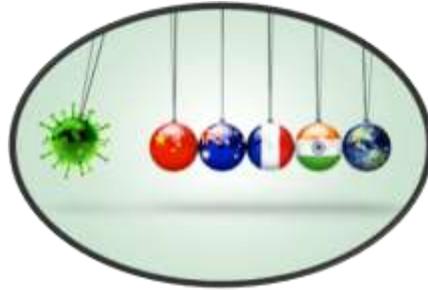


Understanding America



Class 4, May 13: **The Pandemic and America**

Joe Coffey
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coffeynotes.com

1. What has Covid-19 wrought?
2. How can we best recover?
3. How has it changed the future?
4. Understand of America, now?

Never let a good crisis go to waste. Winston Churchill

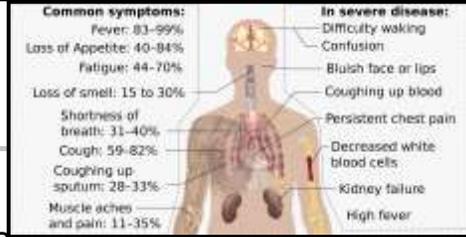
Class 4, May 13: **The Pandemic and America**

- Welcome and thanks for logging in
- Today were going to look at three questions:
 - What has Covid-19 wrought?
 - How can we best recover?
 - How has Covid-19 changed the future of US. And the world?
- I hope you've noticed that I attached a survey form to the emailed handout, and I would appreciate very much if you would complete it and return it to me.
- As I enclosed in the handout, I have scheduled two new classes for July and August. I hope many of you will register for them.
- In thinking about the pandemic, I think Churchill's advice is worth considering: 'Never let a good crisis go to waste. We don't only want to recover; we want to progress and thrive.'
- Finally, I have appended several supplemental chars that provide more background and context for today's topic.

1. What has Covid-19 wrought?

What is COVID-9? The Great Imitator

- Hijacks body from head to toe
- Coronaviruses infections, such as common cold, normally mild suspected of being transmitted from bats in boat MERS & SARS
- Mainly respiratory, but can affect heart, cause pinkeye, muscle aches, fatigue, diarrhea, nausea, rashes ...
- Invades when viral particles land in eyes, nose, or mouth
- Once enters, reproduces copies which can infect others



Covid-19 is an information problem – can't see it, many asymptomatic, don't know who can trust, need to figure out where the disease is. Eric Schmidt, Former Google CEO

Source: The Great Invader: How COVID Attacks Every Organ, By Neha Pathak, MD WebMD Health News Reviewed by Hansa D. Bhargava, MD on April 23, 2020

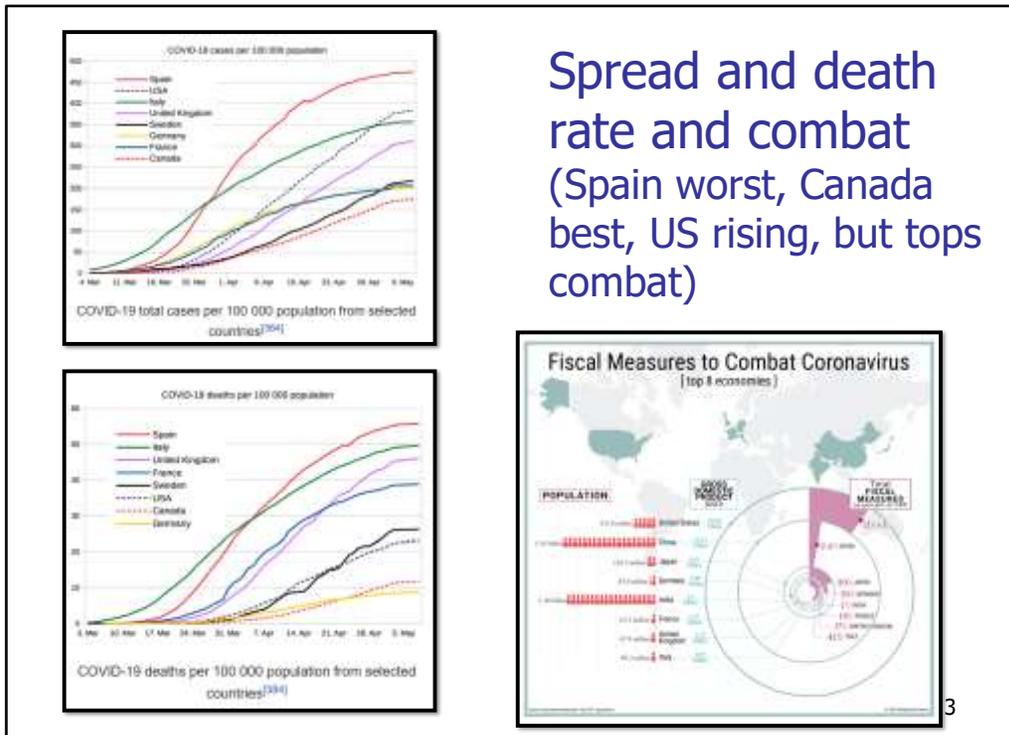


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Spread and death rate and combat (Spain worst, Canada best, US rising, but tops combat)

Spread and death rate and combat

(Spain worst, Canada best, US rising, but tops combat)

- These three charts give an overview of the US Covid 19 situation compared to other major Western countries
- The US is not the worst condition relative to the size of the population compared to others, but we run a close second to Spain in terms of death rate of infected
- The US however has taken greater fiscal measures to combat the virus than the other nations considered

Covid-19's wide ranging and multiple global impacts

- **Public health**
- **Politics**
- **Education**
- **Socioeconomics**
- **Economic**
- **Culture**
- **Environment and climate**
- **Xenophobia and racism**
- **Information dissemination**
- **Misinformation**
- **Senior Learners!**



Note on source: This article "COVID-19 pandemic", From *Wikipedia*, is extraordinarily detailed with 800 references updated daily!



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Covid-19's wide ranging and multiple global impacts

- **Public health:** Reduction in hospital visits for reasons other than COVID-19 and may be suffering or dying because not seeking timely treatment
- **Politics:** In multiple countries has caused suspensions of legislative activities, isolations or deaths of politicians, rescheduling of elections, international criticisms of China , U.S. and EU ...
- **Education:** Country-wide school closures affecting 1.3 billion learners that affect not only students, teachers, and families, but have far-reaching consequences including student debt, food insecurity, access to childcare, cost to families who could not work...
- **Socioeconomics:** Panic buying of essentials, supply shortages, disruption to factory and logistic operations, skyrocketing prices medical items. Additional 130 million people could develop starvation for a total 265 million by end of 2020.
- **Economic:** Destabilizing threat to global economy; affect global supply chain, global stock market, tourism and travel ,cruising, oil prices even went negative...
- **Culture:** Cancellations of performing arts, religious services, sporting events, Summer Olympics
....
- **Environment and climate:** Drop in air pollution and lives saved by reduced emissions, disrupted environmental diplomacy efforts, slowed investment in green energy technologies...
- **Xenophobia and racism:** Heightened prejudice, xenophobia, and racism evidenced around world toward people of Chinese descent, lobbying to ban Chinese visitors...
- **Information dissemination:** Reduced newspapers and scientific papers
- **Misinformation:** Conspiracy theories and misinformation about the virus and intentional disinformation spread through social media and state media, commercial scams of at-home tests and "miracle" cures.

