

## Capabilities of Biden administration to achieve economic recovery questioned ahead of extended deadline for unemployment insurance

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On 11th March, President Biden signed the American Rescue Plan into law which will provide USD 1.9 trillion in relief against COVID-19. Given that President Trump also passed a stimulus package at the end of December last year, this has resulted in a series of large-scale fiscal policies in a short amount of time. The timing of the American Rescue Plan roughly coincides with the deadline of the policy to expand unemployment insurance benefits, namely PUA and PEUC\* (Chart 1), which means that, of all the economic provisions, support for the unemployed has continued almost uninterrupted since the start of the COVID-19 pandemic. Consequently, unemployment insurance benefits – along with payments to households – have made a positive contribution to personal income since April last year. Even though employee compensation has not increased, disposable personal income has risen to a level significantly higher than it was at the start of 2020 before the COVID-19 pandemic on a macro basis (Chart 2). At present, the number of PUA and the number of PEUC recipients are both higher than the number of regular state unemployment insurance recipients, which means most unemployed people are covered by the PUA or PEUC programmes and can avoid a situation where they stop receiving unemployment insurance benefits as a result of the American Rescue Plan. Consequently, disposable personal income will remain higher than it was before the COVID-19 pandemic on a macro basis for the time being.

Nevertheless, there are some who have a negative view of these policies to expand unemployment insurance. For example, in the Beige Book published on 3<sup>rd</sup> March, the Federal Reserve Bank of Minneapolis stated that “some contacts said the prospective continuation of enhanced unemployment benefits created a disincentive to return to work”. Furthermore, even within the Democratic Party, members of congress such as Senator Joe Manchin have expressed a cautious position, saying an expansion of unemployment insurance will undermine employees’ motivation to work.

The extensions to PUA and PEUC are forecast to come to an end in September. While it is necessary to continue to support those in difficult circumstances, the economic policies to provide this support are weighing heavily on the country’s finances and it has been pointed out that policies such as the expansion of unemployment insurance have side effects. In order to achieve sustainable economic growth in the future, the US will need to normalise its economic activities by encouraging vaccination, and implement an exit strategy from its policies which are now underpinning the economy – mainly unemployment insurance and benefits – by

making investments in infrastructure and the environment and creating jobs by promoting new industries.

\* PUA (Pandemic Unemployment Assistance) is a measure to expand those eligible for regular unemployment insurance benefits, such as self-employed workers and gig workers. PEUC (Pandemic Emergency Unemployment Compensation) is a measure to extend regular unemployment benefits. The standard period for unemployment insurance is 26 weeks.

Chart 1: Number of US Jobless Claims and Duration of Economic Policies

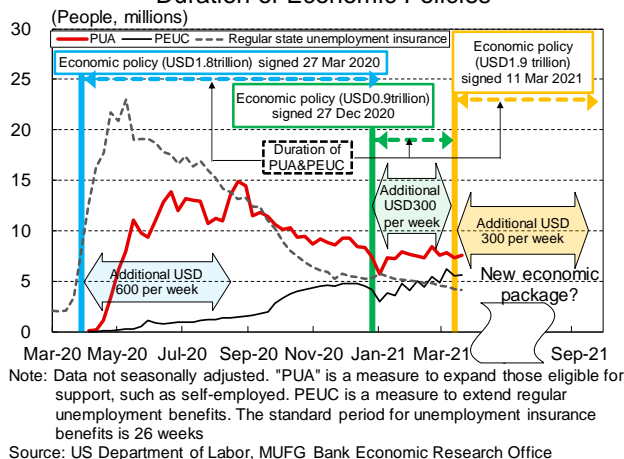
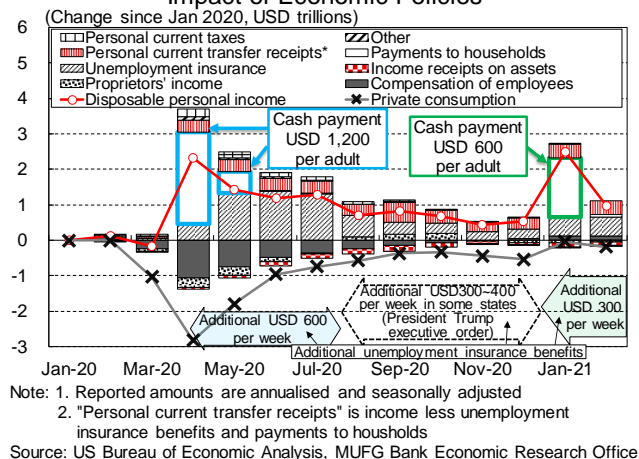


Chart 2: Disposable Income, Private Consumption and Impact of Economic Policies



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