

The American Economy in a Post-COVID Era –
Challenges, Successes and the Path to Recovery for Small Businesses

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Abstract

In a post-COVID-19 era, the economy is still suffering from the impacts of the worldwide pandemic. Even though there is a successful vaccine, there is still uncertainty and fear. There has been a sharp decline in economic activity in America from the beginning. The unemployment rate rose to a percentage not seen since the Great Depression and consumer spending dropped to rates not seen since the 2008 Financial Recession. The economy is mostly fueled by consumer spending, the more consumers spend, the more economic growth occurs, and vice versa.

Research shows that 99% of all businesses are small businesses and they employ about half the working force in the United States, so if these small businesses disappear, go bankrupt, or are unable to make a comeback after COVID-19, we are dealing with an economic depression in the near future. However, if the American people support these small businesses, by purchasing their products or services or spreading the names of these businesses to their family and friends, then we could prevent the country from an economic disaster.

Keywords: Small Businesses, COVID-19, support, economy

The American Economy in a Post-COVID Era – Challenges, Successes and the Path to Recovery for Small Businesses

This paper takes a look into the future. Picture this, coronavirus has been eradicated. A successful vaccine has been found and put into effect. Hospitals are no longer treating patients who are infected with COVID-19, large groups of people can again converge with no fear of an outbreak, and everyone can go out in public without wearing a mask. However, everything isn't back to the way it used to be. The nation's economy is still reaping the consequences that covid brought. In this paper, the authors explore one way to boost economic growth: small businesses. Small businesses are the heart of our country and without them, our economy would fall into a depression. By supporting small businesses, you are, in turn, supporting economic growth.

Bold Statement

Supporting small business sustainability and development is essential to boost the American Economy post-COVID-19. Small businesses though may seem inferior, play a huge role in maintaining the success of the economy. In our precedent circumstance, many people are out of jobs. One reason is that they work from corporate positions. However, small businesses employ people from the nearby area. They provide jobs. According to an article, ‘‘Small businesses are the engines of job creation in this country and account for 64 percent of the net new private-sector jobs and over 49 percent of private-sector employment.’’ (Brown, 2018). In order to keep the economy functioning is it important that small businesses are able to be maintained or established after COVID-19.

Purpose of Research

The American Economy affects everyone and we are able to control it however, we are unable to control how COVID-19 affects us. If small businesses aren't allowed to grow and flourish then all our favorite places will go away. Small businesses employ millions of people, these people will be out of jobs (as witnessed with Covid). Through this research, we have learned the importance of small businesses. Our initial perspective pondered around the question of how important small businesses really are. We all benefit from small businesses not only from our favorite stores but the way they put money back into our community. Small businesses in turn do provide inspiration to entrepreneurship. Entrepreneurship has a foundation in financial capability. Maintaining financial capability allows for money to be used effectively and creates ways for money to be generated. Whether or not you shop from small businesses it still affects them and in turn results in the recession or growth of the economy.

Background Information

The U.S. Economy

An economy can be defined as “all activity related to production, consumption, and trade of goods and services in an area” (Kenton, 2019). An economy’s performance can be measured by the growth rate of the GDP. GDP is short for gross domestic product and can be defined as “the total value of goods and services produced in a country.” (FE Knowledge Desk, 2020) Supply and demand are the most important contributing forces to the U.S. economy. In fact, demand, or personal consumption, “drives almost 70% of the economy.” (Amadeo, 2019) Other sectors or areas of the American economy include agriculture and manufacturing.

