Economic Impact of the COVID-19 Pandemic on the United States

Meghan Crovo Johnston

Health Systems Finance PUBH 519-A50

Dr. Ola Martin

June 23, 2023

Economic Impact of COVID-19

Politics Versus a Novel Virus

SARS-CoV-2, or severe acute respiratory syndrome coronavirus two, was discovered in 2019 and is responsible for a worldwide pandemic that crippled the global economy and claimed the lives of more than 6.9 million people as of 2023 (World Health Organization, 2023). The disease it causes, referred to as COVID-19, can range from mild symptoms to severe illness. Individuals of any age can get severe COVID-19, but those with existing medical conditions and the elderly are particularly vulnerable to severe complications and death. Daily COVID-19 deaths have declined since the pandemic's peak, and COVID-19 is no longer considered a public health emergency (Ahmad, 2023). Most people now have some level of immunity through vaccination, natural COVID-19, or both.

However, before the world could develop any immunity, SARS-CoV-2 burned through antigenically naïve immune systems like kindling. This coronavirus was one the planet had never seen before. The United States experienced some of the highest COVID-19 death rates relative to its peer nations, and as of 2023, over 1.1 million Americans lost their lives to COVID-19 (Centers for Disease Control and Prevention, 2023; John Hopkins University, 2022). The high death rate was partly due to a slow U.S. response and politicized public health measures (Lewis, 2021). In addition to the death toll, countless businesses suffered severe financial strain, entire industries struggled to say afloat, and individuals lost their jobs and livelihood. The economic impact of COVID-19 on the United States reached across industries and changed how people did business.

Early U.S. Public Health Response

In January 2020, the first case of COVID-19 was detected inside U.S. borders, but the United States Government was slow to respond (Centers for Disease Control and Prevention, 2022). Despite cases continuing to climb, the U.S. president at the time assured citizens that SARS-CoV-2 would not last, suggesting it would disappear in the warmer months (Wolfe & Dale, 2020). As it became apparent that COVID-19 was indeed a serious health threat, contentions grew between government administration and health officials.

The president eventually issued travel bans, but person-to-person transmission was already taking an inevitable hold inside the U.S. (Centers for Disease Control and Prevention, 2022; Lewis, 2021). At a time when hospital care accounted for a large chunk of healthcare expenditures (32.3%), patients sick with COVID-19 began filling the hospitals (Nowicki, 2018). Mounting COVID-19 cases led to increased deaths, and individual states began stay-at-home orders that limited mobility to essential travel only, shutting down restaurants, schools, and other businesses (Jacobsen & Jacobsen, 2020). The United States had come to a halt.

Shifts in U.S. Gross Domestic Product (GDP)

Measures to restrict the spread of a dangerous virus also restrict economic growth. Social distancing, lockdowns, and closing non-essential businesses resulted in job losses, decreases in consumer spending, reduced business activity, and losses in government revenue, all of which can have devastating effects on economic stability. However, doing nothing as a virus kills over one million Americans is also bad for the economy (Centers for Disease Control and Prevention, 2023). Leaders faced the impossible challenge of balancing a dichotomous scale where COVID-19 deaths sat on one side and crushing economic decline on the other.

The United States argued over which one to prioritize, with leading politicians discrediting the recommendations of doctors and scientists while the virus spread and the economy tanked. A snapshot of the overall economic impact can be seen by looking at the United States' Nominal GDP per capita, or average per person output. It should be noted that the first case of COVID-19 likely occurred near the end of 2019 and would not have affected the U.S. economy yet (Roberts et al., 2021). In 2019 the U.S. per capita GDP was reported at $65.1 thousand. The COVID-19 pandemic brought a sharp downturn in the economy in 2020, driving per capita GDP down to $63.5 thousand. Thankfully, 2021 saw a dramatic rebound, and U.S. per capita GDP recovered, reaching $72.2 thousand (The World Bank, 2022).

Economic Impact on Key Industries

All industries were affected differently during the pandemic. Some were hit harder, like the airline industry, while others flourished, like online shopping establishments. Homebound Americans who still wanted to eat from their favorite restaurants turned to companies like Uber Eats and Grubhub to deliver food. These businesses, along with online shopping platforms like Amazon, experienced economic growth in 2020 (Işık et al., 2021; Karniouchina et al., 2022).

