

Marine: [00:00](#) All right.

William L. Walt...: [00:00](#) Okay-

Marine: [01:50](#) [crosstalk 00:01:50] ahead of time.

William L. Walt...: [01:51](#) The cartel's done?

Marine: [01:52](#) Yeah, [inaudible 00:01:54].

William L. Walt...: [01:53](#) Great.

Marine: [01:57](#) [inaudible 00:01:57] ... start recording. And doesn't matter, you can get your notes in wherever you want.

William L. Walt...: [02:12](#) Notes in wherever I want, okay.

Marine: [02:13](#) Sure that means ... doing.

William L. Walt...: [02:16](#) So how hard is it to arrange folk dancing via Zoom?

Arnold Kling: [02:23](#) Zoom doesn't work well because of the lag between video and audio.

William L. Walt...: [02:27](#) Yeah.

Arnold Kling: [02:28](#) So you're watching the session leader and you're hearing the music, and what they're doing is a second behind the music, and so it just throws you off. So Facebook Live is the way to go for dancing, but even that, I got to say, it just doesn't do the same thing.

Marine: [02:50](#) Nothing like live, right?

Arnold Kling: [02:53](#) Yeah.

Marine: [02:55](#) All right, so I'm going to hit record over here Bill, so [crosstalk 00:02:59]-

William L. Walt...: [02:58](#) Okay, yeah, we can just wander right in.

Marine: [03:01](#) Yes.

William L. Walt...: [03:02](#) All right, this is good. So are we ready to go?

Arnold Kling: [03:07](#) I am.

William L. Walt...: [03:08](#) Yeah, we're ready. Okay. Hi, welcome to the Bill Walton Show. I'm here today with Arnold Kling, one of the smartest men I know, who has been following this COVID-19 crisis quite carefully, and he has a lot of very interesting and original takes on the issue that I think we'll all learn from. Arnold is, he's been on the show a couple of times. He holds a PhD in economics from MIT. He's a prolific blogger at askblog.com, I highly recommend everybody dip into that blog once a day, it's very interesting. He also has written two original and compelling books, Specialization and Trade and the Three Languages of Politics. Arnold, welcome.

Arnold Kling: [03:55](#) Well, thank you.

William L. Walt...: [04:00](#) We are not hearing any sound, Marine.

Marine: [04:03](#) You can't hear him?

William L. Walt...: [04:03](#) No, I cannot hear him.

Marine: [04:05](#) Okay, we're going to have to start over.

William L. Walt...: [04:06](#) Okay. God, that was the best opening I've ever done.

Arnold Kling: [04:10](#) It's not askblog.com, just-

Arnold Kling: [04:13](#) ... say it's askblog, and ...

William L. Walt...: [04:14](#) Askblog?

Arnold Kling: [04:15](#) Yeah.

William L. Walt...: [04:16](#) I don't have to say-

Arnold Kling: [04:18](#) [crosstalk 00:04:18] it's arnoldkling.com/blog, so ...

Marine: [04:21](#) It doesn't go to [inaudible 00:04:23] askblog.com.

William L. Walt...: [04:25](#) Okay, so what should I promote? Give me detailed instructions.

Arnold Kling: [04:30](#) Why don't you just say arnoldkling.com/blog?

William L. Walt...: [04:38](#) Easy. Arnoldking.com/blog. So Marine, do we have our sound? Arnold, could you say that again?

Arnold Kling: [04:49](#) Can you [crosstalk 00:04:49] hear me?

William L. Walt...: [04:49](#) I can hear you just fine.

Marine: [04:50](#) I can hear him.

William L. Walt...: [04:51](#) Yeah, I need to get my mouse, hold on.

Marine: [04:58](#) [inaudible 00:04:58] your phone on mute.

William L. Walt...: [05:00](#) My phone is on mute. My phone is on mute, I am not ...

Marine: [05:06](#) Oh. Turn off Sonos.

