

Opinion | Betsey Stevenson, Columnist

A Strong Safety Net Helps the Whole US Economy

Federal programs designed to support families and businesses during the pandemic have also spurred greater economic dynamism.

October 31, 2023 at 7:00 AM EDT

By **Betsey Stevenson**


Betsey Stevenson is a professor of public policy and economics at the University of Michigan. She was on the president's Council of Economic Advisers and was chief economist at the US Department of Labor.



Laying the scaffolding for dynamism. *Photographer: Maddie McGarvey/Bloomberg*



Get unlimited access today.
Explore Offer →



**Get uninterrupted access to
global news. Cancel
anytime.**

[Claim This Offer](#)

While those with the most education and the highest net worth saw the biggest gains in median income, the increase in net worth was seen across all incomes. The gains in net worth affected families young and old, those with low incomes and high, homeowners and renters. In addition to government programs, a rising stock market and soaring housing prices played a role. All told, the average real value of families' financial assets increased by nearly one-third in the three years covered by the report.

Bloomberg Opinion

[Europe Needs to Save Its Carbon-Market Marriage](#)

[Europe's Car Rebels, Cupra and Dacia, Defy a Chinese Onslaught](#)

[The FICO Monopoly Is Living on Borrowed Time](#)

[US Tariffs at 30%? C'mon, Europe... Do Something](#)

What does it all mean? One lesson is the importance of smart, well-timed public policy. Amid the peak of uncertainty and income loss during the pandemic, the government stepped in to support households and businesses. Then, as the economy reopened, households were ready to spend again.

Government support did more than help boost demand. It may have also helped create a positive supply shock – an expansion in the economy's overall capacity.

Get unlimited access today.

[Explore Offer](#) →

**Get uninterrupted access to
global news. Cancel
anytime.**

chasing them.

By way of illustration, consider the explosion in entrepreneurship in the immediate aftermath of the pandemic. The Fed survey shows that in 2022, one in five families owned a business, the highest share on record. More detailed research shows that applications for new businesses reached an all-time high in July 2020 and have remained elevated through this year. This research also shows that the growth in business ownership included substantial growth in new business hiring – and that young firms exhibited striking resilience through the pandemic.

This explosion in business formation represents American dynamism at its best. The public had unmet demand, and businesses and employees scrambled to find a way to meet it.

While some people started new businesses, others sought out new jobs. Workers changed jobs and started businesses at unprecedented rates, taking advantage of changes in working conditions to find better pay, more interesting work, or a better fit for their skills and personal life. With workplace flexibility came opportunities to relocate, fueling a vibrant housing market.

Today, a higher share of prime-age men and women are employed than before the pandemic. For women, the share is a record high. Clearly, supporting families and businesses during the worst days of the pandemic did not sap motivation or create a generation detached from the labor force.

Get unlimited access today.

Explore Offer →

**Get uninterrupted access to
global news. Cancel
anytime.**

change, the US has pushed more of the responsibility of managing risk onto households. More of the risks of the costs of college, planning for retirement, managing health care and navigating job loss now falls on families.

And here lies the perhaps more important lesson: This risk pushed onto families in recent decades may be responsible for the decline in new business formation that economists have been puzzling over. During the pandemic, the government took away some of these risks. Families didn't have to make payments on student loans, and they were insulated from eviction. Everyone got some cash through stimulus payments, and those with children got even more throughout 2021. Those who were unemployed got enough cash to survive.

Maybe taking away some of this risk creates the freedom to take other risks. America has been moving away from safety nets, reducing cash support for low-income and unemployed families out of a fear of creating dependency. But the last four years show that safety nets can also give people the time and security to make changes to their lives when things don't go as planned. They can potentially spur more economic engagement.

The result of the tens of trillions the US spent on pandemic relief and assistance has been a strong and resilient economy that has defied predictions. And it all started with the strongest safety net America has ever had.

Get unlimited access today.

Explore Offer →

**Get uninterrupted access to
global news. Cancel
anytime.**

Bloomberg LP and its owners.



Contact us:

[Provide news feedback or report an error](#)

Site feedback:

[Take our Survey](#) [↗](#)

Before it's here, it's on the **[Bloomberg Terminal](#)**

Bloomberg

©2025 Bloomberg L.P. All Rights Reserved.

Get unlimited access today.

Explore Offer →