



\$ P N N F O U E

Title:

"Revisiting the Economic Good  
from a Pandemic"

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COVID-19 has also resulted in fear of going to hospitals for necessary treatment, causing more avoidable problems, such as appendicitis-induced infections and stroke complications.<sup>5</sup>

As for medical equipment, my predictions were partially accurate, but not solely for the reasons I anticipated. Demand has skyrocketed, not only for personal protective equipment but also for medical devices. New stockpiling efforts mean that demand won't diminish right away when the pandemic eases.<sup>6</sup> To increase goodwill, China sent some equipment, including ventilators, to other countries in Europe, but this backfired when much of it turned out to be defective.<sup>7</sup> There has indeed been an increase in the manufacturing of medical devices and personal protective equipment, as I predicted.<sup>8</sup> If anything, this prediction was doubly true because of problems in sourcing these things from China.

I am a signatory of the recent letter from the National Taxpayers Union to President Trump, House Speaker Nancy Pelosi, and Senate Majority Leader Mitch McConnell opposing trade barriers as part of the fight against COVID-19.<sup>9</sup> The letter correctly states that stockpiling medical equipment and obtaining it from diverse sources is necessary and costly, but a "Buy America" regime will be even more costly. Like nearly all economists, I oppose protectionist trade barriers. Concerning these proposals, I would add (somewhat cynically) that a "Buy America" regime may not even be all that necessary given trade restrictions in the rest of the world and defective equipment from China. Sourcing medical equipment from the United States may just turn out to be a prudent idea anyway, and not just because of higher demand. It is reasonable to "Buy American" in cases when the products are of higher quality and the suppliers are more reliable. It is not reasonable to artificially induce the need to "Buy American" with trade barriers.

Food and grocery delivery services, like Instacart, GrubHub, and DoorDash, have done very well during the lockdowns, as I predicted. The success of this end-user service, however, does not mean people can buy everything they want. Shutting down the economy has constricted the supply chains for many goods by keeping many workers home and by altering patterns of consumption (e.g. more home cooking and less restaurant dining).

Staples like flour, yeast, meat, and paper products disappeared from store shelves and are often rationed when they are in stock. The proximate cause of shortages is that prices cannot adjust upward either because of price gouging laws or the very real fear of a public backlash. This would not even be an issue if government rules had not caused a supply contraction in the first place. These policies are the ultimate cause of the shortages.

Most of these supply disruptions are due to the government response to the virus, not the virus itself; markets do an excellent job of getting food to people. Much fresh produce that was

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<sup>5</sup> Bernstein, Lenny and Frances Stead Sellers. "Patients with Heart Attacks, Strokes, and Even Appendicitis Vanish from Hospitals" *Washington Post*. 19 April 2020. [https://www.washingtonpost.com/health/patients-with-heart-attacks-strokes-and-even-appendicitis-vanish-from-hospitals/2020/04/19/9ca3ef24-7eb4-11ea-9040-68981f488eed\\_story.html](https://www.washingtonpost.com/health/patients-with-heart-attacks-strokes-and-even-appendicitis-vanish-from-hospitals/2020/04/19/9ca3ef24-7eb4-11ea-9040-68981f488eed_story.html), accessed 19 May 2020.

<sup>6</sup> "Personal Protective Equipment Manufacturing Industry in the US - Market Research Report" IBIS World. May 2020. <https://www.ibisworld.com/united-states/market-research-reports/personal-protective-equipment-manufacturing-industry/>, accessed 19 May 2020.

<sup>7</sup> Bradsher, Keith "China Delays Mask and Ventilator Exports After Quality Complaints" *New York Times*. 11 April 2020. <https://www.nytimes.com/2020/04/11/business/china-mask-exports-coronavirus.html>, accessed 19 May 2020.

bound for restaurants and school cafeterias has been left rotting in fields or sold at a steep discount because grocery supply chains cannot adapt at the last minute.<sup>10</sup> Unlike field crops, fresh produce is not part of government subsidization programs, meaning that these farmers could face major losses. Waste is never good, but it is especially tragic at this time when many people are out of work and demand at food banks has sharply increased.

Supply chain disruptions are the most disconcerting thing to me about the recession just getting underway, which looks very different from recent recessions. The Great Recession and the early 1980s recession were characterized by losses throughout the economy, with more losses (in some sectors than others. The mandatory lockdowns at stay-at-home orders have only deepened the recession.)