

THE IMPACT ON BUSINESS

COVID-19 Kills People, Only Hurts Economy

Our best chance to fight the spread of the coronavirus and save human lives is to stay home. And when people stay home, they can't earn money, so they stop spending money, so the economy comes to a grinding halt.

COVID-19 causes unprecedented spikes in unemployment and drastic slumps in the stock market, and we still don't know what damage will be done. We do know the only way to slow a pandemic and save lives is to shelter in place, and that forces us into a recession that could turn into an economic depression if treatment and a vaccine for this virus aren't developed soon.

If unemployment reaches 25 percent, it will be our worst rate since 1933 during the Great Depression. As entire cities buckle down and mandate self-isolation, we see a spike in unemployment claims across the country. Employees are hopeful that these are temporary measures until normalcy resumes. But many businesses, big and small, aren't equipped to be shuttered for weeks, and those companies may go away entirely without assistance from the government.

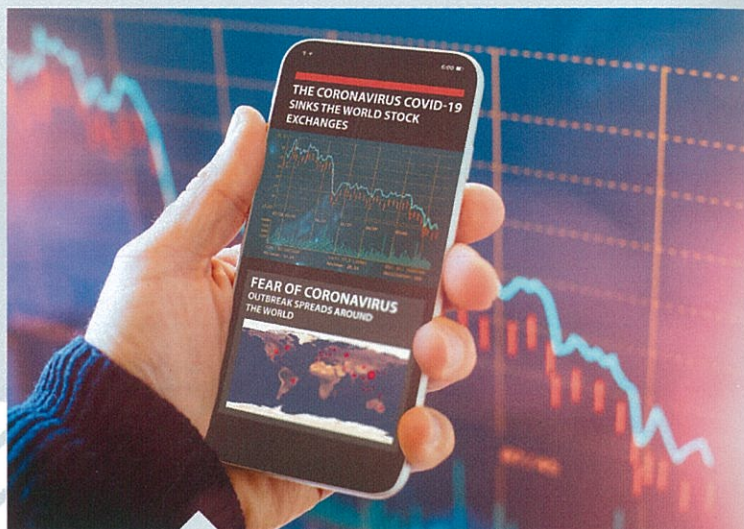
Historically, economies always recover, and there's no reason to believe we won't do the same after this virus is in check. How hard we are hit and how long the effects last is entirely dependent on how fast we stop COVID-19.



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Fight or Flight? Stay Home and Fight

At the urging of both the Centers for Disease Control and Prevention and the U.S. Department of State, Americans do their civic duty and shelter in place to stop the spread of the coronavirus. Travel bans are enacted between nations and flights around the world are canceled. As non-essential travel comes to a screeching halt, the airline, hotel and tourism industries brace for impact. With bankruptcies looming on the horizon, all major airlines begin to negotiate with the government for bailouts.



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COVID-19 Causes Weight Loss to 401k's

There are a lot of moving parts to the U.S. economy, and at this stage in the pandemic, there are no clear answers as to what the lasting effects of this crisis will be. The short explanation is that while you were on spring break, your parents and grandparents watched in shock as their retirement funds got obliterated and their paychecks vanished into thin air.

Stock market drops happen, especially in times of uncertainty. But this is unlike recent stock market crashes that are caused by fears and speculations that change our economic behavior. With previous crashes, the government could attempt to change the course by infusing the market with stimulus plans. But when a pandemic forces millions of workers to shelter in place, the factories and machines they operate are shut down. Enormous resources lie dormant because the people who use them to keep the wheels of our economy turning must stay at home or risk catching and spreading a deadly disease.

Many public health officials consider it likely that severe social distancing measures will be needed throughout 2020 to stop this pandemic, and our modern economy has simply never seen a crisis of this scale before.



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Once this is over, you'll want to go to the mall for some retail therapy. But supply-chain disruptions caused by the coronavirus outbreak are likely to make goods from China—including clothes, cars and electronics—scarce well into the second quarter of 2020.