

Lessons Learned from COVID

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Larry Bernstein:

Welcome to What Happens Next. My name is Larry Bernstein. What Happens Next is a podcast which covers economics, politics, and medicine.

Today's topic is Lessons Learned from COVID.

Our speaker is Bethany McLean who is the author of the book, *The Big Fail: What the Pandemic Revealed About Who America Protects and Who It Leaves Behind*.

It is now 4 years since the outbreak of COVID and we need to evaluate our societal performance during this catastrophic health crisis. What did we do right and wrong, and how can we prepare for the next public health disaster?

We are going to cover all the big issues: virtue signaling mask wearing, COVID boosters, closing schools, the lockdowns, and spending trillions on PPP. How and why did the public lose trust in the CDC and how can we improve transparency on the science to assist the public in evaluating medical uncertainty in real time? We will also look at our successes with particular focus on Operation Warp Speed where the US government worked closely with pharmaceutical companies to produce a working vaccine within weeks of the COVID outbreak.

Buckle up!

Bethany McLean:

Joe and I wrote our book, *The Big Fail: What the Pandemic Revealed About who America Protects and Who It Leaves Behind* because we tend to be chroniclers of disaster. We first worked together on a book about Enron called *The Smartest Guys in the Room*. And then we wrote a book about the financial crisis called *All the Devils Are Here*.

It was immediately clear that the pandemic, in addition to being a huge health event, was an economic event. We forget now because the down was so brief and the up was so dramatic. We forget that the markets almost melted down in the Spring of 2020 and the economy came to a complete halt.

The economy for one, if you mentioned it during those early months in the pandemic in 2020, you were accused of not caring about people's lives. But the economy is people's lives. It is people's ability to make a living, to feed their family, to hope for the future.

The other thing that immediately became polarizing were the mitigation measures. In early 2020, I was arguing that we needed to get children back in school as quickly as possible. And a longtime friend of mine sent me a tweet saying, I did not know you were a Trump voter. And I thought, how insane it is that our views on mitigation measures seem to be tied to our politics. If someone told you that how you should treat prostate cancer should be a matter of your political beliefs, you would say, that is insane. But we quickly hunkered down in these ideological fortresses where if you believed in wearing a mask and you believed in lockdowns, well, then you were a good progressive. And if you did not, then you must be a Republican.

The pandemic also brought up what do we mean when we talk about the free market? There is really no such thing as a free market. If you think about the rules that dictate how our free market functions, whether it is the existence of bankruptcy laws or the existence of a limited liability corporation, those are gifts that society gives to business to allow it to function. There is no place where these things intersect more painfully and profoundly than in healthcare.

Joe and I wanted to focus on supply chains. We all know that when the pandemic hit, you could not get gloves, you could not get masks. The shortages and semiconductor chips became a huge problem. We write about the Wild West that the PPE black market became. I do not know what the balance is between government intervention and the functioning of the market. But clearly America's policies have not worked out perfectly.

Another thing we wanted to tackle was the Federal Reserve. In the decade after the financial crisis, what are the distortions from the years of ultra-low interest rates? How dangerous is this moral hazard? And who benefits when the Fed steps in to cut rates and engage in quantitative easing. It turns out that the rich benefit far more than the poor because rising asset price benefit the rich.

People who have read my book have said, I cannot tell what your politics are. And I say, thank goodness, that is the way it should be. But it is still a question nobody wants to ask. How successful were masks? How successful were our mitigation efforts? The short answer is we do not know because we are not willing to look.

The question of why we were locking down got lost. Were we locking down to flatten the curve, so hospitals were not overwhelmed, or were we locking down to wipe out COVID, which was never a possibility? We must ask what the impact was. And to me, the biggest impact has been felt in education for the least privileged students among us. And I worry that that is something that we as a country are going to have a difficult time recovering from.

Larry Bernstein:

Why did we fall into political camps? And were sides naturally going to fall into camps on these issues?

Bethany McLean:

It is a fascinating question. Obviously, President Trump was deeply polarizing. There was an instinctive desire to react against whatever he said and to do the opposite. I worry that it is a deeper failing of modern society. The world is complicated, and we are all looking for shortcuts. And shortcuts appear when you can skip over the difficult work of thinking about something for yourself and just adopt a belief that your group seems to be doing.

