

Walking the Policy Tightrope:

BALANCING LIVES AND LIVELIHOODS
DURING THE COVID-19 PANDEMIC

Key Takeaways

- This report measures the economic and health impacts of various states' responses to the COVID-19 pandemic. Tennessee, Georgia, Kentucky, and Michigan were chosen in order to compare states that tried a more balanced approach versus states that imposed tougher economic restrictions in the name of public safety.
- Tennessee's and Georgia's economies were less impacted and lost fewer jobs during the pandemic than Kentucky and Michigan, which implemented more economic restrictions.
- The biggest difference was in Labor Force Participation Rates, with Kentucky and Michigan experiencing a drop in labor force participation roughly four times greater than Tennessee and Georgia.
- Tennessee and Georgia did not experience a significant change in new COVID-19 cases after reopening their economies.

Rewinding a Long Year: Recapping Tennessee's Approach to COVID-19

In 1932, Supreme Court Justice Louis Brandeis famously referred to the 50 states as "laboratories of democracy." The idea behind his statement was that states should be free to try and test different policies and practices, creating a patchwork of approaches to governance that could reflect the values of that state. Over time, different states could emulate the successful policies of others and even spur change at the federal level. For example, take the ability recently given to terminally ill patients to take non-FDA approved treatments, known as Right to Try. When Colorado passed Right to Try in 2014, many states followed, with more than 40 adopting similar laws by 2018.¹ The success of the policy pressured the federal government to follow suit, with Right to Try being signed into law in 2018.²

But perhaps there has been no greater public policy experiment at the state level than the response to the COVID-19 pandemic. Every governor in the country has had to combat a similar situation simultaneously, giving us an unprecedented opportunity to study the differences between approaches. While some states have prioritized public health at all costs, including large-scale economic shutdowns, others have tried to balance lives and livelihoods.

Here in Tennessee, the pandemic became local when on March 12, 2020, Gov. Bill Lee declared a state of emergency in response to COVID-19.³ Roughly one week later, Gov. Lee issued the first set of restrictions focusing on groups, gyms, and restaurants, and created his Unified Command to help lead the state's response to the pandemic.⁴ After new data, knowledge, and recommendations about

1 "Right to Try In Your State." Goldwater Institute. 2017. <http://righttotry.org/in-your-state>.

2 Allie Malloy, "Trump signs 'Right to Try Act' aimed at helping terminally ill patients seek drug treatments." CNN. May 30, 2018. <https://www.cnn.com/2018/05/30/politics/right-to-try-donald-trump/index.html>.

3 "Gov. Bill Lee Issues Executive Order Declaring State of Emergency in Response to COVID-19." Office of the Governor. March 12, 2020. <https://www.tn.gov/governor/news/2020/3/12/gov--bill-lee-issues-executive-order-declaring-state-of-emergency-in-response-to-covid-19.html>.

4 "Gov. Bill Lee Signs Executive Order Mandating Alternative Business Models for Restaurants and Gyms, Lifts Alcohol Regulations." Office of the Governor. March 22, 2020. <https://www.tn.gov/governor/news/2020/3/22/gov--bill-lee-signs-executive-order-mandating-alternative-business-models-for-restaurants-and-gyms--lifts-alcohol-regulations.html>; "Gov. Bill Lee Establishes COVID-19 Unified Command." Office of the Governor. March 23, 2020. <https://www.tn.gov/governor/news/2020/3/22/gov--bill-lee-signs-executive-order-mandating-alternative-business-models-for-restaurants-and-gyms--lifts-alcohol-regulations.html>.

this novel virus became available, the Lee administration announced on April 20, 2020, that the Safer at Home Order would expire at the end of April, allowing many businesses and industries to reopen.⁵ While many praised the reopening, some in the medical field criticized the move, saying it was too soon.⁶ All of this occurred under the shadow of a well-publicized report by Vanderbilt University that warned state hospital systems could reach a breaking point by mid-May with more than 5,000 hospitalizations. However, those projections turned out to be vastly overestimated and were later drastically lowered to just 300.⁷

While many praised this good news of lower-than-expected hospitalization levels, not all were satisfied, especially as cases started to rise again through the fall and holiday seasons. Tennessee would eventually go on to become the national hotspot for new cases, leading to increased pressure on Gov. Lee to issue a statewide mask mandate despite his preference for local flexibility.⁸ Many even questioned the pro-life credentials of the governor and other state leaders.⁹ While Gov. Lee would announce a temporary 10-person limit for public gatherings outside the home, he maintained his stance of relying on personal responsibility and to “be as targeted and specific” as possible in his response.¹⁰ No Christmas surge occurred, with cases plummeting to start 2021—to the confusion of experts. For example, Dr. William Schaffner of Vanderbilt University stated, “We are not quite sure we have an explanation.”¹¹ With cases declining and vaccination rates increasing, Gov. Lee advocated for a return to normalcy, encouraging tourists to come to Tennessee and touting the state’s stronger economy as a result of its policies.¹² After a full spring of continued low case numbers, on April 27, 2021, Gov. Lee announced the elimination of all remaining restrictions, stating, “[I]t’s time for government to get out of the business of public health interventions ... It’s time for celebrations, weddings and conventions and concerts and parades and proms and everything in between to happen without limits on gathering sizes or other arbitrary restrictions for those events.”¹³

