

RESEARCH REPORTS

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RESEARCH REPORTS

AIER publishes as many as 100 articles per month that are distributed in digital form. Research Reports contains Business Conditions Monthly plus 11 of the most representative, chosen here for popularity, variety, and relevance. These articles are often reprinted in venues around the web, including *Seeking Alpha*, *Intellectual Takeout*, *Mises Brasil*, and dozens of other outlets. To read all of them, go to

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BUSINESS CONDITIONS MONTHLY

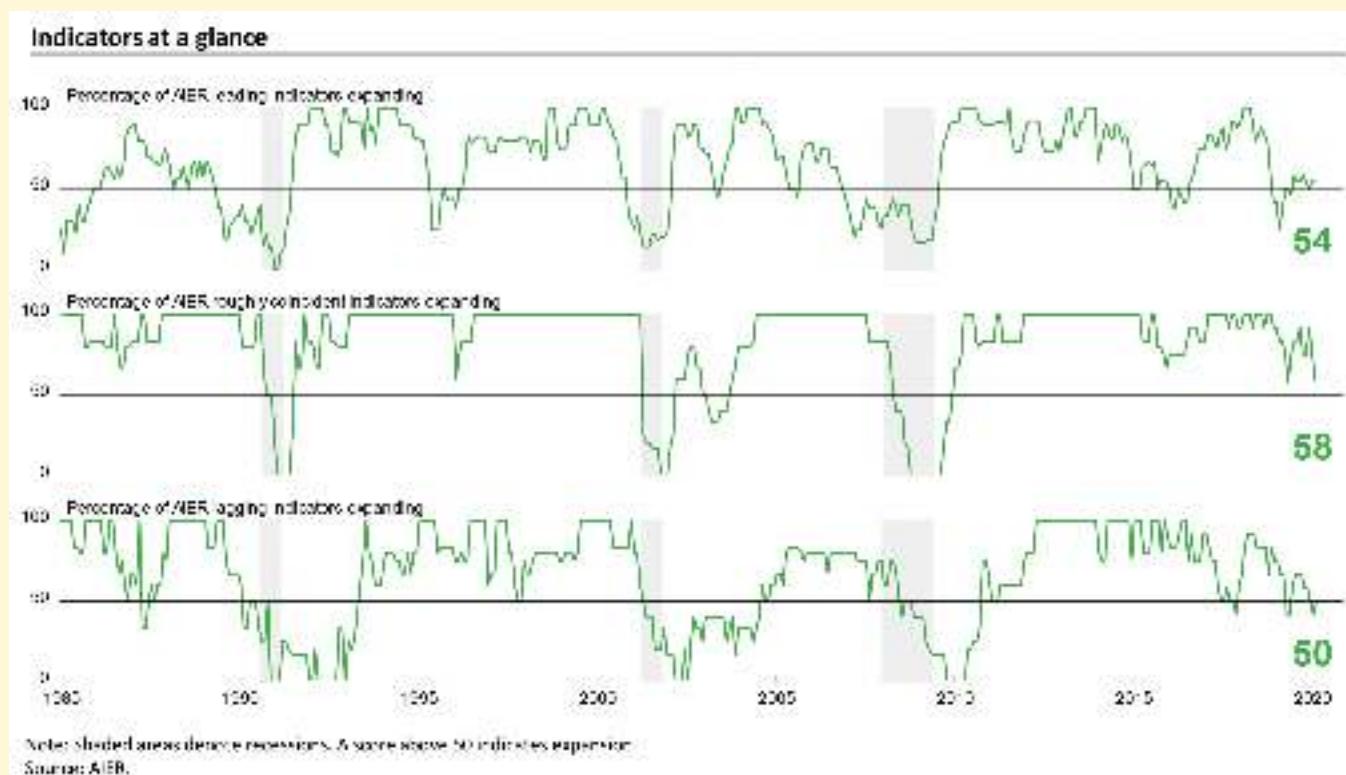
Robert Hughes
SENIOR RESEARCH FELLOW

U.S. Likely Entered A New Recession in March, Ending the Record-long Expansion.

AIER's Business Cycle Conditions Leading Indicators index held steady at 54 in March. March is the 11th consecutive month within the 46 to 54 range for the Leading Indicators Index. The Roughly Coincident Indicators index fell 17 points to 58 while the Lagging Indicators index gained 8 points to reach 50 (see chart). Despite the continued modestly positive reading for the Leading Indicator index, the U.S. economy likely contracted in March, ending the longest U.S. economic expansion on record.

The March decline for the U.S. economy was a result of the outbreak of COVID-19 and subsequent Federal and state policy responses. Government mandates to close nonessential businesses and require people to shelter-in-place in order to contain the spread of COVID-19 has resulted in a collapse in economic activity including unprecedented job losses, plunging sales in many industries, and a sharply rising risk of defaults across the economy.

In response to the plunge in activity, the Federal government has enacted multi-trillion-dollar efforts to support consumers and businesses while the Federal Reserve has driven interest rates down close to zero and resumed and expanded bond-buying programs from the Great Recession. The unprecedented nature of the current economic conditions and policy responses makes gauging the future progression of the economy even more difficult. Close monitoring of economic data, financial market performance, and policy responses remain critical.



Leading indicators index unchanged in March

The AIER Leading Indicators index was 54 in March, unchanged from the prior month. The latest result was the 11th consecutive reading in the 46 to 54 range and the fifth reading of 54 in the last seven months. Over that period, the index has averaged 53. Overall, 5 of the 12 leading indicators maintained a positive trend in March, with 4 trending lower and 3 indicators were neutral. The overall tallies were the same as the prior month though five of the 12 indicators had offsetting changes in direction for the month.

The ratio of manufacturing and trade sales to inventory and average workweek in manufacturing improved in March, with the former moving from a negative trend to a positive trend while the latter moved from a negative trend to a neutral trend. Real retail sales and food services, real new orders for core capital goods, and the University of Michigan index of consumer expectations all weakened in the latest month with real retail sales and food services and the University of Michigan index of consumer expectations moving from positive trends to neutral trends while real new orders for core capital goods moved from a neutral trend to a negative trend.

Overall, the Leading Indicators index remained slightly above the neutral 50 threshold. Historically, that would suggest continued expansion is likely. However, the highly unusual and extreme distortions to economic activity over the past several weeks make continued expansion nearly impossible. Furthermore, government mandates for shuttering of nonessential businesses and sheltering-in-place for workers and consumers are an unprecedented source for economic disruption and recession, at least in modern U.S. economic history. The unusual sources of disruption combined with time lags in the collection and dissemination of many economic statistics (including many of AIER's business cycle

indicators) impose a degree of immediate obsolescence on traditional models. As a result, despite the slightly positive reading for the leading indicators index, the mounting evidence suggests the U.S. economy likely peaked in February and entered recession in March.

The roughly coincident indicators fell to 58 in March, down 17 points from 75 in February. Just one indicator changed direction in March. The employment-to-population ratio fell to a negative trend from a positive trend in the prior month. Overall, three indicators were still trending higher, two were trending lower and one was neutral versus four trending higher, one trending lower and one neutral in February.

AIER's Lagging Indicators index improved somewhat in the latest month, returning to a reading of 50 in March from 42 in February. Three indicators changed direction in March with core consumer prices moving to a positive trend and real private nonresidential construction moving up to a neutral trend from a negative trend. Partially offsetting those improvements was a decline in real manufacturing and trade inventories changing from a positive trend to a neutral trend.

Among the six lagging indicators, two indicators are trending higher, two are trending lower, and two are neutral. That compares to two trending higher, three trending lower, and one trending neutral in February.

COVID-19 Crushes job creation

U.S. nonfarm payrolls lost 701,000 jobs in March, by far the largest loss since the Great Recession. Private payrolls lost 713,000 in March. The losses in the private sector were broad-based with goods-producing industries losing 54,000, private services losing 659,000 and government adding 12,000. Within the 54,000 loss, construction was down

29,000 jobs, nondurable-goods manufacturing fell by 11,000, while durable-goods manufacturing and mining and logging industries both lost 7,000 jobs.

For private service-producing industries, which typically account for the majority of job creation, payrolls declined by 659,000, led by a 459,000 decrease in leisure and hospitality. Health care and social-assistance industries fell by 61,200, professional and business services declined by 52,000 with temporary help accounting for 49,500 of that total. Retail lost 46,200 workers while “other” services decreased by 24,000.

The unemployment rate jumped to 4.4 percent and the participation rate declined to 62.7 percent. Both reverse positive results over the last several years. Average hourly earnings rose 0.4 percent in March, resulting in a 12-month gain of 3.1 percent. The average length of the workweek decreased by 0.2 hours to 34.2 hours in March.

Combining payrolls with hourly earnings and hours worked, the index of aggregate weekly payrolls fell 0.7 percent in March and is up 3.3 percent from a year ago, the slowest pace of rise since 2010.

Initial claims surge to unprecedented levels
Initial claims for unemployment insurance totaled 10 million in the last two weeks of March (and are not completely captured in the March employment report) suggesting additional steep losses in coming months. Initial claims for unemployment insurance soared to 6.65 million for the week ending March 28, doubling last week’s shocking 3.3 million, and dwarfing the previous high of 695,000 in October 1982. During the Great Recession in 2008-09, total job losses were 8.8 million over 25 months versus a 2-week total of 9.96 million initial claims in just two weeks.

According to the Employment and Training Administration within the Department of Labor,

“The COVID-19 virus continues to impact the number of initial claims. Nearly every state providing comments cited the COVID-19 virus. States continued to identify increases related to the services industries broadly, again led by accommodation and food services. However, state comments indicated a wider impact across industries. Many states continued to cite the health care and social assistance, and manufacturing industries, while an increasing number of states identified the retail and wholesale trade and construction industries.”

Unit auto sales plunged to lowest level in almost a decade

Sales of light vehicles totaled 11.4 million at an annual rate in March, down sharply from a 16.7 million pace in February. The pace of sales in March is the lowest since April 2010 and ends a run of 72 months in the 16 to 18 million range. Unit vehicle sales fell significantly below the range as the 2008–9 recession began, hitting a low of just 9.0 million in February 2009. Sales began a slow recovery and returned to the 16 to 18 million range in March 2014.

As of March 2020, light-truck sales totaled 8.5 million at an annual rate, the lowest since February 2014, while cars managed just 2.9 million, the lowest on record going back to 1967. That puts the light-truck share at 74.8 percent, completely dominating the car share of 25.2 percent. The rising share of light-trucks continues a trend in place since 2013. In February 2013, the split between cars and light-trucks (SUVs and pick-up trucks) was about even, with both segments selling about 7.76 million at an annual rate.

Capital markets react harshly

Capital markets began to react to the outbreak of COVID-19 in February. The Standard and Poor’s

S&P 500 index peaked at 3,386 on February 19. Over the next 23 trading days, the index fell 1,149 points or 33.9 percent to 2,237. Since the March low, the index has recovered a bit but remains about 25 percent below the February peak.

However, not all of the decline can be attributed to the outbreak. During that time, political tensions rose between Saudi Arabia and Russia over oil production. The feuding between the two helped push crude oil prices down as low as \$16.60 per barrel from over \$63 per barrel in January. Like the equity market, oil prices have recovered a bit but remain sharply lower. That plunge in oil prices created a double whammy for the energy sector. The collapse of demand due to plunging economic activity while political tensions elevated expectations for supply. The Standard and Poor's 500 Energy sector index fell from a peak of 462 on January 6 to a low of 180 on March 18, a drop of over 60 percent.

The extreme conditions drove the VIX index, a measure of market volatility also known as the fear gauge, from the mid-teens in mid-January to a record high 82.69 on March 16. The only other times the index had breached 80 were October 27 and November 20, 2008.

In the U.S. Treasury market, the benchmark 10-year note yield fell to an all-time low of 0.50 percent while the yield on the 3-month Treasury bill fell below zero briefly before returning to single-digit basis-point yields.

Policy is unprecedented; long-term implications are unknown

Government policy has been unprecedented in so many ways. The restrictions on business and personal life are the most obvious. However, there are also unprecedented fiscal and monetary policy actions. Massive Federal spending, in the trillions of

dollars range, will exacerbate an already-disastrous debt burden for the country and future generations.

