RESEARCH REPORTS

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BUSINESS CONDITIONS MONTHLY

Robert Hughes
SENIOR RESEARCH FELLOW
AIER’s Leading and Roughly Coincident Indicators indexes Drop to 33.

AIER’s Business Cycle Conditions Leading Indicators index and Roughly Coincident Indicators Index both dropped to 33 in April. The Roughly Coincident Indicators index is at its lowest level since December 2009, just after the end of the Great Recession (see chart). The latest results provide additional evidence that the U.S. economy has likely entered a recession, ending the longest U.S. economic expansion on record.

The plunge in economic activity and devastation caused to the labor market is a result 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 unprecedented job losses, plunging sales in many industries, and sharply rising risks of personal bankruptcies, small business closures, and loan and bond defaults across the economy.

In response, 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 recovery path of the economy and labor market remain dependent on the pace of normalization and extent of the damage done to the economy.

Leading and Roughly Coincident indicators indexes fall well below neutral in April

The AIER Leading Indicators index was 33 in April, down from 54 in the prior month while the Roughly Coincident Indicators index fell to 33 from 58 in March. April was the first month since August 2009 that both indexes were below the neutral 50 threshold.

Overall, just 3 of the 12 leading indicators maintained a positive trend in April compared to 5 in March, while 7 were trending lower versus 4 in the prior month, and 2 indicators were neutral, down from 3 previously. Initial claims for unemployment insurance have been making headlines for the past six weeks,
shattering previous levels. In just six weeks, more than 30 million people have filed for unemployment insurance. For comparison, the entire drop in payroll employment during the Great Recession totaled less than 9 million from peak to trough. The surge in claims pushed the trend from positive last month to a negative trend in the latest period.

Among the other leading indicators, the University of Michigan index of consumer expectations moved from a neutral trend last month to a negative trend as did real retail sales and food services. Real new orders for consumer goods dropped from a positive trend to a neutral trend.

The roughly coincident indicators fell to 33 in April, down 25 points from 58 in March following 17-point drops in each of the prior two months, making the three-month change a whopping 59-point plunge. Two indicators changed direction in April. The real personal income excluding transfers indicator fell to a negative trend from a positive trend in the prior month while the industrial production indicator fell from neutral to a negative trend. Overall, two indicators were still trending higher, four were trending lower and none were neutral versus three trending higher, three trending lower and no neutrals in March.

Overall, the weak results for both the Leading Indicators index and the Roughly Coincident Indicators index suggest the economy is likely in recession. 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. Historical analysis is unlikely to provide useful guides for depth and duration of the current contraction. Rather, careful monitoring of progress in understanding and treating COVID-19, the progression of the lifting of restrictive policies (normalization), and the destructive impacts across the economy and financial system are likely to be the most useful source of information.

AIE’s Lagging Indicators index was unchanged in the latest month, holding at a reading of 50 in April. Three indicators had net offsetting changes in April, leaving two indicators trending higher, two trending lower, and two neutral.

**Measuring the COVID-19 Recession**

Real gross domestic product fell at a 4.8 percent annualized rate in the first quarter, down sharply from a mediocre 2.1 percent pace in the fourth quarter of 2019, the worst performance since the final quarter of 2008 when the economy plunged 8.4 percent. Over the past four quarters, real gross domestic product is up just 0.3 percent, the slowest pace since the final quarter of 2009. On a nominal basis, gross domestic product fell 3.5 percent in the first quarter, putting the change from a year ago at 2.1 percent.

Declines were widespread across the different areas of the economy though there were a few positives. Consumer spending declined sharply in the first quarter, falling at a 7.6 percent pace compared to a 1.8 percent growth rate in the fourth quarter. The decline was the result of sharp drops in spending on durable-goods (down 16.1 percent) and services (-10.2 percent) partially offset by nondurable-goods spending which rose at a 6.9 percent pace in the first quarter versus a 0.6 percent drop in the previous quarter. Within the gain in nondurables, food and beverages spending surged 25.1 percent and the catchall other nondurable goods category jumped 12.9 percent while spending on clothing and shoes tumbled 36.0 percent and gasoline and other energy goods spending dropped 5.5 percent. Within the consumer services category, medical care, transportation, recreation, and food services and accommodation all posted sharp double-digit declines.
Business investment fell at an 8.6 percent annualized rate in the first quarter of 2020. That decline was led by a 15.2 percent fall in spending on equipment while spending on structures fell 9.7 percent. Intellectual-property investment rose 0.4 percent versus a 2.8 percent gain in the previous quarter. The first quarter rise was all due to an 8.2 percent increase in software while spending on research and development and entertainment, literary and artistic intellectual property posted declines.

Residential investment, or housing, jumped 21.0 percent in the first quarter compared to a 6.5 percent gain in the prior quarter. Housing has increased for three straight quarters though gains are unlikely to continue in the second quarter.

Businesses liquidated inventory in the first quarter, subtracting 0.53 percentage points from first-quarter growth after subtracting 0.98 percentage points in the prior quarter. Inventory liquidation has reduced real gross domestic product for four consecutive quarters.

Exports declined at an 8.7 percent pace, subtracting 1.02 percentage points, while imports declined at a 15.3 percent rate. Since imports count as a negative in the calculation of gross domestic product, a drop in imports is a positive for GDP growth. Net trade, as used in the calculation of gross domestic product, added 1.3 percentage points to overall growth.

Government spending rose at a 0.7 percent annualized rate in the first quarter compared to a 2.5 percent gain in the fourth quarter, contributing 0.13 percentage points to growth versus a 0.44-point contribution in the final quarter of last year. Within that total, federal government spending rose 1.7 percent while state and local governments saw a 0.1 percent rise.

Real final sales to private domestic purchasers, a key measure of private domestic demand, fell at a 6.6 percent annualized rate in the first quarter, versus a 1.4 percent rise in the fourth quarter. Over the past four quarters, real private domestic demand is unchanged.

Consumer price measures were subdued in the first quarter. The personal-consumption price index rose at a 1.3 percent annualized rate, down from a 1.4 percent pace in the fourth quarter. From a year ago, the index is up 1.6 percent, well below the Federal Reserve’s 2 percent target. Excluding the volatile food and energy categories, the core PCE (personal consumption expenditures) index rose at a 1.8 percent pace. From a year ago, the core PCE index is up 1.8 percent and has been at or below 2 percent since 2012.

Overall, the first quarter saw a plunge in real gross domestic product along with surging unemployment and a collapse in consumer attitudes. While there are some early efforts to return to normal life, the process appears to be slow, suggesting that second quarter economic growth is also likely to be sharply distorted.

**Initial claims slowing but still enormous**

Initial claims for unemployment insurance totaled 3.8 million for the week ending April 25. However, on a somewhat positive note, the latest tally is the fourth week of declines in the number of initial claims since the 6.87 million claims during the week of March 28.

Initial claims for unemployment insurance have totaled more than 30 million over the last six weeks. To help put these numbers in perspective, during the Great Recession in 2008-09, total payroll job losses were 8.8 million over 25 months. The peak number of unemployed people for the Great Recession, as measured in the household survey portion of the monthly Employment Situation report, actually occurred in October 2009, four months after the official end of the recession, and was 15.4 million.

As of the March 2020 Employment Situation
report, there were 7.1 million unemployed in the United States, resulting in an unemployment rate of 4.4 percent. The April report is due out on Friday, May 8. Current consensus estimates are for payrolls to drop by 20 million and the unemployment rate to surge to 14 percent. The previous cycle peak in the unemployment rate was 10 percent in October 2009 while the highest unemployment rate since 1950 came in November 1982 at 10.7 percent. Though data collection was much less reliable, the unemployment rate following the Great Depression was estimated to have peaked at 25 percent in 1933.

**Consumer surveys are down sharply**
The Consumer Confidence Index from The Conference Board fell sharply again in April, dropping 31.9 points to 86.9, the lowest level since June 2014. The drop was driven by the present situation component. The present-situation component fell to 76.4 from 166.7, the lowest since December 2013. The April drop of 90 points is the largest on record. The expectations component gained 7 points to 93.8 from 86.8 in the prior month.

According to The Conference Board report, “Consumer confidence weakened significantly in April, driven by a severe deterioration in current conditions. The 90-point drop in the Present Situation Index, the largest on record, reflects the sharp contraction in economic activity and surge in unemployment claims brought about by the COVID-19 crisis. Consumers’ short-term expectations for the economy and labor market improved, likely prompted by the possibility that stay-at-home restrictions will loosen soon, along with a re-opening of the economy. However, consumers were less optimistic about their financial prospects and this could have repercussions for spending as the recovery takes hold. The uncertainty of the economic effects of COVID-19 will likely cause expectations to fluctuate in the months ahead.”

The Conference Board results are mostly in line with the final results from the University of Michigan. The final April results from the University of Michigan Surveys of Consumers show overall consumer sentiment fell sharply from the final March result, registering the second double-digit percentage decline in a row. Consumer sentiment decreased to 71.8 in April, down from 89.1 in March, a 19.4 percent decline. From a year ago, the index is down 26.1 percent. March and April combined show a two-month drop of 29.2 Index-points.

Both sub-indexes in the University of Michigan survey posted sharp declines in April. First, the current-economic-conditions index dropped to 74.3 from 103.7 in March. That is a 29.4 point or 28.4 percent decline following a 9.7 percent fall in March. From a year ago, the current conditions index is down 33.8 percent.

The second sub-index — that of consumer expectations, one of the AIER leading indicators — sank a much-less-severe 9.6 points or 12.0 percent for the month to a reading of 70.1 and is 19.8 percent below the prior year. While the 12.0-point decline puts the index at the lowest level since March 2014, the less severe drop in the expectations index relative to the current conditions index perhaps indicates an underlying optimism about the future.

According to the University of Michigan report, “While the decline in both indices indicates an ongoing recession, the gap reflects the anticipated cyclical nature of the coronavirus. In the weeks ahead, as several states reopen their economies, more information will reach consumers about how reopening could cause a resurgence in coronavirus infections. Consumers’ reactions to relaxing restrictions will be critical, either putting further pressure on states to reopen their economies or exerting added pressure to extend the restrictions even if it has negative consequences for economic prospects. The risks associated with these decisions are not
equally balanced, with an incorrect decision to reopen having serious repercussions. The necessity to reimpose restrictions could cause a deeper and more lasting pessimism across all consumers, even those in states that did not relax their restrictions.”

**Retail sales growth plunged to lowest level since 2009**

Retail sales and food-services spending plunged 8.7 percent in March following a 0.4 percent drop in February. Excluding the volatile auto and energy categories, core retail sales and food services were down 3.1 percent in March after a fall of 0.2 percent in February. Over the past year, total retail sales and food services were down 6.2 percent through March, the worst performance since September 2009, while core retail sales and food services have increased 0.2 percent, the slowest pace since January 2010.

**Unit auto sales continued to drop in April**

Sales of light vehicles totaled 8.6 million at an annual rate in April, down sharply again from an 11.4 million pace in March and a 16.8 million pace in February. The pace of sales in April is lower than the 9.0 million trough from February 2009 during the Great Recession, and is about half the 17-million average pace over the last five years.

For the month of April, light-truck sales totaled 6.6 million at an annual rate, while cars managed just 1.9 million, the lowest on record going back to 1967. That puts the light-truck share at 77.3 percent, a new record high and completely dominating the car share of 22.7 percent.

**Manufacturing-sector struggles worsen**

The Institute for Supply Management’s Manufacturing Purchasing Managers’ Index fell to a 41.5 percent reading in April, down from 49.1 percent in March. Overall, the report notes, “Comments from the panel were strongly negative (three negative comments for every one positive comment) regarding the near-term outlook, with sentiment clearly impacted by the coronavirus (COVID-19) pandemic and continuing energy market recession. The PMI indicates a level of manufacturing-sector contraction not seen since April 2009, with a strongly negative trajectory.”

Many of the key components of the Purchasing Managers’ Index have already fallen to levels not seen since the lows of the Great Recession in 2008-09. The New Orders Index came in at 27.1 percent, down from 42.2 percent in March and the lowest since December 2008; the New Export Orders Index came in at 35.3 percent in April, down 11.3 percentage points from a 46.6 percent result in March; the production index was at 27.5 percent in April, down from 47.7 percent in March and a new record low since the survey began in 1948; and the employment index fell 16.3 percentage points to 27.5 percent in April, versus 43.8 percent in March, and the lowest reading since June 1949.
## CAPITAL MARKET PERFORMANCE

(Percent change)

<table>
<thead>
<tr>
<th>Equity Markets</th>
<th>April</th>
<th>Latest 3M</th>
<th>Latest 12M</th>
<th>2019</th>
<th>Calendar Year 2018</th>
<th>2017</th>
<th>3-year</th>
<th>5-year</th>
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<td>S&amp;P 1500</td>
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<td>S&amp;P 500 - total return</td>
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<td>S&amp;P 500 - price only</td>
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<td>S&amp;P 400</td>
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<td>Dow Jones Global Large-Cap ex-U.S. Index</td>
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<td>STOXX Europe 600 Index</td>
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### Bond Markets

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<th>Bond Markets</th>
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<th>Latest 12M</th>
<th>2019</th>
<th>Calendar Year 2018</th>
<th>2017</th>
<th>3-year</th>
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<td>iShares 20-plus Year Treasury Bond ETF</td>
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<tr>
<td>iShares AAA - A Corporate Bond Fund</td>
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### Commodity Markets

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<th>Latest 12M</th>
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<tr>
<td>Gold</td>
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<td>Silver</td>
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**Sources:** Barrons, Commodity Research Bureau, Dow Jones, Frank Russell, iShares, Standard & Poor’s, STOXX Europe 600, Refinitiv.