Tourism

The travel and tourism industry is determined by the goods and services sold directly to customers traveling and exploring. It measures the revenue generated by the sale of these items and excludes airline travel. In 2016, before COVID-19's existence, the bustling tourism industry contributed 2.8% to the United Stated GDP (Osborne & Markowitz, 2018). By early 2020, the SARS-CoV-2 virus was well established in the U.S., and select states began limiting movement throughout their communities, and tourism GDP fell to 1.54% in 2020 but trended upward in 2021 to 2.15% (Osborne, 2023).

Air Travel

The air travel industry was prosperous in its pre-pandemic days, contributing over four million jobs and 2.2% of GDP in 2018 (Federal Aviation Administration, 2021). The COVID-19 pandemic and its restrictions on travel heavily impacted the aviation industry, reducing jobs to 2.5 million and GDP to 1.3% (Federal Aviation Administration, 2022). By April 2020, the number of passengers traveling by airplane had dramatically decreased by 96% compared to April 2019. This reduction in passenger traffic remained at 60% below what it was in 2019 for the entirety of 2020.

The limited flight travel caused a dip in the industry's business that rippled throughout the entire sector. Airports, airline maintenance providers, and supply chains all felt the effects of the grounded airplanes (U.S. Government Accountability Office, 2021). As of 2022, indicators show that the airline industry has not yet matched its pre-pandemic productivity levels, but evidence suggests it will make a full recovery (Sun et al., 2023).

Small Businesses

The small business share of GDP had been declining for years before the pandemic, primarily due to large business contributions increasing and not because of a decline in small businesses (Small Business & Entrepreneurship Council, 2023). However, in the early months of the pandemic, active business owners fell 22%, totaling a loss of 3.3 million small businesses in a two-month period between February and April 2020 (Fairlie, 2020). It was the largest recorded drop in business owners and affected a wide range of industries.

The impact of the disruption varied between industries. Retail, arts and entertainment, personal services, food services, and hospitality were among the most affected, with more than a 50% decrease in employment (Bartik et al., 2020). On the other hand, sectors like finance, professional services, and real estate-related businesses could easily switch to a remote working model and thus were not as heavily impacted.

Following the pandemic, the recovery of small businesses was paramount for overall economic stability. Before COVID-19, small businesses accounted for 44% of U.S. economic activity (Kobe & Schwinn, 2018). By the end of 2021, the economy experienced a significant recovery as businesses that had been closed reopened and new establishments were founded, creating a total of 450,000 more active businesses than before the pandemic (Edelberg, 2022).

Retail

The retail industry gives insight into overall consumer spending and confidence, which is a major player in the economy's health. During the pandemic, consumers and retailers swapped the traditional face-to-face business for contactless and online options. This necessary social distancing led to a drastic decrease in jobs within the retail industry (Dorfman, 2022). Due to e-commerce, retail trade jobs were already declining, but COVID-19 accelerated that decline by causing the loss of 800,000 jobs in retail during 2020 compared to the trend from previous years of 200,000 jobs. However, retail trade's loss is e-commerce's gain. As jobs in retail dropped, e-commerce gained 300,000 jobs.

Impact on Employment

As businesses temporarily and permanently closed their doors during the COVID-19 pandemic, job availability plummeted, and unemployment climbed. Not all industries were hit equally by the historic loss of jobs. Between government-imposed restrictions and social and behavioral changes, some sectors were able to adapt better than others. Any industry involving direct contact between people, whether from employees, customers, or both, took the biggest hit (Ansell & Mullins, 2021). This financial impact included service-providing businesses like restaurants, hotels, amusement parks, arts, entertainment, and events.

The COVID-19 pandemic stole millions of jobs from Americans, with Black, Latinx, and Asian groups shouldering a disproportionate amount of the job loss (Goldman et al., 2021). At the end of 2020, Black men aged 16 and older had an unemployment rate of 13.8%, 6.4% higher than their white counterparts. In 2020 the unemployment rate for all Americans reached as high as 13.0% before settling at 6.7% by the end of the year (Smith et al., 2021). Prior to the COVID-19 pandemic, the unemployment rate was a healthy 3.0% (U.S. Bureau of Labor Statistics, 2023). As of April 2021, the unemployment rate was 3.4%, the closest it has come to pre-pandemic levels.

