

February 10, 2021

Happy Valentine's Day

According to the [CDC](#), approximately 675,000 Americans died from the 1918-19 Spanish flu. As of today (February 10, 2021), approximately 483,000 Americans have died from COVID-19 (<https://www.worldometers.info/coronavirus/country/us/>) in eleven months. If the number of deaths decreases to 2,000 per day, effective today, we will reach half a million deaths by the end of next week, and 600,000 deaths in another two months. Catching up with the Spanish flu is not out of the question.

In his first blog, in March 2020, your blogger (YB) likened an epidemic to a tax, leading to reduced activity, to reduced trade, and to tax avoidance behaviors. How accurate has that characterization been?

1. Certainly, there has been reduced activity. The unemployment rate almost everywhere soared in the second quarter of 2020, fell some in the third quarter, and fell a little more in the fourth quarter. According to the Bureau of Labor Statistics in January 2021, “the unemployment rate fell by 0.4 percentage point to 6.3 percent, and the number of unemployed persons decreased to 10.1 million. Although both measures are much lower than their April 2020 highs, they remain well above their pre-pandemic levels in February 2020 (3.5 percent and 5.7 million, respectively).” (<https://www.bls.gov/news.release/pdf/empisit.pdf>)
2. Regarding trade, as measured by GDP, the [Bureau of Economic Analysis](#) shows that real GDP decreased 3.5 percent in 2020 (from the 2019 annual level to the 2020 annual level), compared with an increase of 2.2 percent in 2019. The annualized decline from the beginning of the pandemic (March 2020) was larger than that. International trade has fallen, and the trade for certain sectors (particularly entertainment and services) has cratered. Domestic supply chains have also faltered, sometimes in strange ways (yeast, napkins, barbecue sauce have all become hard to find at given times).
3. Tax avoidance has been odd. The analogy argues that epidemics would lead people to try to avoid them. Curiously, economic conservatives, who would seemingly wish to avoid taxes, have done relatively little to try to avoid the epidemic, wishing to keep businesses open, and defying mask mandates and social distancing directives. States like South Dakota have ignored the taxes and suffered serious economic dislocation, and stubbornly high infection rates. Economic liberals, seemingly less averse to taxes, have tried to do more to avoid them. Relatively conservative Georgia, and relatively liberal Michigan have had about the same number of COVID-related deaths, although Georgia has had half again as many more cases. Michigan has had a relatively strict lockdown policy

February 10, 2021

compared with Georgia, and after a terrible initial surge has seemingly kept the number of cases, and deaths at lower levels.

For those who look at political economy, the pandemic almost certainly led to a change in the Presidency. Very simplistically, the economy was humming along in the first quarter of 2020. The pandemic, and the botched Trump response to it, led to a Biden victory. Those who read economic history might compare the Trump response to Herbert Hoover's response to the onset of the Great Depression, where he famously insisted that prosperity was "just around the corner." Hoover was embittered by his loss, and fought New Deal programs such as Social Security for the rest of his political life. His successor, Franklin Roosevelt is remembered differently.

Valentine's Day (February 14) brings some hope. The halting vaccine roll-out seems to be rolling a little better. Schools are planning re-openings, although YB believes that things will not be normal any earlier than Fall 2021, and maybe not even then. The entertainment, dining, hotel, and travel industries will have a tough year. Few large weddings, and few international trips. Golf (outdoors with open spaces) will prosper relative to bowling (indoors and cramped).

So, buy your sweetheart a dozen roses, some high-quality takeout this weekend, and maybe a good cabernet. Dine out next year. Happy Valentine's Day.

Allen C. Goodman
Professor of Economics