## CONSUMER FINANCE RATES

(Percent)

<table>
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<tr>
<th>CONSUMER FINANCE RATES</th>
<th>May</th>
<th>Latest 3M</th>
<th>Latest 12M</th>
<th>Average for Year</th>
<th>Average over Period</th>
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<tr>
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<td>15-yr. fixed mortgage</td>
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<td>5-yr. adjustable mortgage</td>
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<td>48-month new car loan</td>
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<td>5.3</td>
<td>5.3</td>
<td>5.4</td>
<td>5.1</td>
</tr>
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</table>

**Sources:** Bankrate, Federal Reserve.
LEADING INDICATORS (2000-2020)

Note: Shaded areas denote recessions.
ROUGHLY COINCIDENT INDICATORS (2000-2020)

Note: Shaded areas denote recessions.

LAGGING INDICATORS (2000-2020)

Note: Shaded areas denote recessions.
Dr. Daniel W. Erickson of Bakersfield, California, is a former emergency-room physician who co-owns, with his partner Dr. Artin Massih, Accelerated Urgent Care in Bakersfield. They are experienced medical professionals who between them have 40 years of hands-on experience in dealing with viruses and respiratory infections. Watching the news in China in January, they knew the virus was on its way. They ordered many COVID-19 tests because they knew they would need them. They tested many thousands of people, and discovered for themselves what epidemiologists around the world are saying: COVID-19 came here earlier than previously believed, is more ubiquitous, and ultimately for the general population less deadly than we thought.

While this realization is gradually dawning on people around the world, they went public with their findings, which are not generated out of a predictive model but rather the actual facts of the case. In the course of their press conference on April 25, they addressed the question of whether or not California should have shut down much of its economy. Their answer is no. They conclude with the need to open up immediately, on grounds of health and human rights.

"If you’re going to dance on someone’s constitutional rights you better have a good reason, you better have a really good reason, not just a theory," he said. “The data is showing us it’s time to lift (the stay-at-home orders) so if we don’t lift, what is the reason?”

Here are some selected quotes from their interview with a hostile reporter.

We’d like to look at how we’ve responded as a nation, and why you responded. Our first initial response two months ago was a little bit of fear: [the government] decided to shut down travel to and from China. These are good ideas when you don’t have any facts. [Governments] decided to keep people at home and isolate them. Typically you quarantine the sick. When someone has measles you quarantine them. We’ve never seen where we quarantine the healthy.

So that’s kind of how we started. We don’t know what’s going on, we see this new virus. How should we respond? So we did that initially, and over the last couple months we’ve gained a lot of data typically. We’re going to go over the numbers a little bit to kind of help you see how widespread COVID is, and see how we should be responding to it based on its prevalence throughout society—or the existence of the cases that we already know about….

So if you look at California—these numbers are from yesterday—we have 33,865 COVID cases, out of a total of 280,900 total tested. That’s 12% of Californians were positive for COVID. So we don’t, the initial—as you guys know, the initial models were woefully inaccurate. They predicted millions of cases of death—not of prevalence or incidence—but death. That is not materializing. What is materializing is, in the state of California is 12% positives. You have a 0.03 chance of dying from COVID in the state of California. Does that necessitate sheltering in place? Does that necessitate shutting down medical systems? Does that necessitate people being out of work? 96% of people in California
who get COVID would recover, with almost no significant sequelae; or no significant continuing medical problems. Two months ago we didn’t know this. The more you test, the more positives you get. The prevalence number goes up, and the death rate stays the same. So [the death rate] gets smaller and smaller and smaller. And as we move through this data—what I want you to see is—millions of cases, small death. Millions of cases, small death.

We extrapolate data, we test people, and then we extrapolate for the entire community based on the numbers. The initial models were so inaccurate they’re not even correct. And some of them were based on social distancing and still predicted hundreds of thousands of deaths, which has been inaccurate. In New York the ones they tested they found 39% positive. So if they tested the whole state would we indeed have 7.5 million cases? We don’t know; we will never test the entire state. So we extrapolate out; we use the data we have because it’s the most we have versus a predictive model that has been nowhere in the ballpark of accurate. How many deaths do they have? 19,410 out of 19 million people, which is a 0.1% chance of dying from COVID in the state of New York. If you are indeed diagnosed with COVID-19, 92% of you will recover.

We’ve tested over 4 million… which gives us a 19.6% positive out of those who are tested for COVID-19. So if this is a typical extrapolation 328 million people times 19.6 is 64 million. That’s a significant amount of people with COVID; it’s similar to the flu. If you study the numbers in 2017 and 2018 we had 50 to 60 million with the flu. And we had a similar death rate in the deaths the United States were 43,545—similar to the flu of 2017-2018. We always have between 37,000 and 60,000 deaths in the United States, every single year. No pandemic talk. No shelter-in-place. No shutting down businesses…

We do thousands of flu tests every year. We don’t report every one, because the flu is ubiquitous and to that note we have a flu vaccine. How many people even get the flu vaccine? The flu is dangerous, it kills people. Just because you have a vaccine doesn’t mean it’s gonna be everywhere and it doesn’t mean everyone’s going to take it… I would say probably 50% of the public doesn’t even want it. Just because you have a vaccine—unless you forced it on the public—doesn’t mean they’re going to take it.

Norway has locked down; Sweden does not have lock down. What happened in those two countries? Are they vastly different? Did Sweden have a massive outbreak of cases? Did Norway have nothing? Let’s look at the numbers. Sweden has 15,322 cases of COVID—21% of all those tested came out positive for COVID. What’s the population of Sweden? About 10.4 million. So if we extrapolate out the data about 2 million cases of COVID in Sweden. They did a little bit of social distancing; they would wear masks and separate; they went to schools; stores were open. They were almost about their normal daily life with a little bit of social distancing. They had how many deaths? 1,765. California’s had 1,220 with isolation. No isolation: 1,765. We have more people. Norway: its next-door neighbor. These are two Scandinavian nations; we can compare them as they are similar. 4.9% of all COVID tests were positive in Norway. Population of Norway: 5.4 million. So if we extrapolate out the data about 2 million cases of COVID in Sweden. They did a little bit of social distancing; they would wear masks and separate; they went to schools; stores were open. They were almost about their normal daily life with a little bit of social distancing. They had how many deaths? 1,765. California’s had 1,220 with isolation. No isolation: 1,765. We have more people. Norway: its next-door neighbor. These are two Scandinavian nations; we can compare them as they are similar. 4.9% of all COVID tests were positive in Norway. Population of Norway: 5.4 million. So if we extrapolate the data, as we’ve been doing, which is the best we can do at this point, they have about 1.3 million cases. Now their deaths as a total number, were 182. So you have a 0.003 chance of death as a citizen of Norway and a 97% recovery. Their numbers are a little bit better. Does it necessitate shutdown, loss of jobs, destruction of the oil
company, furloughing doctors?

I wanted to talk about the effects of COVID-19, the secondary effects. COVID-19 is one aspect of our health sector. What has it caused us to do? What does it cause us to see the community respond to? Child molestation is increasing at a severe rate. We could go over multiple cases of children who have been molested due to angry family members who are intoxicated, who are home, who have no paycheck. Spousal abuse: we are seeing people coming in here with black eyes and cuts on their face. It’s an obvious abuse of case. These are things that will affect them for a lifetime, not for a season. Alcoholism, anxiety, depression, suicide. Suicide is spiking; education is dropped off; economic collapse. Medical industry we’re all suffering because our staff isn’t here and we have no volume. We have clinics from Fresno to San Diego and these things are spiking in our community. These things will affect people for a lifetime, not for a season.

I’d like to go over some basic things about how the immune system functions so people have a good understanding. The immune system is built by exposure to antigens: viruses, bacteria. When you’re a little child crawling on the ground, putting stuff in your mouth, viruses and bacteria come in. You form an antigen antibody complex. You form IgG IgM. This is how your immune system is built. You don’t take a small child put them in bubble wrap in a room and say, “go have a healthy immune system.”

This is immunology, microbiology 101. This is the basis of what we’ve known for years. When you take human beings and you say, “go into your house, clean all your counters—Lysol them down you’re gonna kill 99% of viruses and bacteria; wear a mask; don’t go outside,” what does it do to our immune system? Our immune system is used to touching. We share bacteria. Staphylococcus, streptococcal, bacteria, viruses.

Sheltering in place decreases your immune system. And then as we all come out of shelter in place with a lower immune system and start trading viruses, bacteria—what do you think is going to happen? Disease is going to spike. And then you’ve got diseases spike—amongst a hospital system with furloughed doctors and nurses. This is not the combination we want to set up for a healthy society. It doesn’t make any sense.

…Did we respond appropriately? Initially the response, fine shut it down, but as the data comes across—and we say now, wait a second, we’ve never, ever responded like this in the history of the country why are we doing this now? Any time you have something new in the community medical community it sparks fear—and I would have done what Dr. Fauci did—so we both would have initially. Because the first thing you do is, you want to make sure you limit liability—and deaths—and I think what they did was brilliant, initially. But you know, looking at theories and models—which is what these folks use—is very different than the way the actual virus presents itself throughout communities….

Nobody talks about the fact that coronavirus lives on plastics for three days and we’re all sheltering in place. Where’d you get your water bottles from? Costco. Where did you get that plastic shovel from? Home Depot. If I swab things in your home I would likely find COVID-19. And so you think you’re protected. Do you see the lack of consistency here? Do you think you’re protected from COVID when you wear gloves that transfer disease everywhere? Those gloves have bacteria all over them. We wear masks in an acute setting to protect us. We’re not wearing masks. Why is that? Because we understand microbiology; we understand immunology; and
we want strong immune systems. I don’t want to hide in my home, develop a weak immune system, and then come out and get disease.

When someone dies in this country right now they’re not talking about the high blood pressure, the diabetes, the stroke. They say they died from COVID. We’ve been to hundreds of autopsies. You don’t talk about one thing, you talk about comorbidities. COVID was part of it, it is not the reason they died folks. When I’m writing up my death report I’m being pressured to add COVID.

Why is that? Why are we being pressured to add COVID? To maybe increase the numbers, and make it look a little bit worse than it is. We’re being pressured in-house to add COVID to the diagnostic list when we think it has nothing to do with the actual cause of death. The actual cause of death was not COVID, but it’s being reported as one of the disease processes and being added to the death list. COVID didn’t kill them, 25 years of tobacco use killed.

There’s two ways to get rid of virus: either burns itself out or herd immunity. For hundreds of years we relied on herd immunity. Viruses kill people, end of story. The flu kills people. COVID kills people. But for the rest of us we develop herd immunity. We developed the ability to take this virus in and defeat it and for the vast majority 95% of those around the globe. Do you want your immune system built or do you want it not built? The building blocks of your immune system is a virus and bacteria. There’s normal bacteria in normal flora that we have to be exposed to bacteria and viruses that are not virulent are our friends. They protect us against bad bacteria and bad viruses.

Right now, if you look at Dr. Erikson’s skin or my skin we have strep, we have stuff—they protect us against opportunistic infections. That’s why for the first three to six months [babies are] extremely vulnerable to opportunistic infection. Which is why, when we see a little baby in the ER with fever who is one month old, you do a spinal tap, you do a chest x-ray, you do blood cultures, you do urine cultures. But if you had a fever I wouldn’t do that for you. Why? Because that baby does not have the normal bacteria and flora from the community, whereas you do. I guarantee when we reopen there’s going to be a huge, huge amount of illness that’s going to be rampant because our immune systems have weakened. That’s just basic immunology.

Do we need to still shelter in place? Our answer is emphatically no. Do we need businesses to be shut down? Emphatically no. Do we need to have it, do we need to test them, and get them back to work? Yes, we do. The the secondary effects that we went over—the child abuse, alcoholism, loss of revenue—all these are, in our opinion, a significantly more detrimental thing to society than a virus that has proven similar in nature to the seasonal flu we have every year.

We also need to put measures in place so economic shutdown like this does not happen again. We want to make sure we understand that quarantining the sick is what we do, not quarantine the healthy. We need to make sure if you’re gonna dance on someone’s constitutional rights you better have a good reason. You better have a really good scientific reason, and not just theory.

One of the most important things is we need our hospitals back up. We need our furloughed doctors back. We need our nurses back. Because when we lift this thing, we’re gonna need all hands on deck. I know the local hospitals have closed two floors. Folks, that’s not the situation you want. We’re essentially setting ourselves up to have minimal staff, and we’re going to have significant disease. That’s the wrong combination.
I’ve talked to our local head of the Health Department and he’s waiting… for the powers that be to lift. Because the data is showing it’s time to lift. I would start slowly [open up schools sporting events] I think we need to open up the schools start getting kids back to the immune system you know and the major events the sporting events these are non-essential let’s get back to those slowly let’s start with schools let’s start with cafe Rio and the pizza place here… Does that make sense to you guys and I think I can go into Costco and I can shop with people and there’s probably a couple hundred people but I can’t go in Cafe Rio so big businesses are open little businesses are not….

Eventually we treat this like we treat flu. Which is if you have the flu and you’re feeling fever and body aches you just stay home if you have coughing or shortness of breath—COVID is more of a respiratory thing—you stay home. You don’t get tested, even when people come with flu a lot of times we don’t test them. We go, “you have flu. Here’s a medication.” You have COVID, go home, let it resolve and come back negative.

