Lessons from Covid-19: Efficiency vs Resilience

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## COVID-19: Public-Health Crisis

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Coronavirus Update (Live): 7,189,803 Cases and 408,240 Deaths from COVID-19 Virus Pandemic - Worldometer

### Table: COVID-19 Cases by Country

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<th>#</th>
<th>Country, Other</th>
<th>Total Cases</th>
<th>New Cases</th>
<th>Total Deaths</th>
<th>New Deaths</th>
<th>Total Recovered</th>
<th>Active Cases</th>
<th>Serious, Critical</th>
<th>Tot Cases/1M pop</th>
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COVID-19: Economic Crisis
COVID-19: Energy Crisis
COVID-19: Social Crisis
March’20: Flattening the Curve

- Pandemic outbreak: no intervention
- Slow acceleration of number of cases
- Reduce peak number of cases and related demands on hospitals and infrastructure
- Reduce number of overall cases and health effects
- Pandemic outbreak: with intervention

Graph showing the comparison between no intervention and intervention in terms of daily number of cases and number of days since the first case.
Why Flatten the Curve?

- Many hundreds of thousands of infections will happen — but they don't all have to happen at once!

- **NEJM, April 30, 2020:** “Critical Supply Shortages — The Need for Ventilators and Personal Protective Equipment during the Covid-19 Pandemic”
Resilience vs Efficiency

- William Galston, WSJ, March 2020: Efficiency Isn’t the Only Economic Virtue
  - “What if the relentless pursuit of efficiency, which has dominated American business thinking for decades, has made the global economic system more vulnerable to shocks?”
  - “Efficiency comes through optimal adaptation to an existing environment, while resilience requires the capacity to adapt to disruptive changes in the environment.”

Resilience: ability to recover readily from illness, depression, adversity, or the like
How We Broke the World

Thomas Friedman, NYT, May 30, 2020: Greed and globalization set us up for disaster.

- Over the past 20 years, we've been steadily removing man-made and natural buffers, redundancies, regulations and norms that provide resilience and protection when big systems — be they ecological, geopolitical or financial — get stressed.
- We've been recklessly removing these buffers out of an obsession with short-term efficiency and growth, or without thinking at all.
M.A. Goldberg, Environment and Planning, 1975: “Decision making in the industrialized nations of the western world increasingly can be characterized by its scale and speed of implementation. Another facet of decision making is the narrowness with which problems are defined and the equally narrow range of alternatives sought for solution. This paper documents these elements of decisions and also sketches out a number of scenarios where such an approach has led to unexpected, and often undesirable, consequences.”
• JIT Manufacturing: a methodology aimed primarily at reducing times within the production system as well as response times from suppliers and to customers.
  ■ Reduce inventory costs by reducing inventory.
  ■ Parts should arrive “just in time”.

• JIT manufacturing is highly efficient, but assumes best-case logistics.
  ■ Efficiency at the expense of resilience.

• Example: JIT hospital – get PPEs from China!
Value at risk (VaR) is a measure of the risk of loss for investments. It estimates how much a set of investments might lose (with a given probability), given normal market conditions, in a set time period such as a day.

David X. Li: Gaussian Copula Function:

$$\text{Pr}[T_A < 1, T_B < 1] = \Phi_2(\Phi^{-1}(F_A(1)), \Phi^{-1}(F_B(1)), \gamma)$$

Formula did not give good estimates during abnormal market conditions, e.g., the 2008 Financial Crash.
Efficiency vs Resilience in Governance

- **Winston S. Churchill, 1947:** “Many forms of Government have been tried, and will be tried in this world of sin and woe. No one pretends that democracy is perfect or all-wise. Indeed it has been said that democracy is the worst form of Government except for all those other forms that have been tried from time to time.”

- **Democracy:**
  - Highly inefficient
  - Generally, more resilient than other forms of governments
  - But: democracy and pandemics?
Resilience vs. Precarity

- **The Secret Shame of Middle-Class Americans**: Nearly half of Americans would have trouble finding $400 to pay for an emergency. ([The Atlantic, May 2016](#))

- **American Living on the Financial Edge**: Two-third of Americans would have trouble immediately paying an unanticipated bill of $1,000 ([Associated Press, May 2016](#))

- **Adam Serwer, The Atlantic, June 2020**: It Didn’t Have to Be Like This - “The desperation of US workers in the aftermath of the coronavirus was the product of a series of policy decisions and missed opportunities.”
A. Livnat and C. Papadimitriou, CACM, 11/2016:

- Computational experience has shown that Simulated Annealing, which is a local search—via a sequence of small mutations—for an optimal solution, is, in general, superior computationally to Genetic Algorithms, which mimic sexual reproduction and natural selection.