Four Laboratories of Democracy

More than a year has passed since the initial shutdowns began, the worst of the pandemic is now behind us, and life is essentially back to normal after the vaccine rollout. With that, we can now take that “laboratory” view and assess Tennessee’s approach to the pandemic compared to other states. Was it truly possible to balance lives and livelihoods? Did the governor’s lighter touch help sustain the state’s economy compared to more heavy-handed states? And in what ways, if any, did those restrictions make a difference in combating and preventing the spread of COVID-19? In order to answer these questions, the Beacon Center gathered economic and health data for Tennessee and three other states: Georgia, Michigan, and Kentucky. Georgia was chosen as a similarly-situated border state and is widely considered to be the first to “reopen.”¹⁴ Michigan was chosen due to its nationally known aggressive shutdown approach against the pandemic, with Gov. Gretchen Whitmer’s tactics considered by some to be so heavy-handed that her own legislature sued her to stop it and Michigan’s Supreme Court striking down many of her orders.¹⁵ Finally, Kentucky was chosen as another border state, yet one that took

5 “Gov. Lee Announces Safer at Home Order Will Expire April 30, Tennessee Begins Phased Reopening Next Week.” Office of the Governor. April 20, 2020. <https://www.tn.gov/governor/news/2020/4/20/gov-lee-announces-safer-at-home-order-will-expire-april-30-tennessee-begins-phased-reopening-next-week.html>.

6 Joel Ebert, “Tennessee Pledge: Gov. Lee rolls out reopening guidelines for restaurants, retail stores.” *The Tennessean*. April 24, 2020. <https://www.tennessean.com/story/news/politics/2020/04/24/tennessee-governor-reveals-reopening-guidelines-restaurants-stores/3019032001/>.

7 Brett Kelman, “Vanderbilt reduces coronavirus hospitalization estimates from thousands to 300.” *The Tennessean*. May 13, 2020. <https://www.tennessean.com/story/news/2020/05/13/vanderbilt-new-coronavirus-model-reduces-hospitalization-forecast-thousands-300/3095013001/?csp=chrome-push>.

8 Natalie Allison, “38 states have mask mandates. Hard-hit Tennessee is not among them, despite doctors’ pleas.” *The Tennessean*. December 21, 2020. <https://www.tennessean.com/story/news/politics/2020/12/22/governor-lee-executive-order-mask-mandate-tennessee/3997621001/>.

9 Roy Herron, “If you refuse to wear a mask, are you really pro-life?” *The Tennessean*. December 19, 2020. <https://www.tennessean.com/story/opinion/2020/12/19/politicians-who-oppose-abortion-wont-support-covid-19-mask-mandates/3966944001>.

10 “What to know about Tennessee’s 10-person gathering limit as COVID-19 surges.” *The Tennessean*. December 21, 2020. <https://www.tennessean.com/story/news/health/2020/12/21/what-know-tennessee-limits-gatherings-10-people-covid-19-restrictions/3989601001>.

11 Brett Kelman, “As COVID-19 unexpectedly slows, Tennessee holds its ground. And its breath.” *The Tennessean*. January 21, 2021. <https://www.tennessean.com/story/news/health/2021/01/22/tennessee-covid-19-infections-slow-when-surge-was-expected/4221209001>.

12 Adrian Mojica, “Tennessee governor touts being open for business, ‘welcoming spring break visitors’” Fox17 WZTV Nashville. March 10, 2021. [https://www.tennessean.com/story/news/politics/2021/02/23/tennessee-gov-bill-lee-touts-pandemic-response-fiscal-position/4548106001](https://fox17.com/news/local/tennessee-governor-touts-being-open-for-business-welcoming-spring-break-visitors-coronavirus-spread-mitigation-politics-news-travel-trip-tourism-economy; Yue Stella Yu, “Gov. Bill Lee touts state pandemic response, fiscal position in address to business leaders.” <i>The Tennessean</i>. February 23, 2021 <a href=).

13 Jonathan Mattise and Adrian Sainz, “Tennessee gov: Virus now not statewide public health crisis.” Associated Press. April 27, 2021. <https://apnews.com/article/health-tennessee-business-public-health-coronavirus-9542bdaaf954d0b7cc2749de5c0147d4>.

14 Jenny Jarvie, “Georgia reopened first. What the data show is a matter of fierce debate.” *Los Angeles Times*. May 23, 2020. <https://news.yahoo.com/georgia-reopened-first-data-whatever-110037741.html>.

15 Paul Egan, “Michigan Supreme Court strikes down Gov. Whitmer’s emergency orders, effective immediately.” *Detroit Free Press*. October, 12, 2020. <https://www.freep.com/story/news/local/michigan/2020/10/12/gretchen-whitmer-emergency-orders-struck-down/5970811002>.

a more aggressive approach toward economic restrictions. At one point, Kentucky Gov. Andy Beshear criticized Gov. Lee's approach, telling Kentuckians to "not go to Tennessee" and leading to a border war of words between the two.¹⁶

Economics: The Root of All Virtue

American architect Frank Lloyd Wright once said, "Business is like riding a bicycle. Either you keep moving or you fall down." The idea is that businesses and the economy are not like a faucet or light switch that can easily be flipped on or off, but require momentum to keep running. Sharing similar beliefs, Gov. Lee of Tennessee and Gov. Brian Kemp of Georgia both sought to "reopen" their states sooner in order to better balance lives and livelihoods. In announcing the creation of his Economic Recovery Group in April 2020, Gov. Lee said, "We can't sacrifice the safety and health of Tennesseans. But we also can't keep our economy shut down."¹⁷ He repeated the sentiment with the release of the Tennessee Pledge, the state's health guidelines, saying, "Many Tennesseans are not just facing potential sickness, but they're facing crippling financial hardship as well."¹⁸ But even before Gov. Lee outlined his reopening plan, Tennessee had one of the least restrictive safer-at-home orders in the country, where any business that could maintain health guidelines was deemed essential and could continue to operate, highlighting a focus on health and safety rather than shutting down businesses simply because of their industry type.¹⁹