If you have no symptoms you should be able to return to work. Are you an asymptomatic viral spreader? Maybe, but we can’t test all of humanity. Sure we’re gonna miss cases of coronavirus, just like we miss cases of the flu. It would be nice to capture every coronavirus patient, but is that realistic? Are we gonna keep the economy shut down for two years and vaccinate everybody? That’s an unrealistic expectation. You’re going to cause financial ruin, domestic violence, suicide, rape, violence and what are you going to get out of it? You’re still going to miss a lot of cases. So we need to treat this like the flu, which is familiar, and eventually this will mutate and become less and less virulent…

I don’t need a double-blind clinically controlled trial to tell me if sheltering in place is appropriate, that is a college-level understanding of microbiology. A lot of times in medicine you have to make educated decisions with the data that you have. I can sit up in the 47th-floor in the penthouse and say we should do this, this, and this, but I haven’t seen a patient for 20 years—that’s not realistic.

If you’re healthy and you don’t have significant comorbidities and you know you’re not immunodeficient and you’re not elderly you should be able to go out without any gloves and without a mask. If you are those things you should either shelter in place or wear a mask and gloves. I don’t think everybody needs to wear the masks and gloves because it reduces your bacterial flora… and your bacterial flora and your viruses your friends that protect you from other diseases [if they] end up going away and now you’re more likely to get opportunistic infections infections that are hoping you don’t have your good bugs fighting for you.

I particularly appreciated Dr. Erickson’s discussion of the real suffering he has observed. The one part of Dr. Erickson’s discussion I would quibble with is the extent that we can extrapolate societal infection and recovery rates based on already conducted tests. I am quite sure he would also agree with the following. Estimating societal wide infection and recovery rates would require (and researchers are doing such studies now) getting a representative sample of different people in society rather than those who have been tested to date (often those who show up to the hospital because they have symptoms), and looking at how many people (1) currently have Covid-19, (2) have recovered from Covid-19, or (3) have not had Covid-19. Serology blood tests involve looking at blood to see if individuals have Covid-19 antibodies in their blood, i.e. that a person had contact with Covid-19 and
fought it off.

In a study released April 14, Stanford University epidemiologist John Iannodis conducted serology tests on 3,330 residents of Santa Clara County meant to be a “representative sample of the county by demographic and geographic characteristics” and found that the number of people who had gotten and recovered from Covid-19 was more than 50 times higher than previously thought.

On April 23, Governor Cuomo reported a study that found 21 percent of New York City residents tested already had and fought off Covid-19. Now here too, one can debate whether the researchers who identified random people at grocery stores have a truly representative sample of society. But it indicates that the number of unidentified cases is much higher than we previously thought. And as time goes on more and more people will have caught and recovered from the virus.

Dr. Daniel Murphy, Chairman of the Department of Emergency Medicine at Barnabas Hospital in the Bronx states, “As of today [April 27], over 43 percent of those tested are positive in The Bronx.” So although I think we should wait for better data before we extrapolate societal numbers based on previously conducted tests, I think the thrust of Dr. Erickson’s argument about society having many more unidentified cases than we previously thought is correct.

Most importantly, I think we must pay careful attention to the health costs of complete lockdown and all of the negative impacts on our medical system.

*Note: Google/Youtube has decided to censor this video. Of course we do not agree with every single word that any particular person says. But we are happy to have our own copy available for you to view.*

April 26, 2020
Stand Up for Your Rights, says Bio-Statistician Knut M. Wittkowski

EDWARD PETER STRINGHAM

President

Who is Knut M. Wittkowski? He is among the many, even many hundreds, of epidemiologists and other medical research professionals whose expertise was not consulted in the frenzied weeks in which the American political class at all levels chose panic and shutdown over rationality and rights.

Consider his bio:

Dr. Wittkowski received his PhD in computer science from the University of Stuttgart and his ScD (Habilitation) in Medical Biometry from the Eberhard-Karls-University Tübingen, both Germany. He worked for 15 years with Klaus Dietz, a leading epidemiologist who coined the term “reproduction number”, on the Epidemiology of HIV before heading for 20 years the Department of Biostatistics, Epidemiology, and Research Design at The Rockefeller University, New York. Dr. Wittkowski is currently the CEO of ASDERA LLC, a company discovering novel treatments for complex diseases from data of genome-wide association studies.

His work has been widely cited in the technical/medical literature. So try to understand his frustration with everything going on around him. A lifetime of work toward understanding diseases and their spread, and he has to watch all this unfold in the most brutal way that contradicts everything he knows and has tried to teach.

At the last moments of this interview below (full transcript) he says the following:

With all respiratory diseases, the only thing that stops the disease is herd immunity. About 80% of the people need to have had contact with the virus, and the majority of them won’t even have recognized that they were infected, or they had very, very mild symptoms, especially if they are children. So, it’s very important to keep the schools open and kids mingling to spread the virus to get herd immunity as fast as possible, and then the elderly people, who should be separated, and the nursing homes should be closed during that time, can come back and meet their children and grandchildren after about 4 weeks when the virus has been exterminated….

We are experiencing all sorts of counterproductive consequences of not well-thought-through policy….

Well, we will see maybe a total of fewer cases—that is possible. However, we will see more cases among the elderly, because we have prevented the school children from creating herd immunity. And so, in the end, we will see more death because the school children don’t die, it’s the elderly people who die, we will see more death because of this social distancing….

If we had herd immunity now, there couldn’t be a second wave in autumn. Herd immunity lasts for a couple of years, typically, and that’s why the last SARS epidemic we had in 2003, it lasted 15 years for enough people to become susceptible again so that a new epidemic could spread of a related virus. Because typically, there is something that requires cross-immunity, so if you were exposed to one of the SARS viruses, you are less likely to fall ill with another SARS virus. So, if we had herd immunity, we wouldn’t have a second wave. However, if we are preventing herd immunity
from developing, it is almost guaranteed that we have a second wave as soon as either we stop the social distancing or the climate changes with winter coming or something like that…. 

[Extreme reactions] cost the US taxpayer $2 trillion, in addition to everything else that it costs, but it also has severe consequences for our social life, and depression is definitely something that we will be researching. I can say for myself, walking through New York City right now is depressing…. 

We should be resisting, and we should, at least, hold our politicians responsible. We should have a discussion with our politicians. One thing we definitely need to do, and that would be safe and effective, is opening schools. Let the children spread the virus among themselves, which is a necessity to get herd immunity. That was probably one of the most destructive actions the government has done. We should focus on the elderly and separating them from the population where the virus is circulating. We should not prevent the virus from circulating among school children, which is the fastest way to create herd immunity…. 

And the final question and answer: “So, is there anything else you want to say about this that—what’s been aggravating you the most? Or what would you like people to know?”

I think people in the United States and maybe other countries as well are more docile than they should be. People should talk with their politicians, question them, ask them to explain, because if people don’t stand up to their rights, their rights will be forgotten. I’m Knut Wittkowski. I was at the Rockefeller University, I have been an epidemiologist for 35 years, and I have been modeling epidemics for 35 years. It’s a pleasure to have the ability to help people to understand, but it’s a struggle to get heard.

April 6, 2020

It reported an existing COVID-19 case fatality rate of 2% but further pointed out that infections show “a wide spectrum of disease severity.” “If one assumes that the number of asymptomatic or minimally symptomatic cases is several times as high as the number of reported cases, the case fatality rate may be considerably less than 1%” or perhaps as high as the flu seasons of 1957 and 1968, but is nowhere near “a disease similar to SARS or MERS, which have had case fatality rates of 9 to 10% and 36%, respectively.” To be sure, they said, mitigating the disease could require “isolating ill persons (including voluntary isolation at home), school closures, and telecommuting where possible.”

Now, what precisely happened between February 28 and two weeks later? This will be studied for many years to find out precisely how governors and mayors, through a series of unscientific, panicked, unjustified, and morally egregious actions, crushed under foot the world’s strongest economy while the media cheered. We’ll be discussing the whys and whats for a generation.

The point is that it is all unraveling as fast as it came. Donald Trump’s press conference on April 16, 2020, was clearly a turning point. In my ideal world, we would have officials up there telling the truth that the course we took as a nation was catastrophic in countless ways (except for all the panicked deregulation undertaken just so that the food and medicine could continue). But I’m realistic: we can hardly expect politicians to bow down and beg forgiveness.

Of course they will take credit for whatever good happens. I’m an idealist, not a utopian. The truth is that a virus doesn’t care about borders and it doesn’t obey government edicts. Even now, there is so much we do not know about this “invisible enemy” but we have learned vast amounts about the visible enemy.

Our political culture is rooted in the great myth that whatever happens in society is due to them, and this presumption bites us any time there is some emergency: they have a penchant toward control in the name of the precautionary principle. In this case, it made the U.S Constitution and human rights generally null and void for a full thirty days. And we had no choice but to comply. It was a grotesque experiment in totalitarianism. Families ripped apart, people’s businesses and jobs destroyed, essential surgeries delayed, despair spread throughout society.

Now we know. Never again.

The lockdowns were presented to us under the need to “flatten the curve” for hospital capacity, but there isn’t one curve and we didn’t have enough information even to say where one city was on any curve. There were some days of difficulty in hot spots but many hospitals in the country, due to the order that they not do elective surgeries, started furloughing workers. The reality of many empty hospitals in the middle of a pandemic was too much to process. So we spent the next two weeks searching for new justifications to keep the lockdown in place. Those started to sound affected and even fraudulent very quickly.

What’s important about the three-phase process that Trump enumerated with no set time timetable is that it flips the burden of proof. We have suddenly
gone from a world in which governors have presumed that cracking down, forbidding, suppressing, denouncing, shutting down, arresting, and jailing are presumed to be good medicine, to a world in which we treat a virus as a disease to mitigate and the suppressors have to justify their actions else face the wrath of the tens of millions of victims. In many ways, it was a brilliant move. In short, the hounds have been called off. Let us not underestimate what this could mean.

Another important point about the three-phase plan: it is focused on the facts of the case. Not model-based predictions. Not someone’s ideology. Not political posturing. Not the fallacy of authority. The opening is based on the on-the-ground realities. The facts have never justified the suppression. Nor do they justify continued suppression for one hour more. The facts will set us free.

This week has been a wild ride. On Monday, the American Institute for Economic Research became the first prominent voice in American public life to state what needed to be said: “Liberation from Lockdown Now.” David Henderson’s masterful article was shared by hundreds of thousands of people. Later that day, the governors of five states worked with the White House on a plan to open up. The Wall Street Journal the very next day echoed our editorial, while citing AIER in another section of the paper. Over the following three days, the whole tenor and mood of the country began to change. There were street protests in five states. The anger was intensifying even as governments realized that they could not keep this up.

You can review all our research and editorials and news at this link: Crisis. There are more than 200 articles there.

And here I write on Thursday night, swept away with an exuberance that the light has finally dawned. Of course the partisan wrangling will continue for months. There will almost certainly be holdouts, governors who cast about for reasons to keep the country locked down longer than needed. And there will be more cases simply because testing is going to be more widely available. We will likely and eventually come to realize that far more of us were infected than we knew and for longer than we knew.

In the meantime, we’ve seen things we never imagined possible, namely seemingly intelligent people howling for weeks for the nationalization of industry, the socialization of production, the imprisonment in our homes, the trillions in pointless spending, the unprecedented amounts of new money created by the Fed, and the countless other awful legal precedents set. The lawsuits will continue to be litigated for a decade.

The core realization we face right now is that it is not possible to stop and start an economy; nor is it possible to distinguish between essential and nonessential. The commercial society is a web in which everyone and everything is connected with everyone and everything else.

Business confidence has been shattered. It will be a long time before trust returns, to say nothing of confidence. We need an ironclad promise from our political leaders that this will not and cannot ever happen again. We won’t get that, so as a proxy we need public opinion to rage and for every voice of suppression to experience the fallout.

Meanwhile, we are rediscovering what disease mitigation looks like in a free society. The vulnerable isolate voluntarily. Medical professionals get to work. We do our best not to destroy life functioning. The politicians bow out.

The main point is that there is a tomorrow, and tomorrow can be and will be better than today. Let us learn. Let us speak. Let us act. Let us remember our values – we are brave and free – and never permit society and the economy – your life! – to be attacked this way again.

We have survived the Great Suppression.
For my own part, I can’t wait to get back to my old happy self. I know you feel the same.

April 16, 2020
Liberation From Lockdown Now

DAVID R. HENDERSON
Senior Fellow

Most governors in the United States have shut down their economies, requiring people to shelter in place. The measures are destroying one of the world’s strongest economies before our very eyes. We’re also relying on the very same governments that spent many weeks sending contradictory messages, blocking testing, and generally being ill-prepared also to manage us out of this mess.

“For a family sitting around the dinner table tonight,” said Dr. Nancy Messonnier, a spokesperson for the CDC on January 17; “this is not something that they generally need to worry about.” Anthony Fauci said on January 27 that “the American people should not be worried or frightened by this. It’s a very, very low risk to the United States.”

The narrative changed less than two months later and panic ensued. The lockdown came. Since then, more than 16 million workers, over 10 percent of the labor force, have filed for unemployment benefits. Most have done so not because they hate their jobs or don’t want to work or (unlike in typical economic crises) because there is no demand for their efforts, but because state governments are forcefully preventing them from working.

The ramifications are astonishing. Travel bans have separated families. The mandatory closings have shattered life plans. Tens of millions of Americans suddenly face wreckage unthinkable just six weeks ago. Everyone is being told to adjust to a world in which we have lost much of our control over our life decisions. And there’s no end in sight.

Congress and the President quickly produced one of the most expensive spending bills in history, a bill that, tragically, will pay tens of millions of workers more to be unemployed than to work. The politicians claim that their spending is “stimulus,” but it’s not and it can’t be. A government cannot stimulate production that it has forbidden.

The only way to stimulate the economy is to liberate it. The people, all of us, need emancipation from the lockdown. And we need it now.

