

Don't just flatten the curve: Raise the line

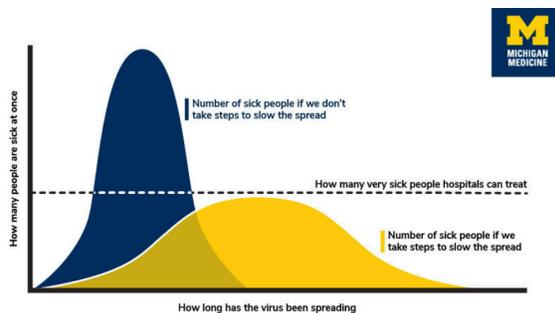
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Congress is pursuing the wrong kind of stimulus.

Never before has a single diagram crashed an economy. We are spending trillions of dollars of GDP by staying home in an effort to flatten the curve, slowing the spread of the coronavirus from the blue hump to the yellow one to keep the infection peak below the hospital capacity line.



To offset the cost of flattening the curve, Congress plans to spend a trillion dollars to boost the economy. But the way we are spending the money is unlikely to work and could be counterproductive. If everyone stays home, the money won't increase real output, but just cause inflation. Perhaps worse, the spending could backfire to the extent it lures people out to work and accelerates the infection rate.

Flattening the curve could save millions of lives because the death rate will be much higher when infections occur above the hospital capacity line, but it may not be the most efficient or effective way to save these lives. We need to spend at least as much effort and money moving the capacity line up as we are trying to flatten the curve.

To be sure, everyone is writing about the need for hospital beds, masks and ventilators. But, the federal government is not pulling out its check book; instead it tells states they are on their own for ventilators. And, Trump has refused so far to use the Defense Production Act to order companies to produce the masks or ventilators we need.

The Trump administration needs an immediate plan to swiftly build the hundreds of thousands or more likely millions of hospital beds we need together with producing ventilators, masks, disinfectant and other needed equipment.

We are on the precipice of the largest health catastrophe in 100 years. Yet Nero is fiddling while Rome burns.

Action is required. The stimulus bill needs to include tens of billions of dollars to be spent within a month on masks, ventilators and the construction of beds and hospitals as well as on whatever is necessary to treat people at home and prevent further spread.

China built a massive hospital to treat 1000 patients in 10 days. We probably need 100-300 such efforts given current estimates. And we need to move swiftly to universal testing to suppress the disease.

We need to pursue every tactic at once. The stimulus bill should provide grants to cities, counties, states and hospitals to build new hospitals, buy ventilators and masks, and treat people at home. All red tape in making the grants and in doing the construction must be eliminated.

Treatment may need to be under tents or in homes. Any regulation that holds up funding or construction more than a week is unacceptable.

At the same time the stimulus package should include tens of billions to expand testing and administer tests to the healthy in order to track the disease and stop its spread getting R_0 , the number of people each infected person infects, below one.

Money will certainly be wasted without redtape and regulation. But waste is better than delay.

We should not, however, depend on money alone to get the job done. Markets do not work for everything. If a man is having a heart attack, you do not set an offer price for ambulances; you order an ambulance to the house. Offering to pay \$5000 could bring too many or too few ambulances. Planning, coordination, and mandates ensure appropriate ambulance service.

And that is what we need. The government should estimate how many beds and masks and ventilators we need and use existing law or pass new ones to order their production. This is no time to wait for free markets to work.

The surest way to stimulate the economy is to make us all safer by raising the health care capacity line in the figure, so we don't need to stay at home as long.

An ordinary stimulus bill tailored to previous financial panics is not the prescription for what ails us today.

