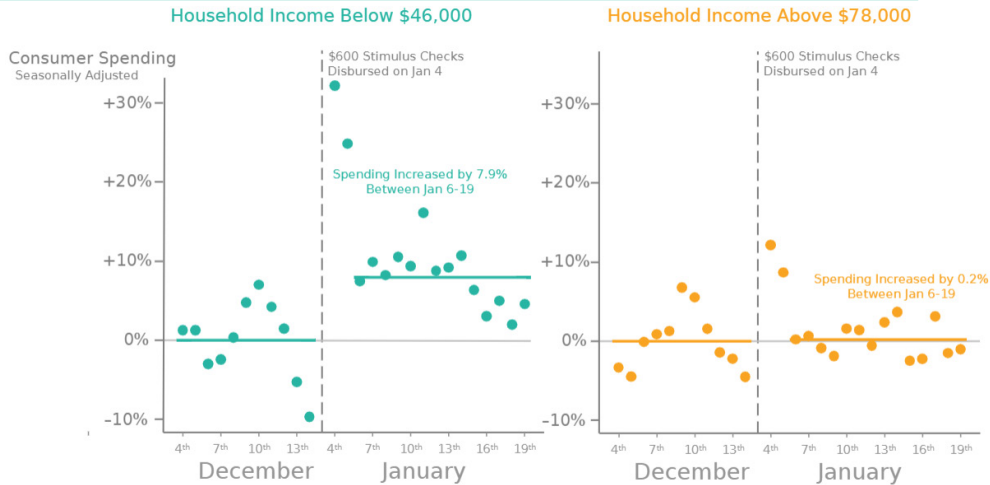


Effects of January 2021 Stimulus Payments on Consumer Spending

Raj Chetty, John Friedman & Michael Stepner

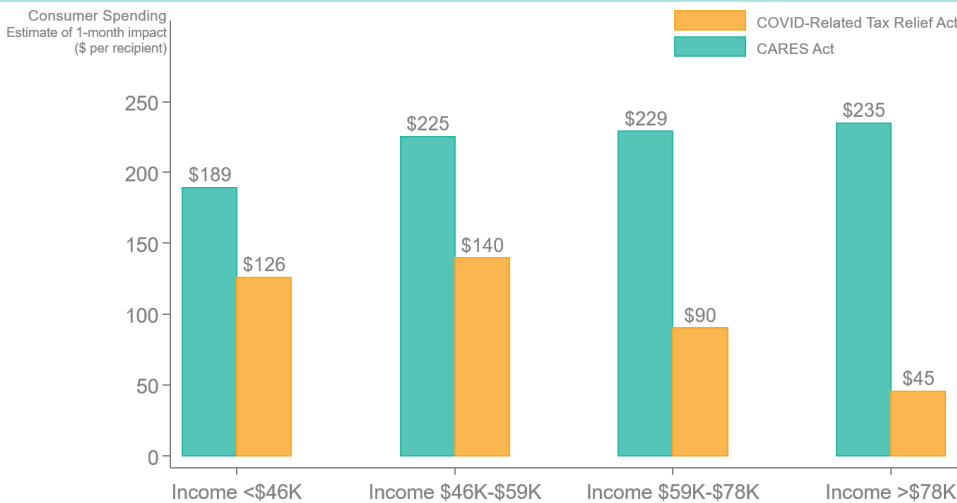
We use real-time spending data from the [Opportunity Insights Economic Tracker](#) to assess the effects of the COVID-Related Tax Relief Act of 2020 stimulus payments on consumer spending across different income groups. We find that the \$600 stimulus checks increased spending among lower-income households significantly, but had little impact on spending among higher-income households.¹

DAILY CONSUMER SPENDING ON DEBIT AND CREDIT CARDS, PRE VS. POST \$600 STIMULUS



Over the first month after stimulus payments were received, our estimates imply that households with incomes above \$78,000 will spend only \$45 of the \$600 payments they received. This is much less than the effect of the April stimulus payments on the spending of these higher-income households, which arrived at a time when unemployment was surging. Since then these households have largely returned to work, and have even accrued additional savings.

TOTAL MONTHLY SPENDING EFFECT OF FIRST AND SECOND STIMULUS PAYMENTS, BY HOUSEHOLD INCOME GROUP



Based on these results, we estimate that **households earning more than \$78,000 will spend only \$105 of the \$1400 stimulus check they receive** - implying that \$200 billion of additional government expenditure will lead to only \$15 billion of additional spending.² Targeting the next round of stimulus payments toward lower-income households would save substantial resources that could be used to support other programs, with minimal impact on economic activity.

A [technical appendix](#) for this analysis can be found on the Opportunity Insights website as well as [more analysis](#) on the economic effects of the COVID-19 pandemic.

1. Low- and high-income households are defined as those residing in zip codes with average household incomes below \$46,000 and above \$78,000 respectively.
 2. This figure is calculated based on reduced spending among multi-person households with incomes greater than \$78,000 and single-headed households with incomes greater than \$50,000 respectively.

ABOUT OPPORTUNITY INSIGHTS

Opportunity Insights is a non-partisan, not-for-profit organization located at Harvard University that seeks to translate insights from rigorous, scientific research to policy change by harnessing the power of “big data” using an interdisciplinary approach.

Requests for additional information on the data or technical questions can be directed to info@opportunityinsights.org.