Response = Quarantines, social distancing, cancelling large gatherings, reduced travel, changes in personal habits

**Expected Economic Effects**

- Certain industries hit especially hard: Airlines, hotels, restaurants, etc.
- Supply-chain disruptions: Already experienced following the Chinese response
- Weakened aggregate demand: More uncertainty and market volatility, reduced spending
- Liquidity shortfalls: Can people and employers weather the financial storm? Small businesses most vulnerable.

**So Far**

- Firms haven’t been laying off workers, although hiring seems to have slowed.
• China has been reducing its intervention, Korea might follow.
• Banks are in good financial shape, so the financial system is not at risk.
• Stock markets have taken a hit, e.g. Dow Jones Industrial Average

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<th>1 day</th>
<th>5 days</th>
<th>1 month</th>
<th>6 months</th>
<th>YTD</th>
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• Oil prices have plunged, e.g. West Texas Intermediate

**Economic Policy Responses: Keep the disruption from turning into a recession**

• Federal Reserve has moved to reduce liquidity problems:
  o Target rate cut by 0.50 percentage points
  o Urging banks to meet the needs of customers (be flexible and work with your borrowers and lenders)
  o Ready to act as lender of last resort and to back financial markets
• Talk about Federal government stimulus
  o Cut in payroll tax
  o Send checks to everyone
  o Industry bailouts