Importance of Small Businesses on the Economy

At over 30 million firms, Small businesses make up over 99% of all America's businesses. As a result, they contribute greatly to the American economy. A new report by the SBA (U.S. Small Business Administration) states that small businesses "account for 44% of the U.S. economic activity". (Office of Advocacy, 2019) One benefit of a small business is the opportunity for job creation. Small businesses help "stimulate economic growth by providing employment opportunities to people who may not be employable by larger corporations". (Brown, 2018) Another benefit of supporting small businesses over large corporations is that they tend to stay within their community. According to a professor of agricultural and regional economics, "Small, locally owned businesses and startups tend to generate higher incomes for people in a community than big, non-local firms, which can actually depress local economies." (Business New Daily Expert, 2020)

COVID-19 Impact on the American Economy / Small Businesses

In the wake of the United States becoming the epicenter of the disease COVID-19, the country has suffered a huge stunt in economic growth, due to Americans' and fear of leaving their homes and their inability to contribute to the economy. The U.S. unemployment rate peaked at 14.7%, the highest it's been since the Great Depression, and more than 50 million Americans have filed for unemployment. (U.S. Bureau of Labor Statistics, 2020). Among those most greatly impacted were small businesses. Small businesses "account for a disproportionate share of vulnerable jobs" during the pandemic. (Dua, 2020) A survey of over 1000 small business owners was conducted, regarding the impact of COVID-19 on their business. Out of 1000, nearly 80% revealed they had temporarily closed their business due to covid, and more than 30% stated they were at risk of closing permanently if disruption continued for more than 2 months.

Reasons Small Businesses Support the Economy

Job Creation

Let's begin by discussing the economy. It's pretty simple and is fueled by two words: consumer spending. Now, we could sit here all day and write, in more detail, exactly how the economy functions, comparing macro and micro and discussing the GDP, but all we need to know for this topic is that consumer spending boosts economic growth. So, why do consumers spend money? Well, people need to buy things to help them survive, like food and shelter. People also buy things that are useful for everyday life, like cars and clothing. People also buy things they don't need, like jet skis and sweaters for their cats. Again, we could go into detail about what people buy, but we're focusing on why. Consumers have needs and wants and as long as there are people who are willing and able to pay for the goods and services they require, there is a market for them. Now we say 'willing and able' because being willing and able to buy something is different than just wanting to buy something. If everyone on Earth wanted to buy a spaceship, but didn't actually have the funds or willingness to spend those funds, there would be no market for spaceships, and no reason to produce spaceships. However, if everyone wanted to buy apples and were willing and able to pay for them, there would be a market for apples, or a reason to produce apples.

So this brings us to our next point, how do consumers become willing and able to purchase goods and services? Well, they need to have funds available to them to be able to make those purchases. Normally that would consist of some source of income, i.e. a job. And it's here that we start tying in small businesses. To increase consumer spending, consumers need to have the money to spend. In order to get the money to spend, they have to have a job. "Small

businesses employ 58.9 million people, which makes up 47.5% of the country's total employee workforce." (Lauckner, 2020)

Now imagine if all of these businesses were to disappear. Unemployment rates would be through the roof, even higher than they are now during the COVID pandemic. In April of 2020, when the first wave of coronavirus hit the United States, the unemployment rate was 14.7%. (U.S Bureau of Labor Statistics [BLS]) As the country adjusted to a new way of living, the unemployment rate slowly dropped and by June of 2020, the unemployment rate was 11.1% (BLS) However, this number is nowhere near the rate it used to be, averaging about 3.5% in the pre-covid era. If these small businesses were to go bankrupt or out of business because of a decline in customer spending, which is one of the biggest reasons small businesses fail (Schmid, 2020), then the unemployment rate would skyrocket to around 50%, something we haven't seen ever. The highest unemployment rate America has ever seen was caused by the Great Depression, where, at its highest, it was about 25%. (Amadeo, 2020) So you can probably understand the severity of the situation.

Sustaining Monetary Flow

Not all small businesses have a backup fund that they can go to for emergencies. Most businesses do offer incentives for their employees such as a 401k. Although it may be challenging for businesses to keep their customers, they must still find a way to have cash flow. For example, as a hotel owner customers may have canceled their bookings. To maintain cash flow, customers should reschedule their bookings and the hotel will still be able to have money coming in.

