

# Webinar: What COVID-19 means for inequality and “Deaths of Despair”

WITH ANGUS DEATON  
PROFESSOR , WOODROW WILSON SCHOOL

Monday, April 13, 12:30 PM ET  
Pre-registration Required



**Introduction:** MARKUS BRUNNERMEIER

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# Markus' intro

- Previous webinars
  - Paul Romer: testing
    - Cost efficient way forward relies on testing to bring  $R(0) < 1$
  - Olivier Blanchard: fiscal policy
    - 3 forms of fiscal policy:  
(1) infection fighting (2) disaster relief (people/firms) (3) AD management
    - Fiscal debt sustainability if  $r^* < g$
  - Tyler Cowen: social and political implications
    - Speeds up previous trend, US federalism
- Speakers coming up + more
  - Goldberg, Shin, Stiglitz, Rodrik, James, Kremer, Cochran



# The 3 crises

## ■ Health crisis

- Health contagion
- Gaining time

## ■ Economy crisis

- Supply chains, hoarding
- Lockdown

## ■ Financial crisis

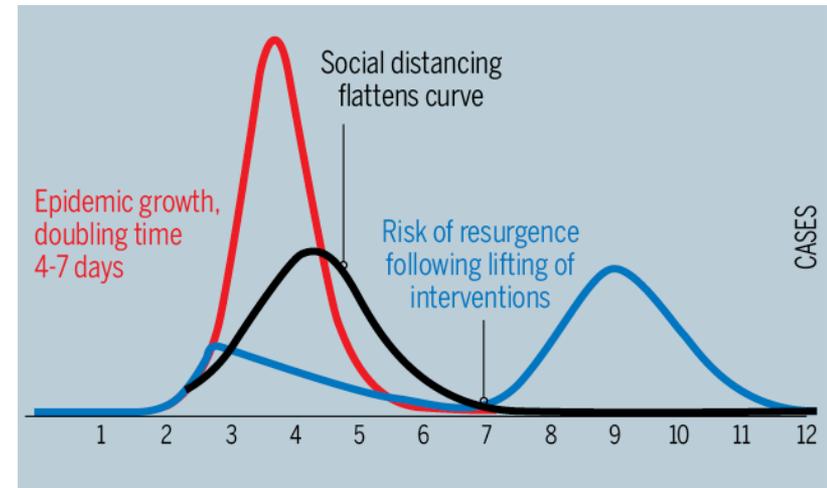
- Liquidity, solvency contagion



# Lockdown trade-offs

- Lockdown
  - Intensity?
  - When to exit?
    - Risk of second wave/flare-up

(“smart exit” a la Romer with testing)



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  - suicide rate in AE
  - starvation in EME
  
- Dynamic trade-off:                      Second wave                      Growth

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- Dynamic trade-off:                      Second wave                      Growth
  
- Trade-off: Young vs. old ?
  - Save the elderly but worsen economic prospects for the young
  - Age dependency of “statistical value of life”

# Health statistics & trust

- Trust in government health statistics is crucial
- Measurement: What's a COVID death?
  - “Die on COVID” vs. “die with COVID”
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there are “three kinds of lies: lies, damn lies and statistics”
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- International data sharing
  - Each government will try to “look more competent” than others

# Poll 01: Health care “industry”

1. US Health care costs are very high because
  - a. Extortionary & high rents for industry or doctors
  - b. High R&D spending, US is most innovative (which benefits the rest of the world)
2. Vaccine will most likely be first developed in
  - a. US
  - b. Europe
  - c. China (other EME)
  - d. International joint effort
3. Developing vaccine will be a international “moonshot project” that will unify human mankind
  - a. Yes
  - b. No

How to achieve it?  
What political leadership is needed?



# Development economics

- Are lockdown trade-offs different?
  - Population density,
  - Food supply shortages,
  - ...
  
- Data sharing with EME (Africa, India, ...)?
  
- Fair allocation of medical resources?

