

Neff ‘DeLong Today’ Test 2 Script

Coronavirus & the Forecast

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Good evening. I’m Brad DeLong. I used to—back in more optimistic days—invite you here for my morning coffee. But now I need an evening drink—or more than one.

Let me move this slide out of the way. There. This is Berkeley, California, looking across San Francisco Bay at the Golden Gate at dusk. Beautiful, isn’t it?

Here is a slide that is not nearly as beautiful.

National income and product in the first quarter of 2020—January through March—was 1.2 percent below what it had been in the fourth quarter of 2019—October through December. Already in March the economy was shutting down out of fear of the coronavirus plague.

Let me make it a bit bigger. Last week we got our first estimate of what the economic outcome was in the second quarter—April through June—of 2020. -9%. National income and product was 9% below what it had been in the first quarter. That makes it more than 10% below what it had been in the fourth quarter of 2019. This isn’t Great Depression-scale. But this is certainly a Great-Recession-scale economic catastrophe, in terms of how much the coronavirus plague and the reaction to it is impoverishing America.

We can look at how things were changing week-by-week by looking at how many people lost their jobs and filed claims for unemployment insurance. And when we do so we see that the speed with which the plague—and the economic collapse—hit was dread-inducing. Things were still close to normal in the first two weeks of March. Then, in the third week of March, 3.3 million people eligible for unemployment insurance lost their jobs and filed UI claims. In the fourth week of March it was 6.8 million, and 6.6 million in the week straddling March and April. Then the number of people losing their jobs and filing UI claims began to die down: 3.8 million in the last week of April, 1.8 million in the last week of May, 1.3 million in the last week of June. Still, it added up. By the end of June 49 million initial claims for unemployment insurance had been filed: that is 1 claim for every three workers in the American economy. Many people had filed more than one claim—either because their first claim had not gone through, somehow, or because their employment status was off-again, on-again. Still...

We can purge our numbers of such double counting by looking at the number of people receiving UI last week and this week. This chart tells us that, mechanically, the third quarter of 2020 may well see a bounce-back in our economic numbers. We have good data on the unemployed—at least those unemployed who qualify for unemployment insurance—week-by-week.

Let me make this larger. There we are. Starting in late March about 3 million more people each week than the week before collected unemployment insurance up until the start of May. And then, in May, continued unemployment insurance claims dropped by four million in one week, from 24 million to 20 million, and then by two million more before the end of June. June was better than May, although May was worse than April. The average level of continued unemployment insurance claims in the second quarter was about 17 million. That was the level at which we started July. Any improvement in the economy will thus put us in better shape in the third quarter than we were in the second.

But will there be any improvement in the third quarter? By far the greater weight in the serious studies that are now being conducted is that the principal cause of the fall in spending, and thus in production and income,

is not government public-health regulation locking businesses down, but rather individuals scared of catching the coronavirus plague hunkering down, and as they hunker saving to spend for the future—if, that is, they have not lost their jobs and their incomes.

The Trump administration’s political consultants, spin doctors, and economists thought that by far the biggest problem facing them was that the economy was collapsing because people were too scared. It was, after all, not that deadly a virus. Only 1-in-300 of those in their 40s who knew that they had contracted the virus died of it. And only 1-in-500 of those under 40.

Hence the push from the White House to reopen the economy—originally by Easter. Hence the consensus inside the White House that coronavirus was a “Blue State problem”.

Hence the consensus that the White House should not support governors. Here is a not atypical Trump tweet from mid-April. Is he encouraging and mandating social-distancing and virus suppression? No, he is, rather, calling for “LIBERATION” from restrictions on gathering together closely. It used to be that even so-called “libertarians” would say my freedom to move my arm ends when my fist reaches your face. For today’s crop, “freedom” includes the freedom to breathe deadly viruses into others lungs.

Rest in Peace, Herman Cain. Hence Donald Trump’s late-June maskless Tulsa campaign rally, attended, maskless, by now-dead Republican politician Herman Cain.

Hence the Trump Council of Economic Advisers’ reliance on a “cubic fit” that, when extrapolated, had coronavirus deaths falling to near zero by mid-May—and they passed this graph, with its “cubic fit” that they had drawn, around the White House and people drew conclusions from it. It is my deep shame that my profession—that of economists—includes the Kevin Hassett, the Casey Muligans, the Tomas Philipssons, and the Tyler Goodspeeds whose principal role in this crisis inside the White House has been to spread misinformation and neutralize public health officials who knew what was going on and trying to tell people about it.

But it was fear of the disease rather than government-imposed public-health restrictions that were doing the bulk of the work in suppressing the economy.

Hence as cases started rising again in July, the economy began to go backward, with continued unemployment insurance claims beginning to rise again in mid-July. It is not so much that the government is trying to fight the virus and so killing the economy. It is, rather, that the coronavirus plague is inducing the hunkering-down that is sending and keeping the economy depressed.

To forecast the future of the economy, therefore, requires that we first forecast the future of the coronavirus plague. What can we say about the future of the virus?

There are many, many charts and graphs of the coronavirus. But very few of them are the charts and graphs that we want and need to see. Coronavirus deaths tell us how the virus was spreading a month ago, and so are not worth much for any forecasting exercise that needs to know where the virus is now. Coronavirus cases report only cases from among those who have been tested. Right now the guess is that we only test and uncover a quarter of those who catch the disease—even though right now we think we test four times as many people as we think there are cases. We need to be testing five or ten times as many as we are in order to have a good handle on the situation. America's testing failure means that we are still flying largely blind, and is the most easily avoided and also one of the most damaging aspects of the Trump administration's failure here. So what I have to present here are merely my personal guesses. Why am I presenting them? Epidemiology is, after all, far outside my wheelhouse. But this is what I find most useful in getting my head around what is going on. I think it will be useful to you too. I hope it will be.