Many people fear the consequences of letting tens of millions of people go back to work. I’m afraid. But we can’t continue as we are. Some say that we need to discuss when to free up the economy. No. We needed to discuss it long ago. The time for discussion has passed. We are surrounded by wreckage. It should not last one more day.

Those who think discussion is needed before we take such a bold step should answer this: how much public discussion was there before March 16, when San Francisco Mayor London Breed, in what she called a “defining moment,” shut down most of San Francisco’s economy? Days later, did the county governments of California discuss with their citizens whether to impose “sheltering in place?” California’s governor? New York’s governor? Most of the other governors? No. Nor was there debate or much consultation on the White House’s sudden and shocking bans on international travel that have trapped possibly more than 100,000 American students abroad, forcibly separated from their families?

No, these leaders just did it.

Why did they do it? This will be debated for many years hence. We hear reasons. This virus, we are told, has unusual characteristics that required it. Politicians are risk averse and feared not acting. Media howling played a big role in hyping (and misrepresenting) the predictive models. The public saw
reports of large-scale death in certain locations. The uncertainties drove panic and an extreme response. A perfect storm of all of the above.

Regardless of the myriad factors, we need to reverse it. Those government officials based their decisions on a model of a disease that neither they, nor we, fully understood. We know more now than we did even a few weeks ago, but not enough to justify these egregious policies.

As for the disease itself, we’re pretty sure that social distancing works to slow the spread. But most state governments didn’t give voluntary social distancing more than a week to work. Could the power of citizens’ imaginations be unleashed to produce sufficiently effective social distancing at lower cost than what governments mandate? Federal official Dr. Deborah Birx has commented on how thrilled she is by widespread American support for social distancing. Yes, of course, people respond well to better information. That’s the whole idea of freedom: people adapt, even without coercion.

Why did so many governors and mayors, with the encouragement of the White House that reversed its previous position, impose the lockdown? After all, Sweden did not. Neither did Iceland. South Korea maintained an open society. Japan too has outperformed in stopping the spread without stopping society.

In the U.S., it seems to come down to the predictive models. On March 13th, the Centers for Disease Control projected a high of 1.7 million deaths. That claim was in retrospect outlandish. Models are as good as the assumptions built into them. But it was just the beginning of policy-by-projection.

The big moment for government officials was March 16th. The Imperial College of London model projected that as many as 2.2 million people in the United States could die from the coronavirus. Worst case. Four days later the New York Times reported on a Columbia University study with an upward “do nothing” scenario of half a million new “cases” per day – with the usual ambiguity about “cases” and about whether “doing something” meant being careful ourselves or coercively shutting down the whole economy.

The press loved the worst case scenarios and they landed in every headline, all the better for views and clicks. Without an available test, we had no clarity on the right way forward. The crackdown began.

Since that time, you might have noticed that almost weekly, various government officials have scaled down the number of U.S. deaths they expect. Is this because of social distancing? Maybe but the models far overshot on deaths even with full social distancing and a lockdown.

Now even Anthony Fauci of the National Institutes of Health predicts that there will be about 60,000 deaths by August. This number is striking. Why? Because it’s virtually equal to the 61,000 U.S. deaths that the CDC attributed to the flu just two seasons ago. Could the newly discovered low risk of COVID-19 explain why Chicago’s mayor Lori Lightfoot, while supporting a ban on haircuts and hair styling, insisted on getting her own haircut? Now we have yet another problem: misclassification of the cause of death. With so much at stake, and possibly a desperate desire to justify what they have done, there is a strong incentive for governments and agencies to game the numbers. Dr. Birx made a plain, up-front announcement that every death from any cause that tests positive for COVID-19 is now counted as a COVID-19 fatality, which is basically an admission that not even the data can be trusted.

To be sure, even when corrected for reality, if fatality rates end up similar to a bad seasonal flu, there are apparent differences between COVID and flu: the speed of transmission, the hot-spot pattern of infection, and length of hospitalizations. But these differences require an intelligent medical response, not upheaval.
Many of us are convinced by the preliminary results of social distancing. I told my daughter on Zoom recently that I probably won’t shake anyone’s hand for the next year. Those who think that Americans newly freed to work would not be careful are not observing what I am.

Workers at takeout restaurants wear masks as, increasingly, their customers do too. People out for walks veer right when someone walks towards them, to maintain a 6-foot distance. A plumber we called wore a mask, as did I when I answered the door. And, in what is admittedly a non-random sample of over 9,000 adults surveyed in the middle of March, before virtually all the shelter in place orders were in place, 93% washed their hands more and 89% avoided social gatherings.

That won’t go away quickly.

If we open the economy, some people will be at a greater risk from COVID-19, especially the elderly. As of April 10th, 78% of verifiable deaths that the Center for Disease Control attributed to COVID-19 were people aged 65 or older. As an Imperial College London study from March 30th demonstrated, this disease is particularly deadly for one demographic. It kills an estimated 13.4% of patients 80 and older, compared to 1.25% of those in their 50s and 0.3% of those in their 40s. The sharpest divide between a temporary issue and death is the age of 70. The overwhelming majority of those who died had weakened immune systems due to preexisting conditions.

As for the overall case fatality rate – which is drifting ever lower – we do not know it because of the dearth of testing. It could be many times higher than seasonal flu, or perhaps lower. We don’t even know how many have had it and recovered. Even now, testing is not widely available – available only for those with symptoms, which necessarily excludes all asymptomatic people, which could be as many as 50% – a fact that accounts for much of the continued confusion.

Being elderly, the vast majority of the victims are not employed outside their homes and can more easily stay sheltered in place if they choose to. The disease has ravaged nursing homes. This demographic and these institutions should have been the focus of the concern and resources rather than allowing policies to crush the whole of society.

This disease should have been regarded as a medical problem with a medical fix, not as an excuse to test out the range of awesome powers of the state to trample freedom. We should stop making the “cure” worse than the disease.

The danger of keeping Americans in lockdown is not speculative. It is clear, present, and large. Here’s what one woman posted in a recent discussion on Facebook:

Is anyone here supporting the lockdowns not getting a paycheck? Anyone here supporting the lockdowns of a single parent that hasn’t received child support in months? Anyone here supporting the lockdowns of a business owner that is going to go out of business and lose everything they’ve built and sacrificed for? Anyone here in the middle of trying to buy a house, refinance a house and just lost their job? NOBODY in these positions that I’ve come across is supporting these draconian lockdowns. During the recession I lost half, HALF of my customer base who were small business owners. The ones that survived may not survive this. It’s easy to support these things when you’re not the one hurting financially.

Should we go back to the status quo? No. The status quo wasn’t so great. The Food and Drug Administration insists that drugs should be proven effective before drug companies are allowed to sell them. As Charles Hooper and I have written, the FDA’s required proof of efficacy should be ended. Moreover, people with COVID-19 should be allowed
to use any drug that they and their doctors think are worth trying. The first COVID-19 patient in New Jersey, James Cai, was saved by Gilead Sciences’ not-yet-approved remdesivir. And let companies try, without any FDA approval, home testing kits with their reputations on the line.

For years, doctors were not allowed to charge for telemedicine. That requirement has been relaxed and should stay relaxed. Every state government but Arizona’s requires people with occupational licenses in one state to get a special license when they move to another state. Massachusetts governor Charlie Baker temporarily loosened the rule for health professionals. It should stay loose. Permission that’s good enough for California, New York, and North Carolina is good enough for Massachusetts and vice versa.

By the end of April we should cease the absurdly high unemployment benefits from the federal stimulus legislation, which New York Senator Chuck Schumer accurately called “unemployment insurance on steroids.” That way, many who lost their jobs can be made whole without the government paying them to be unemployed longer.

We hear so much about the downside of letting people outside. Let’s consider the upside.

We get to live our lives again. Workers will feel productive and useful again. Americans can stop draining their bank accounts just to pay rent. We can reduce deaths from suicide, drug overdose, and worse. Families can be reunited. We can get back to ending poverty, which the World Health Organization says is the number one cause of death around the world. We can go back to allowing elective surgeries for cancer, for example, the delaying of which now could result in countless deaths. Surely this is a better use of hospitals that are empty while nurses sit at home.

If you add up all the suffering and death generated as a secondary effect of the shutdown, we are looking at carnage that could be in the same ballpark as COVID deaths. Emancipation now could in fact be a strategy for minimizing fatalities; it will certainly reduce overall social and economic disaster from the disease and the disastrous policy response.

It’s time to let us wash our hands and go to work. Austria, Denmark, and the Czech Republic are now opening up. Sweden, South Korea, Japan, and even China have opened. Right now, in the United States, a thousand politicians are looking for political cover to reverse course. Let someone brave and bold step forward. History will consider that person a hero. A liberator!

And let’s not forget the fact that so many of us are losing social interaction. “Man is, by nature, a social animal,” said Aristotle and man, are we ever seeing how true that is. We are thinking, acting, creative beings. We have the capacity to achieve remarkable things, including responding to the enormous challenges of pandemic disease, but we must be free to do so.

Re-open the free society right now!  

April 13, 2020
The Monumental Failure of the CDC

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Back in 2017, Michael Osterholm, the director of the Center for Infectious Disease Research and Policy at the University of Minnesota told Time magazine that “We are sitting on something big with H7N9 [bird flu],” and “Any one of these cases could trigger something big. By then it’d be way too late.”

Looking back now, it looks like a lot of other people had warned that it was just a matter of time before a pandemic of the COVID-19 scale took place. And if the government had been prepared and if it didn’t get in the way of the ability of the private sector both to prepare and to respond, the impact of this COVID-19 pandemic on American lives and the economy would have been much smaller than anything we are experiencing right now.

The lack of preparedness at every level of government (federal, state, and local) has nothing to do with a lack of funding or inadequate staffing. Instead, it has everything to do with governments’ bloat, mismanagement, cronyism, and poor focus.

That’s particularly true of the Centers for Disease Control (CDC). In theory, the prevention of diseases like this one is the agency’s entire reason d’être. It is right there in its name “Disease Control.” Its mission statement page also makes the centrality of this goal clear. It states as its priority “confronting global disease threats through advanced computing and lab analysis of huge amounts of data to quickly find solutions.”

Apparently, not really.

While there is a lot of blame to go around, it is no secret how much the CDC is to blame for the country’s lack of preparedness to take on the coronavirus (followed very closely in ineptitude by the Food and Drug Administration). The agency’s failure to understand the severity of this virus, to provide useful advice to the American people and to political leaders, and to deliver appropriate testing capabilities has been widely documented.

As I wrote last week, emails reveal that weeks after the virus started roaming freely in the U.S., CDC director Dr. Robert Redfield told his employees that “the virus isn’t spreading in the US at this time.” But a month later, the CDC was still telling state and local officials that its “testing capacity is more than adequate to meet current testing demands.”

It wasn’t.

In this piece, the WSJ reported on three distinct failures made by the agency (helped by the FDA).

“CDC officials botched an initial test kit developed in an agency lab, retracting many tests. They resisted calls from state officials and medical providers to broaden testing, and health officials failed to coordinate with outside companies to ensure needed test-kit supplies, such as nasal swabs and chemical reagents, would be available, according to suppliers and health officials…”

“This was kind of a perfect storm of three separate failures,” said Tom Frieden, who directed the CDC from 2009 to 2017, citing the botched test, overstrict FDA rules and sidelined private labs.”

By now, every major newspaper has reported on the incredible failure of the CDC during this crisis. Here is the tidbit from the Washington Post:

“The most consequential failure involved a breakdown in efforts to develop a diagnostic test that could be mass produced and distributed across the United States, enabling agencies to map early outbreaks of the disease, and impose quarantine measures to contain them.”
And as if this weren’t enough failure for one agency, the CDC continues to give the public bad advice and get in the way of our ability to protect ourselves with masks and other needed medical supplies.

Messing up is not a new thing for the CDC. However, unlike what its employees and political allies like to claim, the agency’s poor record and its lack of preparedness has nothing to do with a lack of funding. From 2004 to 2018, total CDC spending grew by over 30 percent, from $8.3 billion to $11.1 billion. Unfortunately, the vast majority of this growth in spending—shock!—did not go to pandemic prevention and protection from COVID-19.

For instance, funding for its National Center for Emerging and Zoonotic Infectious Diseases—which aims to prevent diseases like Ebola—received only $514 million in 2018, a tiny sliver (less than 5%) of total CDC funding. And less than half of that $514 million went to emerging diseases like COVID-19. The rest of that budget is spent on stuff like chronic fatigue.

Meanwhile, funding for the CDC’s chronic-disease programs—which aim to prevent smoking, alcohol consumption, and poor diets—received nearly $1 billion over that same time, almost double the funding for infectious-disease prevention. As Michelle Minton at the Competitive Enterprise Institute notes in a must-read piece, more money goes to efforts like “environmental health ($180 million), injury prevention ($270 million), and occupational safety ($330 million).” All these projects are also funded by other agencies.

And, of course, let’s not forget the large amount of time the CDC (along with its companion in failure, the FDA) spends on alarming everyone about youth vaping. It is not an epidemic, it’s not contagious but it’s certainly got plenty of attention from the CDC, and the FDA. Isn’t it obvious now that these busybody government bureaucrats should have focused their efforts instead on fighting and preventing actual, real-world epidemics—you know, of the contagious type.

Being a policy analyst following the action of various government agencies and trying to hold them accountable feels like being a broken record. An emergency happens, we write about the incompetence of various government agencies in their response, and then nothing changes. And indeed, many of us wrote about the CDC’s failures during the last Ebola outbreak and the many others before that. But here we are again.

This time, however, these government failures have resulted in millions of Americans being all stuck in their homes, schools being closed, the economy in a recession, and 18,000 people having died so far.