Source:COVID-19 pandemic, From Wikipedia, the free encyclopedia

Perspective of projected U.S. Covid-19 deaths of 135,000 & 5.9% GDP decline

- More deaths than any but Civil War and WW II
- Past pandemic deaths
 - Cholera, 1830s to 1860s (12,000)
 - Yellow Fever, 1878 (16,500)
 - Spanish flu, 1918 (650,000)
 - Polio, 1952 (3,000 at peak)
- 1345 Black Plague killed 1/3 of world population
- 3rd Preventable deaths after smoking and obesity



U.S. economic depressions are defined as 2-years of GDP decline of 10%+. Great Depression decline was 27% over 12 years. Great Recession decline was 5% for 1 year

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Covid-19 in Global Perspective

Major modern influenza pandemics

Name	Date	World pop.	Infected (midpoint)	Deaths (midpoint)	Case fatality rate
1889–90 flu pandemic	1889–90	1.53 bil.	40%, (600 mil.)	1 mil.	0.2%
1918 Spanish flu	1918–20	1.80 bil.	40% (650 mil.)	58 mil.	8.9%
Asian flu	1957–58	2.90 bil.	17% (500 mil.)	2.5 mil.	0.50%
Hong Kong flu	1968–69	3.53 bil.	14% (500 mil.)	2.5 mil.	0.50%
2009 swine flu pandemic	2009–10	6.85 bil.	16% (1.1 bil.)	634,000	0.06%
Typical seasonal flu	Every year	7.75 bil.	10% (670 mil.)	470,000/yr	0.07%
COVID-19 World	5/10/2020	7.9 bil	4.1 mil.	282,000	6.88%
COVID-19 World Projected	5/31/2020	7.9 bil	5.7 mil.	400,000	7.02%
COVID-19 U.S.	5/10/2020	330 mil.	1.33 mil.	80,000	6.02%
COVID-19 U.S. Projected	5/31/2020	330 mil.	2.0 mil.	122,000	6.10%

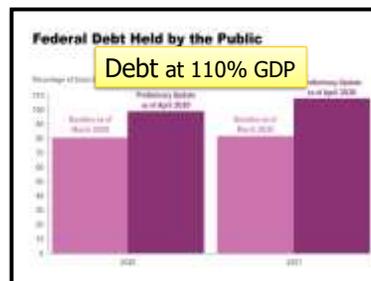
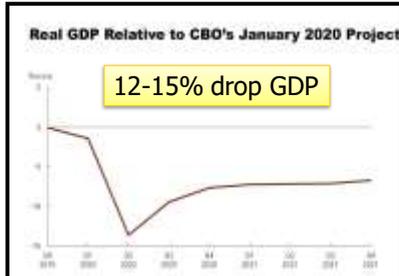
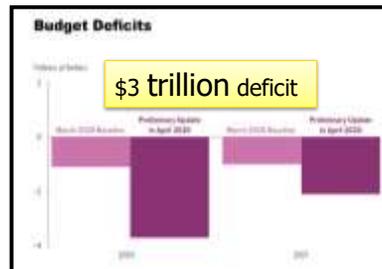
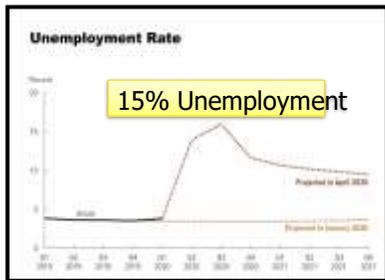
wikipedia.org/wiki/2009_swine_flu_pandemic and <https://www.covid19projections.com/>

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Covid 19 in global perspective

- The world has suffered several major influenza pandemics.
- In modern times, the 1918 Spanish flu infected some 40% of the world population and 58 million died
- The Spanish flu was also the most serious pandemic in the United States by a wide margin with 650,000 death
- To date, Covid-19 has infected 4.1 million and led to 280,000 deaths and is projected by the end of May to have infected 5.7 million and 400,000 deaths
- In U.S. , Covid-19 has infected 1.3 million and led to over 80,000 deaths
- It is projected by the end of May to have infected 2 million and caused 122,000 deaths

Pandemic's jolt to U.S. economy



Source: CBO's Current Economic Projections and a Preliminary Look at Federal Deficits and Debt for 2020 and 2021, April 27, 2020

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Pandemic's jolt to U.S. economy

- The pandemic has given the US economy and others around the world a real jolt
- Unemployment has risen from historical low levels to at least 15%
- The budget deficit now is projected at 3 trillion-an unprecedented level
- And debt rise to 110% of GDP-higher than even during World War II
- The path of the recovery, according to a recent Wall Street journal article, may even be slower than these projections

Source: CBO's Current Economic Projections and a Preliminary Look at Federal Deficits and Debt for 2020 and 2021, April 27, 2020

Phased plan for Opening Up America Again



- Not set timetable but **3 phases** based public health criteria
- Criteria before proceeding to phased comeback
 - 14-day downward trajectories of Covid-like cases and positive tests
 - Hospitals can treat all patients without crisis care
 - Robust testing program in place for at-risk healthcare workers
- Individuals continue to practice good hygiene
- Sick stay home
- Employers - implement policies per government guidance - e.g. Social distancing, protective equipment, Temperature checks, disinfection, not allow symptomatic physically return to work until cleared, contact tracing COVID+ test,
- **After these criteria met: begin to phase in easing restrictions in phases 1 to 3**

Source :www.whitehouse.gov/openingamerica/



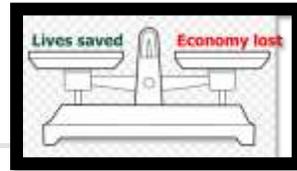
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Plan for Opening Up America Again

- Not set timetable but 3 phases based public health criteria
- Criteria Before Proceeding to Phased Comeback
 - Downward trajectory of influenza-like illnesses reported within a 14-day period
 - Downward trajectory of Covid-like cases reported within a 14-day period
 - Downward trajectory of cases or positive tests within a 14-day period
 - Hospitals can treat all patients without crisis care
 - Robust testing program in place for at-risk healthcare workers
- Individuals continue to practice good hygiene
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Source :www.whitehouse.gov/openingamerica/

Calculus of Calamity Medical vs. Economy



- What are the facts?
 - Who, how many and how long susceptible? (School age, workforce? Retirees? Until vaccine?)
 - Cost/effectiveness of alternatives? (All locked down except essential workers? Schools exempted? Only seniors locked?)
- What's cost/benefit calculus?
 - Every life priceless, but Fed values at \$ 10 mil.
 - Isolation and shut-downs save lives and reduce treatment
 - But impose psychological, intellectual and economic costs
 - Decline of economy multiplies and spreads daily just as viruses do

For a discussion of the trade-offs and cost benefits, see "Epidemiology meets Economics," By Greg Ip, *WSJ*, April 15, 2020



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Calculus of Calamity - Medical vs. Economy

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Fundamentals of getting economy flowing again



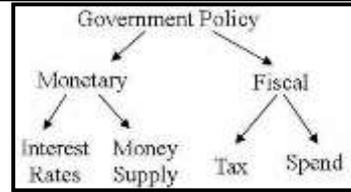
- More **capital** investment and **labor** participation
- Most important is **Innovation**: new knowledge embodied in a good or service and successfully marketed
- **Government Policies** to stimulate incentives to accumulation, innovation, and accommodation to change
- **Globalization** - Growth of countries is interdependent because of knowledge, trade and investment flows affect incentives to work smarter, harder, faster

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Fundamentals of getting economy flowing again

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What can Federal policy do and has done?



