



ROUNDTABLE OF THE UNITED STATES CONGRESS
Senate Committee on Homeland Security & Governmental Affairs

COVID-19
How New Information Should Drive Policy

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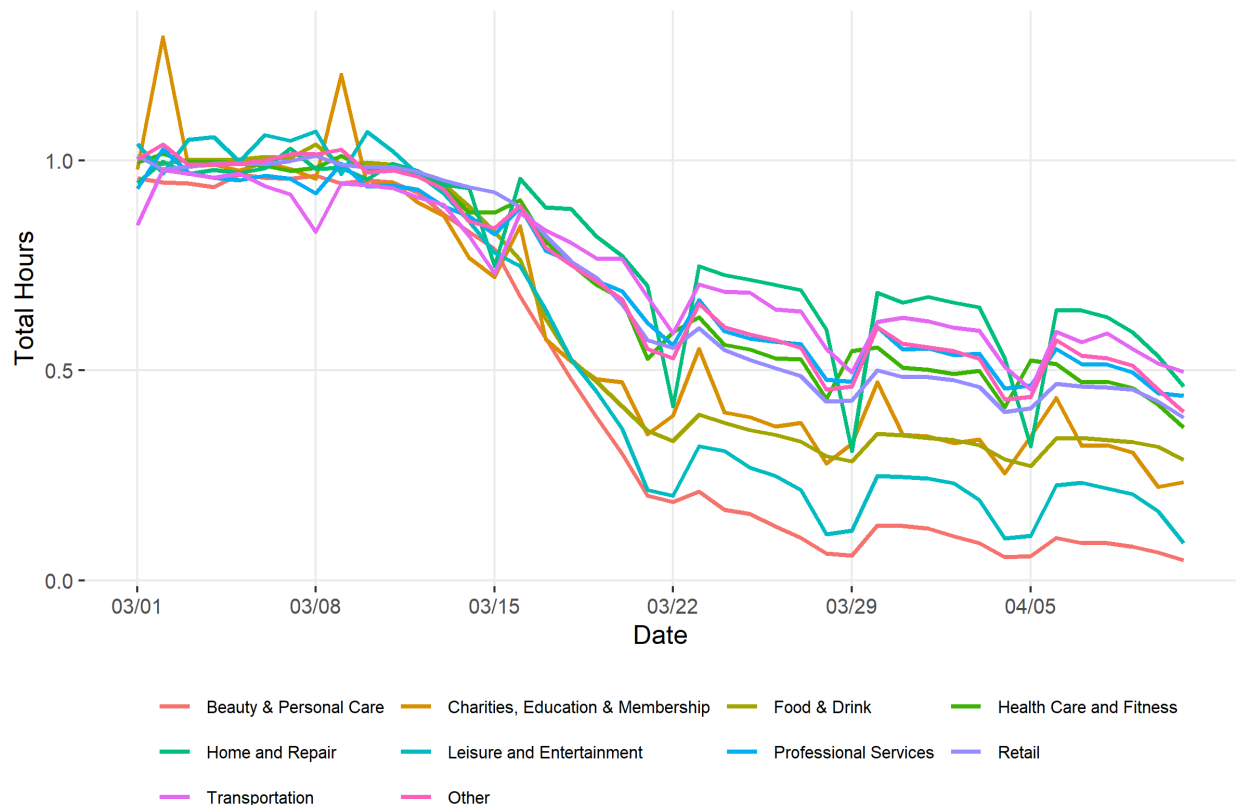
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ORAL STATEMENT

Chairman Johnson, Senator Peters, and members of the Senate Homeland Security & Governmental Affairs Committee: thanks for inviting me to speak with you today.

I'm Avik Roy, and I'm the president of the Foundation for Research on Equal Opportunity, or FREOPP, a non-partisan, non-profit think tank focused on expanding economic opportunity to those who least have it. All research conducted by FREOPP considers the impact of public policies and proposed reforms on those with incomes or wealth below the U.S. median.