Mask wearing happened in the early stages of the pandemic we were not supposed to wear masks until Dr. Fauci turned said, maybe masks help. The funny thing is that Trump himself was not consistent. Dr. Fauci and Birx were in part of his administration, and they were out there pushing mitigation measures and mask wearing. And yet Trump was saying the opposite. It shows Trump's failure of leadership because if he believed in what he was saying then he should have fired Fauci and Birx and gotten rid of them. But he did not. He tried to have it both ways. He tried to say his own message of open the economy, get people back to work, get kids back in school and then have administration policies and people speaking for the administration who were saying something entirely different.

Larry Bernstein:

I read an article about vaccine hesitancy in the US, the UK, and Canada. And conservatives in all three countries were much more vaccine hesitant than progressives. There was a part of your book where you tell a story where Trump is speaking to a crowd of his people, and he is taking credit for Operation Warp Speed and the success of the vaccine. And he is met with some boos and always ready to please a crowd. He said, "Obviously, this is a personal decision, and you can choose to take the vaccine or not depending on the specifics associated with your decision making.

Are politicians changing public opinion? Or does the public choose its leaders and they follow your lead? The assumption here was that Cuomo and Trump defined the respective parties, but maybe the people in the respective parties determined their politicians.

Bethany McLean:

It is an interesting question. My guess would be that it is iterative and that there is some pre-existing belief within different groups for vaccine hesitancy. But there is a progressive, like San Francisco, health-oriented resistance to vaccines, too, that has long been a thread in our society. So, it is hard for me to identify vaccine hesitancy as solely a conservative phenomenon, even though this paper you cite seems to say that it is. There's also vaccine hesitancy in

communities of color because they were experimented upon by the U.S. government. And so, there is a natural distrust among those communities of anything that the U.S. government is telling you to do.

Larry Bernstein:

Teachers' unions opposed to up the schools. We had Cyril Wecht who is a famous pathologist in Pittsburgh on the podcast. He is in his 90s, and he said that when he was a child there was a massive polio outbreak and the question was, should kids go to camp? And everyone sent their kids to camp, even though there was substantial risk of death or permanent damage.

Here with COVID we had a disease that by and large did not harm children, and yet we were unwilling to send them to school or camp or anything else. Why do you think risk aversion changed over the period so that we couldn't send kids to camp? And was this decision more parental or was it more in the form of employees to be safe and considered workers to be more important than the societal benefits of educating children.

Bethany McLean:

I have some sympathy for teachers at the outset. I have zero complaint with shutting down schools in the Spring of 2020 as we tried to figure out what this was and where the sources of spread were.

I do think that the pandemic and what we did with schools shows one of the lies of our society, which is we are supposed to care most about children, that is the future. We are supposed to particularly care about underprivileged children no matter who you are. And if we do not believe in giving those kids an opportunity, then the future of the country is screwed.

And yet when the pandemic came, the group that bore the brunt of it were underprivileged children. We have all become a little bit precious about risk. I get really annoyed when healthy people in their 50s would feel that protecting themselves was the most important aspect of this. If the CDC's messaging had been crystal clear, healthy kids are not really at risk from this. Chances are they will be asymptomatic. And by the way, in most communities, schools are lower sources of spread than the community. We might have had a different response. It is hard to separate out how parents and teachers felt from public health failure of messaging.

Larry Bernstein:

The United States has adopted federalist governance. And during COVID, I lived in the suburbs of Chicago and in Miami Beach, Florida. And the two communities could not be more different. When I arrived in Miami Beach, it was a party. Everyone was outside all the time. Stores were busy, restaurants were busy, everyone sat outside. People wore masks when they were with people, but outside they were open, running, enjoying life. In Chicago, when I was driving, I

would look in the neighboring car with windows closed, and the person would be wearing a mask inside the vehicle. How do you explain the difference in local behavior and beliefs within the US?

Bethany McLean:

One of the fascinating things about COVID is we still do not understand why it is that it would materialize in a particular place, spread violently, and a wave would peak, and then it would break. And nobody still understands why that is. Florida was not hit first, New York was. So, the urban areas that were hit first and badly, they had more fear about it than a place like Florida. In Florida, Governor Ron DeSantis looked at the data early on and said, okay, it's the old people who are most at risk. Let's do what we can to protect people in nursing homes and everybody else gets to live their life. Now, did that turn out to be the right decision because of Florida's weather? Would that have been the right decision, even in a place that is cold and gray and rainy? We still do not know the answer to that. But I think what is undeniable is we are going to look back in five years and see the enormous migration to places like Florida and Texas and away from places like California and New York. And it is going to have marked a decisive shift in the economy of the U.S.

