

Covid-19: Policy with trade-offs

April 2021

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Policy making under uncertainty and when lives are at stake – some simple points

Policy is about trade-offs which involve potential lives lost – but it is not lives saved on one side and what you might call pure economic costs on the other (GDP/per capita against numbers of people alive).

It is **not that** because while restrictive policies – “lockdowns” – save lives and reduce misery, they also cost lives and cause misery (people don’t go for non-Covid medical treatments and scans; unemployment and loneliness create mental health issues ; economic damage affects future health care and education).

Just one example of the health costs of economic slowdowns:

Janke et al (2020) find that a 1% fall in employment leads to a 2% rise in prevalence of chronic illness. If employment were to fall now by the same amount as in the 12 months after the 2008 financial crisis around 900,000 more people in the UK of working age would be predicted to suffer from a chronic health condition.

Janke et al “Macroeconomic Conditions and Health in Britain: Aggregation, Dynamics and Local Area Heterogeneity”, CEPR Discussion Paper 14507.

See also Banks et al “Recessions and Health: The Long Term Health Consequences of Responses to Coronavirus”, Fiscal Studies, June 2020.

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One also need to grapple with the issue of the value of potential lives saved from policies relative to the misery of material resources being lower for many people for a long time. Quality of life, not just numbers alive, surely matters

There are all formidably difficult issues in finding good policies to deal with COVID because there is great uncertainty about so many hugely relevant factors –

- How good are vaccines against mutation?
- Long Covid?
- Long term damage to those losing 6 month and more education?
- Is there a cliff edge for bankruptcies for companies closed for more than X months?

Just focusing on the impact of policies on numbers infected and possible deaths directly from COVID cannot be the right way to proceed.

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In some countries how fast restrictions should be eased as vaccinations bear down on the spread of Covid-19 is now the critical policy issue.

If all that mattered was the likely path of new infections, hospitalisations and deaths then maximum caution would be the right policy. But maximum caution comes at a high price.

The damage to the wellbeing of the population from keeping restrictions in place needs to be weighed against the damage from more Covid-19 related illness that an easing of restrictions may bring.

So while the sort of exercise which focuses solely on the spread of the virus and its sensitivity to restrictions is invaluable (for example the 2021 SAGE report of Whittles et al (1)), it cannot answer the urgent policy question.

Epidemiologists admit they are unable to assess the right trade-offs. But someone needs to. The advice “just follow the science” is completely misguided.

The situation today in the UK

- Infections in UK have fallen a great deal after the end 2020 lockdown.
- Around half of the population has been vaccinated.
- A majority of adults have been vaccinated.
- Economic damage done already – some of it a result of policy to slow the outbreak back in Spring 2020 and again at the end of 2020 – is great.
- The marginal harm done by more restrictive policies may be even larger now than in March 2020 – 900,000 firms are estimated to be in severe difficulties and many of these may not survive.
- Cost benefit analysis may help with policy decision.

The Lockdown and what is next – a quick Cost Benefit analysis

Estimate cost very narrowly at just lost GDP

GDP IMPACT OF DIFFERENT LEVELS OF SOCIAL RESTRICTION

Level of Social Restrictions	Impact on the level of GDP from restrictions	Impact on the level of GDP from voluntary caution	The overall impact on GDP
High	-10%	-10%	-20%
Medium	-5%	-5%	-10%
Low	-2%	-2%	-4%

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Estimate impact of restrictions on R0 number

CENTRAL ESTIMATE FOR BASE REPRODUCTION VALUE (EXCLUDING INCREASED IMMUNITY)

R-Value excl immunity		SEASON			
		SPRING	SUMMER	AUTUMN	WINTER
SOCIAL RESTRICTION LEVEL	LO	1.8	0.9	2.0	2.0
	MED	1.2	0.8	1.4	1.4
	HI	0.8	0.6	1.0	1.0

The Lockdown and what is next – a quick Cost Benefit analysis

Different scenarios for easing restrictions

SCENARIO: Duration Restrictions	Social Change £b	Total Cases	Hospital Admission	PCR Positive Deaths	Life Years Lost	GDP /Life Year saved vs Base £k
Base: 0wHI-0wMED-26wLO	-£19	1,002,400	27,840	7,160	84,050	
I: 0wHI-8wMED-18wLO	-£28	256,420	9,210	2,960	34,690	-£178
II: 4wHI-12wMED-10wLO	-£44	149,580	6,450	2,310	27,300	-£437
III: 26wHI-0wMED-0wLO	-£95	144,760	6,310	2,280	26,920	-£1,330

Policy from now on forward:

- Easing restrictions faster generates risks and it may need to be reversed.
- But there are inevitably risks with any strategy.
- If one considered that any reversal of an easing of restrictions was itself hugely costly then clearly a more cautious pace of easing is warranted.
- But to attach a huge weight to any reversal has some unwelcome implications.
- It is certainly possible that later this year new mutations of the virus might come to the UK and if they are especially virulent/life-threatening, tighter restrictions than those that have been in place recently could become warranted.
- Yet to tighten restrictions to the level that *could* become warranted simply to avoid ever having to tighten restrictions again would be a bizarre strategy that itself entails huge inherent risks.