■ Major policy tools

- Monetary policy: easier and cheaper credit
- Fiscal policy: spending and taxes
- Foreign policy: global cooperation, trade, immigration
- Compromise: Reduce gridlock, polarization ...

■ Steps taken

- \$660 bil. in forgivable loans to small businesses
- \$300 bil. rebates for most (\$1,200 adult, \$500 child)
- \$268 bil. increase unemployment insurance
- Pending - state & local government aid

Source: The ABCs of the post-COVID economic recovery by Louise Sheiner and Kadija Yilla, May 4, 2020, Brookings

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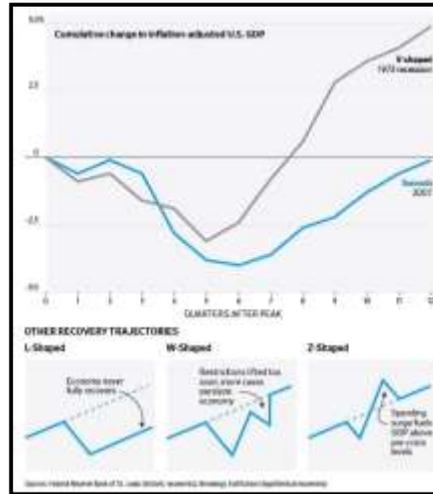
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Recovery may be slow

- Once expected V-shaped economic recovery
- Now, a “swoosh” recovery - large drop followed by a painfully slow recovery
- Only 30-40% of lost output and jobs recovered in 2020
- Economy shrink 7.1%, not return until 2022 or later
- Eurozone’s shrink by 5.5%
- China has recovered some
- Global economy challenged in the years ahead



Source: Why the Economic Recovery Will Be More of a 'Swoosh' Than V-Shaped, By Paul Hannon and Saabira Chaudhuri, *WSJ*, May 11, 2020

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Why the Economic Recovery Will Be More of a ‘Swoosh’ Than V-Shaped

- Until recently, many were hoping for a V-shaped economic recovery: a short, sharp collapse followed by a bounce back to pre-virus levels of activity.
- Now, however, they expect a “swoosh” recovery - large drop followed by a painfully slow recovery not back to 2019 levels of output until late next year—or beyond.
- Joblessness surge has reached 30 million
- Lockdowns are being eased more slowly than originally expected in some countries
- Only 30-40% of lost output and employment in U.S. may be recovered by year-end and economy shrink 7.1% this year and won't return to its pre-virus size until 2022 or later.
- Eurozone’s economy expected to shrink by 5.5% this year, and grow by just 4.3% next year and not reach pre-virus levels of activity before 2022.
- China, after a 21% decline first two months, has recovered somewhat
- Global economy is going to be challenged in the years ahead

Source: Why the Economic Recovery Will Be More of a 'Swoosh' Than V-Shaped, By Paul Hannon and Saabira Chaudhuri, *WSJ*, May 11, 2020

Why Recovery Optimism: U.S. is Comeback Nation - repeatedly proved declinists wrong



- Today, most foreign policy experts believe U.S. in decline
- But U.S. (before Covid-19) was not in economic decline
- Or evidence U.S. will be hit disproportionately hard
- After Great Recession, during 2010s
 - U.S. expanded share of global GDP from 23% to 25%
 - EU share fell from 35% to 21%
 - Japan's share slipped from 10% to 6%
 - Russia's dropped from 3% to 2%.
 - Yes, China's share rose from 2% to 16%, but no longer has double-digit growth

Adapted from "Comeback Nation, U.S. Economic Supremacy Has Repeatedly Proved Declinists Wrong," By Ruchir Sharma, Chief Global Strategist at Morgan Stanley, *Foreign Affairs*, March 31, 2020



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Comeback Nation - U.S. Economic Supremacy Has Repeatedly Proved Declinists Wrong

- As the 2020s dawn, it is hard to find any of U.S. foreign policy establishment who does not believe that U.S. is in decline and debate how the U.S. should manage its diminishing status.
- But the U.S. is not in economic decline - during the 2010s, U.S. not only staged a comeback but reached new heights.- expanding its share of global GDP from 23% to 25%.
- 2020s have opened with the sudden shock of a global pandemic, but little evidence downturn will hit the U.S. harder.
- U.S. share of global GDP has held steady for four decades while EU share fell from 35% to 21%. Japan's share slipped from 10% to 6%, and Russia's dropped from 3% to 2%. China's share swelled from 2% to 16%, rising while other major powers have declined. But the U.S. is not one of them.
- Countries that dominate the global economy in one decade rarely dominate in the next. The more they grow, the more complacent they get.
- For all the talk of American despair, the bigger risk is complacency. But U.S. is a comeback nation, the battle-tested survivor of 12 recessions and a Great Depression over the last century.

Adapted from "Comeback Nation, U.S. Economic Supremacy Has Repeatedly Proved Declinists Wrong," By Ruchir Sharma, Chief Global Strategist at Morgan Stanley, *Foreign Affairs*, March 31, 2020

Pandemic will accelerate trends already reshaping America



- Accelerate innovation in – education, retailing, shopping, carry-out, foreign travel, tele-medicine ...
- Struggle between American vs. Chinese capitalism
- Less single sourcing, more diversification (less China)
- More online ordering
- Favors large companies - better access to capital and governments which will be a big customer ahead

Could you imagine the pandemic without the Internet? Eric Schmidt, former CEO Google, 5/10/2020

Source: "Sinking, swimming and surfing" Economist April 11, 2020. Also, excellent Fareed Zakaria, Special Global GPS TV show, 5/10/2020.



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The pandemic will accelerate trends already reshaping America

- For good or ill it is likely to accelerate three existing trends: Deep globalization, Infusion of data-enabled services into more aspects of life, Consolidation of economic power into hands of giant corporations
- Optimists see it offering new possibilities for reinvention and resurrection
- Pessimists see inefficiencies and insularity
- Single sourcing will be out, and diversification will be in-not only outside of China
- Also double checking that the suppliers of their suppliers
- Will accelerate the growth of firms built on digital connections based on cloud-based data
- Online ordering is likely to expand in Britain, already 20%, one of highest in world, and projected to double
- It's likely to favor large companies which have better access to capital markets and especially to governments which will be a big customer in the months ahead
- Likely to accelerate innovation as one CEO said "were going to do five years of innovating in the next 18 months."

