

Pandemic Policies and the Michigan Economy

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### Abstract

Picture this, a small town with a population of no more than 2,000 residents. These peoples' economies are very centered around hospitality and tourism. This is the perfect place for smaller businesses to thrive. These small businesses are the lifeblood and main structure of the small town. The economy of these small Michigan towns and cities were experiencing extreme prosperity and growth when all of the sudden, the pandemic hits. State-wide shutdown begins, executive orders begin, and along comes decline of economic conditions in these towns and cities. Could this sudden decline in prosperity have been slowed? Mitigated? Or even mostly prevented?

The pandemic has altered the economy on a global scale. So, what happens to the small town's and their businesses? These Michigan-based employers start to lose capital, employees, and customers. Some of these businesses may even be shut down by the state government if their businesses are not deemed "essential" to our daily lives. Small towns began to suffer tremendously in the spring of 2020 as hundreds lost their livelihoods and businesses shut their doors. The pandemic was going to affect the economy regardless of any executive orders from our local and state governments. Now the question in many people's minds is, whether or not the restrictions, or number of restrictions, put in place were necessary?

Throughout the United States, of the many that suffered when Covid-19 hit those small towns those in the state of Michigan were subject to several severe damaging political rulings put into place. Throughout the duration of the Covid-19 pandemic, there were several executive orders and emergency declarations in the state of Michigan by the acting governor Gretchen Whitmer and her administration. The effect of these orders and declarations had a very immense, and many times, negative impact on the Michigan economy. By reviewing the executive orders and analyzing economic indicators, I plan to explain how the economy was negatively affected. I also want to show that in the event of another state-wide emergency, shutdown, pandemic, or another catastrophe, it should be more up to the state's residents to be involved in having a voice in future state orders and executive actions.

## Reference

In order to, correctly, and accurately get a perspective of the economic situation, it is important to get a look at several economic indicators. By comparing these indicators to those of others around the United States and Executive orders put into place, I can then show how, despite the pandemic, the immense damage was inflicted upon the Michigan economy enacted by the current governor, Gretchen Whitmer. While we all understand the need for directives to help keep residents safe during a global pandemic, it is important to look back and see what affects her orders had on our economic system. We have all read about the stories of small business owners, many in the restaurant and hospitality industry, that were required to close in mid-March of 2020. Many of these will be permanently closed, even as we slowly emerge from this health crisis.

Take for example the unemployment rate of Michigan during the year 2020 as shown below. As many will know, the unemployment rate in Michigan drastically changed within the



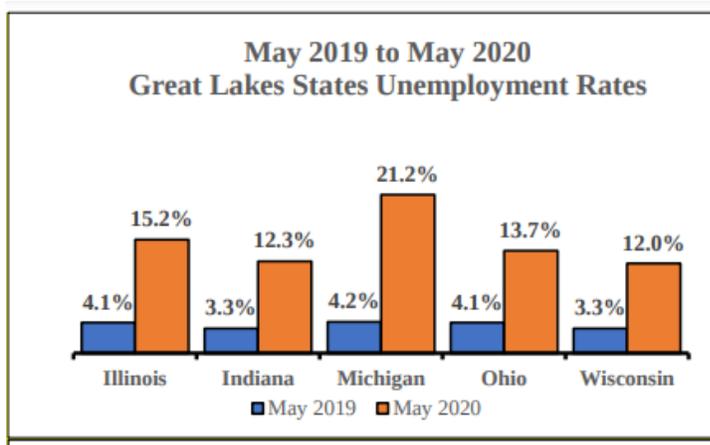
past year. It started from a low 4% and skyrocketed to an unbelievable 24%.

- Levels unseen since the Great depression - Was this due to the pandemic or the executive orders put into place? If we compare this to the national average of 13.3%, the evidence becomes clear that it was not just

the lockdown that affected the Michigan economy. This can be attributed to Executive Order 2020-70, which with a few exceptions, suspended any activities that are not necessary to “sustain or protect life”. This one order banned hundreds of thousands of jobs in Michigan. While larger

cities, such as Lansing or Grand Rapids, economies differ from smaller ones. 24% is much more detrimental to smaller communities like my hometown of Cheboygan. The difference of a few employees, especially in small businesses, can be the difference between success and bankruptcy for these employees. We can expect that these high unemployment levels will affect the disposable income of families, taking away purchasing power, lowering employee morale, and reducing an economy's overall output. The economic impact on small communities would have been bad enough without the addition of overreaching executive orders. This is why it is important to give the people more ability to affect the laws and more input into widespread orders. Examples of groups of people that should have more input would be chamber of commerce members, labor union officials, business owners, and local and county administration.

Some economists may argue that the difference between one state and a national average is not an acceptable comparison for overall economic evaluation because of the difference in



geographic size and location. The graph to the left shows comparisons between Michigan's unemployment rate change in the past year compared to adjacent states. With the average unemployment rate of the United States being 13.3% and the

unemployment rate of the surrounding states being a minimum of 6% lower than Michigan, I feel it is safe to conclude that the unemployment rate is much higher than what should be necessary for the lockdown. This is evidence that the Michigan lockdown orders were excessive and should have been in line with our neighboring states.

Another huge economic indicator to factor is the inflation rate. The inflation rate is an economic term describing the sustained increase in prices of goods and services within a period. The relationship between inflation and unemployment has, for the most part, been an inverse correlation with one another. As shown below the Consumer Price Index of Detroit is deflated .08%.