Monetary policy quickly ventured down dangerous paths of zero interest rates and massive bond-buying to help support economic activity and provide liquidity. These aggressive policy actions are still evolving, and the range of bond-buying appears to be expanding. Long-term implications of these programs are unclear at this point but raise serious concerns about distortions in capital markets and future policy.

CAPITAL MARKET PERFORMANCE

[Percent change]

	March	Latest 3M	Latest 12M	2019	2018	2017	3-year	Annualized 5-year	10-year
Equity Markets									
S&P 1500	-13.2	-21.0	-10.3	28.3	-6.8	18.8	2.2	4.1	8.1
S&P 500 - total return	-12.4	-19.6	-7.0	31.5	-4.4	21.8	5.1	6.7	10.5
S&P 500 - price only	-12.5	-20.0	-8.8	28.9	-6.2	19.4	3.0	4.6	8.3
S&P 400	-20.4	-30.0	-23.9	24.1	-12.5	14.5	-5.7	-1.1	6.2
Russell 2000	-21.9	-30.9	-25.1	23.7	-12.2	13.1	-6.0	-1.6	5.4
Dow Jones Global Large-Cap Index	-12.5	-20.3	-11.2	23.8	-10.4	42.9	0.4	1.4	3.8
Dow Jones Global Large-Cap ex-U.S. Index	-14.0	-22.9	-16.6	18.2	-15.7	41.0	-3.9	-2.9	-0.5
STOXX Europe 600 Index	-14.8	-23.0	-15.6	23.2	-13.2	7.7	-5.7	-4.2	2.0
Bond Markets									
iShares 20-plus Year Treasury Bond ETF	6.2	21.8	30.5	11.5	-4.2	6.5	11.0	4.8	6.3
iShares AAA - A Corporate Bond Fund	-2.3	0.9	5.7	9.1	-5.2	2.9	2.2	1.0	NA
Commodity Markets									
Gold	1.6	6.0	24.4	18.7	-1.7	12.6	8.9	6.3	3.8
Silver	-17.6	-22.8	-7.7	16.7	-8.3	3.8	-8.3	-3.4	-2.3
CRB all commodities	-6.3	-7.8	-13.0	-1.9	-5.4	2.2	-4.9	-2.3	-1.5

Sources: Barrons, Commodity Research Bureau, Dow Jones, Frank Russell, iShares, Standard & Poor's, STOXX Europe 600, Refinitiv.

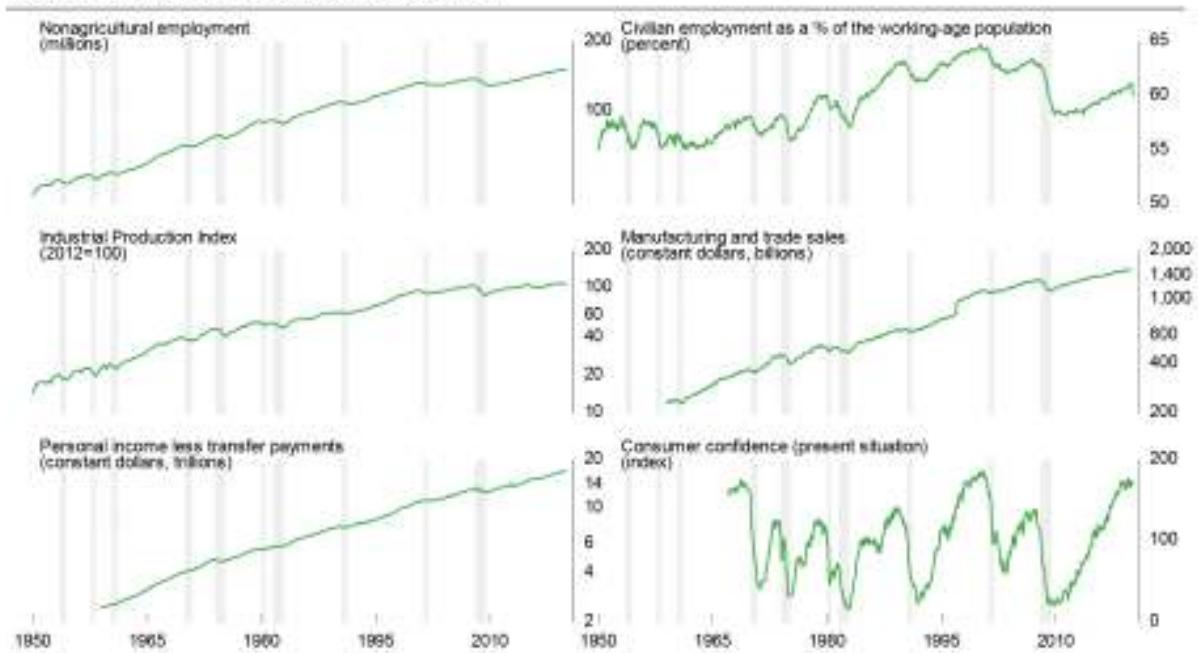
CONSUMER FINANCE RATES

[Percent]

	March	Latest 3M	Latest 12M	Average for Year			Average over Period		
				2019	2018	2017	3-year	5-year	10-year
30-yr. fixed mortgage	3.5	3.5	3.7	3.9	3.7	3.9	4.1	4.0	4.1
15-yr. fixed mortgage	2.9	3.0	3.2	3.4	2.9	3.1	3.5	3.3	3.4
5-yr. adjustable mortgage	3.2	3.3	3.4	3.6	2.9	2.9	3.5	3.3	3.2
48-month new car loan	NA	NA	5.4	5.4	4.3	4.2	5.0	4.7	4.9

Sources: Bankrate, Federal Reserve.

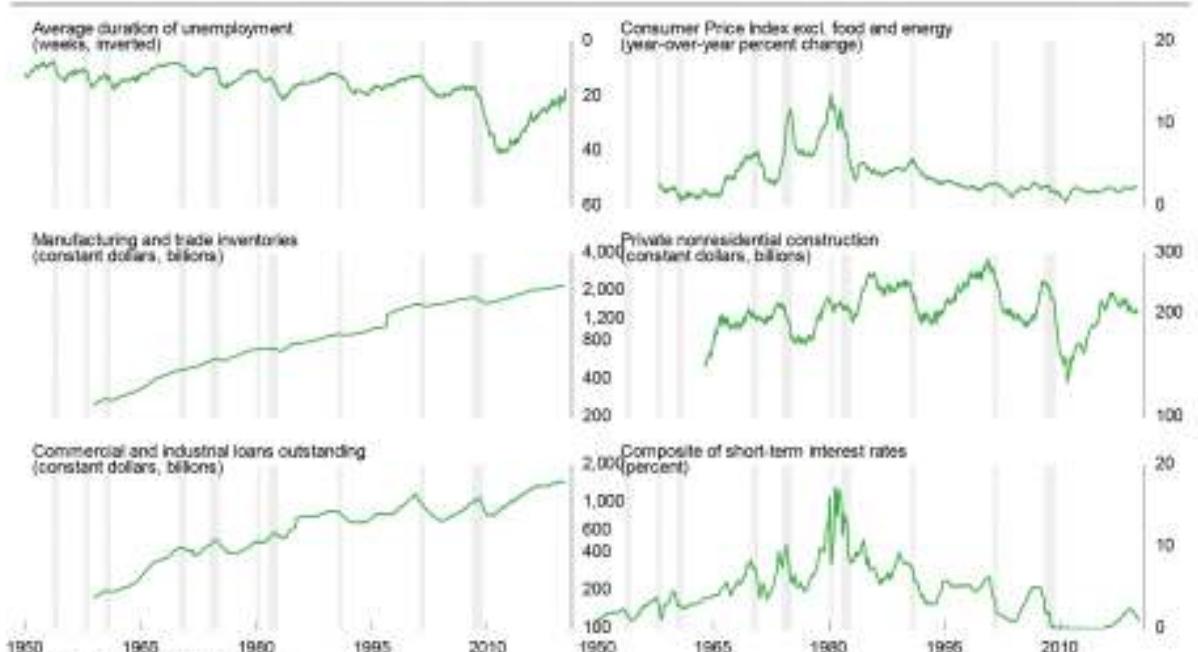
ROUGHLY COINCIDENT INDICATORS (1950-2019)



Note: Shaded areas denote recessions.

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, The Conference Board, Census Bureau, Department of Labor, Federal Reserve, Institute for Supply Management, Standard & Poor's, AER (Refinitiv).

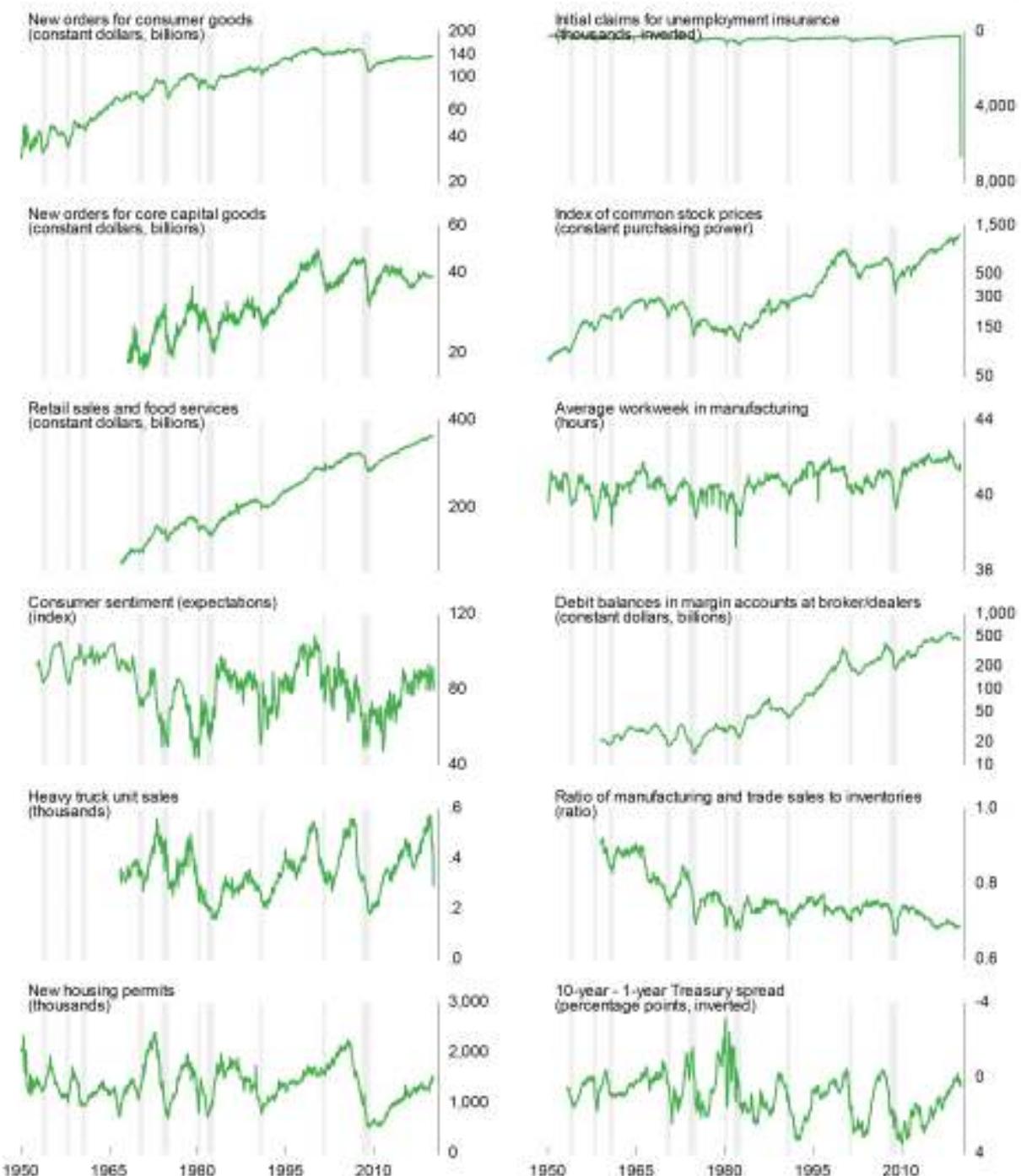
LAGGING INDICATORS (1950-2019)



Note: Shaded areas denote recessions.