The virus plague came on swiftly and—largely—unrecognized. 13 confirmed cases in the United States by February 13. But, given the 11 who died in February and at the start of March, there were probably already more than 1500 infected by Valentine's Day. In February and early March it looks as though the number of cases quadrupled and more than

quadrupled every week.

New infections reached their peak, we think, in the fourth week of March, with more than 2.5 million Americans catching the disease—that is what we think, from the deaths three weeks later.

Many were still not taking the disease seriously: only 1000 people died of the disease that week.

Of those perhaps 2.5 million new cases the week of March 26, we detected only about 60,000 of them. We were, truly, flying blind.

But then, after March 26, the lockdowns and the social distancing began to take hold. And cases began to drop. From late March to late May the number of new cases in America dropped by almost 3/4.

Deaths continued to rise for three weeks after we think new cases had peaked. But after mid-April deaths followed cases down.

And with increased testing, we started to see how we might someday get a handle on the disease. We caught, we think, less than 1-in-40 of cases with our testing system in late March—if it is indeed the case that 1-in-150 people who caught the disease died. By the end of May we were catching 1-in-5, with every prospect of making further progress.

Our country's R —this week's new caseload as a proportion of last week's—was steady below 1 from the start of April to the end of May. Each week we saw only 5/6 as many cases as the previous week.

But then—after May, the United States failed the Marshmallow test.

For the month of June it was not so bad. Cases were constant, perhaps at about 100,000 per day. Deaths, lagging three weeks, at about 600 per day.

But cases were no longer dropping. The virus's reproduction rate R had risen to 1. It was time for a further effort to reinforce restrictions to push R down.

But that is not the business the Trump administration—and its many enablers—were in. Never mind that virus deaths had not dropped to negligible numbers by mid-May. Never mind that the balance of the evidence was showing that masking up, staying more than six feet apart, and avoiding indoor spaces at all reminiscent of the batcaves in which this coronavirus evolved were all very effective. And its pressure had an effect, an effect that made the U.S. experience very different from that of all other global north countries.

More people gathering together more closely, and in July the virus's reproduction rate R jumped up to $5/4$: every week, we think, the number of cases jumped by $1/4$ as more people congregated more closely with others, and breathed their viruses out, and others breathed the viruses in.

And we lost control. The number of tests we gave did go up from 4 million a week at the end of May to 5.5 million by the end of July. But the share of tests that came back positive did not fall, but rose. And we think we are finding—at least, the death tolls three weeks later told us—no greater a share of the new cases now than we found at the end of May. So we still are too blind to be able to use anything like a scalpel to control the virus. We have to use bludgeon.

So while cases in mid-June were less than 100,000 per day, cases now are at least twice as many.

And how are other countries doing? This graph here shows confirmed case counts. As such, it is deceptive. Probably, right now, we have, nationwide, only $2/3$ as many cases as at the late March peak. So far this “second wave” is smaller than the first wave—which is not what this graph shows. What this graph does show, however—and this is probably right—is that the United States had more, at least half again as many and perhaps twice, as many cases relative to population as the European Union and Canada, and vastly more than Japan, New Zealand, and Australia.

While they are down at less than one case per 20,000, we are up at perhaps one true case per thousand, with no identifiable prospects for rapid future decline.

It is the difference between U.S. experience and that of the rest of the global north that is striking—and depressing.

It is the difference between Canada and the United States that is most depressing. David Frum used to be a hard-right apologist for whatever the Republican Party did. Now he—well, let me quote him:

>Overnighted in Toronto to run errands and buy supplies. First night in a hotel since early March; hair cuts for self & my wife. Toronto on Friday reopened restaurant interiors. It's not "as before," but to walk around a city of 2.8 million with fewer than 5 cases a day feels like the onset of recovery. It's earned by universal masking, by temperature checks at the entry to hotels and other potential zones of infection. There are COVID crackpots in Canada too, of course, but the tone has been set by responsible leaders at all levels. Sensitive businesses—like hair salons—receive undercover/plain clothes inspection from Health Canada. But the real work is done by the spontaneous action of citizens, voluntarily doing what needs to be done. That spirit exists in the United States too, as we all know. But it makes a difference that the public authorities support cooperation—rather than sabotage it. The mayor of Toronto is a moderate Conservative. The premier of Ontario is a very right-wing Conservative. The prime minister of Canada is a left-leaning Liberal. They all wear coats when it's cold; they all wear masks in midst of an airborne pandemic. Heeding the best scientific advice is not a partisan matter. Empathy for the sick, provision for those who have lost work or business, planning for the long term is not only good policy—it's good politics, Left or Right...

But not in the United States. At least, not until next January 21, at the earliest.

David Frum sums up:

>The summary is not that Canada did a uniquely good job. It didn't, there were plenty of mistakes. The moral is that Trump and his pet governors did a uniquely lousy job...

OK. Let me turn off the slides. And let me set out the lessons.

Back last April I predicted, as my middle scenario back then, that “the epidemic will grind on, claiming around 4,000 lives per day and sending the unemployment rate up to an unprecedented 20%.” It looks like I was too pessimistic: only 1000 deaths per day, and only a 15% unemployment rate. is now my forecast for the fall.

Other countries are going to recover from the coronavirus plague recession. Odds are the United States will not, at least for the reset of this year.

I wish I had better news for you.

And I very much hope I am wrong. So now that is waht I am thinking about. Where, in what I have said, am I wrong? Please, somebody out there. Help me: you are my only hope..