Source: "Sinking, swimming and surfing" *Economist* April 11, 2020

U.S. prospects for bigger state, higher taxes

- Could fuel a new era of big government
- Central banks pledged to buy nearly unlimited amounts of government debt
- Likely to increase spending on health - fund medical research and vaccines
- U.S. may improve social safety nets and health care
- Debt may jump to 140% GDP from 100%, surpassing WW II 120%
- Slower growth and rising costs means more borrowing
- Likely to require higher taxes

By Tom Fairless and Jason Douglas, WSJ , April 12, 2020

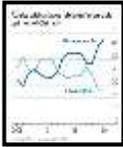


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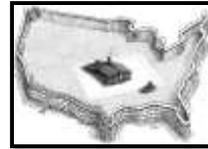
Longer-Term Prospects of Coronavirus Response: Bigger State, Higher Taxes

- Could fuel a new era of big government as invoke wartime spirit to rally citizens
- Central banks have pledged to buy nearly unlimited amounts of sovereign debt to backstop government borrowing
- Likely to increase spending on health - fund medical research and vaccine production.
- U.S. may improve social safety nets, such as in health care
- Debt may to 140% GDP up from 100% and surpass WW II of 120%
- Goal, unlike in wartime, isn't to reorient the whole economy toward fighting the virus but to do almost the reverse shut it down
- With slower growth and rising costs, expect soaring borrowing
- Likely to require higher taxes

Source: Tom Fairless and Jason Douglas, WSJ, April 12, 2020 9:00 am ET



Post pandemic geopolitical concerns



- Will accelerate not reverse direction of geopolitics
 - Rising U.S.-China power struggle – new Cold War?
 - Reduce openness to globalization and cooperation
 - Spur further nationalism and democratic recession
- Why the concern?
 - Many top issues require cooperation: climate change, terrorism, **pandemics!**, nuclear proliferation, cyber warfare, trade ...
 - Reduced trade and globalization will slow economic growth
 - Nationalism can morph into extremism (Hitler) and anti-democratic (Orban)
- Yet, 69% still want active U.S. role in world affairs

Sources: The Pandemic Will Accelerate History Rather Than Reshape It, By Richard Haass, *Foreign Affairs*, April 07, 2020 and "A Cold War With China Would Be a Mistake," *WSJ*, May 7, 2020

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Post Pandemic Geopolitics – More of same only accelerated

- What's Next: Fundamentally different geopolitics?
 - New world order led by China or demise of China's leadership?
 - End of globalization or new age of global cooperation?
 - Supercharged nationalism and anti-democratic regimes
- Pandemic will not so much change the basic direction of world history as accelerate it.
 - Faltering global cooperation
 - Great-power discord
 - Post-American world lack of U.S. leadership
- Long before COVID-19, already a precipitous decline appeal of the American model.
 - "America first"- message is US would be stronger and more prosperous if it did less abroad and focused its energies on domestic issues.
 - Already been a decline in the appeal of the American model - political gridlock, 2008 global financial crisis, etc. represented grew increasingly unattractive to many.

Sources: The Pandemic Will Accelerate History Rather Than Reshape It, By Richard Haass, *Foreign Affairs*, April 07, 2020 and "A Cold War With China Would Be a Mistake," *WSJ*, May 7, 2020

Understanding of America Summary



1. Exceptional rise: colony to superpower
2. Not an accident, albeit benefitted from **timing** (beginning of Industrial Revolution and British diverted by French), **geography** (large, fertile, vast river system, protected by oceans) and **leadership** (extraordinarily capable founding fathers)
3. Founders' launched in Washington's words "a risky experiment* entrusted to hands of American people " for life, liberty and pursuit of happiness and created an insistently independent and striving culture

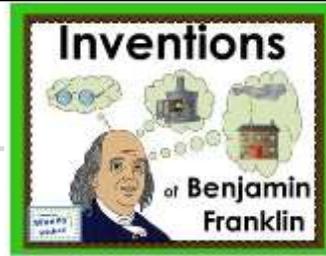
*"[The] source of US material success, ... is the maintenance of institutions that permit trial and error experiments to occur." Douglass C. North, *Understanding the Process of Economic Change*, page 165. North won Nobel Prize 1993

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Understanding America: 10 main points

1. America has made an unprecedented rise from an isolated colony huddled near shores of Atlantic to global superpower
2. Due to luck of timing (beginning of Industrial Revolution), vast resources, and British being diverted by French during Revolution
3. But America is an invented and innovative nation – invented nation where none existed and invented form uniquely propelled by capitalism and governed by democracy
4. Spectacular long-term advance has been punctuated by major socioeconomic and institutional cycles
5. While, on balance, America has been exceptional, has also made some unforgiveable mistakes such as slavery of Blacks and genocide of Indians

Understanding of America Summary



4. An invented nation where none existed nor kind that had never existed – democratic capitalism
5. Rise was rapid and long but interrupted by setbacks – economic depressions, civil war, foreign entanglements, pandemics, terrorism ...
6. Rise on balance was exceptional, but also marred by unforgiveable mistakes – Slavery, genocide of Indians, racial discrimination ...



Understanding America:10 main points

6. Today's polarization is not new, we were polarized by Jeffersonian (rural and small government) vs Hamiltonian (urban and stronger central government), and most tragic Civil War of North vs. South
7. Current division of Middle-America (blue collar manufacturing) vs Coastal America (Intellectual and higher income) is driven by technology
8. Although, today plagued by Covid-19, partisan division, sudden economic decline, deglobalization, China's assertiveness ..., American history suggests that this time too will pass, and have recovery and cyclical upswing to a higher level and overcome the headwinds we're now facing
9. Innovations that may bring about this upswing include reorienting federal government, changing primary election system, reducing college costs, and adjusting to aging population
10. America still is #1 in world in military strength, power and influence, and economic size, but as in past, must keep innovating to maintain its pivotal position

Understanding America Summary



7. Rise was broad but not universal nor unanimous:
 - Jefferson's (rural, small gov't) vs. Hamilton's (urban, strong gov't)
 - Civil War: (Free Industrial North) vs. (Slavery Agrarian South)
 - Gilded Age: (Plains agrarian populism) vs (Eastern financial elitism)
 - Today: (NE and West Coast liberal technocracy) vs. (Heartland blue-collar conservatism)
8. Still #1 in global power and influence, yet fading and facing mounting domestic and foreign challenges
9. Suddenly, now in unexpected throes of a pandemic that has ended a record economic streak
10. **But we're a come-back nation, and we will again!** 

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Understanding America:10 main points

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The Pandemic and America: *CONCLUSIONS*

If all the economists were laid end to end, they'd never reach a conclusion.
—George Bernard Shaw

1. **Q.** What has Covid-19 wrought?
 - From best of times to worst of times – from record duration and peak of economy to record plummet
2. **Q.** How can we best recover?
 - Stop the spread and re-start the economy being mindful the important trade-offs of spread of pandemic contagion vs. downward economic spiral
3. **Q.** How has it changed the future?
 - More online work, education and shopping; greater government spending, debt and taxes; increased nationalism and xenophobia, medical preparedness...
4. **Q.** Understand America?
 - I sure hope so. Thanks. Hope to see you again.

