



## Reopening Too Soon Will Have Steep Economic Costs

Most public health experts believe that it is too soon to begin reopening the economy. Few states meet the guidelines for reopening; and there are far too few effective tests to determine how widely the disease has spread. Although some other industrialized countries have developed sophisticated contact tracing programs to contain the virus, in the United States there is no system in place.

The rate of growth of confirmed cases has slowed overall, but it is rising in some parts of the country. Epidemiologists widely believe that the number of actual infections is much higher because the lack of testing means that even many of those who have symptoms aren't counted in the official figures. The rate of growth of deaths also has slowed, but not much from the recent peaks. Experts believe that the death rate from COVID-19 also is substantially understated.

Nevertheless, President Trump has advocated relaxing social distancing mandates since late March—even before the number of confirmed cases exploded, causing what likely will exceed 100,000 American deaths by Memorial Day. Although he now claims that he leaves such decisions to the states, he has applied tremendous pressure and even has threatened governors who oppose him.

The President says that we must reopen the economy because “we cannot let the cure be worse than the problem itself.”<sup>1</sup> The nation’s most prominent economists and public health experts strongly disagree, arguing that it will lead to a second, likely worse wave of infections, which will in turn bring about even greater economic devastation. Instead of shortening the recession, it likely will greatly prolong it.

Economists almost universally say that the number one priority for the economy is to get the virus under control. Until that happens, consumer spending will remain depressed and Americans will be afraid to go back to work. Federal Reserve Chairman Jerome Powell says that “we can’t fully recover...until people feel confident that they’re safe.”<sup>2</sup> Economist Mark Zandi said “the biggest risk is that you open too fast, too broadly, and you have another round of infections, a second wave, that’s the fodder for an economic depression.”<sup>3</sup>

### *The coronavirus – not social distancing policy – is the root cause of the economic crisis*

President Trump and administration officials have consistently alleged that the root cause of the current economic crisis is social distancing policy. However, various studies have shown that these claims are incorrect—in most cases declines in consumer spending, the number of open businesses, and employment *preceded* official state shutdowns.<sup>4,5,6</sup> Data from OpenTable, an online restaurant reservation service company, “demonstrates clearly that bookings were tumbling in all kinds of places before mayors and governors ordered their restaurants closed.”<sup>7</sup> In Atlanta, for example, bookings fell by 90 percent before in-house dining was banned.<sup>8</sup>

Research on the 1918 influenza pandemic suggests that pandemics—and not public health interventions to fight a pandemic—depress the economy. The authors found that “cities that intervened earlier and more aggressively do not perform worse and, if anything, grow faster after the pandemic is over.”<sup>9</sup>

***Experts overwhelmingly say that our #1 economic priority should be containing the virus***

Economists widely believe that our top national priority should be containing the spread of the virus. In a recent statement, prominent former officials from both Democratic and Republican administrations, including two former Chairs of the Federal Reserve, four former Secretaries of the Treasury and five former Chairs of the Council of Economic Advisers, wrote that: “Our paramount concern at this moment should be to slow the spread of this virus and equip our health care system to effectively respond. Saving lives and saving the economy are not in conflict right now; we will hasten the return to robust economic activity by taking steps to stem the spread of the virus and save lives.”<sup>10</sup>

***The President repeatedly called for reopening the economy while the virus remains out of control***

On April 16, while hospitals were struggling to find personal protective equipment, President Trump ceremoniously released his plan to reopen the economy, *Opening Up America Again*.<sup>11</sup> “Now that we are past the peak of new cases,” he said, “we are starting rejuvenation of our economy again.”<sup>12</sup> That day, 4,591 people died from COVID-19 in the United States.<sup>13</sup> A few days later, reports surfaced that Trump’s energies were pivoting to “celebrating a grand reopening,” and was encouraging business leaders to reopen offices and plants.<sup>14</sup> On May 5th the Trump administration announced that the Coronavirus Task Force would start winding down (before reversing course due to criticism).<sup>15</sup> That same day, 2,234 people died from COVID-19.<sup>16</sup> On this day, Trump said “I’m not saying anything is perfect, and yes, will some people be affected, yes, will some people be affected badly—yes, but we have to get our country open and we have to get it open soon.”<sup>17</sup>

***States do not meet federal criteria for safely lifting social distancing policies***

The federal government recommends that a steady 14-day decline in new cases should precede reopening efforts.<sup>18</sup> Yet most states that have begun to reopen have either more new cases or a higher share of positive results than two weeks ago.<sup>19</sup> Against expert recommendation, most states reopening also have a positive test rate greater than 10 percent—which indicates many with the virus are not being tested—and are performing fewer than 152 tests for every 100,000 people.