Impact on Poverty and Minorities

The pandemic put a tremendous strain on poverty rates in the United States. The sharp increase in unemployment and an overall economic decline pushed financially vulnerable populations into hardships and exacerbated those already living below the poverty line. In 2019 before COVID-19's arrival, the poverty rate in the U.S. was at an all-time low of 10.5% (Statista, 2022). The economic changes led to more people becoming impoverished, with an estimated

11.4% of Americans living below the poverty line in 2020 (U.S. Bureau of Labor Statistics, 2022). Job losses among lower-income earners largely drove this increase, and many who continued to work saw their hours cut drastically.

The economic impact of the pandemic shined a spotlight on the stark racial disparities in the United States. Minority Americans experienced COVID-19 differently than how other Americans did. Black families already faced poverty at rates higher than their White counterparts, positioning them at a greater economic disadvantage before SARS-CoV-2 even crossed the United States border. During the pandemic Black households faced more significant financial uncertainty, accrued more debt, experienced more food insufficiency, and had increased levels of anxiety than White Americans (Bureau, 2021).

Additionally, by the end of 2020, it was clear that COVID-19 was not killing people equally. One study reported that the COVID-19 mortality rate for Black Americans was a third higher than for Latinos and twice as much for whites and Asians (Vasquez Reyes, 2020). That means two Black people died for every one White person who succumbed to the virus. These mortality disparities had deleterious consequences on Black households in terms of lost wages, intensifying financial hardships.

Government Response and Stimulus

As COVID-19 overwhelmed hospitals and closed businesses, the economy threatened to slip into a great recession. The Federal Government responded with expansive and aggressive policies by providing public health resources like equipment, testing, and vaccines and took steps to assist individuals and businesses. The American Rescue Plan that passed in March of 2021 sent financial aid to local governments, expanded internet access, provided rental and utility assistance, supported at-risk homeowners, created small businesses assistance programs, and delivered historic tax relief to families. (Department of the Treasury, 2023).

Financial Aid to Local Governments

Direct financial aid to over 30,000 state, local, Tribal, and territorial governments provided flexible funds for local governments to decide the best way to support their community's needs. These funds have been spent on public health projects, housing support, local workforce, small businesses, and infrastructure.

High-Speed Internet Expansion

As the world shifted to remote working and learning, internet access inside the home became a critical part of pandemic resilience. Expanding access to high-speed internet for underserved homes and businesses reduced barriers and increased productivity, opportunities, and success.

Rental and Utility Assistance

The Emergency Rental Assistance program provided rental and utility relief to rental households struggling to stay afloat during the pandemic. This program significantly reduced evictions and kept people in their homes.

Homeowner Assistant Fund

Just as rental households were heavily affected by the pandemic, so were homeowners. The Homeowners Assistant Fund kept 230,000 homeowners from losing their homes in 2022.

Small Businesses Assistance Programs

Small business assistance programs focused on underserved entrepreneurs who experienced an increased risk of financial loss during the pandemic. These programs increase lending and private investment opportunities for small businesses now and in the future. Funds from these programs are also available to support other community development initiatives.

Tax Relief

Data from the 2022 Census Bureau showed that tax relief from the American Rescue Plan had an enormous effect in 2021, reducing the child poverty rate by 46%, the most significant drop ever recorded. The decrease was prevalent across all racial groups – Black, Hispanic, Native American, Asian, and white.

The Resiliency of America

The COVID-19 pandemic created severe health and economic struggles worldwide, putting a massive strain on the United States' already stretched-thin healthcare system. Overcrowded hospitals, business shutdowns, and necessary social distancing catapulted the U.S. into an economic downturn. Numerous businesses had to close their doors, entire sectors were on the brink of collapse, and individuals lost their livelihoods. The virus's impact on the economy was sweeping, forcing people to adjust their lives in ways that created immense financial strain.

At the time of this writing, it has been almost three and a half years since the first laboratory-confirmed case of COVID-19 worked its way into the United States. The economy has made massive strides toward recovery, with small business growth greater than its pre-pandemic numbers, child poverty at an all-time low, and 2022 Nominal GDP per capita exceeding 2020 values (Department of the Treasury, 2023; Edelberg, 2022; The World Bank, 2022). Tourism and airlines have been slower to recover, but both industries are trending in that direction. Americans are resilient. Despite being hit harder than many of its peer nations, America has bounced back stronger.

