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We Cannot “Reopen” America

No matter when government stay-at-home orders are revoked, the American economy will not reopen. Because the source of the economic shock is not government orders. It's the pandemic.

by [JONATHAN V. LAST \(HTTPS://THEBULWARK.COM/AUTHOR/JONATHANLAST/\)](https://thebulwark.com/author/jonathanlast/) · APRIL 24, 2020



Street performer Robert John Burck, known as The Naked Cowboy, plays guitar amid coronavirus concern in the almost deserted Times Square on April 13, 2020 in New York City. (Photo by JOHANNES EISELE/AFP via Getty Images)

The movement to “reopen” America is a fallacy based on a fantasy.

The fallacy is the notion that lifting stay-at-home orders will result in people going back to their normal routines. This is false. The state-issued stay-at-home orders did not determine most people’s desires to stay home —they merely ratified behaviors that the vast majority of people and institutions were already adopting in response to COVID-19.

The fantasy is that we can go back to what the world looked like 12 weeks ago. This is not possible now and will not be possible until we possess a vaccine for the novel coronavirus.

Understand that I am *not* saying that stay-at-home orders should be indefinite. What I *am* saying is that whenever the stay-at-home orders are rolled back—whether it is tomorrow or a month from now—it will not result in anything like a “reopening” of the country. And the sooner people grasp how completely and fundamentally the world has changed, the faster we’ll be able to adapt to this new reality.

Let's take a close look at just a couple of examples.



PODCAST

A.B. Stoddard on Mitch's Slipping Senate
(<https://podcast.thebulwark.com/a-b-stoddard-on-mitchs-slipping-senate>)

Vegas, Baby

Las Vegas will not “reopen” because the city as we knew it in February 2020 is gone.

Las Vegas is the 28th-largest metropolitan area in America, home to 2.2 million people. Its main business is gambling-related tourism. The city welcomes roughly 42 million visitors a year who pour \$58 billion dollars into the local economy and support 370,000 jobs (https://assets.simpleviewcms.com/simpleview/image/upload/v1/clients/lasvegas/EIS_Economic_Impacts_FINAL_REVISIED_3ab2ff2a-158b-4aa8-92d5-9f60772e3a98.pdf). Almost 40 percent of the area's workers are employed in the hospitality industry.

Up until this past January, 70,000 people (<https://www.mccarran.com/pubfile/f104056e-65b9-40f7-89fd-c030aadcd7e7/1400696/2019%20Deplaned%20Passengers.pdf?t=20200129-073335>) got off an airplane in Las Vegas every single day, mostly to take in the city's charms.

On these flights, passenger seats are roughly 17 inches wide with 31 inches of pitch (<https://www.seatmaestro.com/airlines-with-the-most-seat-space-in-economy-class/>). So in order to get to Las Vegas—where the principal pleasure is spending disposable income on hotel rooms, while eating expensive meals, and playing casino games—something like 150 people would share 8,000 cubic feet of cabin space and recycled air for anywhere from one to four hours.

So tell me: When the state of Nevada lifts the stay-at-home order that it issued on March 12 (http://gov.nv.gov/News/Emergency_Orders/2020/2020-03-31_-_COVID-19_Declaration_of_Emergency_Directive_010_-_Stay_at_Home_Order/) and the casinos that drive the state's economy reopen their doors, do you think that Las Vegas is going to come roaring back?

Because I do not.

What is much more likely is that the former steady flow of visitors to Las Vegas will resume as a trickle.

There are economic reasons for this: National unemployment levels will be near 20 percent, so people will be grappling with a great deal of financial uncertainty. Disposable income will be at a low ebb. When disposable income is in retreat, people generally do not take extravagant vacations where the primary purpose is to lose money in an entertaining manner.

But there are health reasons, too: People who are older or

immunocompromised—or who come into regular contact with someone who is older or immunocompromised—are going to curtail their behavior in order to cut down on unnecessary personal interactions.

Getting on an airplane to fly to a city so that you can stay in a hotel, eat in crowded dining rooms, and stand elbow-to-elbow with strangers around a craps table will be far, *far* down the list of behaviors on which most people are open to taking a risk.

