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The Distributional Aspects of COVID-19

COVID-19 has shown itself to be distributionally unfriendly. People of color have suffered illness and death in disproportionate numbers to the rest of the population. Low income and service workers, in dangerous occupations have also suffered disproportionately. No “compensation” has been offered that can come close to indemnifying those groups that have suffered so greatly.

A more subtle distributional impact is emerging in reopening the economy. The younger and healthier members are urged to go back to work (albeit with request that they waive the ability to sue for COVID-19 related illnesses or death). The argument is that if they get sick, they will for the most part recover, and go on about their business. If this happens with enough people, we may get to some kind of herd immunity and the pandemic will die out. People over age 60 (your blogger is 72) should stay at home, out of harm’s way, until the pandemic is over.

Roughly speaking, this was the Swedish approach. While large portions of the world’s economy went into a medically-induced coma, observers saw a Swedish society that seemed to be going on “as normal”, presumably without the economic dislocation. However, things aren’t quite what they seemed.

Epidemiologist Keren Landman wrote (<https://elemental.medium.com/its-not-looking-good-in-sweden-right-now-624e7fe0a1ed>):

The goal of Sweden’s strategy was to avoid the financial collapse facing countries whose near-universal shutdowns have led to severe economic contractions, while simultaneously slowing disease transmission to avoid health care system overload. But the strategy seems to be resulting in more deaths: Sweden’s daily per capita Covid-19 mortality rate, already high in late April, is currently higher than any other European country—and an order of magnitude [higher](#) than that of its neighbors Finland and Norway.

Despite the country’s ban on care home visits, Covid-19, the disease caused by the SARS-CoV-2 coronavirus, ravaged the largely older populations living in these homes.

Professional economists are uncomfortable with distributional analysis. It does not fit in well with mathematical models, and it involves interpersonal comparisons, with which economists are also uncomfortable. If one taxes a rich person a dollar to give to a poor person, is “society” better off because the poor person might value that extra dollar more than the rich person. While the answer would seem to be “yes” to any thinking and caring observer, putting this into models is, yes, uncomfortable.

Many people ages 65 and over have been somewhat shielded from the worst of the financial shocks of the pandemic. Social Security payments have continued unabated, and stock prices, after a massive sell-off are back to where they were at the beginning of 2020. Portfolios aren’t great, but they are OK. It is

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not clear what is happening to housing equity (few buyers and few sellers), but lots of elderly people are not saddled with mortgages, and those who have them can refinance and bargain-basement interest rates.

They are not shielded from the danger brought about by six or more decades of aged bones and tissues, episodes of cancer, and compromised auto-immune systems. They do not want to go to concerts, dine out, or face large classrooms of students.

The younger generation are stronger and more durable. They must also care for young children, and they are disproportionately likely to lose their jobs. If they are running businesses, they are in danger of losing them. Some of them must take care of their older parents and relatives. While healthy, they face greater financial losses both now and into the future.

Remarkably, some of the programs seem designed to compensate the younger generation, in what amounts to a transfer from the elderly. Payroll protection plans, unemployment insurance, and the \$1,200 payment from the March 27 CARES Act provide help, however imperfect, to those who need it a lot. This is a redistribution, again, however imperfect.

The COVID-19 virus economic collapse has laid bare the serious age, race and class-based inequalities of our 2020 society. Measures to address them have worked to the extent that they have been tried. More, and bigger, measures will be necessary as we try to move to recovery.

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