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AMERICAN INSTITUTE FOR ECONOMIC RESEARCH



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In This Issue

Edward Peter Stringham, President

AIER's approach to this crisis

My most sincere wishes for your well-being in this time of grave crisis. The crisis not only concerns health and disease; it is also about economics and the politics of ignorance. It's heartbreaking to see such mass ignorance on display about statistics, math, economics, and the problem of power. The chaos has not only been medical; it's been social, cultural, economic, and political. The costs are devastating and growing by the day.

As you have surely seen, however, AIER was well prepared for this. We are using the most modernized digital tools to communicate with each other and as a group, even those who have to work remotely. And we are communicating with the world through our extraordinary website and social media tools. The whole team has worked so hard and continues to do so. Our research team works around the clock to crowd-source information flows and present findings as we have them.

Thus far, AIER has published more than 60 of the best articles on the topic. We have reached more than a million people. It's not enough but it is essential that we do our best. Our domestic reach in the U.S. now exceeds that of research institutions magnitudes larger than us including

the American Economic Association, American Enterprise Institute, Cato, Foundation for Economic Education, Heritage Foundation, National Bureau of Economic Research, and pretty much all other groups I can think of.

I'm grateful that AIER had all these preparations in place as a way of responding precisely as our founder hoped we would.

On the other side of this, I'm confident the economy will eventually bounce back. There is also a huge opportunity for learning here. People are discovering daily how much they depend on the marketplace, on rational thinking, and on the limits on government power. There will likely be a scientific and ideological realignment coming, and AIER plans to use our new influence and reach to provide wisdom and guidance.

Again, I wish you all the best during these times. Let us hope and work for a brighter future for all.

Edward Peter Stringham

A handwritten signature in black ink that reads "Edward Peter Stringham". The signature is written in a cursive, slightly slanted style.

Leaving People Alone Is the Best Way to Beat the Coronavirus

Richard M. Ebeling

The world has rapidly moved into a seemingly aggressive paternalistic planning mode in the face of the coronavirus crisis. Many voices are heard to say that personal and economic liberties must be restricted or even temporarily banned. At the same time, many of those same voices are saying that at a moment like this government spending, for all intents and purposes, has no limit. Welcome to the world of a really lot bigger government.

Over the last two weeks, municipal and state governments in places like California, New York, New Jersey, Connecticut, Pennsylvania, and Illinois, to name just a few that the media has particularly publicized, have ordered the virtual shutting down of huge parts of the economy under their respective jurisdictions. They have commanded entire populations of tens of millions of people to not leave their homes other than for a small handful of reasons such as getting medical treatment or food shopping under penalty of a fine or worse.

Millions of people in manufacturing and especially the service sectors of the market have been or are in the process of being thrown out of work because the enterprises in which they are employed have been ordered to close their doors or narrowly reduce the type of business they do until further notice, again subject to legal penalty.

War Powers, Budget Busting, and Monetary Ease

At the federal level, the president of the United States has declared a *national emergency* in the fight against the coronavirus. He has activated a Korean War-era piece of legislation called the Defense Production Act that enables the chief executive to commandeer enterprises and, indeed, entire industries, and compel and direct what those businesses will produce and how and in what quantities to meet the needs of combating the *enemy* threatening the American people. Indeed, at a press conference, President Donald Trump even called himself a *war president*.

Reports have appeared warning that the Department of Justice has approached members of Congress to have authority, with a senior judge's approval, to detain individuals indefinitely in declared national emergencies such as the current coronavirus crisis, along with a number of other serious exemptions from respecting a detained person's Constitutional rights and civil liberties.

On the budgetary side, all accounts suggest that the next spending bill coming out of Congress and heading for the president's desk will be in an amount of over \$2 trillion, or approximately 10 percent of the U.S. Gross Domestic Product. It contains a grab bag of spending, including sending every American a check from Uncle Sam for up to \$1,500 and followed by another check in the same amount later in the spring. Multibillion-dollar bailouts would go to the major airlines and the travel industry to tide them over until large numbers of people start flying and vacationing again.

Loans and guarantees will be extended in, as yet, undefined ways and amounts to small and retail businesses forced to close their establishments due to governmental decrees preventing customers from entering and using their facilities. The Secretary of the Treasury has referred to the federal government having a possible \$4 trillion line of credit to extend to businesses adversely affected by the supply-restricting commands imposed by Washington, D.C. or the state governments.

At the same time, America's central bank, the Federal Reserve, has promised easy and available lines of credit for financial institutions and others to help them stay in business and supply the means for borrowers and investors to pay their bills and meet their payrolls in the face of falling or stalled production and sales resulting from those government edicts to stop what they are doing and sending their workers home for self-quarantining and social distancing.

The New Command and Control Economy

Social distancing is the new official language for government telling people not to interact with others at work, or in the common areas of everyday life, or even at home. What it amounts to is the government telling people where, with whom, and when they may associate in close proximity with others for mutually beneficial trades or for various forms of family activities and social comradery and entertainment.

Suppose that the federal government in close collaboration with state governments were to introduce such draconian coercive controls and commands on the American people at any time other than like the present one, when many in the country have become wrapped up in fear and near hysteria over the threat of the coronavirus. I think it is likely

that many would wonder if some type of political coup d'état was not in the process of transforming the American Republic into a near totalitarian state and planned economy.

What other conclusions could be drawn when personal freedom and civil liberties were being trampled upon, when the freedom of association both inside and outside the marketplace was being straightjacketed, and private property rights and free enterprise were, respectively, abridged and placed under government direction and dictate?

Because of the concerns surrounding the life and death impact of the coronavirus, the vast majority of the population in the United States (and in all other countries affected by the virus, as well, such as in Europe), acquiesce and support the government telling them what to do in their everyday life, including how to do it.

In addition, the imposition of this system of social authoritarianism is happily pursued as a bipartisan exercise by

politicians in expanding the powers and reach of the government at all its levels. At the same time, members of both major political parties never lose sight that in a presidential election year they are playing to the voters in both vigorously seeming to be doing *something* and vastly enlarging the dollars to be eaten up at the government trough by the various groups they normally pander to and which are now suffering due to those new command and control policies they are jointly imposing on the country.

Any New Normalcy Will Not be the Old Normal

At some point, as yet not fully determined or predictable, the coronavirus crisis will come to its end. Many will have been infected by the virus and will have suffered anything from non-existent symptoms to serious illness that has required hospitalization. And, tragically, a certain number who have come down with the virus will succumb to its effects and pass away, especially those in the later years of life who have a variety of pre-conditions that weaken their immune systems to better ward off the viral invader.





The world, including the United States, will attempt to return to some kind of *normal*, though what normal means at that time will not be independent of all that has occurred in the interim between the first appearance of the virus and its disappearance, either from *natural* causes or by medical advances in the form of a successful inoculation.

But what most likely will be one of the lingering legacies of the coronavirus crisis will be the presumption that governments not only must take the lead, with all the accompanying power and controls to face and fight a future pandemic, but that it is the duty of every citizen in such situations to do what the political authorities in elected office or appointed in the appropriate bureaucratic offices tell them to do.

Future Recriminations Will Likely Call for More Government

No doubt, if there are any criticisms and recriminations about who and how things were handled—and they are already in play, given that it is an election year—the corridors of debate most likely will be confined to discussions of the personalities who had been in charge, and the failure on their part to be as farsighted and forthright in implementing various policies as then seem *obvious* after the fact. In other

words, discussions will revolve around how better to do the command and control system the next time, especially since the residues of the command and control system introduced during the coronavirus crisis will still be on the books or will still be in effect as a *readiness* for that next time.

Already in the pages of *The Nation* (March 20, 2020), it is decried that too many, including Democrats like Joe Biden were penny-pinchers in wanting to restrict spending and contain government deficits. The author insists, *When faced with the genuine prospect of annihilation, the only adequate response is to do whatever it takes to prevent it. For the United States government, that means not asking, 'How will we find the money'? but instead, 'How will we find (and mobilize) the necessary real resources'?*

Oh, and just as urgent and categorical is finding the money and mobilizing the needed real resources, the author says, to do away with fossil fuels, institute the Green New Deal, assuring everyone *the right to a well-paying job and creating the public goods that are available for free to everyone*. If we could gather the needed money and organize the required resources to defeat the coronavirus, then surely we can do the same to solve problems x, y, and z, as well as . . . If only we do so, we will be well on the road to collectivist Utopia.

And others, especially on *the left*, also, condescendingly smirk that there are no libertarians in a pandemic, as it is pointed out that a Republican administration has turned to government *activism* to fight the virus, thus confirming that the days of market fundamentalism and *laissez-faire* have reached their end (under the ignorant assumption, of course, that America has had a real free market at any time over the last hundred years).

The Republicans have been doing all in their power to confirm this view of *progressives* by working day and night to bring to the desk of the president that \$2 trillion giveaway in the name of overcoming the economic tailspin the government's own policies have produced at the federal and state levels.

So, What Should Government Do? Very Little

Now, at this point, it would not be unreasonable for a reader to wonder: So, if the turn toward a system of command and control is to be bemoaned in the face of the coronavirus crisis, what should government have done and be doing, given the health risk? Surely the answer could not and cannot be, *Nothing*, can it?

My answer, for whatever it may be worth, is that is exactly right: Government should be doing little or next to nothing. The problem is a social and medical one, and not a political one. The best methods and avenues for people as individuals and as members of groups and participants in society as a whole, to discover and apply that which would be best to deal with a pandemic of this sort is to leave it to the institutions of voluntary civil society and the competitive, profit-directed forces of supply and demand.