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, The Conference Board, Census Bureau, Department of Labor, Federal Reserve, Institute for Supply Management, Standard & Poor's, AER (Refinitiv).

LEADING INDICATORS (1950-2019)



Note: Shaded areas denote recessions.

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, The Conference Board, Census Bureau, Department of Labor, Federal Reserve, Institute for Supply Management, Standard & Poor's, AT&T (Refinitiv).

We Were Wrong: So Sorry that We Ruined Your Life

JEFFREY A. TUCKER

Editorial Director

Andrew Cuomo, governor of New York, is moving up in the betting odds for getting the Democratic presidential nomination, even though he is not running. The reason is that binge-watching newshounds have noticed something about his comportment during this crisis. He seems just slightly struggling to know what's true. Sometimes he is even honest.

Consider this. On Thursday March 26, Cuomo dared question the orthodoxy that has wrecked countless businesses and lives. He revealed what actual experts are saying quietly all over the world but had yet not been discussed openly in the endless public-relations spin broadcast all day and night.

He said the following:

"If you rethought that or had time to analyze that public health strategy, I don't know that you would say quarantine everyone. I don't even know that that was the best public health policy. Young people then quarantined with older people was probably not the best public health strategy because the younger people could have been exposing the older people to an infection."

Further:

"What we did was we closed everything down. That was our public health strategy. Just close everything, all businesses, old workers, young people, old people, short people, tall people. Every school closed, everything."

It's true that anyone following the unfolding fiasco and the gradually emerging data behind it knows that Cuomo is right. The response has not

been modern and scientific. It has been medieval and mystical. The theory behind the policy has been nothing but a panicked cry of run and hide before the noxious gas gets you. Lacking reliable data – which is the fault of the CDC and FDA – we replaced knowledge with power.

In the end, this fiasco is an epistemic crisis. As Ed Yong has written in a beautifully detailed article for The Atlantic, "The testing fiasco was the original sin of America's pandemic failure, the single flaw that undermined every other countermeasure." Even the wide acceptance of social distancing as a norm, however much it helps curb the spread, presumes this absence of knowledge. Stay away from everyone as much as possible: a slogan that reveals how little we know.

And yet lacking that knowledge, the politicians, cheered on by the media, acted in ways that have fundamentally wrecked life as we knew it, all in the course of a couple of weeks.

The massive knowledge gap was filled by a cascade of predictive models made possible by modern statistical packages readily available by subscription to any member of the clerisy. If this, and this, and this, and if this and this and this, then ENTER. Out pops what appears to be a precise presentation of our future under the following conditions, along with an overlay of embedded cause-and-effect assumptions about certain policies followed or not followed. Day after day we were bombarded with such predictions, and we paid close attention because we had little in the way of actual on-the-ground facts that have been available to us in previous disease panics.

It then became the perfect storm. Risk-averse

politicians deciding to do something, anything, to avoid blame. Bureaucrats doing what they do best, which is telling people no, you cannot innovate, you cannot produce, you cannot distribute. Local tyrants stopping price gouging and therefore preventing the price system from working. A howling media famished for eyeballs, ears, and clicks. A public panicked about disease and death. An egregious dividing of people into essential and nonessential. Policy snares, tangles, missed opportunities all around.

The cacophony of information chaos has been palpable, unbearable.

All the while, a few knowledgeable experts have been trying their best to weigh in and get some slight attention for rationality. My heart, in particular, goes out to the esteemed Professor John Ioannidis who has been exposing fake science based on bad data his entire life and has been previously celebrated for doing so. He writes as often as he can, while still trying to be as precise and accurate as he can. Apparently such high-end people have a private email list in which they share observations and data, while doing their best to bring calm while civilization is falling apart.

His first salvo appeared March 17. God bless The National Post for publishing Ioannidis's latest exasperated piece.

At the moment, we are enacting extremely severe measures in an effort to do something. However, we have very little evidence-based data on how to guide our next steps. We really don't know where we are, where we are heading, whether our measures are effective, or if we need to modify them. There is a possibility that many of our aggressive measures could be doing more harm than good, especially if they are to be maintained in the long term. There will be major consequences in terms of lives lost, major

disruptions to the economy, to the society, and to our civilization.

At this juncture we need to act swiftly. At the same time, we need to act equally swiftly to collect unbiased data that will tell us how many people are infected, the chances that someone who is infected will have a serious outcome and die, how the epidemic is evolving in different settings and places around the world, and what difference we are making with the measures that we're taking. This information can make a huge difference and there is a lot that can go wrong if we don't have the right data.

This has been an acute situation. At the same time, collecting reliable data should not take time and should not halt our decision-making process. Getting information on representative samples of the population is very easy. It has been done in Iceland, where they have a cohort covering most of the national population looking at samples that have been provided. They see that they have an infection rate of 1.0 per cent, and up until now only two people have died. So, out of the 3,500 infected people in Iceland there have been two deaths, which corresponds to an infection fatality rate lower than the common flu. Of course, some people may be infected later, but nevertheless, these estimates would be very different compared with the original claims of case fatality rates of 3.4 per cent that were circulated.

At the same time, we have other pieces of evidence that the number of people who are infected is much larger compared with the number of cases we have documented. In most places, with few exceptions around the world, we are just testing people who have substantial symptoms who have come to seek health care or even to be hospitalized. These are just the tip of the iceberg. The Iceland experience and other data from Rome and Italy where entire

city populations were tested shows that the vast majority of people are either completely asymptomatic or mildly symptomatic in ways that you would not be able to differentiate from the common cold or common flu. This information makes a huge difference while we are proceeding with aggressive measures of social distancing and lockdowns that may have tremendous repercussions, especially in the long term.

As the song says, stop making sense.

I write on Saturday morning March 28, and right now there are two contrary strains about to collide. On the one hand, you have scientists reducing their death-rate predictions further and further, lopping off zeros by the day. On the other hand, this is accompanied by appalling levels of despotism, even to the point of National Guard checkpoints at state borders and restrictions on what you can buy even at “essential” stores. This gigantic gap between emerging professional medical consensus and appalling policy ignorance is revealing as never before the practical impossibility of scientific public policy.

Then you have the cascade of unintentional and unexpected outcomes of the rush to coerce. It began with Trump’s disastrous block on flights from Europe that sent millions scrambling for tickets and led to an unspeakable crush of people standing shoulder-to-shoulder at our nations’ airports, contradicting the demand that people social distance just when the virus was revealing itself as highly contagious. The very opposite of intended results!

That’s just the beginning. I doubt seriously that the political class in this country, as low a regard I have for it, set out to destroy all that we call civilized life, instantly generating millions of unemployed workers and bankrupt businesses all around, not to mention a pandemic of utter hopelessness on the part of vast swaths of the world’s population. Still,

this is what they have managed to achieve. This is what their pretense of knowledge – as opposed to actual wisdom – has unleashed on the world, with incalculable human cost.

As for economics, are we talking recession? Depression? Those words indicate cyclical changes in business conditions. My friend Gene Epstein suggests another term for what we are going through. The Great Suppression. There will be months, years, and decades in which to more clearly observe the countless ways in which the suppressors piled error upon error, blockage upon blockage, to add to the grotesquery.

What truly should inspire us all right now are the grocers, pharmacists, truck drivers, manufacturers, doctors and nurses, construction workers, restaurant workers, service station attendants, webmasters, volunteers of all sorts, philanthropists, and specialists in a huge variety of essential professions who keep life functioning more or less. And let us not forget the “unessential” people (it’s an incorrect and vicious term) who have innovated ways around the Great Suppression to continue to serve others, keep the rent being paid, and food on their tables. They are the means of salvation out of this mess.

The market, hobbled and bludgeoned, still loves you.

As for the politicians, Andrew Cuomo has admitted some of the error. In a much-welcome change, he has even deregulated medical services. There’s just a hint of humility and humanity embedded in these statements and actions. We need more of that, vastly more, if only to contribute to calming things down long enough to gain some perspective, and, hopefully, some eventual realization that in the “land of the free and the home of the brave” a virus should be regarded as a disease to mitigate and cure, not an excuse to bludgeon life on earth as we know it.

March 28, 2020

South Korea Preserved the Open Society and Now Infection Rates are Falling

PETER C. EARLE

Research Fellow

What's the better for dealing with pandemic disease: martial-law quarantines imposed by the state according to geography, or keeping society open while trusting medical professionals, individuals, families, and communities to make intelligent decisions?

A month ago, such a question would have been purely hypothetical but the answer in the United States would have been settled. After all, this is a country of law, with a Bill of Rights, limits on state power, and an essential trust in freedom. Right?

How times change in a crisis. Mayors and governors around the country are imposing quarantines, not because they work but because they don't want to be blamed for failing to act. So let's consider that essential question: what works?

South Korea has seen a steady decrease in new coronavirus cases for the latter half of the last week. The country had the fourth most cases of coronavirus in the world. There were no geographic quarantines enforced by armed guards. Instead, the sole focus was on widespread testing and isolating the sick.

After averaging over 500 new cases per day back to the last week of February, between Friday and Sunday the daily totals numbered 438, 367, and 248 according to the Korea Center for Disease Control.

How is it that without deploying the military or imposing widespread, enforced quarantine, the spread of coronavirus in South Korea is apparently slowing?

Actually, there's a better question: why should the U.S. copy China rather than South Korea?

The United States is deep in the throes of an election season at present, and so haughty invokings of the Constitution and Declaration of Independence

are recurrent (if not always coherent). Of course, talk is generally cheap – and all the cheaper when coming from the mouths of politicians. It's in times of crisis that the veracity of one's commitment to liberty and human rights is laid bare. The difference between the U.S. and China is that China makes no pretense of reverence for liberty, nor for the inviolate elevation of individual rights.

South Korea is leveraging private property rights to thwart the spread of the virus, with building owners posting and enforcing "no mask, no entry" signs. (Just imagine how many Americans would react to being turned away or denied service from a favored destination at the sole discretion of the proprietor.)

Drive-through testing stations have been set up nationwide through which individuals, after a ten-minute test, are notified within a few hours if infected. A voluntary, self-diagnosis phone app was created in the early stages of the pandemic, and "living and treatment" centers set up in a "soft quarantine" spirit.

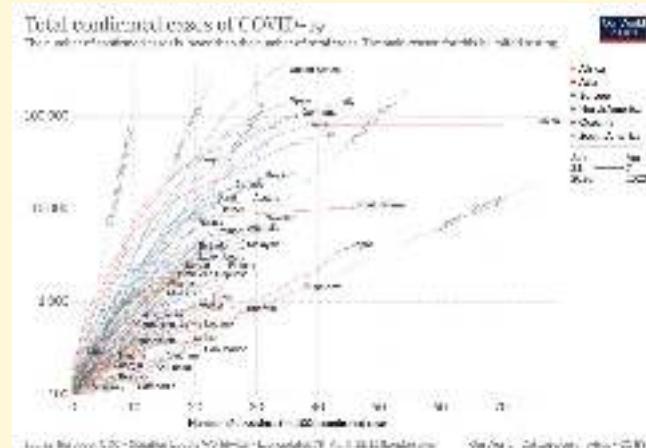
Mostly, though, South Koreans are acting based upon their experience with the H1N1 pandemic in 2009: they're washing their hands frequently, making an effort not to touch their faces, wearing masks, and social distancing to the extent possible. The high level of personal technology access in South Korea makes the lattermost eminently practicable, given the ubiquity of video telecommunications and other such technology.

Contrast this with developments in the few days since Italy put its entire country under quarantine, active cases have risen from between 5,000 and 6,000 to over 8,500. Deaths from the coronavirus

have risen in that same time period from 366 to 631 (all figures as of March 10th).

It is true that certain aspects of South Korea's handling of the outbreak nevertheless infringes upon individual rights, in particular where privacy is concerned. Using camera surveillance and tracking the cell phone and banking activity of individuals likely inflicted with the coronavirus is grossly in violation of any marginally libertarian principles. But the prevailing point is that with a far softer touch – vastly more respectful of the individual citizen than anywhere else, including our own putative bastion of freedom – the South Korean government has brought about superior outcomes than the much heavier handed, authoritarian measures of China, Italy, the U.S., and virtually every other afflicted nation.

communities, pressure firms to withhold their services, and paralyze individual movement reveals precisely what we suspected but did not fully know about our ruling classes. Our liberties are expendable when they say they are.



