Decision Making in a pandemic

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BUSINESS SCHOOL



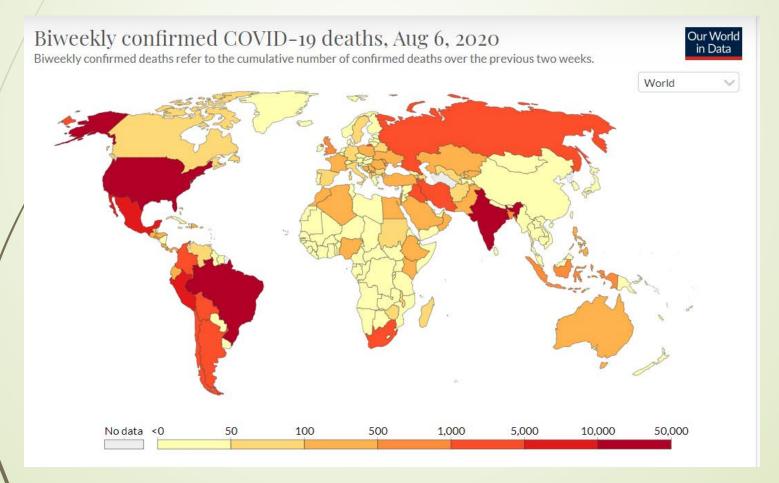
Covid-19: The view in New Zealand



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Early August, 2020, Status quo: Which world do we live in?





- A large part of decision making in a pandemic and/or global recessions is dealing with uncertainty.
 - Humans crave certainty and are not very good at dealing with events that are uncertain since we feel an acute loss of control.
 - This leaves us vulnerable to making some systematic errors of judgement that often compound the problem.



Three themes (or biases)

Gut feelings
Distinction between System 1 and System 2 thinking
Confirmation Bias
Difficulty with probabilistic thinking





In the immediate aftermath of September 11, 2001, many Americans decided that flying was too risky and chose to drive.

In the following 12 months, an additional 1,500 people lost their lives on the road.

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This is more than the total number of passengers who died on the four planes.

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We tend to focus excessively on "identified lives"; loss of lives right in front of us.

We are afraid of losing a large number of lives in a short period.

But, in doing so, we miss out on the loss of "statistical lives".



Increase in mortalities due to other diseases.

- Children, especially in developing countries have missed vaccinations; causing a surge in diptheria, measles and cholera
- Lowered life expectancy from higher unemployment.
- Postponed doctor visits, screening and surgeries.
 - But these (even if larger in aggregate) are scattered all over and not reported on in the same breathless manner.



System 1 and System 2 thinking

System 1:

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automatic; fast; intuitive; reflexive

Jumps into action immediately

System 2:

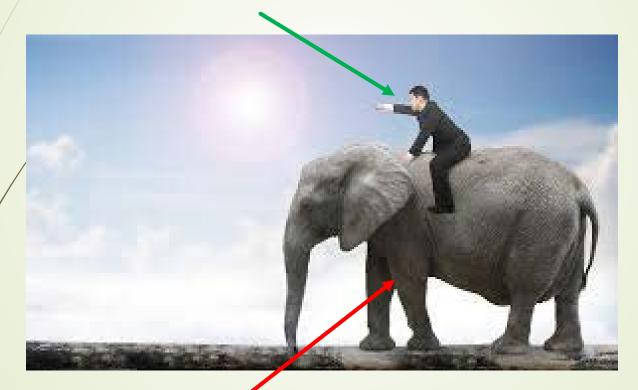
deliberative, thoughtful, reflective;

engages later and requires cognitive effort



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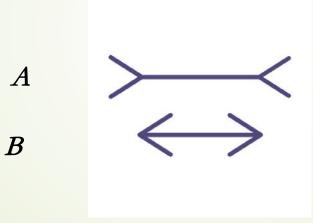
System 2: The rider; deliberative, thoughtful, reflective; May need to struggle to turn elephant around



System 1: the elephant; automatic; fast; intuitive; Lurches into action quickly and hard to turn around

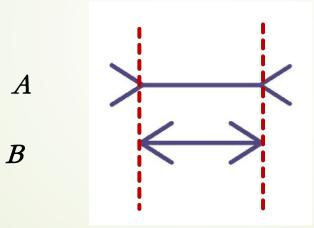


The Mueller-Lyer Illusion: Which line is longer?