Gov. Kemp shared a similar philosophy, defending Georgia's first-in-the-nation reopening, saying he was doing what was best for "the lives and livelihoods of all Georgians."²⁰ Gov. Kemp also appealed to individual responsibility rather than more heavy-handed government restrictions, saying, "Georgians who are small business owners, those people who have good common sense—and we're trusting them to use it, but if they abuse it, we will take further action. But I believe they can do it as part of this measured approach."²¹ Even in Georgia's most restrictive period, Gov. Kemp ordered the closure of bars, entertainment venues, and close-contact businesses, and only mandated that those belonging to at-risk populations stay at home. These restrictions were much less restrictive than nearly every other state. Outside of those restrictions, Georgia was similar to Tennessee in letting businesses that could provide "Minimum Basic Operations" to remain open if they did not allow more than 10 people to gather when social-distancing rules could not otherwise be maintained.²²

Meanwhile, Gov. Whitmer of Michigan used her executive authority to limit or outright ban many aspects of private business and life. Some examples include banning travel between people's own homes, closing all schools (including private schools), and closing all nonessential businesses.²³ Even upon starting to reopen, Gov. Whitmer required consumers to book appointments to visit and patronize many retail stores.²⁴ Many of these restrictions were criticized for being arbitrary or incredibly intrusive. For example, under Michigan's stay-at-home order, buying state lottery tickets was considered essential but buying gardening seeds or cans of paint was not, despite the fact many used that time under the stay-at-home order to conduct home renovations. Gov. Whitmer even indicated Michiganders could receive criminal penalties for operating a motorboat, but kayaking was allowed.²⁵

16 Joel Ebert, "Gov. Bill Lee points to COVID-19 testing numbers in responding to Kentucky governor's call to avoid Tennessee." *The Tennessean*. March 31, 2020. <https://www.tennessean.com/story/news/politics/2020/03/31/gov-bill-lee-tennessee-covid-19-testing-numbers-responding-kentucky-governor/5099151002>.

17 Sandy Mazza, "Gov. Bill Lee announces planned 'reboot' of Tennessee's economy in May." *The Tennessean*. April 13, 2020. <https://www.tennessean.com/story/mon-ey/2020/04/13/governor-bill-lee-announces-planned-reboot-tennessees-economy-may-amid-coronavirus-pandemic/2985671001>.

18 Joel Ebert, "Tennessee Pledge: Gov. Lee rolls out reopening guidelines for restaurants, retail stores." *The Tennessean*. April 27, 2020. <https://www.tennessean.com/story/news/politics/2020/04/24/tennessee-governor-reveals-reopening-guidelines-restaurants-stores/3019032001>.

19 "Tennessee Executive Order 22: An Order Directing Tennesseans to Stay Home Unless Engaging in Essential Activities to Limit Their Exposure to and Spread of COVID-19." Office of the Governor. March 30, 2020. <https://publications.tnsofiles.com/pub/execorders/exec-orders-lee22.pdf>.

20 Molly Curley, "Kemp defends decision on reopening economy." *WSAV.com*. April 27, 2020. <https://www.wsav.com/news/local-news/georgia-news/kemp-state-officials-to-provide-covid-19-update>.

21 "Kemp: Restaurants, other businesses to reopen in Georgia amid COVID-19 fight." *Fox5 Atlanta*. April 20, 2020. <https://www.fox5atlanta.com/news/kemp-restaurants-other-businesses-to-reopen-in-georgia-amid-covid-19-fight>.

22 "Executive Order to Ensure a Safe and Healthy Georgia." The State of Georgia. April 2, 2020. <https://gov.georgia.gov/executive-action/executive-orders/2020-executive-orders>.

23 Paul Egan and Kathleen Gray, "New Whitmer order bans 'travel between residences' with few exceptions." *Detroit Free Press*. April 9, 2020. <https://www.freep.com/story/news/local/michigan/2020/04/09/no-more-visiting-friends-and-neighbors-under-whitmers-expanded-coronavirus-order/5125426002>; Tiffany Brown, "Governor Whitmer Announces Statewide Closure of all K-12 School Buildings; School building closure will last Monday, March 16 through April 5." *Michigan.gov*. March 12, 2020. <https://www.michigan.gov/coronavirus/0,9753,7-406-98163-521561--,00.html>; "Executive Order No. 2020-21: Temporary requirement to suspend activities that are not necessary to sustain or protect life." State of Michigan Office of the Governor. March 23, 2020. https://content.govdelivery.com/attachments/MIEOG/2020/03/23/file_attachments/1408152/EO%202020-21%20Stay%20Home,%20Stay%20Safe.pdf.

24 "Governor Whitmer Reopens Auto Dealerships and Retail Businesses by Appointment, Authorizes Nonessential Medical, Dental and Veterinary Procedures." *Michigan.gov*. May 21, 2020. https://www.michigan.gov/whitmer/0,9309,7-387-90499_90640-529861--,00.html.

25 Paul Egan, "Whitmer's new stay at home order blasted by critics for lack of consistency." *Detroit Free Press*. April 10, 2020. <https://www.freep.com/story/news/local/michigan/detroit/2020/04/10/whitmer-stay-home-michigan-lottery/5129316002>; Scott McClallen, "Conservation clubs sue Gov. Whitmer over statewide ban on motorized boats." *The Center Square*. April 21, 2020. https://www.thecentersquare.com/michigan/conservation-clubs-sue-gov-whitmer-over-statewide-ban-on-motorized-boats/article_05da5900-83cf-11ea-8dc5-6beaf96dc42.html.

