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Introduction

THE BAD NEWS kept coming for Sofia. In March 2020, Sofia's workplace closed to help prevent the spread of COVID-19. In addition to losing her job, she suffered a death in her family. The associated costs were around $2,000. Because her income had gone down, Sofia could not pay all of the funeral expenses initially and charged some to a credit card. Her family also delayed paying some utility bills, reduced their food spending, and made a mortgage payment late. Because of the pandemic, their financial situation was spiraling out of control.

Even before the pandemic, Sofia's family had been having financial difficulties. Sofia, a Hispanic woman in her late twenties, lived with her husband and their two kids in a big Texas city. Before the pandemic, she worked a part-time job in an office and her husband had a full-time job. Between them, they earned about $30,000 a year. Their income was pretty stable from month to month, unlike about one-quarter of American households.

The expenses just kept adding up, leaving them with little ability to adjust. Some expenses were regular. The mortgage on the house they owned cost about $700 a month. With two kids, food was a big part of the budget. There were also the unexpected expenses. In the year before the pandemic, Sofia's family had had to find ways to cover a major house repair, a mobile phone replacement, and an increase in child care expenses. The regular expenses plus the unexpected ones made it difficult to save regularly. Sofia's family had less than $100 in checking and savings accounts in 2019.

And then there were all of the expenses that came from not having much money. Because they had so little in checking and savings, Sofia and her husband had had several overdrafts in the past year. Sofia's family was not intentionally overdrafting, but it was often difficult to know how much money was in the account before paying for groceries. Combined, the overdraft fees were more than they typically kept in savings.

Although some areas of Sofia's life—the kids, the house, the job—seemed to be going well, Sofia felt that her finances often controlled her life. Among her problems, she had an auto loan and at least one credit card bill that had been sent to collections agencies. She also had some student loan debt. She attended college briefly but did not get her degree; the experience left her with more than $6,000 in outstanding student loans. Those unpaid debts left Sofia's credit score in tatters. Although they had mostly managed to make ends meet in the past by borrowing, cutting back, and occasionally not paying a bill, they were unprepared for a major shock.

When she lost her job at the beginning of the pandemic and faced the unexpected funeral expenses, Sofia's family was already on the edge, and their finances started to deteriorate rapidly. They missed a mortgage payment. Perhaps they would lose the house. They cut back food spending, the one expense they could readily control. Perhaps they would have to start skipping meals. Or their electricity might get cut off because they had skipped paying a utility bill.

Everything changed in March 2020. For the first several months of 2020, COVID-19, a disease caused by a new virus that had been slowly spreading, looked like it might be contained. Something to be worried about, but with so much else to be worried about it was not most people's primary focus. The first confirmed U.S. deaths occurred around Seattle at the end of February. The first confirmed case in New York City was on March 1. But it soon became clear that these deaths and cases were just the beginning. Because testing was so limited, the virus had been spreading everywhere. By April, New York City briefly reached 800 deaths per day.

As it became clear that the virus was everywhere, suddenly everything stopped. Schools closed across the country. In the third week of March, businesses everywhere sent their employees home. Some employees continued to work from home, figuring it out as best they could. Others were soon fired or furloughed. From mid-March to mid-April, 22 million people lost their jobs. People whose jobs were deemed "essential" for society's functioning—from physicians and nurses to grocery checkout clerks and meat packers—were asked to still report to work in person but faced terrifying new risks.

"This is a huge, unprecedented, devastating hit," former Federal Reserve Board chairwoman Janet Yellen told CNBC on April 6, 2020.[1] As the bad news continued, the headlines captured just how terrifying the economic collapse was. The April unemployment rate was "the worst since the Depression era," the *Washington Post* headline told us.[2] GDP fell faster in the second quarter than at any time since we started calculating it officially in 1947, leading Reuters to declare, "COVID-19 crushes U.S. economy in second quarter."[3] It was impossible to escape the grim economic news.