Talking the talk and walking the walk

Vice Health Minister Kim Gang-Lip summarized the underlying premise of the South Korean government's approach to arresting the spread of the coronavirus: "Without harming the principle of a transparent and open society, we recommend a response system that blends voluntary public participation with creative applications of advanced technology."

While the global spread of the virus is still unfolding and the appearance of new strains may throw the proverbial wrench into Seoul's policy mechanism, at present the results speak for themselves.

Every government action which reduces liberty from any starting point generates net costs, whether put forth under calamitous or idyllic circumstances. Freedom is not a fair-weather proposition. We love it and defend it because it works, in normal times or crisis times.

The quick decision among most countries to deploy their military, force the lockdown of

March 12, 2020

800 Medical Specialists Caution Against Draconian Measures

EDWARD PETER STRINGHAM

President

If you depend only on mass media during this crisis, one's perspective can become distorted. You might gain the impression that the whole world agrees that a full lockdown of life itself is the only way to control the spread of Coronavirus and minimize the fatalities. But this doesn't take into account what actual medical professionals are saying right now.

Hundreds of professors associated with Yale University organized a letter with signatures to send to the White House. It was signed by 800 credentialed professionals largely from the fields of epidemiology and medicine. It is not what I would call a free-market treatise, to be sure, and I do not agree with parts of it.

Still, it takes us in a different direction, and a much more libertarian one, than the one in which governments are taking us. The letter warns that the crackdowns, shutdowns, travel restrictions, sweeping closures, and work restrictions could be counterproductive and not produce the results people hope for. This echoes the concern expressed by Stanford epidemiologist John Ioannidis and his recently published work that warns that we are taking extreme measures with low-quality information with little interest in costs.

And where the letter worries about the loss of public services, I would add the worry of the loss of essential economic services. I will quote large sections of this letter. My main message here is as follows. If you worry that the coercive measures government is using and proposing go way too far, you are not alone: many in the mainstream of the medical profession agree with you.

"Mandatory quarantine, regional lockdowns, and travel bans have been used to address the

risk of COVID-19 in the US and abroad. But they are difficult to implement, can undermine public trust, have large societal costs and, importantly, disproportionately affect the most vulnerable segments in our communities. Such measures can be effective only under specific circumstances. All such measures must be guided by science, with appropriate protection of the rights of those impacted. Infringements on liberties need to be proportional to the risk presented by those affected, scientifically sound, transparent to the public, least restrictive means to protect public health, and regularly revisited to ensure that they are still needed as the epidemic evolves."

"Voluntary self-isolation measures are more likely to induce cooperation and protect public trust than coercive measures, and are more likely to prevent attempts to avoid contact with the healthcare system. For mandatory quarantines to be effective and therefore scientifically and legally justified, three main criteria must be satisfied: 1) the disease has to be transmissible in its presymptomatic or early symptomatic stages; 2) those who may have been exposed to COVID-19 must be able to be efficiently and effectively identified; and 3) those people must comply with the conditions of quarantine. There is evidence that COVID-19 is transmitted in its pre-symptomatic or early symptomatic stages. However, the contribution of infected individuals in their pre-symptomatic or early symptomatic stages to overall transmission is unknown. Efficiently identifying those exposed will be increasingly difficult as community transmission of the virus becomes more widespread, making quarantine a less plausible measure as community spread proceeds.

Whether individuals can comply will be determined by the degree of support provided, particularly for low-wage workers and other vulnerable communities. While quarantines are in effect in many places already, their continuing and new use by federal, state or local officials requires real-time assessment and evaluation to justify them as the science and the outbreak evolve, through a transparent, open decision making process including external scientific and legal experts.”

“It will also be imperative not to impose inhumane or discriminatory conditions, as occurred on the Diamond Princess cruise ship, where passengers were quarantined to protect the population on land but were isolated in a high transmission setting.”

“Government and employers must recognize that low-wage, gig-economy, and non-salaried workers who are unable to work because of quarantine or movement restrictions or other disruptions to the economy and public life face extraordinary challenges. They may find it impossible to meet their basic needs, or those of their family.”

“Individuals must be empowered to understand and act upon their rights. Information should be provided on the justification of any mandatory restrictions as well as how and where to appeal such decisions. They should be afforded procedural due process, including universal access to legal counsel, to ensure their claims of discrimination or of hazardous conditions associated with their confinement are adjudicated.”

“The effectiveness of regional lockdowns and travel bans depends on many variables, and also decreases in the later stages of an outbreak. Though the evidence is preliminary, a recent modeling study suggests that in China these measures may have mitigated but not contained the spread of the COVID-19 epidemic, delaying it locally by a few days, while having a more marked, though still modest, effect at the international scale, particularly

if not combined with measures that achieved at least 50% reduction of transmission in the community. Travel restrictions also cause known harms, such as the disruption of supply chains for essential commodities. The authors of a recent review of research on the subject concluded that “the effectiveness of travel bans is mostly unknown” and “when assessing the need for, and validity of, a travel ban, given the limited evidence, it’s important to ask if it is the least restrictive measure that still protects the public’s health, and even if it is, we should be asking that question repeatedly, and often.”

Whether or not one is fully on board with economic liberalism, this letter reveals that serious health scholars are not on board with many of the draconian command-and-control measures on the table. Are people in the White House getting the message? I hope so.

March 24, 2020

What Does the Growing Number of Coronavirus Cases Really Mean?

STEPHEN C. MILLER

Contributor

As COVID-19 continues to have its political impact, ranging from state mandates to close certain businesses to cities imposing curfews to road closures, the headline numbers continue to get the most attention: the number of cases and the number of deaths.

After several weeks of efforts to contain, treat, and measure the impact of the coronavirus, the data support one of two conclusions:

1. The virus is highly contagious, with the number of infected people doubling every three days.

OR

2. The fatality rate is significantly higher than for the seasonal flu.

But we cannot really believe both.

If the first claim is correct, then even though there are approximately 100,000 confirmed cases in the U.S., the virus has been spreading much more rapidly than we can test for it, if it has truly doubled every three days since January. If COVID-19 truly spreads that quickly, then the true number of infected in the U.S. is much higher – perhaps several million, as Stanford School of Medicine researchers Eran Bendavid and Jay Bhattacharya suggest in the Wall Street Journal.

If millions have been infected, then it logically follows that the current number of confirmed cases vastly understates the true number of infected. But even if only two million people have been infected (which would suggest a slower growth rate than the models projected), then the number of deaths

as of Friday (just over 1,500) yields a fatality rate of just under 0.08 percent, or slightly less than the seasonal flu.

If there are several million infected, then the fatality rate is a small fraction of the seasonal flu, perhaps as low as 0.01 percent. Those numbers would suggest that the U.S. is facing a new virus with flu-like symptoms, one that, like many viruses, is a dangerous threat to those with weak immune systems or respiratory problems. But ultimately it is milder and far less deadly than last year's seasonal flu.

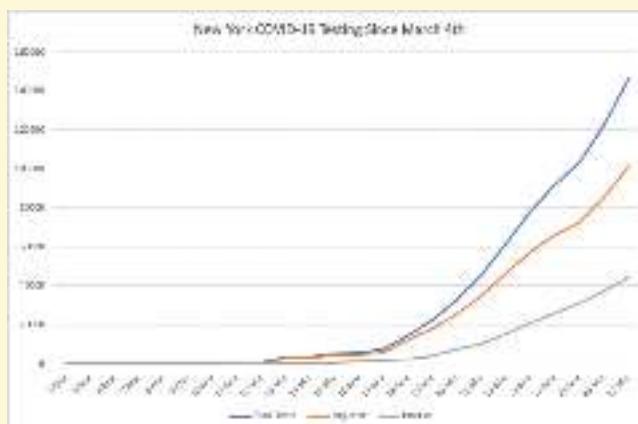
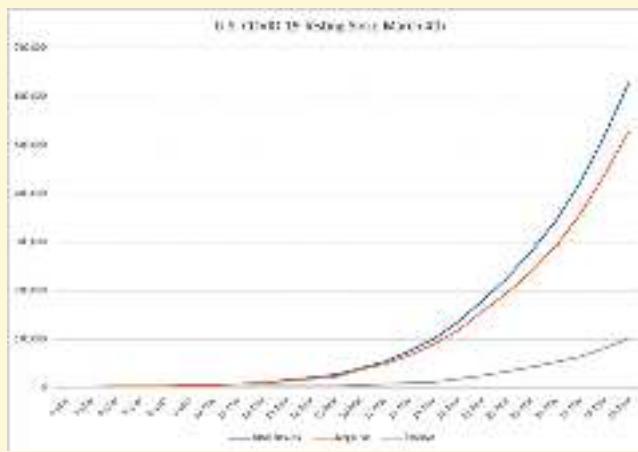
The alternative is to believe that the fatality rate is as high as the reported numbers suggest, 4.5 percent globally, or about 1.2 to 1.6 percent in the U.S. (see the chart below). If so, then the virus is unusually difficult to transmit. If we just go by confirmed cases, then only about 80 thousand people have been infected in China, out of a population of 1.38 billion, or 0.006 percent.

Or that so far, after over three months, the coronavirus has only infected 617,000 people globally, or roughly 0.008 percent of the population. If we believe the number of cases is more or less right, then the virus spreads much more slowly than imagined.



The challenge in knowing how fast the virus spreads, which gives us the true number of cases, is testing. The virus spreads more quickly, at this stage, than we can test for it. And without knowing the true number of cases, we cannot accurately calculate the true death rate.

Nonetheless, the growth in testing has shed light on both questions, the spread of the virus and its deadliness. The chart above shows that as testing expanded, the case fatality rate fell. The chart below shows the growth in testing and which portion of those tests have been positive. The latest data on testing show that nationally roughly 16 percent of tests issued are positive, but in New York the number of positive tests is over 30 percent (see the third chart).



The charts suggest that New York State either has a higher infection rate than the rest of the country

(which is plausible given the higher population density), or that testing in New York has been even more focused on the seriously ill than is the case nationally. While the former is likely true, there is also evidence for the latter: New York's hospitalization rate for confirmed cases (19%) is five percent higher than the current national average (14%).

So which is it, is the virus spreading very rapidly or is it especially deadly? Given what we know about how similar viruses spread, it seems reasonable to believe the virus spreads more rapidly than the testing data indicate, and that the true number of cases is many times larger than 100,000.

The infected are likely in the millions, but the rationing of tests prevents us from knowing the true number. In any case, that means the death rate is vastly overstated, and likely even *lower* than what has been typically reported for the seasonal flu. But there is also reason to believe that the coronavirus, while highly contagious in the same sense that many common viruses are, is not really *more* contagious than the seasonal flu. To believe that, we would have to believe the total number of infected is in the tens of millions nationally, even with the social distancing measures in place.

March 28, 2020

The Columbia-NYT Model Can't Be Right

ROBERT E. WRIGHT

Senior Fellow

The New York Times has headlined an article and several interactive maps, based on research conducted by researchers at Columbia University, purporting to show the spread of COVID-19 infections over the next few months across the continental United States by county under three scenarios: no control measures, some control measures, and severe control measures.

It's riveting, engaging, alarming.

Also, it cannot be correct.

Under the “no transmission reduction” scenario the infection rate for almost every county in the entire United States is predicted to exceed 65 percent and in many places is predicted to exceed 90 percent. Such high rates would be unprecedented in epidemiological history, underdeveloped as that field is, and exceed the CDC’s own worst-case scenario.

True, the virus is “novel” but infection rates naturally cannot exceed about 65 percent. To see why, consider that the number of new infections on a given day is determined by those infected on the previous day times their average number of contacts with *uninfected* persons ($1 - \text{proportion infected}$) times the probability of transmission per contact.

Controls like social distancing, hand washing, shuttering businesses and such are meant to reduce the average number of contacts and the probability of transmission per contact.

But note that the number of uninfected persons declines as the number of infected increases, naturally slowing the spread of the infection. Think of it as the law of diminishing returns applied to biology. The proper models are logistic, not exponential. In other words, when plotted they look like S curves, not moonshots. If this doesn’t make sense

to you, check out this video.

