Policies in the Time of Corona: Context of Indonesia

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The Problem Set

- **The objective functions:**
    1. save as many lives as possible
    2. minimize economic recession ▸ graph
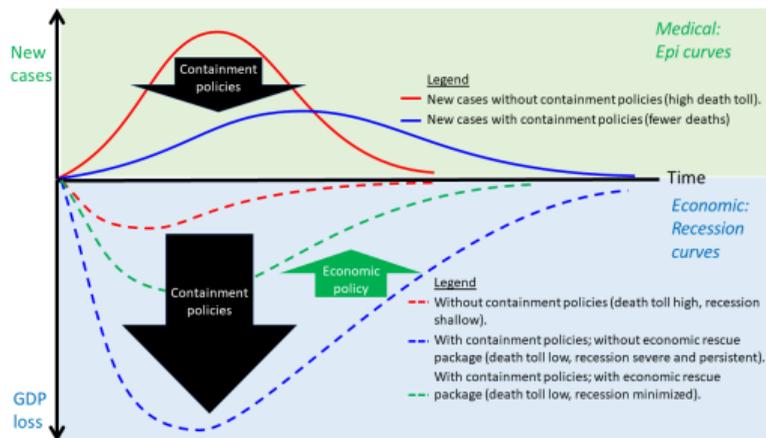
- **The constraints**
    - healthcare system capacity ▸ graph
    - government's budget and CB's influence to real sector in the short run
    - heterogeneity in voters' beliefs and expectations

- **The choice variables:**
    - public health measures:
      mass test $+$ {physical distancing, quarantine, shelter in place, lockdown}
    - economic policies:
        - fiscal policies
        - monetary policies

saving lives = saving the economy

Source: Baldwin (2020)

How should we interpret the recession line without containment policy?

- Short run: cost seems small.

- But as the healthcare capacity is overloaded:
    - may trigger panic, strong expectation for crisis
    - we loose lots of human capital

- We cannot afford having the healthcare system collapsing:
    - healthcare facility perhaps is easier to be acquired
    - loosing doctors and nurses means loosing human capital which take a long time to accumulate.

Policies during vs after pandemic

pandemic $\longrightarrow$ **recovery**

"survival mode"
enough for workers to stay afloat
enough for businesses to survive

temporary, targeted

"stimulation for growth"
aim for productivity
aim for removal of barriers

general, stimulate

Context of Indonesia

For the public health measures to be effective, people (workers and businesses):
- are willing to conduct the measures: *adoption*
- can afford the measures: *affordability*

We discuss 3 aspects in the context of Indonesia that need to be taken into account in policy making and implementation:
- social
- spatial
- economic