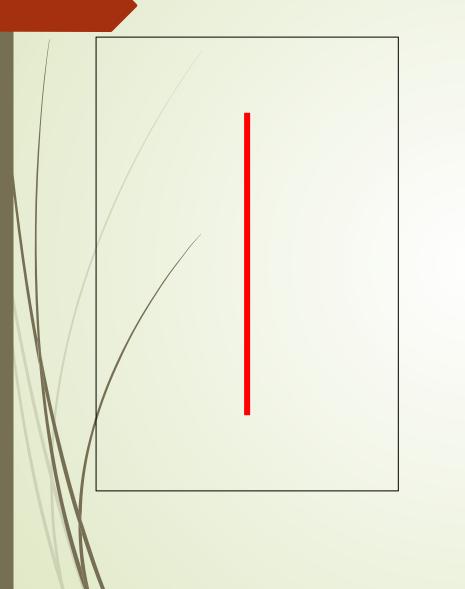


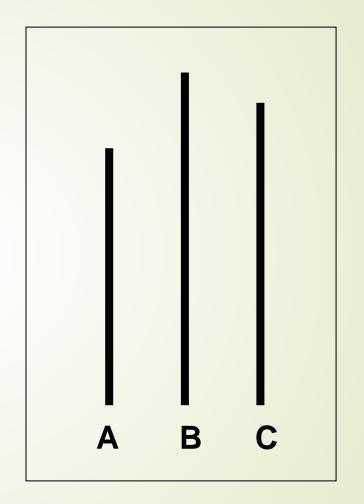


The Mueller-Lyer Illusion: Explained

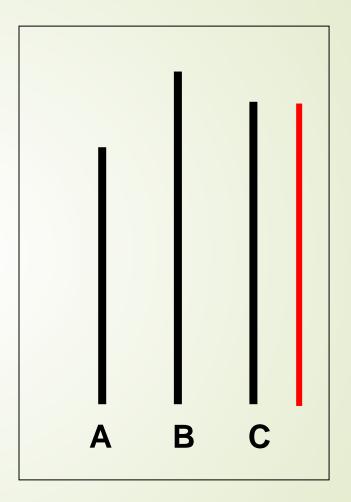














Having "seen" something and come to believe that this is correct, it is extremely difficult to "unsee it".

Once we have created a narrative based on this gut feeling, we tend to look for confirming evidence and discount disconfirming evidence.

It is psychologically painful to change our minds and happens only with difficulty and/or overwhelming evidence.



Steven Colbert talking about George W. Bush at the White House Correspondents' Dinner, 2006

- We are not that different, he and I.
- We both get it.

- Guys like us, we are not some brainiac on nerd patrol.
- We are not members of the "fact"-onista.
- We go straight from the gut. That is where the truth lies. Right down here in the gut.
- Do you know that there are more nerve endings in your gut than in your head? You can look it up.
- Now, I know some of you will say that "I did look it up and that is not true."
- That's because you looked it up in a book. Next time, look it up in your gut.
- I did. My gut tells me that's how our nervous system works. Ananish Chaudhuri Decision Making in Pandemics



Difficulty with probabilistic thinking

Case fatality ratio is 3%!

- System 1 goes into overdrive!
- System 2 says:

The Case Fatality Ratio of Ebola is more than 50%, MERS 35% (approx.) and SARS 9%-10% (approx.);

More than CFR, we need the Infection Fatality Ratio but IFR not known without extensive testing



Lockdowns



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Lockdowns

- Weak, if any, correlation between policy stringency and cases.
 - But narrative became about two extremes "lock down" or "let it rip" with no consideration of the continuum in between, with associated costs and benefits at each of those levels.
 - People, especially in a high trust society like NZ, can be relied upon to follow instructions and trusted to do the right thing such as self-isolation.





Should we keep our borders closed? Should we have yet another lock down? Should people have to pay for quarantine?

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Quo tendimus?

- Common theme: lack of understanding of small probabilities
- Beyond a point, it is not worth worrying about low probability events.

Somewhere along the way our policy response morphed from *"flatten the curve"* (to reduce pressure on health services) to *"elimination"*!



Quo tendimus?

Élimination is not a feasible goal!

- We thought measles had been eradicated till we had an outbreak in 2019.
- It is a global world; as long people and goods travel, so will diseases.
 - If and when a vaccine arrives, not only do you need all Kiwis to get vaccinated, you need everyone else in the world to do so.



Quo tendimus?

A vast bureaucracy and huge costs to deter a relatively low probability event.

Getting a probability down from 1 in 10 to 1 in 100 may not be difficult but getting from 1 in 100 to 1 in 1000 or even lower becomes prohibitively costly.

We cannot get this probability down to zero and do not need to!



Quo tendimus?

- Trade-off between further risk minimization and huge economic (and social) costs.
- But, now that we have committed to the whole elimination story it, how can we turn back?
- Changing minds now means a loss of reputation;
- It is now more about ego and hubris than evidence-based decision-making.



It's not a liberal-conservative thing! (Fischer, Chaudhuri and Atkinson; research funded by RSNZ Marsden Grant: UOA-17-074)

Liberals are pro lock down while conservatives are opposed.

This unidimensional view of politics is incomplete, if not incorrect.

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- Dual evolutionary foundations of political ideology
 - Claessens' et al, 2020
- There are economic conservatives and economic liberals.
- There are social conservatives and social liberals.



It's not a liberal-conservative thing! (Fischer, Chaudhuri and Atkinson; research funded by RSNZ Marsden Grant: UOA-17-074)

Economic liberals emphasize cooperation and egalitarianism.

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Perceived physical distancing as the cooperative activity; hence support "stringent" lock downs including military involvement.



It's not a liberal-conservative thing! (Fischer, Chaudhuri and Atkinson; research funded by RSNZ Marsden Grant: UOA-17-074)

Social conservative tend to be groupminded, group conformist and threat sensitive.

They perceived lock downs as mitigating threat and were also supportive of strict lock downs including military involvement.

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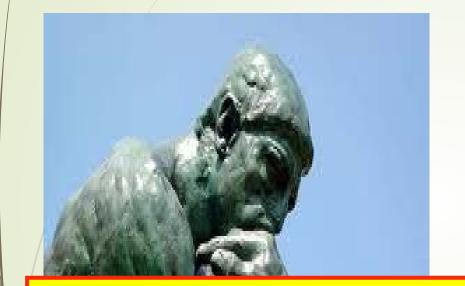


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Resulted in a striking concordance in views between two disparate groups.

But originating from very different views of the world.







That's my story and I am sticking to it.