Figure 1. Percentage Change in Hours Worked by Small Business Hourly Employees (vs. January 2020)

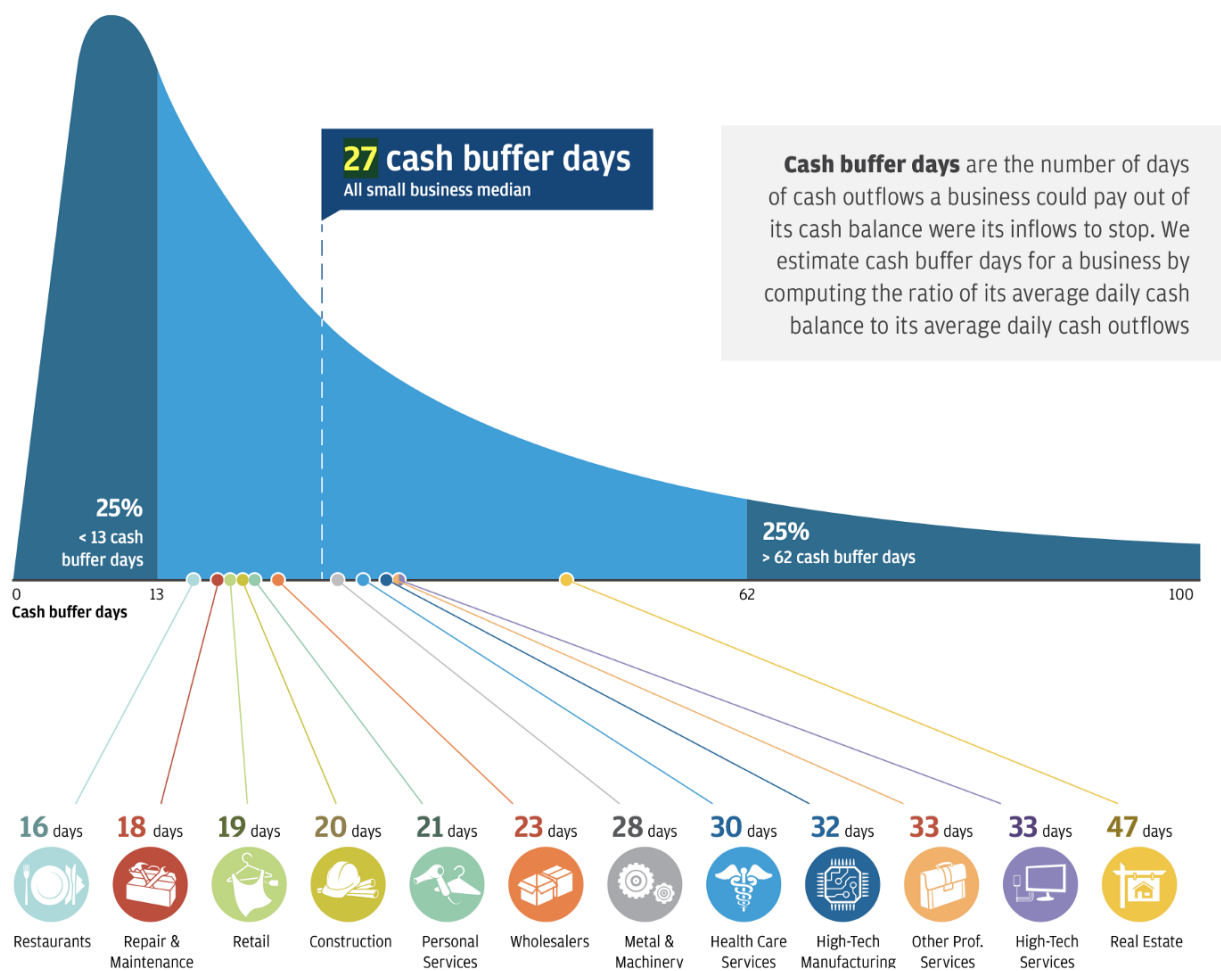


Work by hourly employees has collapsed. An analysis by Homebase, a timecard platform, indicates that the number of hourly-wage employees in small businesses going to work dropped by two-thirds between January and March 2020. All sectors have been affected, but especially those related to travel and retail-facing businesses such as beauty, personal care, leisure, and entertainment. Even the least-affected sectors, like home and repair, have seen drops of 50%. (Sources: Alexander Bartik et al., University of Chicago; Homebase)

It is for this reason that I am gravely concerned about the profound economic destruction that the COVID-19 lockdowns have caused.

You know that 30 million Americans have lost their jobs, and that the CBO estimates that second quarter GDP will be 40 percent lower than it was at this time last year. Jobs for hourly wage earners—the most vulnerable workers in our economy—are down 60 percent relative to pre-pandemic levels. These are hairdressers and line cooks. They work at doctor’s offices, and on assembly lines. They are, in President Clinton’s words, “those who work hard and play by the rules.”