SOCIAL ASPECTS

Knowledge Gap

- asymmetric information

- need more clear guidelines

- information on impacts: customized content, formats and channels

- engage public figures:
    - as suggested by Alatas et al. (2020):
      celebrities have a substantial influence in shaping public opinion when they speak in their own voice.
    - engage religious leaders:
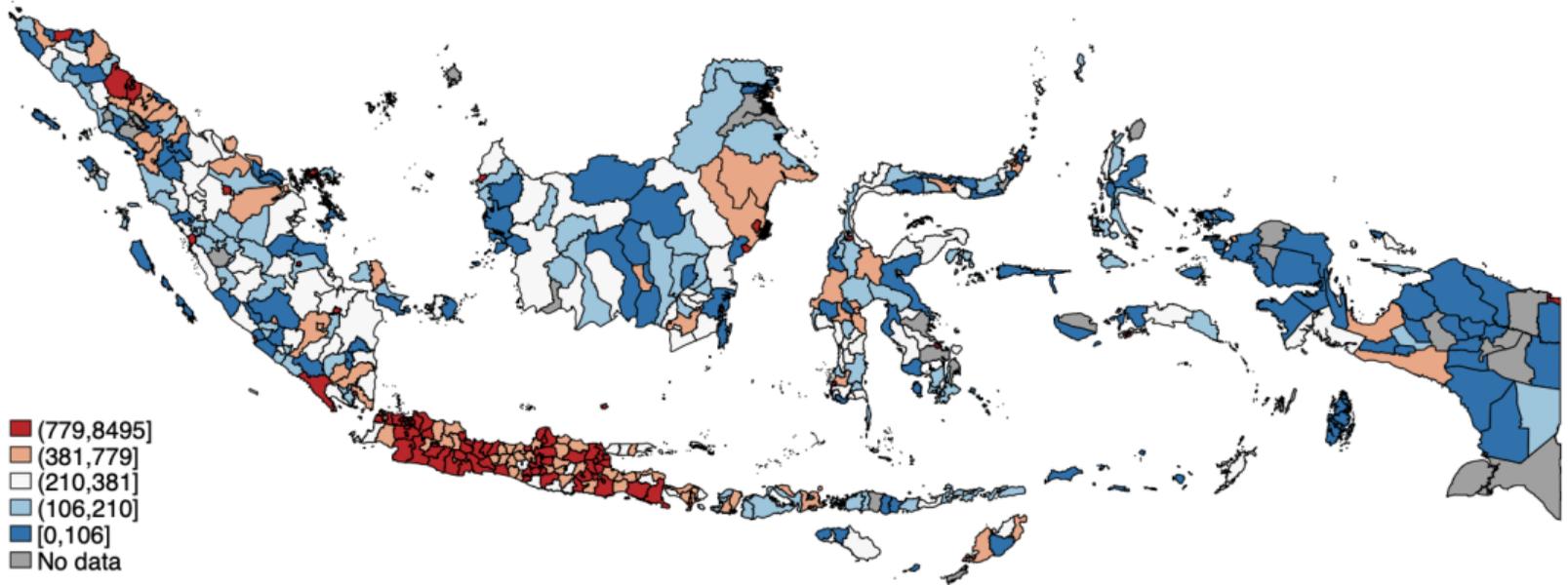   especially crucial for the upcoming Ramadhan and Eid Fitri

Expectation for Crisis

- expectation for crisis may not be actually a true reflection of the real condition: asymmetric information and uncertainty may play role

- but expectation drives action: e.g. panic buying

- credible information: use all outlets, make it timely and clear

- engage local governments' networks: up to neighborhood level to disseminate and coordinate.
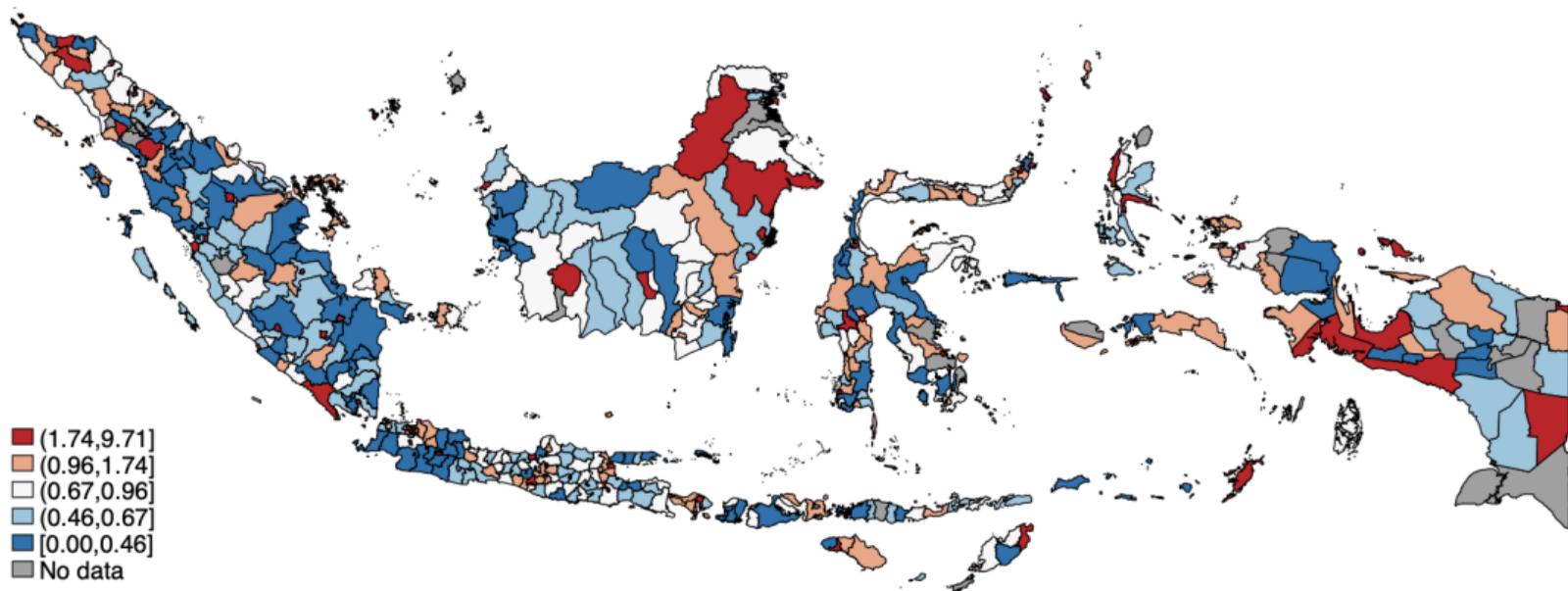
SPATIAL ASPECTS

