# The Impacts of COVID-19 on Different Economic Entities in North America

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**Abstract.** COVID-19 has had a significant impact on different economies. The rapid and dramatic impact of the pandemic and the economic shutdown caused by health prevention and control measures have plunged the world economy into a severe contraction. The virus spread would also increase global debt risks, raise housing and commodity prices and add to inflationary pressures. It would be the worst recession since the Second World War. The impact of COVID-19 will be different for different economic entities because different entities will have different but disparate responses to the coronavirus. For example, banks can adopt the monetary policy, but businesses cannot. Therefore, by summarizing economists' research on the impact of COVID-19 on different economic entities, such as central banks, governments, companies, and individuals, and pointing out future research directions, countries may find ways to recover their economies faster.

**Keywords:** COVID-19 · Central bank · Firm · Government · Monetary policy · Fiscal policy

## 1 Introduction

Three years have elapsed since the outbreak of COVID-19 in 2019. During this period of time, many economists have done many studies on the influence of COVID-19 on the monetary and fiscal policies of various countries. Economists have conducted detailed analyses from the perspective of central banks, governments, firms, or individuals. In other words, the subject matter in this aspect has been relatively perfect. However, none of these articles connect these different perspectives. Therefore, this paper would summarize and review these well-studied topics and focus on the impact of COVID-19 on central banks, educational systems, firms, or individuals in North America, and point the way for future research. For this problem, the primary research method of this paper is to summarize and evaluate by referring to the research and documents of other economists.

Studying the impact of COVID-19 on countries, central banks, governments, companies, and individuals in North America has profound implications. People's work and daily life have been affected by the ongoing COVID-19 pandemic. GDP fell in many countries in North America. As a result, central banks and governments in North America and worldwide have used monetary and fiscal policies to stabilize and revive their

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economies. By comparing the similarities and differences in the economic responses of central banks, educational systems, companies, and individuals to COVID-19 and finding connections between these different levels, countries may find ways to recover more quickly from the economic damage caused by the coronavirus.

## 2 The Impact of COVID-19 on Different Economic Entities

### 2.1 Central Banks

**Central Bank in Canada**

The central bank in Canada is the Bank of Canada (BoC), which has the right and responsibility to conduct monetary policy. The Bank of Canada has made a series of moves to reduce the economic impact of the COVID-19 pandemic. The bank cut 1/4 interest rates to support economic activity. These actions support consumers and businesses by lowering payments on existing and new loans throughout the economy. The Bank of Canada has also introduced several liquidity facilities and purchase programs to keep markets functioning and credit flowing. To support the recovery, the central bank also pledged to provide monetary stimulus by continuing its massive purchases of long-term debt assets. The expected impact of these measures is to keep unemployment and inflation within a stable and healthy range [1]. Azad et al. explain the monetary policies in Canada using the research from Chung et al. (2007) and David and Leeper (2007, 2011) through a standard Taylor (1993) monetary policy rule. Their research indicates that the Bank of Canada is concerned with regulating economic activity under the passive regime [2].

**Central Bank in the U.S.**

The Federal Reserve (FED), the U.S. central bank, has also made appropriate economic policies in response to the coronavirus. The Fed's economic policy has five main components: easing monetary policy, supporting financial markets, encouraging banks to lend, supporting businesses, and supporting households and consumers. In these major sectors, the Federal Reserve has adopted many detailed economic policies. For example, at its meetings on March 3 and March 15, 2020, the target for the federal funds rate, the rate at which banks borrow from each other overnight, was lowered by a combined 1.5 percentage points. The cuts took the funds rate from 0% to 0.25%. The Fed also engaged in quantitative easing. The Fed resumed buying large amounts of debt securities, a key tool it used during the Great Recession. Eric Milstein and David Wessel explain the importance of Fed policy. They agree that a rapid and severe recession and the loss of millions of jobs resulted from restrictions placed on economic activity by federal, state, and municipal authorities to slow the spread of the virus. The Fed's measures made credit available to people and companies, preventing the instability in the financial markets from worsening the economy's problems. Milstein and Wessel also state that banks require assistance to keep credit flowing. Companies frequently use banks' credit lines when financial markets are congested, forcing banks to reduce lending or sell treasury and other assets. For financial institutions to respond to the credit crunch and give new loans to firms and people under financial hardship, the Fed has endowed them with limitless liquidity [3].

## 2.2 Taking U.S. Government as an Example

During the pandemic, the U.S. government implemented a number of economic policies to offset the impact of the pandemic on the economy. More than $5 trillion has been spent on pandemic-related legislation, including the recently approved American Rescue Plan Act [4]. Besides, the $3 trillion HEROES Act was approved by the House of Representatives under Democratic leadership in May 2020. The Consolidated Appropriations Act (CAA), which Congress enacted in December 2020 and included a $900 billion stimulus plan, provided further help throughout the epidemic [5]. Christina Romer explains the factors that influence the aggressiveness of fiscal policy. The first factor is the size of early fiscal packages. David Romer and Christina Romer conduct data searches on the scope of fiscal policy responses in various nations. Using data from the OECD's thirty member nations, they have estimated the scope of the early fiscal reactions to the pandemic. According to their calculation, the United States spent about 11 percent of its GDP on the fiscal package. The United States spent nearly three times as much as France, Italy, or Spain, and around 50% more than the United Kingdom. The average fiscal package was 5.2 percent of GDP. In that case, the United States' fiscal response to the pandemic has been remarkable. The second factor is the influence of debt ratios. Romer found that prior debt-to-GDP ratios have a significant contractionary impact on a country's budgetary reaction to a crisis. Moreover, they indicate that debt is significant because of its effect on market access, according to their research into the role of debt ratios on fiscal response to the crisis [4].

