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Economic uncertainty and instability amid Covid-19 crisis

BY BARRINGTON M. SALMON -CONTRIBUTING WRITER- | LAST UPDATED: APR 2, 2020 - 11:58:17 AM

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The global pandemic that is sweeping the United States and the world has ravaged almost everywhere it has hit, roaring through cities and small towns, killing thousands of people, making others ill, upending daily activities and decimating the country's economic fabric.



A woman walks through a lightly trafficked Times Square in New York, Monday, March 16. Bars and restaurants became takeout-only and businesses from movie theaters and casinos to gyms and beyond were shuttered throughout New York, New Jersey and Connecticut because of the coronavirus, the states' governors said.

With more than three dozen states closed down entirely or under a lockdown of varying degrees, the damage to the American economy is severe and getting worse. Businesses, big and small, have been battered, with the hardest hit sectors being the travel and hospitality industries and the retail sector.

Tens of millions of Americans had a job one day and the next day they were suddenly separated from their employment. Nationwide, the economic and financial crises spawned by the Covid-19 pandemic continues to spread. As March came to a close, a record 3.3 million workers applied for unemployment claims, a staggering jump from the 282,000 claims made a few short days before.

Americans—primarily the lower middle class, low-wage and working poor—are looking at an immediate future without an income. Many fear that their jobs being snatched away by circumstances out of their control will inexorably cause them to lose their homes or apartments and intensify their struggle to cover basic living expenses.

"The world, if not this country, has to look at something medical that is so disruptive economically and overall," said Eldridge Allen, founder and principal consultant of the Nurudeen Consultancy. "Everything is dovetailing, intermingled. The medical safety net is connected to the economy which is connected to education, which is connected to information technology, which is connected to everything," he said.

"It's unfortunate that circumstances like this show the holes in the social safety net. Parts of that net are shredded."

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All around him, Steven Warner said, he sees people falling through those holes or poised to tumble into the abyss. He's not afraid to admit that he's terrified by the explosion of Covid-19 across the country, the looming economic cataclysm and the seismic shift that may leave the America he knows unrecognizable.

"If this thing continues through the fall, how many businesses will survive by then?" he asked. "What happens to the guy with a \$30,000 equipment loan and no job? This is affecting not just small businesses but all businesses."

Mr. Warner, a South Florida resident, wears several professional hats. He is the owner and host of the flagship Internet radio show "Wake Up and Live," a daily syndicated program of music and commentary that is carried on at least 41 online stations around the world and has just under 200,000 listeners; is a much-in-demand disc jockey who goes by the moniker "Sir Rockwell" and who plays at weddings, parties and other events. In addition, he is general manager of an upscale Jamaican restaurant in the Wynwood section of Miami.

"People are not having weddings or events and businesses are shut down so there is no advertising. By the end of next week, I will have lost about \$10,000," Mr. Warner said soberly. "People are asking for their deposits back too. We're in a dire position. People can't travel or congregate and there's no money. For most households, this is everyone losing their jobs."

His current circumstances are just one example, he said.

"I just opened a restaurant for a husband and wife who spent the last three years building out, on construction, permitting and other costs," he said. "The rent is \$11,000 a month. The restaurant opened last October. Because of my reputation and because people trust me, I was able to steal premium bartenders and servers from the jobs they were secure in and now all of them are out of work."

He said the owners told him that their landlords are waiting until the federal government announces a suspension on rent and mortgages. Until then, they are forced to pay the \$11,000 a month tag.

"The landlords themselves have mortgages. Everybody will have a rent slip due at the end of the month," said Mr. Warner. "Wells Fargo still wants their money. Our landlord has 17 properties in the Wynwood area. That's anywhere from \$66,000 to \$80,000 due this month. It's going to be interesting to see how all this shakes out."

Mr. Warner said he is furious and frustrated by the manner in which President Donald Trump has handled the coronavirus crisis. He said the president has lied, spread misinformation and deflected blame but most egregious, has been the federal government's mishandling and incompetence that has inflamed an already volatile situation.

The president had argued that sheltering in place, the shutdown of states and communities, the shuttering of businesses and other restrictions should be eased by Easter. But in late March, he pulled back, saying the Easter date for businesses to reopen with the healthy back at work and the sick restricted to their homes or elsewhere would not happen. Any plans to restart the U.S. economy will have to be reassessed at the end of April, said Mr. Trump.

Dr. Ashish Jha, the director of Harvard Global Health Institute, told Yahoo News, Mr. Trump and others have to accept and deal with the danger and uncertainty that's at their doorsteps.

Dr. Jha has warned in several recent interviews that the coronavirus is going to hit every city in the United States.

