

Economics of Pandemics

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Slide #4: Lockdowns and Livelihoods

Government Economic Interventions

- Transfers to people who are loosing income, jobs and facing hardship.
- Direct Cash Transfers. In kind transfers. Boost Social Safety net.
- Income support to small businesses
- **Put Economy in “hibernation”**: Supporting all economic “actors”, namely, employers, businesses, workers, lenders *et al* - so that once economies are woken up, they can resume and recover speedily - *via* Fiscal policy and Monetary policy.
- **V shaped economic recovery**

Fiscal and Monetary Policy

- The state paying wages of employees (UK)
- Deferring payment of taxes by businesses
- Other grants and loans
- Lowering Interest Rates
- Providing Liquidity – via e.g. “quantitative easing”

Institutional Failures

Variations in responses by governments

Caught by surprise?

Not invested enough in health care (PPE, Personal Protective Equipment, ICU beds, Testing capacity)

Weak state institutions especially in developing countries

What else?

Economic and Social Costs of Lockdowns

Sources of such costs:

- Lost economic output – contraction in Gross Domestic Product (GDP)
- Some businesses go under, and so people loose jobs
- Migrant workers and Gig economy workers and many others too have no work, so no income
- Mental health worsens
- Increase in domestic violence and child abuse
- Adverse Impact on the economy *post* the Lockdown
- ***What are the other main sources of such costs?***
- Hard bit now – establish the magnitude of such costs, estimate the monetary value, in dollar terms, to each such cost.

Economic and Social *Benefits* of Lockdowns.

Sources of such benefits:

- The only direct, main one: Stop the spread of the virus and thus **Save lives.**
- Indirect – *as an aside* – benefits include time to slow down, be creative etc.
- ***What are the other main sources of such benefits?***
- **Hard bit now – establish the magnitude of such benefits, estimate the monetary value, in dollar terms, to each such benefit.**
- **How much is a life worth? Priceless, no?**
- **Health economists: Value of a Statistical Life (VSL) approach and the Quality-Adjusted Life Years (QALY) approach, which is better approach.**

Economic and Social Cost and Benefit Analysis of Lockdowns

- List all the main sources of costs and all the main sources of benefits
- Economic or social cost, economic or social benefit. Not just financial cost and financial benefit.
- Identify the people or organizations who bears each cost and who receives each benefit.
- Duration of Lockdown – fundamental parameter that will influence the calculations
- Attaching “monetary” values not easy - such as to the cost of a mental breakdown - but there are methods....
- Time horizon over which costs and benefits, and beyond a lockdown perhaps
- Relevance of Discounting and Uncertainty

Changes to Political and Economic Institutions

What happens to globalization?

To Politics – State grows? Future of democracy at stake. Reforms.
What? How?

Populism? Privacy - 1984 – Big brother?

International Coordination and Cooperation?

New international institutions and Order

What will the world look like after this “world war against the virus”?