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Reopening Amid COVID-19

The False Choice Between Lives and Livelihoods

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Economic activity is the lifeblood of American well-being

While necessary to slow the spread of the COVID-19 virus, the numerous state-mandated lockdowns have exacted a significant toll on many American households. Going forward, policymakers are tasked with navigating an economic reopening. As with many other challenging policy choices characterized by difficult tradeoffs, the reopening should be viewed within a cost-benefit framework. Rather than appeal to the superficial and politically charged "lives vs. livelihood" language employed elsewhere, we propose that the set of tradeoffs faced by policymakers is far more nuanced. If the sole policy objective were to limit the virus spread, a lockdown would be a remarkably effective tool. However, other considerations must be made. Reopening decisions must adhere to an evidence-based process that holistically internalizes the spectrum of healthcare and economic costs and permits informed risk-taking.

Although much of the conversation has centered on the economic costs of the lockdown, the indirect healthcare costs of the shutdown are also significant. For example, we do not yet know the long-run consequences of unattended ailments, but currently more than a third (42 percent) of the U.S. population reports delaying a healthcare procedure or doctor visit because of the pandemic.[1] Second, we are learning about the psychological costs associated with elevated cases of anxiety, depression, and physical and emotional abuse. Nearly a quarter (24 percent) of Americans currently report experiencing moderate or severe anxiety or depression.[2] Third, the explosion in unemployment will detach millions of workers from much-needed health insurance at precisely the moment when access to healthcare is critical.[3] Finally, there are monumental costs that flow through directly to the viability of our complex healthcare system. In the face of limited elective procedures central to revenue generation, hospital bud-

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[1] See, U.S. Census Bureau's Household Pulse Survey () and "Hospitals Report Fewer Heart Attacks and Strokes Amid COVID-19," by Carrie MacMillan, Yale Medicine, May 6, 2020.
[2] Ibid.
[3] See, for example, "Eligibility for ACA Health Coverage Following Job Loss," by Rachel Garfield, Gary Claxton, Anthony Damico, and Larry Levitt, May 13, 2020, Kaiser Family Foundation brief.

POLICY TAKEAWAYS

- **The decisions regarding reopening should be viewed within a cost-benefit framework.**
- **The indirect healthcare effects of the shutdown are significant.**
- **The economic costs of the lockdown should also be under serious consideration.**
- **We should eliminate the illusion of categorical "safety."**
- **Shutdown costs are disproportionately felt across the state's (and nation's) population.**
- **Policymakers must engage in informed experimentation by targeting openness designed to generate critical economic activity.**
- **It is critical to be able to measure, in relatively real time, how we are doing.**

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gets are dire.[4] This comes as many, especially rural, hospitals already risk closure from financial pressures.[5]

In addition to notable healthcare implications, the economic costs of the lockdown are and should be under serious consideration. This is not a superficial partisan statement or an invitation to ponder asset wealth; instead, at the level of the typical American household, there are serious long-run consequences associated with worker dislocation. Workers laid off during a crisis or recession such as the current pandemic do not simply lose their jobs. More distressingly, they suffer persistent earnings losses in addition to a host of other negative consequences, including elevated rates of food insecurity, divorce, depression and anxiety, diminished physical health and a lower rate of educational attainment for their children.[6] This has the potential to seriously exacerbate the already rapidly growing problem of "deaths of despair" linked to alcohol and opioids in the face of diminishing economic opportunity.[7]

Worse yet, despite the rhetorical notion that we "are all in this together," the frustrating reality is that these costs are disproportionately felt across American society. First, the sectors that have been hit hardest, such as leisure, hospitality and general services, employ a sizable fraction of vulnerable hourly workers, many of whom live paycheck to paycheck. The Federal Reserve documents that 40 percent of Americans would have difficulty covering an emergency $400 expense.[8] Second, among those still fortunate enough to have a job, much is being asked of those deemed "essential," as well as those who are returning to work in close quarters or with customer-facing roles. The uncomfortable truth is that these two sets of workers are disproportionately African American and Hispanic, have lower household assets and significantly lower base incomes.[9] These are the same dimensions along which the disease is disproportionately experienced. There is no doubt that the disparate impact on certain communities magnifies the broader injustice they are currently experiencing.

The health care and economic costs of the lockdown require attention, and the goal of an economic opening should be to mitigate those important human costs. "Lives vs. lives" is an unambiguous truth.

Tradeoffs: economic activity and hospital capacity

The sober reality is that a vaccine may be a long way off, and might never arrive. Given this, we as a society need to clearly articulate what objectives we are prioritizing in the face of important tradeoffs in a world in which we will live with this virus for a long time. At a general level, we promote a willingness among policymakers to engage in informed experimentation by targeting openness designed to generate critical economic activity.

