

Coronavirus: It will be unhealthy to ignore the cost of all this

By Henry Ergas, The Australian, 27 March 2020

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While the response of federal and state governments to the spread of COVID-19 is understandable, there must be a danger of going too far.

To say that is certainly not to recommend an attitude of benign neglect. Nor is it to ignore the fact these are decisions being taken in the depths of uncertainty, where risks are hard to measure and errors could lead to disaster.

But it is no less a fact that some 430 people die in this country every day, so that since the beginning of the year there have been almost 37,000 deaths, of which 12 are due to the coronavirus.

And it is also a fact that, every day, decision-makers around Australia take decisions that balance life and death: not merely by determining how much we should spend on public health but also by assessing whether to spend taxpayers' funds on making roads safer, reducing the risk of fires or strengthening the emergency services.

Inevitably, those decisions involve trade-offs: they require us to assess how much we are willing to give up so as to prevent a person dying sooner than they otherwise would.

As a result, they rely on estimates of the value the community places on extending a person's life by one or more years. Those estimates are routinely published by Australian governments, and at least since the 1980s they have informed the decisions taken.

The results are not hard to see. There are, for example, 2900 deaths a year from pneumonia, but because most of the victims are elderly and suffer from a broad range of other conditions, much less is spent trying to prevent each of those deaths than is spent treating illnesses that would cost younger lives.

That may sound hard-hearted. But it would be far more heartless, and much more unreasonable, to proceed otherwise: to value extending life above everything else, sacrificing to that goal all the things that make life worth living. However reluctantly, we all understand that, and as much as we lament each death, we realise that life goes on.

It is undoubtedly true that decisions that involve balancing lives and costs are far easier to take when the life at issue is not likely to be your own. It is one thing to think in terms of trade-offs when those who will be affected are anonymous draws from a large population and quite another when it is a matter of family and friends.

But that is precisely why we so often delegate these decisions to others, from the physicians who assess whether it is worth undertaking a procedure on a grievously ill patient to the institutions that select, out of the many who desperately need them, the few who will receive donated organs.

These are tragic choices, and we know that they will be better taken at a distance, dispassionately weighing the consequences.

Whether the measures that have been adopted are consistent with that sort of careful deliberation is hard to say.

The time pressures and the uncertainties may have meant that no analyses sensibly comparing costs and benefits could be done, at least in the epidemic's initial phases.

And the complexities inherent in such analyses — which must take account not merely of the direct impacts on fatalities but also of contagion effects and of the broader harm that would be caused were our health system to collapse under an ever-escalating case load — would have made them even harder to carry out.

But that scarcely means further moves, which are likely to impose even greater hardship, should be approved without ensuring the pain does not exceed the gain. And it is dangerous to underestimate just how great the pain could be.

We live in an economy that is so finely tuned, and where inventories are so low, that entirely closing down almost any area has far-reaching impacts on others. Because of those interdependencies, the notion that a sharp distinction can be drawn between “essential” and “non-essential” activities, and that life could carry on reasonably normally for weeks or months so long as “essential” activities continued to operate, is implausible. And if the production side of the economy withers, bolstering the capacity to spend will be utterly pointless.

Given those realities, any further restrictions should be carefully targeted to obtain the health benefits at least cost. Every bit as importantly, they should avoid pummeling economic activity to the point where major corporates fail, triggering domino effects that, like the Lehman bankruptcy, would devastate confidence, incomes and employment.

And whatever governments do should preserve, to the greatest extent possible, the economy's ability to rebound, including by limiting the debt that is loaded on to companies and individuals.

Would such an approach save as many lives as a complete shutdown? Possibly not. However, if it could achieve two-thirds of the health objectives at one-third the costs, it would be reckless not to choose it.

Our responsibility to future generations only strengthens the case for caution. The greater the collapse in economic activity, the more crippling will be the burden on future generations, both in terms of increased public debt and of a diminished capital stock.

But panic is, as it has always been, the deadliest enemy of good judgment. And watching the states rushing off one way and the other it is difficult not to be reminded of Napoleon's warning that the only thing worse than a bad general is two good ones.

Adding to the problems, an element of competition has set in, with each state vying to show it is leading the pack. Having done everything they can to convince an anxious public that tougher measures are invariably better, the premiers seem intent on plunging Australia into an induced coma, regardless of how hard it will be to recover.

However, this crisis is not a proof of machismo, nor an exercise in forcing us to do penance for our sins. Rather, it is a test of common sense, civility and courage: the common sense to avoid taking decisions that we may regret for decades to come; the civility, in the term's old meaning of "civil righteousness", to be mindful of what we owe each other and prudent before inflicting costs on people who will struggle to bear them; and most of all, the courage to calmly confront, and ultimately defeat, an enemy who, as the Treasurer put it, flies no flag and has no face.

That enemy is deadly enough. It would be a disgrace if we made the harm it wreaks even greater than it needs to be.