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# DEATHS OF DESPAIR, DEATHS FROM THE VIRUS, AND THE US HEALTHCARE SYSTEM

Angus Deaton, BCF, April 13<sup>th</sup>, 2020



**DEATHS**

**OF DESPAIR**

**AND THE FUTURE OF CAPITALISM**

**ANNE CASE & ANGUS DEATON**

Princeton University Press

March 17, 2020!

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Labyrinth Books in Princeton

# Background: synopsis of the book

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- Our book is about “Deaths of despair”
- Suicides, drug overdoses, and alcoholic liver diseases
  - ▣ 158,000 in 2018
  - ▣ 65,000 in 1995
- The increase is almost exclusively among Americans without a four year college degree
  - ▣ Both men and women
  - ▣ Until recently, predominantly white
- We trace it back to a faltering labor market for less-educated workers
  - ▣ Fewer jobs, worse jobs
  - ▣ Lower earnings
- Familiar causes: globalization and automation
- Less familiar: the rising costs of an “absurd and oppressive” healthcare system

# Analogy with deaths from coronavirus?

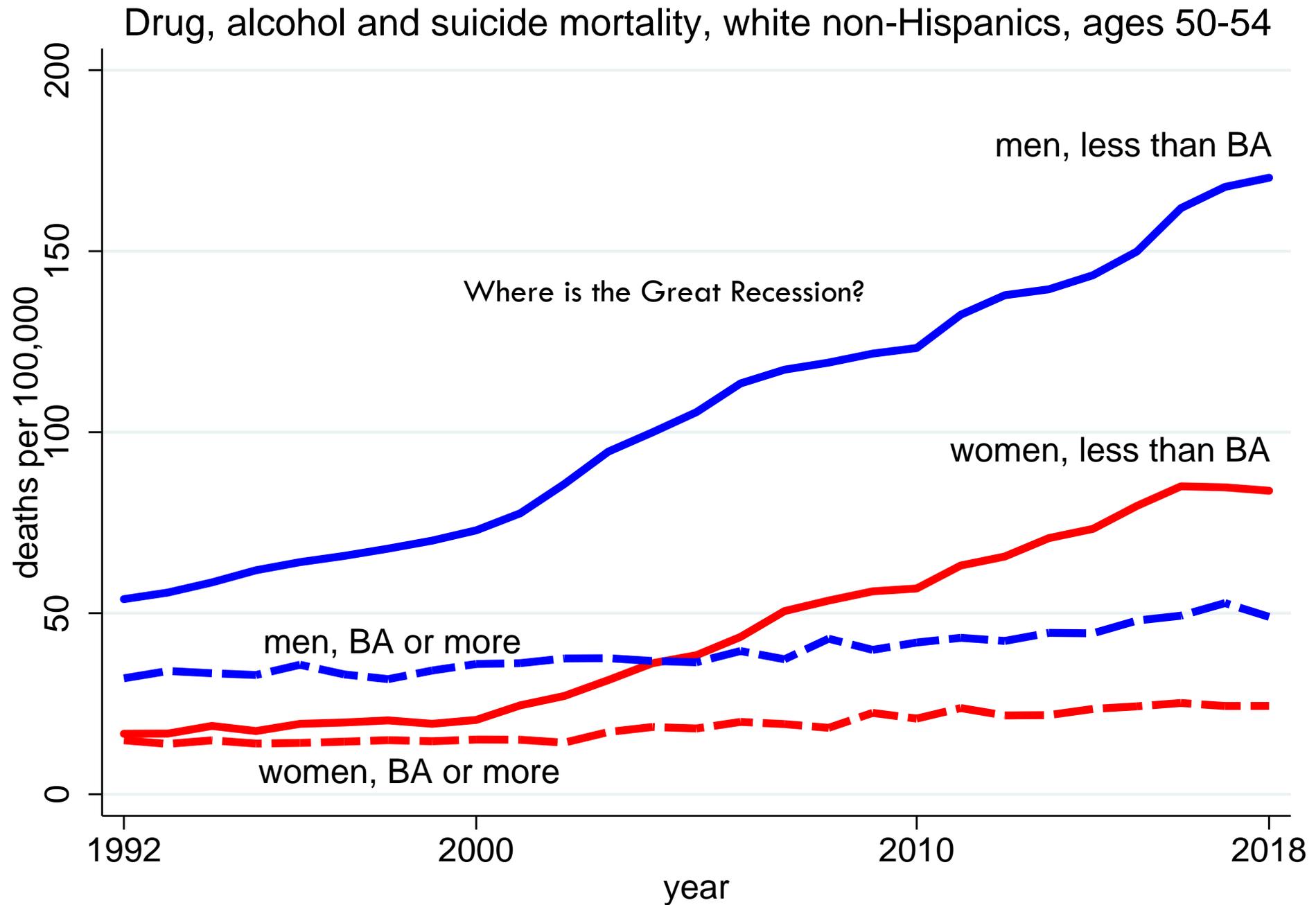
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- The economy has been deliberately crashed: many job losses
  - ▣ Likely disproportionately among the less educated
- Will the crashing of the economy cause an increase in deaths of despair?
  - ▣ Perhaps worse than the disease itself?
- President Donald Trump
  - ▣ “WE CANNOT LET THE CURE BE WORSE THAN THE PROBLEM ITSELF”
  - ▣ “You're going to lose more people by putting a country into a massive recession or depression,”
  - ▣ “You're going to lose people. You're going to have suicides by the thousands.”
- Suicides maybe, but overall mortality is likely to decline, not increase
- Many papers, many places, many times find that all-cause mortality falls in recessions
  - ▣ Although suicides do increase
  - ▣ Current recession is *designed* to save lives