Most Americans were not prepared for an economic collapse of this magnitude. Even before the pandemic, many Americans found it difficult to make ends meet. High housing costs left many families with little left over every month. Frequent unexpected expenses and variable incomes often left families facing difficult financial choices. In 2019, 40 percent of families had difficulty paying at least one bill or expense in the previous year. Black and Hispanic families were particularly likely to have had difficulty; two-thirds of Black families and nearly half of Hispanic families had difficulty paying at least one bill.

These problems left many families with little financial cushion. Two out of every five families could not cover their expenses for more than a month if they lost their main source of income. One out of five could not cover expenses for more than two weeks.

As it became clear that the pandemic was going to last longer than two weeks, suddenly many families were staring at a financial cliff.

Because of their limited financial cushion, within two weeks, one-fifth of families would need to start making hard cuts, and within a month another fifth would need to make cuts. Before the pandemic, families that faced difficulty paying bills often cut back on food, medical expenses, and other bills, leading to cascading problems. What cuts would families be forced to make this time?

The response to the 2008 financial crisis and Great Recession suggested that the government would not be there to help. Following the 2008 crisis, millions lost their homes and millions more suffered through years of unemployment and a weak labor market. The wealth of the bottom half of the population—150 million people—had only reached its precrisis peak in 2019. Black employment had also just recovered. While the bankers had quickly moved on, most people were only recovering from the 2008 financial crisis a decade later, just in time for the pandemic.

As the bottom fell out of the economy in March and April 2020, it looked as if widespread financial suffering was imminent.

Then something remarkable happened. Despite the economic collapse starting in March 2020, the pandemic did not bring about widespread financial suffering. In fact, by June 2020 most Americans were better off financially than they had been a year earlier. Even the unemployed, like Sofia, were doing better.

In May, Sofia received money from the CARES Act, a large pandemic relief bill. She and her husband received a total of $3,400, $1,200 for each adult and $500 for each of their two kids. That amount was around 10 percent of their prepandemic income and covered their mortgage for a couple of months plus the unexpected funeral expenses. In addition, Sofia applied for unemployment insurance and started receiving it after three weeks. The benefit included an extra $600 per week from the CARES Act in addition to about $100 in regular unemployment benefits.[4]

Until that aid arrived sometime in May, Sofia's financial situation looked dire: unpaid bills, a missed mortgage payment, reduced food expenditure. But after she started receiving unemployment insurance, Sofia's family's income increased by about $400 a week. As a result, she felt that her financial situation was somewhat better in June 2020 than it had been a year earlier, despite the period of unemployment and the big unexpected expenses.

These improvements for Sofia and many others continued through 2021 and into 2022, despite the many changes in the economy. Fewer people had difficulty paying bills or expenses. Unlike in 2008, few people lost their homes to foreclosure. Half as many people were evicted during the pandemic compared with the previous years. The average American's savings went up and credit card debt went down. Somehow, a pandemic that would eventually kill over a million Americans and take away so many opportunities left most Americans better off financially.

What explains this paradox? Three massive pandemic relief bills, starting with the CARES Act on March 27, 2020, transformed the pandemic economy. These bills collectively budgeted more than five trillion dollars, although not all of it was spent immediately. This pandemic relief was more than five times the relief in response to the 2008 financial crisis. The aid increased unemployment insurance benefits, extended them to new people, and provided them for longer. It sent direct payments worth several thousand dollars to most Americans. The relief bills gave nearly a trillion dollars to small businesses. The bills and other policies helped struggling homeowners and kept many people from being evicted. The aid kept struggling families from being pulled over the financial cliff, as Sofia's story illustrates.

Part I of this book tells the story of the pandemic's initial months. The story of a terrifying economic collapse. The story of what that meant for already financially precarious families. And the story of how pandemic policy protected so many families.

As the pandemic settled in, in Part II we'll turn to the many ways Americans changed their lives to adapt to the new reality in sometimes creative and sometimes tragic ways. To help slow the virus's spread, many people stopped going out to restaurants and bars, stopped traveling for vacation or to visit grandma. And most people's spending declined sharply. The government aid kept most people's incomes from declining, even if they were unemployed. With incomes the same or up and spending down, the average American's savings increased sharply.