Hopefully this time will be different because of the scale of the impact of the failures. But I’m not holding my breath—which is hopefully free of COVID-19.

April 11, 2020
With the latest reports of plummeting death rates from all causes, this crisis is over. The pandemic of doom erupted as a panic of pols and is now a comedy of Mash-minded med admins and stooges, covering their ifs ands and butts with ever more morbid and distorted statistics.

The crisis now will hit the politicians and political Doctor Faucis who gullibly accepted and trumpeted what statistician William Briggs calls “the most colossal and costly blown forecast of all time.”

An egregious statistical horror story of millions of projected deaths, suffused with incense and lugubrious accents from Imperial College of London to Harvard School of Public Health, prompted the pols to impose a vandalistic lockdown on the economy. It would have been an outrage even if the assumptions were not wildly astronomically wrong.

Flattening the curve was always a fool’s errand that widened the damage.

President Trump had better take notice. He will soon own this gigantic botch of policy and leadership. No one will notice that his opponents urged even more panicky blunders.

The latest figures on overall death rates from all causes show no increase at all. Deaths are lower than in 2019, 2018, 2017 and 2015, slightly higher than in 2016. Any upward bias is imparted by population growth.

As usual every year, deaths began trending downward in January. It’s an annual pattern. Look it up. Since the lockdown began in mid-March, the politicians cannot claim that their policies had anything to do with the declining death rate.

A global study published in Israel by Professor Isaac Ben-Israel, chairman of the Israeli Space Agency and Council on Research and Development, shows that “the spread of the coronavirus declines to almost zero after 70 days—no matter where it strikes, and no matter what measures governments impose to try to thwart it.”

In fact, by impeding herd immunity, particularly among students and other non-susceptible young people, the lockdown in the U.S. has prolonged and exacerbated the medical problem. As Briggs concludes, “People need to get out into virus-killing sunshine and germicidal air.”

This flu like all previous viral flus will give way only to herd immunity, whether through natural propagation of an extremely infectious pathogen, or through the success of one of the hundreds of vaccine projects.

No evidence indicates that this flu was exceptionally dangerous. On March 20th, the French published a major controlled study that shows no excess mortality at all from coronavirus compared to other flus. SARS and Mers were both much more lethal and did not occasion what Briggs’ reader “Uncle Dave” described as “taking a hammer and sickle to the economy.”

We now know that the crisis was a comedy of errors. The Chinese let it get going in the raw bat markets of Wuhan. But together with the Koreans, the Chinese dithered and demurred and allowed
six weeks of rampant propagation to create herd immunity before they began locking everyone up. Therefore, the Chinese and Koreans were among the first to recover.

The Italians scared everybody with their haphazard health system and smoking fogies. Crammed together in subways and tenements, the New Yorkers registered a brief blip of extreme cases. Intubations and ventilators turned out not to help (80 percent died). This sowed fear and frustration among medical personnel slow to see that the problem was impaired hemoglobin in the blood rather than lung damage.

The New York media piled on with panic, with bogus reports of rising deaths. “Coronavirus deaths” soared by assuming that people dying with the virus were dying from it and then by ascribing to the coronavirus other deaths among people with symptoms of pulmonary distress, even without being tested. Now jacking up the case rate will be further pointless testing. As Briggs points out,

“Fauci is calling for ‘tripling’ of testing, which can only boost these dailies [case totals]. And make it seem like there’s a genuine increase occurring. Oh my! The daily reported cases are up! It must mean the disease is spreading!

“No. It could also mean, and probably does given all the other evidence we now have from sampling, that the disease was already there, and we just now have measured it.”

The death rate rises with further reclassification of pneumonia and other pulmonary deaths. When we reach herd immunity, and nearly everyone has the antigen, nearly all deaths can be chalked up to COVID-19. Hey, it will be Quod Erat Demonstrandum for the panic mongers.

In a fascinating open letter to German Prime Minister Angela Merkel, epidemiologist Mihai Grigoriu concludes that with the French study, corroborated by findings from a Stanford antibody seroprevalence study in Santa Clara county, “the case for extreme measures collapses like a house of cards.” Grigoriu says that since the virus has already spread widely in the general population, efforts to stop further spread are both futile and destructive.

So let’s stop pretending that our policies have been rational and need to be phased out, as if they once had a purpose. They should be reversed summarily and acknowledged to be a mistake, perpetrated by statisticians with erroneous computer models. Perhaps then we can learn from this experience with the flaws of expertise not to shut down the economy again for the totally bogus “crisis” of climate change.

April 24, 2020
While presumed experts in Washington look for data that will justify reopening the economy, the third branch of government, the judiciary, has hardly been mentioned in the crisis to date but could play a key role in breaking any political stalemate.

So my spirits soared when I saw a partial headline reading “Coronavirus: Battle Breaks Out As Beach Visits Allowed …” But then I clicked and saw the rest of the headline: “in Northern Germany.”

A real estate agent in Texas filed for a temporary restraining order against his city’s mayor, who ordered a shutdown of “nonessential” businesses while a county order allowed all businesses to remain open. The local judge refused the TRO after the city passed a proper ordinance. Other scattered reports of suits, or their dismissal, have also made brief appearances.

Precious little else appears to be happening on the legal front. Below I list some possible reasons why:

1. Lockdown orders considered courts “nonessential,” or judges and staff are not showing up to work. Either way, they remain shuttered, mute stone buildings that might soon make the scene described in Ozymandias seem utopian.
2. Litigants are forced to shelter in place and hence cannot file, which must be done physically.
3. Court reporters are sheltering in place and nobody in government has an incentive to clue them in.
4. Americans are “milksops” who do not understand the importance of liberty.
5. The $1,200 federal payments supposedly heading our way most consider sufficient compensation for damages, at least for now.
6. Nobody feels they can afford a lawyer because the government “took ‘er jobs.”
7. Nobody feels that judges, especially local elected ones, will provide relief.
8. The shelter in place orders are not being strictly enforced and hence do not go beyond what most Americans would be doing voluntarily.
9. The lockdowns remain a comfortable “staycation” for most, a change of pace that has not yet grown too tedious.
10. The classic free rider problem: why spend valuable resources getting a shelter in place order removed that will help many people who will never chip in to cover their fair share of the costs.
11. Fear of becoming “that guy” who placed “the economy” over “lives.”
12. The Americans who would most like to take this issue right to SCOTUS live in states that do not have shelter in place orders in place and hence lack standing.
13. Americans believe that shelter in place is the right policy, at least given the nation’s unpreparedness for a disease they believe to be as ruthless, fast-moving, and deadly as a Nazi panzer corps in 1939-40.

Whatever the causes of this uncharacteristic bit of non-litigiousness, Americans should know that ample legal precedents suggest that most shelter in place orders are unlawful and unconstitutional.

Consider, first, that in the eighteenth and
nineteenth centuries, when sundry contagions much nastier than SARS-CoV-2 regularly ran rampant, quarantine orders sought to confine only those who were demonstrably sick or, in really desperate situations, those who lived in a specific district overrun by disease (cordon sanitaire). The notion that any US government can prevent citizens from engaging in commercial intercourse simply because they might get sick, or might transmit a disease, is a product of post-9/11 Homeland Defense America.

Georgetown University law professor Laura K. Donohue laid out the federal government’s pandemic emergency plan in a 2010 paper called “Biodefense and Constitutional Constraints,” available here. The plan readily countenanced home isolation, “particularly where highly virulent or no known vaccination may exist” (4) and, more ominously, contemplated “the precise manner in which the military could be used to impose quarantine in the event of either pandemic disease or terrorist attack” (79).

The closest analog I can think of are gun control laws that seek to deny Americans access to firearms because they might use them to commit a heinous crime. Such laws run directly counter to the Second Amendment but the federal government allows some states to implement them.

Gun laws and shelter in place orders also flaunt the due process clauses of the Fifth and Fourteenth Amendments, which were designed, respectively, to prevent the federal and state governments from depriving Americans of their lives, liberty, or property “without due process of law.” Of course any law depriving Americans of their fundamental rights triad must be a Constitutional one, not any old thing some legislature manages to pass. (And don’t get me started on the Preamble, which clearly contains an “and,” not an “or,” between “the blessings of liberty” and the rest of the goodies.)

One hopes that somebody someday soon will whisper in President Trump’s ear that he can use the Defense Production Act to put everyone back to work simply by ordering everyone to go back to what they were doing before their state and local governments ordered lockdowns. All business is essential or it would not have existed in the first place.

Though I hate to say it, we might have to put that tyrannical law to good use because it is unlikely that our hapless Congress will use the commerce clause to end the shuttering of businesses by states and municipalities even though it could, as even the smallest businesses buy or sell goods across state lines, nay international borders (see, e.g., Donohue 44).

If the federal and state executive and legislative branches refuse to stop the socially and economically destructive lockdowns, Americans’ last resort is the courts. Instead of actively filing suit, some might find themselves arrested for such heinous crimes as taking their dog for a walk, standing too close to somebody in line at the grocery store, or trying to earn a living. They, well their lawyers, should know the relevant case law.

My favorite quarantine case, recently brought to my attention by AIER’s own Phil Magness, is an 1856 New York Supreme Court case called The People vs. Peter W. Roff. (You can download a .pdf of the Surgeon General’s original copy here.)

Roff “knowingly and wilfully” broke a local quarantine regulation that Judge Lucien Birdseye (1821-1896) found problematic, in part because it “sentences all persons, well or sick, whether exposed to infection or not, to an unlimited imprisonment” (17). Sound familiar? So he unequivocally sided with Roff. His conclusion (18) is particularly instructive:

The public health is doubtless an interest of great delicacy and importance. Whatever power is in fact necessary to preserve it, will be cheerfully conferred by the Legislature, and carried into full effect by the Courts.

But it can never be permitted that, even for the
sake of the public health, any local, inferior board or tribunal shall repeal statutes, suspend the operation of the Constitution, and infringe all the natural rights of the citizen.

I feel no hesitation in declaring this regulation void. Disobedience to it constitutes no crime. The prisoner is discharged.

Of course we do not live in nineteenth century New York, we live in the legal world described by Donohue. But the constitutionality of the new laws, she notes, “have yet to fall subject to Constitutional challenge” (79).

Interestingly, Donohue knows about Roff but did not understand that it was likely a test case, deliberately brought. She says Roff did not have enough money to post bail (25) but Roff was one of the officers of a quarantine tug, a boat that moved quarantined ships about New York harbor, and had plenty of work that summer. She also does not know that he was arrested with Joseph Silva (or Silver) and George W. Daley “the noted one-eyed emigrant runner” for “aiding to demolish the barricade erected around the Quarantine Hospital gate” (“The Public Health,” New York Herald, 17 Aug. 1856).

While both of his accomplices were released on their own recognizance, Roff, or his benefactors, had enough money to hire Edwin W. Stoughton (1818-1882), one of New York’s top attorneys first admitted to the state’s supreme court bar in 1844, to defend him. Or Stoughton, who was so well connected that he later became U.S. minister to Russia under Rutherford B. Hayes and former president Ulysses S. Grant served as one of his pallbearers, took the case pro bono.

The Roff case suggests that we do not need thousands, hundreds, or even scores of Americans filing lawsuits or getting arrested. We just need to get one, backed by the best lawyers money can buy, before a judge who still understands the Constitution. New York might be the best battleground again as the phrase “shelter in place” occurs only once in its laws, as part of the fire code.

April 13, 2020
The 100-Day Disaster that Befell America

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One hundred days ago, on December 31, 2019 — not long past noon, which is to say less than twelve hours before the new year 2020 would ring in — a website run by the Chinese government reported that a “pneumonia of unknown cause” was sweeping through Wuhan, an industrial city which is home to over 11 million people.

It took 400 years to build Chichen Itza; it took 22 years (and 15 nations) to construct a 460-ton space station 200 miles over earth; it takes 11 – 15 years to become a medical doctor; it took about seven years for the one-millionth Model T to roll off the Detroit assembly lines, and 15 months to erect the Empire State Building.

And in 100 days (in fact quite fewer, but I share a popular affinity for both milestones and round numbers) the world economy has essentially been asphyxiated.

In three weeks, over 17 million Americans have lost their jobs. Suicide rates are rising alongside “snitch” culture. Governors, county commissioners, and mayors are savoring their newfound power flex: threatening, and in some cases breaking up, private gatherings (with hilarious results, occasionally).

Economists are looking up the definition of “depression” and finding out that several competing, popular definitions exist: the National Bureau of Economic Research, which dates recessions, doesn’t define them. Gene Epstein has coined a better phrase: the Great Suppression.

It wouldn’t quite be fair to assert that the seeds of the present economic seizure were sewn with those announcements, or even with the infection of whoever patient zero is, some time before that. Americans have for decades been incrementally offloading more and more of their freedoms in a great acquiescence to power and control.

Perhaps this is the apotheosis of the New Deal, or any number of “we’re all in this together” periods since then. No one has ever explained why everyone facing the same calamity (which is never the case, in actuality) requires the same reaction from everybody, especially a response selected and decreed from above by a group of people who usually face far fewer risks than the rest of us.

The very coining of the term “adulting” — first used by Millennials, now adopted even among fellow Gen-Xers and Boomers — was, in retrospect, a portent; as were plummeting rates of saving, broadening qualifications for the exercise of free speech, and the rise of multi-trillion dollar entitlement programs.

