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OPINION | REVIEW & OUTLOOK

A State Lockdown Accounting

With rare exceptions, the states that shut down the longest suffered the most economic harm.

By The Editorial Board
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New York Governor Andrew Cuomo speaks during a news conference at his offices in New York City on March 24.
PHOTO: BRENDAN MCDERMID/AGENCE FRANCE-PRESSE/GETTY IMAGES

If the 2008 financial panic became the Great Recession, let's call the last year the Great Lockdown. As the U.S. economy reopens more fully, comparative data is emerging about the 50 states that illuminate how much of the economic harm was self-inflicted.

The Bureau of Economic Analysis (BEA) recently published state personal income and GDP data for the fourth quarter and 2020 calendar year. Most states suffered a massive decline in GDP in 2020's second quarter as governors followed the advice of public-health officials to shut down businesses to "flatten the curve."

But the new data show that states that allowed businesses to reopen sooner, and maintained fewer restrictions for the rest of the year, recovered by year-end. Real GDP for private industries fell 1.3% nationally at an annual compounded rate between the first and fourth quarters, according to BEA.

Yet there was large variation among the states. Hawaii's economy declined the most (-9.9%)—no surprise given its dependence on tourism. Wyoming (-6.6%) and other energy-producing states were also slow to bounce back. New York's (-5%) recovery was third worst, and even New Jersey (-2.3%) and Connecticut (-0.3%) fared better. Utah performed the best, growing 4.3%. It also has the sixth lowest per capita Covid death rate.

Northeast states were slammed hardest in the spring, so governors in the region were understandably more cautious about easing business restrictions. Yet New York Gov. Andrew Cuomo kept many businesses shut all summer despite ample hospital capacity and fewer Covid cases. He let retail and restaurants in New York City partially reopen in the fall, but then reimposed a near-total lockdown in December. New York's economy never awoke from its spring coma.

By contrast, Florida Gov. Ron DeSantis let nearly all businesses stay open after May. Florida's private GDP had shrunk only 1.1% by year-end, dragged down by weak international and domestic tourism. New York's food and accommodation industry shrank more than twice as much as Florida's and the most in the U.S.

Retail also recovered in most states during the summer and fall, thanks in part to online commerce and federal payments to individuals. States in the South and Southwest that reopened sooner—such as Utah (8.3%), Arkansas (5.7%), Arizona (4.9%) and Georgia (4.7%)—had the strongest retail growth from the first quarter. The biggest exception? New York (-8.8%). Even New Jersey saw a small retail uptick between the first and fourth quarters.

Michigan Gov. Gretchen Whitmer's business restrictions were the strictest in the Midwest. Her state's private GDP also fell three times more than the Great Lakes region. Or consider California, whose private economy shrank 1.9% between the first and fourth quarters as Gov. Gavin Newsom gradually lifted restrictions last summer only to reimpose a stay-at-home order in November. By contrast, Arizona's private GDP increased 1%, buoyed by construction, manufacturing and retail comebacks.

Democratic Governors began to ease business restrictions this January as cases ebbed, vaccines rolled out and Joe Biden became President. But the unemployment rates in California (8.5%) and New York (8.9%) remained significantly higher in February than the national 6.2% average. Unemployment in New York City was still 12.9%.

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Public-health officials and Democrats assumed they could turn on and off businesses like a light switch or dimmer, to borrow a metaphor from Mr. Newsom. Economies don't work that way. Many retail and hospitality businesses have closed permanently due to excessive restrictions, which will make it harder for unemployed workers to find jobs.

Congress has tried to mitigate the economic and political damage with hundreds of billions of dollars in transfer payments, including $300 a week in federal enhanced unemployment benefits. Not surprisingly, the biggest beneficiaries last year were lockdown states, including New York ($4,600 per capita), Michigan ($4,400) and California ($4,200).

Yet states that received less largesse such as Arizona ($3,000), Florida ($2,800) and Georgia ($2,700) experienced stronger economic recoveries. Government checks can never replace the lost opportunity and income when politicians order businesses to close. Politicians like Gov. Cuomo made the pain from the Great Lockdown much worse than it had to be.