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Commentary

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"The Great Pantomime"

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At this point, the COVID-19 pandemic has already received a tsunami of coverage and colloquies in a motley array of shapes and forms. Reading information from various sources I felt obliged to provide my own perspective on this topic in an attempt to elucidate objective patterns that we have observed up until this day. It is commonly easier to analyze things retrospectively (especially in the presence of counterfactuals), but even at this point (in early May 2020) we already know enough to start making sense of the gist as well as epiphenomenon details of the ongoing processes.

I would like to start from the origin of the virus and to discuss why it may be related to the drastic responses implemented by governments around the globe. Many people could not comprehend their necessity, which summoned numerous dubious versions describing the purport of the enacted policies ranging from conspiracy of the world government, inevitable impact of a celestial body and the hunt for flesh-eating mongrels, to the implantation of mass-control chips and even the second epiphany of the Messiah. Amidst these whimsical perorations what we know for sure is that bats are the hosts of this particular type of coronavirus. What we do not know is whether the initial transmission to a human body occurred within a laboratory environment or if it could indeed be traced to one of the “wet markets” in Wuhan. Current evidence suggests that it is extremely unlikely that this virus was engineered in laboratory conditions. Regardless of the true nature of the origin of the virus, what matters is the reaction of the Chinese government.

From my standpoint, one of the most plausible explanations for the extreme measures taken by the Chinese government was asymmetric information. The initial cases of strange pneumonia had a very high fatality rate – which undoubtedly scared officials – and they decided to lock everything down until more information became available. It was a prudent and sensible approach. When initial data suggests that there is a new easily transmittable airborne disease with a potential mortality rate of more than 20%, harsh response is justified – if not contained, the consequences could be disastrous. It was only weeks or even months later when it became clear that the actual mortality rate is much lower. However, the actions of the Chinese government have already set a founder's effect for the policies to be adopted around the world. Such rampant spreading of the virus was an unprecedented challenge for the authorities of most countries (perhaps, except certain Asian countries which had recent experience fighting regional epidemics). Governments had to act fast, and they had neither any previous experience to rely upon nor elaborated protocols on how to tackle it. Hence, their best response was to adopt the measures undertaken by the Chinese government, especially because they seemed to be quite successful. Now, it is evident that the response was an overkill: governments used a sledgehammer to crack a nut, but missed and broke their legs instead.

What do we actually know about the virus? Firstly, we have to acknowledge that we still do not have the type of data we could use to make inferences about the lethality of COVID-19. What data is required to make them? Obviously, random samples from the population. The problem with all the data that everyone refers to is that its underlying data-generating process is not random in nature. Consider a reporter who wants to know how many people like to eat pizza. To answer this question, he goes to a Pizza Hut restaurant and surveys its patrons. Ostensibly, the results are biased, but in fact, the idea itself to measure the preferences of all people by interviewing custodians of a pizza restaurant is absurd. Yet, it is exactly what is happening with the virus. All the statistics on lethality and mortality rates comes from “the patrons of the pizza restaurants.” Currently, according to the guidelines provided by CDC, it is hard to get tested unless you have severe symptoms. However, we already know from different sources that the majority of people experience only mild symptoms or not experience them at all. Then, when identifying what

percentage of people die from the virus, we use a sample of people, who already had at least some complications compelling them to go to a hospital. The latter leads to significant overestimation. It is very likely that if one were to look at the lethality rates of common flu only among people who had to go to a hospital with its symptoms, the rates would not be statistically different from COVID-19.

Secondly, we have to accept that people die, and unfortunately, they die every day. In the USA, around 3 million people die every year from different causes. It means that on average, more than 8,000 people die each day. So far, according to the official statistics, in the USA around 70,000 people have died due to COVID-19 from the official beginning of the pandemic (two-three months ago) – this is a little bit over the number of people who die every week in the USA. Moreover, many people who were to be a part of this gruesome statistic for the current year are now counted as victims of the coronavirus. For example, there are many cases of people with terminal diseases who would likely pass away before the end of this year, but who die from coronavirus today and are thus included into the calculation of the lethality rate of the virus.

