

On the Question of Current and Future Lockdowns

By John Mauldin | September 11, 2020



A Bit of Good News

What Do We Do Now?

The Risk of a COVID-19 Spike and the Federal Reserve

It Is Time to Open Up the Economy, Slowly

Personal Observations

Simply discussing COVID-19 will undoubtedly make this letter controversial and, in some circles, political. That is not my intent. I truly believe that something affecting all of us so deeply should be kept in the scientific realm to the extent possible, not the political. Sadly, that is not the case today in many countries.

My theme today is on the pandemic's future economic impact, especially in the United States. It is relatively easy to look back and see what happened, but I am more interested in future responses. In the US, we have tried a wide variety of experiments in various states over the past six months, some which seem to have worked and some that have been less effective.

I am going to make some suggestions about how we move from here. I can guarantee you that no one will be happy with everything I write. This is an emotional issue. What follows are just my feelings and observations.

In general, here is what we have learned.

First, the median age of fatalities seems to be around 80. Deaths below that age level are highly associated with one or more conditions like obesity, hypertension, heart disease, diabetes, a weakened immune system, etc. Deaths among those under 20 are quite rare.

The estimated Infection Fatality Rate is close to zero for younger adults but rises sharply with age, reaching about 0.3% for ages 50–59, 1.3% for ages 60–69, 4% for ages 70–79, and 10% for ages 80–89.

That is not to say that every death does not matter, and when it is your loved one, it is tragic. I get that. Truly, I do. But according to CDC data, only about 6% of COVID-19 deaths were from COVID-19 alone. All the others had at least one comorbidity associated with them and, on average, all US deaths had 2.6 additional conditions.

Second, the lockdowns created a depression-like economic reaction in the first quarter and even though the economy has rebounded, it is still in severe recession territory. It's impossible to say otherwise when over 800,000 are people still applying for unemployment benefits every week.

Third, both health and economic impacts have skewed toward those of lower income and ability to recover. Those of us lucky enough to have jobs where we can work from home have seen relatively less damage, and in some cases even improvement, at least from an employment standpoint.

With the benefit of hindsight, I am sure that we would've made different choices in terms of our response to the disease. It would've been nice to have a stockpile of N95 masks and other PPE gear. Efforts are underway to remedy that problem, but those will likely take years to actually prove successful.

A Bit of Good News

The justifiable concern about hospitals being able to handle large numbers of cases seems to have improved. Further, treatment practices and medicines have increased and will continue to get better.

Likewise, hundreds of vaccines are in some stages of trial/testing. There are over 30 vaccines currently in a phase 3 trial. To put it in hockey or soccer terms, that is over 200 shots on goal.

Given the wide variety of approaches, most will either fail because they don't work or have harmful side effects, or they are uneconomic. But the good news is we only need a few to help bring the disease under control.

Further, as time passes, we get closer to herd immunity. And while that is a nebulous concept, as we are not sure quite what the number is for this particular virus (here the scientists strongly disagree with each other), like every flu pandemic that we have had in the past 70 years, herd immunity is eventually reached. We have to hope that immunity to this virus is long lasting, otherwise all bets are off.

As an aside, everyone has learned today that the elderly long-term care facilities are at risk. In many countries, 50% to 60% of COVID-19 deaths are from care facilities. In some countries, it approaches 80%. While every death is horrible, life expectancy for those victims was often short already. The [length of stay](#) data are striking:

- The median length of stay in a nursing home before death was five months
- 65% died within one year of nursing home admission
- 53% died within six months of nursing home admission

There is a reason insurance companies that offer long-term healthcare insurance provide a significant discount for the first 90-day exclusion clause. That is because they know the risk of dying soon after you enter a healthcare facility is quite high. That's just a very sad actuarial fact.

Cases in the US are now trending down with the exception of locations associated with super spreader events like the Sturgis motorcycle gathering. It was more than just North and South Dakota, but you can track increases back to where a motorcyclist went home and see smaller spikes there.

What Do We Do Now?

Many experts see high odds of an increase in both cases and hospitalizations (and thus deaths) as winter approaches. There will be a natural tendency to want to go back into lockdown mode. **We can't do it.**

A lockdown on the level that we had in the second quarter would throw the economy into yet another depression scenario that would be even harder to escape. Hundreds of thousands of small businesses, and a few larger ones, are simply going to go out of business as it stands today. That represents millions of jobs. Another lockdown would make the situation even worse.