Many paid long-standing debts. With the newfound financial freedom, many Americans started new businesses and, as the economy roared back, others became choosier about jobs. The pandemic gave many Americans a rare opportunity to reset their financial lives.

The pandemic was also just weird. Often stuck at home, we had to learn to muddle through new and suddenly stressful situations. We often had to come up with new ways of doing things to avoid contact. What activities are safe? Where can we get toilet paper? How do we make bread? How do we date or buy houses in a pandemic? Should we go to the dentist? As the pandemic unwound, we had to figure out how to do things again.

And even as the CARES Act distributed near-unprecedented aid, some people were left behind. Even as poverty fell, food insecurity increased. Renters and their landlords were left out of direct assistance until December 2020, and even then, rental assistance took months to go out. And while government aid kept many families from financial catastrophe, inequality increased as wealth became more concentrated. Life expectancy fell sharply for everyone, but especially for Black and Hispanic households. Drug overdoses increased and many Americans drank more.

Finally, in Part III we will examine the pandemic's aftermath. The pandemic fundamentally changed many Americans' lives, effectively pausing them in place for more than a year, with long-term consequences. Education was severely disrupted, harming our children's long-term ability to earn and thrive. The millennial generation faced the second economic catastrophe of their working lives, disrupting their march toward paying down student debt, buying a house, and saving for retirement. Millions of women left the workforce to take care of children whose schools and daycares shut their doors, setting back or permanently derailing their careers. Millions of people retired early, leaving the workforce before they planned and wondering whether they have enough for retirement.

The nature of work changed, as suddenly and for nearly two years, more than a third of the labor force worked from home and began to reconsider where work needed to occur and whether crushing commutes were really necessary. The massive work-from-home transformation may unleash new productivity gains and revive declining cities and towns across the country. Businesses had to rethink the nature of work. And the pandemic forced many people to become creative about how and when they work, juggling child care, cats, work calls, and emotional well-being.

As the pandemic wound down, new troubles emerged. The surge in demand for physical goods created shortages of different kinds as supply chains struggled to keep up. Labor markets did not always align as employers tried to hire under their old approaches and fed-up employees rethought their priorities. Inflation picked up and new economic worries emerged as well as new opportunities.

As we'll see, the pandemic experience shows that it is possible for American society to rapidly change direction. America and the world faced a new threat with massive economic and health implications. And American society responded to that threat in innovative ways. Individually, we learned to navigate a new, sometimes stressful and scary world. Collectively, we found ways to protect each other from the financial collapse. In the process, we learned we do not have to repeat past mistakes. We learned that targeted programs can relieve suffering. But we did not protect everyone. And against these benefits, there are also the costs of increased debt and inflation as the pandemic wound down. As we'll see, we also learned that not all policy was effective, not all spending worth the costs.

By understanding America's response to the pandemic, we can find a better way forward. A path that takes what worked in the pandemic and avoids the blunders. A path that protects the most vulnerable, without the pandemic's suffering. A path that makes us less financially fragile. A path that shows we can still accomplish big things, if we decide to. A path that leads to a fairer and more productive society.

Between chapters, I introduce other families like Sofia's. Sofia responded to a survey—aptly called the Making Ends Meet survey—which

I helped design for the Consumer Financial Protection Bureau (CFPB), where I am a senior economist. Sofia is not her real name. The survey carefully protects its respondents' identities, and we do not have information that would directly identify them, such as their names or addresses. Sofia and others responded to the survey before the pandemic in June 2019, again in June 2020, and again in February 2021. The respondents' credit bureau records are also associated with the survey. Together with their credit records, the three survey waves tell a richly detailed story of the ups and downs in Americans' financial lives before, during, and after the pandemic.[5]

The COVID-19 pandemic had a profound financial impact on people across the country. For some, like Sofia, the impact was immediate and financial. For others, it presented new opportunities or difficult choices. Not all of the families I introduce are having financial problems. But all of them have to think about their finances, have had ups and downs, and are trying to balance the competing demands of expenses and saving for the future. And all of them lived through a pandemic and had to make decisions affected by it. I approach telling their stories as a social scientist. I want to understand their choices and financial constraints, not judge them. These families' financial stories illustrate how the big economic and policy changes affect individuals. I chose families whose unique experiences echo some of the broader trends and families whose age, gender, race, and ethnicity reflect American society's complexity. But Sofia does not represent all Hispanic women any more than John—introduced after Chapter 3—represents all white men; their stories are their own even as many Americans faced similar struggles.

