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FELDMAN:

This is Deep Background, the show where we explore the stories behind the stories in the news. I'm a Noah Feldman and we are still talking about coronavirus. In particular, we're going to talk today about the interaction between the virus and the economy. How soon can we go back to work? How safe will that be? How unsafe will we be if we don't look out for the economy. To discuss these very difficult issues.,I spoke to Paul Romer, a Nobel winning economist at New York University. He used to be the Chief Economist of the World Bank and he's been thinking hard about this subject.

Paul, thank you very much for joining me. I want to start with a very influential essay that you and Alan Garber (the Provost at Harvard) published in the New York Times where you were the first, I would say serious people to put in a major public venue the economic concerns about what we do about coronavirus on a par with the public health concerns (or in relation to the public health concerns). Describe to me if you will, your current thinking on that very challenging question.

ROMER:

Yeah. I, I mean to be honest, I think there were a lot of people who were recognizing the size of the economic costs that we were going to bear. I think what was distinctive about our op-ed was a very specific proposal about how to craft a middle ground where we get out of this trap where we either have to kill the economy or kill lives. So if I can, let me just try and explain the basics of the challenge.

FELDMAN:

Please do.

ROMER:

There's this notion of the replication rate. If one person is infected, how many new people does that person in fact,

FELDMAN:

Right? That's what people call the R naught or the R zero

ROMER:

R zero or R nought or replication rate. That number has to be less than one to keep the pandemic in check. If it goes above one, then it just grows like wildfire. Social distance is one way to get it below one, but of course it's really hurting the economy. The way to keep it below one that is guaranteed to work is find the people who were infected and isolate them. Now, right now what we're doing is we're isolating everybody because we don't know who's infected. So all we need to do is switch to a strategy where we're testing everybody with regularity. As soon as we find somebody who's positive, we have them go into isolation for say two weeks and that's all it takes to get on a path where this, this pandemic is dying out and we can stick with that policy as long as it takes to get a vaccine, which is the other way to protect ourselves. So all it takes is to figure out who it is, who's infectious and to isolate them without isolating lots of people who could otherwise just go back to daily life and work.

FELDMAN:

I am not an epidemiologist and I want to be, you know, clear about the, the caveat to that, to that effect, but I want to ask a question that's informed by my conversations with epidemiologists and what I'm reading, and it's this. Under circumstances where we already have communities spread, unless everyone were tested nearly every day, isn't there a substantial risk that even testing every week or every 10 days, which requires a tremendous number of tests, much greater than I think it seems realistic, at least according to what I've read for us to be able to produce in the next few months, would leave open the possibility of continued spread. I mean your, your key line is - all we have to do is - but the question is, you know, is that in fact doable? We don't want to be the people in the punchline of the economist joke "assume the can opener."

ROMER:

No, I, I hear you and this is a good way to, to phrase the question. Here's the way I would respond to the epidemiologists. It's that you guys are supposed to be the ones who take the numbers seriously. So do the numbers here. What they're saying is something like, Oh, we can't get enough testing. So I, my gosh, you'd have to test people every, every day. That's just not true. All you have to do is do the numbers here. If you tested people on average about once every two weeks and even if your test has what they call a false negative rate, you failed to catch some people who are actually infectious. Um, even under those circumstances you can get R_0 below one and I'm really disappointed and want to challenge them - why did they switch into this kind of know nothing mode of "that just won't work" - and then they're the ones who claim they're the ones who do the math, they just stopped doing the math. Now let me be clear about what it would mean to test people on average about once every two weeks. This means running about 20 million tests a day. That is a huge expansion in the testing capacity that we have. And it's never been the case that public health authorities had the kind of resources to do that kind of testing. So I understand why they're saying it's not possible, but just think about other cases where we've done something like this. The TSA screens about 5 million Americans a day. And you know, you could have imagined a time before 9/11 where people were saying, Oh my God, you could never screen all people who get on airplanes. That's just impossible. And you know, so we have to like stop flying cause we might have a terrorist attack or something. You know, if we're serious about scaling out to millions a day, we've got this economy that could produce \$20 trillion worth of value. We've got 160 million workers. We could organize ourselves to administer 20 million tests a day. It's really not that big a challenge. It isn't something that was ever available to public health authorities before, but we could easily decide to do it now. And I really want to just insist and I'm going to get aggressive about this. The epidemiologist can't just go into know-nothing mode and dismiss this without actually doing the math and engaging seriously.

