Contact: Mark Primoff
845-758-7412
primoff@bard.edu

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COVID-19 CRISIS LIKELY TO WIDEN INCOME, RACIAL, AND GENDER INEQUALITY, EXACERBATING SPREAD OF THE VIRUS AND PROLONGING ECONOMIC DOWNTURN, NEW LEVY ECONOMICS INSTITUTE STUDY SAYS

ANNANDALE-ON-HUDSON, N.Y.— The spread COVID-19 is inflicting tremendous societal costs on the United States. But it is not affecting all segments of society equally. According to a new study from the Levy Economics Institute of Bard College, the pandemic's toll, both in terms of health risks and economic burdens, will be borne disproportionately by the most economically vulnerable. A new Public Policy Brief, "Pandemic of Inequality," argues that low-income populations are more likely to develop severe infections that can lead to hospitalization and to experience job losses and overall declines in well-being. Moreover, the pandemic and economic lockdown will worsen inequality, exacerbating the spread of the virus, further weakening the structure of the U.S. economy, and undermining economic recovery efforts.

"Unless policies designed to combat the epidemic are sensitive to inequalities, the coronavirus outbreak will exacerbate biases and increase social, gender, and racial gaps—and consequently increase the length and severity of the crisis," write Levy scholars Luiza Nassif-Pires, Thomas Masterson, Michalis Nikiforos, and Fernando Rios-Avila and physician Laura de Lima Xavier, a postdoctoral research fellow at Massachusetts Eye and Ear and Harvard Medical School.

Using data from the Centers for Disease Control and Prevention's "500 Cities" project (CDC 2019) and the American Community Survey, the authors demonstrate the asymmetric impacts of the spread of the coronavirus. As the share of individuals living below twice the poverty line rises in a given locale, so too does the incidence of chronic diseases and risk of developing serious complications, they write. Likewise, as the share of a census tract's minority population rises above 60 percent, the health risk increases precipitously above the national average. To make matters worse—in a perverse feature unique to the United States—the authors find that those most likely to develop severe infections are also more likely to lack health insurance. Furthermore, the authors note that communities with higher poverty rates are also more likely to be exposed to the virus in the first place, due, for instance, to a lack of paid sick leave, dependency on public transportation, inability to afford quarantine, and residency in smaller dwellings sharing space with more people.

Alongside these increased health risks, the authors provide evidence that the economic impact of distancing and shutdown measures most heavily affects those least able to withstand or adjust to the losses. Losses are likely to be concentrated in job sectors dependent on socialization and close contact, the authors contend, noting that workers in this sector are more likely to be poor in the first place: 37 percent of those working in the social expenditure sector are living below twice the poverty line (17 percent are below the poverty line, and 20 percent are between one and two times the poverty line).

In addition to loss of income and employment, the authors show—using the Levy Institute Measure of Economic Well-being (LIMEW)—that the COVID-19 crisis is more likely to lower economic well-being more broadly for those at the bottom of the distribution through the loss of government expenditures, such as those formerly directed to schools. “School closings decrease the total value of government transfers and impose a cost on the family that is now obliged to feed and care for children at home,” the authors write, noting this increase in household production time likely falls mostly on women, further widening the gender gap in contributions to household work—a key source and marker of gender inequality.

To blunt the regressive impact of the pandemic, the authors recommend policies that provide quarantine spaces outside of the home, robust paid sick leave, and expanded access to healthcare, as well as a moratorium on evictions. Because high income inequality is one of the main structural problems of the U.S. economy, refraining from taking action to mitigate these harms is not just an affront to principles of fairness, it can also prolong the pandemic and worsen its severity.

“Low-income households tend to consume all their income, creating a large multiplier effect in the economy. As those households lose income, their demand decreases, impacting sales and signaling to businesses that this is no time to invest in increasing production,” they write. “Taking action against the coronavirus’s regressive distributional effects can decrease the acuteness and length of this crisis. From a public health perspective, providing vulnerable people with the chance to quarantine and recover can prevent infection within families and flatten the curve. From an economic perspective, an increase in income inequality can lead to a vicious circle, where lack of income leads to a decrease in demand that would make it even harder for the economy to recover.”

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Public Policy Brief No. 149, 2020: “Pandemic of Inequality”

To read the full text of this policy paper or to learn more about the Levy Economics Institute of Bard College, please visit levyinstitute.org.

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