COVID-19 Policy in Japan

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1. Economic Shutdown in April-May

* Buying time against explosion of infections
* Enormous damage on the economy (10% of GDP)

2. PCR testing

* Number of testing capacity (PCR test, antigen test): 70,000 cases per day
  => Target as of August 28: 200,000 cases per day (antigen test)
  => Target as of November 12 540,000 cases per day (PCR, antigen)

* Serious disagreement between public health experts and economists

* Public health: Value of test is at diagnosis for patients
  # Testing is for diagnosis and for cure of patients
  # Efficiency in finding infected people
  # Overwork in public health center coordinating testing and quarantine

* Economists: Value of test is at information for citizens
  # Testing is for a decrease in the infection probability in economic activities
  # A change in the probability has a positive economic value, even if test negative.
  (Example)
    Gain from transaction 100
    Loss from infection 10000
    Probability that the counterparty is infected = 0.01 (without test)
    Probability that the counterparty is infected = 0.003 (with test negative)
    The expected value of transaction is 0 without testing,
    while it is 70 with test negative

  # Avoiding economic shutdown
  Cost of economic shutdown is an order of magnitude larger than cost of testing

* Prioritize the testing targets

Category 1: symptomatic and contacted

Category 2a: asymptomatic and with a high risk

Category 2b: asymptomatic and with a low risk

Category 2b is tested with her own expense

Some policy intervention is allowed

3. Recent development

* The second wave: 2020 Summer

Originated from entertainment districts in Tokyo

Large number of infections/ Small number of death and serious cases

Correlation with crowd becomes weaker or nearly zero

* Lower risk of economic shutdown in October

Expectation prevailed that the level of infection may be stabilized

* The third wave: 2020 November

The size may be 4 or 5 times larger than the second wave

Restrictions on regional economic activities may be introduced to some extent

Increasing the capacity of hospitals is the most urgent need today.

4. Conclusion

* The crisis of COVID-19 may continue for a few more years (or for years)

* The businesses should adopt their business models to the New Normal with COVID-19.

* Need the international coordination of tax and fiscal policies to redeem the sovereign bonds that are issued to finance COVID-19 policies.