Trump Wants to Reopen the Economy. Will the States Follow?

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The president's insistence that "we cannot let the cure be worse than the problem" and that "we have to open our country" has turned the conversation to the possibility that that reopening could begin in weeks, not months: "I'm not looking at months, I can tell you right now" he said on Monday.

He added, "Our country wasn't built to be shut down. America will again, and soon, be open for business. Very soon. A lot sooner than three or four months … a lot sooner."

He then suggested that the remedies implemented to contain the coronavirus might have been excessive: "We have a very active flu season, more active than most. It's looking like it's heading to 50,000 or more deaths. That's a lot. And you look at automobile accidents, which are far greater than any numbers we're talking about [from the coronavirus]. That doesn't mean we're going to tell everybody: no more driving of cars. So we have to do things to get our country open."

The economic cost, estimated by Goldman Sachs last Friday at a 24-percent decline in the nation's economic output in the second quarter, has been dwarfed by that from the banking firm Morgan Stanley. On Monday the international banking and investment firm expects the economy to shrink by an annualized rate of 30 percent in the second quarter and the unemployment rate to jump to nearly 13 percent.

The keys to keeping the patient alive are timeliness, sufficiency of the external financial support being offered by Washington, and the cooperation of the states.

As *The New American* suggested on Monday, the economy is like a patient on life support: small businesses that make up more than half of it can only survive without oxygen (cash flow generated by customers) for a very short period of time. For a human it's four to six minutes without oxygen before he expires. For a small business it's more like a month or perhaps two before becoming insolvent.

The sufficiency of the financial support being offered, already in place and being debated in the Senate at the moment, is estimated to top six trillion dollars. Not having travelled down this road before, it's pure speculation about whether that's enough to keep the patient alive until the customers return.

If Morgan Stanley is right — that the coronavirus outbreak peaks in late April — "a sharp rebound would begin in the June-August quarter, leading to solid growth in 2021."

What would that rebound look like? And what would be the long-term effects of the coronavirus scare?

First, the president would be pushing on a string. He has rightly pointed out that the primary responsibility lies with the states. Sixteen of them — Delaware, Louisiana, Kentucky, Ohio, New Jersey, California, New York, Connecticut, Oregon, Pennsylvania, Iowa, Michigan, Washington State, Massachusetts, Hawaii, and Virginia — have locked down their economies following decrees by their governors. All but one (Iowa) are run by Democrats whose lust for power and control over people is likely to keep them in lockdown far longer than necessary.

Any suggestion by the president that they relent and rescind their mandates is likely to be met with scorn or indifference.

On the other hand, the other states are far more likely to enjoy an early recovery from the shutdown as citizens will come out from hiding — sheltering in place, or "house arrest" as some are calling it. Each state will decide on its own just how it will reopen itself for business. It's more than likely that the reopening will take place in stages, with the businesses least likely to spread the virus opening first. Seniors and those with compromised immune systems will be protected.

So the recovery will take place slowly, over time. Some are suggesting the aftereffects of the shutdown will still be felt a year from now. But as *The New American* and others have suggested, the country is likely to be stronger, safer, healthier, and better for the experience.

Telecommuting will be enhanced and embraced as a more efficient and safer way of doing business. Business meetings that took place face-to-face will increasingly happen online.

Telemedicine/telehealth will expand, allowing patients to be treated from home by health professionals who have their health histories available at their fingertips.

Supply chains will be rebuilt, emphasizing local and national sources and away from international ones subject to manipulation and blackmail. Manufacture of pharmaceuticals and nutritional supplements will increasingly be done inside the country, with some suggesting that Puerto Rico — once a thriving economy thanks to its importance in that industry before the laws were changed — will be a primary beneficiary.

Lower prices for oil will serve as a tax-free bonus to drivers, as will lower taxes levied on employees working from home, as they will be able to take various tax deductions not previously available. And they will serve as additional incentive to replace or retrofit coal-fired plants with ones using lower-cost (and lower-emission) natural gas. So the air will be even cleaner.

Contributions to retirement plans will be buying more shares of great American companies that are now selling at significant discounts.

Homebuilders will continue enjoying the boom thanks to lower interest rates. And refinancing of existing debts at lower rates will serve as another tax-free bonus to citizens.

In all, the benefits following the end of the coronavirus shutdown are likely to be substantial, and permanent.

Photo: AP Images

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