Short-Run Effects of Covid-19

Negative aggregate supply and demand shocks will reduce output and may raise prices.

Colleges have to make major changes in academic offerings, dormitories, and classrooms to conform with state regulations concerning masks and social distancing

Colleges need to provide additional training to faculty and staff, and purchase safety equipment.

Some furloughed faculty and staff may not be recalled.

Parents who lose their jobs may not be able to pay for their children's tuition.

Colleges with severe enrollment problems may not survive

Students, faculty, and staff may become ill and some may die.

Smith’s Plan for Opening Up

Only first-year and second-year students will be invited back this fall. Third and fourth-year students will learn remotely at home.

Only third and fourth-year students will be invited back next spring. First and second-year students will learn remotely at home

The fall semester will start one week earlier than normal

Classes will continue until Thanksgiving break. In the period between Thanksgiving and Christmas all students will stay at home, study remotely, and take their exams before Christmas.

The college will offer modest discounts for those receiving financial aid and freeze tuition at its 2019-2020 level.

The college will offer intensive courses during January, and the second semester will start in February.

Medium-Run Effects of Covid-19

Continued loss of life

When a new vaccine or drug is developed, the economy may return to “normal”

More risk-averse colleges may hire fewer tenure-track faculty and more adjuncts

More risk-averse students may continue the trend of majoring in more vocation-oriented majors, continuing a decline of interest in the liberal arts.

Reductions in enrollment from China and elsewhere will reduce tuition revenue

Long-term Effects of Covid-19

Labor market scarring will reduce wages and employment prospects for today's college graduates for years.

Improvements in on-line education may reduce the relative growth rate of college tuition and faculty salaries.

While the most competitive colleges will be relatively unaffected, less competitive colleges will be financially challenged.