

Grasping Reality with Both Hands

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Gans: Reproduction Numbers Tend to 1 & þe Reason Could Be Behavioural—Noted

I confess that back in March I grossly misjudged the situation. I thought back then that one of two things would happen: (1) We would fail to knock the virus’s R[current] below 1, and the virus would rip through the population in a spring or spring and summer of horror, but it would be largely over by the fall. (2) We would knock the virus’s R[current] below one, and the virus would become a minor annoyance. I completely did not expect what we have now: a seriously depressed economy, with substantial but inadequate social-distancing, mask-wearing, and other measures, keeping the virus’s R[current] around one, but with every prospect of this plague raging for years until policy somehow changes. Here the very sharp Joshua Gans says: We are economists. We are trained to look for equilibrium positions. So we should have expected this. Yes, I take his point. But I would never have imagined that the equilibrium caseload would be this high, and cause this big an ongoing depression:

Joshua Gans: *Reproduction Numbers Tend to 1 & þe Reason Could Be Behavioural* <https://voxeu.org/article/reproduction-numbers-tend-1-and-reason-could-be-behavioural>: ‘Standard epidemiological models that show how infection rates in the population rise and then fall assume that people do not understand what’s going on. When people react to infection rates by changing behaviour, the model’s predictions are no longer valid. This column explains why that can mean that pandemics don’t rage out of control but becoming something more endemic. In particular, epidemiological models that incorporate rational economic agents tend to predict that pandemics may move towards a steady state for a significant period of time...

.#noted #2020-09-18

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