Gov. Beshear of Kentucky also took a more heavy-handed approach, especially during the early stages of the pandemic. Some of Gov. Beshear’s actions included closing all nonessential businesses, banning Kentuckians from traveling outside the state—a move that was later ruled unconstitutional in federal court—and reimposing closures of bars only a month after allowing them to reopen.²⁶ Bars and restaurants were not allowed to reopen to 50 percent capacity until August 2020, compared to April 27 for Tennessee.²⁷

Economic Implications: Short-Run Protections and Long-Run Impacts

Did the efforts of the various governors lead to different experiences and economic results in the various states? Data from January 2020 to April 2021 show that the lighter regulatory touch and quicker reopening plans of Tennessee and Georgia led to fewer job losses, lower unemployment rates, and in particular, higher labor force participation.²⁸

According to state household employment data from the Bureau of Labor Statistics, since March 2020, Tennessee and Georgia have lost fewer jobs as a result of the pandemic (Table 1). The household employment data, from which the unemployment rate is calculated, surveys 60,000 eligible households to estimate the number of employed people.²⁹

Change in State Employment Numbers

State	Change in Employment	Change in Employment Per Million Residents	National Rank
Tennessee	-45,229	-6,623	11th
Georgia	-70,399	-6,631	12th
Kentucky	-95,504	-21,375	35th
Michigan	-273,759	-27,412	39th

Table 1: Change in state household employment data from March 2020 through April 2021
Source: Bureau of Labor Statistics

The difference in results between the four states is clear, with Tennessee and Georgia having interestingly similar numbers, contrasted with Kentucky and Michigan on the other end of the spectrum. However, state household employment is not the only measure to quantify a state’s labor market; the other is nonfarm labor employment, which seeks to quantify the number of workers by sampling businesses. By excluding farm labor, which in all states is considered essential, we can gain an even greater sense of monthly changes in available jobs.

26 “Federal judge says Kentucky’s travel ban is unconstitutional.” Associated Press. May 4, 2020. <https://www.wlky.com/article/federal-judge-says-kentucky-s-travel-ban-is-unconstitutional/32371297>; Crystal Staley or Sebastian Kitchen, “Gov. Beshear Issues New Guidance to Help Halt the Spread of COVID-19.” Office of the Governor. March 22, 2020. <https://kentucky.gov/Pages/Activity-stream.aspx?n=GovernorBeshear&prld=101>; “Kentucky Exec. Order 2020-258: State of Emergency Relating to Travel.” Office of the Governor. March 30, 2020. https://governor.ky.gov/attachments/20200330_Executive-Order_2020-258_Out-of-State-Travel.pdf; and Crystal Staley or Sebastian Kitchen, “Gov. Beshear Provides Update on COVID-19.” Office of the Governor. July 29, 2020. <https://kentucky.gov/Pages/Activity-stream.aspx?n=GovernorBeshear&prld=285>.

27 “Order.” Cabinet for Health and Family Services. August 10, 2020. https://governor.ky.gov/attachments/20200810_CHFS-Order.pdf; “Gov. Lee Issues Guidelines for Restaurants, Retail Stores to Reopen Early Next Week in 89 Counties.” Office of the Governor. April 24, 2020. <https://www.tn.gov/governor/news/2020/4/24/gov-lee-issues-guidelines-for-restaurants-retail-stores-to-reopen-early-next-week-in-89-counties.html>.

28 While graphs will show data starting January 2020 to provide context on various economic indicators leading up to the pandemic, calculations regarding change are done from March 2020, the last month before the impacts of the COVID-19 pandemic began being reported.

29 “Labor Force Statistics from the Current Population Survey.” U.S. Bureau of Labor Statistics. February 5, 2021. https://www.bls.gov/web/empsit/ces_cps_trends.htm#concepts.

Change in State Nonfarm Employment

State	Change in Nonfarm Employment	Change in Nonfarm Employment Per Million Residents	National Rank
Tennessee	-77,900	-11,407	9th
Georgia	-163,400	-15,390	15th
Kentucky	-86,400	-19,337	23rd
Michigan	-300,00	-30,069	41st

Table 2: Change in state nonfarm labor employment from March 2020 through April 2021
Source: Bureau of Labor Statistics

While the difference in nonfarm labor employment for the four states is not as distinct as the household employment data, the disparity is still clear and pronounced. The main reason for these lost jobs is the historic unemployment rate in April 2020 when Tennessee's, Kentucky's, and Georgia's unemployment rates all increased by roughly 300 percent (295 percent, 302 percent, and 247 percent respectively), with Michigan's increasing by over 537 percent.