# Evidence and arguments

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- Deaths of despair are a slow disintegration of working-class lives
  - ▣ Not affected by the business-cycle
  - ▣ DoD rose before the financial crisis, during the financial crisis and after the financial crisis
- More generally all-cause mortality rates have fallen
  - ▣ In Greece and Spain in financial crisis
  - ▣ In Great Depression, mortality rates local record lows
- Why?
  - ▣ Accidents of all sorts are low: highway, construction etc. (Seeing this in NYC now)
  - ▣ Alcohol consumption goes down, esp. binge drinking
  - ▣ Pollution down, important for infant mortality (Blue skies)
  - ▣ Elder care in the US, low wage workers can earn more elsewhere in the boom
  - ▣ Less contact between people: as now, but other infections, or murders?
  - ▣ Suicides go up, but are only 2 percent of total deaths



Those without a BA were a constant proportion ( ~67%) of this population over this period

# Maybe this recession is different?

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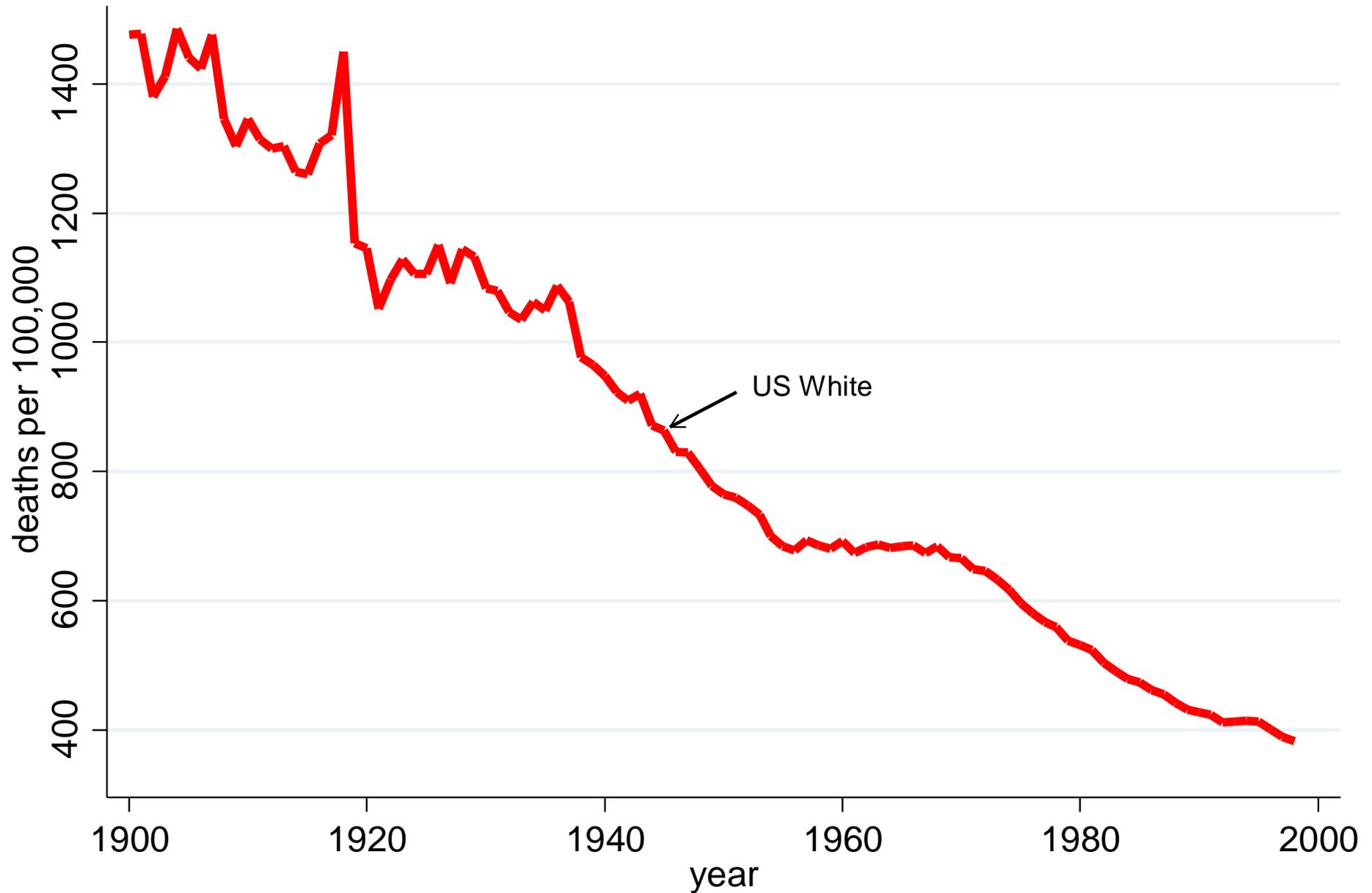
- Low wage workers may not be keen to work in elder care homes now
- Suicide rates are higher in more isolated places: Rocky Mountain suicide belt
  - ▣ Social isolation may be like this
  - ▣ Lots of stories of domestic abuse: murders?
- BUT suicide rates are typically **lower** in wartime
  - ▣ Social solidarity
  - ▣ Some leaders may be able to forge solidarity now
  - ▣ The Queen

## Effects on life expectancy

Coronavirus versus the recession

Recession reduces coronavirus and other deaths

All-cause mortality, men and women ages 45-54