Understanding America by Joe Coffey Course Critique/Future Suggestions

Please complete and email me

1. Overall, how would you rate this class? Good ____, OK ____, Just fair ____
2. Would you likely participate in another Zoom class by Joe Coffey? Yes ____, Uncertain ____

Comment _____

2. What changes in course content and presentations would you recommend?
 - a. Fewer charts and less lecturing – more Q&A and discussion
 - b. More depth, coverage too broad and superficial
 - c. Coverage too intense – prefer more relaxed and entertaining
 - d. Include videos by experts
 - g. OK as is

Comment _____

3. Are the class handouts emailed in advance beneficial? Yes ____, Sometimes ____, Not really ____

Comment _____

4. Please make any other comments, topic suggestions, critiques, etc. you may have.

Please feel free contact me: 1919 N Eagle Chase, Hernando, FL 34442, Phone (352) 746-5855, email jocoffey@outlook.com, 5/12/2020

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Understanding the modern world (quickly): Essential questions

- Joe Coffey Zoom courses
- Two 4-week sessions
- Please register at (seniorlearnersinc.wildapricot.org/register)
- \$10 fee each session
- #I -10:30AM-12PM
 - 1) July 8
 - 2) July 15
 - 3) July 22
 - 4) July 29
- #II -10:30 AM-12:00 PM
 - 1) August 5
 - 2) August 12
 - 3) August 19
 - 4) August 26

Why did Europe lead, war, and unify?

Why did British Empire decline?

Why did Soviet Union collapse?

Why has South America been so unstable?

Why is Middle East so anti-west?

Why are emerging nations still submerged?

Why is India finally rising?

Will China rule the world?

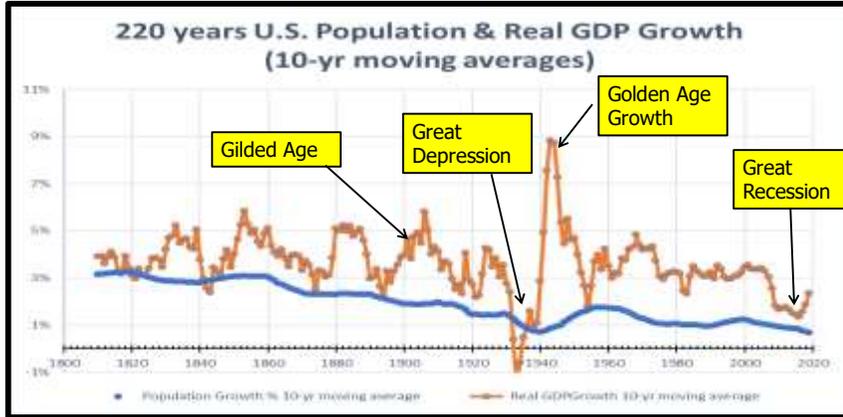
22

Understanding the Modern World (Quickly) : Essential Questions

The modern world, beginning around 1900, has been shaped by major geopolitical surprises, of which Covid-19 is the latest. The Covid-19 crisis is a shocking reminder of the multiplicity of interconnections and turning points of our modern world. These lectures will review 7 of the most important turning points in world geopolitics and conclude with a crucial question for the geopolitical future: Will China rule the world?

Lectures will be presented live in PowerPoint via Zoom. Up to a half hour of Zoom will be reserved after class for those interested in asking questions and discussion. Drafts of the presentations will be emailed in advance to registrants and posted on coffeynotes.com.

*Joe Coffey holds a PhD in Economics and has taught at Universidad Agraria of Peru, University of California Berkeley, Virginia Tech, NC State, and Purdue. Until retiring from Virginia to Florida, he held executive positions in academia, industry and government. For over a decade, he has made scores of presentations locally and on 6 cruise lines globally. For further information please contact Joe Coffey at (352) 746-5855 or JoeCoffey@Outlook.com . For past presentations see www.coffeynotes.com.



U.S. history of cyclical economic and slowing population growth

Gap between population and real GDP growth is productivity – i.e. increase (or decrease in 1820s, 1840s, 1930s) in per capita real GDP. Population accounted for larger share of growth and productivity a small share in earlier years than recent years.

Black Plague had profound consequences on society



- Black Plague hit Europe in Oct 1345 and followed the calamitous Little Ice Age which reduced food production, causing starvation
- Black Plague was deadliest pandemic in history, killing a third of world population
- Plague also led to profound changes, and as Coggan notes was beneficial to survivors
- Due to large population declines, which took two centuries to recover, made labor scarce, land abundant, food cheaper, left inheritances from deceased relatives, and thus raised workers real income and decline of serfdom.*

Sources: "Pandemics of Past" by Jon Meacham, *NY Times*, May 7, 2020. Meacham is Professor at Vanderbilt, presidential biographer, winner of 2009 Pulitzer Prize, official biographer of George HW Bush and gave eulogizes at Bush and wife Barbara's funerals. *Phillip Coggan, *More – A History of the World Economy*, 2020, p 73.



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Pandemics of the Past had profound consequences

- Black Plague hit Europe in Oct 1345 followed calamitous Little Ice Age which cut food production and people starved to death.
- Sick suffered severe pain and died quickly, and resulted in deadliest pandemic in human history.
- Black Death killed third of world's population, leading to fundamental social, economic and political shifts. Pandemics, while ending individual human lives, can mark the beginnings of new ways of being and of thinking.
- Economically vulnerable suffered most while rich fled to their country places.
- Failure to socially distance exacerbated matters - pope authorized "penitent processions" which helped to spread it.
- Plague made no sense and helped reorder how people understood the world. It undermined received authority in institutions — monarchies, aristocracies, papacies. Emphasis shifted to individual, later accelerated by Protestant and Scientific Revolutions.
- End of an age of submission came into sight - Black Death may have been the unrecognized beginning of modern man.
- Coggan notes, the plague, however, was beneficial to survivors. Due to large population declines, which took two centuries to recover, it made labor scarce, land abundant, food cheaper, more inheritances from deceased relatives, and thus raised workers' real income and the decline of serfdom.*

Sources: "Pandemics of Past" by Jon Meacham, *NY Times*, May 7, 2020. Meacham is Professor at Vanderbilt, presidential biographer, winner of 2009 Pulitzer Prize, official biographer of George HW Bush and gave eulogizes at Bush and wife Barbara's funerals. *Phillip Coggan, *More – A History of the World Economy*, 2020, p 73.

