

**That Which is Seen, and That Which is Not Seen,
During COVID-19**

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In the 19th century, French economist Frédéric Bastiat wrote an [article](#) “That Which is Seen, and That Which is Not Seen” in which a shopkeeper’s son carelessly broke a window in his shop. Spectators mistakenly commented that replacing the window improved the economy because a glazier receives income that circulates within the market. They lacked the foresight to imagine the new glass windows that the glazier could have produced instead of fixing the shopkeeper’s window. This oversight is commonly known as the broken window fallacy. Certainly, fixing the window generates value for the shopkeeper, but it comes at the expense of new glass production. This vivid illustration of an opportunity cost is one of the most important concepts in economics. Bastiat further wrote that a bad economist only takes into account those things which can be seen, but that a good economist considers both the “things which are seen, and the things which must be foreseen.”

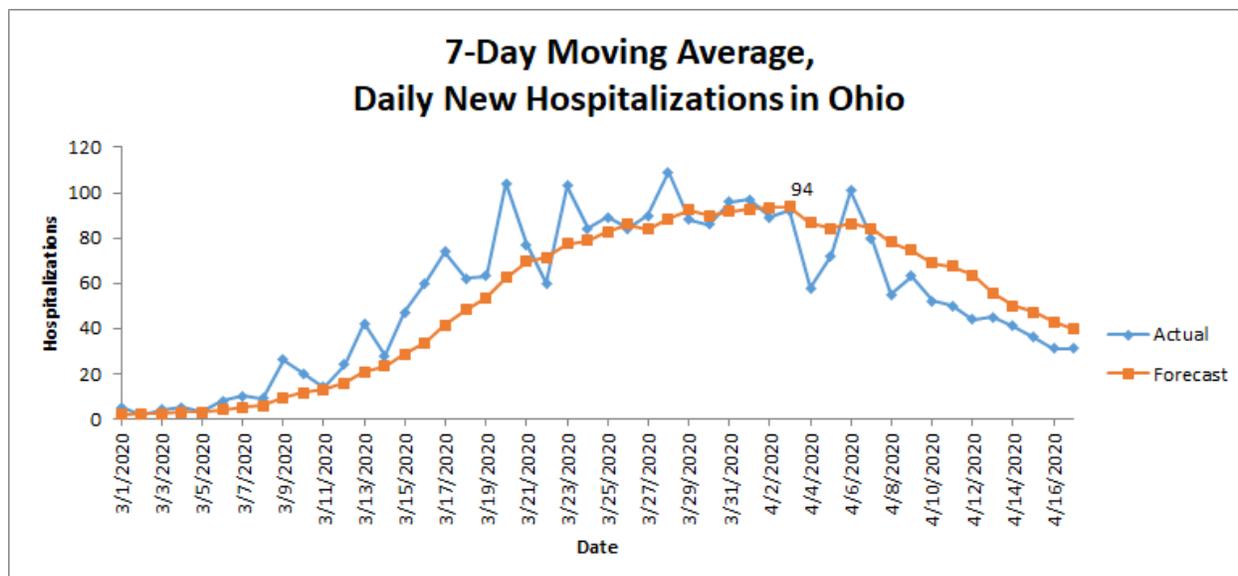
The need to consider those things we cannot see spurred my recent article, [The Economy Restart Rule](#). As the government begins reopening the economy, every credible health official proposes we first flatten the COVID-19 curve. That is, we must currently be on the downward slope of the curve. But which curve should be flattened? Just like the spectators in Bastiat’s story of the shopkeeper, many of today’s spectators are mistakenly evaluating the success, or lack thereof, in the fight against COVID-19 by counting the number of individuals who test positive for the virus.

In response to opening the economy on May 1st, the vice-chair of Ohio’s Economic Recovery Task Force, Terrence Upchurch, [said](#), “If we don’t see a decline in cases and deaths I think we need to reassess that date.” However, the number of cases is only a measure of what we see. We cannot see the actual prevalence of COVID-19 in the population because of our current lack of testing. Relying on individuals who have tested positive as a milestone to reopen the economy is a mistake.

On Friday, April 17th, Ohio [reported](#) 9,100 cases of COVID-19. Three days later on April 20th, the number of COVID-19 positive cases soared to just over 12,900 — an increase of 42 percent. If the prevalence of COVID-19 really increased by 42 percent in Ohio, then the lack of panic among state officials during the April 20th press conference should be greatly concerning.

Data literacy, or the ability to understand the data-generating process, is a crucial skill to navigate through this crisis. The data generated by individuals who test positive is not a reliable indicator of our current status in the pandemic. Tests are capacity constrained and tested individuals are not randomly selected. Additionally, the number of false positives produced by our current tests is too high.

Instead, the Economy Restart Rule proposes that the number of hospitalizations, rather than positive test cases, is a key determinant for the economy’s reopening. The figure below shows that the number of new, daily hospitalizations from COVID-19 peaked in Ohio during the week ending on April 3rd. Fourteen days later, Ohio’s new hospitalizations, as measured by the date of onset, display a downward trend. As a result, the State of Ohio should continue to take measured steps towards a gradual reopening of the economy in early May.