Unemployment Rates

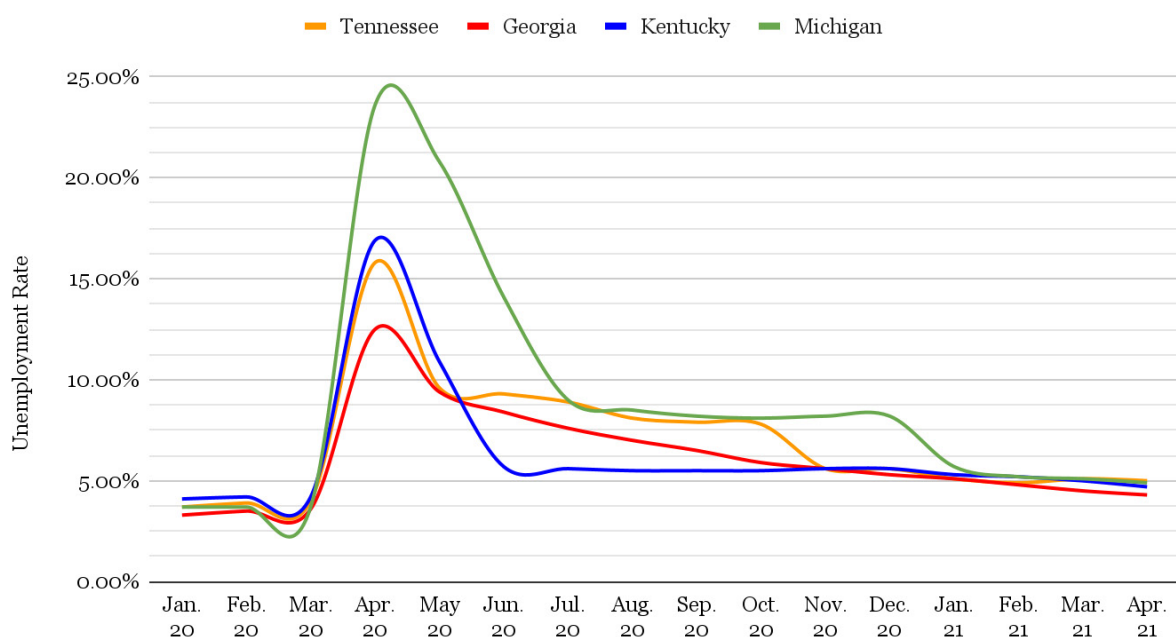


Figure 1: Unemployment rate from January 2020 to April 2021
Source: Bureau of Labor Statistics

Tennessee and Georgia, by allowing most businesses that maintained health guidelines to remain open, witnessed a lower spike in unemployment compared to Michigan, which mandated the closure of all nonessential businesses. Surprisingly, Kentucky's unemployment rate fell most quickly, returning to only one-third higher than its pre-pandemic rate by June 2020, whereas Tennessee would not reach similar levels until January 2021, Georgia in February 2021, and Michigan in April 2021. However, the reason for this appears to be the dramatic fall in the state's labor force participation rate, which measures the number of people in the labor force as a percentage of the total adult population. Those who are unemployed are defined as laid off awaiting recall or actively looking and available for work.³⁰ However, if someone stops looking for work, they are not calculated as part of the labor force, thus lowering unemployment rates themselves.

³⁰ "Labor Force Statistics from the Current Population Survey Concepts and Definitions." U.S. Bureau of Labor Statistics. January 27, 2021. <https://www.bls.gov/cps/definitions.htm#lfrp>.

Labor Force Participation Comparison

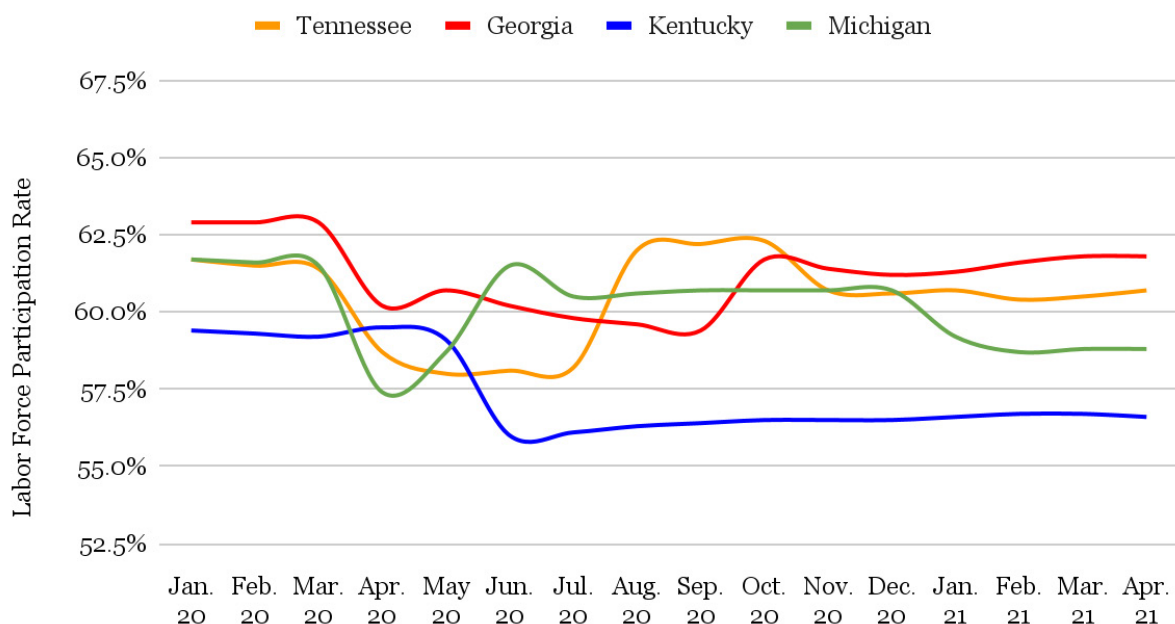


Figure 2: Labor Force Participation Rates from January 2020 to April 2021
Source: Bureau of Labor Statistics

While all states experienced a similar short-term initial decline, Kentucky and Michigan have experienced prolonged decreases, indicating that many residents gave up trying to find work in the midst of those states' stricter and elongated shutdowns.

