Estimating the costs and benefits of mandated business closures in a pandemic

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Abstract
Typical government responses to pandemics involve social distancing measures implemented to curb disease propagation. We evaluate the impact of state-mandated business closures in the context of the Covid-19 crisis in the US. Using state-level variations in the set of sectors defined as non-essential and forced to shut down, and geographic variations in industry composition, we estimate the effects of business closure decisions on firms’ market value, and on infection and death rates. We find that a 10 percentage point increase in the share of restricted labor is associated with a drop by 3 percentage points in April 2020 employment, a 1.87% drop in firms’ market value, and 0.15 and 0.011 percentage points lower Covid-19 infection and death rates, respectively. An extrapolation of these preliminary findings suggests that state-mandated business closures might have cost $700 billion and saved 36,000 lives so far.

We use data from different public sources in the U.S.

JEL codes for the project : E32, I10, I18, H1,

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Link to the paper :