Interestingly, according to the *Wall Street Journal*, "The U.S. Centers for Disease Control and Prevention, in its 2017 community mitigation guidelines for pandemic flu, didn't recommend stay-at-home orders or closing nonessential businesses even for a flu as severe as the one a century ago." The World Health Organization (WHO) Writing Group, after reviewing the literature and considering contemporary international experience, concluded that "forced isolation and quarantine are ineffective and impractical." Canada's pandemic guidelines concluded that restrictions on movement were "impractical if not impossible."

Of course, there were other authorities and government officials who disagreed with those suggestions and promoted lockdowns. I am not going to argue whether or not the decisions were proper. That's water under the bridge. I am arguing that we cannot pursue future lockdowns to the extent that we did.

So what do we do?

First, we have to figure out how to protect those who are most vulnerable. They must be supplied with N95 masks.

Second, we need to recognize that people are dying as a secondary effect to the lockdowns. There is a significant spike in deaths of despair, drug use, and suicide. Doctors in Denver noticed that there was a reduction of heart attack victims coming to hospitals. They [found](#) that the number of people dying of cardiac arrest at home in the two weeks following the statewide stay-at-home order was greater than the total number of people who died of COVID-19 in the city during that time.

New cancer diagnoses have fallen off significantly. That means people are not coming in for checkups, and when (or if) their cancer is eventually discovered, it will be later stage and thus more likely to be fatal.

In England, there was a 50% decline in admissions for heart attacks as people were concerned about going into hospitals with COVID-19 patients. The result was 40% more people dying from lower-risk treatable heart conditions. For strokes, the situation is further exacerbated by living alone and not having visitors as [98% of emergency calls](#) for strokes are made by someone else.

(My own daughter, Amanda, who was the picture of health, experienced a severe stroke. Fortunately, her husband found her within a few minutes, as he was working from home. He got her to the hospital where she recovered. Now she is back out in the community and working, but many are not so fortunate.)

There are other knock-on effects. Tuberculosis kills 1.5 million people each year. According to one [estimate](#), a three-month lockdown across different parts of the world and a gradual return to normal over 10 months could result in an additional 6.3 million cases of tuberculosis and 1.4 million deaths. A six-month disruption of antiretroviral therapy may lead to more than [500,000 additional deaths](#) from illnesses related to HIV, according to the WHO. Another WHO model predicted that in the worst-case scenario, deaths from malaria [could double to 770,000](#) per year.

While lockdown may seem to protect us from an immediate known problem, the unintended consequences are killing just as many people from different sources and few of those deaths make it into the media.

Third, we need to do the obvious. While the use of masks is controversial in some quarters, and not legally mandated everywhere, I believe we should continue using masks in public places—especially if you are older (like me) or have a comorbidity. Social distancing is also effective. Interestingly, normal flus and other infectious diseases are down thanks to social distancing and mask usage. (Dr. Mike Roizen and I [wrote about this](#) last June, and it is still accurate.)

Fourth, until we have a vaccine or have clearly obtained herd immunity, and the risk is no more than that of a normal flu, we should avoid mass events like football games and arena sports. And it should go without saying to wash your hands frequently.

And speaking of herd immunity, let me refer to a country that is somewhat controversial: Sweden. It did not pursue a lockdown strategy. It kept its schools open and reopened them again. It had 5,800 deaths as of a few weeks ago. Seventy percent of those deaths were in long-term care facilities, most of them occurred early on, providing the spike in its initial death rates. And while everyone was agonizing over the deaths in Sweden, there were more deaths in Sweden in 1993 and 2000 from the flu than from COVID-19 this last year.

Today, deaths and hospitalizations in Sweden are in the single digits and zero most days. Its policy worked, at least for the Swedes. Sweden may be a bad analogy for the US. Its population simply has less comorbidities.

Fifth, we need to figure out more precise and reasonable social-distancing methodologies. Arbitrary 50% rules for restaurants may not make sense in every case. The actual distance between tables is what is important. Most restaurants, for example, can't be profitable at 50% capacity. The same goes for almost any retail business or public place.

Sixth, businesses should consider reserving times for those who need additional protective measures. Again, using the restaurant example, maybe dinner from four to six for those who are older or vulnerable so that they can feel comfortable getting out again, with more distancing between tables for that period of time.

