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ALAN BLINDER: COVID-19 is a major, major, major — you can put as many "majors" as you want into that — disruption of economic activity. We are sitting now in the midst of what looks to be the most severe recession since the 1930s. I think there's every reason to believe it will not devolve into a depression.

MARGARET KOVAL *83: Welcome to "We Roar." This spring, with coronavirus disrupting all our lives, we're reaching out to Princetonians everywhere to hear how we're continuing our collective and personal missions, how we're staying together at a distance, and how so many of us are working to serve the wider world. In this episode, one of the nation's leading macroeconomists looks to the past to envision the future of this pandemic-driven recession.

ALAN BLINDER: I'm Alan Blinder. I'm the Gordon S. Rentschler Memorial Professor of Economics at Princeton University. I think this pandemic, COVID-19, is going to be studied extensively by economists. Right now, you can hardly entertain that subject without crying, if not literally, but figuratively on the inside. But as time passes, we will look back at this as one of the most extreme economic events that has ever taken place.

This is not like anything we have ever seen since the Spanish flu more than a century ago. It killed many more people around the world and in the United States than anybody thinks the COVID-19 will. But the economy snapped back. The Spanish flu lasted from 1918 into 1920. There was more than one wave, which is something we'd like not to happen in this case.

But that got followed by what was called the Roaring '20s. If you remember — not remember, you're not old enough to remember — the Roaring '20s were called "roaring" because of how great the economy was going and leading eventually to a stock market bubble and a stock market crash. But never mind the crash. The point is that the '20s were roaring. So this is not going to last forever. And the economy will come back.

I'm a macroeconomist. And that means among the main things that we study think about how to mitigate our recessions. So we are sitting now in the midst of what looks to be the most severe recession since the 1930s. I think there's every reason to believe it will not devolve into a depression, which connotes lasting years and years.

But we are in an extremely severe economic downturn mostly measured in terms of what the public sees in jobs, which are being decimated, and in GDP, Gross Domestic Product. When the initial unemployment numbers started to come in — and these were for weekly claims for new people claiming unemployment benefits — we have never seen a number anywhere close to that, including in what got called the Great Recession. We thought that was horrible. It was horrible, but nothing like this.

One of the odd things about this recession, in addition to its extreme severity, is its concentration on services. GDP is a measure of how much stuff the whole economy is producing. What a lot of people don't understand about that is that most of the stuff is not physical goods. It's services. It's restaurants. It's lawyers, doctors, plumbers. The list is endless.

And services are something like 65% of consumption. And consumption spending is something like 70% of GDP. So do the math. You've got over 30% of the economy — I don't want to say "decimated," some of it continues — but very, very severely impacted.

And I don't mean to give the impression it's only services. Factories have shut down or severely reduced their output because they're not selling anything. Ultimately, the economy runs on businesses operating, whether they're making goods or services, to produce things consumers want to buy. And if the consumers are not buying, the business is not there.

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The question about long-term damage is yet to be resolved. It will depend on the course of the disease. If this thing lasts longer than we now think, the best guess now is this horror show, this horrible, horrible decline in economic activity, will be short-lived, that we're measuring in months or quarters at worst, not years.

If that's true, then the diminutional destruction of human capital may not be great. But if it lasts longer than we think, it will be great. People need work experience. Young people coming out of high schools and colleges need jobs. Just think about if you're graduating from college or high school in May or June of this year. Where in the world are you going to find a job?

And the evidence is those kinds of scars, they're often called, leave lasting impacts on people that last for decades. The college class of 2009 that graduated into the teeth of the Great Recession is probably handicapped for their entire life because of that, compared to, say, to the class of 2007.

Another very obvious long-term issue is the size of the national debt. Now, I've never been deficit-phobic. There are reasons to have budget deficits. But a consequence of that is that we are going to have a much bigger national debt than we thought we would.

And there are questions about what that will do to the financial system. There are, indeed, questions about how much even the United States can borrow in the near term at very, very low interest rates. We don't know the answer to that. It's a big number, a very big number. And we're not near it yet. So there's no immediate concern.

Once the danger lifts — and that's going to happen in stages — it'll take time, and it'll vary across geographies. I think the economy will snap back very strongly and, at the end of the rainbow, so to speak, a vaccine.

And by the way, I should add to that. Anybody that talks about it should add to that. It's one thing to have a vaccine. It's another thing to administer 330 million doses. And that's just the United States. When you go to the world, it's billions of people. So we should just throw everything at that.

Something I was just writing, economists often dote on trade-offs. If you want more of this, you have to have less of that and so on. That's kind of our bread and butter. That's what we teach students all the time. This is the time to forget about that. There is no trade-off. Anything we can throw at improving the outcome of the pandemic we should throw at it. And forget about everything else.

I believe consumers will go back to their old habits, their old ways of buying, the old things that they used to buy and things they used to do. But it's going to take a long time and be very, variegated in different dimensions.

So just to take two examples, people are already going to grocery stores because they have to eat. Some people are getting deliveries for their houses. And they'll probably just go back to going to the grocery like they used to. Sporting events, movies, where people are in crowds of other people, I think are going to come back very, very slowly.

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What am I looking forward to when this is over? I should actually start with hugging my grandchildren, which I haven't done in quite a long time. But professionally, getting back into a live classroom with live students that you're not afraid of — I mean, people my age are being told to be afraid of young people because they may be vectors of disease.

I don't like to think of my grandchildren in that way. I don't like to think of my students that way. And when this passes, I won't.

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