

Raging virus triggers new shutdown orders and economy braces for fresh wave of pain

Containing raging disease is key to healing the economy

By **David J. Lynch**

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The uncontrolled coronavirus outbreak is prompting government officials across the nation to impose new restrictions on consumers and businesses, sapping the economy's momentum and delaying the recovery of millions of jobs lost during the recession.

Washington's failure to provide additional financial support is compounding the economic distress. Though Federal Reserve Chair Jerome H. Powell this week repeated his call for a fresh round of pump-priming, the economy for now is left to navigate a winter of disease and loss unaided.

On Friday, Virginia Gov. Ralph Northam (D) tightened limits on restaurants and indoor gatherings, effective at 12:01 a.m. Monday, while the governors of California, Oregon and Washington state issued a joint statement discouraging travel and advising visitors to quarantine upon arrival for 14 days. The mayor of New York City, meanwhile, warned parents that public schools could close as soon as Monday.

Similar measures are taking effect or under consideration elsewhere, including Chicago, where the mayor on Thursday issued a stay-at-home advisory just hours before Illinois Gov. J.B. Pritzker (D) threatened a mandatory statewide order. The renewed clampdown is reminiscent of the worst days of the pandemic in early March, when sports leagues, movie theaters and restaurants abruptly went into hibernation in hopes of curbing the contagion.

Those steps were only partly successful and came at great cost. By the end of June, the economy had shrunk by \$2.2 trillion — more than Italy's entire annual output. Now, as communities around the country inch toward new shutdowns, the economy is again at risk. Consumers are growing more pessimistic about the future, according to the latest University of Michigan confidence gauge. And even before new restrictions were announced, they had begun cutting back on spending.

"We see stronger growth in 2021. But we need a bridge to get there," said economist Gregory Daco of Oxford Economics. "The outlook is honestly quite dark."

The backsliding comes after a stronger-than-expected rebound from this spring's abrupt recession. Slightly more than half of the 22 million Americans who lost their jobs when nonessential businesses closed have returned to work, and the current 6.9 percent unemployment rate is well below the double-digit figures that most Wall Street economists originally had forecast. Output expanded in the third quarter at a record rate.

Yet with more than 11 million still jobless, the United States is in danger of squandering the hard-won progress it has made in rebuilding the economy. On Friday, House Speaker Nancy Pelosi (D-Calif.) said the rampaging virus represented "an emergency of the highest magnitude." But she and Senate Majority Leader Mitch McConnell (R-Ky.) have held no talks on a new rescue package.

In El Paso, local officials have deployed 10 mobile morgue trailers to handle a backlog of corpses. The county's top elected official this week extended a shutdown of nonessential businesses until Dec. 1, ordering residents to stay home and avoid travel.

The pandemic has driven roughly 300 companies out of business in the border community, according to David Jerome, the president of the local chamber of commerce. An additional 300 companies — restaurants, hair salons and retail shops — have only enough cash on hand to survive for less than a month.

"We're hitting a bit of a tipping point," Jerome said. "People are getting to the point where they're pretty stretched. People are vulnerable."

Eight months into a historic crisis, the United States appears to be suspended in a sort of economic purgatory. The labor market is slowly healing, with initial unemployment claims falling for four straight weeks. But the virus outlook is grim and getting grimmer.

On Thursday, the United States for the first time reported more than 150,000 cases in a single day. Within the next week, the daily total will top 200,000 and is likely to reach 300,000 by early December, according to Ian Shepherdson, chief economist for Pantheon Macroeconomics.

By mid-December, hospitals will be swamped with twice as many coronavirus patients as during the pandemic's earlier waves "unless most large-population states impose much more severe restrictions on the leisure and hospitality sectors, and on indoor gatherings, very soon," he wrote in a note to clients Friday.

Consumers already have begun retrenching. Spending by 30 million Chase credit and debit cardholders through Nov. 9 was 7.4 percent below last year's level and had "fallen notably" over the past two weeks, according to economist Jesse Edgerton of JPMorgan Chase.

Investors are profiting despite the worsening health situation. On Friday, the Dow Jones industrial average rose nearly 400 points and is up more than 11 percent this month. Yet millions of American households are suffering a silent financial squeeze.

Between the end of September and the end of October, the number of Americans saying it was "very difficult" to pay their usual household expenses rose by more than 2.3 million, to 34.8 million, according to the Census Bureau's pulse survey.

