



# Equitable Growth: Worthy Reads for 2020-04-10

J. Bradford DeLong  
Department of Economics & Blum Center for Developing Economies at  
U.C. Berkeley, & WCEG

<http://bradford-delong.com> :: [brad.delong@gmail.com](mailto:brad.delong@gmail.com) :: @delong

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## I. Worthy Reads from Equitable Growth and Friends

Equitable Growth's fearless leader Heather Boushey has always seemed to me to be the most calm and level-headed of economists. But there are some signs that composure is starting to crack. The fact that there is no strategy in the part of the government for both economic recovery and virus control is extremely distressing, and the fact that the United States's political system—primarily the Republican Party and the media, but also the neoliberal wing of the Democratic Party—did such a bad job at the relatively straightforward task of bringing the economy out of the Great Recession in a timely manner has her petrified as she considers the larger challenges of economic recovery from the coronavirus recession that we will soon confront:

**Heather Boushey:** *Beware of Austerity Demands Once the Immediate Crisis Passes* <<https://prospect.org/economy/beware-of-austerity-demands-after-crisis/>>: 'The need for substantially increased public spending and investment will not diminish once the public-health crisis fades. What will diminish is the broad political consensus that made possible the recently approved \$2.2 trillion burst of federal spending to support families and businesses during this economic shutdown. Indeed, if recent history tells us anything, that consensus will fall apart once the immediate health crisis dissipates and people can gradually return to work. That will be another dangerous moment for the country.... The risk of doing too little to support families and businesses will still far outweigh the risk of doing too much. We will need to continue to pump money into the economy if we are going to avoid a coronavirus recession that makes the Great Recession of 2007–2009 a fond memory. Families will continue to need support, as businesses struggle to ramp their operations back up.... There was a need for substantially greater public spending before any of us ever heard of the coronavirus: to address pervasive economic inequality, to invest in human, physical, and intellectual capital. That need will be even greater in the virus's wake. But deficit hawks—particularly the über alles crowd, who believe that budget deficits are acceptable only when caused by tax cuts—will be out in force, demanding austerity. We got a taste of what's to come when some members of Congress objected to the \$600 weekly increase in unemployment-insurance checks contained in the Coronavirus Aid, Relief, and Economic Security Act, because some low-income workers might receive a little bit more now than they do when they're working. Politicians who fretted about short-term work disincentives in a week when more than 3 million people had just been laid off are not going to give a damn about workers a few months from now. So, the rest of us must...

As incomes fall in savings rates rise in response to expectations that commodities not available now will be available in the near future, extremely delicate macroeconomic management is needed to keep the circular flow of economic activity and income going. The cleanest way would be a universal basic income funded partially by a recapture tax hike plus extremely generous zero interest rate loans to businesses. But we are not going to do the cleanest way, are we? The very smart Christina Patterson lays out a path that our current configuration of political power has a chance of adopting, although not a large chance of adopting:

**Christina Patterson:** *The Most Exposed Workers in the Coronavirus Recession Are Also Key Consumers: Making Sure They Get Help Is Key to Fighting the Recession* <<https://equitablegrowth.org/the-most-exposed-workers-in-the-coronavirus-recession-are-also-key-consumers-making-sure-they-get-help-is-key-to-fighting-the-recession/>>: 'Policymakers should be especially focused on targeting policy responses toward those who lost their labor income if they want to limit the severity of the coronavirus recession.... Weekly unemployment benefits and the extension of benefits to part-time and contract workers will help.... Moreover, hundreds of billions of dollars targeted for firms that maintain their employee payrolls close to where they stood as of February 2020 could help firms stave off that initial wave of layoffs or encourage them to bring back employees who were either let go or furloughed. There already are reports, however, of Unemployment Insurance systems in the 50 states, the District of Columbia, and U.S. territories being overloaded by recently laid-off workers seeking unemployment benefits. And the financial assistance to firms to keep workers employed is suffering through bottlenecks at their banks and the U.S. Small Business Administration. In order for the smoothing effects of unemployment benefits on workers' marginal propensities to consume to be successful, we need workers to be able to access those benefits quickly and sustainably now and as the extent of the coronavirus recession becomes more clear. Federal and state policymakers should take quick action to ensure these benefits can be