William L. Walt...: [05:11](#) Turn off Sonos, okay.

Marine: [05:13](#) [crosstalk 00:05:13] like "I hear this lady, I heard this lady."

William L. Walt...: [05:15](#) We can hear WTA.

Arnold Kling: [05:17](#) Oh yeah, we get that at our house too. [crosstalk 00:05:19]-

William L. Walt...: [05:19](#) Yeah, that's our-

Arnold Kling: [05:22](#) ... on the phone.

William L. Walt...: [05:24](#) The thing I like about is they're not doing too much virus reporting, which is, I try to stay away from as much of that as I can. Okay, let me see if I've got a mouse here. I don't. Well, that's too bad. (silence) Hum, hum, hum. So Marine, do you have anything clever to say about my mouse here that's not connect?

Marine: [06:51](#) [inaudible 00:06:51]. No. You're using ... Turn it off, turn it back on. Turn Bluetooth off, turn it back on. Still not connected.

William L. Walt...: [07:14](#) Connected.

Marine: [07:15](#) There it is.

William L. Walt...: [07:16](#) There we go. You're a genius.

Marine: [07:19](#) A red dot ...

William L. Walt...: [07:20](#) Let me get rid of that, I've got a vlog here. Okay.

Arnold Kling: [07:26](#) Okay, you still hear me?

William L. Walt...: [07:28](#) Hear you just fine.

Marine: [07:30](#) Yeah, whenever you're ready.

William L. Walt...: [07:33](#) Ready, set, go. Okay. Welcome to the Bill Walton show. I'm joined today by Arnold Kling to talk about the COVID virus, where it's been, where it is, and where it's going, and Arnold has been following this quite closely. Arnold blogs at [arnoldkling.com/blog](http://arnoldkling.com/blog), and something I think everybody ought to follow every day, because he is an original thinker about this issue. Arnold's been a guest on this show before, he holds a PhD in economics from MIT. He's written two fantastic books, one called Specialization and Trade, which bears on the economic issues that we're going to be facing post-virus, and he's also written a very interesting book called the Three Languages of Politics. Arnold, welcome.

Arnold Kling: [08:25](#) Well thanks, Bill.

William L. Walt...: [08:30](#) I guess where I'd like to go, there are three things or four things that I'm interested in, and the first one is how do we know what we know? Are we getting the right data and smart science from the health authorities, and what's the most effective way to handle the spread of the virus, and thirdly what's the best way to deal with the economic crisis, and lastly, when this resolves, the dust settles, what do things look like going forward?

William L. Walt...: [08:57](#) So Arnold, you've written a bit about, maybe a fair amount about are we getting the right data and are we getting smart science from our health authorities. Thoughts?

Arnold Kling: [09:07](#) Well, I've been very disappointed on that score. The data is being presented that we're getting is on number of cases and number of deaths, and it's being presented in very elegant formats with fancy charts, and it's being fed into computer models, oh my goodness, computer models, they must be able to predict anything down to the fourth decimal place, and it's garbage.

Arnold Kling: [09:36](#) Just to take an example, my next door neighbor was sick and decided he would get a test. That was six days ago. He still doesn't have the results. Now, just picture what that will do to the statistics if the test results are being reported with a one week lag? You're trying to look at the data and measure growth rates, but you've got a mix, maybe some people's tests are being reported the same day, other people's tests are being reported with a seven day lag, and so you don't really know the actual growth in cases in a given day. And that's just one of many examples of what makes for bad data.