A reader may oppose by saying that the measures taken by the governments have drastically decreased the number of deaths from the virus. The main problem with this reasoning, however, is that the measures implemented by the governments have considerable costs, which also include the lives of other people. It is true that closing restaurants, shops, salons etc.. along with enforcing social distancing helped to reduce the number of infected people with potential lethal outcomes. Forcing people to drive less has also decreased the number of deaths on the roads. However, currently more than 30 million people are left without jobs. Most of them need to pay rent/mortgage and other bills to provide for their families. Coupled with an uncertain future, their stress levels have increased substantially, which inevitably leads to emaciation of the immune system making those people vulnerable to this virus and other diseases. More importantly, elevated stress levels have short- and long-term pernicious consequences for health, which are very likely to result in lethal outcomes for some. Lastly, immune systems need to be exposed to pathogenic elements. If they remain isolated under the dome of purity for a long time, they will quickly shatter when faced with a real danger. Hence, the measures of the government do not prevent people from dying, they at best redistribute the number of deaths across time and space.

This situation could be described by an adapted version of the well-known “Trolley Problem.” A train is about to run over a group of people tied to the tracks, and the government valiantly shifts the rails redirecting the train away from those people. Everyone who witnesses this valorous deed praises the government for saving human lives, but only few ask what happened to the train after. What if there were also people on that train, and the new line was not finished, which would result in a crash? Or what if this train had a nuclear bomb with a countdown, and by changing the rails, the government has set it off straight into a city instead of a desert? It is an ethical dilemma, which is impossible to resolve unless the tied people on the tracks choose to sacrifice themselves and save numerous lives of the city denizens.

If this is indeed the case, then why do so many governments implement quarantine, and why does mass media continue to zealously gnaw on the dangers of the virus? As economists, we understand that much of the behavior is driven by incentives. Government is not an abstract entity, but it comprises people who have their own incentives. The main incentive for politicians is to be re-elected. Implementing quarantine and saving lives seems like a good foundation for that. All the economic disasters (resulting in human deaths as well) yet to come will be deemed as the consequences of a crisis summoned by the virus, not the actions of the government. Retrospectively, in the eyes of the population, the virus would pose as a villain challenged and

defeated by the virtuous government. The second incentive for politicians is control. Any government is an apparition of planning, which inevitably succumbs to the desire of more control. We can see how salient and prominent these tendencies are in developing countries with weaker democratic institutions (for example, Russia), where the governments have gained almost full control over peoples' lives. It is already clear that some of the extreme measures implemented during this "wartime" will not be lifted even after the war is over. Ironically, the people themselves will not want them to be removed, because in their minds central planning will be closely associated with the victory over the common enemy – a dangerous and natural premise tapping into the very primordial wirings of our tribal biology.

What about mass media? Its incentives are obvious – ratings! Firstly, under isolation, people spend incongruously more time watching TV and online videos. Secondly, there is sheer terror in the minds of the people, which mass media uses for its advantage by further adding fuel to the bonfire of social panic and escalating the prevailing issues. Mass media needs the audience, and the only way to gain it is by shaping people's consciousness and catering to the inculcated needs. It likes to emphasize cases when young people fall victims to the virus to instill horror and obsequiousness in the minds of its audience. However, it fails to mention that even common flu may be lethal for a young healthy person, especially if it is not treated in a timely manner. Another trick used by mass media is to fixate only on the numbers (which are biased) for the virus, without comparing or contrasting them to other diseases. Indeed, 250,000 deaths around the globe might lose its impressiveness when juxtaposed over 1.5 million annual deaths only from tuberculosis. At the same time, most of the positive news does not receive any coverage, and recently, there has been plenty, e.g. successful application of different medicines, rising count of antibodies in the populations across the globe, etc. Biologically, it is easier to rally people together on a negative agenda, and mass media is not squeamish about using it in boosting ratings.

Interestingly, some governments (Sweden and Japan in particular) did not implement radical quarantine measures, and their data is not much different from other countries, in some instances it is even better! One of the possible explanations for this phenomenon is linked to our previous discussion flavored by the importance of economic freedom and individual choice. Some economists argue that governments had to interfere because self-interested decisions of infected people would produce negative externalities resulting in additional costs for society. Let us take a closer look at this argument and compare it with the following example: every year 1.5 million people die on the roads around the world. Much of those casualties are the result of self-interested behavior of other people, whether it is speeding or driving under various impairments. Nevertheless, governments do not prohibit the use of automobiles. Why? Because doing so would impose much greater cost on the society, which would many times outweigh the initial social cost produced by the externalities that the government attempts to correct for. Instead, governments set certain rules that structure interactions among people on the roads minimizing potential externalities. Most people are conscious that their actions can lead to lethal outcomes for themselves as well as other people and thus follow the rules. Observe that efficient and transparent rules do not ban an activity, they structure it. Many, including yours truly, deem it as the pivotal role of the government. The same is true about the current situation: instead of locking down everything, would it not be more prudent to develop sensible rules of interaction that businesses and people would adapt to? As proven by the example of Sweden and Japan, people are not necessarily guided by self interest. It is yet to be understood if this is a unique outcome or other countries would have observed the same patterns if they followed similar course of action.