The fewer places there are to purchase goods and services, the smaller the flow of money is. The monetary flow in the United States is ever-flowing and for the purpose of this example,

we're going to start it with the consumer. Now, this consumer has just earned their paycheck for the week, some of the money has been taken out as tax which goes to the federal government and, depending on where this consumer lives, the state. So this consumer uses the money to pay bills, buy groceries, etc., but they have some leftover to treat themselves to a non-essential good or service. Whatever it may be, the consumer has the option to purchase from the little store on the corner or the big corporate warehouse. If they were to choose to buy from the big corporate warehouse, the money they spend goes to the CEO, they distribute that money to their employees, business partners, and international producers which comes full circle to bring in more products to sell in their warehouse. Some money goes to the government in the form of taxes and the money left over goes to the CEO. Now that small purchase our consumer made with the extra money from their paycheck isn't going to put much money in the CEO's pocket, but when the entire population contributes to that pocket money, it adds up.

When our consumer friend decides to purchase a good or service from their local small business, they are putting money into the pocket of people who are more likely to give that money back to the community rather than keep it for their own gain. For example, when a small business makes money, that money is used to pay employees, pay for more resources to make their product or provide their service, and taxes. The rest might be used to expand their business, provide a wider range of products or services, or put on functions that benefit the community*.

Contributing to Local Government with Taxes

Another area that small businesses largely contribute to the American economy in is taxes. Taxes can be defined as “involuntary fees levied on individuals or corporations and enforced by a government entity [...] in order to finance government activities.” (Kagan, 2020) Small businesses pay an average of 19.8% in taxes; businesses with one owner paid up to

13.3%, while the ones with more than one owner paid up to 23.6%. As opposed to large corporations that only pay up to about 11% in taxes, due to tax cuts imposed by the federal government. A few corporations, such as Netflix and Amazon, skip out on paying taxes altogether, which is illegal in most cases.

Literature Review

Louise Sheiner and Kadija Yilla from The Brookings Institution, a nonprofit organization based in D.C., wrote an article entitled “The ABCs of the post-COVID economic recovery”. Since we are discussing the future, the unknown, there is only speculation surrounding the topic of a post COVID economy. The authors of this particular article also dove into the unknown, discussing the different paths economic recovery might take. They explain categories crucial to economic recovery, some of which we cover and discuss in our own paper. They also list their own solutions to fix the economic downturn of our country, however, they differ from the topic we focused on.

Another source we found discussing ways to boost economic growth after COVID was Devashree Saha’s article in the World Resources Institute. Her paper, titled “Resilience After Recession: 4 Ways to Reboot the U.S. Economy” goes into detail about different types of efficient energy usage, “modernizing transmission infrastructure”, and reforestation. (Saha, 2020) Saha does make some interesting points, however, she focused her article on creating corporate, government-funded jobs which happens to be the opposite of what we are trying to explain with small businesses.

While looking for sources to research our topic we found a lot of articles that focus on one thing or the other. (The one thing being small businesses and the other thing being the

economy.) There weren't many resources that discussed how small businesses truly benefited economic growth.

Terms & Definitions

Small Business: "a for-profit business [that is] independently owned and operated." ("Size Standards," n.d.) Depending on the industry, a small business may have a maximum of 250 employees or 1,500 employees or make a maximum of \$750,000 a year or \$38.5 million a year. (McIntyre, 2020) For example, some in the agricultural industry can make a maximum of \$750,000 a year and be considered a small business, whereas someone in the construction industry can make a maximum of \$36.5 a year and still be considered a small business. (McIntyre, 2020)

Economy: "the wealth and resources of a country or region, especially in terms of the production and consumption of goods and services." (Oxford Dictionary, n.d.) The economy functions with consumer spending. When people stop spending money, or spend less than they normally would, then the economy and money flow of the nation slows. Money is the blood of the economy, of the nation, so when the blood stops flowing, the essential organs shut down.