- Arnold Kling: [10:23](#) Now, if you wanted to do it scientifically, you don't just take whatever comes in from people using different tests, different lags, different caliber of people doing the test, some tests are biased toward false positives, others are biased toward false negatives. Scientifically, you have the investigator decide who gets the test, and you say "All right, I'm going to pick a sample," typically the most scientific approach is a random sample, but you might stratify it in certain ways, but let's just say you're taking a random sample, let's say in a community of a couple hundred people. Take a sample of a couple hundred people, you make sure they're all tested at the same time using the same type of test, using people who are trained to administer it in a particular way, and you take the results from that and you draw inferences, and maybe you do followup tests subsequently.
- Arnold Kling: [11:28](#) My point is you have to think of it as a scientific investigation, not "Oh, I'll just take whatever data comes in that gets reported by people who are busy thinking about how to treat people not thinking about how to test in the most scientific way."
- William L. Walt...: [11:46](#) Who is doing the testing, how is this being pulled together, and is our problem is the ordinary American not knowing what the test results are, do the testers not really have a good picture of where they are?
- Arnold Kling: [12:02](#) Well, people have different purposes. The people who are doing the testing are healthcare workers, and their main goal is to know whether they've got a COVID case or not, because that helps them decide whether to isolate the person or not. I assume it doesn't really tell them how to treat, because the person either needs a ventilator or doesn't need a ventilator. So the testing gets them to decide whether to send the person home and out in the world, or tell the person that they have to be isolated. Of course, that doesn't help a whole lot if the test doesn't come back for a week, but there you are.
- William L. Walt...: [12:40](#) Well, one of the things you've been following as closely, we don't know how serious the disease is, whether you test it and it's mild, or is it life-threatening? We also don't have a very clear picture about where the disease is occurring, by county or by ZIP code or whatever, and I don't have a good feel for how fatal this disease. I mean, is this something like the Spanish flu, where half the people who got it died, or is it something like the common flu where it's less than 1%? What's your sense of what that is, or do we even know?

- Arnold Kling: [13:20](#) I would not guess at all, and I think even people who are "experts" are just guessing wildly. Basic problem, A, we don't know how many people currently have the virus. There are some people who insist that there're 10 times the number of people actually with the virus as the number of reported cases. Others say "No, that's not plausible, it can't be more than double." But even double creates a huge distortion in the numbers. So we don't know how many people have it, that's why I wanted to do the random sample.
- Arnold Kling: [14:01](#) The other thing we don't know is how many people have had it. That's a different test, it's called an antibody test, so you test to see whether you have the antibodies so that your body is trying to immunize itself against the virus. So you might show up as negative for the virus itself, but have the antibodies, and that's actually great news, that means you've already gone through having the virus. So we have no idea what proportion of the population is like that, that they've had the virus and they have the immunity to it. That would be tremendously valuable information. But again, there's no scientific study of that.
- William L. Walt...: [14:44](#) When you look at the people standing with the president, the experts in the Rose Garden and they're giving us information about where things are, what degree of reliability should we have in what we're being told by them?
- Arnold Kling: [14:59](#) I don't have much, because I don't believe that they have any better data than what we have, or not significantly better. I don't think they're conducting scientific tests. Here's another question that should be on everyone's mind, it's what I call sort of the doorknob effect. If I have the virus, and I open a door, and you're the next person and you touch the same doorknob, what are your chances of getting sick? That's a great question. The only answers we get are like "Well, the virus can live on this kind of surface for this long," but we don't know, does the virus live in concentration, can it still get into your respiratory system? I think the only way to know that would be to actually test it with human beings.
- Arnold Kling: [15:53](#) And you might say "Oh, what an awful thing to do, how can we experiment when people's lives are at stake?" But in fact, we're experimenting now. Everything we're doing is experimental, but they're not scientific experiments, we're not doing controlled studies, we're not learning from the experiments that we're doing. So the governor of Maryland, as you may know, just announced that as of 8:00 PM tonight, people aren't supposed to leave their homes except for essential things. That's an

experiment. There's no science behind that, it's his guess as to what's best. But we could try other experiments and try them in a controlled way and actually see what works rather than just go on the basis of guessing.