The classical liberal conception of the purpose and function of government is to protect the individual lives, liberty and honestly acquired property of the citizens under its jurisdiction. This includes an impartial and equal rule of law. Anything that goes beyond these duties and responsibilities must by necessity involve an encroachment of political power over the actions and decision-making of the free individual.

Free Men Make Their Own Choices, for Good or Ill

It is one person claiming the authority over another about how they should live, what they may do, with whom they may interact and for what purpose and under what terms. Whether it is a tyrant who has established his political authority through violent means or whether those claiming that power to tell others how to live their lives are holding their political authority based on a democratic election, it remains, nonetheless, some people commanding the actions and interactions of others who may not voluntarily agree or consent to what they are being told to do.

But it's *science*, or *sound medical findings*, to which the individual is being made to conform! It's for his own good, in the face of either that person's ignorance or lack of will and willingness to do what is *really right* for them in a particular instance.

References to *science* and *sound medical findings* as an unchallengeable benchmark of justifiable coercion often sounds amusingly innocent and naïve when looked at from the perspective years or decades later, when science and medicine have advanced much further and we can smilingly look back on what people thought was the *right thing to do*, in that earlier and less informed time.

No doubt that is how some of our *science* and medical knowledge will be viewed at some later time in the future. It is the way we look at someone in the 1800s, for instance, who declared with dogmatic certainty on some scientific or social matter, *But, my dear fellow, this is the 19th century!* implying that the state of knowledge was so advanced that how could anyone question or challenge it? Our amusement comes from thinking how uninformed and *primitive* their thinking seems to be compared to our far more advanced knowledge and understanding in the 21st century.

The Morality of Liberty Requires Non-Interference

Even if someone is absolutely right on the danger from another's actions concerning himself, it would still be wrong to stop his conduct from the perspective of recognizing and respecting his right to live his life as he chooses. If you see your neighbor sprinkling a bit of arsenic on his food, and he continues to do so after you have forthrightly and clearly expressed to him the potential health dangers, either because he does not believe you, or he's willing to run the risk because he likes the taste, or because he wants to commit suicide, you do not have the right to interfere with his actions.

You may reason, argue, plead, and admonish, but a free man may not be interfered with, no matter how frustrating, ignorant, or contrary to reason and science you may consider his conduct to be. Once we open that door, the way is opened for any number of seemingly reasonable and unreasonable demands to dictate and determine how others may live. That some get imposed while others do not, once the premise is accepted, is merely a matter of the prejudices and presumptions of public opinion at a moment in time. Today's *absurd* regulation becomes tomorrow's essential political intervention for the good of others, with no logical end to which that premise may be applied.

This may be all well and good, but individuals interact with others, and their actions, especially when it concerns a deadly and contagious virus like the corona one, can and will infringe and impinge on the lives and well-being of others. People interact in two types of *social spaces*; those that are in the domain of private property and market exchange, and those that are in common areas, with the latter potentially creating problems known as *the tragedy of the commons*.

The Arena of Property, Prices, and Markets

In the realm of private property, owners can set and the transactors may agree upon the terms and conditions under which they voluntarily interact and associate. For instance, in the workplace those on the shop floor have to wear protective goggles, or fire-resistant types of clothing, or must have special training in the use of various tools and instruments used in the production processes of the enterprise.

People negotiate and agree to the type of work to be done, the wages to be earned, the hours of normal employment, the demeanor and deportment expected of each toward other members in the workforce and customers of the business. Special, unusual or irregular circumstances and

situations that may arise may be agreed to ahead of time or dealt with as they arise within the enterprise.

Everything mentioned in the preceding paragraph may differ in specific forms and details among firms and enterprises to suit the particulars of the workplace in question. Patterns of conduct in the private marketplace of work and sales reflect the difference in time and place and purpose. There are as many nuanced rules, procedures and practices as the circumstances that market supply and demand warrant at a moment in time and over time in similar and changing conditions.

What is produced, how it is produced, where it is produced, and for whom it is produced is guided and determined by the structure of market prices for both final, finished consumer goods and for the factors of production (land, labor, capital) that are used in various complementary and substitutable ways, under the directing vision of entrepreneurs, enterprisers, and businessmen concerning the shape of consumer demands to come.

Supplies are adapted, coordinated and brought into a balance with the demands of those who wish and are able to buy the goods and services potentially brought to market. Changes in the pattern of consumer demands and shifts in availabilities and discovered uses of the means of production constantly and continuously result in processes and periods of adjustment to the new circumstances. Everything, it needs to be remembered, takes time to fully and correctly adapt, even with the best intentions and thoughtful expectations, in trying to correctly anticipate the unexpected and the not completely knowable.

What is brought to bear in all of this is the knowledge, experience, informed judgements, and insightful hunches of all the individual participants of the entire global system of division of labor in the worldwide marketplace of goods and ideas. If, as the saying goes, two heads are better than one, then surely 7.7 billion heads are better than all of the best minds of the relative handful of those in government who would presume to know how to *get things done* in better and more balanced ways than when all those billions of minds are set to work through the motive of profit and the avoidance of loss in attempting to improve one's own circumstances.

Personal Choices and the Tragedy of the Commons

The tragedy of the commons refers to those areas of social life that have not come under the full orbit of private property and market-based decision-making. These are areas that, as they say, belong to everyone and therefore to no one. It is pointed out, for instance, that a common pasture



openly accessible to all will likely be over-grazed as each herdsman tries to get as much out of its use as he can; or a common river to which all have access may be polluted by some (or all) due to no restraint on how and for what the common waterway may be used in the pursuit of private purposes. Most of us have experienced irritation and inconvenience from the trash left by others on *public beaches* to which all in the community have entrance with no personal cost or penalty for not policing the garbage they left behind.

The common areas lack the constraints and incentives that influence people's behavior in using and managing what is privately theirs, with the benefits and the costs of the actions mostly falling upon those private owners from either wise or thoughtless decision-making. Many, if not most, of the environmental problems often experienced in society can be traced back to areas of social interactive life in which private property rights have not been carefully delineated, recognized and secured by custom and law. In other words, they are generally found in those areas in any society in which there is equal access and use under *social communism*. It creates those instances usually called *negative externalities*.

What does all this have to do with the coronavirus crisis and role of government in society? The common problem arising from a communicable disease like the coronavirus is that it inescapably spreads from interpersonal actions that occur in relatively close proximity. But this is life; we cannot completely get away from participating in the constant and numerous forms of human association, from which come all the benefits that we share in our modern society.

Someone sneezes or coughs near us; we touch something where another hand has recently been; we *rub shoulders* in crowded spaces; and we naturally and unintentionally touch others, whether the latter is a handshake, or a pat on the back, or a kiss on the cheek.

A by-product of our natural *touchy-feely-ness* is transmission of such things as the flu, which in various strains reappears each year. During the 2017-2018 flu season there were 45 million cases in the United States, 810,000 of which required hospitalization; while 61,000 people died that season from the flu. So far in the 2019-2020 season, which runs from October to May, there have been 38 million cases of flu in the U.S., with 400,000 hospitalizations, and 25,000 deaths, with still two months to go in the current flu season.

People could be more *socially distancing* themselves, going shopping less frequently, avoiding more social and business activities and events during that flu time of the year, and stop touching and kissing others as much as we do. But most of us choose not to be as cautious and careful as we, hypothetically, could be.

We all know in the back of our minds the risk and uncertainty of whether we will be one of the numbers in that statistic. But as the saying goes *You buys your ticket, and you takes your chances*, in the public and common arena of social interaction. And we do not expect or decry a failure of government to get in our individual ways in making these decisions.

Government's One-Size-Fits-All

Are there particular uncertainties with this new coronavirus? Yes, according to all the scientific and medical experts.

Does this call for heightened care and concern in what we do and how we do it? Most certainly. But, the experts have also been able to tell us, so far, that the young seem to be more asymptomatic, the middle age ranges seem to get it, with many of the usual or other flu-like symptoms, but for the large majority in this group it will pass after a period of discomfort and inconvenience, as with the strains of many other flus. The *at risk* are those 60 and especially 70 or older, and particularly if they have any number of preconditions that have or may weaken their immune system.

So how shall we manage the inescapable *common areas* of everyday life of just being in proximity with others in many if not most of the things we usually do? One method is the one our command and control government central planners have been imposing. In a typical *one-size-fits-all* approach, local and state governments have shut down entire sectors of the economy, especially the service and entertainment and related business enterprises.

They have been ordered under legal penalty to stay home, to not go out except for those things government says you may go out for, and to stay away from workplaces unless they are *essential* employments as the government defines them. Because everyone could be a potential carrier and recipient of the virus, all will be confined within the one corridor of permitted activities as determined by those in political authority.

This societal straitjacket of economic stoppage and slow-down singularly due to the compulsory command of politicians and bureaucrats is starting to wreak havoc on the livelihoods and investments of tens of millions of people. It may have been the case that the history of monetary and fiscal policy over the last ten years strongly suggested a new economic downturn was going to happen sometime in the future.

But it is clear that this slowdown and likely recession is not due to the usual pattern of the business cycle. This has been induced by government basically telling large numbers of businesses and workers in society to stop working, stop selling, shut down or more narrowly confine how you do your business.

Letting Individual Choice Their Actions in the Commons Area

What, in my view, should have been, and can still be done in terms of an *answer* to the health tragedy of the human commons? Those in the medical and biological fields especially knowledgeable about and doing research in virology should share and explain to their fellow citizens the nature, properties and particular dangers from this coronavirus, as is best understood in an evolving situation. And they should, as they have been, recommend the wisest courses of personal and social actions to avoid or at least minimize the likelihood of catching the virus and passing it on to others.

