

## **The False Choice of a Recession vs Survival**

March 29, 2020

As the nation, and most of the world, braces for a lockdown that could last several weeks or, more likely, several months, there is much debate about the economic damage that will be caused by an extended furlough of workers. Can we afford what looks like it could be the worst recession in history? I argue this is a false choice.

COVID-19 is an extremely communicable virus with a moderate mortality rate. It does not kill as effectively as, say, ebola, but that also means it can be passed on to more people. Thus, in a few months it has already accumulated a higher death toll than ebola has in the quarter century since it was discovered. Sheltering at home is supposed to protect us from catching the virus and prevent us from transmitting it to others, but this comes at the cost that most of us cannot work from home. James Bullard, the President of the St. Louis Federal Reserve Bank, has estimated that we could see 30% unemployment during the coming months. Many, including President Donald Trump, have suggested the cure may be worse than the disease.

This is a gross miscalculation. A forced reduction of labor hours, with an accompanying decline in revenue and income, will only be temporary. Death is permanent. Reported mortality rates from COVID-19 have varied widely from country to country and depend on the quality of medical care that can be delivered to those who suffer severe cases. Roughly 20% of people who are infected require assistance in breathing to survive. In China, which controlled the virus and expanded its hospitals well enough to treat most severe cases properly, the mortality rate was only 1-2%. Alternatively, in Northern Italy, where the medical system has been overwhelmed, the mortality rate has been about 10%. We have every reason to believe that if the United States is unable to “flatten the curve” here, COVID-19 could decimate the labor force, killing 5% or more of those infected.

Since it will take a generation to replace a worker who dies, the cost of the coronavirus has to be computed in generational terms. Averaged over 20 to 30 years, voluntary unemployment of 30% for one year will have an equivalent effect on gross domestic product as the involuntary loss of 1-2% of the population. The catastrophe our public health apparatus is trying to prevent is a far worse recession than what we are experiencing now.