William L. Walt...: [16:42](#)

Well, yeah, I'm looking into that now. We've got 10 pages of detailed instructions about what we can do and what we can't do. You've written very interestingly about something we've called the scarves and masks solution. One of the things that New York has done, Connecticut's done, Hogan's now doing in Maryland is that he's taking a one size fits all, the way to deal with the spread of this is to make everybody stay home. You're not so sure.

Arnold Kling: [17:12](#)

Yeah. I would love to see everyone told "You can go out and go wherever you want like this," and it would be interesting to take two communities that we think are about equal in size and equal in prevalence, and let people rip with the scarves and masks strategy, and people won't be the most hygienic that they could be. I mean, to be perfectly hygienic, you have to wash your scarf regularly, wash your hands regularly, maybe take off your clothes when you get in the house and put them in the wash. There's degrees of care that you can have, but just let people be reasonably careless other than saying nobody can go out in public without something over their face.

Arnold Kling: [18:07](#)

Have one community do that, have another community do this social distancing, and see what the difference is. My guess is that the difference would be pretty small, that you would lower the spread rate just about as well with the scarves, and people would be going to work, kids would be going to school. Life would be a lot more normal than it is now.

William L. Walt...: [18:33](#)

Well, that's-

Arnold Kling: [18:34](#)

A reason I think that will work is if you look at some countries that are doing well, like Hong Kong and Singapore, you see everyone wearing masks.

William L. Walt...: [18:44](#)

And they are doing well, and we've seen that in real time and they're not seeing near the number of cases that we're seeing here with social distancing and having people stay at home.

Arnold Kling: [18:53](#)

Even though their interaction with China was probably much stronger than ours.

- William L. Walt...: [18:58](#) It's enormous. And you touch on something I want to dig into more, but let's start with the masks for a moment. There's the health effect, but then there's the economic effect, and then there's the effect on our freedoms, and the effect on our freedoms with these draconian orders has been enormous. So if we decided masks were the way to go, I think you've suggestion, pay for a zillion surgical masks, maybe some gloves, and then we disperse with the masks, and then the way you enforce it instead of arresting people for going out of their house is you say "You're not wearing your mask, that's against the law, put it on or we're going to haul you away," is that basically the model?
- Arnold Kling: [19:45](#) Or there could be a fine. But I think, it's important to say that we don't need to wait for masks to be produced and we certainly don't need to take them away from healthcare workers. So these N95 masks are the most effective at, let's say, preventing me from getting your sickness. But I think something like this is adequate for preventing my sickness from getting out among other people, and so if both of us have scarves, that may be as good as one of us wearing a top-quality mask and the other keeping their face naked, so-
- William L. Walt...: [20:23](#) Well, in Hong Kong, as I understand it, they wear the mask because they want to protect other people from the fact that they may have the disease, and it's not to protect yourself from getting the disease, it's to protect others, so it's a very different, socially different dynamic than self-protection.
- Arnold Kling: [20:42](#) Exactly. It's interesting, Western Europeans and Americans, when you think about a mask, will as mask work, we ask "Will it work for me? Will it keep me from getting somebody else's disease?" And I think it may be a more of an Asian cultural thing to say "Will I help my community by wearing this?" But we have to get into that mindset, I believe.
- William L. Walt...: [21:04](#) So do you have a line of action? Do we get to Anthony Fauci or who do we get to here to push this idea?
- Arnold Kling: [21:18](#) Somebody. I mean, you talk about Trump appearing with his advisors, my daydream is to have Trump walk out for those press conferences with all the advisors, and everyone's wearing a cowboy neckerchief, like the old cowboy movies, to keep the dust out of their face, and they set an example and they change the direction of this country. But I don't know how we get from here to there.



