combined with the use of high frequency data on the difference between long-term and short-term interest rates on government bonds and broken down into purely monetary ones (such as quantitative easing) and those similar to fiscal measures (such as incentives to facilitate credit to businesses).

The main results are the following:

• Consumption inequality between US counties, calculated according to four different measures of dispersion (Gini index, Atkinson index, difference between the 90th and 10th percentiles and variance of the logarithm of consumption), increased during the reference period.

• The policies implemented by the Fed have stimulated more consumption and employment in counties belonging to the richest quartile of distribution than in the poorest ones. The main channel of transmission was the increase in the value of financial assets, mostly held in the richest counties.

- In the short term, the inequality of the distribution of expenditure would have increased more as a result of the interventions concerning emergency plans of loans to businesses to support employment than as a result of the measures more closely related to monetary policy (for example, relating to interest rates, repo agreements and quantitative easing).