The invisible cathedral — the imperceptible but very real geometry which defines the shape and form of life around us — is always under siege, as Jeffrey Tucker wrote in “Cathedrals, Seen and Unseen:”

Where is the fire that threatens this invisible cathedral? These days, it comes mainly from politics, and the arrogant ideologies that daily threaten to displace what we know to be true with the products of minds who aspire to rule others through the application of power. These people are daily making outrageous demands that we, for example, shatter established trading relationships, surrender private property, abandon industrial techniques it took centuries to develop, turn our backs on what our parents and theirs knew to be true, ignore the discoveries of science, disregard once-settled postulates concerning the rule of
law and human dignity, and assault all that has come before as hopelessly biased and corrupt. They seek to shame us into abandoning common sense and the wisdom of experience in favor of their superior plan.

Today that invisible cathedral is burning, without flame or heat: streets of deathly silence, quiet bars and restaurants, shuttered stores, and everywhere a conspicuous absence of virtually any opposition to the strangulation of commerce and social interaction — all accomplished though mere edict. In an era of safe spaces, emotional support animals, and coloring books for adults, coddling has become an industry and martial law is only necessary as an exciting plot element in a B-movie.

It seems like only yesterday there was a movement fussing about their right to demand that others use the correct pronoun of their choosing. Where are these people now and why are they silent in the presence of what amounts to a practical totalitarianism?

It was only recently that many thousands of individuals descended on Washington, D.C. (some from hundreds of miles away) at their own expense to protest the appointment of a Supreme Court justice — some in costumes drawn from a dystopian novel — yet today wile away their days, alone in apartments, unpaid and unproductive, forced into idleness and descending into impoverishment with nary a complaint.

That it took only the suggestion of the possibility of sickness to render a nation once characterized by rugged individualism, personal liberty, bravery (we sing songs about this), and industry into housebound milksops confirms what many have suspected for so long: this is the ultimate consolidation of America’s acquiescence to power over liberty.

April 10, 2020
How Wrong Were the Models and Why?

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The epidemiology models used to justify and extend the ongoing coronavirus lockdown are starting to come under much-needed scholarly scrutiny. A new working paper published by the National Bureau of Economic Research (NBER) presents a detailed statistical examination of several influential models, and particularly the study out of Imperial College-London (ICL) that famously predicted up to 2.2 million COVID-19 deaths in the United States under its most extreme scenario.

The ICL model presented an array of scenarios based on different policy responses, but this extreme projection – also referred to as its “do nothing” scenario – grabbed all the headlines back in March. Although the ICL paper described its own “do nothing” scenario as “unlikely” given that it assumed the virus’s spread in the absence of even modest policy and behavioral responses, its astronomical death toll projections were widely credited at the time with swaying several governments to adopt the harsh lockdown policies that we are now living under.

The Trump administration specifically cited ICL’s 2.2 million death projection on March 16th when it shifted course toward a stringent set of “social distancing” policies, which many states then used as a basis for shelter-in-place orders. In the United Kingdom, where the same model’s “do nothing” scenario projected over 500,000 deaths, the ICL team was directly credited for inducing Prime Minister Boris Johnson to shift course from a strategy of gradually building up “herd immunity” through a lighter touch policy approach to the lockdowns now in place.

Plainly, the ICL model shifted the policy responses of two leading world powers in dramatic ways. Indeed, the ICL team played no small role in hyping the projections of its “do nothing” scenario, even as its own report downplayed the likelihood of that outcome in favor of more conservative projections associated with an array of social distancing policies and suspensions of public gatherings. On March 20th ICL lead author Neil Ferguson reported the 2.2 million death projection to the New York Times’s Nicholas Kristof as the “worst case” scenario. When Kristof queried him further for a “best case” scenario, Ferguson answered “About 1.1 million deaths” – a projection based on a modest mitigation strategy.*

It’s worth noting that even at the time of its March 16th public release, the conditions of the ICL’s “do nothing” scenario were already violated, rendering its assumptions invalid. Most governments had already started to “do something” by that point, whether it involved public information campaigns about hygiene and social distancing or event cancellations and the early stages of the lockdown, which began in earnest a week earlier. Voluntary behavioral adaptations also preceded government policies by several weeks, with a measurable uptick in hand-washing traceable to at least February and a dramatic decline in restaurant reservations during the first two weeks of March. When read in this context, Ferguson’s decision to hype the extreme death tolls of the “do nothing” scenario to the press in mid-to-late March comes across as irresponsible.

A month later, it has become readily apparent that...
the 2.2 million death projection was off by several orders of magnitude, as was its UK counterpart of 500,000 projected fatalities. Ferguson and the ICL team shifted their public commentary to emphasize other scenarios with more conservative projections in the tens-of-thousands (in some cases this was misleadingly depicted as a revision to their model, although it actually used the milder scenarios in the original March 16th paper).

Nonetheless, the damage from the over-hyped ICL “do nothing” scenario was already done. Indeed, as of this writing, President Trump is still citing the 2.2 million projection in his daily press conferences as the underlying rationale for the lockdowns. The New York Times’s COVID reporter Donald McNeil was also still touting the same numbers as recently as April 18th, and even a month later it remains something of a social media taboo for non-epidemiologists to scrutinize the underlying statistical claims of credentialed experts such as Ferguson.

“Stay in your own lane,” we’re told, and let the experts do their own work. Epidemiology has its own proprietary methods and models, even as their most alarmist scenarios – the ones that Ferguson publicly hyped to the media a month ago – falter in visible and obvious ways.

Enter the new NBER paper, jointly authored by a team of health economists from Harvard University and MIT. Its authors conduct a measured and tactful scrutiny of the leading epidemiology forecasts, including the ICL model at the heart of the lockdown policy decisions back in March. Among their key findings:

“The most important and challenging heterogeneity in practice is that individual behavior varies over time. In particular, the spread of disease likely induces individuals to make private decisions to limit contacts with other people. Thus, estimates from scenarios that assume unchecked exponential spread of disease, such as the reported figures from the Imperial College model of 500,000 deaths in the UK and 2.2 million in the United States, do not correspond to the behavioral responses one expects in practice.”

As the authors explain, human behavior changes throughout the course of an epidemic. Even basic knowledge of the associated risks of infection induces people to take precautionary steps (think increased handwashing, or wearing a mask in public). Expectations about subsequent policy interventions themselves induce people to alter their behavior further – and continuously so. The cumulative effect is to reduce the reliability of epidemiological forecasts, and particularly those that do not account for behavioral changes.

If this sounds familiar, it is the critique that my colleague Will Luther made on March 18th, only two days after the ICL model came out. He similarly noted this implication when Ferguson shifted the emphasis of his public commentary to the more conservative scenarios in his model at the end of March. I also pointed to the importance of behavioral adaption around this time when considering the many policy responses to COVID-19, from public health advice to lockdowns to border checkpoints in certain states.

The NBER paper authors further critique the ICL paper and four other epidemiology models for overstating their own certainty about their many projection scenarios. Behavioral adaptation, among other factors, reduces the accuracy of long-term forecasting. The presentation of multiple scenarios also requires the adoption of a multitude of underlying assumptions about how these factors will play out given each policy choice made. Unfortunately, none of the epidemiology models they considered took sufficient steps to account for these complications.

The NBER study thus concludes:
“In sum, the language of these papers suggests a degree of certainty that is simply not justified. Even if the parameter values are representative of a wide range of cases within the context of the given model, none of these authors attempts to quantify uncertainty about the validity of their broader modeling choices.”

Epidemiological expertise may convey specialized knowledge about the nature of disease transmission that is specifically suited to forecasting a pandemic’s spread. But it does not exempt the modelers from social scientific best practices for testing the robustness of their claims. Nor does it obviate basic rules of statistical analysis.

It would be a mistake to pit epidemiology as a field against its “outside” critics though, as the ongoing COVID-19 debates actually reveal a much more complex scientific discussion – including among medical experts and other specialists in pandemics. Around the same time the ICL model was released in March, distinguished medical statistician John Ioannidis issued a strong warning for disease modelers to recognize the severe deficiencies in reliable data about COVID-19, including assumptions about its transmission and its essentially unknown fatality rates.

More recently, a team of epidemiologists based at the University of Sydney examined the performance of the influential Institute for Health Metrics and Evaluation (IHME) model out of the University of Washington at predicting next-day fatalities in each of the 50 states. Looking at daily results from March and early April, they concluded that as much as 70% of the actual daily fatality totals fell outside of the model’s 95% confidence interval, by either being too high or too low. This finding is not necessarily discrediting of the IHME researcher’s approach, but it does speak to the need for further refinements in their techniques while also cautioning against using its predictions as a basis for policy-making while uncertainty about its accuracy remains high.

As these examples reveal, epidemiology, health economics, and related fields that specialize in medical statistics are not a single “consensus” to be deferred to as a monolithic voice of expertise. Rather, they host necessary and sometimes sharply divided debates – including over COVID-19.

To illustrate the importance of statistical scrutiny, it helps to look to past epidemics and observe what similar debates tell us about the accuracy of competing epidemiological forecasts. In the late 1990s and early 2000s one such example played out in Great Britain concerning Creutzfeldt-Jakob Syndrome, better known by its common moniker of “Mad Cow Disease.”

In 2001 the New York Times ran a story on different epidemiological projections about the spread of Mad Cow Disease, highlighting two competing models.

The first model came from a team of Jerome Huillard d’Aignaux, Simon Cousens, and Peter Smith at the London School of Hygiene and Tropical Medicine (LSHTM). Using a variety of assumptions about the disease’s existing prevalence (some of them hotly contested) as well as observational data about the disease’s incidence prior to its highly publicized 1996 outbreak, the LSHTM model offered a variety of scenarios depicting an overall mild transmission pattern for the disease.

As Cousens told the Times in 2001, “No model came up with a number exceeding 10,000 deaths and most were far lower, in the range of a few thousand deaths” spread over the next decade. While the Mad Cow Disease literature continues to debate some of the underlying assumptions of their model, the LSHTM team’s mortality projections ended up fairly close to reality – at least compared to other models.

An estimated 177 people died from Mad Cow Disease in the UK in the wake of the 1996
outbreak. Disease mitigation measures persist in an ongoing effort to prevent a future outbreak from cattle-to-human transmissions including import/export restrictions on beef and the slaughter of cattle to contain the infection in livestock, but for the past two decades annual Mad Cow fatalities in humans have remained extremely rare.

When the 2001 *Times* story ran however, a different model dominated the headlines about the Mad Cow outbreak – one that projected a wide-scale pandemic leading to over 136,000 deaths in the UK. The British government relied on this competing model for its policy response, slaughtering an estimated 4 million cows in the process. The competing model did not stop at cattle either. In an additional study, they examined the disease’s potential to run rampant among sheep. In the event of a lamb-to-human transmission, the modelers then offered a “worst case” scenario of 150,000 human deaths, which they hyped to a frenzied press at the time.

In the 2001 *Times* article, the lead author of this more alarmist projection responded to the comparatively tiny death toll projections from the LSHTM team. Such numbers, he insisted, were “unjustifiably optimistic.” He laid out a litany of problems with the LSHTM model, describing its assumptions about earlier Mad Cow Disease exposure as “extremely naïve” and suggesting that it missed widespread “underreporting of disease by farmers and veterinarians who did not understand what was happening to their animals.” He conceded at the time that he had “since revised [the 136,000 projection] only very slightly downward,” but expressed confidence it would prove much closer to the actual count.

The lead author of the extreme Mad Cow and Mad Lamb Disease fatality projections in the early 2000s is a familiar name for epidemiological modeling.

It was Neil Ferguson of the ICL team.

As with the present crisis, a high degree of uncertainty has loomed over epidemiological forecasts in the past. Such uncertainty is likely unavoidable, but it also produces a wide range of competing projections. When governments design policy based on epidemiological forecasts, their choice of the model to use could be the difference between a mild mitigation strategy and a large proactive intervention, such as the mass slaughter of livestock in the case of Mad Cow Disease or aggressive and wide-scale societal lockdowns in the case of COVID-19.

That choice, often made amid severe data limitations, is often presented to the public as an unfortunate but necessary action to forestall an apocalyptic scenario from playing out. But we must also consider the unseen harms incurred when politicians base decisions on a modeled scenario that is not only unlikely but also wildly alarmist and likely exaggerated by the dual temptations of media attention and gaining the ear of politicians.

Given the high uncertainties revealed by statistical scrutiny of epidemiological models including among other medical experts, the presumption should go the other way instead. What is warranted is not bold political action in response to speculative models generated with little transparency and dubious suppositions, but rather extreme caution when relying on the very same models to determine policy.

*Correction. An earlier version identified the 1.1 million projection with the ICL “do nothing” scenario. It reflects a scenario with moderate set of mitigation policies.*

April 23, 2020
The pace of the ongoing coronavirus pandemic has created an unusual situation for academic research. Epidemiology models, which were previously developed over several years and used to forecast hypothetical scenarios that seldom panned out, are now being deployed and tested in real-time.

Unfortunately the results are not pretty.

Last week I examined some of the problems afflicting the most prominent epidemiology models for COVID-19, particularly the Imperial College-London (ICL) model that popularized a projected death toll of 2.2 million for the United States.

Even though this model outlined a variety of scenarios with milder human costs, its alarmist claims grabbed headlines and the ears of politicians. The ICL’s doomsday projection played a prominent role in convincing President Trump to back the social distancing guidelines behind most state-level lockdown policies. Its lead author Neil Ferguson was also on the advisory group that convinced British Prime Minister Boris Johnson to abandon an earlier “herd immunity” strategy for virus mitigation, and adopt a lockdown to avert a predicted 510,000 deaths in the UK.

Although the ICL model’s main paper has been out for over a month, an odd series of missteps continue to hamper external scrutiny of its predictive claims. In an unusual break from peer review conventions, the ICL team delayed releasing the source code for their model for over a month after their predictions. They finally released their code on April 27, 2020 through the popular code and data-sharing website GitHub, but with the unusual caveat that its “parameter files are provided as a sample only and do not necessarily reflect runs used in published papers.”