Timeline of Covid-19 Crisis

Dec 31: Wuhan, dozens of cases but no evidence of spread by humans
Jan 11: China reported first death in Wuhan
Jan 20: U.S. and others had confirmed cases
Jan 30: WHO declared global health emergency, U.S. warned avoid China
Feb 23: Italy had surge in cases
Feb 27: Dow fell 1,191 points, largest 1-day point drop, since exceeded 5 times
Feb 29: U.S. 1st death near Seattle, but two people had died earlier undiscovered
Mar 11: Federal Reserve Bank announced would inject \$15 trillion into money markets
Mar 13: U.S. declared a national emergency and \$50 billion to combat coronavirus
Mar 15: CDC recommended no gatherings of 50 or more people
Mar 17: Federal Reserve Bank takes aggressive actions to boost and ease credit
Mar 26: U.S. hardest hit (3.2 mil. unemployment claims, 10 mil. lost jobs)
Mar 27: \$2 trillion stimulus enacted
Mar 30: Stay-at-home directives for 265 million
Apr 11: Unemployment at 13%, worst since Great Depression
Apr 14: Warning global economy headed for worst downturn since Great Depression
May 1: FDA authorized emergency use of remdesivir
May 3: Backlash building against China for its initial mishandling
May 4: World leaders pledged \$8 billion for vaccine, but not U.S.

Major Source: How the
Coronavirus Pandemic Unfolded:
a Timeline, by Derrick Bryson
Taylor, NY Times: May 5, 2020

U.S. still #1 in World

2020 Military Strength

1. **U.S.**
2. Russia
3. China
4. India
5. Japan
6. S. Korea
7. France

Global Firepower includes geographical, local industry, and available manpower.
www.globalfirepower.com/countries-listing.asp

2020 Power & Influence

1. **U.S.**
2. Russia
3. China
4. UK
5. Germany
6. France
7. Japan

Nations that dominate headlines, preoccupy policymakers
www.usnews.com/news/best-countries/power-rankings

2019 GDP (\$tril.)

- | | |
|----------------|-------------|
| 1. U.S. | \$21 |
| 2. EU | \$19 |
| 3. China | \$14 |
| 4. Japan | \$5 |
| 5. Germany | \$4 |
| 6. UK | \$3 |
| 7. France | \$3 |

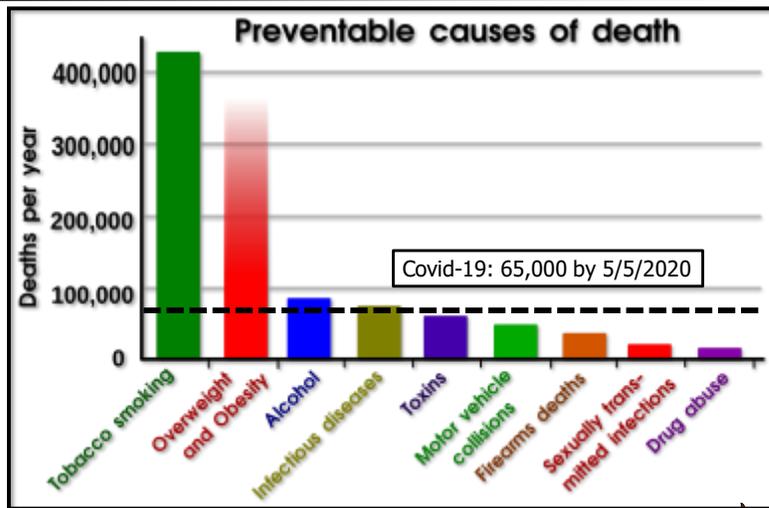
IMF



U.S. is still # 1

- By most measures, whether by soft or hard power, by science or technology, by business or government or academia
- But, U.S. can't be complacent or aloof, world is changing - China is rising, Russia remains a major challenge and U.S. Middle East wars and Financial Crisis has weakened U.S. reputation and finances
- U.S. will continue to need allies and cooperation to preserve the liberal international order – otherwise, the jungle grows back
- A PEW global attitudes poll of 25 nations published Sep 28, 2018, indicates that a median of 49% see U.S. as leading economic power, 33% see China and only 7% see EU. In a related question, 63% would prefer U.S. to be the leading power and 19% would prefer China (<http://www.pewglobal.org>)

How compare with causes of preventable death? Ranks 3rd to smoking and obesity



https://en.wikipedia.org/wiki/Preventable_causes_of_death



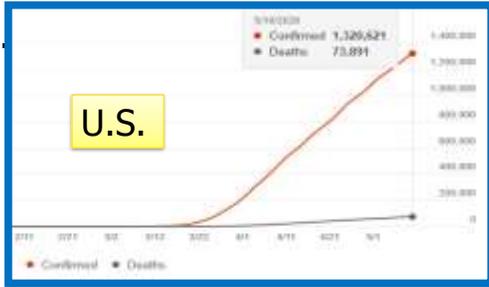
How compare with epidemics in U.S.? So far 1918 Spanish Flu almost 10x worse

- 1633-1634: Smallpox from settlers; 70% of Native Americans died
- 1793: Yellow fever in Philadelphia, refugees fleeing epidemic in Caribbean led to 5,000 dying and 17,000 fleeing the city
- 1832-1866: Cholera in three waves - Pandemic began in India
- 1858: Scarlet fever virus - 95% infected were children
- 1906-1907: "Typhoid Mary"- Annually, 10,771 died
- **1918: "Spanish flu" - 675,000 deaths**
- 1957: "Asian flu" caused 70,000 deaths before a vaccine became available.
- 1921-1925: Diphtheria epidemic, 15,520 died during peak years
- 1916-1955: Polio peaked in 1952 with 3,145 deaths
- 1981-1991: Measles - 2,000 to 10,000 infected, now 1,000 cases per year
- 1993: Contaminated water in Milwaukee - 403,000 ill, and 100 died
- 1981: HIV-AIDS: 1st documented, to date 1.2 million in U.S. infected

<https://www.healthline.com/health/worst-disease-outbreaks-history#6>



Trends in death rates & ages



How does U.S. Covid-19 impact compare: Worse in cases & deaths, but 9th in case-fatality

Cases and mortality by country (5/5/2020)

Rank of deaths	Country	Confirmed	Deaths	Case-Fatality	Deaths/10 Ok pop.
1	US	1,180,375	68,922	5.8%	21.1
2	Italy	211,938	29,079	13.7%	48.1
3	UK	191,832	28,809	15.0%	43.3
4	Spain	218,011	25,428	11.7%	54.4
5	France	169,583	25,204	14.9%	37.6
6	Belgium	50,267	7,924	15.8%	69.4
7	Brazil	108,620	7,367	6.8%	3.5
8	Germany	166,152	6,993	4.2%	8.4
9	Iran	98,647	6,277	6.4%	7.7
11	China	83,966	4,637	5.5%	0.3
12	Canada	61,957	4,003	6.5%	10.8
18	India	46,437	1,566	3.4%	0.1
19	Russia	145,268	1,356	0.9%	0.9
	World	3,640,835	255,096	7.0%	3.3

<https://coronavirus.jhu.edu/map.html>

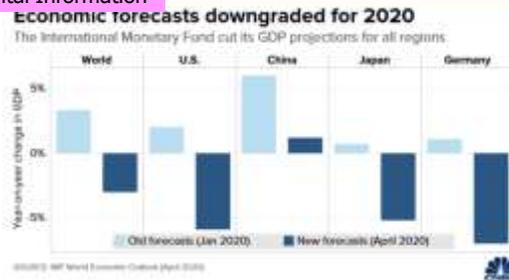
April 28, 2020 CBO revised projections in view of Covid-19

- GDP will decline sharply in the second quarter of this year and begin to rise thereafter
- real GDP Q4 2020 - 5.6% lower than Q4 2019
- Unemployment rate average 15% in Q2 & Q3 -2020 - higher than since early 1930s.
- By Q3, 28 million fewer people employed and 9 million fewer in labor force than projected in January.
- CBO estimates federal deficit would be \$3.7 trillion FY 2020 and \$2.1 trillion in FY 2021.
- Federal debt reach 108% of GDP by end FY 2021 - up from 79% at end of 2019 - highest percentage in the nation's history.