FELDMAN:

So I think that many epidemiologists that I know at least would say it's not that we're not doing the math at all. They say, you know, we live on math. We're not ignoring the math. I think that's the first thing they would say. The second thing I think they would say is that they have to recognize not the normative claim that we ought to, or we might be able to generate 20 million tests a day, but rather the predictive claim (because they engage in minute-to-minute prediction too) of whether this particular president with this particular configuration of economic forces facing him is even plausibly capable of doing what you think we normatively ought to do. And I think someone would say we concede that it would, we should have 20 million tests. I have not heard any epidemiologist saying, Oh, it doesn't matter about the tests. They all say we need the testing we need in a very serious way. But if they have a different assessment of the empirical probabilities,

ROMER:

Well yeah, let me, let me just say I, you know, I understand that. But I think people have to, you know, stick to their area of expertise. They understand the math of these models. They're not experts in politics, public expenditure, mobilization. I don't think they're the ones who should make for everybody the judgment about what's politically feasible. And then worst of all, having made that judgment, hide it behind some phony assertion. Like you'd have to test people every day. What they should say I think is the same thing I'm saying, which is like, look, if you want to be sure you're below with R_0 below one at any level of prevalence the United States, you're going to need to test something like 20 million people a day and then let's leave it to others to figure out if setting ourselves up to do that kind of testing would actually be less costly than continuing to do what we're doing to the economy.

FELDMAN:

I think some epidemiologists at least privately worry that if they say more or less what you are saying, that that's an invitation to the Trump administration to say even without the 20 million tests today, we can, you know, return to greater degree of normalcy and that if that happens, it could genuinely lead to a public health disaster.

ROMER:

Yeah, but let me just jump in, just head on in this cause this is exactly the thing I've been saying to economists. I would say exactly the same to anybody in science. You cannot tell people things that are just factually untrue because you think that the political spin is such that we'll get better outcomes that way. And I give you a very clear example of how this is coming back to bite us. The who and some supporting authorities said, "Oh, masks don't help, so don't use masks now." It's just not true. If you've got everybody who goes out in New York City for example, to wear a mask that could reduce R 0. The reason they said something that wasn't true is because they were worried quite reasonably that we don't have enough masks. They were worried if people ran out to buy masks. We wouldn't have masks for the people in the hospitals who need them the most. But it was a huge mistake to say something that was misleading, bordering on being false, to try and achieve a good outcome. What scientists need to do is stick to what's true, protect our credibility and then tell others, well, given that it's true that masks will protect people, you may face a sudden surge in the demand for masks. You better move right away to make sure that your hospital workers have the masks. They get the first in line to get those masks, but we just should've stuck to the truth there and my answer to the epidemiologists right now is the same. I don't see any danger in saying consistently, if we test on the scale of 20 million people a day and we isolate everybody who's positive, everybody else can return to work and we can contain this pandemic and if you need to go on and say, if we just start sending people to work without testing, without any strategy for identifying who's positive and isolating them, we will kill hundreds of thousands of, I just don't see why. Those are hard statements to make clearly and directly to the public.

FELDMAN:

We'll be back in just a moment.

FELDMAN:

I want to ask you about this potential disciplinary gap that you're describing and maybe I should be more aggressive and say maybe there's even a disciplinary war that's emerging and roughly speaking, there are the epidemiologists, most of whom also have MDs as well as new degrees in public health or statistics. On the one hand and on the other hand are economists and each is sort of in his or her element because the public health epidemiologists are spending their whole lives studying what happens when disease spreads and disease is greatly dangerous and is spreading and the economists spend their whole careers studying what happens in (especially if people do macro) studying the rise and fall of economies and our economy is now in a kind of a free fall. Each says my disaster is very, very bad and needs to be taken seriously and there's a kind of struggle going on. It sounds like perhaps this is hypothesis over which struggle is the greatest, which challenge is the greatest, where the priorities should lie. And there also may be some epistemological differences because the epidemiologists are accustomed to thinking about avoiding harm and they don't spend a lot of time thinking about costs and benefits. Does that resonate at all with what you're observing?