- William L. Walt...: [21:41](#) Well I'm sure the Donald would like to have some Trump neckerchiefs and Trump bandanas, that could be a real branding opportunity.
- Arnold Kling: [21:50](#) There you go. MAGA. I'm not sure that fits well, but [crosstalk 00:21:58]-
- William L. Walt...: [21:57](#) Well, you've been following this for the last six weeks or so since it first became an issue. Where do you think we are, where do you think we are in terms of flattening the curve, arresting the health risks that exist right now?
- Arnold Kling: [22:18](#) Well, again, we don't know. We don't have the data. My intuition is that we're doing better than we realize, and that's because of this lag problem. If my neighbor isn't getting his test results for six days, that means that any step that you took five days ago isn't affecting the data. And the other thing we don't know is how many people have had it and are already immune, no one's even tracking that. There may be good news there, I have no idea. But if I had to guess, I would guess that the news will be better than we're expecting based on just simple extrapolation over the next couple weeks.
- William L. Walt...: [23:05](#) So the other big idea that you have on the economic front is there's a better way to provide a financial backstop to businesses, the small, medium sized businesses and also the individual citizen than maybe the plans that we've got being rolled out now under the \$2 trillion bill signed last week. You want to talk about that?
- Arnold Kling: [23:29](#) Sure. And actually, I was lucky, I don't know if you noticed, on Friday, the Wall Street Journal, somebody surprised me by quoting the-
- William L. Walt...: [23:41](#) It was an excellent piece, highly recommended. It was in the Wall Street Journal, and it was written by, I think, the man who runs a foundation in Texas, the something Public Policy Institute, and he took your idea and got it in the Journal. But did it end up in the bill that was passed on Friday?
- Arnold Kling: [24:01](#) No, it did not. So let me go over the idea. Imagine that you've had two months' worth of receipts going into your checking account. If you're a business, if you're a small business, you might've deposited \$200,000 over, let's say January and February. Or if you're an individual and you're making \$60,000 a year, you deposited \$5000 worth of pay checks in January and another \$5000 in February. So take whatever that is, take

whatever your receipts were, and the bank would give you a credit line with sort of a moderate interest rate, not too high, not too low, a credit line for that amount backed by the federal government, because it seems like the lenders are doing the opposite of what I want, instead of giving reasonable credit to people, they seem to be tightening it up. But so have the government absolutely guarantee the credit line and have the Fed jawbone the banks to give people that kind of a credit line.

Arnold Kling: [25:06](#) So that has a few advantages over other things. One is, there are a lot of people who just don't need the money, they can ride it out, and so you don't use your credit line. The other advantage is we're worried about people not being able to pay rent or pay utilities or pay monthly bills. So how do you stop that? And people's first thought is "Well, let's just forgive rent." Well what does that do to the small landlord who's got a loan and who's got to make their mortgage? Then you have to go out and tell the bank "Well, let them miss their mortgage payment." So I want to get around all that, just let people pay their monthly bills, let the small businesses meet payroll out of these credit lines.

Arnold Kling: [25:54](#) So that's my thought. It's not perfect, but I think it would solve a lot of problems and it doesn't require this huge expenditure of money, and it doesn't involve a direct bailout. People just get a credit line, they get a loan, and that's what [crosstalk 00:26:14]-

William L. Walt...: [26:13](#) So if I can understand the big idea, let's say there are 200 million people with checking accounts, or I don't know, 250 million people in America that have checking accounts, every single one of those people would have a line of credit backing their individual checking account, and the amount of the line of credit would be, say, the last two to three months of deposits into that account? So if you deposited, say, 40,000 over that period of time, you'd have a line of credit for that much, and the banks would debit, as they disperse the money, that money would be directly funded by the government or backed up with an FDIC guarantee or something like that so they know they'd get repaid, and then small businesses would have the same line of credit based on their deposits into their checking accounts. Is that accurate?

Arnold Kling: [27:08](#) Exactly, yes. So the restaurant doesn't have to say it's out of business, it can say "All right, we can pay our rent, we can keep some of our people on payroll, and we'll repay it when we get back in business."