Also, many of the county-level predictions look dubious. I will concentrate my critique on South Dakota, where I have lived since 2009. While I have not set foot in every county in the state, hunting, fishing, traveling, and research (for *Little Business on the Prairie*) has given me a good feel for most of it.

I cannot fathom a 60 percent-ish infection rate for Miner and Sanborn counties by 1 May with no controls or by 10 June with some controls. The 30ish percent predicted by 1 August with severe controls also seems outlandish, even though most of the denizens of those counties are ranchers and farmers of a politically conservative bent not likely to allow Washington, or even Pierre (South Dakota’s capital), to impose severe controls on them.

Most South Dakotans simply live too far apart. Sure, they congregate in churches and local bars and restaurants, like *Animal* in Canova (Miner Co.), but not often or in large numbers, especially during planting and calving season. Normally, they travel to Sioux Falls or Rapid City about once a month to stock up but they likely have already stocked up on essentials like everyone else. Those who didn’t prepare have neighbors or relatives who will help them out and there is plenty of fat and protein around for everybody: cattle, sheep, hogs, chickens, fish, and, in a pinch even if they are out of season, deer and pheasants. Plenty of switchgrass and corn cobs for the bathroom duties too.

Most can make their own alcohol if need be. I don’t know if they can make their own smoke too and both interest rates and the stock market are (somehow) down, but Hank Williams, Jr. pretty much has the situation pegged in his song “Country

Boy Can Survive.”

Rural South Dakotans are friendly enough, if you aren’t trespassing on their land, but most don’t want to shake your hand even in normal times and anyway are probably wearing a glove covered with snow, placenta, or entrails, depending on the season.

I am only partly in jest but the notion that 69 percent of the residents of rural McCook County will be infected while only 40 percent of the residents of Minnehaha, home of the much more densely populated Sioux Falls, will be infected seems far-fetched at best. I believe that the death rates will be higher in rural counties due to their gerontological age structure but that too suggests that infection rates will be lower.

West River (that means west of the Missouri for the coastal elites reading this) remains John Birch Society country. The *Columbia-Times* model reveals a similarly bizarre pattern there, with Rapid City, the state’s second biggest city, predicted to have a lower rate of infection than rural Lyman, and not much higher rates than almost unpopulated counties in the Black Hills. The biggest restaurant in Deerfield Reservoir (Pennington County) seats about 20 tops and will be lucky to have more than 5 patrons at one time this year, no matter what official controls are in place. In case your parents never took you on a 40-hour car trip to Mount Rushmore, this is what a lot of the West River part of the state looks like. Those are dinosaur (fossil) hunting grounds, not avante-garde buildings, and hardly breeding grounds for a pandemic.

Another oddity is that the state’s Indian Reservations are predicted to come through the pandemic relatively unscathed. Unfortunately, the researchers coded their stuff in an arcane programming language so it is difficult to observe exactly what they did but apparently the lack of roads on Reservations is predicted to save them. There is something to that but the lack of cars also means that hitchhiking is

still commonly practiced although it is just as illegal and frowned upon on Reservations as elsewhere. (See Ian Frazier’s *On the Rez*.) Plus there are some cultural beliefs and practices that might increase infection rates along with, you know, the grinding poverty and inept Indian Health Services.

Of course no model can include everything; like the communal living style of South Dakota’s Hutterites, members of each colony of which are likely to all get infected, but only if any of them do. But the *Columbia-Times* model seems a lot like the simple money multiplier model in macroeconomics principles textbooks, i.e., one divided by the reserve requirement. It misses a lot of natural brakes to disease spread (deposit expansion) and hence overestimates, by a lot.

It also seems disingenuous to claim such precision based on 14 confirmed cases of COVID-19 in the state to date, out of 663 negative tests of those considered at-risk. I could use that data and a simple model to concoct three Alfred E. Neuman-style “What Me Worry” scenarios. But I won’t because the independent AIER has more integrity than the *New York Times*, a commercial enterprise more dependent on attracting eyeballs than serving the public interest.

This is just one state. A similar critique could be made of every spot on the map. Most of the disease-forecasting models hitting the headlines these days are based on applying dubious exponentials on vast numbers of unknowns, while the public-relations spin weaves the appearance of certainty that is unsustainable given existing knowns.

March 21, 2020

Those Shelves Wouldn't Be Empty If We Hadn't Stopped "Capitalism"

ART CARDEN

Senior Fellow

You've seen the pictures on your social media feeds: Empty shelves across America. Panic-buying. Hoarding. You might have even seen comments from self-described socialists saying, "Here's what the US looks like under capitalism in a crisis" and perhaps mocking people who point to regularly empty store shelves in Venezuela as a condemnation of socialism. There are two problems with this, though. First, this is a temporary phenomenon brought on by a sudden panic. Shelves emptied by panic buyers are rare in free market economies and frequent in alleged workers' paradises.

Second, and importantly, this is *exactly what the supply-and-demand model we teach in introductory economics courses predicts when we actively prevent the free market from functioning*. The shelves aren't empty because of free-market capitalism. They're empty because of active interference with free-market capitalism. Specifically, governments aren't letting prices change to reflect new market conditions.

States are declaring states of emergency, perhaps rightly so in light of some of the risks we likely face as COVID-19 spreads. Bundled with sensible emergency measures like recommendations about social distancing, touching others, and so on are price controls as politicians rattle their sabers about "price gouging" and "profiteering."

These are basically embargoes on knowledge. Higher prices serve a crucial social role by asking people to think a little harder about whether or not they really *need* that much hand sanitizer or toilet paper or whether they might be able to get by with a little less. The unintended consequence? There's a roll of toilet paper or a bottle of hand sanitizer

waiting for the next person who wants it at the market price.

This gets turned upside-down when we go after so-called "price gougers." Grotesquely, they get tarred as villains while it's actually the politicians who are making the problem worse by interfering with prices. They are outraged that prices are rising in the face of high demand and uncertain future supply, but that's exactly what prices should do under these circumstances.

A lot of this stems from a fundamental confusion about *cost*. Critics and activists think that someone is selling unacceptably "above cost" and reaping an illegitimate windfall profit when they charge a price that is a lot higher than what they paid for the product from a wholesaler plus a "reasonable" profit.

This gets cost all wrong, though. At the point of sale, the cost of selling a roll of toilet paper is not what the retailer paid the wholesaler. That's irrelevant to current market conditions. The cost of selling a roll of toilet paper *to you* is what the person behind you in line would have paid. Suppose you're willing to pay \$2 while the person behind you is willing to pay \$5. *Everyone* is going through a hard time right now; it's not exactly clear why the person behind the counter and the person behind you should give up their gains from trade for you.

At this point, people might be objecting, "But demand is a reflection of willingness and *ability to pay*, so it might be unfair to the poor." This makes intuitive sense, but I think there's a serious complication with the "*ability to pay*" qualification: namely, if you are fortunate enough to spend your last \$2 on a roll of toilet paper for which the person behind you is willing to pay \$5, then you are actually sacrificing

not \$2 for the roll of toilet paper, but \$5. You’re “paying,” albeit implicitly, by not selling the toilet paper for \$5 — and you are, therefore, demonstrating an “ability to pay” of \$5.

This is similar to an example I’m fond of using when I teach about opportunity costs. Think about tickets to sporting events. Suppose tickets to the Big Game are going for \$500 each. By sheer luck, you find a ticket on the ground. Does this mean you now get to go to the game for “free?”

No. Going to the game still costs you \$500 (plus the opportunity cost of your time). You *could* have sold the ticket for \$500, but you chose to go to the game. Fundamentally, there’s no difference between finding \$500 on the ground and buying a ticket with it and finding a ticket on the ground that you could sell for \$500.

Hence, I’m skeptical of “ability to pay” as an objection to high prices during disasters unless transaction costs are really high — and even then, I think the solution is to identify and overcome the sources of the transaction costs.

But shouldn’t people charge low prices because it’s the *right* thing to do? Maybe. People respond to a complex mix of incentives and motivations, and one of the more heartening responses to the COVID-19 outbreak has been the way in which a lot of publishers have opened up their online products for students and instructors suddenly faced with moving their courses online. Benevolence is one motivation among many, though, and the fact remains that we get a lot more hand sanitizer, toilet paper, and other supplies when we make room for people who are just in it for the money.

You may not like their motivations, but they’re doing something your state’s governor and attorney general aren’t doing. Namely, they’re getting valuable emergency supplies into your hands. Maybe humanitarian impulses are elegant and more civilized ways of getting goods into the hands of

the needy compared to the profit motive, just as a lightsaber might be an elegant and more civilized way of killing an enemy than a blaster. At the end of the day, though, both motivations (just like both weapons) get the job done.

As the economist Yoram Barzel explained in his under-appreciated paper “A Theory of Rationing by Waiting,” it’s hard to give away money in a way that actually helps the people we want to help. As economists point out whenever price ceilings come up, price ceilings don’t reduce what we pay. They change *how* we pay, with more of the putative benefits of our purchases being consumed by search costs. Someone waiting in a long line for low-priced hand sanitizer and toilet paper is incurring a cost (his valuable time) but not producing a benefit for someone else.

Here’s a real-life illustration. Various outlets report that a Tennessee man bought 17,700 bottles of hand sanitizer with a view toward selling them at a markup online. Amazon refuses to do business with him, which is their right as a private firm. However, they would probably expose themselves to multiple price-gouging prosecutions were they to allow him to sell hand sanitizer at a hefty markup via their site.

The perverse result is that instead of 17,700 bottles of hand sanitizer at a price of \$10 or \$20 or even \$100, people can, at least in the very short run, get *no hand sanitizer at any price*. The effective price of a bottle of hand sanitizer when there is none to be had, as Michael Munger has pointed out, is effectively infinity.

This is a difficult time for a lot of people, and it’s understandable and admirably humane to want to help others in their time of need. We aren’t doing them any favors, however, by saying that they won’t be allowed to pay very much for a bottle of hand sanitizer they can’t get anyway.



March 15, 2020

Good Reasons to Doubt the Estimate of COVID-19 Deaths

WILLIAM J. LUTHER

Director, Sound Money Project

A recent study from the Imperial College COVID-19 Response Team estimates that as many as 2.2 million Americans could die from the coronavirus (COVID-19). Its estimates come from an epidemiological model which, among other things, takes into account the strain on hospitals that is expected if we are unable to flatten the curve.

The New York Times credits the study with changing the tone at the White House, which revised its guidance on gathering limits from 50 to 10 on Sunday and urged Americans to increase social distance.

That headline number—2.2 million deaths in the US—has received a lot of attention. As the authors of the study note, however, that estimate only results in “the (unlikely) absence of any control measures or spontaneous changes in individual behavior.” In other words, it is the study’s worst-case scenario, where everyone just goes on as if there were no virus even though people around them are getting sick and dying.

Perhaps the authors should have written “incredibly unlikely” and not put it in parentheticals. Again, the estimate is based on the implausible assumption that we do nothing. And, by “do nothing,” I do not mean “fail to adopt a meaningful government response.” There would need to be “no spontaneous changes in individual behavior” (i.e., those not directed by the government) as well.

Such an estimate might provide a useful starting point. In particular, it might give us some perspective on the absolute upper bound of reasonable estimates. But it should not be taken as a reasonable expectation of what will actually happen. Remember the Lucas critique: when circumstances change, people

change their behavior. The headline estimate merely recognizes how bad it would be in the absence of any such behavioral or policy changes.

I cannot overemphasize how implausible the headline estimate is. We cannot “do nothing” at this point because we are *already doing more than nothing*. We are isolating those infected, banning travel from high-risk countries, self-quarantining the at-risk, working remotely, closing schools, increasing social distance, washing hands more frequently, ... And those control measures and behavioral responses are precisely the kind of steps the study’s authors go on to consider.

If anything, I would say the study gives us some reasons to be optimistic. The authors estimate a 15 to 30 percent reduction in deaths from just two, small changes:

- Case isolation in the home
- Social distancing of entire population

Moreover, the authors are relatively conservative in modeling these changes. For example, they assume isolation reduces contact outside the home by just 75 percent and that only 70 percent of those experiencing symptoms actually respond by isolating.