rapidly distributed, for example, by following the policy recently recommended by economist Arindrajit Dube at the University of Massachusetts Amherst and Jesse Rothstein at the University of California, Berkeley in their issue brief “Pay now, Verify Later to Loosen the Unemployment Insurance Bottleneck.” Similarly, Congress and the Trump administration need to make sure the funds for businesses to maintain their payrolls are distributed quickly, and as they prepare to draft the next round of stimulus legislation, keep targeting aid toward those who both have lost the most and who are most likely to spend the dollars they receive...

Never before has the macroeconomy seen a negative shock this large and this sudden:

**Equitable Growth:** *The Unemployment Benefit Surge* <<https://twitter.com/equitablegrowth/status/1248230884144230401>>: 'Over the week of March 29–April 4 6.6 million workers filed for unemployment benefits, according to the Weekly Unemployment Insurance (UI) Claims report.... 16.8 million workers applied for UI in the last 4 weeks of the #coronavirus crisis. As the economic standstill continues, the number of continued claims–applications for additional weeks of benefits–surged to 7.5 million the week ending in March 28, a 145% percent increase from the week before. States report that most claims are being filed by workers in the accommodation and food services sectors. In the last two weeks, however, layoffs have affected those in a wider set of industries, including health care and social assistance and manufacturing...

It's not one stop shopping for information, but it's as close as you are going to get: **Equitable Growth:** *Policy Resources for the Coronavirus*

*Recession* <<https://equitablegrowth.org/insights-expertise/coronavirus-recession/>>: 'The coronavirus is first and foremost a public health crisis. In order to address the health crisis, policymakers have insisted for the well-being of us all that people stay home and shutter businesses, inducing an economic downturn. It has also put the people who can least afford it on the front lines of this crisis: low-wage and hourly workers, families, and small and medium-sized businesses. Historically high economic inequality, which, when combined with a porous social safety net, makes the United States particularly vulnerable to economic shocks. This economic fragility is a direct result of prioritizing markets over people for the last 50 years. Though a dire problem in boom times, high economic inequality is particularly stark in a downturn because it exacerbates the severity of recessions and amplifies the impact on the people and communities who can least afford it. At the same time, because many low-wage and hourly workers are women and people of color, the coronavirus recession will only serve to exacerbate existing economic and racial inequalities if we do not take appropriate action. A growing body of research provides a framework for how the federal government can make choices that fully supports people and families and ensure that we address the health crisis and move swiftly into economic recovery, rather than falling into a deep recession. To effectively respond to the coronavirus recession and build a more resilient economy for the future, we must level the playing field between the rich and the rest of us and implement policy solutions that will protect U.S. families now and in the future. That includes prioritizing the small and medium-sized businesses who need support now while the economy is on ice, rather than shareholders. The Washington Center for Equitable Growth is producing resources to connect existing evidence-backed research with the policymaking community to ensure the best available ideas inform a broad, deep, and long-term response to this growing crisis...

## II. Worthy Reads from Elsewhere

When economists write the history of the coronavirus depression and when historians of medicine write the history of the coronavirus plague, everyone involved in the Trump administration, especially its economic policy and epidemiological staff, will be judged extremely harshly for failing to understand how important it was to ramp up testing, failing to take steps to ramp up testing, and failing to properly use the testing resources available. This may be the greatest single policy and governance mistake the United States has made in half a century:

**James Stock:** *Data Needs for Shutdown Policy* <<https://voxeu.org/article/data-needs-shutdown-policy>>: 'If the virus is still not widespread, then... there is still time to implement measures—more severe than those currently in place in the US—to suppress it until a vaccine or treatment becomes available. If the virus is widespread, then the true death rate is low and cautiously opening up the economy becomes an option. Data from random testing of the population, which are still unavailable, are critical to informing this choice.... All available options are bad, but some are worse than others. The problem is, we don't know which options are the least bad because we don't know the true mortality rate or how prevalent the virus is in the population.... The positive testing rates to date cannot be readily generalised. At the same time, there are some individuals, possibly many, who have or have had the virus but did not meet stringent guidelines for getting tested. Sometimes this is called the asymptomatic rate, although more precisely it is the fraction of infected who do not meet testing guidelines.... The asymptomatic rate is critical for projecting the epidemic dynamics and the policy response.... If the [fraction of those infected and developing immunity who are not tested or whose test is not positive] rate is low... this 'protracted status quo' policy will lead to very many deaths, perhaps in the millions, and it could be preferable to take very strong action now to stamp out the virus, avoid those deaths, and wait until a vaccine is available. In the jargon of the model, doing so requires

bringing... [the] rate of new infections... [close] to zero... restrictions... more stringent than currently in place in Italy, where R is estimated still to exceed 1 (Abbott et. al. 2020). In Singapore, mandatory contact tracing includes using a smart phone app that collects data on who else's phone you have been close to and for how long, with jail for those who do not cooperate. Other tracing technology includes applying facial recognition software to security camera data. Is America ready for such measures?... If the [fraction of those infected and developing immunity who are not tested or whose test is not positive] rate is high... the protracted status quo policy... keeps the US economy at its current state of partial shutdown into the early fall... [with] economic costs... [that] are enormous.... Which course should we steer? Well, it depends.... The true infection rate could be readily estimated through random sampling of the population.... The real difficulties... [are] political... whether scarce testing resources should be... deployed to achieve broader public health and economic goals.... Now, decisions that could save millions of lives or prevent an economic catastrophe with effects that will ripple for decades hinge on the lack of data to estimate a single parameter—how widespread this virus really is...

The very best short-run index of the state of the economy today:

**Daniel Lewis, Karel Mertens, & James Stock:** *Weekly Economic Index* <<https://www.jimstock.org/2020/04/weekly-economic-index-wei-april-9-2020.html>>: 'April 9, 2020: The WEI is an index of 10 weekly indicators of real economic activity, scaled to have the units of four-quarter percent change of real GDP. The WEI is currently -8.89 percent, scaled to 4-quarter GDP growth, for the week ending April 04 and -6.75 for the week ending March 28; for reference, the WEI stood at 1.58 for the week ending February 29. Today's decline is driven by the sustained surge in UI claims, at 6.6 million (SA), and continued collapse in fuel sales, down a further 2.5 million barrels/day. It is exacerbated by more modest

decreases in rail traffic, electric output, and tax withholding. The downward revision of the WEI for the week of 3/28 is the result of today's continuing claims data, showing 7.5 million (SA) unemployed...

Superbly written and analyzed by Adam Tooze:

**Adam Tooze:** *Shockwave: The World Goes Bust* <<https://www.lrb.co.uk/the-paper/v42/n08/adam-tooze/shockwave>>: 'By this time last year, a miasma of uncertainty was clouding global markets. Investment was retreating.... True conservatives, as distinct from those merely wedded to the religion of the stock market, welcomed the prospect of a shakeout. It was time for a purge, time to slim down the businesses that had gorged on too much cheap funding, time for a return to discipline. This, they believed, was the way out of the weird alternate reality created by monetary stimulus since 2008. Instead, in the summer of 2019 the central banks once again stepped into the ring.... As 2020 began, the self-confidence of the technocrats remained intact. The chief preoccupation in Europe wasn't the immediate economic situation, but the possibility of striking a new Green Deal.... Then news of a new threat began to trickle out. On 31 December 2019 China informed the World Health Organisation of a novel virus. Its lethality, and the fact that it could be passed from human to human, were quickly confirmed. But Trump and his adherents had no more time for the 'Wuhan virus' than they did for climate change. On the stump at Davos on 22 January he scornfully waved away questions about it.... On 23 January the Chinese leadership began an unprecedented lockdown: a cordon sanitaire was thrown around Wuhan, a city of 11 million people in Hubei province.... How to gauge the threat? The obvious model was Sars in 2003, and it was a reassuring one: China may have botched the first steps of its response to Covid-19, but it had experience with these things and would soon regain its grip.... In the course of February, economic forecasters began adjusting their predictions