- William L. Walt...: [27:25](#) The way this is hitting people is disproportionately among those that are kind of the less-well off in society. A friend of mine's a golf caddy and I talked with him last week and he's living hand to mouth, basically, on tips he gets as a caddy. Well, in Maryland they've shut down the golf courses, so he has no income, and yet he had a pretty good income until this happened, but now he's cut off with nothing. So this would be a direct relief for him and a lot of other people like him in the gig economy or in, say, the bottom half of the country.
- Arnold Kling: [28:04](#) Yes, and then there are some people who will need actual relief. I mean, they need more than a loan, but you have time to figure that out rather than just rushing checks out to everybody willy nilly.
- William L. Walt...: [28:18](#) I was looking at the SBA program that they put in the \$2 trillion budget, and I was surprised, that looked pretty good. It seemed to have a lot less bureaucracy associated with it, yet the very fact that it's got to go through the SBA means there's going to be a big bottleneck. Have you looked at that? Last I heard that may be administered by the banks and not the SBA directly, which might make that not dissimilar to what you're proposing for small businesses.
- Arnold Kling: [28:50](#) Right, that is getting close to what I proposed. But I think what I proposed is administratively about as simple as you could get. I think if-
- William L. Walt...: [29:02](#) Yeah, exactly.
- Arnold Kling: [29:03](#) ... the Fed just says to the banks, or whoever, the banks have different regulators, but let's say it's the Fed, says, just as a jawboning thing, "Give these people credit lines and Congress will vote to back them up with taxpayer money if need be," that's about as administratively simple as you get, because the bank can calculate how much you deposited, they know that. There's no application process to the government, it's just, there you have it. But having said that, the small business credit program is-
- William L. Walt...: [29:50](#) Well, I like your idea better, there's no bureaucracy involved. It also goes directly to individuals, not just to businesses, so I think you get a bigger idea, how we now work that into what we're doing is the next thing to figure out. Let's fast forward a bit, we'll get through the health crisis, we will bail out enough businesses, there'll be enough businesses that survive and thrive that the economy will start growing again. But you've

written interestingly about normal, that people talk about when we get back to normal, and you've written, and I agree, that what we're looking at in the future, the future normal does not look like last year's normal. You want to talk about that?

Arnold Kling: [30:42](#)

Okay, there are basically two reasons why things will be different. One is people's habits will change. I mean, look at what we're doing now. A lot of people are doing this, and at some ... People aren't going to give up on live, in person meetings completely, but you can be sure they're going to cut back. We can be sure that a lot of businesses that are doing teleworking now are learning about what works and what doesn't work, so I think they're going to be just those kinds of changes.

William L. Walt...: [31:20](#)

So social spacing, I talked about this on an earlier show, that if you look at things like the drug supply chain, that's going to change. We don't know, for example, where our drugs are manufactured, that needs to be determined. I mean, the manufacturers do, but the consumer doesn't, doctors don't. And also we've got an awful lot of critical drugs and technologies, sub-components manufactured in China. You talked about how our supply chain's been built for efficiency and low cost, now it's going to be built for robustness and concerns about safety.

Arnold Kling: [32:01](#)

Yeah, and that's an interesting question is how much people will shift to make things less fragile. The fragility of the supply chains is something we're experiencing now, and the question is over time, will people forget that fragile supply chains are dangerous? And people are under pressure always to cut costs and compete, and it may be tempting to go for efficiency at the cost of fragility.

Arnold Kling: [32:34](#)

I think most importantly it'll be interesting to see if there's any change in the use of debt by households and businesses, because you could argue that there's really not much of an excuse for people not to be able to get by for a month. I mean, it's one thing if you have very low income, I understand that, but airlines do not have very low incomes, but they just run highly leveraged businesses with their planes financed by debt, and a lot of businesses run that way. Banks, of course, have been running that way for a long time, and we've got to think about how we're setting up the incentives for individuals and businesses to be so highly levered and run in such a fragile state. That's a question going forward, and I think there's a lot of policy factors that will determine that.

