

# This pandemic is an ethical challenge

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The coronavirus seeks only to replicate. We seek to halt that replication. Unlike the virus, humans make choices. This pandemic will pass into history. But the way in which it passes will shape the world it leaves behind. It is the first such pandemic for a century. And it comes to a world that — unlike in 1918, when the Spanish flu hit — has been at peace and enjoys unprecedented wealth. We should be able to manage it well. If we do not do so, this will be a turning point for the worse.

Making the right decisions requires that we understand the options and their moral implications. We now confront two fundamental sets of choices: within our countries and across borders.

In high-income countries, the biggest choice is how aggressively to halt transmission of the virus. But we also need to decide who will bear the costs of that choice and how.

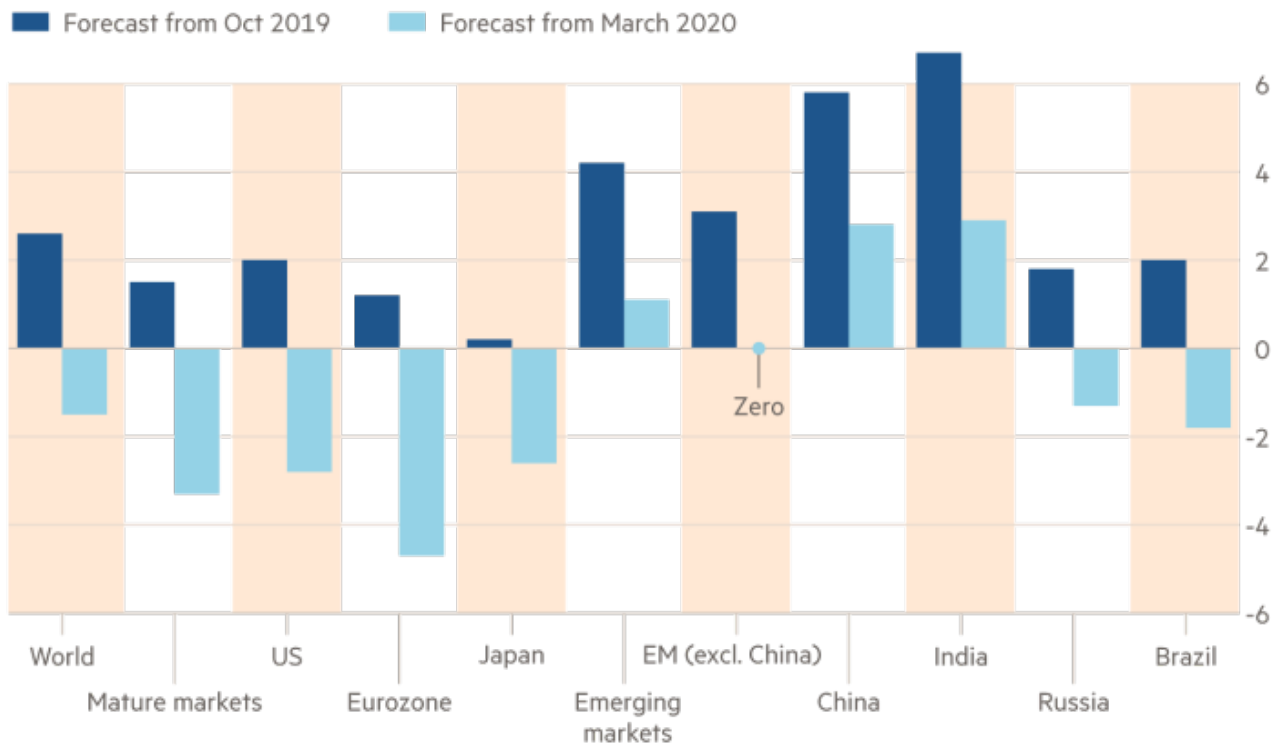
Some continue to argue that it is wrong to force the economy into a depression to suppress transmission of the virus. This, they suggest, will cause unnecessary disruption. If, instead, the virus is left to spread relatively freely, we can achieve “herd immunity”, sustain the economy and still focus resources on the vulnerable.