Recession: "a period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP in two successive quarters" (Oxford Dictionary, n.d.) "a significant decline in general economic activity in a designated region. It had been typically recognized as two consecutive quarters of economic decline, as reflected by GDP in conjunction with monthly indicators such as a rise in unemployment." (Chappelow, 2020)

Design Thinking Methodology and Steps

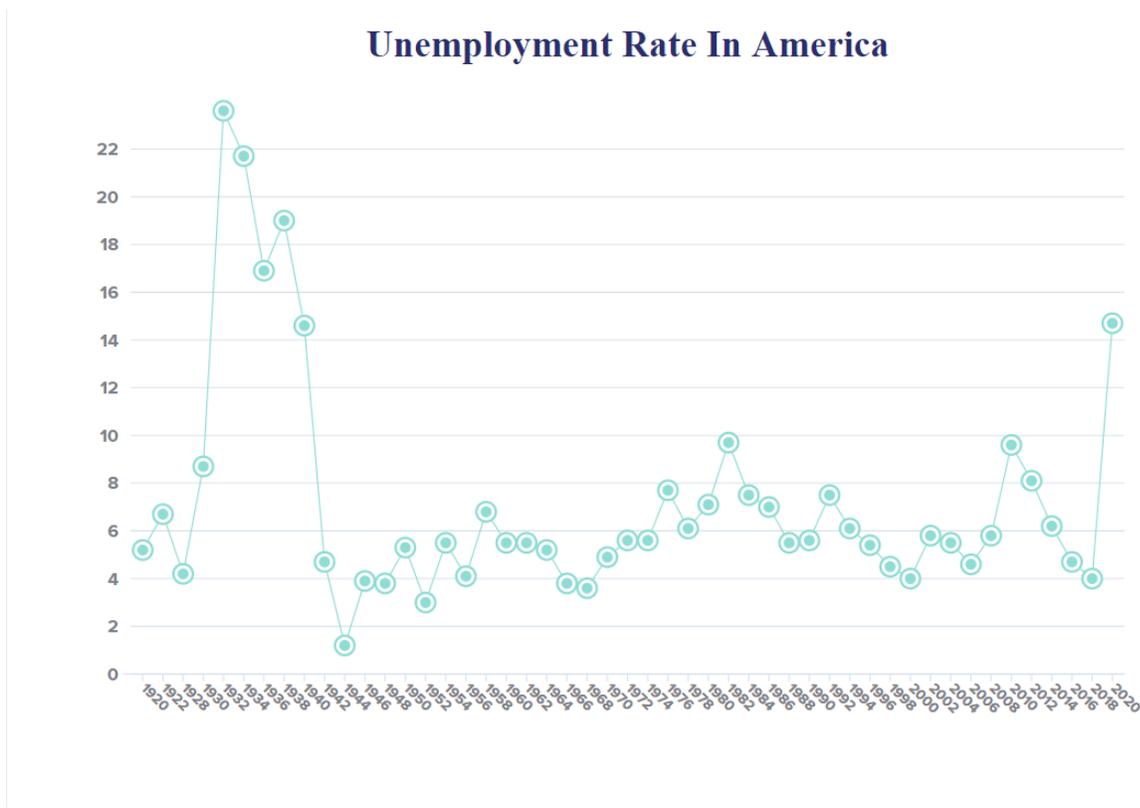
Following the problem of our research topic: The post-era economy of America, it was essential to understand why it mattered. America's economy has greatly recessed quickly in a

matter of weeks. However that is not only the hard part, the difficult part is restoring America's economy to a more stable condition. The economy affects the lives of each person in America, though it may seem just as a small part of life, it is the behind the scenes work of our daily lives. Small businesses are the "backbone" of the economy, as said by a small business owner herself. K. Fogle, personal communication, July 21, 2020. It is important to restore the American economy because Covid-19 has changed the way society lives and interacts with each other. Supporting small business sustainability and development is one important way to boost the economy back up. Although in this circumstance, it might be hard for small businesses to receive the resources that they need such as government funding. A proposed idea to help small businesses back up on their feet is to create a social media campaign where small businesses can then be supported. People can leave reviews, share information about these businesses, and just get these businesses to be known around the area. A search feature/website that offers insights about small businesses.