Figure 2. Median Cash Buffer Days for Small Businesses, by Sector



Small businesses are running out of time. The median small business has 27 days’ worth of operating cash in reserve, with 75% of businesses holding fewer than 62 days’ worth. (Source: JPMorgan Chase Institute)

The good news is that the lockdowns have done what they were supposed to do: ensure that our hospitals and our ICUs were not overwhelmed, Italy-style, with severely ill COVID-19 patients. The bad news is that the shapers of conventional wisdom now claim that we must continue lockdowns for as long as we can't test the entire population for COVID-19, *and* have an effective treatment, *and* develop herd immunity, *and* produce a vaccine. All of this, we are assured, can take place in the next 12 to 18 months.

But what if it takes us 12 to 18 *years* to develop a vaccine? We have never developed a coronavirus vaccine before. The best scientists in the world have been trying to develop a vaccine for HIV for nearly 40 years, and we still don't have one. Effective non-vaccine treatments may arrive sooner, but when? And is it realistic to stick 6-inch swabs up the nostrils of millions of Americans, every day, until that happens?

TIME IS OF THE ESSENCE

The question of “when” is of urgent importance.¹ Every week matters. The average small business holds less than four weeks of cash in reserve. For urban small businesses it's more like two weeks. Some have been able to take advantage of the Paycheck Protection Program, but as you know, it is medium-sized businesses, not small businesses, that have been organized and savvy enough to maximize that opportunity.

Shapers of the conventional wisdom argue that these devastating economic costs are necessary and acceptable, because we must do everything possible to protect people from COVID-19. Let me explain why this thinking is flawed.

First, the costs of the lockdowns are not merely financial. The closure of schools has only widened educational disparities between the haves and have-nots. There is considerable evidence that high unemployment rates are associated with higher mortality, including deaths of despair. And there is a cost in lives and health among those who have been unable to seek non-COVID-related health care, including unmanaged chronic disease, missed cancer diagnoses, untreated heart attacks, and unavailable organ transplants.

Second, one-size-fits-all lockdowns are not based on actual evidence or science regarding COVID-19, but are instead based on fear, and on off-the-shelf playbooks designed for influenza, a meaningfully different disease. The risk of death due to COVID-19 is very low for those under the age of 55, and yet our restrictions on economic activity apply equally to people of all ages.

Roughly half of the deaths from COVID-19 have taken place in the tri-state area around New York City, and yet we're treating Oklahoma, Utah, and Wyoming no differently than Manhattan. According to a soon-to-be-published analysis by my FREOPP colleague Gregg Girvan, at least one-third of all U.S. deaths due to COVID-19 are taking place in nursing homes.

And yet we are not incorporating that fact into our assessment of the risks outside of nursing homes. Similarly, the risk of outdoor transmission appears to be much lower than for indoor transmission, and yet many states are applying equally onerous restrictions to indoor and outdoor activity.

¹ Roy A, Reopening the U.S. Economy Even if the Pandemic Endures. *The Wall Street Journal*. 2020 Apr 24; <https://www.wsj.com/articles/reopening-the-u-s-economy-even-if-the-pandemic-endures-11587740529>.

THE AUTO SAFETY PARADIGM

Third, we've forgotten how we deal with risk in other aspects of our society. 100,000 Americans die of hospital-acquired infections each year—and yet we don't shut down the hospital industry. 37,000 Americans die each year in traffic fatalities—and yet we don't shut down the roads.

Indeed, traffic fatalities is a good mental framework for thinking about how to live with COVID-19. Instead of abolishing cars, we enforce traffic laws and speed limits, and prohibit drunk driving. We set a minimum standard for car safety. But, most of all, we expect individual drivers to be responsible for their own conduct.

Something similar can work for COVID-19. Businesses can deep-clean their surfaces and provide hand sanitizer and masks to their workers and customers. People can wash their hands regularly, and minimize close contact with strangers. This is, in fact, what East Asian countries did after the original SARS outbreak in 2003, and it enabled them to gradually return to normal life, despite the absence of a vaccine or effective treatments.

For a more detailed set of recommendations, please read FREOPP's report, *A New Strategy for Bringing People Back to Work During COVID-19*, co-authored by Lanhee Chen of the Hoover Institution, Bob Kocher of Stanford, and Bob Wachter of UCSF.²

I look forward to discussing these ideas during today's conversation. Thank you.

² Chen L, Kocher B, Roy A, and Wachter B, *A New Strategy for Bringing People Back to Work During COVID-19*. The Foundation for Research on Equal Opportunity. 2020 Apr 14; <https://freopp.org/a-new-strategy-for-bringing-people-back-to-work-during-covid-19-a912247f1ab5>.