Seatbelts and Masks

Michigan’s Supreme Court for now has ended Governor Gretchen Whitmer’s emergency powers to address the COVID-19 pandemic. State Senator Mike Shirkey couldn’t be happier. Bridge Magazine writes:

Shirkey, who said he’s reached out to Whitmer to try and set up a meeting for next week, told Bridge he thinks it’s time to stop treating COVID-19 like a public health emergency …

Shirkey is encouraging the public to wear masks, socially distance and wash hands, but noted he doubts there’s “any appetite” among Republicans for a mandate.

“We’re moving now from an era or a time when the focus was on mandating, dictating and frankly in some cases threatening, to more of an informing and inspiring and encouraging and loving and trusting people to do the right thing” approach, he said.


It is worthwhile to talk about regulations and mandates. In 1946, American consumers sought to make up for four years of war and a dozen previous years of the Great Depression, by buying new things. Automobiles had not been built from 1942 to 1945 because the war effort had transformed the auto industry into the “Arsenal of Democracy.”

Many of the new post-war cars came with seat belts. Car makers reasoned that a lot of the buyers had war-time experience, with airplanes, and the new technology would be attractive. Car buyers took razor blades and cut out the seat belts. So much for technology. Car makers stopped putting them in. Your blogger learned how to drive on a 1962 Rambler without seat belts.

Toward the end of the 1960s there was a movement toward the adoption of seatbelts. There was widespread opposition among buyers and even academics, even though it was crystal clear that seatbelts saved lives. Sam Peltzman, of the University of Chicago (1975) argued that because seatbelts made drivers feel safer, they would take more risks, leading to more crashes. In insurance terms, this is referred to as moral hazard, where the very creation of a contract or a law can lead to counter-intuitive behavior.

Suppose, for example, Harry buys home insurance that gives him “first dollar” coverage for theft. Harry knows that he should lock his front door, but the argument according to the moral hazard doctrine is that he won’t bother to do so, because the insurer will replace everything Harry lost. Essentially the policy has led Harry to take more risk. While intellectually elegant, the theory and/or theorist apparently never dealt with insurance adjustors. Although some early research supported Peltzman’s argument, most recent research shows otherwise. Adolph (2019) argues that “lessons on moral hazard should leave the example of seatbelts in the dustbin.”
So, what is next for Mike Shirkey? Abolishing DUI laws because the impinge on drivers’ freedom to party? Getting rid of speed limits so we can drive faster? After all, making drivers go 70 rather than 90 MPH may lead them to take more risk because they can’t kill as many people in a crash at 70 than at 90.

Do masks lead us to take more risks? Is this the problem? Removing mask mandates is like allowing factories to pour raw sewage into the rivers. Removing mask mandates is like removing scrubbers from smokestacks. Back in April, YB wrote a blog with a picture of the downtown Pittsburgh in the 1940s. The air was so dark that it stained buildings and ruined peoples’ lungs.

Later in the article Shirkey asserts:

Businesses “have no interest in putting their clients or their customers or their employees or their families at risk, and they’ll now have the ability to make those kinds of judgments,”

Really? Laws matter! We make restaurants handle food properly, and we make restaurant employees take tuberculosis tests so they don’t infect us. We make employers provide safe workplaces. Mandates matter!

This is an epidemic that has killed over 210,000 Americans, and over 7,000 Michiganders. Governor Whitmer’s mandates probably saved several thousand lives. The title of YB’s earlier blog was “What Is It About Epidemics that Business Leaders Don’t Understand?”

How about Republicans?

Allen C. Goodman
Professor of Economics

References

http://faculty.washington.edu/cadolph/409/seatbelts.pdf