Put another way, they released a heavily reorganized and generic file that would permit others to run their own version of the COVID model. They do not appear to have released the actual version they ran in the March 16th paper that shaped the US and UK government policies, or the results that came from that model (a distinction that was immediately noticed by other GitHub users, prompting renewed calls to release the original code).

As of this writing, the data needed to fully scrutinize the model and results behind the March 16th ICL paper remains elusive. There may be another way though to see how the ICL model’s COVID projections are performing under pressure.

In late March and early April, much of the world’s attention turned to the case of Sweden after its government broke from the lockdown policies being implemented by most other developed world governments. Sweden earned praise early on for keeping its restaurants and businesses open – albeit under moderate social distancing guidelines – in an effort to build up herd immunity rather than delay the disease until a vaccine is developed. Yet by mid-April, its alternative strategy came under a barrage of criticism by epidemiologists, pundits, and even President Trump, who blamed an uptick in COVID-related deaths in Sweden on its failure to impose a lockdown policy similar to the rest of Europe.

The latest numbers from Sweden contain several hints that it has “flattened the curve” and its death rate per capita is consistent with, or below, most other western European nations although also higher than its neighbors Denmark and Norway. It will likely take many months before we can say for
certain how Sweden’s strategy played out, but at least as of this writing the predicted failures of two weeks ago have not come to pass.

That’s where an interesting twist on the ICL model comes into play.

Although ICL only released scenarios and associated forecasts for the United Kingdom and United States, its model is theoretically adaptable to any country by changing the inputs to reflect its population, demographics, and the date its specific policies took effect.

In early April around the peak of the academic community’s backlash against the Swedish government’s strategy, a group of researchers at Uppsala University attempted to do just that. They released an epidemiological model for Sweden that adapted the ICL COVID-19 model from Ferguson and his colleagues, and attempted to project the effects of Sweden’s unique response on both hospital capacity and total fatalities.

The Uppsala team’s presentation appears to closely follow the ICL approach. They presented a projection for an “unmitigated” response (also known as the “do nothing” scenario in the ICL paper), then modeled the predicted effects of a variety of policy interventions. These included staying the course on the government’s alternative approach of remaining open with milder social distancing guidelines, as well as implementing varying degrees of a lockdown.

The model stressed its own urgency as well. Sweden would have to adopt a lockdown policy similar to the rest of Europe immediately if it wished to avert catastrophe. As the authors explained, under “conservative” estimates using their model “the current Swedish public-health strategy will result in a peak intensive-care load in May that exceeds pre-pandemic capacity by over 40-fold, with a median mortality of 96,000 (95% CI 52,000 to 183,000)” being realized by the end of June.

Their proposed mitigation scenarios, which followed lockdown strategies similar to those recommended in the ICL paper and adopted elsewhere in Europe, were “predicted to reduce mortality by approximately three-fold” while also averting a catastrophic failure of the Swedish healthcare system.

The authors of the paper expressed sincere concerns for limiting the damage done by a genuinely horrendous disease, and they released their study in the hope that it would better inform the policy response. Its predictions have already failed to play out though – and badly failed at that.

The Swedish model laid out its predicted death and hospitalization rates for competing policy scenarios in a series of graphs. According to their projections (shown below in blue), the current Swedish government’s response – if permitted to continue – would pass 40,000 deaths shortly after May 1, 2020 and continue to rise to almost 100,000 deaths by June.

The most severe of the lockdown strategies they considered was supposed to cut that number to between 10-20,000 by May 1st while preserving hospital capacity – provided that the Swedish government changed course by April 10th and imposed a policy similar to the rest of Europe. In its most optimistic scenario, the model predicted that this change would reduce total deaths from 96,000 to under 30,000 by the end of June.
So how is the model’s projection performing? Sweden’s government stayed the course with its milder mitigation strategy. As of April 29th, Sweden’s death toll from COVID-19 stands at 2,462, and its hospitals are nowhere near the projected collapse.

Although only time will tell how the comparative strategies continue to hold up, these early results do not speak well of the accuracy of predictions built around the ICL model. Assuming the Swedish modelers correctly adapted the ICL approach (and their accompanying data appendix appears to do so, drawing its stated parameters directly from Ferguson’s work), the failure of its predictions would seem to suggest that its underlying assumptions about the effectiveness of specific lockdown policies are completely unfounded.

At least in this Swedish adaptation of the ICL approach, the assumed benefits of a more severe lockdown policy appear to have been greatly exaggerated. The assumed risks of the milder course adopted by the Swedish government appear to have been similarly inflated. And the overall death toll of the baseline “do nothing” scenario appears to have little grounding in reality.

What this finding tells us about the ICL projections for the United States and United Kingdom will require additional data and code transparency from Ferguson and the rest of the original model’s architects. But the Swedish adaptation paints an underwhelming picture of its predictive ability, especially given that those predictions formed a primary basis of the US and UK policy responses.

April 30, 2020
The CARES Act, a $2 trillion expenditure package aimed at mitigating the damage to the economy from COVID-19 and the corresponding lockdown, is a mixed bag. Some of its programs support a speedy recovery. Others seem likely to drag it out.

Consider the Paycheck Protection Program (PPP). The PPP offers $349 billion in credit to small businesses, typically with 500 or fewer employees. Loan recipients will not have to make any payments for six months. Moreover, if (1) at least 75 percent of the loan is spent on payroll, (2) the rest of the loan is spent on mortgage interest, rent, or utilities, and (3) the business maintains its pre-pandemic personnel at full salary, then the balance of the loan is forgiven.

The PPP is intended to preserve employment relationships and prevent viable small businesses from failing. The local sushi bar might have enough cash on hand to make rent for a couple months if it sacks its wait staff. But, when the pandemic ends, it will take time to rehire old employees and replace those who have moved on.

Similarly, if a construction company goes under because its revenues have plummeted in the last month, it will take time for the labor and equipment to find their way to other firms. The costly reallocation process turns a V-shaped recession, where output bounces back as quickly as it plummeted, into a U-shaped recession, where output remains low for a long time before a recovery sets in.

By providing forgivable loans to small businesses who maintain personnel, however, the PPP makes it more likely that these businesses will be in place and well-staffed to ramp up production as soon as it is deemed safe to do so.

The recovery-promoting effects of the PPP will be undermined, to some extent, by other policies in the CARES Act. Consider the changes made to unemployment benefits, which have been extended by 13 weeks and ratcheted up by $600 per week through July.

Unemployment benefits vary by state. But, in all but twelve states, one is eligible to collect unemployment benefits for 26 weeks (6 months). The extension under the CARES Act pushes that out to 39 weeks (9 months). The maximum duration in the remaining twelve states is presented in Table 1.

### TABLE 1

<table>
<thead>
<tr>
<th>STATE</th>
<th>MAXIMUM WEEKS</th>
<th>EXTENSION</th>
<th>TOTAL</th>
</tr>
</thead>
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<tr>
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</tr>
<tr>
<td>NORTH CAROLINA</td>
<td>12</td>
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<td>25</td>
</tr>
<tr>
<td>MISSOURI</td>
<td>13</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
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<td>14</td>
<td>13</td>
<td>27</td>
</tr>
<tr>
<td>KANSAS</td>
<td>16</td>
<td>13</td>
<td>29</td>
</tr>
<tr>
<td>ALASKA</td>
<td>20</td>
<td>13</td>
<td>33</td>
</tr>
<tr>
<td>MICHIGAN</td>
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<td>13</td>
<td>33</td>
</tr>
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</tr>
<tr>
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<td>13</td>
<td>34</td>
</tr>
<tr>
<td>ARKANSAS</td>
<td>25</td>
<td>13</td>
<td>38</td>
</tr>
<tr>
<td>ILLINOIS</td>
<td>25</td>
<td>13</td>
<td>38</td>
</tr>
<tr>
<td>MONTANA</td>
<td>28</td>
<td>13</td>
<td>41</td>
</tr>
</tbody>
</table>
The extension alone is unlikely to matter much, as most people return to work much sooner than that. From 1994 to 2010, Henry S. Farber and Robert Valletta report, only 20.4% of those eligible for unemployment benefits remained unemployed for more than a month; 12.1% for more than two months; 7.7% for more than three months; 5.1% for more than four months; 3.4% for more than five months; and 2.2% for more than six months.

From 2008 to 2010, duration increased. But, even then, only 4.2% of those eligible for unemployment benefits remained unemployed for more than six months. Farber and Valletta estimate that extending benefits in response to the Great Recession increased the duration of those who would have otherwise been unemployed for at least six months by a mere 0.09 months (2.7 days).

Why do most people return to work so quickly? They do so, in part, because unemployment benefits are not very generous. Again, benefits vary from state to state, but most states pay between 40 and 60% of prior earnings, subject to state specific minimums and maximum.

Increasing unemployment benefits by $600 per week through July is far from trivial. To come up with a conservative back-of-the envelope estimate for each state, let’s assume everyone collecting unemployment benefits today would have otherwise received their state minimum.

Prior to the extension, state minimums ranged from $5 (Hawaii) to $178 (Washington) per week. With the extension, those minimums increase to $605 (Hawaii) and $778 (Washington) per week. That is equivalent to a $15.13 (Hawaii) and $19.45 (Washington) hourly wage for someone working (or, in this case, not working) 40 hours per week. Similar estimates for each state are presented in Table 2 alongside the current minimum wage.

<table>
<thead>
<tr>
<th>STATE</th>
<th>MINIMUM</th>
<th>EXTENSION</th>
<th>TOTAL</th>
<th>EQUIVALENT HOURLY WAGE</th>
<th>CURRENT MINIMUM WAGE</th>
<th>DIFFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALABAMA</td>
<td>$45</td>
<td>$600</td>
<td>$645</td>
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<td>$8.88</td>
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<td>$16.40</td>
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<td>$72</td>
<td>$600</td>
<td>$772</td>
<td>$19.30</td>
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</tr>
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</tr>
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<td>$640</td>
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<tr>
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<td>$615</td>
<td>$15.36</td>
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</tr>
<tr>
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</table>
Simply put: anyone currently receiving unemployment benefits who would otherwise make less than $20/hour—or, roughly $40,000 per year—has very little incentive to return to work before July—or, longer, if the program is extended. Those who would otherwise earn the minimum wage would lose between $2.25/hour (Washington, DC) and $10.95/hour (Georgia) if they go back to work.

In the last four weeks, 22 million Americans have filed for unemployment. That’s roughly 13.36% of the labor force. Many of these Americans make less than $40,000. Few of them will return to work before July.

Perhaps the increase in unemployment benefits turns out not to matter very much. Perhaps the virus lingers on and we are all locked down through August. I find that unlikely. Wuhan was locked down for just 76 days. But, if the virus dies out and a recovery is possible before that, why discourage it?

Let me be clear: I am not opposed to helping the least well off. I am opposed to requiring the least well off to remain completely unproductive in order to receive that help. Give them money. But let them work as soon as it is safe to do so.

Most people having a hard time today are facing

<table>
<thead>
<tr>
<th>State</th>
<th>Weekly</th>
<th>Maximum</th>
<th>Weekly</th>
<th>Maximum</th>
<th>Weekly</th>
<th>Maximum</th>
<th>Weekly</th>
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a consumption-smoothing problem. Their income is temporarily lower. Their income will rebound when this is all over. They have bills to pay and kids to feed. They do not want their current consumption to fall to the same extent as their current income, and would borrow against their future income if they could.

In the absence of well-functioning credit markets, the government might make matters much better by helping people smooth out their consumption. And, from a budgetary perspective, it would be relatively cheap to do.

Suppose the government borrowed $1.65 trillion to extend every man, woman, and child in the US a $5,000 loan at 0% interest for two years. With interest rates on two-year Treasuries currently around 0.25%, the government would incur an interest expense of roughly $8.26 billion. And, with some minor tweaks, like making individuals (households) earning more than $100,000 ($200,000) in 2020 repay the loan in one year and reducing the amount extended to children, it could lower the cost further still. Most importantly, it would be able to provide the assistance that is needed without discouraging people from returning to work when it is safe to do so.

Policymaking is not easy. And policymaking in a pandemic is harder still. The CARES Act is a huge expenditure package. Some of it is likely to promote a speedy recovery. But some of it will drag the recession out unnecessarily.

Perhaps this is the best we could hope for. I would like to think we could do better. At the very least, we should not do worse. If extending the increase in unemployment benefits looks likely, we should push for no-strings-attached checks instead.

April 17, 2020
We Don’t Need a Cure to Reopen
PETER BOETTKE
Senior Fellow

Back on March 19th, 2020, I pointed to this piece by Pierre-Olivier Gourinchas at my blog – Coordination Problem — where he states very clearly the reality constraint in public policy deliberations in the current coronavirus crisis. Without committing one way or another on the debate over the epidemiology models being used, I thought, and still think, this way of putting it could serve as a very useful point of departure for serious conversations about trade-offs, short-run/long-run, and public policy in a liberal society. By now you have seen these graphs numerous times, but they are still useful to draw your attention to the issue at hand.

Public Health in Pandemic

My sincere hope was that by framing the public discourse in a discussion concerning trade-offs, we would be able to deliberate our way to a rational consensus that will reduce regime uncertainty, and free up the creative powers of our civilization to both address our public health crisis and make sure the economic future is bright. That was perhaps a foolish hope given the reality of politics and the state of our intellectual culture, especially the divisiveness and mood affiliation attractors of social media and much of cable news coverage.

When I wrote Why Perestroika Failed: The Politics and Economics of Socialist Transformation (1993) the public conversation was different inside and outside of the former Soviet Union and East and Central Europe. The problem with the communist economies was a feature of those systems, and thus the policy conversation focused on changing those features as quickly and clearly as possible. I discuss this in chapter 7 of the book.

