**What Happens Next – Sunday April 18, 2021**
**Coups, Lost Learning, Filibuster, Reinvention, AdTech, and COVID Fears**
**Chad Syverson**

Larry Bernstein:
We're going to move on to Chad Syverson. Chad is a professor at the University of Chicago Booth School in labor economics. He will discuss the economic consequences of the fear of COVID. Go ahead, Chad.

Chad Syverson
Thank you. Austin Goolsveeand I set out to measure the effect of shelter in place and other so-called shutdown orders on economic activity. And in the process, we learned some broader lessons about pandemic economics that could serve decision-makers going forward. We used mobile phone location data for the study. These data are anonymized. We can't follow any of the individual over time. Instead, what they offer is essentially a counter on the door of about two and a half million businesses in the US. So we can see how many people visit a business in any given week. If you remember what was happening one year ago, you were seeing two things occur at the same time. Shelter in place orders were being imposed in a lot of jurisdictions and economic activity was falling precipitously. That's what we see in our data too. A shelter in place order in a county was correlated with very large declines in foot traffic at businesses in that county.

But as we know, correlation is not causation. There was after all, another factor at work, the pandemic. It's possible that fear about the pandemic was driving both politicians to impose shutdown orders and causing people to remain at home of their own volition. And that case, the correlation between shelter in place orders and drops in business activities might reflect the common influence of the pandemic rather than a causal effect of shutdown type orders on economic activity. Here's how we teased apart these two potential effects, pandemic fear versus shutdown orders. We focused on businesses within the same Metro area where some counties were subject to shutdown orders while others were not. If the state of the pandemic is roughly the same within a Metro area at a particular moment in time, then any difference in activity across borders where one side's under order and the other isn't would reflect the causal effect of the orders themselves.

To see this in example, consider the Quad Cities. Rock Island and Moline on the Illinois side, went under a shelter in place order in late March. Davenport and Bettendorf in Iowa never did. We can compare traffic in a given week at say, two sporting goods stores, one on the Illinois side, versus one on the Iowa side. The effect of the pandemic and people's fear of infection should be roughly the same on both sides of the border. That will be reflected in any common drop in activity across the two stores. Therefore, the difference in traffic between them would reflect the effect of the shelter in place order per se. What we found repeating this comparison across hundreds of thousands of businesses is that of a peak to trough drop in foot traffic that average around 50%, only about seven percentage points of that, or 10% of the total, was from the shelter in place orders themselves.

Those sporting goods stores on both the Iowa and Illinois side saw big declines in traffic. It's just that the drop on the Illinois side was a bit bigger. In sum, about 90% of the total drop in economic activity was due to people avoiding going out voluntarily. Later on when some jurisdictions started lifting shutdowns, we measured those effects in the same way and found the mirror image. Measurable, but modest. In fact, the same size, modest increases in businesses' foot traffic when shutdowns were lifted. And when we recently went back and looked at the effect of reimposed stay in place orders in this past fall, we found the same small effect. So fear of the pandemic seems to move around activity much more than policy. We found further evidence bolstering this notion first within Metro areas, businesses and counties that had more COVID deaths saw larger declines in business traffic.

Further, while our businesses saw declines, those that were busier before the pandemics saw proportionately larger drops than those in the same industry that were less busy. In other words, when people did go out, they shifted away from, for example, the coffee shop on the busy corner. And instead went to more out of the way places to get their coffee. One actually sizeable effect of these orders was in shifting traffic across related businesses. So we found that orders restricting restaurants and bars did in fact, cause large declines in traffic at those establishment, but led to an almost equal size increase in traffic to local grocery and liquor retailers. Similar shifts occurred from businesses deemed non-essential and toward essential ones. The bottom line of our results is that the largest driver of reduced business traffic by some distance has been the pandemic itself. Individual's concerns that they might infect themselves, their families or their friends kept them at home. Shut down orders had additional measurable effects, but they were relatively small.

The implication is that the way to really move the needle on economic activity is to make people feel their health is protected. You have to deal with the fear of the disease. Our study focused on customers patronizing businesses, because that's what our data allowed us to measure directly. But there's been some speculation about whether a similar phenomenon also affects the labor market. Are people less willing to work or look for work because of concerns about infection? We couldn't measure that directly in our data, but it's certainly an interesting and plausible hypothesis. Any effects that might be there could shape the speed and locations of the recovery in the coming months. Thank you.