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Two Years of Pandemic: An Accounting

On March 11, 2020, COVID-19 was declared a pandemic. It is two years to the day (plus two) since then, and according to Worldometer, 993,710 Americans have died of COVID. The number will almost certainly pass one million this week. Over six million have died world-wide, and the US and world totals are both almost certainly underestimated.

Using a conservative value of a statistical life of $7.5 million, this has led to a loss of $7.5 trillion. For perspective, the Gross Domestic Product (GDP) of the United States in 2021 was $22.9 trillion, so the loss of life is equivalent to almost one-third of the annual GDP. This staggering loss would have been unimaginable two years ago, and slightly less unimaginable a year ago.

The loss of life is hardly the only loss brought about by COVID-19. A whole generation of children who started K-12 school between 2009 and 2020 will have lost a staggering amount of education, and the accompanying human capital, from lost and interrupted school years. It will be years before the appropriate studies can be mounted and interpreted, but one may want to compare the outcomes for students who graduated from high school (or college) in 2019, the last full year before the pandemic, and 2020 (or later). Alternatively, one will compare economic outcomes of those who started school in 2022 (assuming that schools are "whole" again at that time) with those who started in earlier years.

In an earlier blog, Your Blogger referred to research by Eric Hanushek (http://hanushek.stanford.edu/publications/economic-impacts-learning-losses) with colleague Ludger Woessmann, which had assumed that schools would re-open "as normal" in Fall 2020. They did not do so.

In a follow-up late 2021 email to YB Hanushek calculated that:

- The loss of education for the current school-aged cohort would reduce the subsequent lifetime earnings of the average student by between 6 and 9 percent.

- There would be an approximately 3-4 percent of average GDP loss per year for the remainder of the 21st century.

By most accounts, disadvantaged students likely fared even worse.

What we consume has changed. Business that depended on face-to-face contact have been severely damaged. Restaurants, theaters, and concert venues all lost billions of dollars, as consumer changed their buying habits. In contrast technology companies such as Apple, Microsoft, Alphabet, Meta (formerly Facebook), and Google have earned billions of dollars. The Amazon truck replaced the Wells Fargo wagon of “Music Man” fame, as the deliverer of needs and wishes. Mall retailers, who had endured one body punch after the next during the 2010s, saw things go from bad to worse during the pandemic.

We have inflation again. In order to keep the economy from burning down, the Federal Reserve and the Federal Government flooded it with money. It worked. A repeat of the economic carnage of 2007-2008 was largely avoided. However, a combination of supply chain issues (cost problems) and a traditional demand pull (that “flood of money” chasing too few goods) have led to inflation rates for 2022 that are running at about 7.5 percent per year. Without indulging in hyperbole, this IS the highest rate since the early 1980s. Savvy investors, as well as those who depend on Social Security (which is indexed to the Consumer Price Index) are largely able to protect themselves. Others, who depend on fixed dollars of income, may be hurt badly. Is all of this related to COVID-19? Absolutely! Inflation had been in check until 2020. Policy-makers promise a soft landing (ending inflation without too many dislocations), but YB has seen this before, in the 1970s. Interest rates will have to be raised, and a decrease in economic activity will almost certainly occur.

The world’s citizenry years to return to “business as usual” after two years of deaths, illnesses and economic losses. However, millions of Americans and billions of world residents have not been vaccinated. Even those who have been “max-vaxxed” have gotten sick, although the resulting illnesses are not as bad as before-vaccination infections. Yet, over one thousand people per day are still dying from COVID-19, a rate of 30,000 per month.

This is an accounting rather than a policy prescription. One fervently hopes that it will be the last such annual accounting.

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