That created its own set of serious difficulties, and the subsequent history has no doubt revealed
the consequences those difficulties presented. But there really is no debate that structural change of the system was required. The situation was also different at the time of the Global Financial Crisis of 2008-09, which again identified deep structural weaknesses in the system that resulted from misaligned incentives and the distorted signals caused by monetary mischief as Steve Horwitz and I argue in our monograph *The House That Uncle Sam Built* (2009).

The problems revealed in 2008 were a feature, not a bug, and thus required changing those features as quickly and clearly as possible if the economic vulnerabilities were going to be addressed. Again, doing the sort of structural change required has its own difficulties, and subsequent history again reveals the consequences of failing to overcome those difficulties.

But, in my opinion, this crisis is different not in degree but in kind from those previous shocks. It is literally and figuratively a bug in the system. Our current crisis was not endogenously created, though no doubt significant vulnerabilities of key sectors are being exposed (e.g., my own industry of higher education). Those vulnerabilities will need to be addressed, but it is important to stress that they were not caused by the coronavirus; they were revealed by the policy choices made in attempting to fight that coronavirus.

And, those vulnerabilities are a function of policy choices that were made over the years — in particular since 9/11 and 2008, but more generally dating back decades (consider, e.g., the third-party payer problem in health care). These vulnerabilities must be addressed because they exacerbate the negative consequences of this shock, and many of the policy “mental models” that politicians and intellectuals propose only will augment the negative, rather than ameliorate the problem in health, education, inequality, and economic volatility.

This public debate must take place, and sound economics must once again be stressed if we are to have any hope in sustaining a liberal society of peace and prosperity. However, while never far from our minds, that debate must wait in line as we first have to see ourselves out of this morass.

The current situation is a result of an exogenous shock and the policy responses to that exogenous shock that have in effect shut down significant sectors of the economy. In tackling the trade-offs, we need to think hard about how to meet the challenge and unleash the creative power to simultaneously reduce human suffering and restore economic prosperity and peaceful social cooperation. The administration has released a plan that comes in 3 phases. The primary criteria for moving from Phase 1 to 2 and finally to 3 will be public health indicators.

As Doctor Anthony Fauci put it at the press conference last Thursday.

But we feel confident that sooner or later we will get to the point, hopefully sooner with safety as the most important thing, to a point where we can be–get back to some form of normality.

The one thing I liked about it that Dr. Birx said so well is that, no matter what phase you’re in, there are certain fundamental things that we’ve done that are not like it was in September and October. You want to call it the new normal, you can call it whatever you want. But even if you are in phase 1, 2, 3, it’s not okay, game over. It’s not.

At that same conference, it was made clear that the US with its large land mass and its 330 million population will still pay lip service to federalism, and the authority rests with the state governors to decide when and how to re-open their respective economies. Some of the governors have formed regional agreements with each other.

Those of us who look to Hayek as an inspiration

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for their research program view economics as a coordination problem, and we see entrepreneurship as the solution to that problem. We study entrepreneurship in the public, private and independent sector to see how a variety of coordination problems are in fact solved or at least ameliorated by creative and clever human actors.

These acts of entrepreneurial alertness and creativity are never trivial acts ex ante but are often acts of bold courage; of voyages into an unknown and uncertain world. But unless these acts are taken, the coordination problem persists and opportunities for gains from trade and gains from innovation are unrealized.

In short, absent the productive specialization and peaceful social cooperation that is realized when coordination problems are solved improvements in the human condition are lost. This is not exclusively a loss of material progress, but a loss of all the things that lead to human betterment that material progress delivers for us.

Within the set of serious coordination problems to be addressed we must include macro volatility problems associated with the manipulation of money and credit, and the corresponding misallocation of capital and labor. In short, a standard boom-and-bust story in the Austrian Theory of the Business Cycle. But not all macro volatility problems are money-induced distortions and corrections.

The Real Business Cycle focused attention on exogenous shocks to the system – be they from non-monetary policy changes or random events. These exogenous shocks can be, and often are, compounded by errors in the policy responses to them. When we were conducting the Katrina project at Mercatus, one of the issues we focused on repeatedly was how to try to avoid “compounding the fury of nature with the folly of mankind.” Unfortunately, that problem is almost as difficult to manage as the consequences of the external shock itself.

But collective action will be required. The great economist Thomas Schelling put his finger on this in an interview in the \textit{LA Times} back in 2005. As he put it:

“There is no market solution to New Orleans,” said Thomas C. Schelling of the University of Maryland, who won this year’s Nobel Memorial Prize in Economic Sciences for his analysis of the complicated bargaining behavior that underpins everything from simple sales to nuclear confrontations.

“It essentially is a problem of coordinating expectations,” Schelling said of the task that Vignaud and her neighbors must grapple with. “If we all expect each other to come back, we will. If we don’t, we won’t.

“But achieving this coordination in the circumstances of New Orleans,” he said, “seems impossible.”

But Schelling was too pessimistic; private, public and independent sector entrepreneurs figured creative and clever ways to serve as focal points of orientation for individuals to come back and rebuild in New Orleans. The task was daunting, but it was not impossible. They solved the coordination problem through ingenuity, grit and determination, and once their bold and courageous acts were taken, others found hope.

I have written here already about the trade-offs, and about expectations, and the plans to reopen the economic system following public health guidelines. These all must be studied carefully and dispassionately — without over-optimism or over-pessimism. But one thing is clear in my mind; we will need to solve once again a problem similar to what Schelling identified for New Orleans. If we don’t, expectations will guide actors away from moving in the desired direction.
One of the key issues to stress, which I don’t see stressed enough, is that we do not need a cure to get back to a semblance of a functioning economy. All that is needed is credible assurances that effective treatments have been developed, and hospital capacity is not exhausted. Ben Powell recently reminded everyone that the original intent of the policy path chosen was not to eradicate the virus, but to buy time for the hospital system to be able to function properly rather than be overwhelmed by patients.

Our hospitals must have the capability of servicing patients that have become infected, and also conduct their normal operations of caring for those who are acutely ill, who suffer from accidents, develop chronic illnesses, or are victims of violence. In other words, the medical system has to be able to function. Solve these two issues – treatments that ease us through the illness and adequate hospital care if needed — and the coordination problem of getting back to work will go a long way toward being solved. Or, at least solved enough that we can all start to get back to our lives.

Which by the way is not just our jobs, but our relationships and our plans to spend quality time with loved ones, to celebrate the joys of reunion, to find comfort in each other as we struggle with the trials and troubles of living. Our commercial lives are not limited to our professional lives, but are intimately interwoven with our personal and communal lives.

A society of free and responsible individuals who can participate and benefit from the market economy and who live in caring communities with family, friends and neighbors; that is what the liberalism of Tocqueville as well as the libertarianism of Nozick promised. We shouldn’t forget that vision of a free society, and we should not let critics try to use this occasion to slander liberalism and libertarianism with being either ill-equipped or lacking in compassion in moments of public crisis like this. We must demonstrate in theory and in our deeds that true radical liberalism provides the robust answer to these turbulent times.

Again, it is not a cure we must wait for; we just need credible assurance from entrepreneurs in the public, private and independent sector that treatments and medical capacity are such that our own risk preferences and risk management strategies can take over.

There are other serious steps that can be taken. We do not need a selfless and saintly super brain to achieve any of these, just ordinary human actors who are alert to opportunities they are presented with. One of the most important realities is that while it is true that the spreading of a virus represents a classic negative externality, and coordinating a response represents a classic public goods problem, as we have learned repeatedly throughout the judicious study of economic theory and history, the ultimate resource is the human imagination and clever and creative individuals that will test out, discover, and create a variety of solutions to externality and public goods problems, and in so doing often transform them into non-problems.

This results from slight changes of behavior on the relevant margins, or from seismic change due to introduction of novel technologies, products, or services. Today’s inefficiency is tomorrow’s profit for the entrepreneur that is able to internalize the externality, or exclude free riders of the public good in question.

Right at this very moment, not just in government-sponsored labs, there are individuals looking for solutions to our current problem. And, not just experiments with potential vaccines, but new products that will help us reduce our risk. Individuals desperate for a return to their normal life are eagerly figuring out practices that will provide a modicum of relief from the current anxiety. A free
people is not a helpless people. We adjust, we adapt, and we take on the responsibility of being architects of our own fate.

The obvious public focal point that many point to would be wide scale testing and antibody determinations. This would be fantastic, but if we could get credible assurances that effective treatment options and medical capacity are there I believe that despite whatever calm analysis of the numbers tells us, folks will begin to believe that they are relatively safe to enter social spaces once again. And, it is this entering back into social spaces that will get us over the coordination problem that Schelling identified in the context of Katrina.

The existing pressure on the medical system has to be reduced by ingenuity and innovation, not I would argue, by improvements in command and control management. This includes alternative supplies of needed equipment and personnel being guided to most urgent areas, by scientists working hard to discover effective treatment options by repurposing drugs or through creative combinatorial thinking. Again, the coordination problems we are facing will be addressed by creative and clever entrepreneurs (who are also erring but always striving to correct) in the private, public and independent sector.

When these entrepreneurial acts produce results that can serve as a focal point to others that it is within the reasonable calculations to return to social space in which we work, play, and live with one another, then additional work will be required to clean up the mess that the folly of mankind has created in the wake of the tragic fury of nature. When we embarked upon our study of Katrina back in 2005, we found hope in a classic statement from the great classical economist J. S. Mill’s *Principles of Political Economy*:

> what has so often excited wonder, the great rapidity with which countries recover from a state of devastation; the disappearance, in a short time, of all traces of the mischiefs done by earthquakes, floods, hurricanes, and the ravages of war. An enemy lays waste a country by fire and sword, and destroys or carries away nearly all the moveable wealth existing in it: all the inhabitants are ruined, and yet in a few years after, everything is much as it was before.

Just in the 20th century economic history of the US, calm resolve may be provided in these difficult times by looking at the economic consequences of 1918-1919; 1952; 1957. Horrendous toll and tragedy befell so many families and yet economies recover, grow and develop due to expansion of the opportunity for gains from trade and gains from innovation. This doesn’t diminish the tragic suffering.

Social systems should be judged both by how well they minimize human suffering, and maximize the opportunities for human flourishing — that is what striving for a “good society” is ultimately all about.

I hope someday soon we will once again be having very rational yet vigorous discussions about the fundamental issues related to the liberal principles of justice and political economy, and we can point to the resiliency and ingenuity of a free people even in the face of adversity as one of the main arguments in favor of true liberal radicalism.

April 21, 2020
There are intellectual and cultural issues underlying the bad policies being introduced by governments all around the world. Deeper issues must be addressed. The policies developed and chosen by these governments and accepted by the mass of voters are based upon other more fundamental matters which I think can be broken down into four groups.

1. **The mathematics and statistics of risk**
   What Sept. 11 and the current coronavirus panic have in common is a misunderstanding of the basic mathematics of risk analysis. People in 2001 had no idea that the risk of dying from a terrorist attack was so minimal it was statistically insignificant (compared to dying in a car accident or falling off a ladder at home). Yet voters allowed a whole new massive government bureaucracy to be built (the TSA) at huge cost; the passage of the PATRIOT Act; the invasions of Afghanistan and Iraq; and all the other measures we have come to hate.

   Similarly with the coronavirus panic. People have no appreciation of how many people die in a typical flu season (a bad one was 2017-18) and that the current epidemic needs to be judged in the light of these past flu events which our society has come to accept as normal and which does not require the complete lockdown of people and the trashing of large sectors of the economy.

2. **A moral appreciation for the rights to life, liberty, and property, and the rejection of coercion**
   In a crisis people revert to their default moral position, which in the modern world is the cry for “the government to do something.” This, as libertarians know (and perhaps only libertarians know), is a call for the government to use its coercive powers to force people to do certain things (or not do certain things), to tax, to spend, to “stimulate” (distort) the economy, and so on. If people had a different default moral position – that the use of coercion is wrong, that individual rights to life, liberty, and property are “sacred” – then they would not tolerate the government violating these things.

3. **The history of government behavior and the operation of markets**
   We can see with the explosion of interest in and support for “socialism” over the past few years, especially among young people, that the supporters of socialism have no idea about the horrendous loss of life and destruction of wealth caused by attempts throughout the 20th century to impose socialism / Marxism. Or the economic catastrophe which is central planning. People, as Hayek argued, learn most of their economics from the study of history, so their misunderstanding of the consequences of past government interventions in the economy, the cause of recessions/depressions, the failure of price controls (like rent control), leads to calls to “regulate” capitalism to stop its negative effects. There is a similar problem with the public’s lack of understanding of the history of how markets have caused the welfare of ordinary citizens to rise so dramatically over the past 200 years since the Great Enrichment began.

4. **Basic concepts of economic theory**
   The events of 2008-9 and now (also I would add following Hurricane Katrina) show a similar gaping hole in the understanding of ordinary people about
the basic concepts of economics. The calls to end “price gouging,” the ban on supermarkets raising their prices for things like toilet paper thus causing the emptying of shelves, the call for governments to take over the payment of wages for workers, the calls for the government to pay for child care for those laid off, the massive injections of new money into the economy to prop up failing businesses, etc.

Many people obviously still have no idea about tradeoffs, opportunity cost, the role of prices in transmitting information, the nature of money, just to list a few.

My conclusion is that the rebuilding of a free society after this chaos is over will require a great deal of work in the above four areas: mathematics, moral philosophy, history, and economics. In my darker moments I think that in fact we have gone back to ground zero in all these areas.

April 24, 2020