They assume social distancing reduces contact outside the home, school, or workplace by 75 percent, but that school contact rates are unchanged and workplace contact rates are reduced by just 25 percent.

The authors estimate a 49 to 50 percent reduction in deaths from three changes:

- Case isolation in the home
- Voluntary home quarantine
- Social distancing of those over 70 years of age

Voluntary home quarantine differs from case isolation in that *all* household members stay home following the identification of symptoms, not just the person (or, case) showing symptoms. And, as in the previous scenario, the assumptions concerning compliance are conservative. Only 50 percent of people are assumed to voluntarily quarantine when one of their family members becomes ill.

More strikingly, in this scenario, those of us under age 70 without symptoms or family members with symptoms are assumed to go on about our lives as if there isn't a virus killing a bunch of people. We do not work remotely. We do not cancel upcoming trips. We do not increase social distance. We do not wash our hands more frequently. There is no behavioral response. It is just business as usual for most of us. That strikes me as implausible. And, the more we change our behaviors in response, the fewer deaths will result.

To recap, with three not-so-incredible responses, the authors of the Imperial College study estimate that we will reduce deaths from 2.2 million to 1.1 million. That is still a lot of deaths, to be sure. It is roughly 32 times as many deaths as resulted from the flu last year.

However, we should keep in mind that the estimates produced in the study are based on relatively conservative assumptions about our responses and how the disease will spread in the US. I have written a lot about the former already, so let me now briefly consider the latter.

The authors implicitly assume that COVID-19 will move from person to person in the US just as it did in China and South Korea. However, we have learned that proximity matters a lot with this disease.

A recent report from the World Health Organization (WHO) found that most human-to-human transmission of COVID-19 in China occurred in families.

Part of the reason why diseases spread so rapidly in places like China and South Korea is because there are so many people living so closely together. Despite vast rural areas, population density in China is still roughly 375 people per square mile. In Wuhan, where COVID-19 broke out, it is around 3,379 people per square mile. In South Korea, there are some 1,302 people per sq mile. And, in Seoul, its capital, there are 41,655 people per sq mile.

The US is much less densely populated than China and South Korea and Americans are much more likely to live alone. In the US, there are just 90 people per square mile. We have high-density areas, like New York City, where there are roughly 27,751 people per square mile. But most cities in the US are more like Columbus, OH—3,960 people per square mile. And most places in the US are not cities. That means, at least outside of a few large cities, COVID-19 will have fewer direct, personal contact points to spread from person to person in the US.

Based on my reading of the Imperial College COVID-19 Response Team study, I conclude that 1.1 million is a plausible high-end estimate of the number of deaths in the event that we take no extreme measures and only partially comply with sensible measures. In addition to the estimate, however, there are three key takeaways.

First, none of the responses considered above requires government action. We can choose to isolate when we experience symptoms. The family members of those who fall ill can choose to quarantine themselves. We can choose to increase social distance. We do not need the government to force us to do those things.

It is also not merely a matter of individual choice, though. There is a big role for civil and commercial

society to play. We can advise others to wash their hands more frequently; to make one trip to the grocery store per week rather than three; and to stand further apart when we talk. We can shun and shame those who refuse to heed our advice. We can postpone unnecessary social gatherings, or move them online. We can come up with novel business solutions, like carving out special times for those most at-risk to shop. We can share best practices for working remotely and provide resources to others in our field who are transitioning away from face-to-face encounters.

Consider some further examples from my personal experience. My employer has required any employee who has recently traveled abroad to self-quarantine for 14 days. Will I be shot or sent to prison if I refuse? No. But, in a state with at-will employment, I could lose my job. At the very least, I would receive some disappointing glances and perhaps justifiably unkind words from colleagues for putting them all at risk. So I am working from home, waiting it out.

My gym, which is usually packed and sweaty for a few classes each day, has capped the number of participants at 12 per class and significantly increased the number of classes offered to accommodate. For folks hunkered down like me, they have rolled out a separate program that can be completed at home with no equipment and little space. No doubt these efforts were difficult to develop quickly and more costly to provide than the usual services. But the owners care about the community they have built. And they are led by the profit motive to provide the services their customers demand.

Can government policies limit the spread of COVID-19 further still? Sure. The government has one core competency: it can use force. And, in most cases, it can force us to do more of something than we would do on our own. But we should be hesitant to permit use of that force.

As a liberal, I strongly believe in the presumption of liberty. That does not mean it is never acceptable to coerce others. Rather, it means that it is only acceptable to coerce others when there is a very good reason for doing so.

With a presumption of liberty, each person is mostly free to choose the extent to which they interact with others or engage in isolation. However, if one tests positive for or is exhibiting obvious symptoms of COVID-19, then it is justifiable to impose isolation on that individual and those they have closely interacted with for a reasonable period of time, under humane conditions. In cases where it is less clear that coercion is warranted, however, we should err on the side of liberty

The second key takeaway is that the relevant trade-offs depend crucially on local conditions. Outside of a few high-population-density urban areas, the cost of shutting everything down—in terms of real hardships for real people—is almost certainly unwarranted. We do not want the virus to spread. But we also do not want a cure that is worse than the disease.

Furthermore, the second takeaway suggests we should be looking for more decentralized solutions. The most appropriate policy response will probably vary from place to place. COVID-19 poses less risk to Omaha (3,378 people per square mile) than Chicago (11,841 per square mile). And it poses even less risk to rural areas. In Scioto County, OH, where I grew up, there are just 130 people per square mile. A one-size-fits-all approach will almost certainly result in far more costs than are warranted.

There are certainly things that federal and state governments can do to reduce the spread of COVID-19 and mitigate the economic burden for the least well off. They can collect and provide information, especially insofar as it relates to issues that cross jurisdictions. They can trace the close connections of those infected and support isolation

efforts when warranted. They can delay when tax payments are due. But much of what needs to be done can—and should—be done locally.

The third key takeaway is that small behavioral changes can really add up. Recall that the study made relatively conservative assumptions about compliance and, yet, resulted in significant reductions in the total number of deaths in the US. It follows that we can probably limit the number of deaths even further than those estimated in the study by increasing compliance with sensible measures. If you can work remotely, you probably should work remotely. Instead of dining at a restaurant, order take-out. And wash your hands every 90 minutes, setting a timer if you are prone to forget. These small changes impose small costs. But they seem to yield outsized benefits.

To many, the Imperial College COVID-19 Response Team study is taken to mean the end of the world is nigh. Having read the report, I offer a very different conclusion. It suggests small, personal sacrifices are warranted; local businesses must come up with innovative solutions; communities should postpone large social gatherings until the storm has passed; and governments ought to trace the close connections of those infected and require isolation when warranted. The study is not the last word on the subject. Indeed, other scientists are already weighing in, discussing its strengths and weaknesses. But it is a sober assessment of the most pressing problem facing the world right now. And we should share and discuss it with the same level of sobriety.

March 18, 2020

How the US Botched Coronavirus Testing

ADAM THIERER

Research Fellow

Many Americans are wondering why public health officials are not doing more to speed up deployment of coronavirus testing kits. What would happen if a private team of doctors offered an effective test before federal regulators approved one?

Dr. Helen Y. Chu and a team of infectious disease experts in Seattle found out the answer: The government will stop you.

According to a *New York Times* investigation, Dr. Chu and a team of researchers in the Seattle area had been collecting nasal swabs from residents experiencing symptoms in an effort to monitor the spread of flu in the region. It turned out they could use their test to monitor the coronavirus outbreak, but they would need approval from state and federal officials to do so legally.

“But nearly everywhere Dr. Chu turned, officials repeatedly rejected the idea,” the *Times* investigation shows, even though it was clear that the virus was already ravaging China and likely to spread in the US. She and her team decided to start performing coronavirus tests without government approval anyway. Their worst fears were confirmed as they were able to document that a local teenager had the virus. Government officials later confirmed the findings from Dr. Chu’s team. According to *Times* reporters Sheri Fink and Mike Baker, however, regulators still would not allow her team to move forward with more testing:

“Federal and state officials said the flu study could not be repurposed because it did not have explicit permission from research subjects; the labs were also not certified for clinical work. While acknowledging the ethical questions, Dr.

Chu and others argued there should be more flexibility in an emergency during which so many lives could be lost. On Monday night, state regulators told them to stop testing altogether.”

Fink and Baker note that the government’s failure to allow this study to go forward, “was just one in a series of missed chances by the federal government to ensure more widespread testing during the early days of the outbreak, when containment would have been easier.” Sadly, matters are not improving. “The continued delays [in getting government-approved testing kits] have made it impossible for officials to get a true picture of the scale of the growing outbreak,” the reporters note. Meanwhile, early government-approved diagnostic tests were contaminated, meaning the Seattle test should have been welcomed as an alternative. The journalists conclude that:

“the Seattle Flu Study illustrates how existing regulations and red tape — sometimes designed to protect privacy and health — have impeded the rapid rollout of testing nationally, while other countries ramped up much earlier and faster. Faced with a public health emergency on a scale potentially not seen in a century, the United States has not responded nimbly.”

Needless to say, this is a public health catastrophe in the making. Overly precautionary regulations may have undermined public health and cost lives.

Red Tape vs. Public Health

Officials at the Centers for Disease Control and Prevention and the Food and Drug Administration say they are working aggressively to come up with better testing procedures to counter the virus, which has now been classified as a pandemic by the World Health Organization. Even if it is true that federal officials are trying their hardest to speed up testing, the government's rejection of the Seattle Flu Study testing effort represents a disturbing example of the failure of good intentions in action. Just because precautionary-minded regulators say they have our best interests in mind, it does not necessarily mean their policies *actually* serve the public good.

In this case, highly restrictive procedures for virus testing have had the unintended consequence of shutting down tests that could detect outbreaks and save lives. Going by the book apparently mattered more than getting good results. "This virus is faster than the FDA," a University of Washington Medical Center doctor told the *Times*. Incredibly, that doctor also said that at one point the agency was asking him to submit materials through the mail in addition to over email. Strict regulatory paperwork procedures have triumphed over common sense.

Incidentally, the Seattle Flu Study team is funded by the Bill & Melinda Gates Foundation, and health officials from the Foundation and from the state of Washington petitioned the CDC to consider using the Seattle team's test results. The CDC simply punted on the issue and told them to seek FDA approval. The Seattle Flu Study did not strictly comply with established CDC and FDA lab regulations, however, and so the answer from federal regulators was always came back the same: No. "We felt like we were sitting, waiting for the pandemic to emerge," Dr. Chu told the *Times*. "We could help. We couldn't do anything."

The Ethics of Evasion

However, what is most interesting about this example of innovation-limiting regulation is that it did not stop Dr. Chu and her team from moving forward, at least not initially. Instead, they engaged in what we might think of as "evasive entrepreneurialism" or "technological civil disobedience." They went ahead and tested for the coronavirus without permission to prove that they might be able to help. Stated differently, they broke the law in pursuit of a higher goal.

What are we to make of the ethics of that decision? It is a thorny question and one that I discuss in a forthcoming book, which documents the rise of evasive entrepreneurialism and technological civil disobedience in many different contexts. Evasive entrepreneurs are innovators who do not always conform to social or legal norms. They take advantage of new devices, platforms, and methods of production to experiment with new ways of doing things. Sometimes they do so intentionally to evade laws or regulations they find offensive, confusing, or counter-productive. That's why I refer to it as technological civil disobedience.

Dr. Chu's evasive act of testing-without-approval tees up the core ethical and legal question raised repeatedly in my new book: Why is it that many people often justify acts of evasive entrepreneurialism after the fact, but few defend them as they are happening? Stated differently, why are people (including the *New York Times* of all papers) cheering on Dr. Helen Chu and her team right now instead of suggesting they be fined or sent to jail? After all, technically speaking, they broke the law. Some will say she and her team can be forgiven because their evasive actions could help save lives and, therefore, the ends justified the means. But who would have stood by her and her team when they initially set out to innovate around the system to achieve that result?

The answer in this and many other instances is not black-and-white. But evasive innovation could clearly help save lives in this case, which must have some bearing on the moral calculus here.

Putting the Genie Back in the Bottle

But let's consider the case against evasive entrepreneurialism in this context. To be sure, the ethics of medical testing are extraordinarily complicated. At the individual level, there are serious concerns about patient medical privacy. In the aggregate, there are legitimate questions about what types of tests can be trusted as well as concerns about mistaken results fueling panics or misguided treatments.

