

COVID-19: The Ongoing Financial Implications and the Long-Term Financial Outlook

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PANELIST

William D. Cohan

MODERATOR

Peter Coy

COVID-19 FINANCIAL OUTLOOK

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ABOUT THE EVENT HOST



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COVID-19 Financial Outlook

IN AN INTERVIEW moderated by Peter Coy, William D. Cohan discussed the following thoughts on the financial implications of COVID-19.

- By injecting six trillion dollars of liquidity into the system, the Federal Reserve enabled capital markets to rebound in a tremendous way.
- If the Federal Reserve had not stepped in and if Congress had not given the bailout, things could have been even worse. The Fed had to intervene to save the plunging economy.
- Some companies took funds from the CARES Act that did not need the support. Unfortunately, the Treasury Department does not have the infrastructure to properly administer the distribution of the funds.
- The stock market has had an incredible resurgence since its lows in March. From an investor's standpoint, the recovery is good. However, how can the Dow Jones go from 18,500 to 25,000 with 40 million Americans unemployed?
- The second quarter GDP will be rough. However, between the Federal Reserve's actions and the stimulus bill, many companies have performed better than anticipated.
- As the country begins to reopen, and especially once a vaccine becomes available, the economy will begin to normalize, albeit at a new normal.
- People will not be going to local restaurants, the movies, or the theaters until they feel safe again. Cohan predicts that people will not do those things until a vaccine becomes available, even if their governors say the state is open. It is not worth the risk. Businesses that rely on employees being physically in place will struggle. Cohan lamented the lack of widespread testing and tracing.
- The nation currently has high levels of unemployment and huge income inequality. Due to the failure of leadership, we are failing the mainstream economy during a public health crisis. According to Cohan, CEOs should demonstrate more leadership in addressing these issues.
- The federal deficit and debt are ballooning. We all pay back our debts as they become due, or we are declared bankrupt. The federal government is not immune from having to pay its debts. With the economy at its peak in February 2020, the federal government should have paid down debts.
- With interest rates for borrowing money near zero, it is the perfect time for Congress to agree on public works projects, such as fixing bridges and tunnels, and developing a high-speed rail system.

WILLIAM D. COHAN is best-selling author of, among others, *Money and Power: How Goldman Sachs Came to Rule the World* and *House of Cards: A Tale of Hubris and Wretched Excess on Wall Street*. He is a special correspondent at *Vanity Fair* and writer-at-large for AirMail. He also writes opinion columns for *The New York Times*.

PETER COY is economics editor for Bloomberg Businessweek and covers a wide range of economic issues. He also holds the position of senior writer.