"Coronavirus is going to hit every city in America," Dr. Jha told Yahoo Finance's YFi PM. "There is no question about it. New York is going first. Will [the spread] be at the same ferocity? It may or may not in different cities. ... I am incredibly worried about Louisiana, and specifically New Orleans. I am very worried about Atlanta."

New York, which has become the epicenter of U.S. contagion has registered more than 59,600 cases of infected individuals, more than half of all cases nationally. Hospitals are already overwhelmed. Medical staff report that hospitals do not have adequate supplies of personal protective equipment, or PPEs, the PPEs are not right for staffers' needs there is a shortage of beds and ventilators, not enough masks, and a lack of appropriate staff to handle the pandemic.

Dr. Jha said even though the scale of the New York's problem may be worse than other cities, the advantage New York has is the numbers of doctors and financial resources that are available. No one should assume that every city will be able to handle the pandemic as easily as New York, he said. Despite having more resources than a number of U.S. cities, health care professionals' backs are against the wall.

"If you overwhelm your hospitals by 300 percent or 200 percent ... they are both really bad. So, you are going to see a lot of cities where they will hit their capacity and get beyond their capacity," said Dr. Jha.

Mr. Trump again raised eyebrows when he asked during a March 29 press briefing why hospitals were asking for so many supplies? He offered no proof when he declared members of the media

should “look into” what’s happening to the hospital masks in New York—suggesting some medical facilities might be “hoarding” masks.

“I don’t know what he’s trying to say,” said New York Governor Andrew Cuomo when asked the next day about the president’s remarks. “If he wants to make an accusation, let him make an accusation,” said Gov. Cuomo to reporters March 30. On March 30, health officials in the U.S. said the number of confirmed coronavirus cases exceed 155,000 with more than 2,800 deaths recorded. It has been more than two months since the first coronavirus case was reported in America and the U.S. now leads the world in confirmed cases, surpassing Italy and China. New York and Washington state have been hit hard, but a number of hot spots are developing. New Orleans, Detroit and Chicago are charting a swift increase of new cases. Nationally, medical officials warn that they lack the needed medical equipment and resources.

Mr. Allen and Mr. Warner said businesses are unprepared for the effects of the pandemic, untold numbers of companies and firms will go out of business, and business as we know it may be gone forever. Many fear that American business, like the economy, is hurtling towards disaster.

“I don’t know what Florida, California and New York—tourist spots—will look like in six months,” said Mr. Warner, who previously served as an executive with Virgin Airlines and Planet Hollywood, as well as several hotel chains. “And I don’t know what the landscape for hospitality and tourism will look like. The small businessman is dying.”

Mr. Allen, and personal financial expert Tarra Jackson took a different tack, however, saying that out of despair and disruption, new life for business owners may blossom if they’re willing to adapt.

“My hope is that our business owners learn a new way: embracing e-commerce virtually, having attractive websites and using social media,” said Ms. Jackson, aka Madam Money, author of two bestselling books, “Financial Fornication,” and “4 Financial Languages: The Secret to Communicating About Money.”

“A lot of people are struggling to change. People are being forced to pivot. You have to change. You don’t want to do it? Okay. If you don’t want to, these circumstances are forcing us to change and think differently.”

“For me this isn’t a bad thing,” Ms. Jackson continued. “People will have to rethink business and how they will make it work. This will force them to create something more profitable.”

Mr. Allen agreed. “Change is being able to nimbly adjust and shows the importance of operating from a plan,” said Mr. Allen, who is a small business financial consultant with the Greater Washington Urban League in Washington, D.C. “A lot of people think a plan is only to get a loan, but a plan at best is a business goal, a product, intentions and how a business operates. It’s descriptive but it’s also an operational, marketing and financial guide,” he said.

“If your plan is really strong, it will also be a successful plan but even a successful plan couldn’t prepare anyone for this.”

Mr. Allen said every businessperson should have a contingency or emergency plan which details what they’ll do to stay afloat.

The reality is that most businesses have 45 days of reserves, while Black businesses have much smaller reserves, Ms. Jackson said.

“It’s a big challenge,” she said. “Unfortunately, most Black businesses won’t qualify for the (\$2 billion) stimulus package. A lot of small businesses may not have the financials, tax returns or profit and loss statements. I hope the federal government will allow them to use cash flow.”

Both Warner and Allen warned that the current economic system is unsustainable, with Mr. Warner seeing an ushering in of greater unrest and American-style socialism.

“When it comes to the lower class and the poverty level, those at the top don’t want to look down. They only care about people around them with their name and think that people should do what they did to succeed,” said Mr. Allen. “The upper class likes to confuse things to maintain control ... and ignore things that will benefit more than their group,” he said.

“If you flip the pyramid, there will be unrest and possibly, revolution with the tools now being used for information and technology. I don’t want anyone to think I’m an anarchist, but I recognize history.”

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