Reference

Ahmad, F. B. (2023). COVID-19 Mortality Update — United States, 2022. *MMWR. Morbidity and Mortality Weekly Report*, *72*. https://doi.org/10.15585/mmwr.mm7218a4

Ansell, R., & Mullins, J. P. (2021, June). *COVID-19 ends longest employment recovery and expansion in CES history, causing unprecedented job losses in 2020 : Monthly Labor Review: U.S. Bureau of Labor Statistics*. Www.bls.gov. https://www.bls.gov/opub/mlr/2021/article/covid-19-ends-longest-employment-expansion-in-ces-history.htm#:~:text=While%20the%20job%20losses%20were

Bartik, A. W., Bertrand, M., Cullen, Z., Glaeser, E. L., Luca, M., & Stanton, C. (2020). The Impact of COVID-19 on Small Business Outcomes and Expectations. *Proceedings of the National Academy of Sciences*, *117*(30). PNAS. https://doi.org/10.1073/pnas.2006991117

Bureau, U. C. (2021, July 21). *How the Pandemic Affected Black and White Households*. The United States Census Bureau. https://www.census.gov/library/stories/2021/07/how-pandemic-affected-black-and-white-households.html

Centers for Disease Control and Prevention. (2022, August 16). *CDC Museum COVID-19 Timeline*. Centers for Disease Control and Prevention; CDC. https://www.cdc.gov/museum/timeline/covid19.html

Centers for Disease Control and Prevention. (2023, June 15). *COVID Data Tracker*. Centers for Disease Control and Prevention; CDC. https://covid.cdc.gov/covid-data-tracker/#datatracker-home

Department of the Treasury. (2023). *OFFICE OF RECOVERY PROGRAMS: AMERICAN RESCUE PLAN SECOND ANNIVERSARY REPORT*. https://home.treasury.gov/system/files/136/Two-Year-ARP-Anniversary-Report.pdf

Dorfman, D. (2022, April). *Retail trade employment: before, during, and after the pandemic : Beyond the Numbers: U.S. Bureau of Labor Statistics*. Www.bls.gov.

https://www.bls.gov/opub/btn/volume-11/retail-trade-employment-before-during-and-after-the-pandemic.htm#:~:text=In%20contrast%20to%20employment%20changes

Edelberg, M. B. and W. (2022, September 1). *Tracking the robust recovery in the business sector since 2020*. Brookings. https://www.brookings.edu/research/tracking-the-robust-recovery-in-the-business-sector-since-2020/#:~:text=A%20large%20share%20of%20new

Fairlie, R. (2020). The impact of COVID-19 on small business owners: Evidence from the first 3 months after widespread social-distancing restrictions. *Journal of Economics & Management Strategy*, *29*(4). NCBI. https://doi.org/10.1111/jems.12400

Federal Aviation Administration. (2021, March). *The Economic Impact of U.S. Civil Aviation*. FAA.gov. https://www.faa.gov/sites/faa.gov/files/2022-08/2018_Economic_Impact_Report_SSM07.pdf

Federal Aviation Administration. (2022, August). *The Economic Impact of U.S. Civil Aviation: 2020*. FAA.gov. https://www.faa.gov/sites/faa.gov/files/2022-08/2022-APL-038%202022_economic%20impact_report.pdf

Goldman, N., Pebley, A. R., Lee, K., Andrasfay, T., & Pratt, B. (2021). Racial and ethnic differentials in COVID-19-related job exposures by occupational standing in the US. *MedRxiv*. https://doi.org/10.1101/2020.11.13.20231431

Işık, S., İbiş, H., & Gulseven, O. (2021). The Impact of the COVID-19 Pandemic on Amazon's Business. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.3766333

Jacobsen, G. D., & Jacobsen, K. H. (2020). Statewide COVID-19 Stay-At-Home Orders and Population Mobility in the United States. *World Medical & Health Policy*, *12*(4). https://doi.org/10.1002/wmh3.350

John Hopkins University. (2022). *Mortality Analyses*. Johns Hopkins Coronavirus Resource Center. https://coronavirus.jhu.edu/data/mortality

Karniouchina, K., Sarangee, K., Theokary, C., & Kübler, R. (2022). The Impact of the COVID-19 Pandemic on Restaurant Resilience: Lessons, Generalizations, and Ideas for Future Research. *Service Science*. https://doi.org/10.1287/serv.2021.0293