Research Tools/Materials Used

We conducted an interview with two small business owners, in which we asked them specific questions regarding the effect of Covid-19 on small businesses and the importance of local businesses in their economy. The small business owners we interviewed were a hotel owner (Sima Patel) and an affordable housing developer (Kim Fogle).

Supporting Facts/Figures/Data/Raw Research Outputs



Data Analysis

The data above shows the unemployment rate in the United States from the 1920s all the way to 2020. As you can see, the unemployment rate reached an all-time high during the Great Depression from 1929-1939 when the economy started to grow again. However, as shown in the 2020 section of the graph, the unemployment rate has suddenly skyrocketed. This is, obviously, a direct effect of the coronavirus pandemic that struck America in March. At 14.7% in April of 2020, the unemployment rate in the United States was the highest it had been since the late 1930s when the Great Depression ended.

Research Discoveries

- Small businesses make up 99% of all businesses in the United States.
- Small Businesses employ almost half of America's workforce.

- There are over 30 million small businesses in the U.S.

Research Outcomes

- Public Awareness
- Increase in Employment Rate
- Sustain monetary flow
- Increase in Shopping Small
- Economic Growth

Discussion of Outcomes (in comparison to Bold Statement and Purpose)

The main outcome we want to reach with our research is public awareness. We want people to be informed on the importance of shopping small and ways to support small businesses. This, in turn, will allow us to reach every other outcome we desire. The economy will continue to grow, the unemployment rate will get back to single-digit numbers, the monetary flow in our community will be sustained, and small businesses will see a rise in customers.

Proposed Solution/Big Idea

Educating people on the importance of small businesses and shopping small.

Supporting small businesses (which entails: shopping small, online, in person, etc.)

By supporting small businesses, you are in turn supporting economic growth. By supporting these small businesses, you are allowing them to hire more people, which decreases the unemployment rate and brings more money into the nation's monetary flow, which boosts economic growth.

Finding a way to spread the word about local small businesses in your area. Small Businesses will fail if there isn't sustained cash flow, meaning if money isn't going in and out of the business regularly, there won't be enough money to sustain the business. "82% of businesses

that failed cited cash flow problems as a factor in their failure.” (Schmid, 2020) If more people know about local businesses that provide good products and services, they are likely to tell their friends and family who will then tell their friends and family and so on and so on. Having exposure as a small business is crucial for the survival of that business.

Plan for Proposed Solution

Our main goal with this research paper is to educate the public on the benefits of supporting small businesses. We go into depth, explaining how small businesses support economic growth and by shopping small you are, in turn, also supporting economic growth. But the question still remains: How can we educate the public on this topic? By no means are we going to come up with anything new. There is no crazy, never-before-heard idea that we are going to share with you. But these are some ways we think can help spread the word about the importance of shopping small.

Almost everyone knows that you should shop small and there have been plans in place to promote small business shopping, i.e. Small Business Saturday. But because of COVID-19, the importance of supporting small businesses has fallen to the wayside, it’s just not at the top of everyone’s list of priorities. But since our paper is discussing post-COVID-19, the small business movement should be brought back to the forefront of people’s minds. It will be hard for the public to understand the necessity of supporting small businesses because they aren’t educated on the matter, they don’t know the importance and benefits it will bring; not only to the economy, but to communities, the business owners, and their customers.

Again, we raise the question of HOW can we get the public to understand the importance of shopping small after one of the scariest events of the 21st century. We decided to focus on promoting small businesses through the internet and social media. In this day and age, almost

everyone has access to the internet. According to a survey, the number of American households with access to the internet, “grew from 74 percent in 2013 to 77 percent in 2015.” (Ryan and Lewis, 2017) With this information, we’ve managed to come up with some ways we think will be effective in informing the public on the benefits of supporting small businesses as well as ways to support them.

