The Economy and the COVID-19 Pandemic

**Defining Terms**

**Economy** - The United States has a mixed economy. It works according to an economic system that features characteristics of both capitalism and socialism. A mixed economic system protects some private property and allows a level of economic freedom in the use of capital, but also allows for governments to intervene in economic activities in order to achieve social aims and for the public good. The U.S. government controls or partially controls many goods or services, such as education, courts, roads, hospital care, and postal delivery. It also provides subsidies to agricultural producers, oil companies, financial companies, and utility firms. ¹

The U.S. government also plays a role in the economy via financial policies that can influence inflation and business production. The Federal Reserve System is the nation’s central bank and has three other functions. First, it supervises and regulates many of the nation’s banks. Second, it maintains financial market stability and works hard to prevent crises. Third, it provides banking services to other banks, the U.S. government, and foreign banks. The Federal Reserve is charged with controlling monetary policy (which has to do with the quantity, velocity, and availability of the circulating money supply), and Congress and the executive branch handle fiscal policy (which focuses on government revenue and spending). ²

**Gross Domestic Product (GDP)** - Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country’s borders in a specific time period. ³

The **GDP of the US economy** is **$22.7 trillion** (annualized nominal rate for the second quarter, Q2, 2021). This includes consumer spending, business investment, government spending, and net exports.

The **nominal GDP** is an annualized figure showing a country’s production level using current prices without compensating for inflation.

The **real GDP** does the same but removes the effects of inflation.

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¹ [https://www.investopedia.com/ask/answers/031815/united-states-considered-market-economy-or-mixed-economy.asp](https://www.investopedia.com/ask/answers/031815/united-states-considered-market-economy-or-mixed-economy.asp)

² Ibid.

The **GDP growth rate** (the GDP growth rate uses real GDP to calculate the growth rate compared to the previous quarter or year) is **6.7%** (annualized rate for Q2 2021).

The **real GDP per capita** (the real GDP per capita is calculated by dividing GDP at constant prices by the population of a country or area) is **$58,478** (Q2 2021).

The **gross national income** (GNI is the total amount of money earned by a nation’s people and businesses) is **$21.7 trillion** (2019).

The **unemployment rate** is **5.2%** for August 2021.

The **minimum federal wage**: **$7.25** per hour.

The **core inflation rate** (core inflation is the change in the costs of goods and services) is **4%** year-over-year core rate for August 2021.  

The U.S. budget is total federal income and spending. The government receives most of its revenue from income taxes. Most of its spending goes toward three large expenses: Social Security benefits, military spending, and Medicare. When spending is higher than revenue, there is a budget deficit. The federal government has had a deficit every year since 1970 in all but four years (1998-2001). Each year’s deficit gets added to the debt. The U.S. also runs a trade deficit, which means it imports more than it exports. The U.S. debt is more than **$28 trillion**, which is more than the country’s entire economic output.

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4 Ibid.
Impact of COVID-19 on National and Local Economies

Change in US Economy During and “After” COVID-19

In 2020, America’s national debt quickly grew from $23 trillion to $29 trillion primarily due to the federal government’s emergency response to COVID-19. More specifically, this sharp increase is the result of critical fiscal policy support aimed at reducing damage to the U.S. economy and its population in the wake of the pandemic. While such substantial action has been required for the safety and stability of our country, it has also spurred a $3.6 trillion rise in national debt to-date, surpassing the $1.1 trillion deficit predicted pre-COVID. 5

In US cities, the COVID-19 recession struck US local economies impacting the housing market and industries such as hospitality, leisure, food, and retail. Concentrated within specific core industries, major metropolitan areas experienced an economic slowdown due to decrease in consumer spending, travel, and employment opportunities. In addition, local economies across 124 metropolitan areas experienced a 0.1% increase in unemployment rates, with 7.67 million people without jobs. 6

