

Study: COVID Lockdowns Crushed Minority-Owned Businesses the Most

Since the beginning of the COVID-19 pandemic, minorities have disproportionately suffered from the virus's health effects. A [new study](#) reveals that the government-mandated economic lockdowns have also hit minorities hardest.

In response to the outbreak and under the guidance of federal agencies such as the Centers for Disease Control, state and local governments imposed quarantine orders and mandated shutdowns for many businesses deemed "non-essential." Whether one supports lockdowns as a public health measure or not, they undoubtedly resulted in tens of millions of Americans and counting filing for unemployment and a sharp economic downturn.

Like all government interventions into the economy, the unprecedented shutdown has not affected everyone equally. The government's response to this crisis contained clear carve-outs and favoritism for politically connected large corporations, yet imposed disproportionate negative impacts on less politically influential minority-owned small businesses.

A [new paper](#) from Professor Robert Fairlie of the University of California, Santa Cruz exposes this reality for all to see.

"The number of active business owners in the United States plummeted by 3.3 million or 22 percent over the crucial two-month window from February to April 2020," Fairlie found in his [analysis](#) of nationally representative government survey data. "The drop in business owners was the largest on record, and losses were felt across nearly all industries and even for incorporated businesses."

This is a troubling economic observation in and of itself, yet the data are even more concerning when broken down along racial lines.

“African-American businesses were hit especially hard experiencing a 41 percent drop. Latinx business owners fell by 32 percent, and Asian business owners dropped by 26 percent,” the professor [reports](#). For context, white business owners only faced a [17 percent](#) drop.

“Simulations indicate that industry compositions partly placed these groups at a higher risk of losses,” Fairlie continues. “Immigrant business owners experienced substantial losses of 36 percent. Female-owned businesses were also disproportionately hit by 25 percent.”



([Source](#): Robert Fairlie, University of California, Santa Cruz)

Remember that these abstract figures represent millions of actual people whose livelihoods were destroyed by the COVID-19 response. And as revealed in [new reporting](#) from the *New York Times*, the massive government programs passed as COVID-19 “relief” and “stimulus” efforts—[we’re set to add a whopping \\$8 trillion in debt](#)—are failing to help many of those who are most in need.

“Black-owned businesses also appear to be benefiting less from federal stimulus programs,” the paper [reported](#). “Only 12 percent of black and Hispanic business owners polled between April 30 and May 12 received the funding they had requested.”

“It’s unfortunate that the businesses that need the funding, help and assistance the most are not receiving it,” the owner of a hair salon in the Bronx [told](#) the *Times*. “It’s like the Titanic. Where was the water coming up first? It was coming from the bottom. The people on the bottom were drowning first.”

Meanwhile, wealthy corporations are benefiting mightily from tax carve-outs in the congressional COVID-19 relief bill that was passed, the CARES Act.

Companies will receive [more than \\$155 billion](#) in benefits. This includes a whopping \$862 million tax refund for the massive multinational corporation Boeing.

“The tax breaks were supposed to help ease companies’ red ink and keep paychecks flowing for workers,” Axios [reports](#). “But most of the companies mentioned above, for example, have either furloughed employees or are pushing for buyouts.”

The lesson here is quite clear. When the government launches massive interventions into the economy and then passes 300+ page bills to “fix” the problem it helped create, political distortions will result in costs disproportionately borne by disadvantaged groups in society and benefits that skew toward the well-connected.

“I believe crony capitalism—the alliance between business and government—is the biggest problem of our age,” [said](#) economic historian Robert Higgs. “Crony capitalism, unfortunately, has a very active, organized, well-funded, and vocal constituency. It is the greatest threat to our prosperity and our freedom.”

“A free-market thwarts lobbying by taking the power that corporations seek away from government,” former Libertarian presidential candidate Mary J. Ruwart once said. “The only sure way to prevent the rich from buying unfair government influence is to stop allowing government to use physical force against peaceful people. Whenever government is allowed to favor one group over another, the rich will always win, since they can “buy” more favors, overtly or covertly, than the poor.”


The facts offered by this new paper and emerging COVID-19 data confirm theoretical predictions and offer a warning as to the

unequal costs associated with mandating another lockdown if a “second wave” of COVID-19 emerges.

“Since bills keep piling up even when revenue isn’t coming in, many of these small [minority-owned] businesses face an uphill climb as it is,” the *Wall Street Journal* editorial board [notes](#). “If they’re now getting back to work, and if they think they’ve taken the necessary precautions to do so safely, then the last thing they need is a politician ordering them to close shop for another month or two.”

Government lockdowns amid public health crises are ultimately a question of cost-benefit analysis. Whether one supports future pandemic lockdowns or not, we should all keep in mind that Americans do not bear the consequences of big government equally.

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