But even putting those ethical questions aside, this case raises a more practical reality: New technological capabilities—in the medical space and others—are becoming more decentralized and democratized.

In the old days, “doing science” was exclusively the domain of experts in big institutions. Going by the book was more straightforward in that environment. Things get more complicated once the genie is out of the bottle and more institutions and individuals have access to technologies that allow more decentralized forms of trial-and-error experimentation.

Risk-averse regulators and their highly precautionary mountains of red tape can only stand in the way of so much of this. Policymakers will need a new approach for technological governance in this new world. Flexibility and humility will be essential. Regulators should not throw out the old rulebooks altogether, of course. Some precautionary procedures still make sense. Not everyone should be running their own lab or doing their own tests. Permissionless innovation has its limits.

On the other hand, lawmakers and regulators could borrow a page from the permissionless

innovation playbook and allow more experimental trials, flexible testing procedures, targeted waivers, and *ex post* regulatory reviews as opposed to *ex ante* regulatory prohibitions on any and all innovations.

Evasive entrepreneurialism should be thought of as an important part of a broader discovery process that appreciates the profound importance of ongoing, decentralized trial-and-error experimentation to the process of social learning. Lawmakers should find a way to accommodate a little more outside-the-box thinking and innovating, especially when our lives are on the line.

March 12, 2020

What Sweden Has Done Right on Coronavirus

JOAKIM BOOK

Contributor

Until last week, only three European countries had still not closed their schools as a result of the coronavirus outbreak. Then followed Britain's sharp reverse-course and lockdown policy where Prime Minister Boris Johnson finally gave in to pressure, leaving only Iceland and Sweden with a strongly diverging policy.

Iceland, a miniature country that could probably test its entire population in an afternoon should it wish to do so, is a scarcely populated country with fewer inhabitants than Staten Island such that its experience (2 deaths) might not have that much to tell the rest of the world.

On the other hand Sweden might, at about twice the size of Minnesota with roughly twice the number of the North Star State's inhabitants.

Let me share some observations of the remarkable impact this crisis has had on Swedish society.

All here is definitely not well. Sweden, like most other countries, experiences its fair share of this uncontrolled pandemic. As of Monday night, over 4,000 cases had been confirmed, with the death toll approaching 150 and another 300 in intensive care. In per-capita terms, that's about the same number of confirmed cases that the CDC reports for the U.S., but with over twice as many dead (I refer anyone interested in the weeds of the statistics to Our World in Data).

Swedish hospitals, businesses and households are facing the same ills everyone else is facing. What's so striking is that this Scandinavian country seems to deal with its burden with more serenity and pragmatism than elsewhere – no panic or mania; just Work The Problem, People.

Instead of locking people in their homes or

spreading fear and mania of various flavors, politicians – and more so scientists and civil servants in charge – have been surprisingly sensible. From officials at press conferences to scientists on prime-time TV, the prevailing notion has not been to shove official rules down a subversive population's throat or boast about all the marvelous new things My Party did, but to provide the populace with enough information. To present the risks we are facing individually and collectively, and let normal people weigh their own risks and benefits, guided by common sense.

Contrary to the U.S., where President Trump and Governor Cuomo and countless other political figures compete for the attention of their constituents and populace and underlings, the Swedish experience has been one of decentralized decision-makers and arms-length officials calling the shots. So far, there has been very little politicking – very few special interests seem to have pushed their Very Special Interests during these critical times. Instead, politicians have by and large taken a step back and trusted that the responsible agencies – the epidemiologists, the universities, the civil servants, the doctors and nurses and hospital workers who put their lives on the line – have the know-how to do their job and the common sense to act properly.

Folkhälsomyndigheten, its closest American equivalent being the CDC, has simply worked the problem. Their chief epidemiologist, Anders Tegnell, has become a well-recognized face as he's conducting interviews, press briefings, and organizing what is probably an impressive team for testing and monitoring the best-available data.

Swedish television, both publicly and privately

run channels, have professors and WHO scientists every evening answering viewers' questions, matter-of-factly explaining the latest news and admitting ignorance and uncertainty when appropriate. No presidents bragging or secretaries meddling with business they are wholly unqualified for. The prime minister did address the nation, something Swedish prime ministers almost never do, with a short non-partisan speech about getting through this together.

Dr. Emma Frans of Karolinska, Sweden's world class medical school, has probably been on TV every night for two weeks straight. Agnes Wold, another media-famed professor the public has taken to heart, shares her advice in most major news outlets. In contrast to Trevor Noah of *The Daily Show* who now smugly runs his show isolated in his apartment, Skavlan, the most viewed talk show in the Nordics, runs on Friday evenings as usual – but in order to mitigate disease spread it no longer has a studio audience. When Wold visited last week, she didn't just explain the scientific state of the virus to millions of viewers, but she practiced what she preached by demonstrably sitting about four meters away from her fellow talk show guests. Keep distance, don't panic.

Many Q&A sessions with experts have included mundane doubts by concerned citizens about whether they should still hold family dinners, get married or visit their elders. In contrast to politicians' one-size-fits-all restrictions for the number of people allowed to meet in public – Germany and Australia, 2 people; America, 10 people; Britain, no people – Swedish policy-makers and scientists made sure that the public understood the seriousness of the situation, but properly left such decisions to those best able to make them: people themselves.

American politicians of all persuasions have dabbled in things they know very little about: making promises their officials had to correct, botching the testing procedures by pulling regulatory rank to

stop workable tests. While Swedish politicians *have* enacted fiscal and monetary stimulus packages that have been far from perfect (too little, too late, and too much of much too expensive debt packages), they have mostly done the country a service by not interfering.

The few times they have, they have done so prudently. A few weeks ago – lifetimes in this corona era – the government prohibited public events with more than 500 people, clearly communicated not as a fixed limit below which everything was safe, but as a guideline for safety. When that limit was reduced to 50 this weekend – much higher and much later than other countries – it was again presented as a rough limit, exempting private functions like corporate events and commercial activity, leaving final decisions in the hands of individuals.

When the government on the advice of epidemiologists finally closed universities and high schools – primary schools remain open – the relevant minister, pragmatically and matter-of-factly, answered journalists' questions about what took them so long: the scientists say it probably doesn't make a difference – and the youngsters are likely to hang about in coffee shops or at each other's houses anyway, completely thwarting the purpose of the policy.

No political grandstanding, no "I'm the Big Boss," no typically American swankiness. Just plain old pragmatic, Nordic calmness, letting the system do the work it was set up to do.

When instructed by the relevant public agency, the military built an emergency hospital outside of Stockholm. When hospitals called out for more personnel, regional politicians and the hospitals they are in charge of temporarily waived entry requirements for soon-to-be nurses and doctors, boosting the hospitals' workforce. Where needed, hospitals have hired back recently-retired health care professionals. And behind the scenes, thousands

upon thousands of other health care workers, food delivery services and civil servants do their job splendidly, partly because politicians and regulators are not interfering with their work. The government has made additional fiscal resources available and quickly covered sick pay for vast sways of the population – very easy when your government-debt-to-GDP ratio is 35% – but has not made an arduous public spectacle out of its legislative procedure as did American representatives.

The remarkable behavior and resilience of Swedish society is not limited to the public sector.

Like across the U.S., Swedish vodka companies started making hand sanitizers for distribution to hospitals and the general public. Scania, a major producer of trucks now unable to source components from China, have placed their logistics and distribution teams at the disposal of Getinge, a medtech company churning out ventilators for hospitals all over the world. Toilet paper factories, of which there are plenty in a major exporter of paper products like Sweden, have ensured that toilet paper shortages have been few and far between.

Indeed, Essity, the world's second largest supplier of toilet paper has ramped up their production and added mask production to assist hospitals. In an example that well illustrates the Work The Problem mentality, Essity's media relations manager, Henrik Sjöström, tweeted a picture of the company's delivery trucks and mentioned the 3 million toilet paper rolls one factory churns out every day: "Here at the factory," he wrote, "we call this special day 'Tuesday.'" Just keep on working, guys.

Supermarkets (with only very occasional shortages of a handful of items) opened their doors an hour earlier exclusively for people above 70, such that they too can get groceries under comparatively safe circumstances. The demand for food delivery services has absolutely exploded. When the news broke a couple of days ago that Skansen, the iconic

zoo outside of Stockholm, was close to bankruptcy for a lack of visitors, thousands of people bought annual passes and stuffed animals from their online shop – and even Venmo-ed their gifts. The manager had expected the government to come to its aid but, as usual, the private sector was there faster.

Like everywhere else, fewer people are seen on the streets of Sweden's major cities – partly as a result of high school students taking online classes and companies (on public advice) asking their employees to work remotely. Concerned with the survival of their local pubs, cafés and small businesses, healthy Swedes without symptoms have ventured out to support their regulars, maintaining safe distance from others: balancing the need for infectious disease control with economic damage control.

To a certain extent different rules apply: an authoritarian Chinese state can clamp down on its citizens, going to extremes to quarantine infected people; a low-density country is by geography alone much less vulnerable to a disease that spreads by proximity. But Sweden isn't an authoritarian state that treats its citizens as unruly children. Neither is it a remote and sparsely populated place: its population density is about two-thirds that of the U.S., mirroring America in that most of its population is concentrated in urban areas. Stockholm has the population density of Chicago or Miami and is only slightly less dense than Boston.

Not exactly holed up in their homes, Swedes are out and about, shopping and exercising almost as if nothing was going on – though not entirely so: there's a new unwritten rule among runners and dog-walkers in my local park. Whenever we pass each other, we keep a good 3-meter distance; people literally walk in wide circles around strangers. Shaking hands is out of the question, and people are comfortably maintaining distance even between neighbors and acquaintances.

Nobody policed this behavior; no politician passed a law or issued a command for it to emerge. Sensible, well-informed, and respectful citizens did so. Nobody drew a line in supermarkets such that people could keep their distance – our natural sense of personal space did that, amplified by a commonly-felt urge to limit risks, but without shutting down commerce or society in the process.

There's no mayhem, but plenty of fear and anxiety. We don't know where this is going. This isn't over, and this isn't a joke.

The major difference between Sweden and many other places is the trust Swedes place in their institutions, the public agencies tasked specifically with events like this and private enterprise that produce and distribute the goods we need – the employers, factories, and brands that work to see a future beyond corona.

The response of Swedish society has been pretty remarkable: do your part. Help your loved ones and your local business owners. Trust those who know what they're doing. Be mindful of others – and don't sacrifice economic well-being at the altar of extreme disease control. Work The Problem, people.

March 31, 2020

The 1619 Project: An Epitaph

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It took six months of heated debate to reach this point, but the *New York Times*' 1619 Project has finally offered a small but crucial concession to its critics. On March 11, the paper published an "update" to indicate that it would be changing a disputed line of text in the lead essay by Nikole Hannah-Jones. The change concerns one of the more visible points of contention from the preceding months.

As originally framed, the 1619 Project depicted the preservation of slavery against a British emancipatory threat as a central motivating factor for the American Revolution. They are now relaxing that claim to suggest that preserving slavery was a motive for only "some of the colonists."

The *Times*' correction comes across as a minor edit on paper, but behind those two altered words is a stunning concession. Over the previous six months, Hannah-Jones maintained an unyielding hold to her original essay's claim and did so under intense scrutiny from experts on the subject. The assignment of primacy to slavery as a revolutionary cause became a focal point of a letter by five leading historians to the Times calling on the paper to issue a correction, which prompted a dismissive reaction back in December from both Hannah-Jones and the magazine's editor, Jake Silverstein.

Much of the contention focused upon a late 1775 attempt by Lord Dunmore, the British governor of Virginia, who moved to preserve his rule by drawing the slaves of rebellious colonists into his militia in exchange for their freedom.

The Dunmore Proclamation revealed one of the many ways in which slavery cut across the other dividing lines of the revolutionary period, but it did

not portend a coming general emancipation from the Crown. Indeed, most slave-owning colonists perceived the measure as an attempt to incite a slave revolt against opponents of the British rule, rather than a sign of slavery's weakening position. The proclamation conveniently exempted the slaves of loyalist plantation owners, and Dunmore himself left a sordid record as supporter and beneficiary of slavery in the British colonial system. Meanwhile, as the long fight to abolish the institution made all too clear, supporters of slavery maintained firm majorities in the British Parliament at the time – and would continue in power for several decades to come.