# Deaths: additions and subtractions

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- Deaths from covid19
  - IHME estimates 61,545 deaths (with large margins of error: 30k to 160k)
  - Conditional on continued imposition of social distancing
- Excess mortality proportional to existing mortality risk
  - Men v women, pre-existing condition
- If true, not many additional deaths, just earlier, perhaps only by months
  - **Harvesting**: those who die in 2020 will not die in 2021, see 1918 pandemic
- Deaths from influenza
  - CDC estimating 24,000 to 62,000 in 2019-2020
  - CDC estimated 61,000 in 2017-2018 (46k to 95k 95% CI)
    - This is exceptionally high: **not normal**
  - CDC estimates after 2009 are 12,000 to 51,000
  - We didn't close down the economy in 2018

# Healthcare industry

Background from book

# Uniquely expensive in the US

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- 18 percent of GDP v next highest is 12 in Switzerland, with four years more LE
- Who pays?
  - ▣ About a quarter by employers for employees
  - ▣ About a quarter by individuals directly
  - ▣ About half by Federal and State governments, most of last for Medicaid
- Employer plans in 2019 \$20k for family \$10k for individual
  - ▣ For low-wage workers, this is not feasible: like a poll-tax
  - ▣ Large firms no longer employ janitors, drivers, call-center operators, food service workers, security
  - ▣ Outsourced or gig workers: much worse jobs
- State governments cut state universities to pay for Medicaid; share 20% to 30% in a decade
- Until COVID, future Federal deficits are almost entirely for healthcare