Kobe, K. K., & Schwinn, R. (2018). *Advocacy: The Voice of Small Business in Government RESEARCH SUMMARY*. https://advocacy.sba.gov/wp-content/uploads/2018/12/rs444-Small-Business-GDP-1998-20141.pdf

Lewis, T. (2021, March 11). *How the U.S. Pandemic Response Went Wrong—and What Went Right—during a Year of COVID*. Scientific American; Scientific American. https://www.scientificamerican.com/article/how-the-u-s-pandemic-response-went-wrong-and-what-went-right-during-a-year-of-covid/

Nowicki, M. (2018). *Introduction to the financial management of healthcare organizations* (7th ed.). Hap/Aupha, Health Administration Press ; Washington, Dc.

Osborne, S. (2023, February 9). *SCB, U.S. Travel and Tourism Satellite Account for 2017–2021, February 2023*. Apps.bea.gov. https://apps.bea.gov/scb/issues/2023/02-february/0223-travel-tourism-satellite-account.htm#:~:text=As%20the%20industry%20entered%20the

Osborne, S., & Markowitz, S. (2018, June 18). *SCB, Title, June 2018*. Apps.bea.gov. https://apps.bea.gov/scb/issues/2018/06-june/0618-us-travel-tourism-satellite-account.htm

Roberts, D. L., Rossman, J. S., & Jarić, I. (2021). Dating first cases of COVID-19. *PLOS Pathogens*, *17*(6), e1009620. https://doi.org/10.1371/journal.ppat.1009620

Small Business and Entrepreneurship Council. (2023). *Small Business & Entrepreneurship Council*. Sbecouncil.org. https://sbecouncil.org/about-us/facts-and-data/

Smith, S. M., Edwards, R., & Duong, H. C. (2021, June). *Unemployment rises in 2020, as the country battles the COVID-19 pandemic : Monthly Labor Review: U.S. Bureau of Labor Statistics*. U.S. Bureau of Labor Statistics.

https://www.bls.gov/opub/mlr/2021/article/unemployment-rises-in-2020-as-the-country-battles-the-covid-19-pandemic.htm

Statista. (2022, September 30). *U.S. poverty rate by year 1990-2017 | Statista*. Statista; Statista Research Department. https://www.statista.com/statistics/200463/us-poverty-rate-since-1990/

Sun, X., Wandelt, S., & Zhang, A. (2023). A data-driven analysis of the aviation recovery from the COVID-19 pandemic. *Journal of Air Transport Management*, *109*, 102401. https://doi.org/10.1016/j.jairtraman.2023.102401

The World Bank. (2022). *World Development Indicators*. Data Commons. https://datacommons.org/place/country/USA/?utm_medium=explore&mprop=amount&popt=EconomicActivity&cpv=activitySource,GrossDomesticProduction&hl=en

U.S. Bureau of Labor Statistics. (2022, September). *A profile of the working poor, 2020 : BLS Reports: U.S. Bureau of Labor Statistics*. Www.bls.gov. https://www.bls.gov/opub/reports/working-poor/2020/home.htm#:~:text=In%202020%2C%2037.2%20million%20people

U.S. Bureau of Labor Statistics. (2023). The Employment Situation - May 2023. In *Bureau of Labor Statistics*. Bureau Of Labor Statistics. https://www.bls.gov/news.release/pdf/empsit.pdf

U.S. Government Accountability Office. (2021, October 21). *COVID-19 Pandemic: Observations on the Ongoing Recovery of the Aviation Industry*. Www.gao.gov. https://www.gao.gov/products/gao-22-104429#:~:text=The%20COVID%2D19%20pandemic%20had

Vasquez Reyes, M. (2020). The Disproportional Impact of COVID-19 on African Americans. *Health and Human Rights*, *22*(2), 299–307. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7762908/#:~:text=Approximately%2097.9%20out%20of%20every

Wolfe, D., & Dale, D. (2020, October 31). *All of the Times President Trump Said Covid-19 Will Disappear*. Www.cnn.com. https://www.cnn.com/interactive/2020/10/politics/covid-disappearing-trump-comment-tracker/

World Health Organisation. (2023). *WHO COVID-19 Dashboard*. World Health Organisation. https://covid19.who.int