

**A**CT LIKE YOU'RE IN A CRISIS. THAT HAS BEEN economist Alex Tabarrok's advice since the start of the COVID-19 pandemic. Tabarrok was among the earliest and loudest voices arguing for urgency and risk-taking when it came to increasing rapid testing, investing in vaccine capacity, and employing flexible vaccine dosing. In hindsight, he has been proven regularly right when most health experts were wrong. A professor of economics at George Mason University, Tabarrok co-founded and writes daily for Marginal Revolution, one of the most influential websites in the world. He spoke with Brunswick Partner Raul Damas about how his analytical approach can help policy makers and business leaders make better decisions in a crisis.

**What would you say the US initially got right in its response to the pandemic?**

Not much. The CDC's botched test and the FDA's refusal to allow private and state labs to develop their own COVID tests put us weeks behind and essentially took the South Korea option—suppression—off



On COVID, renowned economist **ALEX TABARROK** takes no pleasure in saying he told us so. By **RAUL DAMAS**.

**RAUL DAMAS** is a Partner and leads the US health practice at Brunswick. He previously held senior positions with the George W. Bush White House and Pfizer.

trial design of two-doses, three-to-four weeks apart. Many people argued that doing something different from the initial trial was not “following the science.” To me it was obvious that the trial design was just surface phenomena. The initial trials were designed to get a vaccine approved as quickly as possible, not to figure out the optimal dose and scheduling.

What mattered was not the trial design, but the information revealed by the trial: The first dose was about 80% effective. It then seemed obvious to me that delaying the second dose and getting more first doses out sooner was the correct choice. Policy makers, however, either didn't see this or didn't want to accept responsibility for making a choice.

A closely related problem was that the “obviously” correct choice wasn't without risk. Policy makers and people in general tend to think that sticking with the status quo is less “risky”—but this too is just surface phenomena. Look deeper and it's clear that the status quo is also risky. Think of the status quo as being given an urn with 10 green balls and 90 red balls where picking the green ball was better. First doses first was an urn with 20 green balls and 80 red balls. Switching was obviously correct even though risky.

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Unfortunately, the risk of switching from the status quo loomed large in people's minds making it difficult to see what was obvious. If the initial trials had studied a one-dose regimen and someone had then argued for a two-dose regimen, the same people who objected to first doses first would have said switching to two doses was too risky. (In fact, the J&J vaccine trial did study the one-dose regimen first, and no one at the time objected that you needed two doses. Even though you do.) Anchoring on the status quo is simply a mistake.

Oddly even my least controversial opinion, go big on vaccines, also met with a lot of pushback early on.

Yet, as I told people at the White House early on, the US economy was losing hundreds of billions a month due to COVID, even before taking into account long-term health and education costs, so anything that accelerated recovery by a few months was worth hundreds of billions if not trillions. Going big on vaccines was the world's easiest cost benefit test. Yet most governments failed the test.

The United States was by far the best, spending about \$15 billion on Operation Warp Speed, but we could have spent two or three times as much, built more vaccine capacity, and ended the pandemic even sooner, and it would still have been a great deal.

**Should we have heard more from economists during the early-stage pandemic?**

It's sad that the economists were perhaps most ignored when they were most united. On the left and the right, the economists I spoke to were agreed on going big on vaccines and on testing. Paul Romer did important epidemiological work on testing early in the crisis. It was puzzling to many of us why it was much easier for politicians to spend trillions on unemployment insurance and support for business, while skimping on support for testing, which could have saved lives and money at the same time.

**Are there lessons from the pandemic response that are applicable to business leadership?**

Yes. One of the reasons people in Silicon Valley were early to recognize the crisis was that they understood what it meant for something to go viral. When things are going viral, you need to act quickly, and you need to keep acting as circumstances change—battlefield tactics.

More generally, I think human beings are inherently risk-averse, biased by the status quo, and prone to conformity. The outsize potential rewards for being an entrepreneur are one way to counter these natural tendencies. It may take the prospect of

becoming a billionaire to get people to try radically new things. In addition, the openness of markets in comparison to politics means that there is more room for oddballs and experimentation.

**How do we make the FDA less risk-averse? Wasn't their approval of Biogen's Alzheimer's drug an example of the regulator erring on the side of experimentation and innovation?**

The FDA is too conservative, and I mostly blame the public. It's easy to see how FDA-required testing can make drugs safer and more effective – it's much harder to see how FDA-required testing makes medicine less safe and effective. Raising the costs and time to bring a new drug to market, however, means fewer new drugs. The people who died but who would have lived had more drugs been available sooner are buried in an invisible graveyard. One of the few silver linings of the pandemic is that more people are now seeing the invisible graveyard. The approval of Biogen's Alzheimer's drug was a remarkable change in standard FDA procedure. The fact that some experts had a temper tantrum about this decision suggests it may not last. We will see.

**You've had great success with the online learning site Marginal Revolution University. Given the shift to more video-based instruction, what's the next step in the evolution of the approach?**

Switching millions of people into online education overnight wasn't easy or pleasant, especially for younger kids. But as people have gotten used to online education, they are beginning to see the advantages. Online education, for example, is in principle much more individualized than mass classroom teaching. A student can rewind, speed-up, or slow-down a video, moving more quickly through material that the student understands while slowing down for other material. AI tutors can quickly assess each student's knowledge and direct them to just that piece of the puzzle that they need to complete their personalized picture. AI tutors are also available 24 hours a day, 365 days a year, they speak multiple languages, and they never get tired or cranky.

I am quite excited that MRU has made a world-class introduction to the principles of economics available to anyone, everywhere. It's gratifying for Tyler and myself to get emails from “our students” all over the world. I have delivered many more hours of education online than I have ever taught live at GMU. Indeed, through MRU, Tyler Cowen and I hope to teach more people economics than anyone else in the history of the world! ♦