ROMER:

I think there's a lot of truth in what you said there. So I, I don't disagree with that at all. Um, I also think it's important to remember that I think everybody, or the vast majority of people operating in these different camps, are doing so with good intentions and in good faith. So this isn't a case of, of bad actors. I think it is hard to appreciate the perspectives and the arguments of others. Uh, but let me just say that, you know, Alan Garber is actually an MD and a PhD economist. He's not an epidemiologist modeler, but you know, he certainly knows those guys. And so Alan, I were really, in a sense, trying to bring these two communities together. And the ironic part, if you extend that, you think about the public health people. If you think about what Alan and I are saying, we're saying in effect, those economists who are telling you all about stimulus and so forth, we're spending way too much on their proposal and we're not spending nearly enough on the kind of thing that you in public health have been arguing for so many years. So oddly, you know, on the public health side, we're coming in from the outside, but we're saying actually, you know, you guys were right and they should have been spending billions more on you until let's just do it in a hurry. Now there's a special dimension that makes it a little bit tough in the epidemiological community right now, which is that they have been attacked basically by trolls who are trying to say that like this Imperial College study with many deaths and some of these other studies were politically motivated. So they've been blindsided by suddenly being pulled into the world of the trolls and vitriol and lies. And they don't quite know how to respond. Some of them understandably are feeling defensive and you know, at first glance they may worry a little bit about, well how do we know that Romer and Garber aren't just, you know, kind of one more subtle attempt to troll us and undermine our credibility. But here I think what we need to do is just engage and engage on the specifics, take each other's arguments seriously. And I think we should be able to all come to consensus around some of these basics. Like even if we don't know things like prevalence, if we test at a sufficient scale and then isolate the people who test positive, we can get below R 0. And then from the economist side, I think we can say, and this is a policy we can stick with indefinitely. Everybody who tells you, well I've got this policy and I know it's so damaging that we can't do it for very long, but let's just do it for a little while and then, and then they never say, well, and then we'll do something else. We should be extremely skeptical right now of anybody who says, well, just do this really damaging thing and then we'll make it up as we go.

FELDMAN:

Do you have a view on whether President Trump should be invoking the Defense Production Act in order to compel the kinds of investments that you're talking about? I mean, the analogy to WWII and to other Wars is pretty striking here. What the WWII historians are always telling us is that the build-up post Pearl Harbor actually really took a while. You know that it took a couple of years for the United States to generate the kind of - they also think that the United States won the war because if its capacity to mobilize production, so don't get me wrong, they're in broad agreement with you, but there's a question of temporality.

ROMER:

Um, there's two ways to respond to a question like that. One is, yes, indeed President Trump should, or President Trump should not. I think we just as a kind of us have to get out of the mode of thinking that we're philosopher kings who can tell somebody else, here's what you should do, you know, and, and it takes self control and discipline. Those are not the right kind of answers to provide. But here's the kind of answer that I think would be helpful. Here's why. Something like the Defense Production Act might help us ramp up production very quickly. Think about just masks or body suits. We say to a manufacturer, we'd like you to increase the output of your equipment by a factor of 10 so we can get a surge of production in the next few weeks and months to then meet the sudden demand we're facing. And we want you to do it at the same price, uh, sell your goods at the same price you were selling your goods before. Well, the manufacturer then says, listen, you're asking me to buy all this equipment, which will last for like 10 years and you're asking me to run this, uh, equipment for maybe two or three months, six months, the demand might go away. And then I've paid for equipment that could have been producing for 10 years, but I only get to use it for six months and then I'm going to suffer huge losses if I operate that way. So if the market operated the way we describe it in the textbooks, we just say, okay, well the market price for a surge in production of masks is like 10 times what the market price was before. And that will help, you know, give you an incentive, Mr. Manufacturer, Ms. Manufacturer, to take a risk that you're going to end up with obsolete capital equipment in a few months. But now we have this constraint, which is just the fact, which is that many people, the vast majority of people respond moralistically to what they see is price gouging or um, you know, kind of opportunism. So the reality is we can't let the market do its job with high prices to motivate surge production. So what might work in a case like this is for the government to say, okay, we'll buy the equipment for the production line, we'll rent it to you on a month by month basis. You provide the workers, you do the design, the manufacturing cell, the masks is something like the, the prices you sold before. And then if it turns out the demand falls off in a few months, you can stop paying rent on the machines. We, the government eat the loss of machines that are now obsolete. I think this would be a socially acceptable way to radically scale up production. And the trick here is to avoid the moralistic kind of analysis and just look pragmatically and say, gee!, if we're talking about a surge, somebody might bear some costs because the equipment becomes obsolete in a few months. And we as taxpayers would like our government to bear that cost because we really want to get this equipment very quickly.