Many districts in Java have (relatively) high numbers of hospital beds.

Number of hospital beds

Legend:
- (779,8495]
- (381,779]
- (210,381]
- (106,210]
- [0,106]
- No data

But they vary widely in terms of beds/population.

Hospital beds/1000 people

Legend:
- (1.74,9.71]
- (0.96,1.74]
- (0.67,0.96]
- (0.46,0.67]
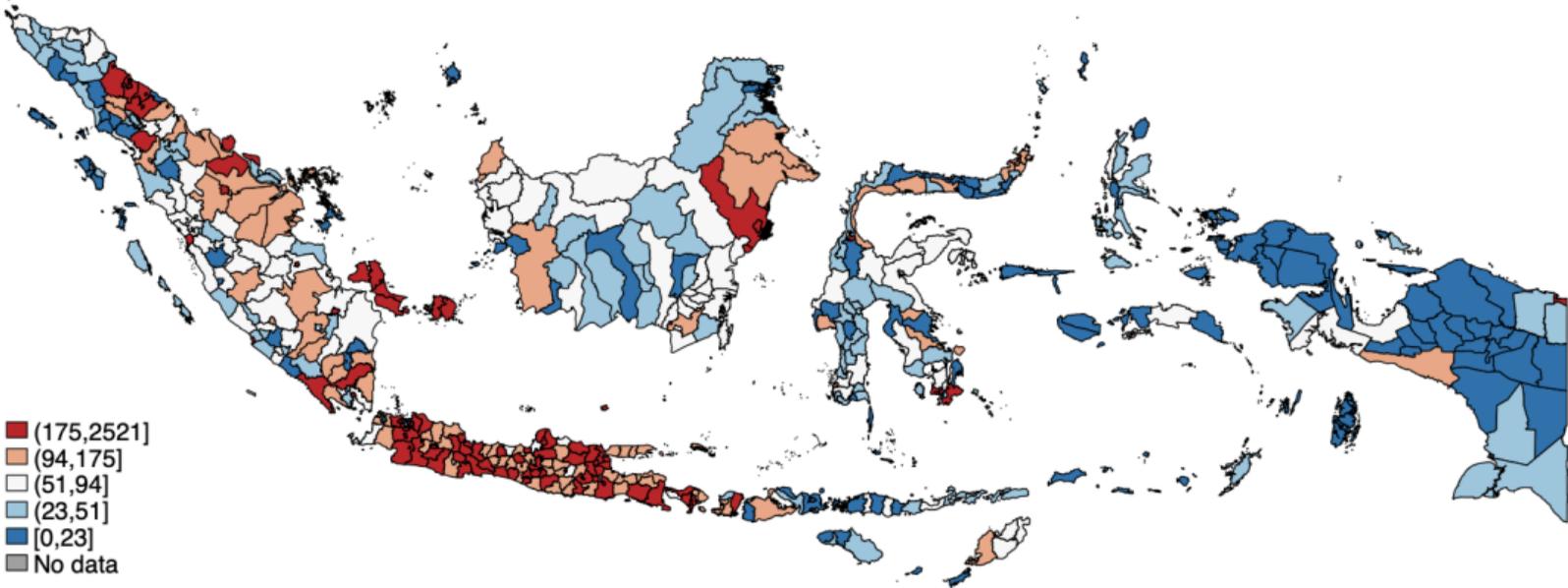- [0.00,0.46]
- No data