At this point, everything else should be left up to the decisions and judgments of the individual members of the society. Will everyone act *rationally* or *reasonably* as *experts* and normal common sense suggests they should? No. We have seen this with news videos of college students and others congregating in large numbers on beaches in America and Australia, and when asked why, some sound like infantile knuckleheads who say they are bored and *Just want to get drunk and party, man*. Is there any meaning to a negative IQ?

But rather than blanketly shutting down these common areas, like the public beaches, or walkways and thoroughfares, just let them alone. As with any tragedy of the commons situation, others will and should have the liberty to adapt and adjust to the actions of these others as best they find it prudent or necessary, given their own situations and circumstances, and personal health concerns.

Let people decide these things for themselves based on their own risk averseness and concerns for not coming down ill and for not infecting others if they come into contact with a carrier. Those in the most susceptible categories of likely danger would and should adapt as they find and think best.

Not everyone over 60 or 70 has a precondition or will die from the virus if they catch it. Those in this age group should be the ones most careful in planning and designing their interactions with others, particularly staying away from the grandchild or great-grandchild who fits into that knucklehead group.

I might mention that some Americans still have, in this context, a healthy Thoreauvian spirit of civil disobedience. Not far from where I live in Mount Pleasant, South Carolina there is a delightful and heavily wooded county park with numerous winding paths perfect for going for a stroll, walking the dog, or for a bicycle ride or a jog.



Henry David Thoreau

The county government may have categorically declared all such parks closed until the end of the coronavirus crisis, but a good number of people went over or around the locked gates and enjoyed a warm and blue-skied weekend in this common area, in spite of what the local government dictated. People were in a good mood, highly friendly and bantering back and forth over the situation, and keeping their six feet apart. The voluntary associations of civil society peacefully and intelligently at work in the midst of an infectious virus crisis.

Leaving Private Enterprise Free to Meet People's Demands

What about the private sector of business and industry in the common social space? This, too, government should leave free and unimpeded. In the face of all the publicized short supplies of a variety of goods, including toilet paper and hand sanitizers, new shipments arrive in many places within a day or two - or at least this will continue to do so for as long as state and local governments do not stop these manufacturers from continuing to produce and gear up a greater supply to meet the increased panic demand.

In spite of all the typical attacks on business and profit-making and the *evil* of higher prices for especially scarce goods at this time of fear and concern, it is the private enterprise system that has the institutions and possesses the incentives to make it advantageous and profitably

worthwhile to not only *deliver the goods* on the regular and daily basis that we all so very much take for granted, but to meet unusual and extraordinary circumstances such as the present. The value of the competitive market is that it sets those multitudes of minds to work to devise ways to rapidly and effectively get the goods that people now need and want more of than in the usual patterns of events. Changing relative prices reflecting greater and lesser demand and supply changes sets in motion adaptations and adjustments to the new circumstances with greater speed and flexibility than any top-down command and control system of government can possibly oversee and manage.

Prices are a signaling system, a vast and interconnected system of human communication that gives the necessary information to those who need to know, so they may utilize their special knowledge and skills and abilities in their localized times and places to rebalance and re-coordinate how and what they do to meet the changed demands of others as quickly as can be done.

It has been the monopoly decision-making and permission process of the Pure Food and Drug Administration (FDA) and the Centers for Disease Control (CDC) that has delayed developing new and improved testing techniques to deal with the coronavirus, as well as revving up the manufacture of testing equipment and related materials and products.

After weeks of delays in not wanting to loosen or give up their command and control over these things, the FDA and the CDC relented and the private sector was partly given greater freedom to produce, develop and supply what has been most urgently needed. As a result, more of these goods soon will be on their way to where they are wanted.

Allowing People to Weigh the Trade-offs

But what about workplace health and safety in the face of the coronavirus? The people and not a host of politicians and bureaucrats should determine how and what to do to maintain the efforts and energies of production. Employers and employees should be allowed to decide among themselves the best courses of action, in conjunction with the customers' preferences.

In spite of what the writer for *The Nation* magazine may have said, the world and everyone in it is not facing *annihilation*. Humanity will not perish, human life will recover and go on, and as with all other similar natural tragedies, efforts will be made to minimize the human loss, but some will succumb, just as is the case with the usual flu every year.

There are always trade-offs, and personal costs and benefits. If there are some commodities in intensely greater demand in such a crisis as the coronavirus, but with health concerns

on the shop floors of the manufacturing processes, with profits to be made employers can offer time and a half or double even triple pay to compensate for the riskier work environment. Some workers will prefer to stay at home, while others weigh the new offered options and decide it's worth the greater risk of catching the virus in exchange for what that extra pay will enable him and his family to provide for. Part of the cost would be to be more vigilant in managing one's life away from work to minimize passing on the virus to others around them at home.

This way, each person can weigh things for himself, given his own circumstances as income earner, parent, husband, son or daughter and make the choice that seems best for them, while not standing in the way or dictating what is right for anyone else. This seems far more reasonable and rational than the sledgehammer technique of the government's command and control system.

By its very nature, the government planners and their top-down planning method cannot know, appreciate, or incorporate all the nuanced details and bits of knowledge and information that makes each person's choice not only *right* for them, but that ends up freeing people up to go about doing what are the *right* things as reflected in the market demands and prices of what is needed most urgently by others in society, as well as where and when.

The anecdotal story about the origin of the term *laissez-faire*, is that in 1681, the French minister of finance, Jean-Baptiste Colbert, asked a group of businessmen what the government could do to assist them, and one of them replied, *Leave it to us*, that is, leave the marketplace alone to the free, peaceful and honest productions and trades of the participants on the supply and demand sides of a free market.

That is what the government should have done from the start in the face of the coronavirus crisis, and should introduce as quickly and thoroughly as possible right now, because its own central plans over the people and production of society are dragging the entire economy and society into a terrible economic downturn that will create very serious dislocations, shortages, lost jobs, and bring economic ruin to multitudes of Americans.

All that is needed to be done and should be done, even in this coronavirus crisis, is to leave people free to make their own choices and allow the free market to work its miracle of fulfilling the urgent demands of the moment to save lives, supply very needed goods and services, and find profitable ways of keeping those goods flowing and jobs existing to maintain as best as possible our standards of living.

Economic Theory in Time of Crisis

Peter J. Boettke

Ludwig von Mises remains in my judgment the greatest economic analyst of the 20th century. He was sharp and pointed, and yet comprehensive. His critique of socialism was decisive and his price theoretic rendering of the manipulation of money and credit remains I would argue the top contender for an economic theory of macro-economic volatility.

There are other theories—psychological, random shocks, etc.—that can use economic tools in analyzing, but an economic explanation that traces from individual decision-making guided by relative prices to the pattern of exchange, production and distribution, and how distortions in that chain can result in coordination failure still belongs in my humble opinion to the class of theories that Mises pioneered.

And, in developing both his systematic critique of socialism, and his analysis of the monetary system and the problems associated with the manipulation of money and credit, Mises would articulate a theory of the entrepreneurial market process that demands our theoretical respect and attention, and continued refinement and development. Mises, the economic theorist, remains scientifically relevant today if not more so than he was during his lifetime. His research program is a progressive one far from being exhausted.

On the other hand, Mises was also a broader intellectual—both a policy analyst and a social philosopher. I tend to pay attention to Mises the economic theorist and Mises the social philosopher of liberalism. I tend to find Hayek a more compelling social philosopher, and Hayek and Kirzner the most astute developers of Misesian economics.

I realize these are all judgment calls that are a function of particular historical contexts and personal tastes, so I have no desire to debate these assessments. But what I do want to do is think some about Mises as a policy economist. This actually was a job he held throughout the formative period of his career.

These writings can be found in the Richard Ebeling-edited 3-volume set of Mises's lost papers—*Selected Writings of Ludwig von Mises*. I have been reading them closely lately for a variety of reasons. A different Mises emerges. The Mises that I have spent my career studying is the Mises of: *The market is not a place, a thing, or a collective entity. The market is a process, actuated by the interplay of the actions of the various individuals cooperating under the division of labor. Or, the Mises that told his readers that I set out to be a reformer, but only became the historian of decline.*

But this policy advisor Mises argues that: *When there is a fire, it is paramount to utilize firemen, hoses, and water; how to pay the fire brigade is a secondary consideration at that point.* And, who argues that when it is an exogenous threat, *The favorable outcome of a war is not solely dependent on the number of soldiers, or the valor and brilliance of their military commanders. An equally important factor is the capacity to provide the army with supporting material, arms, and military equipment of every kind.*

We can debate a lot of things about our current situation, and historians and economists will do so. But there are two critical facts—first, this is not a bust generated by manipulation of money and credit. No doubt our financial institutions are vulnerable because of policy choices made over the last several decades, and these vulnerabilities are being revealed. The point is that this was not the impetus for this particular timing. And because of policies in place, capital and labor are not being allowed to be reallocated as they normally would in a time of adjustment.

The self-corrective mechanism has been shut off by dictate, not just made more difficult or confusing but locked down by government dictate. In short, this downfall is a consequence of a government-mandated work stoppage due to a public health crisis.

Second, the public health crisis is an exogenous shock, made worse by a host of government failures associated with preparedness and response. But those issues are now not relevant for discussion; they are the constraint against which next steps must be made. We can adjudicate guilt and innocence down the road, as historians no doubt will.

This is also true about the debate over the statistics on this—of which you can have a serious conversation about optimistic readings and pessimistic readings—this I think will also be sorted out by the public health experts and epidemiologists in the coming years (I hope for optimistic reading).