FELDMAN:

And that I think could be done either with or without the DPA. The DPA might be an effective way of doing it, but I think there's statutory room for the president to do what you described, you know, in a voluntary deal with the companies without having to invoke centralized industrial control.

ROMER:

Yeah. I, I think, and there's just been some lack of clarity like this is also unfamiliar and we're moving so fast. I think some firms are worried that how the DPA will be used is that some official will say "You have

to expand your production of masks. You have to charge the prices from before. In effect, you have to bear the cost of the equipment which may turn out to be obsolete very soon." So as long as we make it clear that the DPA really a mechanism for just brokering a deal, that is the deal that we as taxpayers and citizens want, but which for a variety of reasons, we can't allow through a mechanism where we just pay a very high price for production. Right now. This is just a mechanism that would let us use our government to broker the deal we want, which is fundamentally we just need the masks as fast as possible.

FELDMAN:

Paul, let me ask you one more question before you go. And this has to do with the relationship between your own academic expertise and trajectory and the work that won you the Nobel Prize and your views in this particular crisis. So at a, at a very gross level of generality, your work's innovation had a lot to do with taking into account in models of macro economic growth the way that new ideas, innovations and technological change actually affects trajectories. Do you find that when you're thinking about this set of problems and you're staking out your own position, that your view maybe in some direct way influenced by your sense that yes, we're in this crisis? Yes, there's a trajectory that the epidemiologist and others are predicting but they're not taking into account the kinds of innovative interventions that could be undertaken - of precisely the kind you are talking about.

ROMER:

Yeah, I um, one thing about using Twitter is it does force you to boil things down. I send out a tweet where I said that I've spent my whole career trying to make a single point, which is just because something is unfamiliar, it doesn't mean it's impossible. Now I mean, who can argue with that? But it's something which we don't keep track of. We don't think about. So when somebody says, Oh, testing 20 million people basically, I've never seen that. I have no experience with it. That's so unfamiliar. Oh, that must be impossible. No: actually it's not impossible. Um, and every time we go down a path where we try and do something new, when you try to estimate, well, how hard is this going to be? It's inevitably much less hard, much less costly than we think because we discover ways to do it. Once we start trying to do it, we discover ways to do it that we never even knew were possible. So I'm not only confident that we could afford to scale out exactly what we're doing right now, but absolutely certain that if we start doing that, we're going to find ways to do it at much lower costs and much more quickly, much less disruption than anybody imagined right now. And you know, and you can actually go back and look at various episodes like how hard is it going to be to reduce SO₂ emissions that caused acid rain or um, like how hard is it going to be to stop using the CFCs which were destroying the ozone layer. You go back and read that, you know, the literature and the debate before it was like, this is going to be the end of life as we know it if we don't have CFCs. But you know, we banned them. We found an alternative. We stopped using them and you know, as spray deodorant and just roll on deodorant, you know, there's almost an unlimited, infinite number of alternative ways to do things. But because they're unfamiliar, we tend to think they're not possible, and we need to just lose that kind of fear and commit to let's go down this path. We don't know exactly how we're going to do it, but we're going to find a way to do it and once we commit it'll turn out fine.

FELDMAN:

Paul, thank you very much for your insights. I think your core insight, which you described as spending your career on that "unfamiliarity is not the same thing as impossibilities." Tremendously valuable in this particular moment, and I want to join you in hoping that we're able to scale up testing and other

interventions with the kind of speed and capacity that it would take on your account to make the interventions that you're talking about. Thank you very much for your time.

ROMER:

Well thanks for being so, you know, so patient with my my vehemence and my, my arguments,

FELDMAN:

Not at all. That's, that's a sign of passion in, in a moment when we need, we need lots of that.