What is also fascinating to me is that as much as we are talking about this as a question of political beliefs, progressives versus Republicans, there are an awful lot of people who might identify as Democrats who still packed up and moved to Florida or Texas. They voted with their feet.

Larry Bernstein:

Masks is our next topic. And my first question relates to learning. There is a lot of uncertainty in the world, and we do not know what is going on. Fauci said originally no masks, then he said there must be masks, which is fine. I believe that when the facts change, your opinions change. That is normal. When I change my opinion, I articulate why I thought this, but it turned out that was not right. What surprised me about the COVID period was that people became quite dogmatic about whatever they decided to do, and then would not change their views when there was learning.

With masks, today the science would suggest that N95s are excellent at protecting you. But the cloth masks, some of these things that gardeners wore were worthless. I often saw children or adults with the mask just below the mouth and nose obviously having no value. We know that people would go to restaurants, wear the masks, and then take them off to eat. How do you explain the lack of iterative learning from experience?

Bethany McLean:

Masks became a virtue signaler. If you wore your mask, you were a good person. People wanted to signal their virtue.

You heard even some of the people at your dinner saying, well, of course a mask must work. And then the doctor who was there, who was the head of a COVID ward said, “well, no, not necessarily.” Particles can escape. Even an N95 mask if it is not properly worn and sanitized before putting it on. And can you have a population effectively sanitize and wear properly fitted masks? If you are taking a mask on and off throughout the day with your dirty hands, what good does that do? What good does it do to mask toddlers? All these questions are ones we are just still unwilling to ask or study. And I guess it just comes down to our desire to show other people that we are virtuous.

Larry Bernstein:

On lockdown, it seemed that the purpose was given originally that we wanted to make sure that the hospitals were not overrun. I caught COVID in December of 2020. And it happened to have been literally the date of peak COVID, which makes sense. When did you expect to get sick? The day that most people get sick.

I was hospitalized. Ari Ciment took care of me at the Mount Sinai Hospital in Miami Beach. And there I was at peak COVID, and the hospital was empty. I got my own room. The COVID ward was not packed. And I was a little bit in shock. I'm like, wait a minute, we shut the economy down. I cannot believe this.

My interaction with the nursing staff and with the doctors was extremely limited. They would spend five minutes with me a day. I got a chest x-ray. I got some blood work done. And I met Ari. And the reality is that you can get scale.

All I really needed was oxygen and some steroids and to make sure that I did not go downhill. I do not understand the decision to shut the economy down to make sure that the hospitals were functioning properly. There were much simpler solutions on how to do mass scale hospitalization that were not considered in lieu of letting people not go to work.

Bethany McLean:

There were periods where certain hospitals were terribly overwhelmed. There was never this massive overwhelming of hospitals across the United States. If there had been better resource sharing among hospitals, even in hard hit places, perhaps those scenes of specific hospitals being overwhelmed would not have happened at all. In the initial scary first stages of the pandemic where there was this fear that hospitals across the nation would be overwhelmed, the idea of mitigation measures to prevent that was not absurd.

The only thing that gives me a little hesitancy about that is that the impetus for that came from this piece written by a guy named Thomas Pueyo, which went viral everywhere, that this idea that hospitals were going to be totally overwhelmed if we did not lock down and we needed to do this. He is not an epidemiologist, he's not a scientist. He just put this out this piece went viral and became taken for granted as to me is the most absurd example of follow the science in this whole thing. It was never science.

Larry Bernstein:

One human value judgment that seems to irritate people is being a hypocrite. Boris Johnson demanded lockdowns in English society. And then after work he would go out and have a huge party in the backyard. First, he denied it, then there were photos, people resigned. And ultimately, one of the causes of his losing his power was related to this event. But we have hypocrisy here and everywhere. And it is a fundamental nature of being human, and it's a fundamental nature of humans to condemn others for that behavior. Why was hypocrisy such a major part of the COVID experience?