Kentucky's rate tells a more interesting story. It fell precipitously in June 2020 and has shown little sign of recovering since. Kentucky's generous unemployment benefits have likely contributed to residents' slow return to the workforce. Depending on a worker's base wages, Kentuckians can receive up to \$552 per week for up to 26 weeks, in addition to the recent federal supplemental benefits.³¹ This is significantly higher than Tennessee's benefit of \$275 per week for up to 26 weeks, or even Michigan's or Georgia's at \$362 or \$365, respectively (both 14 to 20 weeks maximum).³² These amounts reflect the states' normal 2020 rates and not the recent changes some states, including Tennessee, have passed to limit the length of unemployment benefits. In comparison to Kentucky, Tennessee even saw higher than pre-pandemic labor participation rates briefly from August to October 2020.

Changes in State Labor Force Participation Rate

State	Month with Largest Decline in Labor Force Participation Rate (2020)	Largest Monthly Percentage Decline in Labor Force Participation Rate	Total Percentage Decline in Labor Force Participation Rate (March 2020-April 2021)
Tennessee	May	-5.5%	-1.1%
Georgia	September	-5.6%	-1.7%
Michigan	April	-6.7%	-4.4%
Kentucky	June	-5.4%	-4.4%

Table 3: Decreases in State Labor Force Participation Rates
Source: Bureau of Labor Statistics

³¹ "Frequently Asked Questions: Unemployment Insurance." Kentucky Career Center. <https://kcc.ky.gov/career/If-you-are-an-Employer/Pages/Frequently-asked-questions.aspx>.

³² "Employees." Tennessee Department of Labor and Workforce Development. <https://www.tn.gov/workforce/covid-19/faq/employees.html>; "Eligibility Requirements." The Department of Labor and Economic Opportunity. https://www.michigan.gov/leo/0,5863,7-336-94422_97241_89982_92608_63224_102546---,00.html; and "Individual FAQs - Unemployment Insurance." Georgia Department of Labor. <https://dol.georgia.gov/faqs-individuals/individuals-faqs-unemployment-insurance>.

This sharper decline in the labor force for Kentucky and Michigan means tens of thousands of residents gave up working or trying to find work during the pandemic. While we don't know the reason for everyone, many—particularly unskilled workers in certain sectors—were certainly influenced by the mandated closure of “nonessential” businesses compared to Tennessee and Georgia, which allowed businesses that could maintain health guidelines to remain open. If Michigan and Kentucky had experienced declines similar to those in Tennessee or Georgia (roughly 1.4 percent) this would mean just over 58,000 Kentuckians and nearly 148,000 Michiganders would still be in the labor force. Meanwhile, had Tennessee and Georgia pursued similar heavy-handed policies and experienced similar declines, it would have meant 8,200 more Tennesseans and 52,000 more Georgians unemployed and not actively looking for work.

Having thousands of individuals not working and leaving the workforce altogether has devastating consequences on a state's economy. We can see this impact reflected in the Coincident Economic Activity Index, created by the Federal Reserve Bank of Philadelphia, which includes four indicators: nonfarm payroll employment, the unemployment rate, average hours worked in manufacturing, and wages and salaries. The trend for each state's index is set to match the trend for gross state product.

Coincident Economic Index Comparison

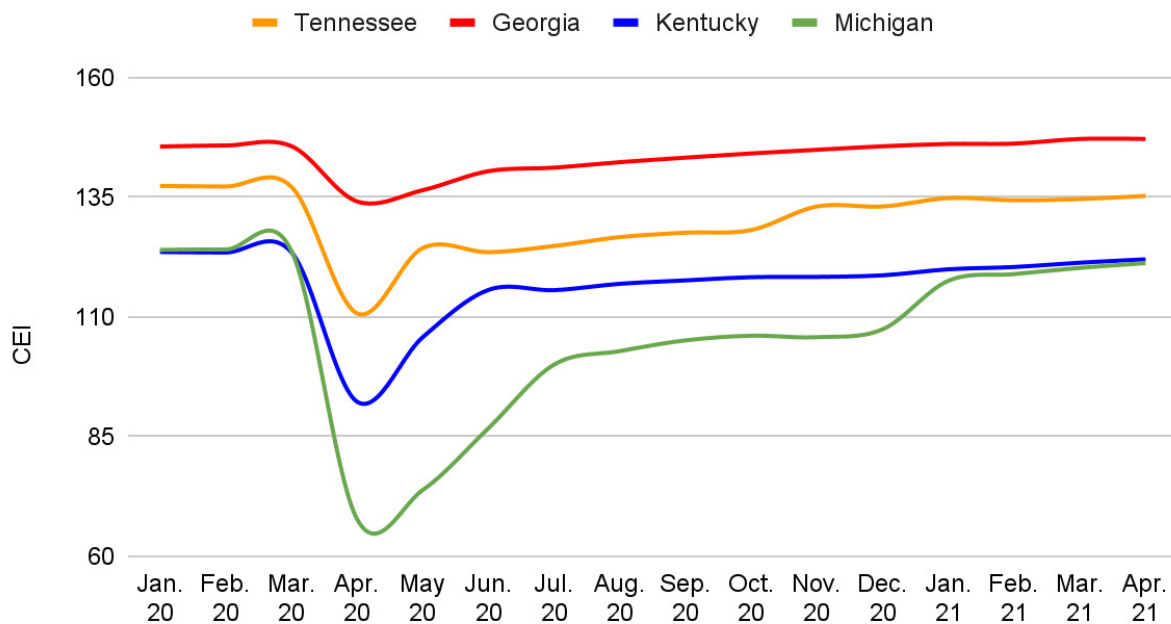


Figure 3: State CEI Indexes January 2020–April 2021
 Source: Federal Reserve Bank of Philadelphia

By allowing more business to remain open throughout, Tennessee's economy fell by 19 percent and Georgia's by only eight percent during the peak of the economic shutdowns and restrictions. Meanwhile, Kentucky's economy contracted by 25 percent and Michigan's by a nearly incomprehensible 45 percent during that time.