As economists, we are trained to think in terms of trade-offs, and so my attention is drawn to the reality of thinking through how we weigh the alternative paths forward that are effective at ending the public health crisis with policies that don't destroy the economic future. So that is why I am turning to Mises—he had to think about these issues in the face of WWI, the Great Depression, and WWII, and during that period he didn't just think, but he lived through the horrors of war, the loss of the world of yesterday in Vienna, and dislocation. So what he has to say might warrant our attention—not that it has direct answers to our world today, but to how a committed rationalist and liberal tries to reason through demented times.

It is not Mises the theorist and not Mises the philosopher, but Mises trying to take that theoretical perspective and apply it in a way consistent ultimately with his liberal philosophy to address the pressing issues of a demented time. We must, I would argue, do a similar thing in our time.

Tyler Cowen has a series of suggestions that can usefully frame the policy discussion. (*Plans for Economic Mitigation from the Coronavirus*)

I would add my voice to those proposals, and just emphasize that there are at immediate reforms we desperately need that would help by unleashing the creative powers of a free civilization:

End all tariffs on goods needed to get through this

End the monopoly on disease testing and medical innovation

End the restrictions on hospitals and beds

End laws against *price gouging* that have caused hoarding and shortages

Do everything possible to open the economy up again while maintaining public safety.



Ludwig von Mises

And most of all, this must be done in a manner that doesn't unleash in an uncontrollable manner what Robert Higgs aptly describes in *Crisis and Leviathan* as the *ratchet effect* that ultimately would threaten our ability to tap into those creative powers by curtailing our freedoms.

Globalization Does Not Increase Pandemic Risk

Vincent Geloso

The coronavirus outbreak has sparked concerns that the occasion will fuel the ongoing backlash against open trade and borders. Nativists, protectionists and extremists on all sides of the political spectrum have already joined the bandwagon. To be sure, these critics would have jumped on any occasion to criticize globalization. They would have also proposed the same remedies as they do now regardless of what the occasion was.

However, their case has an element of plausibility. The ability to trade more easily increases our contact with goods and individuals from all across the world. That mechanism, all else being equal, increases the risks of being exposed to harmful parasites and pathogens. As such, the present situation provides them with a seemingly reasonable motivating factor to argue for their preferred policies.

Do not be fooled, their arguments still fall woefully short!

Consider the cost of the largest flu pandemic of the 20th century: the 1918 Influenza. According to Robert Barro, the effect of the pandemic was to reduce GDP per capita by 6% (all else being equal). Subsequent pandemics such as those of 1951, 1957 and 1968 produced smaller economic (somewhere in the range of less than 1% to 4%) and demographic damages (death rates at each outbreak kept falling). The modern average flu season still imposes large costs—even in its mildest form—but they represent 0.6% of global income.

This suggests that damages kept falling over the course of the 20th century. During the 20th century, the volume of international exchanges went in the opposite direction: trade increased and expanded as a result of trade liberalization and technological innovations in transport and communications. Thus, it appears that in spite of globalization, the damages wrought by pandemics have fallen.

Even if the damages from a pandemic reached the high bound of what experts predict, it would still be below historically-observed levels in spite of globalization which has made us immensely richer.

The argument above assumes that globalization increases health risks. However, it's not clear that it does. It could reduce mortality risks through a multiplicity of channels. One of those channels is pretty straightforward: greater development improves health outcomes.

In particularly poor countries, income gains brought by globalization translate as improvements in net nutrition which reduces vulnerability to a great range of diseases. Enrichment thanks to globalization can also enable investments in health products and services that were previously unavailable. As a result, the quality of care increases in a way that offsets some of the increased risks of contagion.

An additional channel for reducing risks materializes through the effect of income on air pollution. During the 1918 Influenza epidemic, air pollution heightened mortality risks (and thus death rates) especially in cities with higher coal-fired power capacity. This finding can be linked with the literature on the Kuznets curve which states that air pollution will increase with income per capita but only up to a certain point. After that point is reached, further increases in income actually reduce air pollution. As globalization helps increase income per capita, it contributes to crossing the threshold.

The last, and probably most important, channel is through the role of international travel. In a recent paper published in *Philosophical Transactions of the Royal Society B: Biological Sciences*, five British researchers pointed out that some low-virulence pathogen strains can help provide immunity against related high-virulence strains. Frequent international travel may help diffuse those low-virulence pathogens in ways that strengthen global resistance to more virulent strains. Thus, rather than increasing propagation risks, a more globalized world (proxied here by international travel) would reduce the likelihood of a major pandemic.

The sum of the elements above suggest that globalization does not constitute a risk to human health—quite the reverse. Voices that speak for curtailing international trade and migration can (and should) be ignored.

Counterfactual

What If Government Had Not Intervened?

John Tamny

The Pothole is the title of episode 16, season 8 of the classic television series *Seinfeld*. In this one Jerry accidentally knocks girlfriend Jenna's toothbrush into the toilet, only for Jenna to use it before Jerry can tell her about his accident. This rated a plotline given *Seinfeld*'s known aversion to germs. Readers can imagine where the story went. *Seinfeld* was surely a comedy defined by manufactured situations *about nothing*, but one reason the show was so popular (and still is) is that people could relate.

Certainly they could relate to *Seinfeld*'s obsessive aversion to germs. We all know people like this, or we are those people. These individuals never open doors by the door handle, wipe down tray tables and armrests on airplanes, and particularly if they have young kids, they require all visitors to wash or disinfect their hands upon entering their house or apartment.

In a work sense, most readers can probably remember their first job, or jobs. They paid hourly. If so, no doubt some can remember how holiday work paid double the hourly wage, or sometimes more. Eager to remain open for customers whose wants and needs didn't and don't cease on holidays, businesses pay workers extra to make sure they'll serve their customers on days when most aren't working.

These anecdotes have come to mind a lot while witnessing the mass shutdown of the U.S. economy on the city, state, and national level. As this is being written, California's 40 million residents are on lockdown per the order of Governor Gavin Newsom. The mayor of Hoboken (NJ) banned restaurants and bars from serving food, plus instituted a 10 pm to 5 am curfew. As all too many already know, Austin's mayor canceled South by Southwest, thus devastating local businesses. On the national level, President Trump has ascribed to himself *wartime* powers, plus the federal government he leads is in the process of voting itself over \$1 trillion to hand out to individuals and businesses.

About this extraction of enormous wealth from the U.S. economy, it barely rates mention that the Founders wrote the Constitution to severely limit the power of the federal

government to do anything. Where then, is the outrage over a federal government set to spend \$1 trillion?

In fairness to the American people, it's arguable they're too stunned to protest after seeing politicians on all levels so rapidly take from them their ability to work and enjoy the fruits of their work. They're told the crushing of the economy by the political class is *for their own good*, and that they should respect the *science* informing their decisions. Don't the American people get it, politicians are fighting to save our lives! Since they are, we apparently must forfeit our liberty and prosperity.

Seemingly lost in all this alleged governmental beneficence is that people broadly get it. See once again *Seinfeld*. The



episode was relatable because we yet again know all-too-many people who are exceedingly careful about being around the sick or those they presume to be germ carriers. This is true even in times free of viruses like COVID-19. Translated, people are self-regulating when it comes to their health. **They don't need a law.**

That they don't raises at this point a counterfactual question: what would have happened on the city, state and national levels if politicians had quite simply done nothing in response to the spreading virus? If so, does anyone seriously think that the death rate would be substantially higher, and that information about this potentially lethal virus wouldn't have reached a population increasingly connected to the internet all day, and every day?

To the above, some might reply that rural types don't always have internet access similar to that which cityfolk do, but then per demands of politicians around the world, they're already isolated or socially distant. If our political minders are to be believed, their chosen isolation would make their being exposed to the virus highly unlikely assuming what's even less likely: that they wouldn't have been informed of the spread of a health-sapping virus well ahead of time.

So what of cities, and suburbs of cities? No doubt the risk of exposure would be greater for a variety of reasons, but then it's safe to say that germaphobes in the best of times would be positively OCD in times like this. Not needing a law, they would socially distance themselves simply because that's what they already do when viruses aren't spreading.

Some will respond that others wouldn't or won't do as politicians demand. Yes, that's true. And your point? Heroin is illegal, so is cocaine, but people still consume both. Lockdowns or none, some will disregard the risks that come with contracting COVID-19 much as they disregard the much-reported-on risks of heroin and cocaine use. Laws don't factor with these individuals, at which point their interactions with one another, and potential infection with the virus, would have and realistically will provide crucial information about how rapidly the virus spreads, how lethal it is, etc.

What about businesses? What if there had been no lockdowns? It's safe to say that many would have operated short-staffed as is with germaphobes top of mind. Rather than forced furloughs, it's not unreasonable to suggest that a good percentage of workers on all levels of the economic food chain would have voluntarily opted out. Others fearful of contracting the virus would have used this time to

take a well-needed and rather isolated vacation somewhere, including one of the *staycation* variety.

The main thing is that as opposed to businesses shutting down, it's not unreasonable to contend that in concert with certain workers opting out or vacationing during the period of greatest COVID uncertainty, patronage of bars, restaurants, movie theaters, amusement parks, stadiums, arenas, hotels, motels, casinos and everything else would similarly decline naturally, thus shrinking the need for fully staffed operations. This would once again materialize not by law, but based on the germ-obsessed and virus-averse choosing to stay at home, or away from crowds. An informed citizenry, one that is better informed than ever thanks to the internet, would revert to relative isolation in a numbers sense to mitigate the close interactions that doctors and scientists say are problematic.

And what if some businesses stayed packed no matter what? If so, high customer demand would have given businesses fearful of morphing into contagion zones a reason to limit customer inflow by yes, charging higher prices for said food or service. Assuming broad aversion on the part of the public to being in public, other business entities would have advertised their adherence to strict customer limits in order to bring in consumers who would have otherwise studiously avoided public places for fear of big crowds.