One plan we came up with is to make social media pages for small businesses. Growing a business's online presence is the main way to drive attention and customers to that business and sustain the business. We can also create social media pages for a whole neighborhood city or town where owners would be able to promote their small business. They would also be able to promote any job openings or positions they have. This would be a good way to get local communities involved and informed on the importance of small businesses.

Research Challenges/Limitations

Before coming into this project, we didn’t know much about our topic and as we were proposing a solution to a problem in the future, it was even more difficult to know exactly how to tackle this. We all had to do extensive research on how the American economy functions and how small businesses play a part in society and the economy.

We only had access to a handful of small business owners and only interviewed three. To get a bigger picture, more opinions, and more information, we would definitely need to talk to more small business owners all across the country. We also only talked to local businesses in the central Florida area, and because COVID-19 affected each state differently, we don’t have as wide a view of the problem as possible.

The future is uncertain, we don’t know exactly how COVID-19 will have affected our country when it is finally eradicated. Our plan is based on the information we know at the

present moment. As bad as it may sound, something completely awful may happen and supporting small businesses may be the least of our worries. Or the complete opposite may happen and something other than supporting small businesses may be necessary to boost economic growth.

Another limit we had while completing this project was time. We had about 3 weeks to research and write a full-blown research paper. The first week of this internship consisted of introductions with everyone we would be working with and actually picking a topic. The next three weeks consisted of researching and writing and the last week consisted of creating a presentation and writing unrelated journals.

Next Steps

Promote shopping small. The only way people are going to support these small businesses is if they know the benefits of doing so. They also need to know these local, small businesses exist. Getting the word out about local, small businesses is key, just like in high school, things spread pretty fast by word of mouth and/or social media. People are more likely to buy from a small business if they know they are doing good. This information needs to be heard and understood that if these small businesses disappear, the future of our country's economy could be in trouble.

Another next step would be to get small businesses to advertise more, on social media, online ads, physical ads, etc. The more exposure a small business has, the more people that are likely to visit it and purchase its goods or services.

Conclusion

The American economy is fueled by consumer spending. If people stop spending money, the economy slows and all sorts of terrible things happen. One way to increase consumer

spending is to a) increase the number of people who have a steady income and b) have many places to spend money. Small Businesses allow for both of those things to happen. Since almost half of the American working force is employed by a small business, these people have a steady income in which they can add to the monetary flow. And since there are over 30 million small businesses, there are many more places to spend your money instead of giving it all to corporate America.

About the Research Team

Samantha Parfait is a rising senior at Jones High School (class of 2021). She intends to pursue a career centered around Criminal Justice, Forensic Science, and Politics. Her hobbies include reading, writing, baking, and caring for animals. Through participating in the FPP's Bright Minds, Fresh Ideas Think Tank Virtual Summer Internship, she's learned to communicate effectively in a professional setting as well as how to properly conduct a research project.

Indies Guercin is a rising junior at Oak Ridge High school. At Oak Ridge High school, Indies is involved in a magnet program (Junior Achievement magnet program) and also NAF academy. As well as being a high school student, she is also a part-time student at Valencia College pursuing her Associates in Arts degree and a pre-major in Criminal Justice. Through this internship, it has provided an opportunity to network with professionals and students while creating relationships. Being a part of FPP's Bright Minds, Fresh Ideas Think Tank has taught her skills to think creatively, and gain further work experience.

Emily Murdock is a recent high school graduate of Crooms Academy of Information Technology. She intends to pursue a career in education and is planning on becoming a high school drama teacher. She enjoys cooking/baking, listening to music, and shopping. She is very

grateful to be a part of FPP's Bright Minds, Fresh Ideas Think Tank Virtual Summer Internship, and has learned a lot relating to her research topic and the working world.

Appendix

*Community functions might refer to small business-sponsored events, created to bring more people to the community to generate more revenue. Events like farmer's markets, fairs, festivals, etc. All these events can create more exposure for the local small businesses. Small businesses either have to pay to be a part of the function or they can sponsor it, meaning pay for the event to happen, along with other sponsors.

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