<b>INFLATION <sup>(k)</sup></b>					<b>Change from</b>
<b>1982-84 = 100 (CPI)</b>	<b>Feb-20</b>	<b>Mar-20</b>	<b>Apr-20</b>	<b>May-20</b>	<b>Year Ago</b>
<b>Nov 2009 = 100 (PPI)</b>					
U.S. Consumer Price Index	258.7	258.1	256.4	256.4	0.1%
Detroit CPI	238.6	NA	232.1	NA	-0.8%
U.S. Producer Price Index	118.6	118.5	117.1	117.6	-0.8%

Typically speaking, deflation is a sign of a weakening economy. Economists tend to dislike deflation mainly because falling prices usually leads to lower consumer spending, which is a major component of economic growth. This lower consumer spending will lead to companies responding to falling prices by slowing down their production, this directly leads to layoffs and/or salary reductions. Now the decrease in inflation can be directly attributed to the decline in consumer spending at places like restaurants. For example, Executive Order 2020-143: Closing indoor service at bars; Closing these businesses and decreasing the consumer spending in that area of the economy. Going out to restaurants is a great release that, especially in smaller towns that have little to do as it is, will massively affect these small businesses causing many to give out layoffs or even shut down. With these smaller cities and towns, there may only be 3 or 4 bars in the city or county alone.

Take for example a restaurant in my town. This is a place that my parents frequent, called Johnny’s. Despite this small business being here for several years, had suffered so significantly due to the order that they were one bad day away from closing their doors. They did have to close down for a few months. Thankfully the state opened up to 20% capacity and Johnny’s got

to stay open. I can only imagine how many hospitality businesses like Johnny's have suffered a worse fate by losing jobs, closing doors, and harming the surrounding economies.

I have addressed some of the direct economic impact that these executive orders had on Michigan. I feel it necessary to point out some of the unnecessary abuse of these executive orders. Before now I got too in-depth into the exact details of executive orders. I do have a hypothetical question for you. In reference to small boats with capacities less than 5 to 10 people, how much exposure to diseases do you think you received from a boating trip? I would assume not much because at most you're probably only taking family and a few close friends. I ask this mainly because Governor Whitmore ordered... Banned the use of watercraft in the state of Michigan. and although it was rescinded after protests, it did raise some questions as to whether or not the Governor had overstepped her boundaries. Now there are several instances in which many people feel the governor has overstepped her bounds concerning how she should be responding to the pandemic. The ban on watercraft was just one example of many. Although I tend to understand when people make mistakes I do find back, and the actions have been very irresponsible. This is mainly because she does not actually take responsibility and doesn't even consider that she has done anything wrong.

The final and most informative factor to consider is the Gross Domestic Product (GDP) of the Michigan economy. Now The gross domestic product of a state is a main indicator used to measure the performance of a state's economy. When GDP growth is strong, firms hire more workers and can afford to pay higher salaries and wages, which leads to more spending by consumers on goods and services. On the flip side when a state's GDP growth is very low the opposite applies. Workers may be retrenched and/or paid lower wages, and firms are reluctant to invest.

In Michigan, as shown below, the last annualized percent change from the last quarter is -5%. So, in the last four months, the GDP has gone down five percent. This is an almost unbelievable change in the GDP. It is not just a low growth rate. The GDP is decreasing in negatives. 5% might not seem like a lot. One must consider two things. The first being that on this larger of a scale 5% can be hundreds of thousands or even millions of dollars. Secondly this

<b>GROSS DOMESTIC PRODUCT <sup>(c)</sup></b>					<b>Annualized % Chg</b>
(Billions of Chained 2012 Dollars, Seasonally Adj & Annualized)	<u>2019.2</u>	<u>2019.3</u>	<u>2019.4</u>	<u>2020.1</u>	<u>From Last Qtr</u>
	\$19,021.9	\$19,121.1	\$19,222.0	\$18,974.7	-5.0%

is over a 3-month period so the 5% grows very rapidly the more time you attribute to it. Due to this rapid decrease, we can expect firms are going to be more reluctant to invest and workers will either be laid-off and/or paid lower wages.

## Conclusion

In conclusion I believe that in the event of another state-wide emergency, shutdown, pandemic, or another catastrophe, it should be more up to the local government to be involved in having a voice in state orders and executive actions. The government has a responsibility to look out for their resident's best interest. We put these officials into power so that they can protect and serve the wishes of the people. They are responsible to create directives, orders, and laws that keep us safe physically and economically. There is a big difference between an order that's meant to keep us safe, and an order that directly causes extensive economic destruction. This devastation could very well end up being a permanent effect on the state and the people within it. No matter how much help the government can offer there will still be thousands of businesses that never reopen their doors in Michigan. Many were just starting and could not weather this economic storm like many of the larger corporations were able to. The voices of everyday Michigan citizens need to be heard, especially when their livelihoods are at stake.

## Sources

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Department of Technology, Management and Budget.*
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).*
- (c) Bureau of Economic Analysis, U.S. Department of Commerce.*
- (d) Bureau of the Census, U.S. Department of Commerce. Seasonally adjusted.*
- (e) Automotive News.*
- (f) Michigan Department of Treasury.*
- (g) Michigan Department of Technology, Management and Budget.*
- (h) University of Michigan Survey of Consumers.*
- (i) Institute for Supply Management (ISM), formerly NAPM.*
- (j) The Conference Board.*
- (k) Bureau of Labor Statistics, U.S. Department of Labor.*
- (l) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 2012 equals 100. Treasury bill rate (secondary market).*
- (m) National Association of Realtors.*
- (n) [Michigan.gov](https://www.Michigan.gov) or [https://www.Michigan.gov/whitmer/0,9309,7-387-90499\\_90705---,00.html](https://www.Michigan.gov/whitmer/0,9309,7-387-90499_90705---,00.html)*