Most of the problems with this key point in the 1619 Project's narrative appear to have stemmed from the way that Hannah-Jones went about researching and preparing her collection of essays. While the *New York Times Magazine* feature emerged under the consultation of several expert scholars in other areas of the 400-year swath of American history under its scope, it used very few specialists in the period between the American Revolution and the Civil War – arguably the most crucial period for the study of slavery in the United States.

Instead, Hannah-Jones took on this subject herself or assigned specific themes from this period to non-experts, such as Princeton sociologist Matthew Desmond who wrote an accompanying piece on the economics of slavery despite having no scholarly competencies in that subject.

The results have made the period of 1775 to 1865 an acute vulnerability for the 1619 Project, even as the remainder of the initiative has faced far less criticism. At this point it would be accurate to

conclude that the reputation of the project's other essays, many of them entirely unobjectionable adaptations of scholarly insights for a popular audience, has suffered because of the *Times*' inflexible refusal to address erroneous historical claims in the essays by Hannah-Jones and Desmond.

When specialists in the 1775-1865 period began to scrutinize the *Times*' claims about this period, they quickly identified multiple glaring errors of fact and interpretation alike. Hannah-Jones had grossly exaggerated the Dunmore Proclamation and misinterpreted its political ramifications to the revolution, ahistorically recasting the British as something of an existential threat to American slavery. In similar fashion, Desmond botched several basic facts about the economic history of slavery. He severely overstated the economic significance of cotton to industrialization, while also misreading and misrepresenting evidence he enlisted to argue that the plantation economy stains and discredits modern American capitalism.

While the *Times* has thus far evaded scrutiny of Desmond's claims, Hannah-Jones began casting about after the fact for scholars who would lend credence to her elevation of slavery to preeminence among the motives behind the Declaration of Independence.

In time she was able to cherry-pick an eclectic literature from a handful of historians that assign more emphasis to the effects of Dunmore's act on the revolutionary cause. However, as Cathy Young documents, most of these scholars assert much more tempered variants of this thesis under heavy qualifiers that were absent from Hannah-Jones's own depiction, and the few who do not offer arguments that collapse under evidentiary scrutiny.

At the same time, Hannah-Jones's own response to her scholarly critics devolved from an initial respectful engagement to aggressive derision. She attacked the scholarly credentials of James

McPherson and Gordon Wood, two of the most famous historians to question her narrative. In one perplexing tweet, she singled out the critics as "white historians" (oddly neglecting the lack of racial diversity among the scholars who advised Desmond's own 1619 Project contribution). When a group of conservative African-American academics and journalists launched a competing "1776 Project" in early 2020 to offer a counternarrative, Hannah-Jones bombarded them with a string of personal attacks, the gist of which amounted to declaring them unworthy of her attention.

From Silverstein's rebuff of the essay's historian critics to Hannah-Jones's dismissive and insulting demeanor, the message was clear. The *Times* would not be amending its content, even to account for substantive evidence-based criticism of its factual and interpretive mistakes. This inflexible stance even extended to clearly documented errors, such as Hannah-Jones's misuse of the Dunmore proclamation. When I directed Silverstein to a line in Desmond's essay that specifically contradicted its own cited source by imparting a slavery-based origin story to modern Microsoft Excel spreadsheets, he similarly declined to offer any correction or clarification. The paper's commitment to its published claims remained inflexible, no matter the error. Scholarly assessments of the project itself were unwelcome, unless they offered support to the 1619 Project's preexisting narrative.

So what brought about the *Times*' sudden, if underplayed, reversal?

On March 6, 2020, *Politico* published a surprise essay by historian Leslie M. Harris that upended the 1619 Project debate. Although its author chided some of the historian-critics of the project for allegedly understating slavery in their own work, she also had a stunning revelation about Hannah-Jones's essay.

The previous summer Harris had been contacted by the *Times* to serve as a fact-checker on the 1619

Project's discussions of slavery, one of her areas of specialization. The newspaper had asked her to verify the following claim:

One critical reason that the colonists declared their independence from Britain was because they wanted to protect the institution of slavery in the colonies, which had produced tremendous wealth. At the time there were growing calls to abolish slavery throughout the British Empire, which would have badly damaged the economies of colonies in both North and South.

In Harris's own words, "I vigorously disputed the claim. Although slavery was certainly an issue in the American Revolution, the protection of slavery was not one of the main reasons the 13 Colonies went to war." The *Times*' editors ignored her warning and ran with Hannah-Jones's argument anyway.

It took less than a week for the *Times* to migrate from its previous steadfast defense of the claim to the concession noted at the outset of this essay. Even then, the concession remains understated.

The newspaper's peculiar wording attempted to chalk the confusion up to interpretive ambiguities by its readers. In Silverstein's words, the *Times* recognized "that our original language could be read to suggest that protecting slavery was a primary motivation for all of the colonists. The passage has been changed to make clear that this was a primary motivation for some of the colonists."

Contrast that with the original passage, which stated, "Conveniently left out of our Founding mythology is the fact that one of the primary reasons the colonists decided to declare their independence from Britain was because they wanted to protect the institution of slavery."

There is no issue where the passage "could be read to suggest" an erroneous historical claim. It made that claim outright in unambiguous language

that Hannah-Jones subsequently doubled down upon and, until the correction, showed few signs of ever relaxing or qualifying.

Still, the concession revealed more than its guarded conciliatory language displayed. Although they are conspicuously unacknowledged in Silverstein's correction note, the critics of the 1619 Project were on solid ground to question this claim and did so when it first appeared in print over six months earlier. The *Times*, in turn, behaved atrociously in deflecting and denying a substantive scholarly challenge to its content until its hand was forced.

Thus we're left with "could be read to suggest." That tepid backtracking, in effect, gave away the game. It's a fitting epitaph to what could have been an important and provocative contribution to historical inquiry about the lasting harms of slavery in the United States, but instead veered down the path of an ideological project, consumed by maintaining its own 21st-century political narrative above the history it weaponized to that cause.

March 16, 2020

Drugs, Suicide, and Crime: Empirical Estimates of the Human Toll of the Shutdown

AUDREY REDFORD & THOMAS K. DUNCAN

Contributors

As the coronavirus pandemic continues across the world, leaders and policymakers have scrambled to respond to the growing health crisis. In the United States, multiple state governors have issued statements urging their citizens to follow social distancing guidelines.

Other governors have taken more extreme measures, issuing orders to effectively lock down the entire state economy. The current goal of these responses has been to slow the spread of the virus in the hope of reducing the strain on the healthcare system. Discussion over the proper precautions is a necessity in such a time.

There have been forecasted estimates of virus-related death totals for the US from as high as 10 million, to 2.2 million, to more conservative estimates of 5,000. The models used to estimate the potential death rates are not without criticism and repeated adjustment. Sampling bias may be a significant problem. These data errors are an important problem to resolve as policymakers use these models to inform their responses.

The difference between social distancing and complete economic shutdowns is too dramatic not to be taken seriously. It is imperative that more testing be conducted to provide better access to data, as well as the health benefits that come with knowing who does and does not have the virus. However, as important as it is to get the cost of not shutting down right, it is also important that policymakers properly weigh the cost of the economic shutdowns themselves.

Getting the cost right is not simply a matter of

valuing “profits over people” as the social media memes may suggest. Rather, even in times of crisis, the ability to operate in a functioning economy is important for the people within it. The economy is the people, and the people are the economy. The ability to continue to function in a market system does matter to individuals within the system, particularly when the inability of business to remain open and continue to employ them is in question.

We have already started to see some of these human effects as the unemployment has quickly rocketed beyond even the early initial projections. A rise in unemployment is correlated with a number of negative socio-economic effects. For some, these effects can be quite deadly, particularly when the changes are rapid as is currently the case.

The economic predictions for the shutdowns may be as varied as those for the virus itself. The Federal Reserve’s James Bullard has noted that unemployment may rise to as much as 30%. Treasury Secretary Steven Mnuchin has estimated a possible unemployment rate of 20%. Bullard’s number is higher than the unemployment seen in the US during the Great Depression (25%), and both estimates are significantly higher than the unemployment during the Great Recession (11%). Even if we take the more conservative estimate of 20% unemployment, that is a 16.5% rise in unemployment from its recent historic lows of 3.5% unemployment.

Though it is difficult to estimate how long this downturn may linger, that is a severe shock to the economic system. It is possible that people return to work and economic activity returns in strength in

short order after the shutdowns are lifted. Even then, the costs of shutting down will have been quite large. However, it is also possible that some businesses who had to pause activity for a month or more may not be able to return at all. The recession could be longer than some economists are projecting. If the economy does linger in its downturn, the human costs to the shutdown will inevitably begin to increase.

A 2017 NBER paper finds a 3.6% increase in the opioid death rate per 100,000 people for a 1% rise in unemployment. There were 14.6 opioid deaths per 100,000 in the US in 2018. If we use the more conservative estimate of a 20% unemployment rate without a quick return to lower levels, then there would be an estimated 59.4% rise in deaths per 100,000, leading to an increase of 8.7 deaths for a total of 23.3 for opioids.

With a current US population of 331 million, there are 3,310 groups of 100,000, meaning there is potential for an additional 28,797 deaths from opioids annually. Consider that for 2018, the CDC reports that there were 67,367 deaths from all-drug deaths, with 46,802 of those coming from opioid use. The 46,802 deaths were considered an opioid crisis. A possible 75,599 should not be dismissed quickly.

The negative effects will not be felt just through opioid use either. The numerical increase in deaths provided above is only for opioid users, but the all-drug death number will rise as well. In a 2018 study, Bruguera, et al, found that of the 180 drug users they surveyed about use during the Great Recession, 58.3% reported an increase in use while only 25.6% reported decreasing use, resulting in greater all-drug use for the period. Similarly, Mulia, et al, (2014) connects a rise in alcoholism to economic loss during the Great Recession. The CDC estimates that 2,200 people die in the US just from alcohol poisoning annually, not to mention the

additional alcohol-related deaths that occur. In 2017 alone, there were also 22,246 deaths resulting from alcoholic liver disease. As the jobless rate increases and the economic losses continue to mount, these numbers are likely to rise.

The deaths related to economic downturns go beyond those from chemical dependency, also. The mental toll is not inconsequential. For example, Blakely, et al, (2003) find that being unemployed may also increase the risk of suicide two to threefold. Milner, et al. (2014) similarly finds that unemployment is associated with a higher relative risk of suicide, with prior mental health issues being a key factor in that association. While a study by Kerr, et al, (2018) did not find that unemployment is directly linked to suicides, it did find a significant link between poverty, suicide, and alcoholism.

When breaking the population into age groups, Lin and Chen (2018) do find that unemployment does have a direct impact on older portions of the population, the portion of the population many of the current shutdowns are most meant to protect. Whether it is the direct unemployment effect or the potential poverty produced from the economic shutdown that leads to greater suicides, an increase from the 48,344 suicides and 1,400,000 suicide attempts in the US in 2018 should give decision-makers pause during their response to this pandemic.

Increased harm to oneself is not the only harm caused by economic downturns. There is also the threat of rising crime in general. Ajimotokin, et al, (2015) estimate that a one percent change in unemployment will increase the property crime rate by 71.1 per 100,000 people and the violent crime rate by 31.9 per 100,000 people.

With our estimated 16.5% rise in unemployment, we could see a significant increase in both property and violent crimes. The violent crime also may add to the death toll in this period. Kposowa and

Johnson (2016) find that unemployed workers are over 50% more likely to become homicide victims than those who are employed. They also find people not in the labor force to be 1.3 times more likely to be victims than those who are employed. As workers become discouraged due to an inability to find jobs during a recession, their lives as well as their livelihoods are called into question.

The future during such a pandemic is largely uncertain, and misinformation is rampant in the current panic. Policymakers face tough decisions as they navigate the issues of data collection, virus transmission, and economic ramifications of doing too little or too much. It is vitally important, literally life and death, that the proper costs and benefits are weighed with the decision on how much and how long to shut down economic activity through the pandemic.

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