

## Stop the Pandemic to Restore the Economy

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**The Covid-19 pandemic has caused our economic crisis. Economists across the political spectrum agree that to restore the economy we must slow the spread of the coronavirus.** Financial assistance and stimulus will not work until businesses, workers, and consumers are confident that they can safely resume their normal activities.

The federal government will achieve a quicker, more durable recovery if it balances its commendable spending on stimulus with equally aggressive spending on measures to defeat the virus. The Administration's [Operation Warp Speed](#) initiative to accelerate the development, manufacture and distribution of vaccines, therapeutics and diagnostics should be applauded. The administration and congress should massively expand models like this.

A large-scale federal investment in defeating the virus offers:

- our **best chance to avoid continuous (and more costly) stimulus and financial aid**
- the **fastest way to reduce the scale of our economic contraction** – currently \$10 to \$20 billion daily

**Medical innovation is essential to success in this fight:** We need more and better options for stopping the spread of the virus. So far, most of the federal spending triggered by the crisis has been devoted to financial aid for the nation instead of treatments and a cure for Covid-19.

**Diversification is essential:** At a time when so much is still unknown, it would be folly to rely on one major medical approach (vaccine alone, testing alone, etc). We do not know exactly what will defeat the virus. As is the case with investing, we should diversify: invest in multiple promising pathways to end the pandemic.

**Federal spending is critical to driving production and innovation from the private market:** Private markets are constrained. Firms developing Covid tests, treatments and PPE face a particular market failure. To end the crisis quickly, we need a surge of production – more and better masks, tests, treatments – but we need it for only a limited amount of time. Firms generally recoup start-up costs in the long run. Unlocking a short surge of output requires a clear and reliable demand signal from government that in a time of crisis, it is willing to pay far more than the normal market price to those firms that can respond quickly enough to bring an end to the crisis.

**Not every solution will work and that's OK:** The federal government is investing in many different vaccines to maximize the odds that it finds at least one that works. We need to apply this same mindset of urgency and risk-taking on every front in the fight against the virus. The more bets we place, the higher the likelihood that there are several that succeed and reinforce each other.

**Scale required:** Policymakers should start by spending an additional \$100-\$200 billion in the near term to fight the virus, and be prepared to keep spending at that level in successive funding rounds until all businesses, churches, and schools are open and the prevalence of the virus is well below 0.1%.

### **External validation by nations' leading economists**

An intentional policy effort takes political courage but would benefit from 'ground cover' by the nation's most prominent economists, conservative and liberal. They would be mobilized to provide strong and visible endorsement of this approach.

- Many, including Ben Bernanke, Glenn Hubbard, Ed Lazear, Greg Mankiw, Larry Summers and Janet Yellen, have endorsed the theme of a health-first response and could deliver valuable validation.

Restoring the economy requires defeating the pandemic. **Without this massive diversified strategy, we may face many months, or years, of continued economic decline and further trillion-dollar economic aid plans.** With diversification, we have the greatest hope of a return to normal economic and social life.