Notes:
Indonesia: median 0.82, South Jakarta 1.87, Central Jakarta 4.62, West Jakarta 1.42
Depok 0.54, Bekasi 1.23, Tangsel 1.02, Bogor City 1.80
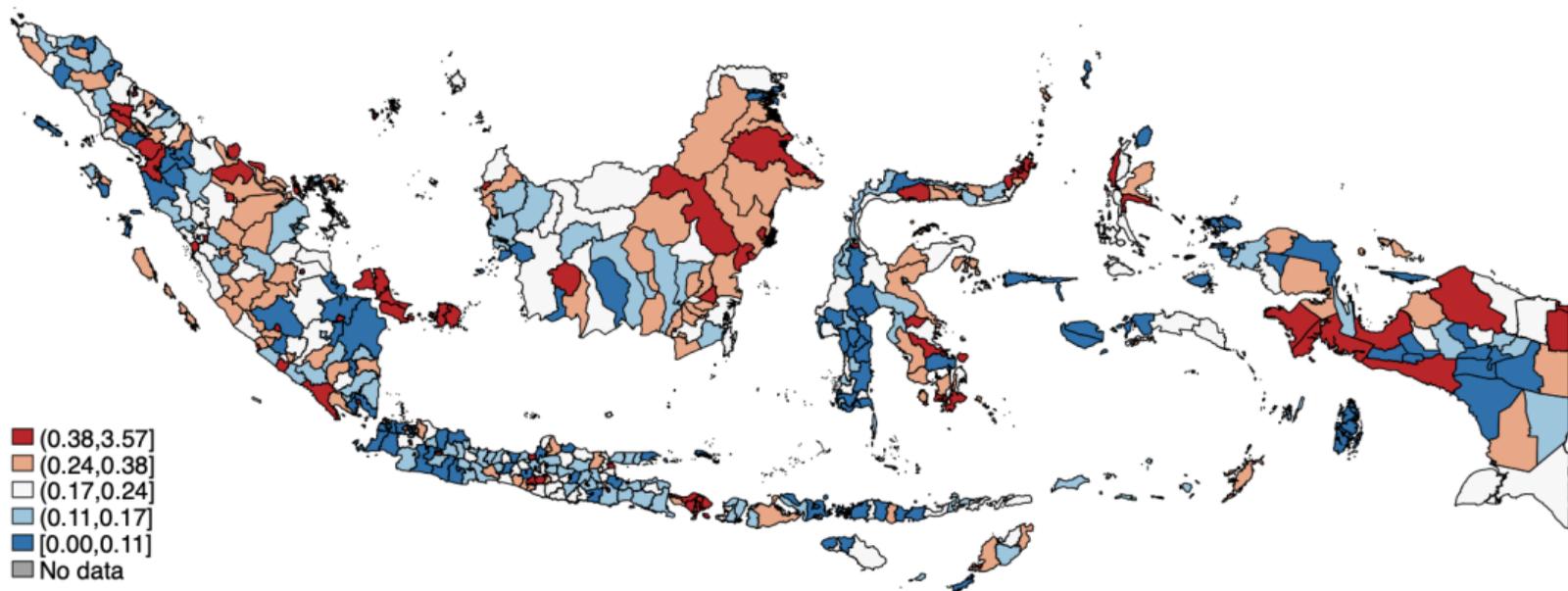South Korea 11.5, Italy 3.4, Singapore 2.4

How about the numbers of doctors.