Bethany McLean:

Because many of our leaders did not want to live by the standards that they were setting. So here in the U.S., Gavin Newsom was caught at French Laundry. Initially, he claimed it was outside. And then it turned out photos revealed that he was inside without a mask while telling all his constituents that they had to wear masks. California's public schools were shut down. Gavin Newsom's children were in private school, so it did not affect them.

I asked this question at dinner and one of your guests got incredibly angry with me, which is that if we all, meaning the white professional class, had lost our jobs and been unable to educate our children and had to accept those trade-offs for ourselves, no income other than government handouts, no place to send our children to school, how long would lockdowns have lasted here? They would not have lasted at all.

Your guest's comeback was while we were doing it to protect other people. Were we really? If we are sitting at home in our isolated houses and we are having Amazon and food service people bring us our food and we are not living as part of a community where the COVID spread was the most extreme, are we really protecting others? I am not sure that was ever the truth of it.

Larry Bernstein:

The West and the United States have implemented a welfare state to handle economic downturns. We have unemployment insurance, we have Medicare, we have various programs to get money to people in times of trouble. And what was interesting here was we have a novel pandemic and the Congress decided to come up with a completely new method of getting money to people.

There was a lot of fraud. The money ended up going to people who really did not need it. There was a blatant unfairness to it.

Why do we turn to untested approaches to giving money to the population in extraordinary circumstances? When you talk about lack of planning and economics being so important, why hadn't or can we consider approaches to this problem now in lieu of making something up when we are talking about trillions?

Bethany McLean:

Because there was no mechanism to getting money to small businesses. It simply did not exist. The mechanism that we have used in crises is to slash interest rates. And that obviously helped big business access the capital markets and fund themselves, but it does nothing for a small business that does not have capital markets access. So, the PPP was completely devised on the fly because there was not a mechanism for getting money to small businesses otherwise.

I am as appalled by the sheer amount of fraud in the PPP loans as anybody else is. When you look at it in retrospect and you think of how much it is added to our debt burden, it is dismaying. But we did not have systems in place to get money to small businesses.

And they decided, rightly or wrongly, that speed outweighed putting all the checks and balances in place. I'm inclined to say that was probably the right call.

And in this case, given the scale of the bailouts to big business via the Fed that something was done for small business as a sense of fairness in the world.

The major expense for a lot of small businesses is not just employees. It is rent. It is a whole host of other things. And so then maybe, yes, you bail out the employees, but you are still putting the small business under. And is that what you want?

Typically, small businesses have been the engine of job growth in this country and have been what has led the economy out of recession. Maybe you can argue that people try again and small businesses spring up, but you leave a profound sense of unfairness in the wake of it.

Are people willing to try again to invest their life savings in everything they have in a small business knowing when push comes to shove, the government will shut you down, tell you cannot have your doors open, allow the big to thrive, and you are done.

Larry Bernstein:

The next topic is trust in public health. What did we learn from this experience about the public's reaction to the CDC?

Bethany McLean:

What we learned is that when your recommendations do not make sense, people do not trust you. And in today's world, you cannot approach the American public as an ignorant mass to whom you can dictate the truth.

There must be a different way forward than false certainty. Everybody has admitted the six feet of distance was based on nothing. Six feet sounded good. You can walk into a restaurant and take your mask off to eat, but you must put it on to go to the bathroom. The staff must be masked as they serve you. There was so much about this that anybody would look at and say, "but that makes no sense." Toddlers being masked, outdoor playgrounds being shut down.

Larry Bernstein:

There are consequences to a lack of public trust. Parents choose not to get measles vaccines for their children. And there will be other health scares going forward and with deep seated animosity and distrust towards the CDC, we have severely injured an important public function. How can the CDC regain the public trust?

Bethany McLean:

By adopting the principles of transparency and a willingness to acknowledge uncertainty that is still ongoing, which is the COVID vaccine. I am a huge fan of Operation Warp Speed. So much about it speaks to some of the best of people what this country is capable of.

I am not a fan of the way public health officials handled the rollout of the vaccine that they very quickly overstated its benefits. And I can see there is a justification for doing that, which is they wanted to convince as many people to take the vaccine as possible. The clinical trials measured the endpoints. Does this prevent hospitalization? Does this prevent death? The endpoint was never do you get COVID or not? The endpoint was not does this stop you from transmitting to other people.