downwards by 0.1 or 0.2 per cent.... The weekend of 22 and 23 February.... Beijing might be winning its war against Covid-19, but in Italy the containment strategy had failed. As the quarantined area stretched to include Milan, the weakest link in the Eurozone was about to lose half of its national output. Given the impasse over banking risks and a common fiscal policy, how would Europe rise to this public health challenge?... Hard on the heels of the Italian shock came the realisation that something was terribly wrong in the US itself. America has a formidable public health apparatus, and had well-laid plans for dealing with a pandemic. But, as became increasingly clear, the Centres for Disease Control and Prevention and the Food and Drug Administration had disastrously botched the deployment of a test for the virus. Trump remained obstinately unconcerned. As financial markets began to show signs of real nervousness, he advised investors to 'buy the dip' and lashed out at China and the Democrats for fearmongering.... Meanwhile, people who actually do the sums were arriving at terrifying conclusions.... Monday, 8 March it was clear that a massive sell-off was underway. Over the next two weeks markets collapsed. Everything sold. The dollar surged, threatening to crush those who had borrowed dollars. To halt the wave of panic-stricken selling, the Fed has propped up every major domestic credit market.... The massive response of the central banks has stopped the panic. But we are only at the start of the shutdown. Every day brings news of corporate downgrades, which will progressively tighten the supply of credit. The recessionary spiral is only just beginning. In the US the unemployment numbers released on 26 March and 2 April were unlike anything seen before: 3.3 million people registered for benefits in the first week and 6.6 million in the second. Even worse is expected in the days and weeks to come. Forecasting at this point is little more than a guessing game...

Is this overblown and overly shrill? I really do not think so. It is the global warming denial playbook brought out and applied again—and that did have its roots in Reaganism:

**Naomi Oreskes & Erik M. Conway:** *Trump's Coronavirus Failures? Thank Ronald Reagan* <<https://www.latimes.com/opinion/story/2020-04-09/op-ed-trumps-coronavirus-failures-thank-ronald-reagan>>: 'A few days ago, Dr. Anthony Fauci called for a nationwide stay-at-home order to slow the spread of the deadly coronavirus. "I don't understand why that's not happening," said the country's leading expert on infectious disease, although he did acknowledge "the Trump administration's hesitance to encroach upon local authorities."... Why did President Trump downplay the threat of the coronavirus and refuse to act on the advice of his experts while there was still a chance of containing the virus and saving tens of thousands of American lives? To many people, the president's actions appear inexplicable. But to those of us who have studied climate change denial, they seem all too familiar. Trump's response was, in fact, almost inevitable given three things we know about this administration and the policies it represents: a habit of hostility toward science and other forms of expertise, a worldview that prioritizes the economy above all else, and adherence to an ideology of "limited government," which has made conservatives belligerent toward the federal government for decades, even while they are running it. Many people see Trump as an aberration from past Republican presidents, but his actions on COVID-19 are entirely consistent with the dominant worldview of American conservatives since Ronald Reagan.... Reagan's response upon winning the White House was to instruct his science advisor to alter the findings of a major report on acid rain to make the science seem more uncertain, and therefore justify delay. Some of Reagan's advisors and Cabinet members disputed the science behind stratospheric ozone depletion.... [George H.W.] Bush was a one-term president, in part because his moderate and fact-based positions were out of step with an emerging Republican ideology that took no prisoners when it came to climate

change. Most Republican leaders since the late 1990s have downplayed, misrepresented or rejected the scientific evidence of man-made climate change, and some have gone so far as to ridicule and harass climate scientists for telling the truth. What began 40 years ago as ideology is now pathology. An ideological commitment to “limited government” has caused conservatives to drag their feet on climate change, healthcare, the opioid crisis, and other problems that the private sector has been unable to solve, and that are too big for individuals or even the states to fix on their own...