Still other businesses, perhaps newly opened, would have used this period of uncertainty to stay open while gaining market share that would be harder to attain during periods of normalcy. And if the newer, suddenly busier businesses were to find it challenging to staff for relatively larger customer inflow, they might offer holiday style or hazardous duty pay to attract quality help. The crucial point here is that as opposed to a one-size-fits-all shutdown of business that is wrecking the finances and dreams of tens of millions, market forces and market fears would have made it possible for many more businesses to stay open; albeit in a way that wouldn't imperil workers or customers.

Mentioned earlier were movie theaters, stadiums and sports arenas. Unknown is the **why** behind the mass shutdown. Here, perhaps absent politics, those staging events and films might have used prices, and in particular high prices, to limit the size of crowds as opposed to canceling events altogether. If the game plan is distance, let price signals arrived at in the marketplace shrink crowd sizes not just in restaurants and bars, but in all manner of venues.

Turning to the federal level, one imagines in a perfect and rather sane world the president doing much less than nothing. It's shooting fish in a barrel, but government cannot

produce abundance. At the same time, it can provide the personal and economic freedoms that lead to abundance.

President Trump was going to be vilified by the major media no matter what. And precisely because they were going to make him out as the devil no matter what, Trump should have made plain that the federal government's only coronavirus plan was **freedom** on the correct assumption that creative, free, profit-motivated minds matched with capital would arrive at a virus vaccine quite a bit quicker than would a team led by Mike Pence.

Trump might have also made plain that his DOJ would file lawsuits in defense of private businesses around the country being shut down by local and state governments. To the latter some might reply something along the lines of *abuse of power*, that states are where policy should be enacted, but it seems these shutdowns amount to a *taking*? Yes or no, the Trump administration could have at least slowed down the horrid vandalism of the economy rather than his administration vandalizing it on its own with a \$1 trillion spending plan that, while perhaps good cosmetics in the eyes of some, will logically weaken a U.S. economy already devastated by command-and-control.

To all of this some will yet again respond that a *business as usual* approach doesn't work in the face of that which is potentially lethal. Such a view is insulting. Implicit there is that absent the guiding hand of government, people would approach what some say has the potential to kill by the millions with no regard for their own individual well-being. That's not serious. In fact it's obnoxious to presume that Americans need to be forced to protect themselves.

No, there's a strong incentive for Americans and those of any other nationality to do what's in their best interest. That this is true speaks to what a tragedy we're in the middle of, both in terms of liberty and prosperity.

Free people naturally prosper, and they do precisely because their individual well-being means so much to them. Had governments done nothing in response to the coronavirus, individuals and businesses would have done much more, and done so without going out of business. The Ruling Class overseeing this crack-up deserves the mother of all come-uppances that goes well beyond losing in the next election cycle. The architects of this wholly avoidable debacle need to be publicly shamed and ridiculed.



Medical-Supply Nationalism Is Deeply Harmful, Even Deadly

Max Gulker

The interconnectedness of virtually every person on the planet, more than any other change, defines the modern world. In relatively normal times the meetings of billions of minds have brought prosperity beyond what virtually all our ancestors could comprehend.

That prosperity is hard for anyone to debate, which is likely why economists who are often perplexingly able to disagree on almost any issue form an almost united front on questions like international trade and immigration. Those same forces have also created confusion and fear that we can't ignore.

That fear and confusion are a core part of what allowed President Donald Trump to win the office in no small part by opposing the near-consensus among economists. In a somewhat cruel twist of fate, the global COVID-19 pandemic that escalates these fears from populist rallying cry to frenzied power grab has happened under his watch.

Given the opportunity, an administration that exploited a turn against modernity all the way to the White House was sure to reach again for those levers of fear and misunderstanding. Mirroring concerns of a backslide into authoritarianism around the globe, the past several days have seen the Trump administration put its cynical tariffs-first trade policy into fast forward.

Of the two economists most prominently in the President's corner on trade, former advisor Stephen Moore emerged as an apologist to polite society, able to ruminate on how the President's tariffs would discipline the bad actors in China and allow us to have it both ways with prosperous trade and intoxicating national pride.

Even if Moore was still clocking in at the White House, this unique moment likely still would have fallen into the hands of trade advisor Peter Navarro, perhaps more realistic than Moore in accepting the tension between trade and nationalism, but happy to sacrifice the former for the latter.

As confusion and tension from COVID-19 ratchet upward, he's found a button to push in advocating an *America First* approach to medicine and essential hospital supplies. We

needn't overthink our response—we must reject this harmful and ugly piece of politics without hesitation.

Party of One

Navarro is a truly distinct specimen in the modern economics profession—before Trump's election I was not aware that something called neo-mercantilism existed—it still may not after Navarro retires. Economists on all sides will understand the oddity of a modern take on the idea that the world's nation-states are locked in battle over already-maxed out wealth. Adam Smith slaying the dragon of mercantilism in *The Wealth of Nations* is of course an oversimplification but its status as the origin myth of modern economics underscores how central the shift was from wars over gold to gains from trade.

This all may seem arcane to those who've spent less time buried in economics books, and it may seem like common sense to look out for one's neighbors before the rest of the world. Fortunately Navarro's own analysis of the spectre of depending on foreigners for hospital masks provides the perfect teachable moment.

One of the few emerging ideas where feuding camps seem to find consensus is the strain that a large number of cases of COVID-19, even if usually not deadly, could put on the resources of hospitals. Surgical masks have become emblematic of this problem—less protection for the medical professionals that wear them and more prevention of those treating others becoming points of contagion themselves.

Navarro looks into the interconnected modern world that's brought so much prosperity and knowledge, and sees non-Americans who might take our masks. *This is not just about public health and safety. It's about our very national defense.* He goes on to explain what we must do in *Trump time*, which means really fast:

In terms of tackling the problem, it's a three-pronged Trumpian strategy consistent with everything the president has done—a synergistic combo of 'Buy American,' regulatory streamlining at the FDA and EPA, and competitive advanced manufacturing supremacy through technological innovation.

Perhaps I haven't spent enough time with the literature on international trade, but I assume "competitive advanced manufacturing supremacy," which sounds like the words of an authoritarian propagandist if that authoritarian propagandist was eleven years old, is Navarro's invention.

Navarro correctly worries about a shortage—we do have one now. His solution is to tie a hand behind our back by mandating that all federal agencies, and Navarro hopes contractors too, must Buy American for a list of medical supplies. The reason reveals logic every bit as circular as the old diagrams explaining the mercantilist system—we need to create demand for our new American medical supplies factories.

When there is a shortage of medical supplies, going out of our way to make them more expensive will hurt people. These are also not perishable goods—stockpiling them from efficient sources to be deployed in a future crisis seems like a safer bet than shiny new idle factories waiting to ramp up production when the next virus hits.

Even the rest of the President's trade bureaucracy sees through this nonsense—they've been granting exemptions for medical supplies among the tariffs Trump and others put in place.

Protectionists, or those profiteering from its appeal, inevitably fall back on the aging trope that we might go to war with the rival nation du jour who also might have the factories. That's an increasingly obsolete worst case scenario, but by all means let's discuss it—just not in *Trump time* under pandemic conditions.

Send Navarro Packing

I've personalized this deep disagreement with Navarro's idea, something I usually try not to do. But libertarians, progressives, plenty of Wall Street conservatives, and likely a surprising number of democratic socialists—groups all more suspicious of each other right now than likely in my whole lifetime—can all reject these unequivocally bad ideas.

International trade, in which the decency and inclusiveness of free markets is impossible to ignore, might give us a moment to ever so briefly exhale and establish that there are limits to our admittedly profound disagreements.

Henry George, the Gilded Age economist who somehow inspired both libertarians and socialists, is worth quoting at length, now more than ever:

Religion and experience alike teach us that the highest good of each is to be sought in the good of others; that the true interests of men are harmonious, not antagonistic; that prosperity is the daughter of good will and peace; and that want and destruction follow enmity and strife. The protective theory, on the other hand, implies the opposition of national interests; that the gain of one people is the loss of others; that each must seek its own good by constant efforts to get advantage over others and to prevent others from getting advantage over it.

Maybe we can let the ugliest of responses to a moment of understandable fear draw a couple of lines in the sand even while other seemingly endless debates about our politics and economics push on.



An Epistemic Crisis

Jeffrey A. Tucker

This pandemic crisis is not only about health and economics; we are also experiencing an epistemic meltdown. The core question concerns: knowledge. Information. Accurate information. What are the risks? The infection and death rates? The demographics? The geography of the spread? How contagious, how deadly, how can we know, and how can we find out? Who can we trust with such wildly divergent opinions out there?

Everyone is doing their best poring over the data we have and can access thanks to digital media, places such as OurWorldinData, simply because the government's official page at the CDC doesn't provide enough data and its employees apparently take off for the weekend. Based on what we see, the infection rates are falling, defying the direst predictions. But the data are incomplete: testing is not universal, incubation rates are uncertain (5 to 14 days), and data in general rely on collection, which is itself an unscientific enterprise.

But think about the following. Above all else, the number one question people have in this crisis is: do I have the coronavirus? This more than anything else is the central concern. Remarkably, Americans did not know and had no means of finding out. The reason is now clear: the Centers for Disease Control had previously nationalized all disease testing. A government bureaucracy like any other. It's hardly surprising that it completely flopped.

AIER already explained how a private researcher, funded by the Bill & Melinda Gates Foundation, was forcibly prevented from producing and distributing a valid test. The CDC said no.

Now, more details are rolling in about how all this went down, thanks to intrepid reporters who smelled a rat. The CDC in the first week of February sent 160,000 tests to labs around the country. The tests were faulty and produced confusing results. They were withdrawn, just as private laboratories fixed the test.