Number of doctors

(175,2521]
(94,175]
(51,94]
(23,51]
[0,23]
No data

But again, high variation in numbers of doctors/population

Doctors/1000 people

Legend:
- (0.38,3.57]
- (0.24,0.38]
- (0.17,0.24]
- (0.11,0.17]
- [0.00,0.11]
- No data

Notes:
Indonesia: median 0.2, South Jakarta 0.02, Central Jakarta 0.005, West Jakarta 0.004
Depok 0.14, Bekasi 0.25, Tangsel 0.23, Bogor City 0.56
South Korea 2.37, Italy 4.09, Singapore 2.31

takeaways

- strong indication that we are already on the limit of healthcare capacity in Jakarta and Greater Jakarta

- other parts of Indonesia are not well equipped

- some parts of healthcare capacity can be increased easily such as using hotels as hospitals or quarantine, but not all such as doctors, nurses etc.

- out of the early 132 COVID-designated hospitals, there are only 88 ventilators (Asia Times)

ECONOMIC ASPECTS

safety netsssss

- Some workers and sectors are hit harder and cannot afford to adopt PH measures without safety nets:
  informal workers, daily wage workers, gigs economy, culinary sectors, etc.

- Eventually some other sectors may also limit production.

- Fiscal policies: temporary, targeted, can be spent directly

- Monetary policies: can be targeted, relaxation of credit markets to workers and sectors hit hardest

- Expansion: as PH measures take time, identification of most impacted groups may be expanded and hence transfers and supports should also be expanded.

inflationary pressure?

- inflationary pressure will always exist under this circumstances.

- how to manage it:
    - supply side: ensure enough food stocks and smooth distribution
    - demand side:
        - manage people's expectation to avoid speculation and panic buying
        - control policy such as quantity limitation

- the special case of Greater Jakarta:
    - take into account more than 2/3 of detected cases
    - there are 3.2 million commuters with Jabodetabek
    - "the consumer of food" in the economy

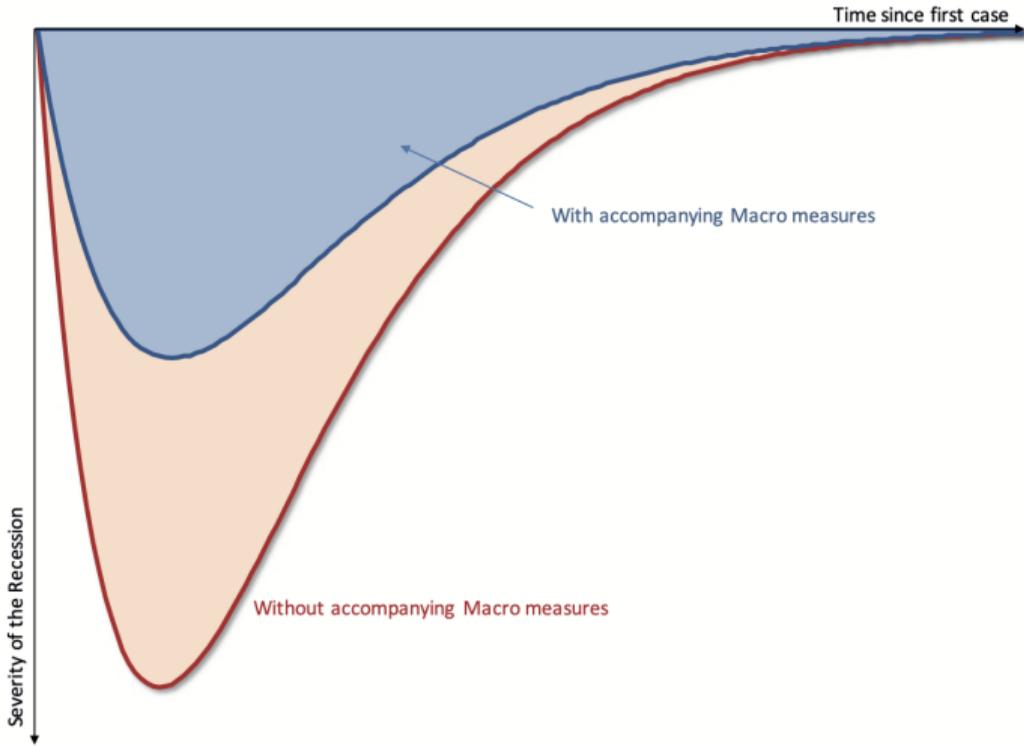- containing the pandemic in Greater Jakarta is part of the effort to ensure food stocks.

