

The impact of COVID-19 on the world economy and higher education

By Marguerite J. Dennis

Before calculating the impact of COVID-19 on higher education, it is necessary to understand how the virus has impacted the financial stability of countries worldwide. The economies of many countries have been shattered by the pandemic, and, by extension, the economic challenges will impact families' ability to finance their children's higher education choices in the future.

Consumer spending, including higher education spending, will continue to decline as a result of economic contractions in a post-COVID-19 world. Families facing an uncertain economic future will be reluctant to send their children to high-priced schools. College and university students will continue to reject an online-only learning experience.

There is no vaccine for fear and economic insecurity.

Economic impacts of COVID-19 include:

- In May 2020, the Asian Development Bank announced that COVID-19 could cost the global economy between \$5.8 and \$8.8 trillion.

- Christine Lagarde, President of the European Central Bank, warned in April 2020 that the Eurozone's economy could shrink by as much as 12% in 2020. In August 2020, there were 15 million unemployed people in the European Union, an increase of 700,000 since April 2020.

- According to the Bureau of Economic Analysis, the gross domestic product for the United States decreased at an annual rate of 48% for the first quarter of 2020 and 32.9% in the second quarter. Consumer spending in the United States decreased 10% in 2020 compared with 2019.

- The United Kingdom's economy contracted 20.4% in the second quarter of 2020.

- After nearly 30 years of growth, Australia fell into a recession after its economy shrank 7% in the second quarter of 2020.

- Japan's GDP contracted 27.8% from April 2020 to June 2020, the third straight quarterly decrease and the biggest decline in postwar history.

- South Korea officially entered into a recession in August 2020, the first in 17 years.

- Latin American economies are projected to decline by 9.4% this year.

Besides the impact on families' ability to pay, what do these economic declines and forecasts have to do with higher education? Jeanne Harrison, Vice President and Senior Analyst at Moody's Investors Service, highlighting the financial impact of the pandemic on higher education, wrote, "We expect rated universities in all of our current jurisdictions in the United States, Canada, the United

Kingdom, Australia, Singapore, and Mexico to enroll fewer students for the next academic year than planned, due to the outbreak."

Faculty and staff hiring has been suspended

at some of the most prestigious universities in the world, in many cases for a year. Some universities, including Johns Hopkins and Georgetown University, will not make contributions to employees' retirement funds for a year. And 62% of all college and university presidents in the United States, when polled in May 2020, stated they planned to reduce their workforce.

According to an Eduvantis survey of American business schools during the last week of March 2020, 93% of the responding business school deans believed the pandemic would accelerate the closure of several business schools in the United States.

The American pollster Frank Luntz wrote that countries cannot be playing for the economy of *now*. I believe the same is true for institutions of higher education. College and university executives cannot be playing for the schools of *now*. They must envision what their schools can "look like" after the virus no longer dominates the activities of faculty, students, and administrators. Chief executives must be willing to lead, not at the margins, but with imagination and innovation. They must be willing to retire outdated business models and replace competition with collaboration.

The economic stagnation brought on by the pandemic will not end once a vaccine is discovered and distributed, nor will the negative impact on higher education of economic contraction. It may take years for both the global economy and higher education to recover from COVID-19. Or perhaps the virus will create opportunities for both economic recovery and higher education reform? ■

About the author

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