A situation in which the U.S. Supreme Court does not dare meet in person, yet is willing to require that voters vote in person. I did not believe it when it happened. At least we will be tracking the consequences:

**Molly Beck:** *Wisconsin to See If Coronavirus Cases Follow in-Person Election Voting* <<https://www.jsonline.com/story/news/politics/elections/2020/04/09/coronavirus-wisconsin-state-tracking-whether-cases-tied-voting/5126212002/>>: "The state health department is tracking new cases of the coronavirus to determine whether it was spread among voters during Tuesday's spring election. The state Department of Health Services and local public health officials are "monitoring" the relationship between new cases in the coming weeks and voting in person, agency officials said Thursday. "We will continue this important work to ensure that every case is followed up on, contacted, and anyone who may have been exposed notified," DHS Secretary Andrea Palm said in a statement. "We hope the extraordinary efforts taken by local clerks, public health, voters, and poll workers helped minimize any transmission but we stand prepared to respond if that isn't the case." The potential for new cases comes as Wisconsin hospitals released data showing dozens have a week or less of crucial protective gear. Palm said if voters were exposed to the virus, DHS and local public health officials will see new cases beginning next

week. "This information will allow our surveillance epidemiologists the opportunity to identify if the election had any impact on the spread of COVID-19 in Wisconsin," she said. But a full picture of whether in-person voting led to more cases won't be known for several weeks, Palm said...

This is very true, and very important:

**Karen Stenner & Jon Haidt:** *Authoritarianism Is Not a Momentary Madness, But an Eternal Dynamic Within Liberal Democracies* <[https://docs.wixstatic.com/ugd/02ff25\\_370d387d81714d29bad957ba03cf8e48.pdf](https://docs.wixstatic.com/ugd/02ff25_370d387d81714d29bad957ba03cf8e48.pdf)>: 'The far-right populist wave that seemed to "come out of nowhere" did not in fact come out of nowhere... It is something that sits just beneath the surface of any human society... and can be activated by core elements of liberal democracy itself...

This is simply weird. Totally weird. Yes, the risks that coronavirus will kill children are much lower than that it will kill old people. But people live in intergenerational family units. It does not think that Republican Governor DeSantis... can think at all. I can't even:

**Cristina Cabrera:** *Gov. DeSantis Falsely Claims COVID-19 Doesn't Threaten Children* <<https://talkingpointsmemo.com/news/desantis-falsely-claims-coronavirus-no-danger-kids-young-people>>: 'Florida Gov. Ron DeSantis (R) wrongly asserted on Thursday that COVID-19 doesn't pose any danger to people under 25 while he was making a case for having kids go back to school even as the virus continues to spread across the country. During a press conference, DeSantis claimed there hasn't been "a single fatality" in that age group from the illness in the U.S. as he was explaining

why he was looking at reopening the schools in his state.... However, the Centers for Disease Control and Prevention (CDC) reported on Friday that there have been 2,572 confirmed cases of COVID-19 among children under 18 from February 12 to April 2. 147 of those cases led to hospitalization, including the ICU, and three children have died from the disease. Additionally, public health officials have warned that while young Americans are less likely to become seriously ill from the disease, they risk transmitting it to older people and must therefore adhere to social distancing guidelines...

The Obama administration had the chance to profoundly overhaul OIRA. It did not. I have never gotten a straight story as to why it did not:

**Todd N. Tucker & Rajesh D. Nayak:** *OIRA 2.0: How Regulatory Review Can Help Respond to Existential Threats* <https://greatdemocracyinitiative.org/document/oira-2-0/>: 'The next administration should overhaul the Office of Information and Regulatory Affairs (OIRA). Changing OIRA's structure and its regulatory review process are an essential step towards long-term, structural change. Proposed changes include: enhancing the office's capacity, promoting sustainability in cost-benefit analyses, and building equity and inclusion considerations more firmly into formal review...

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