Seventh, we clearly need to improve the availability of not just masks and other protective gear but also important drugs and medical supplies. Temporary tax breaks to encourage the building of facilities within the US may be useful. I know that a bill has been introduced in Congress to make it easier to produce pharmaceuticals and equipment within Puerto Rico.

(Interestingly, not that long ago, there were significant tax advantages for pharmaceutical companies to locate production in Puerto Rico. For whatever reason, those were removed and eventually the pharmaceutical companies left, but there are still enormous facilities that could once again be used for pharmaceutical production.

Eighth, I wrote about the potential for 205 to 222 nm [ultraviolet light \(UVC\)](#) to kill not only this coronavirus but all viruses and bacteria without harming humans. It turns out there are several companies working on such products. Right now, they are terribly expensive. But with the development of a simple LED capable of producing that light, the cost would drop by several magnitudes. Not only would this protect us from COVID-19, but it would protect us from other infections in the future. It would help in other ways, too. Fifty thousand people a year die from hospital-acquired infections. This would cut that into a fraction. This type of lighting should become ubiquitous not only in businesses but also in the homes of at-risk people.

It would not take a great deal of money to make many research centers focus on developing cheaper LEDs for UVC light. We would probably recover the investment quickly just by needing less PPE gear, which must be constantly replenished. Not to mention the future lives saved around the world. Honestly, this is probably the most productive suggestion I made so far, at least from a long-term standpoint.

The Risk of a COVID-19 Spike and the Federal Reserve

Dr. Woody Brock, in his latest “Quarterly Profile,” gave us the submitted wisdom:

Looked at differently, the Fed’s newest policy can be viewed as a substitution of *fragility monitoring* for *inflation monitoring*. Powell has just stated that the Fed will now tolerate more inflation than it used to. One reason why was his concern with economic fragility -- fragility which has been created by interest rates that have been too low for too long.

Another lockdown and the economy slipping back into depression would tempt the Federal Reserve to enact even more aggressive quantitative easing, since it can no longer cut rates. That would have the unintended consequence of potentially increasing inflation, which the Federal Reserve is absolutely certain it can control (of course it is absolutely certain), and will make the economy even more fragile.

While I agree with Woody, I think the Fed has been managing fragility for decades. It was the famous “Fed put.” It has certainly made the world more fragile. And while it may seem a little arcane to want to avoid a lockdown in order to keep from tempting the Fed to give us more QE, this economist sees that as a quite worthy goal—ninth or tenth on my list, for sure, and way below doing the things necessary to preserve life, but it is still there.

It Is Time to Open Up the Economy, Slowly

I am not suggesting we open up the economy overnight. But we do need to open it up in an orderly fashion as soon as possible with the above caveats about masks, social distancing, and clearly no mass events until there is a vaccine, or the disease, like all flus in the past 50 years, simply and obviously runs its course.

I recognize that there is somewhat of a contradiction in my position. I am saying that there is a potential for the disease to spike again this winter. But because herd immunity, at whatever level we are at, has already been somewhat improved, that spike should be of lesser magnitude. Further, we have better treatments and our hospitals are not threatened with being overrun. Sometime in 2021, with or without a vaccine, we should be able to treat this as a simple risk along the lines of a normal flu, and go about our day-to-day lives.

I will close by offering [this collection of links](#) from a close friend, who for personal business reasons must remain anonymous. He obviously leans toward the “end the lockdowns now” camp, but he provides scores of links to scientific articles and journals to back up his position. I found it quite useful. I get about this much data from one source who seemingly collects everything written within the last 24 hours and provides pages of links and summaries. It can be a bit overwhelming, but it is also encouraging to see the progress being made on the vaccine front.

There are no good or easy choices, and certainly none that will make everybody happy.

Personal Observations

We find out today (as you read this) what the new restrictions will be in Puerto Rico. Right now, they are relatively strict in some areas. Restaurants are open at 50% capacity, but alcohol is not served after 7 PM, and everything is pretty much shut down on Sunday. The current governor, who lost in her last primary election and immediately imposed much stricter lockdown rules, will tell us the new rules. The informal “betting” market is split between things being *mismo* (Spanish for the same) or more severe. I hope they are both wrong, in that I hope it loosens up bit, at least from the exercise/gym standpoint. A lot of people would like to get back to work. Tourism is way down.

I do hope the bill that was introduced in Congress will make its way through, as making Puerto Rico a new pharmaceutical and PPE production center would be fabulous for local workers. As an aside, the entire island is an opportunity zone, and there are numerous new projects being worked on to take advantage of that. I think that in 10 years, Puerto Rico will be a relatively much more prosperous island.

