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Coronavirus economic damage ‘real and enormous’

By Colin McNickle

A rough estimate of coronavirus-related unemployment levels can be made for the Pittsburgh metro area based on data through the end of March. And it’s quite the sobering picture that’s certain to grow worse, says a scholar at the Allegheny Institute for Public Policy.

“The economic deterioration resulting from the coronavirus plague worsens daily in the U.S., in Europe and here in Pennsylvania and the Pittsburgh metro area (MSA),” says Jake Haulk, president-emeritus of the Pittsburgh think tank (in *Policy Brief Vol. 20, No. 12*).

“While the massive federal spending plan will soften somewhat the effects of the jobs lost because of the mandated closings by replacing some of the lost wages and business revenue, it will not replace the massive loss of output that is occurring,” Haulk says. “The economic damage is real and enormous.”

Based on data through the end of last month, a rough estimate of the unemployment levels for the region can be calculated. Since March 15, Pennsylvania has recorded 844,000 new unemployment claims. That represents roughly 13.6 percent of the number of Pennsylvanians working as of February.

Assuming the percentage also applies to the Pittsburgh MSA – a reasonable assumption considering the governor’s mandated statewide business closing orders -- there would have been 155,600 unemployment claims in the MSA.

“The unemployment rate which stood at 5.2 percent in February -- the latest official number -- could be close to 18 percent as of the end of March and will almost certainly worsen further in April,” says Haulk, a Ph.D. economist.

Indeed, unemployment claims will continue to rise in the weeks ahead, albeit more slowly since the mandated closings have already had their heaviest impact.

“However, the situation will continue to worsen as the effect of rapidly rising unemployment in many sectors not under the governor’s mandate begins to push unemployment claims upward,” says Haulk. “Travel-related sectors such as hotels, airlines, taxicab services, etc., will almost certainly be much worse off in the days ahead.”

A rough estimate of the job losses by business sector can be made by focusing on the businesses ordered closed by the governor and the ones allowed to remain open. However, within the broad sectors there are many subcomponents for which there are no data.

That lack of data clearly could be masking many more grim unemployment numbers.

And as employers decide to lay off workers in these categories, the number of unemployment claims will swell further and the unemployment rate in the April report “will rise to a catastrophic level,” Haulk notes.

“The obvious question has become crucially important,” he says, addressing the economic elephant in the room: “When is the cure worse than the disease?”

“There should be much more effort to find ways people can work safely at their regular workplace,” the economist stresses. “Otherwise the downturn becomes a self-sustaining downward spiral as incomes dry up and demand plunges.”

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