You Decide: How Will the Economy Change After the Virus Crisis?

By Dr. Mike Walden: Most crises have lasting effects. World War II spawned the United Nations but also the Cold War. The Vietnam War caused many to question our major institutions and also created a revaluation of U.S. military tactics and objectives. One of the lasting impacts of the Great Recession of 2007-2009 has been a renewed interest in frugality by the millennial generation.

The current turmoil induced by the coronavirus, which I will shorten and call the "Virus Crisis, will also affect our society. Here I examine four impacts that could occur in our future.

Tele" in Everything: One of the most notable features of the Virus Crisis has been the strong recommendation – in some cases mandate – for people not to interact. It's been dubbed "social distancing." Of course, the reason behind social distancing is to reduce the chances of a person infected with the virus passing it to others.

With schools, restaurants, gyms and other businesses closed, communicating and exchanging via the internet has sometimes been used as a substitute. Elementary and secondary schools as well as colleges and universities have used the internet to "tele-teach.'

Tele-medicine, in which patients can receive diagnoses and advice via internet conversations with medical professionals, has been encouraged during the Virus Crisis. There are huge savings in both money and time potentially associated with this type of interaction. With more people being introduced to tele-medicine, I expect its use to expand even after the Virus Crisis ends.

Similarly, working from home using the internet has been a method used by many companies to cope with the Virus Crisis. Tele-working is not new, and it has been growing well before the onset of the Virus Crisis. Companies can save money on buildings and workers can save time by not commuting by tele-working. Although tele-working is certainly not suitable for all jobs, I would expect that with more companies and workers experiencing tele-working during the Virus Crisis, the technique could become much more popular in coming years. Shifting Supply Chains: Most businesses buy inputs from other businesses in order to make the products or provide the services they sell. These business to business linkages are called "supply chains." With the increase in globalization during the 21st century, more supply chains have ties to foreign countries, with China being the most prominent. When China was first hit by the coronavirus, many of its manufacturing industries shut down, thereby interrupting supplies sent to the U.S. and other countries. So even before the coronavirus came to our country, many of our companies had been adversely impacted.

I predict the Virus Crisis will cause many domestic firms to rethink their supply chains. The coronavirus has exposed a potential cost of globalization. While firms may not necessarily completely cut themselves off from foreign suppliers, many will be motivated to re-establish U.S. supply chains as a complementary or back-up to foreign chains. The upside is a revival of domestic supply chains will create more jobs and more earnings in the U.S

China's Image Takes a Hit: And speaking of China, I think China's image and economy will suffer some long-term losses in coming years. It's widely thought the coronavirus began in China. Some also say China was not forthcoming to the world with early information about the onset of the virus. If they had been, perhaps other countries could have taken more actions to contain its impact.

I don't have enough knowledge to gauge how accurate these claims are. But if enough businesses and consumers think they are accurate, China will be hurt. I talked about supply chains in the previous section. I expect more consumers in the future will refrain from buying any product made in China. Domestic sellers could go out of their way to advertise that their products do not originate from China.

A Boost to Lower Density Living: Both the nation as well as North Carolina are urban areas for living. Increasingly we are choosing to reside in cities and metropolitan areas. That's where the jobs are, and many people also like the urban lifestyle of easily accessible shops, restaurants and entertainment options.

But we've learned during the Virus Crisis that dense living and close contact with others can come with a cost. Viruses spread more easily when people are packed together. This is why - during the crisis - we've been told to limit contact with others, and why venues and events with large gatherings have been closed or postponed until after the Virus Crisis passes.

Small towns and rural areas are, by definition, less dense, and so there is less potential for human contact on a large-scale basis. Hence, one impact of the Virus Crisis might be a reconsideration of small town and rural living. People may think that, while the current virus will pass, others may come in the future. And with tele-teaching, tele-medicine, and tele-working likely increasing in use, rural isolation will be lessened.

In my opinion, the best of all worlds is the development of a vaccine that protects us against all potential future viruses. Then we can all go back to the world that existed before the Virus Crisis. But if that's not possible, then maybe the world I've outlined here is in our future. You decide – and also – please be safe.

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