

COVID-19: A New Era Has Arrived – but don't celebrate yet

by Phillip W. Weiss

When state governments across nation began shutting down the economy, I did not like it. I believed it to be an undue and coercive intrusion of government into my personal life motivated not by a legitimate concern for the public interest or for me personally but by a nefarious and reckless wish to exploit a crisis for political advantage. But even more disturbingly, I believed that the shutdown would block my access to medical care, money and food, and thereby threaten my very survival.

My reaction was a mixture of anxiety, foreboding, and anger. I felt that I had lost control of my life. It disrupted my daily routine. I felt alone, isolated, marginalized, and vulnerable. I felt that what I wanted counted for nothing. My feelings were entirely subjective. However, they shaped how I processed the avalanche of information, mostly hysterical and alarmist, emanating from the mass media. This barrage of unabashed panic-mongering was a bunch of politically driven propaganda designed to terrorize me into complying with governmental directives. It filled me with fear and uncertainty.

Now, two months later, my consternation has abated somewhat. The shutdown has produced a few positive, albeit incidental, results. Although I miss being able to meet a friend at a delicatessen for a snack, or spend time at the library, or attend a family gathering, or attend a class, I like that there is less noise pollution, less air pollution, and less crowded sidewalks. I do not miss the bars

and restaurants that serve alcohol and attract noisy crowds. And while I am still miffed over the way certain elected officials have used the COVID-19 emergency to presume sweeping dictatorial powers contrary to our fundamental principles of government, I now feel reasonably assured that my access to food, medical care and banking services will remain intact, at least for now. Feeling thus assured, I am better able to tolerate the shutdown.

The shutdown has confirmed the fact that large sectors of the economy, which include bars, restaurants, health clubs, movies, theaters, and sports events, are expendable. It is true that these businesses comprise a large segment of the economy which employ a lot of people and generate a lot of activity, and there are a lot of people willing to pay for the services those businesses provide. However, as the government, politics notwithstanding, has officially determined, these industries, despite their popularity, are not essential, and if required, our society can get along without them.

By shutting down these nonessential businesses, the government allowed consumers to save an immense amount of money. In March 2020 alone, while personal income also declined, personal consumption expenditures (PCE) decreased \$1,127.3 billion (7.5 percent). This decrease was not entirely attributable to the drop in personal income. The March 2020 stock market crash reduced spending even further. According to a published report,

The Covid-19 induced stock market crash is the worst since the global financial crisis in 2008, and news outlets are competing for clicks and eyeballs. One way to stand out is to make scary but dubious claims that investors have "lost" \$4.6 trillion dollars in the last ten days. But is that really true? NO!¹

¹ <https://seekingalpha.com/article/4329299-stock-market-crash-4-6-trillion-really-just-disappear>

Money was not lost. Instead it was placed in storage to be later recirculated as conditions warrant. On any given day, stock markets around the world do trillions of dollars-worth of business. The fact that interest rates are zero is further evidence of the overabundance of money that is currently idle. According to a published report,

During the 2020 coronavirus pandemic, interest rates again approached the zero bound as investors fled to safety, with even longer-term U.S. Treasuries of 10 and 30 years falling below 1% to record low yields.²

The question is not whether there is enough available money, but rather how and whether the money is being invested.

In compliance with regulatory requirements to prevent the spread of the COVID-19 virus, and other diseases as well, huge sums of money now going unspent could be used to finance a series of much needed public works projects and programs. These projects could include the complete upgrading of the entire national railroad system, a thorough overhaul of the New York City subway system and other mass transit systems, the rebuilding of hundreds of bridges, a massive reconstruction of our manufacturing base, a major expansion of the bio-medical industry to include major initiatives to find a cure for COVID-19 and AIDS, a national program to transition the homeless off the streets, the creation of a comprehensive and high-quality universal health insurance program, and a national program to replace hydrocarbons with green-based sources of energy. These projects would jump-start the entire economy, generate a lot of jobs, and once completed would pay for themselves many times over. Every sector of the economy would benefit, including nonessential businesses.

² <https://www.investopedia.com/articles/investing/031815/what-zero-interestrates-policy-zirp.asp>

A new era has arrived. Out of the current politically induced economic wreckage, new forms of economic organization are emerging. New modes of social interactions are becoming the norm. All of this is part of a process of change. This process is disconcerting and can generate much resentment. But this change is inexorable. It cannot be reversed. No matter how much some may yearn for a return to the pre-COVID-19 days when the private sector was the vanguard and primary driver of economic growth, those days are finished. The government is now firmly embedded in the economic policy making process.

This is a problem. Any form of political management of the economy, no matter how minute, poses a direct threat to the economic and political freedom of the American people. Nevertheless, the emergence of the political factor in the formulation of economic policy is now a fact. If allowed to operate unchecked, politically motivated policy makers operating in a highly charged political culture could quickly wreck the economy.

In the meantime, we can gain some satisfaction from knowing that the shutdown has produced a few positive results – less air pollution, less noise pollution, less vehicular congestion, more interest in public health. How long these results will last before conditions deteriorate again is still an open question. One thing, however, is certain: conditions are rapidly changing, so buckle up and get ready to go for a ride. Whether you will enjoy the ride is another matter.

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