***Models predict that state reopenings will lead to large increases in coronavirus-related deaths***

As a direct result of states easing social distancing requirements, the Institute for Health Metrics and Evaluation at the University of Washington’s COVID-19 forecasting model—which is favored by the White House—more than doubled projected coronavirus-related deaths to 147,000 by August.<sup>20</sup> Spikes in COVID-19 cases resulting from premature reopening will likely

result in subsequent lockdowns, as witnessed recently in other countries that reopened prematurely, including South Korea and Lebanon. Even Germany, whose pandemic response efforts have been regarded as a model by public health experts, is warning that restrictions may have to be reinstated.<sup>21</sup>

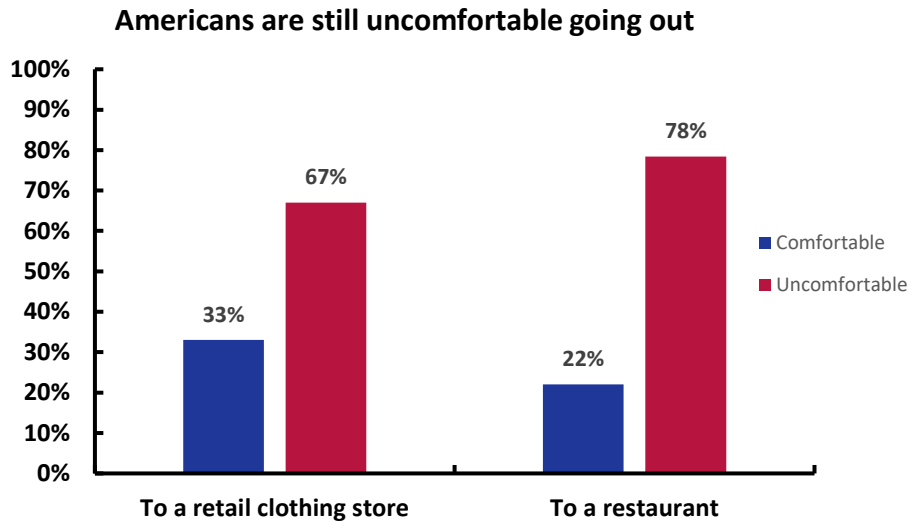
***Most economists agree that reopening prematurely could badly hurt the economy***

According to an informal poll of leading national economists, eight in 10 believe that reopening the economy too soon will result in economic damage more profound than keeping the current lockdowns in place until the threat of a spike in cases has subsided. Nine in 10 economists believe a comprehensive policy response to the pandemic requires accepting a significant economic contraction until the spread of infections has declined considerably.<sup>22</sup>

This view is shared by economists across the political spectrum. Michael R. Strain, director of economic policy at conservative think tank AEI, said “trying and failing to reopen the economy before economic activity is organically ready to resume could have dire economic consequences.”<sup>23</sup> Austan Goolsbee, chair of the Council of Economic Advisers under President Obama, said “the number one rule of virus economics is that you have to stop the virus before you can do anything about economics.”<sup>24</sup>

***Public fear of contracting the virus will continue to depress consumer spending***

Americans oppose most businesses returning to their normal operations by wide margins. One poll finds that over two in three Americans report that they would not feel comfortable in a retail store, while three in four would not feel comfortable in a restaurant.<sup>25</sup>



Source: Washington Post-University of Maryland National Poll, April 28-May 3, 2020

Economist Betsey Stevenson points out that these fears will restrain consumer spending: “Who wants to be the guinea pig who tests how dangerous going to a crowded restaurant still is?” She added: “Once people start hearing of people getting sick and dying after eating at a restaurant, who’s going to want to go out to dinner again?”<sup>26</sup>

Consumer spending will remain low until Americans trust that the virus is under control. Chair of the Federal Reserve Jerome Powell also has made this point: “we can’t fully recover...until people feel confident that they’re safe.”<sup>27</sup> This reality has been borne out in states that—against the forceful recommendations of public health experts—reopened early, including, Georgia, South Carolina, Alaska, and Oklahoma, where consumer spending remains at pre-shutdown levels.<sup>28</sup>

### ***Businesses may not reap the promised benefits of reopening***

As long as Americans continue to fear for their health, businesses will be wary about reopening their doors. First, employees may hesitate to return to work. Survey data indicates that 81 percent of Americans would not feel safe returning to the workplace if their state reopens.<sup>29</sup> Efforts to reopen will force many to go back to work in unsafe conditions because they risk losing their unemployment insurance (UI) benefits. Some of these workers may go back to work and get sick, while others will refuse and lose their UI benefits accordingly, increasing poverty, hunger and homelessness, while further sapping consumer demand. Second, if consumers fear to shop, businesses may struggle to cover the costs of reopening and go deeper into the red as a result. Early analyses from states that have already reopened suggest these concerns are top-of-mind for business owners, as employment, the number of open small businesses, and time spent at work remain at pre-shutdown levels.<sup>30</sup>