Ultimately, two governors, Bill Lee and Brian Kemp, in an effort to better balance lives and livelihoods, reopened their states sooner and allowed more businesses to remain open throughout by focusing on safe versus unsafe practices, compared to forcing businesses to close because they were deemed “nonessential.” This difference in approach and policy compared to Gov. Whitmer and Gov. Beshear clearly paid dividends. Both Tennessee and Georgia experienced fewer job losses, lower unemployment rates, and dramatically higher labor force participation rates, leading to a smaller economic contraction and quicker economic bounce-back. Additionally, Kentucky's higher unemployment benefits have likely incentivized fewer to return to the labor force as the pandemic subsides.

An Ounce of Prevention

Clearly, Tennessee's and Georgia's economies performed better than Kentucky's and Michigan's throughout the pandemic. Removing restrictions sooner and allowing more types of businesses to remain open minimized job losses and kept more people in the labor force. But were Gov. Lee and Gov. Kemp able to have their cake and eat it too by protecting lives and livelihoods? Were Tennessee and Georgia able to prevent higher infection rates after reopening and throughout the pandemic?

New and active COVID-19 cases were chosen to compare the health outcomes of the four states as economic restrictions were implemented to reduce the spread of new cases. Meanwhile, other factors outside of public policy, such as underlying health conditions, have a major impact on the outcome of cases. However, one challenge with COVID-19 health data is the differences between states in reporting and definitions. For example, Georgia does not report recovered cases. Tennessee adjusted the definition of a recovered case after the U.S. Centers for Disease Control and Prevention (CDC) changed it.³³ Meanwhile, as of April 30, 2020, Kentucky's Cabinet for Health and Human Services was reporting only 11 percent of all cases of COVID-19 had recovered since the start of the pandemic—clearly not accounting for the majority of cases.³⁴ However, by taking a current day's case count minus the number of cases 14 days previously—a common time frame of recovery from COVID-19 based on previous CDC guidelines—and the current day's deaths, we can estimate the number of active cases using a similar measure for all four states.

Estimated Active Cases

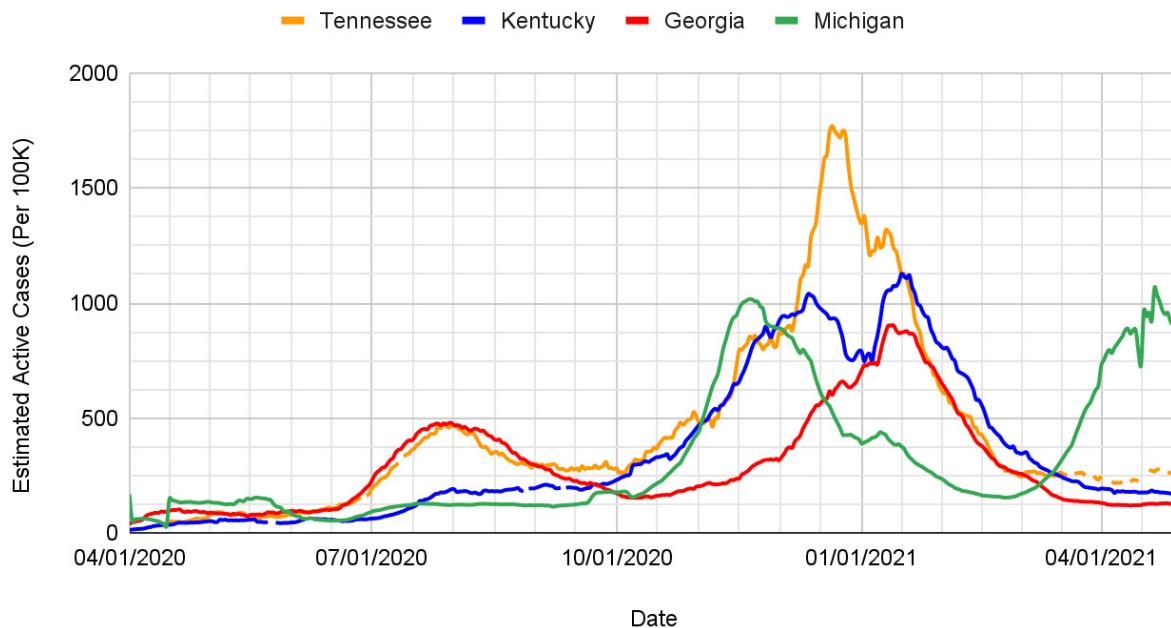


Figure 4: Estimated Active Cases of COVID-19

Sources: Tennessee Department of Health, Kentucky Cabinet for Health and Human Services, Georgia Department of Public Health, and Michigan Department of Health and Human Services

The virus was clearly cyclical, with all states experiencing increases during the late fall and holiday season. As previously mentioned, Tennessee experienced one of, if not the, highest spikes in the nation, causing Gov. Lee to reinstate a temporary ban on public gatherings of 10 people or more. However, Gov. Lee did not impose any additional restrictions on businesses but instead chose to rely on data and contact tracing to determine what was causing the surge.³⁵ Continued restrictions such

³³ Robert Holder, "Tennessee changing way COVID-19 cases, close contacts are determined." WATE.com. September 3, 2020. <https://www.wate.com/news/tennessee-changing-way-covid-19-cases-close-contacts-are-determined>.

³⁴ "KY COVID-19 Report 30APR21." Cabinet for Health and Family Services. April 30, 2021. <https://chfs.ky.gov/cvdaily/COVID19DailyReport043021.pdf>.