Still, no approval was being given for private labs to produce tests. For the very curious, you can read the many stories of private labs who were begging for a chance to do something about the problem. The red tape, confusion, power struggles, and information blockages are being documented by the day.

The Washington Post reports:

The U.S. efforts to distribute a working test stalled until Feb. 28, when federal officials revised the CDC test and began loosening up FDA rules that had limited who could develop coronavirus diagnostic tests.

The CDC/FDA bans on private tests were done in the name of health and safety. That was the period in which panic enveloped the nation. No one knew. We had no means to find out. Everyone and everything flipped out. We replaced knowledge with insanity.

F.A. Hayek was right that the use of knowledge in society is the central issue in economic and social organization. We had been cut off from the knowledge flow that otherwise would have been ours had we left this issue entirely to the private sector, which would have brought a coronavirus test to you as quickly as you can order a pizza.

Instead, there was nothing but confusion.

Shortly after Feb. 28, when CDC officials announced the decision to reconfigure the CDC test, the number of those tests run by public health labs soared, from roughly 25 or fewer per day to as many as 1,500. At the same time, authorities were allowing other facilities to use their own tests—including Cleveland Clinic, Stanford and Greninger's at the University of Washington.

Even so, complaints of testing scarcity continued to roll in last week. As tests become more widely available, experts and officials have cautioned that a backlog will continue because of critical shortages: swabs to collect patient samples, machines to extract the genetic material from the swabs, workers qualified to run the tests.

Even if those problems are resolved, however, those critical early delays, when the CDC was struggling to issue tests to the states, significantly damaged efforts to contain the spread of the coronavirus, experts said.

In a CDC tele-briefing on Feb. 29 that included some local and state public health directors, local officials lamented the initial inability to test. A reporter asked: "Did the lack of testing capabilities delay finding out who these cases were, particularly the person who died?"

In answering, Jeff Duchin, the public health chief in King County, Wash., where 37 deaths have been reported, suggested the lack of tests was critical, in addition to the fact that authorities had limited who could be tested. Initially, they had said tests would only be used for those who had traveled in affected regions of the globe or had otherwise been in contact with an infected person.

Another report adds:

The void created by the CDC's faulty tests made it impossible for public-health authorities to get an accurate picture of how far and how fast the disease was spreading. In hotspots like Seattle, and probably elsewhere, COVID-19 spread undetected for several weeks, which in turn only multiplied the need for more tests.

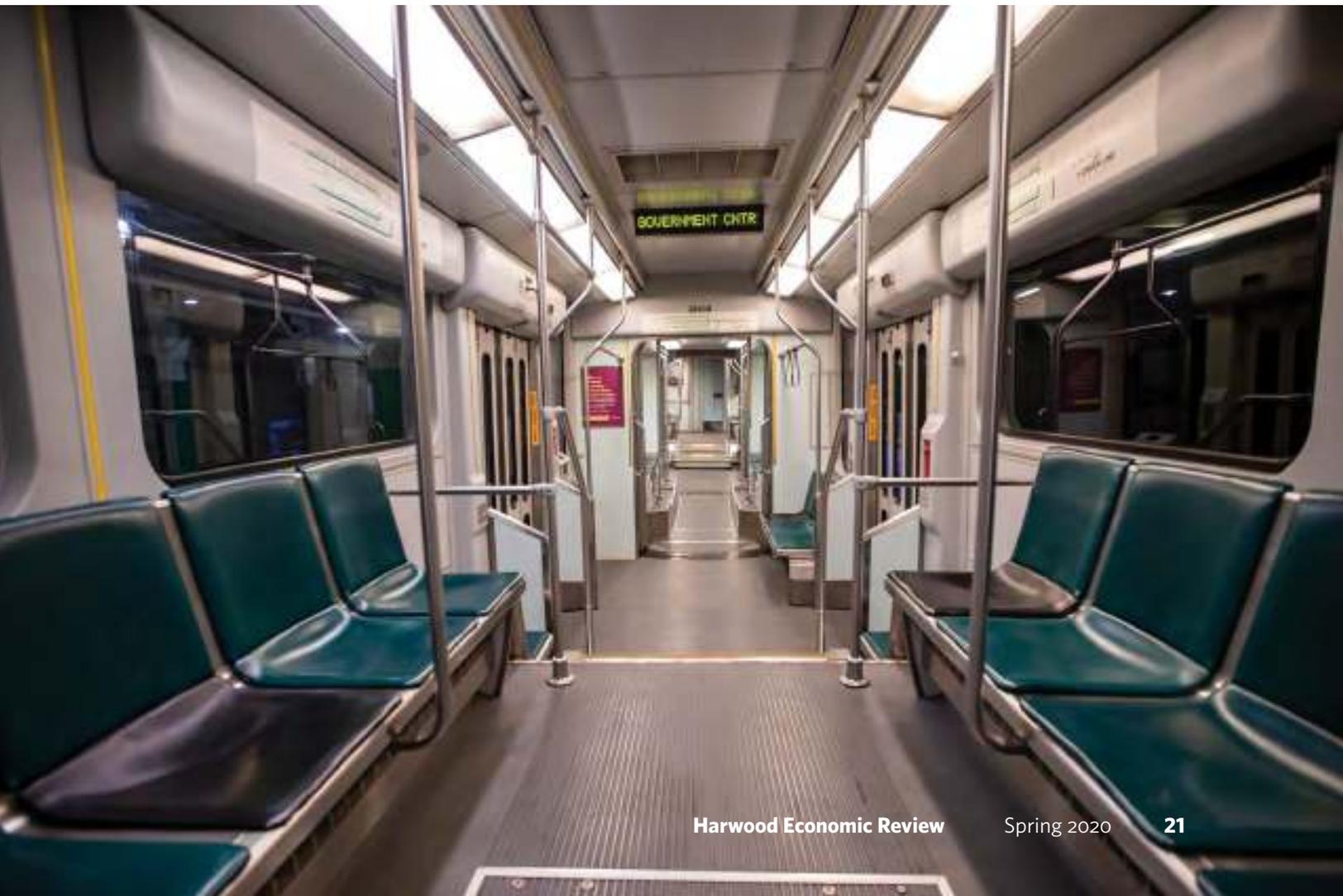
Lacking that knowledge, public officials freaked out. Stay home. Keep your distance. Everyone is a suspect. Anyone and everyone could be positive for corona. Socially shame anyone out and about. Board up the bars!

It was this sense, along with utter panic on the part of public officials, that led the markets to crash. After all, you

can't have an economy if people cannot engage and trade, can't go to work, can't distribute goods and services, and forget about investment.

And here we find the key to understanding why this coronavirus has produced a social and economic calamity, whereas the H1N1 (Swine flu) from ten years ago is barely remembered by most people. It came and went with a large health cost (infections: 57 million; fatalities 12,469) but low cost otherwise. The critical difference was that the CDC worked with private laboratories and medical facilities to get the test out there. A few public schools closed for part of the day but there was no panic, no large economic loss.

In the midst of all of this, this panic learning and trying, this speculation and searching, this mass national confusion, this endless and chaotic longing to know, this constant grasping for intelligence, one thing became certain: states at all levels decided to act. As if they knew the right course. And they acted with extreme force. And their message was always the same: stop whatever you are doing and do nothing instead.



This was and is the ultimate expression of nihilism, the chaos that follows ignorance. Officials in this country decided to shut down society—as if this were even possible—as a replacement for reliable, usable, actionable knowledge that we were all forcibly prevented from gaining when we most needed it.

It's a classic pretension of knowledge about which the government itself is clueless. They tried to plan without reliable signs or signals. That's a recipe for chaotic, hasty, haphazard, and internally contradictory policy decisions, all driven by the need to maintain the appearance of an official response.

Such circumstances are ripe for abuse. Contrary perspectives, such as that offered by Stanford bio-statistician John P.A. Ioannidis, were ignored. In his view, we have absolutely no basis to assume that any existing models are right, and that the fatality rate could be extremely low (0.025%). Were these views ignored because he doesn't have the right conclusion?

We got censorship of the problem when it first emerged, and now other governments trying to cover their own rears for chaotic inaction as it's played out. Then all the vultures arrive, trying to append their pet political projects to the response: authoritarian busybodies like Cuomo and de Blasio instinctually calling out the police or calling for nationalization of industry, Bernie using it to make the case for Medicare for All, the UBI crowd trying to build that into a stimulus, the nationalists demanding a shutdown of global trade.

Right now, there is a huge debate in this country about how bad coronavirus really is. Some people are saying that we are all going to be infected. Many will die. Others are saying that this is completely overwrought, that authorities have overreacted, and that viruses burn themselves out and that the casualties will be few. The problem here is that we haven't had access to reliable, scientifically valid information either to avoid panic or behave in a rational way.

The contrast with South Korea, where infections have fallen and fallen, is striking. There were no shutdowns, no geographic quarantines, no panics. Society was open for business. Life went on as normal but for one thing: people had access to testing, which is to say that people were given access to the essential and most important piece of information that was necessary at the time.

That was not the case in the US.

And that is a major source of the problem. The information problem turns out to be critical for the survival of economic life, exactly as F.A. Hayek discovered in the 20th century. Those information flows, when they are cut off by force, for whatever reason, and in whatever form, lead to chaos. A tragic and deeply damaging chaos.

The ray of hope is that reliable tests are going to be distributed widely in the coming days, and that will solve the great epistemic crisis created by the CDC/FDA. There is hope and light at the end of this very dark tunnel of ignorance.

Update: sure enough, as testing has improved in the US, reported death rates are falling, and could eventually reach that of Germany, which is the same as the seasonal flu.