<table>
<thead>
<tr>
<th>Industry</th>
<th>Jobs lost</th>
<th>Spending</th>
<th>Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance &amp; Insurance</td>
<td>0.2%</td>
<td>$8.2</td>
<td>2.3%</td>
</tr>
<tr>
<td>Real Estate, rental &amp; leasing</td>
<td>1.1</td>
<td>10.7</td>
<td>3.0</td>
</tr>
<tr>
<td>Information</td>
<td>1.2</td>
<td>6.7</td>
<td>1.8</td>
</tr>
<tr>
<td>Professional, scientific &amp; technical Services</td>
<td>2.5</td>
<td>43.3</td>
<td>12.7</td>
</tr>
<tr>
<td>Construction</td>
<td>4.7</td>
<td>44.9</td>
<td>12.4</td>
</tr>
<tr>
<td>Arts, Entertainment, &amp; Recreation</td>
<td>6.3</td>
<td>4.9</td>
<td>1.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6.4</td>
<td>40.9</td>
<td>10.3</td>
</tr>
<tr>
<td>Accommodation &amp; food services</td>
<td>31.8</td>
<td>30.5</td>
<td>8.1</td>
</tr>
</tbody>
</table>

Change in Cost of Housing

82% of urban centers saw more people moving out than in, and 91% of urban counties saw more people moving in than out. Most Americans moved into the same regional economies, migrating from cities to the suburbs not far from the central metropolitan area in order to save money and attain a better quality of life outside the city. 8 Those with the propensity to move increased the most over the last year among young, highly educated urban dwellers (CBRE), those with no children, no spouse, rent, or work remotely. 9

7 Ibid.
8 https://www.bloomberg.com/graphics/2021-citylab-how-americans-moved/
9 https://www.bloomberg.com/graphics/2021-citylab-how-americans-moved/
33% of people moved for financial reasons during the pandemic with job loss as the main reason. The areas most impacted were San Francisco and New York, two of the most expensive cities in the US. Moves out of San Francisco increased by 181%, with a large number leaving the Bay Area entirely. Moves out of Brooklyn and Manhattan increased by 430%. However, many people in New York City moved to boroughs and counties: 79% did not leave New York City. Those who left New York moved to mainly Miami, Los Angeles, or Connecticut.

White Flight

In response to this movement, prices of housing declined in predominantly expensive neighborhoods. This reversal consequently has increased the cost of living in low income areas whilst opening a buyer market for wealthy Americans to move into areas that offer more affordable housing. As a result of “white flight” out of urban areas, more minorities are moving in. Rents declined in New York City and other expensive urban centers during the pandemic, while they soared in some less affluent regions that saw migration increase (for example, rent in Midtown and the Upper East Side in Manhattan decreased by 15% while rent in Queens increased by an average of 2%, with some areas like Jamaica up by 6%).

The departure of the affluent white in major cities leads to economic repercussions, such as overcrowding and housing crises in low income communities of color. The change in housing and cost of living during the pandemic may in time contribute to continued residential segregation and gentrification to push out black and brown communities.

Income Inequality and Poverty Rates

Young adults, earning less income and saddled by student loan debt, are not doing as well

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10 https://www.npr.org/2021/03/14/975826704/why-america-is-moving-money-space-family-lifestyle
11 https://www.bloomberg.com/graphics/2021-citylab-how-americans-moved/
13 https://qns.com/2021/08/average-rent-increases-by-more-than-2-percent-in-queens/
socially or economically, compared to when their parents were at the same age. The rising national debt will force the government to spend increasingly more of its budget paying off interest costs, leaving fewer resources to invest in future economic growth. The COVID-19 pandemic is limiting job prospects and leading to the ruin of many businesses, both small and large. Compared with previous generations, millennials are less likely to own their own homes and they are more likely to be living with their parents for longer stretches of time. Millennials also hold more student loan debt than any previous generation.

Although the United States is the world’s largest economy, one in six American children live in poverty, making them the poorest age group in the country. Furthermore, that poverty is not equally distributed, and according to a 2020 report by the Children’s Defense Fund, 73% of poor US children come from non-white backgrounds.

The United States also houses approximately 1.4 million Americans amongst homeless shelters across the country. Those in shelters are more vulnerable to the spread of COVID-19 due to overcrowding and the older-age demographic of those seeking shelter.