### ***Those with low incomes and people of color will be hurt most***

As a Joint Economic Committee (JEC) report released April 2020 made clear, low-income communities and communities of color have been devastated by the pandemic.<sup>31</sup> They are more likely to be exposed to the virus, more likely to contract it, and more likely to die from it. Black people are twice as likely to die from COVID-19 as white people. These communities also are more likely to disproportionately suffer from the pandemic’s massive economic impact. The working-poor service sector and Latinos have been particularly hard hit by massive layoffs. As the JEC report concludes, “economic inequality in the United States strongly determines who will be most likely to be hospitalized or die from COVID-19 and who will be most harmed by its economic impact.” As experts have argued, a premature start will trigger outbreaks, lead to increases in COVID-19-related deaths, and deepen the economic crisis, all of which will disproportionately hurt the poor and communities of color, increasing deep inequality.

### ***Premature reopening likely will lead to a prolonged “double-dip” recession***

Economists and investors hope for a short “V-shaped” recovery, in which the economy bounces quickly back to normal. But most experts believe that a slow “U-shaped” recovery – with a deep and lasting trough – is more likely. For example, the Congressional Budget Office predicts that unemployment may remain at almost 9 percent through the end of 2021.<sup>32</sup>

Reopening the economy prematurely may lead to a “W-shaped” recovery, with somewhat improved economic conditions in the short run as tens of millions of Americans go back to work and consumers increase spending. However, if lifting strict social distancing measures causes a

second wave of exponential growth of cases and deaths, another shutdown could be necessary and the economy could suffer a second severe blow.

According to former CDC director Dr. Thomas R. Frieden, this would be a tragic, unforced error: "...we're not reopening based on science. We're reopening based on politics, ideology and public pressure. And I think it's going to end badly."<sup>33</sup>

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<sup>2</sup> 60 Minutes, "Full transcript: Fed chair Jerome Powell's 60 minutes interview on economic recovery from the coronavirus pandemic," CBS News, May 17, 2020, <https://www.cbsnews.com/news/full-transcript-fed-chair-jerome-powell-60-minutes-interview-economic-recovery-from-coronavirus-pandemic/>

<sup>3</sup> "Reopening Has Begun. No One Is Sure What Happens Next," *The New York Times*, April 25, 2020, <https://www.nytimes.com/2020/04/25/business/economy/coronavirus-economy-reopening.html>

<sup>4</sup> Raj Chetty, John N. Friedman, Nathaniel Hendren, Michael Stepner, and the Opportunity Insights Team, "Real-Time Economics: A New Platform to Track the Impacts of COVID-19 on People, Businesses, and Communities Using Private Sector Data," May 2020, [https://opportunityinsights.org/wp-content/uploads/2020/05/tracker\\_paper.pdf](https://opportunityinsights.org/wp-content/uploads/2020/05/tracker_paper.pdf)

<sup>5</sup> Alexander Bartik, Marianne Bertrand, Feng Li, Jesse Rothstein, and Matt Unrath, "Labor market impacts of COVID-19 on hourly workers in small- and medium-sized businesses: Four facts from Homebase data," April 2020, <https://www.chicagobooth.edu/research/rustandy/%20blog/2020/labor-market-impacts-from-covid19>

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<sup>8</sup> Matthew Yglesias, "Opening up the economy won't save the economy," *Vox*, April 22, 2020, <https://www.vox.com/2020/4/22/21228651/opening-up-save-economy-trump-coronavirus-pandemic-shutdown>

<sup>9</sup> Sergio Correia, Stephen Luck, and Emily Verner, "Pandemics Depress the Economy, Public Health Interventions Do Not: Evidence from the 1918 Flu," SSRN, March 30, 2020, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3561560](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3561560)

<sup>10</sup> Economic Strategy Group, "Economic Strategy Group Statement on COVID-19 Pandemic and Economic Crisis," March 25, 2020, <https://economicstrategygroup.org/resource/economic-strategy-group-statement-covid19/>

<sup>11</sup> White House, "Opening Up America Again," April, 22, 2020, <https://www.whitehouse.gov/openingamerica/>

<sup>12</sup> Gabby Orr, Jeremy B. White, and Nancy Cook, "Trump tosses coronavirus shutdowns back to states," *POLITICO*, April 16, 2020, <https://www.politico.com/news/2020/04/16/trump-plan-for-reopening-economy-191073>

<sup>13</sup> *The New York Times*. "Coronavirus in the U.S.: Latest Map and Case Count," May 13, 2020, <https://www.nytimes.com/interactive/2020/us/coronavirus-us-cases.html>

<sup>14</sup> Nancy Cook, "Trump's next coronavirus pivot: celebrate America's grand reopening," *POLITICO*, April 29, 2020, <https://www.politico.com/news/2020/04/29/trump-coronavirus-business-219443>

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