Romer also evaluates the fiscal measures implemented by the U.S. government. The first step she takes is to tell the differences between ordinary and pandemic recession. The first difference is the amount of aggregate demand stimulus. In an ordinary recession, a crucial function of policy is to make every effort to increase aggregate demand. Filling the demand gap is intended to hasten the return to full employment of production. However, the interaction between people and economic activity would cause a pandemic outbreak. Even if fiscal policy could counteract the drop in aggregate demand brought on by viral fear and uncertainty and preserve full employment, policymakers shouldn't want to do this. There are several activities that just cannot be done safely during the epidemic, including indoor meals at restaurants, cruise ships, concerts, conferences, and athletic events. During the pandemic, the goal of the policy was to promote employment and output as much as possible while remaining reasonably safe. According to Romer, because of the special features of the pandemic recession, fiscal policy during the pandemic should be more focused on assisting individuals who are directly afflicted than on boosting aggregate demand in general. Its objective should be to offer social insurance, not general stimulation.

The second step is to evaluate the particular fiscal measures. According to Romer, the enlarged unemployment insurance program seems to have been extremely successful in stimulating aggregate demand. Farrell and colleagues (2020) estimate that for every $1 of enhanced benefits, beneficiaries' spending increased by $0.73 using private bank account statistics [6]. Therefore, Romer concludes that the unemployment insurance extension was a cost-effective means to offer aggregate demand stimulation during the pandemic to the extent necessary. Romer also notes that one-time stimulus payments account for around $870 billion of the budgetary effect of COVID-19's fiscal response.

Everyone with a salary below a specified level would get the payouts. These subsidies have at least temporarily reduced inequality and provided many families with a much-needed boost during trying times. The assistance is inadequately targeted, though, which is its biggest downside. People who were still employed during the epidemic received the majority of the funds. The $1,200 checkups are undoubtedly useful to people who are pandemic-affected, but they are far from sufficient to improve their quality of life [4].

### 2.3 Firms

To evaluate the effects of COVID-19, Bloom et al. use survey data from an opt-in panel of around 2,500 small enterprises in the United States. A considerable decline in sales was seen, culminating in the second quarter of 2020 with a loss of 29% on average. Significant negative impacts disguise enormous variation, with nearly a quarter of businesses claiming losses of more than 50%, with over 40% having no impact or a positive one. These impacts are long-lasting because companies that reported the worst sales decreases in mid-2020 still anticipate significant losses in mid-2021. According to the kind of business, Bloom et al. discovered that the largest internet businesses only had a revenue decrease of about 10%. In comparison, the smallest offline companies saw a decline of more than 40%. Finally, they see much more significant sales reductions for black and female owners on the owner side. Additionally, those with degrees in the humanities suffer substantially more significant losses, while STEM graduates suffer the least [7].

Song et al. discuss the impacts of COVID-19 on U.S. restaurant industry. This study seeks to shed light on the research issue by presenting thorough empirical data with three firm-level dimensions: financial conditions, corporate strategies, and ownership structure. For financial conditions, they conclude that leverage of restaurant businesses may mitigate stock loss during the COVID-19 shock because shareholders and investors may see a firm with larger leverage more favorably. For corporate strategies, the only strategy used by catering businesses that positively mitigated the association between COVID-19 and stock returns was internationalization. According to this, the drop in stock for catering enterprises reacting to COVID-19 may have been moderated by the level of internationalization. For ownership structure, the findings of this study did not provide evidence that ownership structure had a substantial impact on COVID-19 threats and stock responses in the American restaurant business [8].

### 2.4 Individuals

Tom Mueller et al. indicate that the social sciences have focused much emphasis on how it has affected metropolitan regions. Still, few studies have examined the effects of the COVID-19 pandemic on rural communities. In the United States, rural areas with tens of millions of residents from a variety of backgrounds are among the most susceptible. They may be less prepared for the impacts of such a significant external shock. They used data from a new survey to assess the health-related and economic effects of the pandemic on the well-being of rural western North America. They discovered that the COVID-19 pandemic had a serious detrimental impact on rural people, with notable

consequences for unemployment, general life satisfaction, mental health, and economic prospects. They also discovered that the impacts were mostly constant regardless of gender, age, or educational level.

They also contend that rural areas may be particularly vulnerable to COVID-19-related economic shocks. According to their research, one in five persons who were working full-time the year before the pandemic is no longer employed full-time, and the unemployment rate has climbed by 9.74 percentage points since that period, outpacing the 7.40 percentage point national increase. As a result, there is a far greater reliance on unemployment insurance. Additionally, according to our data, half of the rural respondents believe that some aspect of their overall life has been badly impacted. They also believe that the local economy is no longer doing well. These results provide policy-relevant evidence that continued support for health care (physical and mental), employment, social insurance, and public confidence in the economy is necessary for rural Americans [9].

## 3 Conclusion

The outbreak of COVID-19 has caused significant economic losses to central banks, governments, companies, and individuals in North America. While there has been plenty of research on the impact of coronavirus on national economies, many studies have ignored the connections between impacts at different levels, namely central banks, governments, companies, and individuals. Companies are made up of individuals, who in turn are directly affected by the monetary and fiscal policies of central banks and governments. In other words, these different economic entities are closely related. Therefore, in future studies, researchers should pay more attention to the relationship between the impact of COVID-19 on different economic entities.

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