More than 7 out of 10 white collar workers work remotely at higher rates than Americans in other career fields driven by the preference of wanting to stay at home. 72% of white collar workers report working from home during the pandemic, and over half of US workers wish to remain home for work, most especially from white collar jobs.

White Collar Workers

14 “Youth and Opportunity: What Should We Do For Future Generations to Survive?” Up to Us.
15 https://www.cdc.gov/mmwr/volumes/69/wr/mm6917e1.htm
Questions

- What does the future look like in terms of remote working and how will that affect the overall economy?
- Should essential workers or blue collar workers get increased pay for working during the pandemic?
- How will the COVID-19 pandemic impact the job market for Generation Z and the economy in the future?
- How has COVID-19 and remote learning affected young children and how will that impact their future job opportunities?
- How will the housing market impact how and if Generation Z will buy or rent homes?
- What can the US government do to prevent an economic recession?
- What role does the economy play in bringing about racial and socioeconomic inequalities?
- How are immigrants and farm-hands affected economically?
Government Aid

Throughout the COVID-19 pandemic, since roughly March of 2020, Americans received government aid in the form of tax credit, stimulus checks, unemployment benefits, financial assistance for food, housing, and bills, and small business loans. The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed on March 27, 2020, providing Unemployment Insurance (UI) to workers who lost their job due to the pandemic, in addition to:

Pandemic Unemployment Assistance (PUA): Extends eligibility to individuals who have traditionally been ineligible for UI benefits until the benefit week ending 9/5/2021. 18

Pandemic Unemployment Compensation: Additional payments of $600 per week for benefit weeks ending 4/5/2020 to 7/26/2020 and $300 per week for the benefit weeks ending 1/3/2021 to 9/5/2021 while unemployed. 19

Pandemic Emergency Unemployment Compensation: An additional 53 weeks of UI benefits, beyond the 26 weeks already provided by New York State, until the benefit week ending 9/5/2021. 20

Since March of 2020, Americans have received an estimated 478 million direct cash payments from the federal government, up to $1,400 per person. 21

<table>
<thead>
<tr>
<th>Round of Payment</th>
<th>Amount of Payment</th>
<th>Maximum Income to Receive Payment</th>
<th>Budgetary Cost (2020-2023)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Round</td>
<td>$1,200 per adult</td>
<td>Single: $99,000</td>
<td>$292 billion</td>
</tr>
<tr>
<td>(CARES Act)</td>
<td>$500 per child</td>
<td>HOH: $136,500</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Married: $199,000</td>
<td></td>
</tr>
<tr>
<td>Second Round</td>
<td>$600 per adult</td>
<td>Single: $87,000</td>
<td>$164 billion</td>
</tr>
<tr>
<td>(Consolidated</td>
<td></td>
<td>HOH: $124,500</td>
<td></td>
</tr>
<tr>
<td>Appropriations</td>
<td>$600 per child</td>
<td>Married: $174,000</td>
<td></td>
</tr>
<tr>
<td>Plan)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third Round</td>
<td>$1,400 per adult</td>
<td>Single: $80,000</td>
<td>$411 billion</td>
</tr>
<tr>
<td>(American Rescue</td>
<td></td>
<td>HOH: $120,000</td>
<td></td>
</tr>
<tr>
<td>Plan)</td>
<td>$1,400 per child</td>
<td>Married: $160,000</td>
<td></td>
</tr>
</tbody>
</table>

Stimulus Checks

In most instances, the easiest way to solve economic issues is through fiscal stimulus measures or stimulus checks, where essentially, money is forcefully pumped into the economy to eventually get it to a point where it can run on its own again. The main goal of a stimulus check is to encourage consumer spending.

19 Ibid.
20 Ibid.
21 https://bgr.com/politics/how-many-stimulus-checks-have-been-sent-so-far-and-did-you-miss-any/
which will provide the economy with more money.

Americans have received over $850 billion in stimulus checks. By increasing the amount to $2,000 a person, financial burden would be greatly reduced at a time of uncertainty and job instability. In 2008, various studies found that the stimulus checks, in conjunction with other fiscal and monetary policy measures, effectively reduced the unemployment rate and increased GDP.  