The Top Economic Takeaway of the Coronavirus Panics

Donald J. Boudreaux

Intellectuals who write regularly for non-specialized publications are expected to dispense clever opinions about almost everything, and certainly about topics that are in the day's headlines. Unfortunately for me, I know next to nothing about pandemics in general, or about the coronavirus specifically. And so on this matter I have no extended thoughts to offer that would be worth anyone's time to read. I content myself to recommend these excellent essays, *Coronavirus and a Case for Optimism* by Brett Dalton and Bruce Yandle, *Be Alarmed, But Don't Panic* by Steve Davies, *They Are Rewriting the History of Coronavirus in Real Time* by Peter C. Earle, *Coronavirus is the Wolf on the Loose* by Matt Ridley, and *The Free Market Provides What We Need to Survive a Pandemic* by Jeffrey A. Tucker.

I can, however, offer two smallish and hopefully worthwhile observations, each prompted by the coronavirus and people's reactions to it.

Uncertainty, Fear, and Immediatism

Unusual levels of uncertainty fuel unusually intense fear. And the more uncertain and fearful people are, the more they focus only on the immediate here and now. Tomorrow and the long run are ignored; all eyes, ears, and brainpower are trained on today and the short run.

This reaction is understandable, for it surely served our ancestors well. If you and your family discover that you're surrounded by a pack of hungry wolves, surviving the present is all-important. Intellectual and physical resources should in their entirety be devoted to the effort to escape immediate annihilation. Under such circumstances, to coolly plan for the extended long run is suicidal.

But this human response typically makes for very bad government policy. Except for extreme situations in which all of humanity, or a sizeable chunk of the population of a nation, truly faces the prospect of being killed within a matter of days, society will survive indefinitely—until well past tomorrow. And so policies designed with only today in mind will make the lives and economic well-being of people worse over the long run.

Even in normal times, government is biased against attending appropriately to the future. Politicians' time-perspectives extend only to the next election. And so when a panic such as that caused by COVID-19 sets in, this bias toward the present—we might call it *immediatism*—intensifies. Cries arise for policies that are believed (correctly or not) to improve matters **immediately**—we'll deal later with later.

This immediatism spawns calls today, for example, for government to increase workers' access to paid leave—efforts that, in this case, while ensuring harm to workers over the long run will, ironically, do little to help them even in the short run.

Immediatism also is one reason politicians cater to the foolish public demand to stop so-called *price gouging*. The fact that keeping prices of the likes of bottled water, toilet paper, and canned soups artificially low today dissuades suppliers from bringing more such supplies to market tomorrow is ignored. Today—now—is all that matters. Or so politics in times of panic make it seem.

Wealth is an Ongoing Flow of Effort

A potential upside of the COVID-19 outbreak is that people are prompted to ponder more seriously the workings of the modern economy. In normal times, no one thinks about all the effort that occurs daily to ensure that supermarket shelves remain full and that restaurant supplies are always large enough to serve all customers.

We take for granted that whatever we wish to pick up today at Safeway, Kroger, or Target will be available in whatever quantities we fancy. Likewise, we treat as an enduring feature of nature our ability to wander whenever we wish into a restaurant and to be served whatever menu items we order.

But the viral spread of COVID-19—by drawing widespread attention to the likelihood that many workers will not show up for work—hopefully will provoke more of us to realize two facts about our material prosperity: first, this prosperity requires a massive division of labor; second, this prosperity is the result of an ongoing **process** of efforts.



Most of what constitutes our prosperity is a **flow** of finely coordinated activities each performed by highly specialized workers. In normal times this flow of activities is largely out of sight. It's the daily production and delivery of soap, of toothpaste, of aspirin, and of beef, bread, beer, and blueberries. Items such as these don't fall manna-like from the heavens onto retailers' shelves. Nor for many goods are months' worth of inventories lingering in warehouses idly waiting to be accessed. Every moment of every day hundreds of millions of specialists—from CEOs to accountants to factory workers to retail clerks—work to ensure that prosperity is continually produced and flowing.

Our wealth, in the end, isn't the amount of cash we have stuffed into our purses or deposited in our banks. Nor is it the number of numerals to the left of the decimal point in our 529 plans and 401(k)s. Ultimately, our wealth consists chiefly in the ongoing willingness and ability of millions of strangers to work for us **daily**. Any obstacle to large numbers of people performing their daily jobs means hardship for us all.

This fact is true for Jeff Bezos just as it is true for you and me. Yes, Bezos surely has stockpiled more food, fuel, and medicines than now sit in ordinary Americans' pantries and basements. But even Bezos, despite his billions, would soon find himself impoverished if the unheralded daily creation of wealth grinds to a halt.

My hope is that this coronavirus pandemic will inspire greater cognizance of our enormous dependence on the daily activities of countless specialized workers, every one of whom is a stranger to the vast majority of people with whom he or she works and that he or she serves. Such cognizance might then, in turn, rouse more people to realize that wealth isn't a heap of stuff created easily, permanently existing, and housed in some mysterious location simply waiting to be *distributed*.

I'm not optimistic that my hope will be realized. But if it is, COVID-19 might prove in the end to be an inoculant against a far more dangerous ailment: economic ignorance and the statism that it makes virulent.



The Fed Cannot Combat Coronavirus

Scott A. Burns

At a campaign speech on February 29, Senator Elizabeth Warren (D-Mass.) introduced her economic plan for combating COVID-19, commonly known as the coronavirus.

The Warren plan has two elements. First, it calls for *a major targeted fiscal stimulus* to counteract the negative economic effects of the coronavirus. In particular, she calls for the federal government to *provide direct support to businesses of all sizes that have seen their supply chains disrupted*. Second, and more controversial, her plan calls on *the Federal Reserve to take action to help out American companies*.

During the financial crisis, the Fed quietly gave big banks access to trillions of dollars in low-cost loans to prop them up, Warren said. Building on this crisis-era policy, she proposed that *the Fed should stand ready to offer low-cost loans to companies that agree to support their workers and that need a little help to make it through the next few months*.

President Trump has also made it clear that he would like the Fed to intervene to combat the coronavirus. *I hope the Fed gets involved, and I hope they get involved soon*, he told White House reporters last Friday. But this is hardly a departure from his usual calls for the Fed to lower interest rates in an effort to boost economic growth. Trump's pressure on the Fed isn't wise. But Warren's proposal goes much further in the wrong direction by calling on the Fed to expand its controversial, preferential lending.

Warren's plan is dangerously wrong on many fronts. It presumes the Fed's response to the financial crisis is worth emulating. It's true that the Fed, in its role as a lender of last resort, should provide enough liquidity during financial panics to stabilize total spending and prevent the unnecessary tidal wave of bank failures that were experienced during the Great Depression.

Providing liquidity to solvent but illiquid banks at above-market interest rates on good collateral, as Walter Bagehot famously prescribed, is advisable. But this is a far cry from what the Fed actually did—providing sterilized loans to dozens of potentially insolvent banks at below-market interest on bad collateral. Contrary to popular belief, there is no compelling evidence that these actions did anything but prop up poorly run institutions and generate moral hazard for decades to come.

In suggesting that the Fed should extend low-interest loans to nonbanks, Warren's proposal is potentially even more dangerous. It's true that, during the Great Recession, the Fed used its emergency powers to extend loans to nontraditional banks in the shadow banking sector. Whether these actions were warranted or within its mandate remains controversial. But, at least in those cases, the Fed could plausibly argue that it was acting in line with its original mission. It has no authority to provide bailouts to firms outside the financial sector.

Warren's plan highlights the dangers of blurring the lines between monetary and fiscal policy. As Lawrence White and I recently argued in the *Cato Journal*, offering subsidies and bailouts to specific firms and sectors isn't monetary policy – as it *neither aims to provide liquidity to the financial system as a whole, nor to alter the trajectory of the money supply to achieve macroeconomic objectives*. It is fiscal policy masquerading as monetary policy.

Politicians should not be able to offload fiscal policies on the Fed. If they want to conduct fiscal policy, let them do so in the open, so that their actions might be judged by voters. We certainly do not want politicians to view the Fed as merely an extension of the Treasury, as it once was. If they do, we would lose the modest bit of central bank independence gained over the last seven decades in a sneeze—and, with it, any hope for sound monetary policy divorced from shortsighted politicians.

Ultimately, Warren's coronavirus plan is just the latest symptom of a disease afflicting monetary discourse: the ever-increasing politicization of monetary policy. One can hardly blame Warren for wanting to use the Fed to conduct fiscal policy. The Fed's emergency lending powers have, in fact, been used and abused in this way in the not-so-distant past. If enacted, her plan would represent another big step toward breaking down the quarantine wall that separates monetary and fiscal policy. But it would hardly be the first step.

Don't Sweat the Crash in Oil Prices

Peter C. Earle

As if virus mania weren't enough: oil prices have crashed, down at least 25% in a mere 48 hours, after falling more since last week. Yes, that's the largest price drop since 1991. No, it is not the end of times. This has almost nothing to do with virus fears. It's the result of a much-overdue price war among producers from which the consuming public will benefit. Amid the waves of bad economic news, this is actually good news.

Here's the background.

The weekend news that Saudi Arabia was poised to begin both slashing prices and ramping up production following the failure to come to an OPEC agreement sent world oil markets plunging on Sunday afternoon and evening. West Texas Intermediate futures fell 24.59 percent (\$10.15) to \$31.13/barrel, and the global Brent international price fell 21.3 percent (\$9.65) to \$35.58—in both cases, the worst percentage drops since the air phase of the Gulf War began in January 1991.

