



Do the Least Harm

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Doctors think differently than economists. They put patients with a potential for brain damage in an artificial coma to stop swelling, and when it stops, they bring them out. This fits with the Hippocratic Oath all doctors take, which states "First, do no harm." The idea is to "limit" damage and then "restart" a more normal body with fewer problems.

The economy doesn't work that way. You can't just "turn it off" and then "restart it" as if nothing happened. When you turn off an economy you create permanent damage. While this is impossible to prove – there is no precedent in history from which to judge - it is easy to surmise.

We have all heard news stories about small business owners (or know them ourselves) who have been moved to close their businesses for good. They will never re-open. Some studies say the median small business has enough cash to last less than a month. That's the median. And there are 30 million small businesses.

Shutdowns of restaurants and bars started in mid-March, and now cover most of the United States. These shutdowns spread to "non-essential" (as deemed by government) businesses over the past month. It is now April. In other words, many of those 30 million small companies are already in serious trouble. Many will be forced to close their doors for good before this is all over.

Simply put, shutting down the economy has serious consequences. If the economy were to reopen by Easter, which seems impossible now, it would probably open with, at most, 97% of its original capacity. It's like a muscle, without use it atrophies. And when it does, it needs physical therapy to recover. The longer it's sedentary, the worse the atrophy, the more difficult (and painful) the recovery.

If we wait until the end of April, it will be, say, 92%. The end of May and it's 85%. The end of June and it's even less. These are just guesstimates, we know that, but it's what we think is the right framework to look at things. The longer the shutdown lasts, the more permanent damage to the economy. Capacity would eventually come back, but it would take time, perhaps years. Businesses that had just the right mix of managers, workers, and suppliers, can't just magically re-create that mix by snapping their fingers when this is done. The US economy is not Sleeping Beauty, ready to wake up at first kiss by the government.

During the Great Depression, the suicide rate in the US hit the highest level in history. Recessions are traumatic, both physically and emotionally. Anxiety and depression multiply the problems of being jobless. The consequences are very real, though often hard to track.

The faster the economy opens again, the less the long-term damage. But this would mean government has to do a cost-benefit analysis of economic damage as well as the health costs of Coronavirus. So far, that's not happened. It's time government set up a Coronavirus Economic Task Force.

It's true that \$2 trillion in government bailout money, and trillions more from the Fed, will blunt the damage. But it won't stop the atrophy. It just slows it down. More importantly, it significantly grows the power of government. It also boosts demand for goods, while the shutdowns artificially hold back supply, which causes inflation because demand exceeds supply.

One thing to remember is that even leaving parts of the economy open – grocery and drug stores, gas stations, restaurants for take-out, etc. – risks spreading the virus. So, by choice, we are already taking risk. Let's expand that risk assessment and take into account all the risks, including the economic ones.

Things need to change. Why can't landscapers work? Construction crews in many states are still working. Why can't factories or machine shops that normally produce 8 hours a day, go to 24-hour production schedules – three, 8-hour shifts with fewer employees? If I can pick up food, why can't I eat somewhere 6 feet away from others? There have to be a million ideas. Let's start thinking about them, because the costs of the shutdown must be balanced with the benefits. It may

not be possible to "do no harm" in the response to this pandemic, but we can at least try to "do the least harm."

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