Finally, I have a small request. We’re taking a quick survey of Mauldin Economics readers to gauge your attitudes on the economy, markets, and a few other topics. It’s completely private and will only take a few minutes. Please [click here to participate](#).

With that, it’s time to hit the send button. Have a great week and stay safe out there!

Your cautiously optimistic about COVID analyst,



John Mauldin

subscribers@mauldineconomics.com

<http://www.mauldineconomics.com/members>

© 2020 Mauldin Economics. All Rights Reserved.

Thoughts from the Frontline is a free weekly economic e-letter by best-selling author and renowned financial expert, John Mauldin. You can learn more and get your free subscription by visiting www.MauldinEconomics.com.

Any full reproduction of Thoughts from the Frontline is prohibited without express written permission. If you would like to quote brief portions only, please reference www.MauldinEconomics.com, keep all links within the portion being used fully active and intact, and include a link to www.mauldineconomics.com/important-disclosures. You can contact affiliates@mauldineconomics.com for more information about our content use policy.

To subscribe to John Mauldin's Mauldin Economics e-letter, please click here: <http://www.mauldineconomics.com/subscribe>

To change your email address, please click here: <http://www.mauldineconomics.com/change-address>

Thoughts From the Frontline and MauldinEconomics.com is not an offering for any investment. It represents only the opinions of John Mauldin and those that he interviews. Any views expressed are provided for information purposes only and should not be construed in any way as an offer, an endorsement, or inducement to invest and is not in any way a testimony of, or associated with, Mauldin's other firms. John Mauldin is the co-founder of Mauldin Economics, LLC. He also is the President and investment advisory representative of Mauldin Solutions, LLC, which is an investment advisory firm registered with multiple states, President and registered Principle of Mauldin Securities, LLC, a FINRA and SIPC, registered broker-dealer. Mauldin Securities LLC is registered with the NFA/CFTC, as an Introducing Broker (IB) and Commodity Trading Advisor (CTA).

This message may contain information that is confidential or privileged and is intended only for the individual or entity named above and does not constitute an offer for or advice about any alternative investment product. Such advice can only be made when accompanied by a prospectus or similar offering document. Past performance is not indicative of future performance. Please make sure to review important disclosures at the end of each article. Mauldin companies may have a marketing relationship with products and services mentioned in this letter for a fee.

PAST RESULTS ARE NOT INDICATIVE OF FUTURE RESULTS. THERE IS RISK OF LOSS AS WELL AS THE OPPORTUNITY FOR GAIN WHEN INVESTING IN MANAGED FUNDS. WHEN CONSIDERING ALTERNATIVE INVESTMENTS, INCLUDING HEDGE FUNDS, YOU SHOULD CONSIDER VARIOUS RISKS INCLUDING THE FACT THAT SOME PRODUCTS: OFTEN ENGAGE IN LEVERAGING AND OTHER SPECULATIVE INVESTMENT PRACTICES THAT MAY INCREASE THE RISK OF INVESTMENT LOSS, CAN BE ILLIQUID, ARE NOT REQUIRED TO PROVIDE PERIODIC PRICING OR VALUATION INFORMATION TO INVESTORS, MAY INVOLVE COMPLEX TAX STRUCTURES AND DELAYS IN DISTRIBUTING IMPORTANT TAX INFORMATION, ARE NOT SUBJECT TO THE SAME REGULATORY REQUIREMENTS AS MUTUAL FUNDS, OFTEN CHARGE HIGH FEES, AND IN MANY CASES THE UNDERLYING INVESTMENTS ARE NOT TRANSPARENT AND ARE KNOWN ONLY TO THE INVESTMENT MANAGER. Alternative investment performance can be volatile. An investor could lose all or a substantial amount of his or her investment. Often, alternative investment fund and account managers have total trading authority over their funds or accounts; the use of a single advisor applying generally similar trading programs could mean lack of diversification and, consequently, higher risk. There is often no secondary market for an investor's interest in alternative investments, and none is expected to develop. You are advised to discuss with your financial advisers your investment options and whether any investment is suitable for your specific needs prior to making any investments.

All material presented herein is believed to be reliable but we cannot attest to its accuracy. Opinions expressed in these reports may change without prior notice. John Mauldin and/or the staffs may or may not have investments in any funds cited above as well as economic interest. John Mauldin can be reached at 800-829-7273.