



Commentary

Title:

"The Economic Good of a Pandemic"

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Can a pandemic bring any good? Reading news reports about the spread of coronavirus and fears of a pandemic, it might not seem like it. Given the reaction of financial markets and the proactive and reactive actions of many governments, it should be abundantly clear by now that this virus, regardless of its ultimate global effects, will have economic implications. Economic changes always create winners and losers. If the change produces more winners than losers, there are still losers, and if losers outnumber winners, there are still winners. Lest any readers think I am minimizing the toll of human suffering and economic losses from a pandemic, which are very real, let me be clear that a coronavirus pandemic will probably produce losses that far exceed any gains, but there are still some gains.

As devastating as any pandemic can be, the COVID-19 coronavirus, with a fatality rate of around 2%, does not seem to be anywhere near as ravaging as well-known pandemics like the Black Death. The 1918 Spanish flu had a similar fatality rate (although it killed many very healthy young adults) to the coronavirus but spread much easier and infected vastly more people because of poor sanitation and public health. A pandemic that rivals the Black Death, which coronavirus does not, or is worsened by poor public health measures like the Spanish flu, would have very different economic effects, and presumably far less good, if any, would come of it.

Any public health emergency has some obvious winners. The media, which get views from any attention-grabbing story, will benefit. Doctors, nurses, first responders, and others on the front lines will work more and thus earn more, but they also have higher chances of catching the disease. Firms that manufacture medical supplies, protective equipment, and disinfectant solutions are other obvious winners. Manufacturers and retailers of pharmaceutical or natural remedies or dietary supplements will probably see more customers, whether or not their products are effective. Many medical supplies and components for generic drugs that treat illnesses other than coronavirus come from China.

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always attract much research attention because they are expensive to develop, and people only need one or two doses. Treatments like statins and blood pressure medication, which are ongoing, are more profitable. The mere threat of a pandemic has encouraged vaccine research that could prove useful in the future even if the current outbreak ultimately fades away and does not lead to a pandemic.

Lastly, if an economic correction is needed, this might be a time for western governments and central banks to just let the market play out and see what it can do. Expansionary monetary policy to stimulate the economy is almost certainly off the table because interest rates are already quite low and have been low for more than a decade. There just isn't much room left for that. Fiscal policy seems to be politically possible even with current debt levels, but there hasn't yet been much talk of using it. Coronavirus could bring a mild correction, or it could cause a deep recession. Economic corrections are never pleasant, but they can bring some good.

A coronavirus pandemic will be a global tragedy if it happens, and the losses will outweigh the gains with near certainty. However, gains will come from it, and they may be long lasting. The gains will come from the response to the problems of a pandemic. It is always best to weigh costs and benefits together, and the costs have been the subject of plenty of elaboration and speculation. Benefits have not been mentioned much, but they should be considered alongside the potentially devastating costs.