Which means that the 28th-largest city in America is going to hollow out.

If the tourism industry were to *only* decline by 30 percent in Las Vegas, it would be an utter catastrophe. No tourists means no work for maids, taxi drivers, cooks, dealers, waiters, and the tens of thousands of jobs that make up the invisible, back-of-the-house operations in hospitality.

No jobs for the people in hospitality means a shockwave to the local economy: The retail and service sectors will be crunched. Real estate values will implode. The strain on social services will be gigantic.

The central fact to be grasped here is that “reopening” the economy is largely a formality until there is a vaccine. Because only then will people modify their behavior to something approximating pre-pandemic levels.

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Dinner and a Movie

Consider the movie theater.

Theaters have been closed by government order in most places for the last month—but those orders only validated decisions that had already been made at the corporate level: Most large theater chains had closed their doors of their own volition as the pandemic began heating up in early March.

Various states will, at some point, rescind these orders and allow movie theaters to open.

Exactly what good will that do?

There are 41,000 movie screens in America and the industry is dominated by three large chains—AMC, Regal, and Cinemark.

It is unclear how any of them can survive.

Take AMC, the largest theater chain in America. When the pandemic hit, AMC furloughed 25,000 employees. This month the company served notice that it would [stop paying rent \(https://deadline.com/2020/04/amc-theatres-bankruptcy-coronavirus-box-office-exhibition-1202902893/\)](https://deadline.com/2020/04/amc-theatres-bankruptcy-coronavirus-box-office-exhibition-1202902893/) on all of its leased locations (which account for most of its theaters). The company has debt payments due this summer and recently had its credit rating downgraded. It's seeking to [raise \\$500 million in private debt \(https://www.latimes.com/entertainment-arts/business/story/2020-04-](https://www.latimes.com/entertainment-arts/business/story/2020-04-)

[16/amc-raise-500-million-coronavirus-crisis-theaters-reopen](#)) just to stay afloat until it can reopen theaters.

But what does “reopening” look like for the theater industry in the presence of COVID-19?

At a minimum, theaters will have to radically reconfigure seating in order to put space between customers—which would mean cutting seating capacity by at least 50 percent. Theaters will also have to implement a more rigorous cleaning regimen between screenings, which will cut down the number of showings they can offer on each screen per day.

Then there’s the popcorn. Mask usage is going to be the default for most Americans for the foreseeable future. It is difficult to shovel popcorn into your mouth and sip on a soda while wearing a mask. Which means that concession sales for any customers who do come to the movies are likely to drop significantly—and such sales account for about half (<https://archive.fo/8eby2>) of theater chains’ gross profits.

Add it all up and three things jump out at you:

(1) If every theater in America opened tomorrow, what percentage of normal attendance would you see? 70 percent? 50 percent? 30 percent? What would that translate into as a percentage of total revenue decline, once you factor in concession sales?

(2) The theatrical exhibition business is such a low-margin industry that even a 30 percent decline in revenues would be enough to push just about every operator in America into bankruptcy.

(3) Even if some theaters managed to stay afloat in the short term, what movies would they show? The Marvel movie *Black Widow* was originally scheduled to open in theaters today. That debut has been postponed indefinitely. Let’s say you are Disney and you made *Black Widow* expecting it to open to \$130 million dollars, pre-pandemic. Now you think that, at some point in the undetermined future, maybe it will open \$70 million. Or possibly \$30 million. Are you going to take that sort of chance with this asset? Or would you rather bootstrap the part of your business that looks like the future—meaning, your streaming service—and eschew the theatrical release altogether?

And what happens then? When the theater chains enter bankruptcy and become distressed assets, who is going to buy them? Because, again, movie exhibition is a low-margin business which has been in decline for several years. The theater chains themselves have functionally zero assets—they own seats, screens, projectors, and popcorn machines. That’s it.