As stated previously, stimulus checks have unequivocal benefits, but there are also some downsides. The federal government has spent trillions of dollars in stimulus spending in order to rejuvenate the economy and alleviate the financial stresses that states are facing. However, this has allowed for the federal deficit to surge to $3.1 trillion, which is the highest level the deficit has been since World War II.  

Additionally, most government relief acts passed by Congress to date with regards to the pandemic have not included enough state funding, which is another flaw with stimulus spending.

**Healthcare Costs**

Healthcare costs have increased exponentially for patients, especially those who are suffering from long-term COVID-19 issues. Study from the Kaiser Family Foundation indicated that healthcare costs will increase due to increased demand following deferred care, direct costs related to COVID-19 testing and treatment, and vaccination costs.

The average cost of treating a patient with chronic obstructive pulmonary disease has the

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23 https://www.pgpf.org/blog/2021/03/what-to-know-about-all-three-rounds-of-coronavirus-stimulus-checks
26 Ibid.
potential to increase by between 7% and 11%, going from approximately $38,000 per patient per year to approximately $41,000 per patient per year.  

Average cost of hospital care for COVID-19 patients without insurance or those who receive out-of-network care is $51,389 (for patients between 21 and 40 years old) to $78,659 (for patients between 41 and 60 years old) for patients spent months on ventilators).  

Average cost for ER visit: $2,200 on average

On average, a COVID-19 test in the commercial market costs $130. The new data demonstrates that the share of tests charging 50% to 100% above the average costs has doubled (from 18% to 36%) between early in the pandemic and more recently during the current public health emergency.

### US Debt

Up to Us, focused on building a sustainable economic and fiscal future for the next generation of Americans, came up with four options in reducing US debt:

**Option 1: Equip People to Succeed**

Boost K-12 student achievement by reducing class sizes and providing extra support to students who need it.

Cancel student loan debt if students complete a year of national service in underserved communities.

Greatly expand mentorship and internship programs that expose young people to the work

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32 “Youth and Opportunity: What Should We Do For Future Generations to Survive?” *Up to Us.*
skills that jobs require or encourage them to complete their schooling.

Increase mental health and well-being services to improve the quality of life for all ages.

Option 2: Give Everyone a Fair Chance

Make community college free and guarantee that students who graduate can then enter four-year colleges.

Make K-12 US history curricula more inclusive by acknowledging the contributions and experiences of immigrants and enslaved and indigenous peoples.

Option 3: Focus on Economic Security

Fully fund all new federal programs either through higher taxes, spending, or a combination of both.

Local utilities should invest in switching to renewable energy sources to combat climate change and create opportunities for clean jobs.

Invest in building and repairing deteriorating roads and bridges and in other infrastructure projects.

Cities and counties, as well as consumers, should do business only with companies that hire more American workers and open new factories in the United States.

Increase the minimum wage to improve household incomes and reduce childhood poverty: The federal minimum wage has been $7.25 an hour for most workers since July 2009. In 2018 there was a 25% gap between the average annual earnings of black and white workers.

Eliminate standardized testing and assess students through teacher evaluations of student achievement and behavior.
Questions

- How does the game reflect real life? What about during COVID times?
- States and communities nationwide are suffering from the pandemic and the economic downturn it has brought. Is it realistic to end deficit spending now?
- Reducing class sizes, forgiving college debt, and expanding mentoring and mental health services will not be free. Where should the money come from?
- The country was running deficits even when the economy was thriving because raising taxes, cutting spending, or doing both upsets voters. What specific spending would you be willing to cut? Would you be willing to cut any spending that you typically support?
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- Costs of COVID tests? Rising prices? Should COVID tests be free for uninsured patients? How does that affect the overall detection rate and contact tracing? Should the government be in full control of COVID testing and vaccination to avoid privatization?

Global Effects and Healthcare Disparities

Effects on Global Trade and Global Economies

According to the BBC, most countries are in recessions, global tourism is severely depleting, in-store shopping has largely dropped, pharmaceutical companies have profound income, and worldwide unemployment rates are on the rise. Globally, the pandemic caused bottlenecks in shipping networks and disrupted the flow of goods along international supply chains. These difficulties could cause higher production costs, difficulties in restocking, and product scarcities, and result in retailers passing costs on to consumers in the form of higher prices.  

