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# Wharton Insights on the Impact and Implications of Coronavirus

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As the world grapples with the social and economic impact of the COVID-19 outbreak, Wharton has found a way to use its expertise and vision to examine the real-time challenges facing companies, financial markets and political systems. On March 25, the school will launch [“Epidemics, Natural Disasters, and Geopolitics: Managing Global Business and Financial Uncertainty.”](#) a six-week online course available to all Penn degree-seeking students.

During a recent appearance on CNBC News, Mauro Guillen, a Wharton management professor who is spearheading the development of the course, as well as teaching parts of it, said, “I am inviting guest lecturers, the best experts we have in the school, [to talk about] the psychology of the crisis, the pressures on the health care system, and how companies should be responding...Every crisis is different, but there are still some solid, underlying management principles that can be distilled. That’s what we want to convey to our students, and to companies and policy-makers.”

Guillen has said that the Wharton faculty, including Zeke Emanuel, Wharton dean Geoff Garrett, Sigal Barsade, Katy Milkman, Jeffrey Siegel and more, is proud to launch the course because it draws from the current geopolitical climate and will “offer students insights into this crisis and all types of high-risk events.” With this in mind, Knowledge@Wharton High School spoke with Guillen to learn a few key insights about the crisis that next week’s course will explore:

**A look at supply and demand.** “This crisis is very different from 9-11, SARS (Severe Accute Respiratory Syndrome) or the 2011 earthquake in Japan, and also from the Global Financial Crisis in 2008 [*see related links for more information on all of these crises*],” notes Guillen. “We have simultaneously a supply shock and a demand shock. We have a demand shock because consumers are staying at home and not spending, or they are postponing big purchases. We have a supply shock because a lot of companies — especially beginning in China, but now in other parts of the world — sent their workers home so they couldn’t produce. The global economy works on a just-in-time basis, so if one company shuts down, that means that several other companies cannot operate because they need something that the other company is doing. This is happening on a planetary scale. So, one company that shuts down in China has implications for companies in many other parts of the world.”

**How should the government help the economy?** “We need to consider which government policies work best,” says Guillen. “The U.S. is a consumer-driven economy, and 65% of our Gross Domestic Product or GDP is consumption. Should the government spend more or cut taxes? The problem with cutting taxes is that the positive impact is felt over a series of months, rather than immediately. If the government spends money right away and gives people \$1,000 or \$2,000, which is something that is being discussed between Congress, the White House and the Treasury Department, then you can have that money right away in people’s pockets and that way the economy will not panic.”

**The difference between uncertainty and risk.** “Decision makers, like companies and investors, don’t like uncertainty because they don’t know what to do,” notes Guillen. “It’s important here to differentiate between uncertainty and risk. Risk is when you can calculate the probability of a certain outcome in the future. You can quantify what the risk is. However, uncertainty is when you cannot quantify. This is what is causing so much trouble right now in the sense that investors and decision-makers at companies don’t know enough. They’re trying to apprise the risk, but they’re having a lot of trouble with that.”

**Learning from the crisis.** “We need to evaluate ways to avoid a similar occurrence in the future,” says Guillen. “On the health care front, we need to have more testing kits, respirators and other types of health care equipment. We have to have more transparency and better information so that the world learns very quickly about an outbreak in a particular

location and everybody acts accordingly. Companies need to diversify their sources of supply so they don't just rely on one country or one supplier. People like you and me and workers need to be prepared for this in the same way we are prepared for a hurricane. We need to invest more in preparedness.”

Stay tuned for our list of crisis-inspired business and economics terms that everyone should know, soon to be published here in the Knowledge@Wharton High School business journal.