In Los Angeles, Micah Martin, 57, has been struggling to survive since losing his job as a health-care training consultant. He finally received unemployment benefits this summer just as he was preparing to move back to his parents' home in Oklahoma.

“Since then, it’s been living off fumes,” he said. “I’m aggravated that Nancy Pelosi and McConnell haven’t come up with a compromise. It’s really put a hardship on me and a lot of other people.”

Los Angeles County health officials warned Friday that tighter activity limits may be imminent if a recent surge in coronavirus cases isn’t contained. The county already is operating under the most restrictive conditions in California’s four-tiered system.

“Covid seems to be out of control here,” Martin said. “I haven’t been to a restaurant since February.”

There are reasons to hope the economy will fare better in the next few months than it did during the pandemic’s first wave. Doctors have more experience treating covid-19, the disease caused by the coronavirus. More Americans are wearing masks and practicing social distancing. And a highly effective vaccine could be widely available by April, according to Anthony S. Fauci, the nation’s leading infectious-disease specialist.

“The American people’s reaction to the surge will be significantly different from what it was in the spring,” said Michael Strain, an economist with the American Enterprise Institute. “The risk of dying has gone down considerably relative to the spring. People may be willing to take more risks.”

That seems to be true in the resort town of Branson, Mo. Gail Myer, vice president of family-owned Myer Hotels, said the company has kept employees and guests safe through mask-wearing, social distancing and enhanced sanitizing and hygiene.

Though business is down significantly, and he has reduced his workforce by one-third, Myer said October was the company’s best month this year. November could be even better.

“People are tired of not being able to do things they consider normal, and they are also figuring out how to travel comfortably,” Myer said. “I think the economy in the U.S. is getting better and people are figuring out how to make it work for them.”

But the \$3 trillion in federal support that cushioned the blow to the economy in the spring is now absent. The resurgent virus may depress activity no matter what government officials do.

“More businesses will be at risk of permanently going out of business, which would dampen labor demand and potentially spur new rounds of layoffs. This suggests the labor market recovery could meaningfully slow or even reverse in coming months as the country tries to get the virus under control,” economists at Bank of America said Friday.

In Chicago, restaurateur Kevin Boehm, 50, closed two of his 20 restaurants and laid off 1,800 of his roughly 2,000 employees in the spring. With the virus spreading uncontrollably, city officials on Oct. 30 reimposed a ban on indoor dining just one month after they had relaxed restaurant capacity limits.

Over a 27-year career, Boehm has had an oven explode in his face and seen a restaurant burn down. But with revenue off by 80 percent, the pandemic has pushed him and his partner in the Boka Group to the brink.

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“We need Republicans and Democrats to step up and give us the help we need,” he said. “You can only take so many punches.”

The House last month passed legislation to provide \$120 billion in grants to independent restaurants amid warnings that 85 percent of them could fail without assistance. But the Senate has yet to act on the measure.

Ryan Rivett, chief executive of My Place Hotels of America, is also counting on new stimulus legislation. His extended-stay hotel chain remained open throughout the pandemic, with managers of some properties sleeping on site to compensate for reduced staffing.

Rivett received a forgivable government loan earlier this year, which was intended to prevent layoffs. But while he can adjust his labor costs as demand fluctuates, his loan payments are less flexible.

“The absence of stimulus is our bigger worry,” he said. “I don’t want to lose our business because we can’t service our debt.”

The economic outlook is clouded by the limited nature of some new restrictions. As the escalating health emergency threatens to overwhelm hospital systems, restrictions are spreading to politically conservative states, such as West Virginia, Iowa and Wyoming, that had resisted such measures during earlier phases of the pandemic.

But such efforts remain controversial. In Texas, a state appeals court on Friday blocked El Paso County Judge Ricardo Samaniego’s shutdown order, saying it conflicted with the governor’s call to reopen the economy.

In New Germany, Minn., Jean Stelten-Beuning, owner of Top Dog Country Club, an upscale dog-boarding facility, is worried about the next few months.

Last year, at her 35-acre site, complete with a heated canine swimming pool, she boarded 105 dogs over Thanksgiving weekend. Now, as officials urge caution about traveling for the holiday, she expects just 35.

She has halved her 28-person staff, as her revenue dropped 55 percent. The state’s daily case total this week reached a new high and the governor ordered new limits on restaurants and other indoor gatherings.

“If the numbers keep growing and these shutdowns keep expanding, I have no idea what’s going to happen,” she said. “It’s going to be pretty bleak.”