Author's calculations from Ohio's April 20th COVID-19 dashboard at <https://coronavirus.ohio.gov/wps/portal/gov/covid-19/dashboards/overview>.

Recently, the *NY Times Magazine* interviewed five experts in its article, "[Restarting America Means People Will Die. So When Do We Do It?](#)" The article could have also been titled "Closing Our Economy Means People are Dying. So When Should We Open It?" Whether it comes by COVID-19 or some other cause, death is never avoided by closing the economy—it is only postponed. When we look at the number of deaths over a long enough period of time, the area, or integral, under the death curve always equals the number of births for a population. Restricting our hospitals to emergency procedures and other essential surgeries only postpones death for COVID-19 patients, but those same measures are potentially accelerating deaths for patients with other medical conditions. Just as the focus on positive cases is a distraction from more important milestones, the emphasis on the reported number of COVID-19 deaths may also distract us from the unseen consequences of our economic shutdown.

Many life-prolonging procedures have been cancelled or postponed in the current allocation of resources. Cancer surgeries, cancer screenings, organ transplants, substance-abuse treatments, and many other interventions that prolong life have been cancelled. If these treatments had occurred, they also could have postponed death for many people. During the crisis of COVID-19, the number of liver transplants [fell](#) by 80 percent in Spain. Transplant surgeons continued to transplant those most seriously ill with the highest risk of imminent death without a transplant, but we must nevertheless consider the consequences to the 80 percent of individuals who did not receive an organ transplant. As Dr. Berenguer thoughtfully noted, "The impact of these reductions on mortality on the [transplant] waiting list may become a collateral damage of this terrible pandemic."

Outside of the immediate consequences to our health from shutting down part of our healthcare sector, there are broader consequences to shutting down our economy. As the philosopher Peter Singer said in the *NY Times Magazine* article:

“We are currently impoverishing the economy, which means we are reducing our capacity in the long term to provide exactly those things that people are talking about that we need — better health care services, better social-security arrangements to make sure that people aren’t in poverty.”

A functioning healthcare system requires a functioning economy. Indeed, we have already decided that “stay-at-home” orders do not apply to certain economic sectors. If the grocery retail sector shuts down, our society would quickly descend into an apocalyptic nightmare. The same logic has been applied to keeping restaurants open for carry-out, maintaining trash collection services, operating municipal utilities, and other necessary services. Without these sectors of the economy, our healthcare system could not function. The government’s objective must not then be to minimize deaths from COVID-19 *at all costs*. Implicitly, our government is maximizing social welfare subject to economic constraints.

To assist in these social welfare calculations, economics also offers the tool of marginal analysis, or “thinking at the margin.” Since the number of deaths from COVID-19 will not be zero before we reopen our hospitals and economy, government officials should be more explicit and transparent in their social welfare calculations. This transparency would produce the additional benefit of promoting trust in our government’s decision-making.

Every state in the country is publishing a dashboard with updates on the COVID-19 situation. Before the next pandemic wave, the federal and state governments should consider publishing the ***number of life-years saved*** as a result of different economic policies under consideration. To borrow again from Peter Singer:

“I am a big believer in using life-years saved, rather than just number of deaths avoided, as the goal.”

Indeed, medical professionals have already anticipated the situation we are currently facing in an article “Who Should Receive Life Support During a Public Health Emergency? Using Ethical Principles to Improve Allocation Decisions.” The authors [proposed](#) various rules to maximize social welfare, including a proposal to emphasize the number of life-years saved.

“We contend that the previously proposed ‘save the most lives’ allocation strategy is insufficient because it fails to incorporate morally relevant considerations such as the expected years of life saved and the importance of giving individuals equal opportunity to pass through life’s stages.”

The number of life-years saved offers a marginal analysis approach to the allocation of critical, scarce resources. These explicit cost-benefit analyses are already occurring at the micro-level by medical professionals. The number of life-years saved should also be explicit at the macro-level. Because of the economic crisis, we know that government and private sector services that provide life-prolonging care have been reduced or eliminated. For example, due to a projected budget deficit, the city of Cincinnati recently cut its funding to nonprofit human services by 25 percent.

We do not see the immediate effects from these cuts, but they are there, and the consequences will become very real to us in the future. Governments should develop a dashboard that displays the

number of life-years saved under different economic policies. Individuals will disagree on the calculations and what steps to take, but at least there will be a common ground for the discussion. Good economics, as Bastiat would remind us, should demand nothing less.

In case anyone who read this article has formed the wrong impression, I want to emphatically state that I support and practice social distancing measures. I agree with the government's decision to close the polling booths in Ohio in March, impose travel bans, and many other steps taken to fight COVID-19. This article is not necessarily the opinion of my employer or any organizations with which I am affiliated.