# Smith's "Absurd and oppressive monopolies"

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- Adam Smith: the protection that government gives to maintain the wealth of the industry
- Five lobbyists for each member of Congress
- Opioid manufacturers targeted communities of despair
  - ▣ And made billions from addiction and overdoses
  - ▣ While Congress protected them by changing laws, and muzzling DEA
  - ▣ J & J subsidiary growing opium in Tasmania
  - ▣ No other country allows this
- Surprise medical bills, prescription drug benefits, lack of CBA for procedures, drugs and devices, no price controls, automatic Medicare payment for drugs approved by FDA, industry finances FDA, and influences trials and approvals (not full capture)
- Hospitals merge with little attention from anti-trust regulators
- Monopoly in local markets against patients and insurers, monopsony against nurses

# Healthcare and covid19

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- Two possibilities when we are done: healthcare the **HERO** healthcare the **VILLAIN**
  
- **THE HERO SCENARIO**
  
- Doctors and nurses seen as those who saved us
- Pharma will come up with a vaccine and drugs, and make them widely available
  - ▣ (Lobbyists fought affordability provision in coronavirus bill: \$3.1 bn for development of drugs and vaccines)
- Hospitals will co-ordinate, share equipment, beds, and staff: happening already in NY
- Testing free, copays and deductibles waived by insurers
- Deaths relatively small, and full recovery for others

# The **VILLAIN** scenario

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- Opposite of previous slide
- Drugs expensive and rationed by price: pharma overreaches
- No vaccine for many years
- Many thousands left with very large bills that they cannot pay, that destroy credit for rest of life
- Large surprise medical bills, even when insurers waive copays and deductibles
- Huge increases in premia next year
- Anger at last penetrates the protective cordon in Washington and we get reform

## COVID19 and inequality

Inequality of income: unequal financial burden

Inequality of health outcomes: different groups die more or get sick more

# Clear immediate effect

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- Less-educated Americans are either:
  - ▣ Essential workers, which puts their lives at risk (Subway, grocery stores, etc.)
  - ▣ Non-essential, which puts their livelihood at risk (depending on emergency transfer programs)
- Either way, health inequality by education, and income inequality (by education or just income) likely to increase
  - ▣ Already indications that blacks and Hispanics disproportionately affected
    - Blacks by more than their relative mortality rates
    - Hispanics have **lower mortality** rates than whites: occupations?
- Social distancing is harder for poorer people
  - ▣ Close to impossible for poor people in India, Africa, etc
  - ▣ High rates of baseline morbidity
  - ▣ Lockdowns likely to remove livelihoods without improving health, esp with poor healthcare systems
  - ▣ Education inequalities likely to increase if socially distant learning doesn't work for poor kids

# India

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- Modi imposed a lockdown with no obvious advance planning
- One third of workers are casual labor: 80 percent are in the informal sector
- Public Distribution System only available at home
  - ▣ Migrant workers in cities not covered unless they return home
  - ▣ Buses and trains were shut down: people walked enormous distances
- Hard to believe these people's health will be protected
- Hard to believe that the elite, for whom distancing is feasible, can escape a widespread epidemic among the non-elite
  - ▣ Hard to believe that Modi's base cares about the non-elite at all
- A ray of hope: as of 4/12, only 298 deaths in India, compared with 412 in NJ

# Less clear long run

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- Globalization is likely to be in retreat (already was)
  - ▣ We've been getting higher incomes by incurring risks: need to rebalance
- Some off-shore jobs will return
- More diverse sources of key materials: medicines
- Lower income inequality and lower average incomes (both rich and poor countries)
  
- Healthcare reform to something else (many possible models, not just single payer)
  - ▣ Remove burden on less-educated jobs and increase supply of low-education jobs
  - ▣ Reduce earnings of industry professionals in pharma, hospital management, device manufacturers, and physicians
  
- Both together could substantially reduce income inequality
- Reduce deaths of despair among less-educated Americans