- William L. Walt...: [33:42](#) Well, you and I were talking before we went on, you're a folk dancer, and that's a pretty social activity, and you mentioned that you were organizing your folk dancing groups via Zoom, and you think that's going to last or do you think we're going to finally get people back in the hall to dance together with new rules about how close you can be next to each other?
- Arnold Kling: [34:10](#) No, I think eventually we'll even go back to the old rules, but I think people have seen some possibilities that ... I mean, this is just a bit off topic, but maybe an interesting example. It was sort of fun the other day when a choreographer who lives thousands of miles away "dropped in" on a session that I was at and we had just a little banter back and forth, well, I said "Don't do his dance yet, because there's somebody I know who's coming on later who likes his dance," and then she shows up and I say "All right, now we can do his dance," and the session leader says "What? Are you timestamping your requests?" And it was just ... But you could see something like that happening at a real dance session. I'm sure what we're going to see in the future is something we hadn't seen before of somebody flicking a screen up on the wall during a dance session and showing somebody else's dance session and people just kind of mingling cross-continent.
- William L. Walt...: [35:21](#) Well, do we end up with a smaller economy because of this or a different economy?
- Arnold Kling: [35:26](#) I'm going to say a different economy. I like to use the analogy of the Second World War as an example of what's the economic precedent for this? So the Second World War we had to reallocate a lot of resources very quickly, both getting into the war and then at the end of the war as these millions of troops, the GIs come home and the factories no longer need to produce tanks. It was amazing how rapid and how relatively painless that readjustment was. That aspect makes me fairly optimistic that when they say "Olly olly in free," or whatever, probably most of your audience is too young remember that-
- William L. Walt...: [36:20](#) I do.
- Arnold Kling: [36:24](#) They don't let kids play tag anymore. But when they say that, I think that the economy will probably snap back much more quickly than all these Keynesians worry about, [crosstalk 00:36:39]-
- William L. Walt...: [36:38](#) I do too. I so agree, I think people ... Entrepreneurs are already figuring out how to take advantage of this. The cruise lines are

going to change the configuration of their ships, the airlines, I think you're right. Corporations that are highly levered are going to have to rethink that financing model, and education's an interesting area, where I've been a proponent of online education and more homeschooling, and that's happening right now because of this virus, and [crosstalk 00:37:13]-

Arnold Kling: [37:13](#) [crosstalk 00:37:13] the reaction, I've seen some Facebook people ranting about "I don't know how to do this homework, I can't help my kid with this homework." So some people love it and some people won't.

William L. Walt...: [37:25](#) But I'm an entrepreneur, so are you, of ideas, and the way I see it is there'll be an industry for homeschooling tutors that could come in to help people with their homeschooling problem.

Arnold Kling: [37:37](#) There you go.

William L. Walt...: [37:39](#) They would come with a skillset about how to access interesting online material. The threat to this though is to the existing education establishment, and Oregon has now banned online learning because they're afraid it's going to hurt the funding of the existing public schools once this returns to normal, which we don't think is going to be the same thing as the old normal. So already there are people saying "Gee, this could really gore our ox here," and I think a lot of good could come out of this as we rearrange the way we used to do things."

Arnold Kling: [38:18](#) Yeah. Well, again, the Second World War produced a lot of useful changes. We discovered that we could have women in the labor force and that would work out, so yeah.

William L. Walt...: [38:29](#) Well, I want to end on an optimistic note, but I really just can't quite do that because we're also borrowing a lot of money. I don't know who we're borrowing it from, but we've got, when you consider the leverage through the banks, we've actually got a \$6 trillion package, not a \$2 trillion package. What do you think this does to our fiscal house?