Yet it is not clear that the economy would fare better under this relatively laissez faire “mitigation” policy than under one of determined “suppression”. Long before government-imposed lockdowns, many people stopped travelling or going to

restaurants, cinemas or shops. Decisive action to suppress the virus and follow up with testing and tracking of new infections could well end the inevitable economic slump even sooner than otherwise.

## The global economy is moving into a slump

IIF forecasts for GDP growth in 2020 (%)



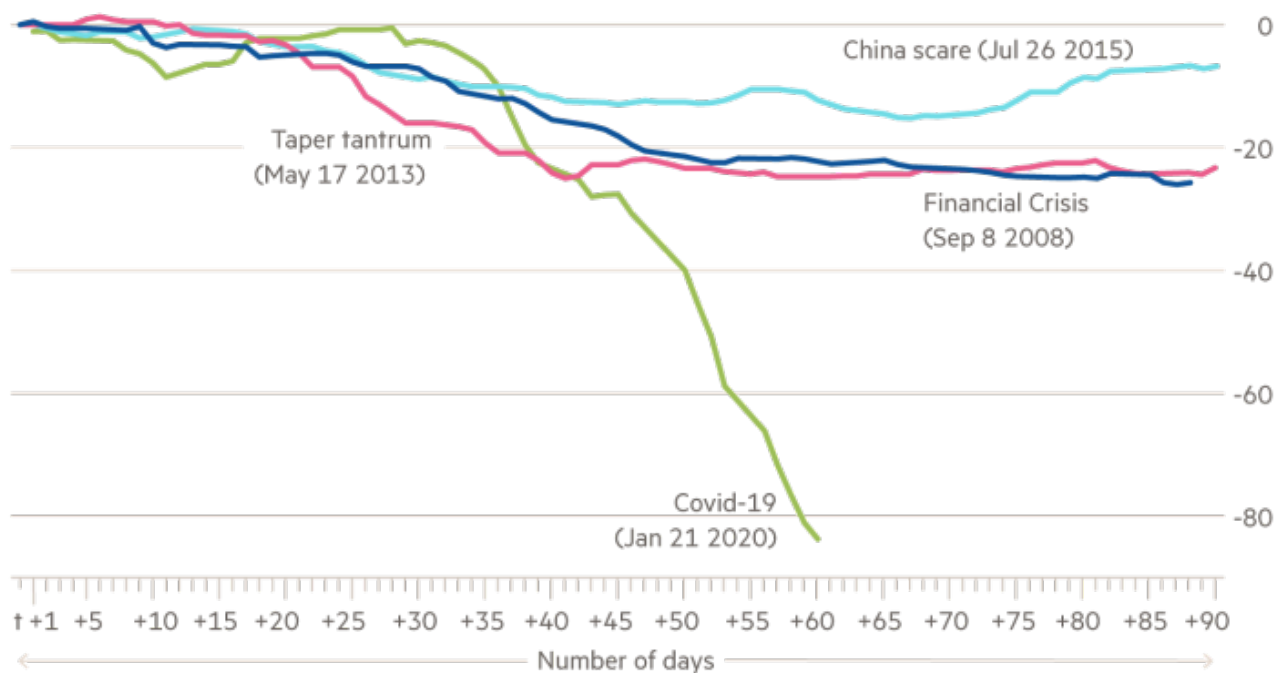
Source: Institute of International Finance  
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What seems quite certain is the global health system would fare much better under suppression than mitigation. Under the latter, argues the Imperial College Covid-19 Response Team, the health systems of the UK and US would be overwhelmed: large numbers of predominantly old people would be left to die untreated. It was presumably to prevent this from happening across China that the government suppressed the virus so fiercely in Hubei. Could a health calamity that is unacceptable in China be acceptable in the UK or US?