With this in mind, the objective is not to minimize positive tests. This is a categorically suboptimal approach, ensuring that we have no hope of moving forward on our objective of growing economic activity to attend to the very real human challenges of the lockdown. We should eliminate the illusion of categorical "safety." In the absence of a vaccine, this is a fantasy. It is entirely reasonable to expect that cases will necessarily rise as we work through the challenges of carefully facilitating economic activity. Openness to experimentation should instead be subject to evolving hospital capacity. While the economic costs are valid and demand attention, no one should perish for lack of access to standard intensive care treatment. Intelligent experimentation needs to allow cases to rise without exceeding hospital capacity. Remember, the original policy narrative was to "flatten the curve" so that the hospital system would not be overrun as we spread the caseload over a longer time period—only recently has the conversation migrated to an illusory and unattainable notion of safety.

As of this writing, North Carolina and the U.S. overall are experiencing a significant upward trajectory in positive COVID-19 cases. This is to be expected as the virus migrates to previously less affected areas and critical economic activity begins to resume. This regional variation in new cases highlights the importance of localized, disaggregated data. Such an increase becomes highly problematic only to the extent that it imperils the healthcare system from being able to sufficiently respond. To navigate these knife-edge tradeoffs, both government and citizens must act responsibly.

As we consider navigating these tradeoffs, there are several critical caveats. First, we need to prioritize the protection of the segments of our population vulnerable to the virus. We need to develop an appetite for rising positive tests in general, but establish protocols to protect those for whom the implications

[4] See, "Hospitals and Health Systems Face Unprecedented Financial Pressures Due to COVID-19," American Hospital Association, May 2020.
[5] See, "2020 Rural Hospital Sustainability Index," Guidehouse Insights, April 8, 2020.
[6] See, for example, "The Long-term Benefits of Short-time Compensation" Kenan Insights, June 24, 2020.
[7] See, "Deaths of Despair and the Future of Capitalism," by Anne Case and Angus Deaton, Princeton University Press, 2020.
[8] See, https://www.federalreserve.gov/publications/report-economic-well-being-us-households.htm
[9] See, "A Basic Demographic Profile of Workers in Frontline Industries," by Hye Jin Rho, Haley Brown, and Shawn Fremstad, Center for Economic and Policy Research Article, April 7, 2020

of a positive test are especially dire. These are most critically the elderly, people with known comorbidities and those with vulnerable people in their households. New policies should provide benefits selectively to these populations so that they may avoid excessively risky activities. Second, we need to elevate testing and tracing so that we can better anticipate and manage hospital capacity in as close to real time as possible. While minimizing positive tests is not the sole objective, tests provide critical guideposts. Third, we need robust workplace and storefront safety protocols. Without both a real and perceived sense of safety, many individuals will stay put, counteracting potential improvement in the economic situation.[10] Fourth, given that we are asking more of some Americans than others, policy support should be targeted to workers in higher risk professions. For example, federal policy should cover all healthcare costs related to COVID-19. Finally, it is important to note that a one-size-fits-all approach is entirely inappropriate given regional variation in hospital capacity and economic impact.

To execute on this approach, the "without which there is nothing" is data. We have to be able to measure, in relatively real time, how we are doing. Currently, policymakers and business leaders are flying relatively blind. Further, given the importance of geographic variation, we need both economic and health data at a granular level across a range of characteristics such as geography, industry and age group. That's why the North Carolina CEO Leadership Forum, in collaboration with UNC Kenan-Flagler Business School and the Kenan Institute of Private Enterprise, is building a relatively real-time dashboard to help North Carolinians observe tradeoff outcomes. This will involve disease statistics, adjusted for measurement biases, with attention to the critical implications for hospital capacity. We will also effectively "nowcast" economic activity, with data curated not only from traditional government sources, but also a growing set of non-standard data on economic activity, such as foot traffic, air transport and credit card swipes. Experimentation without measurement is doomed to fail.

The healthcare and economic costs of the COVID-19 lockdown require attention, and the goal of any economic opening should be to mitigate those important human costs. The tradeoffs are not between "lives and livelihoods," but rather "lives and lives"—and the only path forward hinges upon a healthy dose of risk-taking informed by real-time health and economic data.

[10] See, "How Did COVID-19 and Stabilization Policies Affect Spending and Employment? A New Real-Time Economic Tracker Based on Private Sector Data" by Raj Chetty, John Friedman, Nathaniel Hendren, and Michael Stepner, May 2020.

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