Source: CBO's Current Economic Projections and a Preliminary Look at Federal Deficits and Debt for 2020 and 2021, April 27, 2020



Global economy to shrink in 2020



- IMF, expects global economy to shrink 3%, rather than increase 3%
- Only a handful of economies — such as China and India — are expected to grow
- Expects rebound of 5.8% growth next year below earlier projected for 2021 before virus hit
- Cumulative loss to global GDP over 2020 and 2021 from pandemic could be \$9 trillion - greater than Japan and Germany, combined

Countries dominating in one decade rarely dominate in next - they get complacent

- U.S. economy was dominant in 1960s but stumbled in 1970s under rising oil prices
- This led some to predict Soviet Union would become world's largest economy, but it collapsed
- 1980s were about "the rise of Japan," but Japan fell when its market bubble burst in 1989
- 1990s, another American decade, ended with dot.com bust
- U.S. is a comeback nation - survivor of 12 recessions and a Great Depression over last century

Adapted from "Comeback Nation, U.S. Economic Supremacy Has Repeatedly Proved Declinists Wrong," By Ruchir Sharma, Chief Global Strategist at Morgan Stanley, *Foreign Affairs*, March 31, 2020



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World Economic Outlook, April 2020

- Global economy projected to decline 3% in 2020
- Much worse than 2008–09 financial crisis
- But grow 5.8 % in 2021
- A need to take substantial fiscal, monetary, and financial market measures
- Strong multilateral cooperation is essential

Latest World Economic Outlook Growth Projections

The COVID-19 pandemic will severely impact growth across all regions.

(real GDP, annual percent change)	PROJECTIONS		
	2019	2020	2021
World Output	2.9	-3.0	3.8
Advanced Economies	1.7	-6.1	4.5
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7.0	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3
Japan	0.7	-5.2	3.0
United Kingdom	1.4	-6.5	4.0
Canada	1.6	-6.2	4.2
Other Advanced Economies	1.7	-4.6	4.5
Emerging Markets and Developing Economies	3.7	-1.0	6.6
Emerging and Developing Asia	5.5	1.0	8.5
China	6.1	1.2	9.2
India	4.2	1.9	7.4
ASEAN-5	4.8	-0.6	7.8
Emerging and Developing Europe	2.1	-5.2	4.2
Russia	1.3	-5.5	3.5
Latin America and the Caribbean	0.1	-5.2	3.4



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World Economic Outlook, April 2020

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Great Depression was terrible – but we've survived worse

U.S. Depressions (2 year real GDP decline of 10% +)

Length, depth and causes

1836-38 Depression (-33%)	Bank failures, lack of confidence in currency, tightening of credit, crop failures
1839-43 Depression (-34%)	Long and deep depression, deflation and defaults on debt
1865-67 Depression (-34%)	After Civil War deflation during Reconstruction and international instability
1873-79 Depression (-34%)	Longest, declines in Europe prompted bank failure, burst post-Civil War bubble
1882-85 Depression (-33%)	Boom in railroad construction ended hurting iron and steel industries
1902-04 Depression (-16%)	Came about a year after a 1901 stock crash
1910-12 Depression (-15%)	Mild but lengthy recession and deflation
1913-14 Depression (-26%)	Decline not ended until start of WW I, Federal Reserve Act signed
1929-41 Great Depression (-27%)	Banking panic, high unemployment, stock market crash
2007 Great Recession (Only -5%, Not depression)	Mortgage crisis, bust of housing bubble, banks and autos
(2020??)Not depression, IMF says (-5.9%) for one yr sparked by Covid-19 pandemic	

Source: List of recessions in the United States, Wikipedia.

150-year history of interest & socks

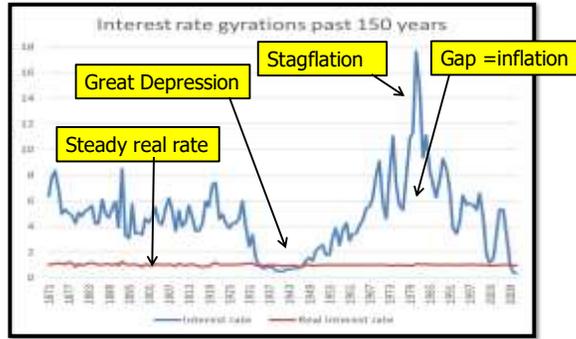
150 Years of 1-Year Interest Rates and Inflation (%)

Metric	1-yr interest rate	Real Interest rate	Inflation rate
Average	4.7%	1.0%	3.7%
Median	4.6%	1.0%	3.6%
Maximum	17.6%	1.3%	16.5%
Minimum	0.4%	0.9%	-0.6%
STDEV	2.8%	0.1%	2.8%

ONLINE DATA ROBERT SHILLER, econ.yale.edu/~shiller/data on 5/7/2020

Metrics of 150 Years Stock Market Real Gains

Average	2.4%
Median	3.3%
Maximum	38.8%
Minimum	-42.5%
STDEV	16.4%

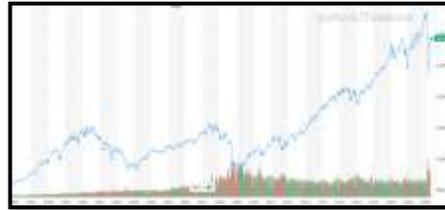


ONLINE DATA ROBERT SHILLER <http://www.econ.yale.edu/~shiller/data.htm>, downloaded 5/7/2020

Can take long time for society and economy to recover after a crisis



- Impact on stock market crash may persist for years
- People shocked by market crash may:
 - Lower appetite for risk rest of their lives, more cautious
 - Shock could persist for decades – it did for my Grandpa!
- But don't just want to recover – but prosper and thrive!