Global trade had dropped by 8.9% in 2020, the highest drop since the global financial crisis in 2008. The services and good trade sharply fell, with the services trade falling 20%.  

In addition, there was a 350% increase in shipping costs, due to an overfill in American shipping porters and a shortage of shipping containers. The phenomenon is known as the Great Supply Disruption, not only affecting big and small businesses but also local consumers in delaying their packages. 

In the United States, inflation rose to 5.3% in the 12 months through August 2021, averaging about 1.7% for the past decade. Product shortages and supply disruptions are one potential source of increasing prices. Temporary stockouts, where an item or

34 https://econofact.org/pandemic-shortages-and-inflation-from-empty-shelves-to-higher-prices
35 https://www.weforum.org/agenda/2021/08/covid19-pandemic-trade-services-goods/
36 https://www.weforum.org/agenda/2021/08/covid19-pandemic-trade-services-goods/
inventory is out of stock, are more visible to consumers, rising quickly from 12% to 22% in March 2020 and then recovering gradually over time. By November, temporary stockouts were back to pre-pandemic levels, and continued to fall further in subsequent months. About 20% of products had been discontinued by the end of April 2020, and after decreasing in July, permanent stockouts started to increase again. By May 2021, they were once again peaking around 20% over pre-pandemic levels. The categories of goods most disrupted are electronics, food, and beverages. Electronic goods have stockouts at over 40% over pre-pandemic levels. Stockouts in the food and beverages sector also remained over 30% higher as of May 2021. The United States, Canada, and Germany experienced the most stockouts, in addition to experiencing larger increases in annual inflation rates. 39

Vaccination Inequalities

There is a mass disproportionate distribution of the vaccine between nations. Most of the vaccines have gone to high-income countries, or high-middle income countries rather than the vaccine spread equally. Vaccination rates impact the labour market and the economic recovery of a country, affecting low-middle income countries and low income countries.

10 countries possess 75% of vaccines around the world, monopolized by the countries who create and buy the vaccine. These low income countries could add billions to their forecasted GDP, if they had the same vaccination rate as those 10 countries. The WHO, in collaboration with the Gavi vaccine alliance, set up Covax, an organization to provide vaccines to poor countries. However not even 5% of their aimed threshold for vaccination has been met as a majority of the supply has been brought up by higher income countries who plan to vaccinate their entire population. A vaccine inequality is going to result in a longer recovery time for not only the low to middle income countries, but also a longer recovery in the world economy. 40


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Disproportionate Effect of COVID-19 on Minorities

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African Americans, who comprise 13% of the US population, make up nearly 28% of COVID-19 cases. 50% of people of color are now considered frontline workers, are poorly paid, and are more likely to live in crowded housing in highly polluted neighborhoods, making social distancing difficult and increasing the risk of respiratory conditions that make patients most vulnerable to dying from COVID-19. Doctors also undertreat black patients’ pain and heart attacks, making testing and treatment more difficult to receive.

The Plan for Future Outbreaks

The White House has a new Pandemic Preparedness, and in summary the first goal would be to increase medical defences, ensure situational awareness, strengthen public health systems, and build core capabilities.

According to WHO, the next pandemic could be caused by influenza as it continues to be a health threat. WHO’s health Emergency Programme (WHE) is collaborating with member states in order to plan for the next pandemic prevention plan.

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Questions

- How can we better prepare for and prevent future pandemics? What can be done in the future to better prepare developed and developing countries in the case of another pandemic?
- How do we get developing countries out of recession, especially those dependent on tourism?
- Due to quarantine and limited travel, what is the role of a lack in migration on employment around the world? Who is taking the former “immigrant jobs,” specifically in the United States?
- How can local governments help small businesses in failing against chains?
- How can we restart global trade?
- In addition to vaccine inequalities in global distribution, what about inequalities in the quality of vaccines? How can higher income countries help lower income countries with quality vaccine distribution?
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