Arnold Kling: [38:51](#) Well, it brings it I think one step closer to catching what I call the inflation virus. In one way, we could have paid for this. We could have said "All right, we're going to have a \$2 trillion fiscal stimulus, but here are the tax increases that are coming on 2021, 2022, 2023, and that's what's going to ensure that we do this in a balanced budget way." We did not enact \$1 of future tax increases, so it's all being paid for by borrowing, and borrowing, I think, I mean it's so convoluted now with the Fed

entering the picture, but I think of it as basically we're printing money, and that money isn't going to circulate now, because no one can get out. But over the next year or so, it will. And the increase is way beyond what we had in 2008, the economy is not as weak in terms of demand as it was in 2008, so I think when this money works its way into the economy, yeah, prices are really going to start to go up.

Arnold Kling: [40:18](#) The reason I call that is a virus is that people change their behavior during inflation. You and I were around in the 1970s, and you didn't keep your money in cash or a checking account, because it was losing value. And so the velocity of money goes up when people see inflation, and that adds to inflation, and then interest rates go up, and then the government has to print more money, because when interest rates go up, the interest payments on the government debt start to be a huge component of spending. So that's my dire scenario for three or four years out is that we find ourselves with an inflation virus that's hard to control.

William L. Walt...: [41:06](#) Well, again, I guess I'm basically an optimist. I think what we did was draconian but necessary, and I think we'll deal with this next year once we've got things back and order and where people are back at work. I don't have a solution right now, I'm going to call Arnold Kling for a solution. But I think that's next year's problem, not this one.

Arnold Kling: [41:37](#) Well, but I would feel better if they had the stomach to enact those future tax increases or spending cuts now rather than pretend that they will never have to do it, because that's my fear is that they'll act as if they never have to do it. I mean, the Fed never reduced its balance sheet after 2008.

William L. Walt...: [41:58](#) I agree. Of course, we did manage to keep a lot of bad stuff out of bad stuff out of that bill that Pelosi wanted to put in, which is a win in some ways.

Arnold Kling: [42:07](#) Yeah.

William L. Walt...: [42:08](#) Well, Arnold, I've just loved talking with you about this and I encourage everybody to keep reading Arnold's blog, the [arnoldkling.com/blog](#). Every day, two or three interesting thoughts about things, and I'm looking forward to catching up with you in a few months when this settles out and we can figure out lines of action to go forward.

Arnold Kling: [42:31](#) Okay, well thanks a lot Bill.

William L. Walt...: [42:33](#) Okay Arnold, great talking with you and hopefully I'll see on the folk dancing floor sometime soon.

Arnold Kling: [42:39](#) Yeah, I'm looking forward to it.

William L. Walt...: [42:41](#) Okay, all right. Take care.

Arnold Kling: [42:42](#) See you, bye.

William L. Walt...: [42:44](#) Okay, you've been watching the Bill Walton Show, you can find us on YouTube and all the major podcast platforms, and looking forward to having you join me on the next show, so thanks much. Arnold, it's great, thank you.

Arnold Kling: [42:59](#) Okay, thank you.

William L. Walt...: [43:03](#) Anything you would've liked to have talk about that we didn't get to?

Arnold Kling: [43:06](#) No, it was fine. From my point of view, it went well. I hope it did from yours.

William L. Walt...: [43:11](#) It went great. I mean, we got three or four of your big ideas in here, and I think the just going to masks is a big idea, thinking about the line of credit is a big idea, and also talking about that the new normal is going to be something that could be very good for everybody is a big idea, so thanks for that.

Arnold Kling: [43:36](#) Okay, all right.

William L. Walt...: [43:37](#) Okay, I'll talk with you soon. Take care . bye.

Arnold Kling: [43:40](#) Bye.

William L. Walt...: [43:46](#) Okay.

Marine: [43:47](#) Alrighty. Let me ... All right Arnold, take care.

Arnold Kling: [43:53](#) Okay, bye.

Marine: [43:54](#) Bye.