

Activity 2 ANSWER KEY: Covid-19 Fiscal Response Comparisons

The table below provides suggested answers to questions 1, 2 and 3. Questions 4 and 5 will depend on the student's opinion, which they should defend in their answers.

A few general comments:

- The answer guide below is meant to provide some general direction to help you navigate class discussions. Many of these answers will vary from group to group and class to class.
- The data below was accurate as of January 2021. You should peruse the countries yourself before discussing with students to make ensure no substantial changes have occurred.
- The IMF site is not intended to be a comprehensive overview of all the policies a country may have enacted. Remind students that most countries took unprecedented actions in their responses to Covid-19.
- The notes below are based on the information from the site. Students may click on links or do independent research that may support or contradict what is found below. This is fine and does not change the purpose of the lesson, but make sure students cite their source of information and use it as a teachable moment as to how complex some the answers to the questions can be.
- The acronym SME is used frequently in some of these descriptions. This stands for small to medium enterprise and is how other countries often refer to their small businesses.
- While not specifically part of the lesson, another sub-lesson can be taught on economic systems. Saudi Arabia's fiscal response is going to be vastly different than Germany's because the economic system at work prior to the pandemic is vastly different. Cultural norms are just as important in some of these situations (like in Brazil) as are financial situations.

Covid-19 Fiscal Responses Around the World

	1. Identify 3 specific fiscal policy responses this country took during the pandemic (include dollar amounts or % of GDP if available).	2. Overall, explain whether you feel this country's policies were targeted more towards businesses, individuals, or a balance of the two.	3. Based on the fiscal policy action you ranked as #1 on the previous activity, do you see evidence that this country also thought this was important? Explain.
U.S.	<i>Some key actions likely to catch student attention are student loan payment deferrals, the Paycheck Protection Program for businesses, \$25 billion for virus testing, hundreds of billions in loan guarantees or forgiveness, low-interest loans and grants for small businesses, extra unemployment benefits, and money allocated for food safety.</i>	<i>Overall, the response from the U.S. has been pretty balanced in terms of policy targets. In terms of dollar amounts, however, programs targeting individuals (direct payments, food programs, housing protection, student loan deferrals) have had more money allocated to them.</i>	<i>The answer will depend on what they ranked as #1, but there's evidence that the U.S. places some level of importance on all 10 goals.</i>
Germany	<i>A few notable decisions are spending on healthcare equipment, hospital capacity, and vaccine development; 50 billion in grants to small businesses, loan guarantees for banks, expanded unemployment packages among others.</i>	<i>Dollar-wise, Germany's response was targeted to individuals overall. Businesses did get some relief, but the larger focus was on getting money in the hands of citizens in 2020.</i>	<i>The specific answer here will depend on what they chose as #1. Germany was relatively heavy on payments to individuals and income preservation, increasing money for fighting the virus, and loan guarantees (supporting the financial system).</i>
Japan	<i>A few notable decisions were direct cash handouts to individuals and affected firms, deferred tax payments, various kinds of public and private loan forgiveness (which is rare), and massive donations to the IMF lending facility for other countries. Also of note, in December 2020, Japan passed a separate bill</i>	<i>Japan spent the most amount of money (15% of GDP) protecting employment and businesses. Of the countries on the list, Japan was the most focused on protecting businesses – even though they did provide some individual payments.</i>	<i>The specific answer here will depend on what they chose as #1. Japan placed high priority on business protection, donating to other countries through the IMF, and loan forgiveness.</i>

	<i>designed to help restructure the economy after Covid-19, investing in more green technology and digitalization.</i>		
Brazil	<i>A few notable decisions were direct payments to low-income workers, additional payments to retirees, paycheck advances to temporarily laid off workers (unclear if these must be paid back), removal of taxes on medical supplies, and payments to local governments. Notably absent are major payments to businesses.</i>	<i>Brazil was squarely in the corner of payments to individuals and almost a direct opposite of Japan. There is almost no mention of payments to businesses in the readings.</i>	<i>The specific answer here will depend on what they chose as #1 but Brazil focused heavily on payments to individuals and tax reduction.</i>
South Africa	<i>A few notable decisions were direct payments to businesses and individuals, greatly expanding food distribution, increased sanitation and health expenses through a public-private fund, and various tax credits.</i>	<i>South Africa has been one of the most balanced countries in their response allocating money to both businesses and individuals.</i>	<i>The specific answer here will depend on what they chose as #1 but South Africa touches on most of the list with one major exception – helping other countries. South Africa is probably not in financial shape to do provide others help with the pandemic.</i>
Saudi Arabia	<i>A few notable decisions were suspension of very high business taxes, major investment in the Ministry of Health, and eased restrictions on contracts. One unusual thing Saudi Arabia did was increasing taxes on imports to encourage more money to be spent domestically.</i>	<i>Saudi Arabia has made almost no direct payments to individuals. Nearly all of their actions have been toward private businesses.</i>	<i>The specific answer here will depend on what they chose as #1 but Saudi Arabia's response has been extremely business-centric with no money being used for foreign countries.</i>