- Why then has nature chosen sexual reproduction as almost the exclusive reproduction mechanism in animals?
Sex as an Algorithm, II

A. Livnat and C. Papadimitriou, CACM, 2016:

- Sex as an algorithm offers advantages other than good performance in terms of approximating the optimum solution.
- In particular, sexual reproduction favors genes that work well with a greater diversity of other genes, and this makes the species more adaptable to disruptive environmental changes, that is to say, more resilient.
Efficiency & Resilience as Optimization

- **Efficiency**: Short-term optimization
- **Resilience**: Long-term optimization

- Nature prefers long-term to short-term optimization
  - Why? *Survival!*
  - Example: Dinosaurs
Efficiency vs Resilience in Computing

- **Wikipedia**: "In computer science, the analysis of algorithms is the process of finding the computational complexity of algorithms—the amount of time, storage, or other resources needed to execute them."

- It’s all about **efficiency**!
PageRank is an algorithm used by Google Search to rank web pages in their search engine results. PageRank was named after Larry Page, one of the founders of Google. PageRank is a way of measuring the importance of website pages.

PageRank works by counting the number and quality of links to a page to determine a rough estimate of how important the website is. The underlying assumption is that more important websites are likely to receive more links from other websites.
Search-Engine Optimization

- *Search engine optimization* (SEO) is the process of growing the quality and quantity of website traffic by increasing the visibility of a website or a web page to users of a web search engine.

- In other words: *PageRank is not resilient.*

- Today:
  - The PageRank patent has expired.
  - *Google’s search-result-ranking algorithm is a trade secret.*
Friction in Computing

- **MYV, CACM, 2013**: “Our discipline is dedicated to reducing friction. Latency must be eliminated, bandwidth must increase, and ubiquity should be universal. Our goal is to reduce the friction of computing and communication as much as possible.”

- Facebook's CEO Mark Zuckerberg speaks of "frictionless sharing" as a goal!

- We now know that the “utopia” of frictionless sharing leads to filter bubbles, fake news and extreme content.
The Flash Crash

- On May 6, 2010, at 2:45 P.M., the U.S. stock market declined steeply, with the Dow Jones Industrial Average plunging about 600 points in five minutes.

- U.S. SEC and CFTC identified high-frequency trading as the cause of the crash.

- Proponents of high-frequency trading say it helps make the markets more "liquid."

- Thomas Peterffy, a high-frequency trading pioneer: "Today's drive for speed has absolutely no social value."
Tinder’s Frictionless Dating

- **Jenna Birch, WaPo, 2018**: Why is it so hard to turn a Tinder date into a relationship?

  “Despite the swarms of matches over the years, I’ve never had an app date turn into an actual relationship.”

- **MSU Study**: Couples who meet online are 28% more likely to split up within one year.

- The efficiency of Tinder dating **lowers** expectations by both parties - “Easy comes, easy goes.”
Imagine a mechanical engineer who declares that her goal is to eliminate all friction, period. We would view this as **insane**.

The world cannot function without friction. The goal should be to have the right amount of friction, in the right place, in the right time.

Yet computer science seems committed to the total elimination of friction in computing.

**Plea**: Welcome back friction in computing!
A view from the security trenches: “First, somebody builds a thing. And it's super useful. Then eventually somebody else comes along and finds a vulnerability. Then security becomes a part of the engineering process. Just like we need to make sure our code doesn't have bugs that make it crash, we also need to make sure that our code doesn't have bugs that can be exploited for bad purposes. Turn the crank for enough years, and eventually security gets better.”

Recent example: Zoom
The State of Cyberinsecurity

- So here we are, 75 years into the computer age and after three ACM Turing Awards in the area of cryptography (but none in cybersecurity), and we still do not seem to know how to build secure information systems.

- The risk is no longer merely about compromised privacy. We must worry now about the integrity of vital infrastructure components.

- And yet, the computing community marches forward with no special sense of urgency.
Cyber Libertarianism

- Over the past 100 years, the amount of vehicle miles traveled has been steadily increasing, but fatalities with respect to vehicle miles traveled have been decreasing.