The survey helps understand the financial ups and downs faced by Americans and how they try to make ends meet in the middle. In addition to telling individual stories, I use the survey to describe the broader situation American households faced during the pandemic. It is common in news stories about the pandemic to learn about one family's difficulties. The difficulties these families recount to journalists are real, but they may not be common or representative of others' experiences. By drawing on a national survey, I can give broader context to individual stories and examine what experiences were common. At the same time, economists often forget that economic statistics are composed of millions of individual stories. Hiding behind dry statistics, we miss diverse experiences for the boring average and often focus on our own frequently limited and privileged experiences. The sometimes messy individual financial stories like Sofia's and John's are a reminder to look beyond the average.

This book draws from many other sources as well. I use research and data collected by a range of research organizations, inside and outside government, to paint a full picture of the pandemic economy. I spent the months after the pandemic hit looking at the CFPB's data sources, reading the evolving research, and briefing policy makers to help them understand what was going on. This book draws from my experience as a research economist at the CFPB during this tumultuous time.

Not many people have heard of the CFPB. As we wrote on the survey, "The Consumer Financial Protection Bureau is a federal agency created in 2010 to make mortgage, credit card, automobile, and other consumer loans work better and ensure that the markets are fair, transparent, and competitive." The CFPB was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act after the 2008 financial crisis exposed deep problems in consumer financial markets. The Dodd-Frank Act consolidated consumer financial protection, which previously had been distributed across the federal government, into one agency whose primary focus would be consumers.[6] The first thing the act instructed the agency's director to do was to set up a research unit—the part of the CFPB where I work—to research, analyze, and report on emerging issues in consumer finance.[7] The Making Ends Meet survey I draw from is part of that research mission. But good research also requires independence, so this book does not necessarily represent the views of the CFPB or the U.S. government.

This book is about how the pandemic and pandemic policies affected Americans, not about politics.[8] Most of the major policies were broadly bipartisan, although they were certainly subject to many compromises. There is ample blame for bad policy, poor administration, and missed deadlines during the pandemic at all government levels. And there is ample praise for civil servants throughout government who worked through the pandemic to keep necessary services running and for politicians, their staff, and their appointees who championed effective and rapid policy in a quickly changing and uncertain time. Throughout, I focus on the evidence for what happened and why rather than attempt to assign blame or praise.

The pandemic also caused a research boom. New research papers came out more rapidly than ever before. Many research groups were able to use their knowledge and data to speak to current problems, including the JPMorgan Chase Institute, Opportunity Insights, the Census Bureau, and many others. In addition, the investments many newspapers and websites had made in data and economics journalism suddenly paid off. As so much changed so rapidly, good data and economics journalists were at the front analyzing and decrypting it. FiveThirtyEight, the *New York Times*, the *Washington Post*, Vox, and many other publications and sites put together original research based on data and interviews. I draw on this exciting research to explain how and why the often surprising pandemic economy evolved.

Sometimes the research I discuss conflicts; different teams using different methods reach different conclusions. To someone outside the research community, these different messages can be confusing. But good researchers know that we learn more about the world by challenging our assumptions and not relying too much on any individual study. And we will surely learn more about the pandemic's effects. While I present what we currently understand, good research refines and builds, and there is more to come on this massive economic and social event.

During the pandemic, we were often operating through uncertainty. Just as the pandemic brought new challenges for many Americans, it brought new economic conditions that evolved in unexpected ways. While individual families were trying to navigate a newly complicated world, government statistics offices, economists, and journalists were trying to puzzle through what was happening, and policy makers were trying to make decisions. Throughout the book, I try to highlight how our understanding evolved as the pandemic went on.