Saudi Arabia has the lowest production price in the world. It produces between 9.7 and 9.8 million barrels per day, but it may ramp production up to between 12 and 13 million barrels per day. (Saudi Arabia's production price per barrel, the rough equivalent of *overhead* in managerial accounting, is estimated at \$10 per barrel; Russia's is estimated at \$19 per barrel.)

Oil stocks fell similarly, with drilling companies announcing that they would suspend exploration activity and producers reducing capital budgeting: as benchmarks, the Energy Select Sector SPDR Fund fell 20 percent, while the Oil and Gas Exploration and Production Fund fell 35 percent. Alongside the precipitous drop in oil-related commodity and equities prices, prices of worldwide equity indices continued their coronavirus-induced plunge from last week, and US Treasury bond yields fell across the board, with the 30-year falling below 1 percent and the 10-year falling below 0.5 percent for the first time.



But many market watchers and participants seem to be caught up in the hysteria. A price war between Saudi Arabia and Russia should (beyond oil-industry interests) be a welcome development, beset as consumers presently are with the impact of government tariffs, travel restrictions, anti-*gouging* measures, and other factors which retard the flow of much-needed goods, services, and people. Economic policies during such a time should favor the immediate, dramatic reduction of hurdles to trade.

Beyond the most obvious benefit to consumers in the form of lower gasoline and motor oil prices—crude oil prices make up more than 70 percent of the price of gasoline per gallon—oil is obviously a major factor in industrial production. Critical products made from it number in the thousands and include jet fuel, kerosene, diesel, heating oil, waxes, plastics, asphalt, dyes, grease, solvents, inks, and innumerable others.

Lower prices for both final consumer goods and in the prices of production goods are beneficial for a wide variety of productive applications. Government subsidies distort and politicize attempts to incentivize alternate-energy research, creating opportunities for corruption and rent-seeking; lower oil prices entice a wide variety of market participants to explore not only alternative energy solutions, but also cheaper production processes in their existing, core lines of business.

To be sure, this will prompt a reorganization of the industry. It could signal a pause in shale-oil drilling (which will make many ideological leftists happy, however temporarily). Investments in oil production will be less profitable for now. If you understand something about supply and demand, you will also recognize what this means for oil consumption. Those hoping for the near end of internal combustion will be sorely disappointed.

The beauty of what we are watching now is that it again proves what many of us already know: markets work. If we let them.



Why You Should Include Charity In Your Will

Andrew Palmer

There is a common misconception that only the rich need to make a will. That is not true. A will eases the pain of your passing on those you leave behind, and without a will, regardless of your personal wishes, state laws will determine the transfer of your estate.

There is an even bigger misconception that only the super-rich leave money to charity when they die. That's also not true. The fact is that most gifts by will, (bequests) are made by everyday people who want to have a lasting, positive impact on their community.

Without this type of generosity, many charitable institutions couldn't continue their missions into the future. Non-profits need our support to do their good work.

Here are four reasons why you should include a charity in your will:

A Gift By Will Is Easy To Make

A bequest is one of the easiest charitable gifts to make. It is simple to implement, and easy to change should you ever need to. You can give specific property or designate a dollar amount or a percentage of your estate. You can also designate a non-profit as a beneficiary of your retirement plan or life insurance policy.

A Gift By Will Does Not Alter Your Current Lifestyle

Making a bequest is a way of demonstrating your commitment to the future of the institution you love that doesn't affect your current asset balance or cash flow. There are no substantial costs, and the gift can easily be modified to address your changing needs.

A Gift By Will Can Change Lives

Non-profits improve our lives every day through their dedicated work, community, and stability. A bequest can help your best-loved charity further its mission and values. It can continue making a difference for generations to come.

A Gift By Will Creates A Lasting Legacy

Including a non-profit in your will is a great way to bring dignity, meaning, and purpose to a life well-lived. You can demonstrate your commitment to the future of the institution you love, and better yet, a bequest can allow you to give to an institution that you may have always wanted to support, but were unable to during your lifetime. Creating a legacy with your gift ensures that you, and your values, will live on.

You don't have to be wealthy to make a difference. Whoever you are, whatever your situation, you can help make a better world by including a charity in your will.



**SEE
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TO GIVE
TO AIER**

AIER Programs Respond to COVID-19 Lockdowns Around the World

In times like these, our shared mission to research, train, and communicate the principles which support and advance true freedom—even in the face of overzealous bureaucracies run amok—with even-handed consistency and calm is more crucial than ever. It quickly became clear that the government response to the COVID-19 pandemic left much to be desired. Moreover, the economic repercussions from idling the world's economy would not be short and focused, but broad and long-lasting.

Our longstanding attendees had serious questions. Do the risks of COVID-19 justify a draconian government response? Are widespread *stay at home* orders causing the economy to grind to a screeching halt—ending the longest bull run in American history? What can history teach us about this panic? How will we recover? When should business reopen and who should decide? How should we shape future public policy that defines a response proportional to the crisis?

To answer these questions when public events are prohibited, AIER quickly retooled its program effort to host virtual meetings and webinars for audiences around the globe. Given the questions flooding in from our attendees and Bastiat Society program chapter directors, our virtual talks focus on three core points:

Speakers on the following topics

The CDC's Response and Government Failure, Post-COVID: Recovery and the Role of Government, and COVID Economic Costs: Seen and the Unseen



Edward P. Stringham



Jeffrey A. Tucker



Peter C. Earle



Phillip W. Magness



William J. Luther



Nicolás Cachanosky



Art Carden



David Henderson

The CDC's Response and Government Failure

How was the US—and so many other countries—so woefully unprepared? We will discuss the features of bureaucracy and politics that slowed global response and led to even more confusion. We will also ask if there is hope that more people will see how inept government is when it comes to public health and safety.

COVID Economic Costs: Seen and the Unseen

As weeks drag onto months, economic costs are mounting and becoming more clear. This talk will question if traditional economic measures are enough to fully appreciate the damage being done. Moreover, we will discuss potential long-lasting *unseen* costs associated with inflation, political fallout, and the potential enlargement of government interference in our daily lives.

Post-COVID: Recovery and the Role of Government

When volatility and worry strike, the door is opened wide for the government to magnify its powers and seize control, far beyond what is just or proportionate. This is happening around the world in response to the coronavirus, and it is especially disturbing to see it take root in America. We will discuss this and the economic impact on business sectors, globalization, and financial markets.

Planned Giving

Each one of us already has a default estate plan—one dictated to us by the government. The government doesn't know who we were; it cares nothing for our achievements, our principles and beliefs, our ethics, or our commitment to our families. In this plan, hard-earned assets can be unnecessarily taxed and heirs can be left with little or nothing.

The only way to make sure that your estate plan reflects your wishes is to design it yourself with competent counsel. Will your legacy be subsumed by faceless bureaucrats as a windfall profit for government programs that you may believe are antithetical to prosperity and justice? Or will it be a responsible transfer of values held dear by the one who earned the money? Make sure that you are the author of your own personal estate plan.

By making a planned gift to AIER—whether it be through your will, charitable trust, or another giving vehicle—you are making an incredible commitment to true freedom, sound money, and private governance. You not only secure your legacy as a champion of free markets, but you ensure that AIER will continue to fight for the principles you hold dear for generations to come.

We are forever grateful for AIER's planned giving supporters who help to ensure that people around the world will always have access to sound economic research, robust education in free market concepts, and practical training from AIER.

Here are some ideas on how to include AIER in your estate plans:

Your Will

If you already have a will, you can generally amend it to create a bequest for AIER and other charities. If you have elected a living trust rather than a will, you can also include AIER and other charities as trust beneficiaries, similar to creating bequests under a will.

Your Retirement Accounts

Retirement accounts—such as an IRA, 401(k), and others—that are left to heirs are double-taxed because (often but not always) they are subject to the estate tax and heirs are also subject to ordinary income tax on what's left. Retirement accounts left to a non-profit like AIER are not taxed at all.

Your Life Insurance

One of the easiest ways to leave AIER in your estate plans is to simply name AIER as a beneficiary of a life insurance plan. Life insurance proceeds, other than when given to a spouse or to a tax-exempt entity like AIER, are generally subject to the estate tax. Therefore, life insurance policies that are no longer needed for financial security are a good choice for enhancing your philanthropic legacy.

Other Giving Vehicles

Several less common giving vehicles are typically used in complex estates, but might be worth consideration. We recommend you speak with your attorney or financial advisor regarding: Charitable Gift Annuities, Charitable Remainder Trusts, and Charitable Lead Trusts.

**To get started
please contact us at 888-528-1216**

SUPPORT AIER

Researching, articulating, and advancing the importance of markets



I followed Colonel Harwood for many years and one thing that came through in all of his writing was that he was a great patriot and a strong believer in an honest currency. Having been in the investment business for 48 years, I think Colonel Harwood's teaching is needed even more now than it has ever been. He had a great impact on my thinking.

—Arnold Van Den Berg, Longtime AIER Donor

AIER donors understand the importance of AIER's mission and want others to understand too.

For nearly a century, the American Institute for Economic Research has educated Americans on the value of personal freedom, free enterprise, property rights, and sound money. Eschewing dogmatic assertions and party politics alike, AIER seeks to scientifically understand and demonstrate the importance of these principles to advance peace, prosperity, and human progress. We support the research of numerous leading economists and share their findings

with policymakers, professionals, educators, and the general public through publications, in-person programs, and online outreach that are each tailored to the needs of these audiences. By strategically articulating and promoting the principles of pure freedom, AIER helps to build the intellectual basis for, and popular consensus around, the expansion of individual rights and market freedom and against the increasing demands for government intervention, central planning, and collectivist policies.

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FROM THE ARCHIVES

Bruce Gore and Pam Allard