The only parties who might have an interest in purchasing the theaters are the studios themselves—but here there is a vicious circle at play. Where it might have made sense pre-pandemic for Disney to buy AMC, that is no longer the case. Disney’s various businesses have been so deeply exposed by the coronavirus that its stock is down about 30 percent (<https://seekingalpha.com/article/4337786-disneys-stock-faces-declines>). It’s in the fight of its life and not in any position to take a gamble on trying to bring movie theaters back from the dead.

All of which is to say that “reopening” movie theaters is going to do

All of which is to say that “reopening” movie theaters is going to do absolutely nothing to save the movie-theater business.

Because the world has changed and the source of this change is not a government order.

It’s a virus.

* * *

I’ve only picked two examples, but we could scan the economic landscape and find existential dislocations pretty much everywhere.

- How will the airline industry “come back” when people decide to take flights only for travel that cannot be avoided—and international travel is severely restricted?
- How will professional sports—which require thousands of people to be packed into small spaces—play in front of live crowds again? The sports leagues may be able to limp along with only broadcast revenues, but the micro-economies built around stadiums and arenas will not.
- As teleworking becomes increasingly accepted—or even preferred—the physical office will wane. What happens to commercial real estate?

The list goes on and on: Dine-in restaurants, coffee shops, hotels, theme parks, concert venues, convention centers, shopping malls, museums, libraries, schools, colleges—every one of these businesses is headed into a nuclear winter that has nothing to do with stay-at home orders.

You can “reopen” the country all you want. You cannot force people to act as though there is not a pandemic.

* * *

The Long War

There are some industries likely to be less affected by the virus (agriculture, manufacturing) and some industries that will boom because of it (telecom, logistics, e-commerce).

But the American economy is a tightly integrated system where disruption in one sector can cascade into failures everywhere else. In the last 50 years we’ve seen how shocks to finance or energy were sufficient to throw the entire country into deep recessions.

Exactly what sort of recession should we be expecting when several sectors are pushed toward extinction, all at once? Surveying the scene, Nick Eberstadt writes (<https://www.nbr.org/publication/the-new-normal-thoughts-about-the-shape-of-things-to-come-in-the-post-pandemic-world/>) that:

We are still very much in the “fog of war” phase of the calamity. . . . Few had seriously considered the contingency that the world economy might be shaken to its foundations by a communicable disease. And even now that this has happened, many remain trapped in the mental coordinates of a world that no longer exists.

Such “prewar” thinking is evident everywhere right now in the earliest phase of what may turn out to be a grave and protracted crisis. Here in the United States, we watch, week by week, as highly regarded financial analysts from Wall Street and economists from the academy misestimate the depths of the damage we can expect—always erring on the side of optimism.

After the March lockdown of the country to “flatten the curve,” the boldest voices dared to venture that the United States might hit 10% unemployment before the worst was over. Four weekly jobless claims reports and 22 million unemployment insurance applications later, U.S. unemployment is already above the 15% mark: north of 1931 levels, in other words. By the end of April, we could well reach or break the 20% threshold, bringing us to 1935 levels, and 1933 levels (25%) no longer sound fantastical. Even so, political and financial leaders talk of a rapid “V-shaped recovery” commencing in the summer, bringing us back to economic normalcy within months. This is prewar thinking, and it is looking increasingly like the economic equivalent of talk in earlier times about how “the boys will be home by Christmas.” . . .

Societies the world over face the prospect of rolling lockdowns and quarantines until such time as a technological breakthrough rescues them from this condition. This would seem to mean that not just a single national lockdown of a country’s population and economy is in store to fend off mass contagion but rather quite possibly a succession of them—not just one mother-of-all-economic-shocks but an ongoing crisis that presses economic performance severely in countries all around the world simultaneously.

Yes, some of the economic devastation we’ll witness in the months ahead, like the possible demise of the movie-theaters business, might have happened anyway—but without the catalyst of the coronavirus, it would likely have come more slowly, across a decade or more, and with less shock and immediate pain for workers, families, and communities.

And yes, there will eventually be creative destruction that spurs innovation and increasing economic activity. But that is in the long run.

The reality of our near- and medium-term future is something very different. And whatever the government orders people to do, that reality will look more like our “stay-at-home” present than the pre-virus past.



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