³⁵ "What to know about Tennessee's 10-person gathering limit as COVID-19 surges." *The Tennessean*. December 21, 2020. <https://www.tennessean.com/story/news/health/2020/12/21/what-know-tennessee-limits-gatherings-10-people-covid-19-restrictions/3989601001>.

as limitations on restaurant capacity and a 20 percent capacity for outdoor events did not prevent a surge for Michigan this spring compared to other states that had removed nearly all their restrictions, like Tennessee—or Texas and Florida, which received national attention. Gov. Whitmer tried to explain this new surge by claiming that Michigan had been too successful in protecting the public previously, so lower levels of herd immunity had been achieved compared to other states. “We’ve got reservoirs of people that we kept safe for a long period of time who don’t have antibodies and variants that are easier to catch,” she said.³⁶ In fact, Michigan’s remaining restrictions did not prevent it from leading the nation in new cases.³⁷

Second, while Tennessee and Georgia did experience larger waves in the summer of 2020, this was not tied to their reopenings, which had occurred months later. By focusing on the time just prior to Tennessee and Georgia reopening their economies on roughly May 1, 2020, and the immediate five weeks afterward, we can better isolate the impact of their loosened restrictions. The changes in the average new case rates for both Tennessee and Georgia after May 1, 2020, at a five percent confidence level were both statistically insignificant ($p \geq .05$), meaning that there is little evidence that those states’ reopenings increased the spread of COVID-19.

Changes in Average New Daily COVID-19 Case Rate

State	Average New Daily Case Rate April 1–April 30, 2020 (Per 100K)	Average New Daily Case Rate May 1–June 4, 2020 (Per 100K)	P-Value
Tennessee	4.494	5.702	0.065
Georgia	6.645	6.268	0.518

Table 4: Change in Average New Daily Case Rate for Tennessee and Georgia
Sources: Tennessee Department of Health and Georgia Department of Public Health

Focusing on the five weeks after Tennessee and Georgia reopened their economies and removed most of their restrictions is consistent with other studies, including a recent one finding similar results in Texas: eliminating all restrictions on gatherings, distancing, and capacity had no measurable effect on the spread of COVID-19.³⁸

³⁶ Jack Nissen, “COVID-19 in Michigan is a ‘runaway train’ with restrictions—so why isn’t Florida and Texas?” Fox 2 Detroit. April 16, 2020. <https://www.fox2detroit.com/news/covid-19-michigan-restrictions-texas-florida-new-infections-cases-schools-detroit>.

³⁷ Sarah Rahal, “Michigan COVID-19 cases rise for the seventh consecutive week.” *The Detroit News*. April 10, 2021. <https://www.detroitnews.com/story/news/local/michigan/2021/04/10/michigan-covid-19-cases-rise-seven-consecutive-weeks/7160908002>.

³⁸ Dhaval M. Dave, Joseph Sabia, and Samuel Safford, “Statewide Reopening During Mass Vaccination: Evidence on Mobility, Public Health, and Economic Activity from Texas.” National Bureau of Economic Research. May 2021. https://www.nber.org/system/files/working_papers/w28804/w28804.pdf.

Conclusions

Thomas Jefferson once said, “In times of peace, people look most to their representatives; but in war, to the executive solely.” In the fight to contain the pandemic, governors were thrust into the limelight like never before. Governors who tried to balance their state economies and public health like Gov. Lee and Gov. Kemp often received intense media scrutiny and pressure to institute harsher lockdowns and economic restrictions. Meanwhile, those who instituted onerous lockdowns generally received praise, and Michigan’s Gov. Whitmer even garnered serious attention as a vice presidential candidate in the 2020 election.

In this report, we have sought to compare the different policies of four states—Tennessee, Georgia, Kentucky, and Michigan—and their economic and public health consequences. The data suggest that Tennessee and Georgia lost fewer jobs, suffered fewer economic losses, and have retained higher labor force participation rates than either Kentucky or Michigan. Policies such as focusing on safe versus unsafe rather than essential versus nonessential, allowing for increased capacity sooner, and providing certainty by not reinstating restrictions during subsequent waves of infection paid economic dividends for these two states. These results are not just abstract numbers; they represent thousands of small business owners who were able to fight and keep their businesses afloat and the workers who were able to keep their jobs during one of the most challenging times in memory. Bristol—a city bisected by the state line separating Tennessee and Virginia—offers a clear example of how differences in public policy can give or take away hope. When speaking of Bristol businesses on the Virginia side, local Chamber of Commerce President Beth Rhinehart said those on the Tennessee side could “see others opening and know that they can actually watch the other side of the street and their lost business from their front doors.”³⁹

Should a similar choice be presented to policymakers in the future, such as a prolific wave of a COVID-19 variant or another public health crisis, policymakers should be aware of the huge macro- and micro-economic consequences of broad-based restrictions and should instead focus on targeted measures that allow businesses that can comply with health guidelines to remain open. Additionally, strong testing and contact tracing can provide better data when responding to new waves and surges, such as when Tennessee focused on limiting public gatherings for a short period of time during its fall surge, rather than reimposing restrictions on businesses. By taking a more surgical approach, Tennessee and Georgia were able to protect lives and livelihoods, and their economies suffered less and have recovered better—all with no statistical evidence of an increase in cases caused by relaxing their restrictions.

³⁹ Salena Zito, “On Virginia-Tennessee border, one side is now open for business while the other is still on lockdown.” *Washington Examiner*. May 3, 2020. <https://www.washingtonexaminer.com/opinion/on-virginia-tennessee-border-one-side-is-now-open-for-business-the-other-is-still-on-lockdown>.

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