Yet, when the vaccine was rolled out, that very quickly became the message from public health and it became us against them scenario where it was if you are not getting vaccinated, you are a bad person because then you can still spread COVID. Whereas if you get vaccinated, you cannot transmit, and you are not going to get COVID. And then when it turned out, lo and behold, you can still get COVID and still spread COVID even if you are vaccinated. Huge breakdown in trust, huge breakdown. And all of that was avoidable. It was such an unforced error. And that

continues to today, refusing to acknowledge, continuing to recommend boosters to anybody over the age of five, refusing to acknowledge that there is a personal decision here.

And there is a real difference in the efficacy and need for boosters depending on who you are and what your risk factors are. And it is probably legitimate for a mother to choose not to give boosters to her healthy teenage son. If you are over 80, you should probably get a booster. But we are not willing to tolerate any ambiguity in our messaging around who should get boosters and who should not.

It is this desire for extreme oversimplification as if the American public are toddlers who can only be told a black and white message and cannot tolerate any nuance. And then you breed conspiracy theories that we are trying to help the vaccine manufacturers, that there is something else nefarious going on. It is all preventable.

Larry Bernstein:

Talk about Operations Warp Speed. What do we get so right?

Bethany McLean:

What I love about Operation Warp Speed is that it is an example of government and business working together illustrative of what can happen at its best. Government and business need each other, even in the freest of free markets, still rest on a foundation of rules, such as the existence of a limited liability corporation, which allows the business owner to be shielded personally from the debts of the business. Without those things, which are government-granted rules, most markets would cease to function.

Operation Warp Speed, the government looked at the vaccine manufacturers and said, if we do not get involved, this is not going to happen. In large part, that's because Alex Azar, the head of Health and Human Services, had worked in Big Pharma. He understood intrinsically what Big Pharma's issues were. Vaccine manufacturers had been burned in the past from racing to produce vaccines, only to have the world turn around and tell them, oops, not needed, this went away, and be stuck with hundreds of millions of dollars in losses. Shareholders hate the vaccine business.

On top of that, there was little industrial manufacturing capability in the United States. And so, the government provided a guaranteed market for the vaccine manufacturers so that they would not have to face shareholder wrath if by investing in this business. The government, mainly the army, worked hand in hand with the vaccine manufacturers to build the capability to manufacture the vaccines at scale here in the US so that we could not only get the shots FDA approved, but then have the capacity to manufacture them at the same time.

Larry Bernstein:

I end each podcast with a note of optimism, what are you optimistic about as it relates to COVID and public health.

Bethany McLean:

I hope the lesson we learn is one of transparency and clarity and willingness to change our mind in the face of changing circumstances and an embrace of that wonderful Ralph Waldo Emerson quote that a foolish consistency is the hobgoblin of little minds.

Larry Bernstein:

Thanks, Bethany, for joining us today.

If you missed our previous podcast the topic was the Upcoming Presidential Election. Our speaker was Henry Olsen who is a Senior Fellow at the Ethics and Public Policy Center and the author of two books: *The Working-Class Republican* and *The Four Faces of the Republican Party*.

Henry reviewed Biden's performance in the State of the Union Address where he described Biden's speech as an opening of his presidential campaign whose purpose was to unite the Democratic Party around him and not a potential replacement.

Henry spoke about how Biden's age will be a factor in his performance on the campaign trail. He also thinks that Trump will be more professional in his campaigning this time around.

On the policy side, we discussed whether Trump might propose a sixteen-week abortion ban to get support from the median American voter.

I would like to make a plug for next week's podcast. We will hear from Greg Makoff who is a former Salomon Brothers colleague of mine who has a new book entitled *Default: The Landmark Court Battle over Argentina's \$100 billion Debt Restructuring*.

Emerging market countries are issuing billions of new debts every day, and some of these countries will not pay their investors back. I want to learn about what happened to Argentina to figure out what the appropriate public policy responses should be for the IMF and the Federal courts to allow investors to make reasonable claims.

You can find our previous episodes and transcripts on our website whathappensnextin6minutes.com. Please subscribe to our weekly emails and follow us on Apple Podcasts or Spotify.

Thank you for joining us today, good-bye.