Source: Coronavirus Scars Might Weaken Economy for Years to Come, James Mackintosh
The Wall Street Journal, April 12, 2020



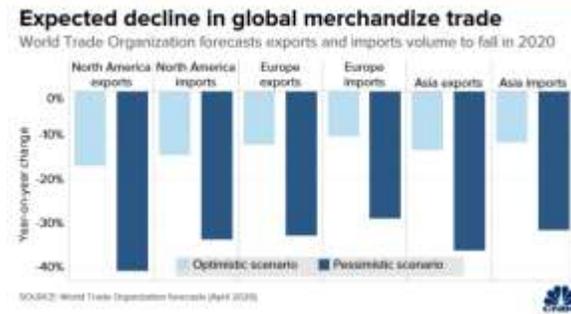
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After crashes can take a while before stock market recovers

- The impact of the stock market crash may persist for a long time
- People are shocked by the risks involved and may lower their appetite for risk throughout the rest of their lives
- Studies have shown that especially younger people are more sensitive to economic shocks because of their shorter experience
- Thus people are likely to become more cautious and countries are likely to pull back from globalization and thus slow global growth
- I'm reminded of my grandpa, who even 25 years after Great Depression still did not trust banks because he claimed the local banker went out the back door with his money

Source: Coronavirus Scars Might Weaken Economy for Years to Come, James Mackintosh, *The Wall Street Journal*, April 12, 2020

Global trade to plummet



- WTO forecast - global trade volume could plummet by 13%
- Maybe 32% in 2020 depending on trajectory of global economy
- All regions will suffer double-digit declines in exports and imports in 2020

Most Dangerous Epidemics in U.S. History

- 1633-1634: Smallpox from European settlers – 70% Native Americans died
- 1793: In Philadelphia yellow fever refugees from Caribbean 5,000 dying
- 1832-1866: Cholera in three waves - Pandemic began in India
- 1858: Scarlet fever virus - 95% infected were children
- 1906-1907: "Typhoid Mary"- Annually, 10,771 died
- 1918: "Spanish flu" - 675,000 deaths
- 1957: "Asian flu" caused 70,000 deaths before a vaccine became available
- 1921-1925: Diphtheria epidemic – 15,520 dying during peak years
- 1916-1955: The peak of polio - viral disease peaked in 1952 with 3,145 deaths
- 1981-1991: Second measles outbreak- 2,000 to 10,000 normally infected, but now with vaccines fewer than 1,000 cases per year
- 1993: Contaminated water in Milwaukee - 403,000 ill, and 100 died
- 1981: AIDS 1st documented and to date 1.2 million in U.S. infected



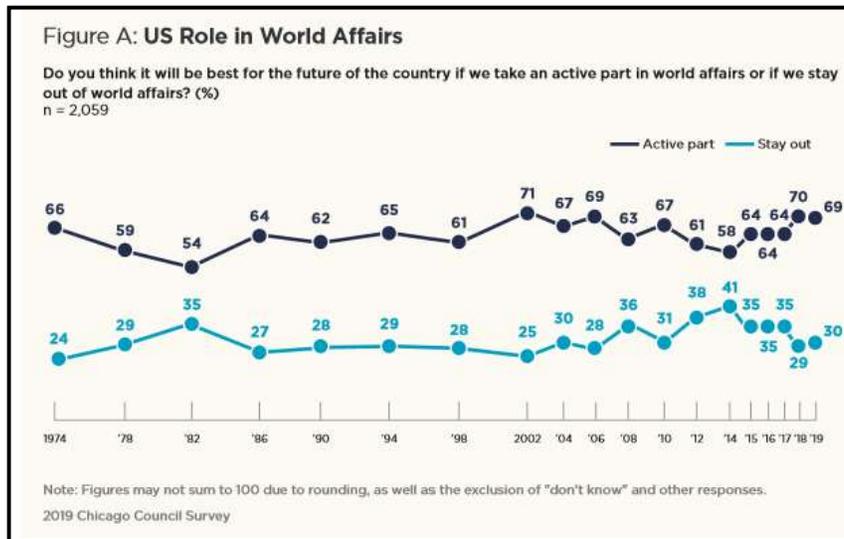
Impact and Lasting effects of 1918 Spanish flu

- Jan 1918 to Dec 1920, infected 500 million – ¼ of world population, with 17 to 50 million, perhaps 100 million - one deadliest pandemics in history
- To maintain morale during WW I, early reports censored except in neutral Spain, creating a false impression; hence "Spanish Flu"
- Not conclusive, but likely originated at Fort Riley, Kansas from viruses in poultry and swine that soldiers ate and spread disease around world
- Aspirin poisoning contributed substantially to deaths as mistakenly U.S. Army Surgeon General and AMA recommended very large doses
- 28% of 105 million U.S. population became infected; 500,000 to 675,000 died (0.48 to 0.64%)
- Three waves with second much deadlier
- Long-lasting effects - reduced educational attainment leading to increased disability and helped tip balance of power in WW I war towards Allies

Source: Spanish flu, From Wikipedia, the free encyclopedia



Despite rising nationalism, 69% still want U.S. to take an active role in world affairs



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Will U.S. continue active role in world affairs?

Despite rising nationalism, 69% in U.S still want active role in world affairs

What should U.S. do in World Affairs?

- Three broad options are available
- 1. Independent America:** Don't try to solve other's problems. Instead, lead by example—in part, by investing in our vast untapped potential.
- 2. Moneyball America:** We can't meet every international challenge. Focus on opportunities and defend our interests where they're threatened.
- 3. Indispensable America:** Only we can defend the values on which global stability increasingly depends. A turn inward would undermine our own security and prosperity. We will never live in a stable world while others are denied freedom
- But over the past 50 years, according to the Chicago Council Survey, over 60% believe we should remain active in world affairs
- If not, as Robert Kagan writes "The Jungle Grows Back"

America needs a storm to clear way for calm



- Unique to U.S. has been the constant resurrection of the extraordinary
- Storm is essential to clear way for calm
- What makes U.S. unique is to have institutionalized the chaos manifested in our cycles
- Current storm (not Covid-19 but fading productivity and polarization) is normal for this time in history

"We are not all in the same boat. We are all in the same storm." - Peggy Noonan, *WSJ*, April 23, 2020

Source: George Friedman, *The Storm Before the Calm: America's Discord, the Coming Crisis of the 2020s, and the Triumph Beyond*, Doubleday, 2020 , p 217

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America needs a storm - its normal for this time in history

- What has been unique to the U.S. has been the constant resurrection of the extraordinary
- America is a country which the storm is essential to clear the way for the calm
- What makes U.S. unique is none have institutionalized the chaos as has the U.S. that manifests itself in our cycles
- Current storm is nothing more than what is normal for this time in America's history and our lives
- The core problem is expanding life expectancy-especially over age of 65
- All cycles have their media - third cycle had radio, fourth had TV and fifth had the computer
- "But there is an oddity. Television absorbed you. The cell phone connects you.
- " The phone and its obsessive use speak to the craving we have for other people
- Source: George Friedman, *The Storm Before the Calm: America's Discord, the Coming Crisis of the 2020s, and the Triumph Beyond*, Doubleday, 2020

"Today, when you walk into a bar, there are no debates or seductions underway. Men and women sit looking at their phones." - *Storm before the Calm*, page 217