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RESEARCH SUMMARY

COVID-19 Suppression Policies: Weighing Costs and Benefits

As the threat of the COVID-19 pandemic continues, economists have estimated that the benefits of almost nationwide stay-at-home orders and nonessential business closure orders that began in March substantially outweigh the costs, predicting trillions of dollars in net benefits. In "The Benefits of Coronavirus Suppression: A Cost-Benefit Analysis of the Response to the First Wave of COVID-19," James Broughel and Michael Kotrous challenge this result. They show that government suppression orders likely have substantial net benefits, possibly as high as $800 billion, but net benefits may also be close to zero.

BENEFITS OF "BENDING THE CURVE" OF THE FIRST WAVE OF COVID-19: BETWEEN $440 BILLION AND $1,049 BILLION

This estimate is for the benefits of state suppression policies from March to early August, including stay-at-home orders and nonessential business closures. Many states that enacted these policies in March and April had eased them as of May 26, but the forecast of COVID-19's progression through August 4 assumes that the states that still had stay-at-home orders and other policies in place on May 26 will not lift them until after August 4. The estimate is made relative to a baseline in which private voluntary actions are taken by sick individuals, their households, and elderly people to mitigate the spread of coronavirus, but no government actions are taken that significantly and broadly restrict individual or business activity. The authors estimate that between 930,000 and 1.1 million deaths may be prevented as a result of these policies, relative to the baseline of targeted private mitigation.

This study employs a value-of-production approach that values the benefits of each prevented COVID-19 death in terms of avoided losses to production. This differs significantly from the value of a statistical life (VSL) commonly employed in cost-benefit analysis. The VSL is not a good fit for situations when the risks of death are large and affect relatively identifiable groups of people, as is the case with COVID-19 deaths. Moreover, the VSL represents an estimate of the value of life based on a small segment of society's preferences, not the preferences of society more broadly.

In addition to preventing COVID-19 deaths, the study considers benefits that would result from reductions in lost wages owing to illness, in hospital and intensive care unit costs, and in the incidence of permanent lung damage observed in recovered COVID-19 patients.

COSTS OF SUPPRESSION POLICIES DURING THE FIRST WAVE OF COVID-19: BETWEEN $255 BILLION AND $464 BILLION

This estimate (again, made relative to targeted private mitigation) is based on the duration of suppression policies between March and early August, which is estimated to be between 50 and 91 days, on average, or 7 to 13 weeks. Each day of suppression enforcement causes $5.1 billion in losses to economic production. Note that the cost

attributable to suppression policies is only part of the total costs of the pandemic; losses in output would be substantial even if the federal, state, and local governments enforced no public health measures that restricted private individual or business activity.

THE NET BENEFITS PICTURE: POSITIVE OR NULL, SUBSTANTIAL OR MODEST

As the numbers above indicate, suppression of the first wave of COVID-19 by legal orders in the United States stands to bring significant benefits relative to relying only on private mitigation to reduce the risks of infection. However, coronavirus suppression efforts entail significant costs, too. While the net benefits are still likely positive and may be substantial, there is also a possibility that they are near zero, meaning that the costs may roughly equal the benefits.

The cost-benefit picture is subject to change according to how the COVID-19 pandemic progresses in light of many states allowing residents and business to engage in nonessential activities. Sustaining the flattened curve will largely depend on the deployment and efficacy of more targeted policy interventions to contain COVID-19. They include widespread random testing, contact tracing, and accelerating the testing, approval, and use of drug therapies and vaccines. Such measures may offer a path to a rebound in economic activity without jeopardizing the health and safety of elderly individuals and others at high risk of coronavirus infection.