Today, we are at the doorstep of the deepest economic crisis since the Great Depression (which was also partially man-made by the Smoot-Hawley Tariff Act), and it has been completely man-made. Even the most optimistic scenarios forecast sharp plunges across most sectors of economies. When every fourth-fifth person in the labor force loses his job, the domino effect for the whole economy is bound to be devastating and long lasting. By now, it is clear that the money spent by most of the governments to support their economies is not enough. More importantly, the additional billions of dollars released from the budgets will have to be repaid by us and future generations either in the form of higher taxes or higher prices. On top of that, we observe the folding of globalization and resurgence of nationalistic ideals. If these processes intensify, we are looking at losing decades of economic development and grim prospects of future international trade which has brought us to where we are this day.

In the dry residue, everyone should ask a very simple question: was it worth it? Was it worth it to dilapidate economies and sacrifice the lives and well-being of one group of people for the sake of another group of people? Previously I have outlined this ethical dilemma. We do not live in a utilitarian society, but rather in a society where each individual life is unique and should not be easily discarded, even for the sake of the whole society. Hence, unless people themselves are ready to publicly announce their sacrifice, this dilemma does not have a well-defined solution. In my opinion, the governments were unprepared and discombobulated by the new threat. They have committed a grave blunder, and it will take many years for us to palliate its agonizing consequences. Bureaucratic machines are always slow to react, and they did not have time to ruminate over more sensible approaches to the pandemic. For example, the most recent data has already allowed us to downgrade the danger of the virus and identify its heterogeneous effect on different population groups. It further shows that the majority of people who end up in hospitals are people of certain ethnic backgrounds, elders, and people with chronic diseases. The governments' measures could have been more targeted – helping to isolate those groups without interfering with the functioning of the economies.

The final point which I want to make is probably the most important one, and it concerns the fundamental virtue of modern civilization – human freedom. More than half a century ago, Friedrich Hayek warned about the dangers of central planning and how the venerated actions of the government during warfare may linger on even after the war is over. Wars (especially those which are won) always have an innate attribution effect which warps social consciousness. During warfare, mobilization and central planning are indeed extremely important, but the success in war is ineluctably attributed to central planning, and people further extrapolate the same reasoning onto peacetime: if the government was so efficient in winning the war, then it is bound to be as efficient in building a better society via taking control over the economy. This reasoning is flawed and dangerous, and we have seen how it has engendered the rise of grotesque leviathans throughout history.

“War” does not necessarily mean a set of battles using weaponry and engaging military forces. States may declare war on pretty much anything, from poverty to maverickism. Hence, the amount of control and planning that governments gain during any wartime, including contemporary crisis, possesses congenital peril to liberty – a virtue still revered in many countries. As I previously mentioned, there are already examples of how governments of certain developing countries start to abuse these powers. Countries with authoritarian and quasi-totalitarian regimes are especially vulnerable to the temptations summoned by the possibility of waging another war. The issue is nevertheless searing for developed democracies as well. Recall that the main motivation for the implemented harsh measures in the USA was to “flatten the curve” in order to

avoid overloading the capacity of hospitals. Currently most hospitals in the country are steadily below capacity, but the state comes up with new ways to justify prolongation of quarantine measures. It is only the recent protests in the USA and the pressure created by the people on the government that have finally budged the agenda forward with many states starting to ease up their firm grip on people's lives.

Alas, we cannot change the past, but we can use its lessons to improve our future. Retrospectively, this crisis will be a unique natural experiment that researchers will use to answer many questions, in particular, in regard to the enacted policies. Armed with the additional knowledge, we can only hope that all of us will be more prepared for the next pandemic which is inexorable in the globalized and overpopulated world of today.