CONCLUSION

Conclusion

- economic policies during pandemic are directed to support public health goals:
  public health goals are first and foremost priority

- healthcare capacity in the epicentrum of the pandemic is already overwhelmed:
  we propose for a stronger containment measures so that we can sustain the healthcare
  capacity

- remember the epi graph: notice that flattening the curve means to lengthen the period
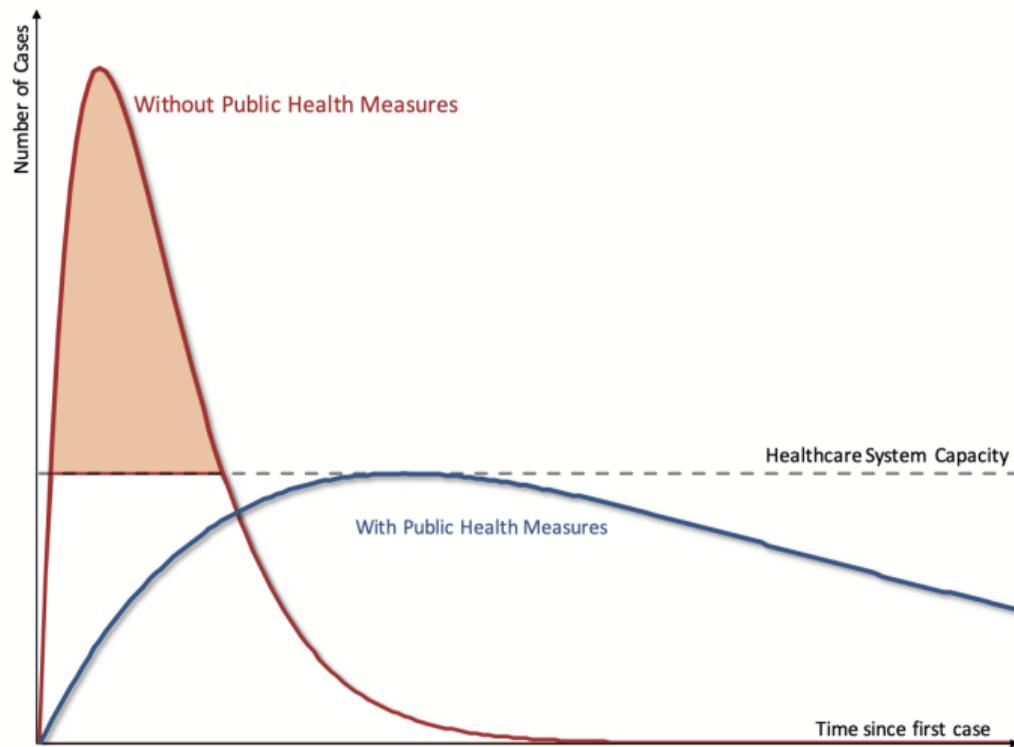 of the pandemic

**This is going to be a marathon,
with a full-speed sprint in the first 10K.**

Flattening the recession curve

Source: Gourinchas (2020)

Flattening the pandemic curve

Source: Gourinchas (2020)