Like many parents, I spent the pandemic balancing work and being a parent, getting up early and staying up late so I could help take care of my two young kids, whose school and daycare had closed. Trying to be a teacher, economist, and dad at the same time. My wife and I sewed (bad and uncomfortable) cloth masks in early April 2020 and baked (delicious) bread in June when we could not buy sandwich bread. I cut my own hair for more than a year. Because I wasn't commuting, I spent a lot more time with my kids. While we have each had our own journey through pandemic, from wondering what was safe, to unemployment, to loneliness, to shortages, to juggling work and child care, we all shared the experience of living through the defining event of our time. I hope this book helps give you perspective on your own experiences and helps you understand others' experiences.

For most of us, the pandemic's primary impact has been social and economic rather than viral. But we should not forget the virus's direct impact. By June 2022, more than a million Americans had died of COVID-19, around one-quarter of worldwide deaths at the time. Grandparents, parents, friends, and loved ones who are no longer with us. At the same time, around three quarters of Americans had COVID-19 by July 2022.[9] Most cases were so mild that they went unreported. But millions had severe cases, suffering through weeks of breathing difficulty, and some experienced debilitating long-term symptoms. While this book is not primarily about the virus's path through society, these losses are the grim reality that shaped the COVID economy.

The financial ups and downs of families like Sofia's often followed the start, stop, and effectiveness of pandemic policies. The CARES Act policies that had done so much to support Sofia's family largely ended in July 2020. The next six months were hard. When she took the next round of the survey in February 2021, Sofia reported having difficulty paying some bills several times, the most recent in December 2020. They had to cut back on food spending again. And they paid some utility bills late, reduced other household expenses, used a credit card, and borrowed from family and friends. But all of that was not quite enough, so Sofia took out a payday loan that she rolled over at least once. For a fee, a payday lender advanced money before Sofia's next paycheck. Perhaps Sofia was worried that the skipped utility bills might cause their power to be turned off. But payday loans can be expensive and often get rolled over so many times that borrowers pay more in fees and interest than the amount of the original loan.

Around September 2020, Sofia stopped working so that she could take care of her children. This decision must have been hard for her, as it was for millions of other women. It is likely that the reduced income is one of the reasons they were continuing to have financial problems. But their family's school or daycare was closed because of the pandemic and someone had to look after the kids. Sofia's husband continued to work full time.

The pandemic affected them in other ways. Even though everyone in Sofia's household was covered by health insurance, they delayed some medical treatments because all nonessential medical care was shut down for a while during the pandemic. They could not buy enough of a necessity because it was not available in stores. The tightened finances meant that they looked for ways to cut back on expenses. For example, Sofia reported that although they had enough to eat, it was not always the kinds of food they wanted to eat. Despite this financial tightening, Sofia felt their expenses had increased, while their income had decreased after the expanded unemployment benefits expired. For a family without a large financial cushion, such changes could be dangerous.

The constant expenses that had always been part of their life continued during the pandemic. Part of being in a family network whose members support each other financially is the give and take. Sofia faced a significant unexpected expense when she loaned money to a family member. They also had some large home repairs and expensive phone replacements.

Once again, government support seems to have helped give them a buffer against disaster. Two large pandemic relief bills, one in December 2020 and one in March 2021, sent new cash payments and added to unemployment benefits. Sofia's credit card debt dropped several hundred dollars to nearly zero between January and March 2021 after these payments.

Despite all of the problems she faced during the pandemic, by June 2021 Sofia's debts were down and her credit score was up. They had not missed any more mortgage payments. Unlike millions of families following the 2008 crisis, they had not lost their home. Maybe this financial reset wouldn't last, but it gave her some financial space she had never had before. Like many Americans, Sofia had weathered the ups and downs of the pandemic economy. And despite it all, she was in a better position financially than before the pandemic.

As we'll see in Part I, Sofia's experience before and during the pandemic was common. Many families struggled to make ends meet before the pandemic. So when the bottom fell out of the economy starting in March 2020, it looked like painful cutbacks were just weeks away.

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