- U.S. Congress established the National Transportation Safety Board in 1926. Why is there no National Cyber Security Board?

- Cyber libertarianism is a common attitude in the tech community: "regulation stifles innovation".

- Tech has not been able to address the cybersecurity situation on its own; IMHO, it is time to get governments involved.
The relentless pursuit of efficiency prevented us from investing in getting ready for a pandemic, in spite of many warnings over the past several years, and pushed us to develop a global supply chain that is quite far from being resilient.

**Feb. 27, 2020:** Trump defends huge cuts to the CDC's budget by saying the government can hire more doctors 'when we need them' during crises.

**May 20, 2020:** China seizes control of PPE factories, sparking fear of new coronavirus wave.
Economic Efficiency

- Economic efficiency means goods and factors of production are distributed or allocated to their most valuable uses and waste is minimized.

- Free-market advocates argue that through individual self-interest and freedom of production as well as consumption, economic efficiency is achieved and the best interest of society, as a whole, are fulfilled.

- Does efficiency guarantee optimality?
**“First Welfare Theorem”**

**FWT:** Under certain assumptions a market will tend toward a competitive, Pareto-optimal equilibrium.

**In other words:** Free markets produce economic efficiency.

**Question:** How well does such an equilibrium serve the best interest of society?
Price of Anarchy

- Koutsoupias+Papadimitriou, 1999: Use the ratio between the worst possible Nash equilibrium and the social optimum as a measure of the “price of anarchy” in free markets.
  - The price of anarchy can be arbitrarily high, depending on the complexity of the system.

- In other words: Economic efficiency does not guarantee the best interests of society, as a whole, are fulfilled!
Reaching Equilibria

- Daskalakis, Goldberg, and Papadimitriou, 2005: How long it takes until economic agents converge to an equilibrium?
  - There are systems in which convergence to mixed Nash equilibria can take an exceedingly long time.

- In other words, markets are very unlikely ever to be in an equilibrium, because the underlying variables, such as prices, supply, and demand are very likely to change during slow convergence.

- So: No efficiency and no optimality!
Greed is Bad!

In the 1987 movie Wall Street, Michael Douglas as Gordon Gekko gives a speech where he said, "Greed, for lack of a better word, is good."

Argument: Adam Smith’s “Invisible Hand”

But: Every senior CS students knows that greedy algorithms get stuck in local optima. A systemic intervention is needed to drive them out of such optima.

Question: How do we get out of the “local optimum” of cyber security? Market failure!
The portrayal of humans as agents who are consistently rational, narrowly self-interested, and who pursue their subjectively-defined ends optimally.

Behavioral economics examines cognitive biases and other irrationalities as well as bounded rationality (Kahneman, Trevrsky, et al.)

H.A. Simon, 1956: Satisficing – settling for a good-enough outcome

Less efficient, more resilient!
COVID-19: What Did Work?

- The Internet ecosystem is enabling
  - Working from home.
  - Shopping from home.
  - Teaching from home.
  - Learning from home.

- **Key design principle**: Redundancy!

- **After 2008**: bank stress tests
  - Redundancy of capital
In Summary

- **Resilience** is a fundamental, but under-appreciated, societal need.

- Both computing and economics need to increase their focus on resilience.

- Markets/people are bad at preparing for low-probability events (people have to be forced to buy insurance) - *societal action required*.

- **COVID-19** may be just a dress rehearsal for a bigger challenge: *climate change*. 
6/20/2020: The town of Verkhoyansk (67.5°N latitude) reached 100.4 degrees Fahrenheit, 32 degrees above the normal high temperature on.
Mahmoud A. El-Gamal, The American Economist, 2009: “There is a fundamental economic tradeoff, almost Faustian, between economic growth on the one hand, and equity and stability on the other. Different societies choose collectively, albeit not necessarily unanimously, the mix of growth, equity, and stability to pursue. Unfortunately for most, as the world has become increasingly more interconnected through trade, and improvements in transportation and information technologies, one society's choice invariably impacts the welfare of others.”
Ulrich Beck, 1986: “The omnipresence of large-scale threats of global scope, anonymous and invisible, are the common denominator of our new epoch.”

Adam Tooze, FP, 8/20: “The question, so vividly exposed by the crises such as Chernobyl and the ongoing coronavirus pandemic, is how to navigate this world.”

In summary: resilience, resilience, resilience, resilience!