Yet the critics are also right: it will be impossible to close large parts of our economies for very long. If suppression is to be tried, it must be successful quickly and resurgence of the virus must be throttled. Meanwhile, central banks and governments must seek to keep as much of the economy going as possible, preserve as much productive capacity intact as possible and ensure that the people, above all the vulnerable, are generously protected in whatever way a country finds practical.

## This is a horrifying financial run on emerging economies

Accumulated non-resident portfolio flows to EMs since indicated date (\$bn)



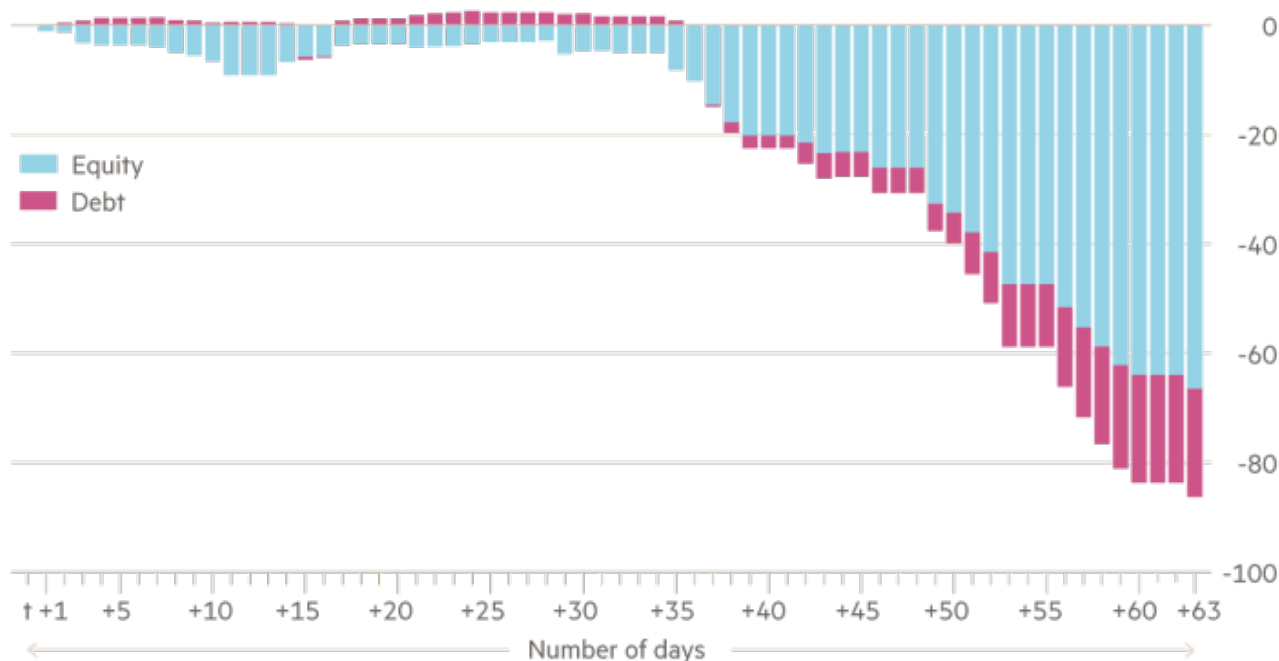
Source: IIF  
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The solidarity between countries needs to be as strong as within them. The financial instability and looming recession (probably depression) we see coming will inflict huge harm on emerging and developing countries. The IMF states that investors have already removed \$83bn from emerging economies. The fall in the prices of commodities, upon which many emerging and developing countries depend, is also deep.

These countries must also grapple with the domestic spread of the virus and the weakening of their own domestic demand. Their ability to manage these internal and external pressures is limited. The outcome could be huge economic and social disasters. The IMF itself already faces 80 requests for rapid financial support. The aggregate external financing gaps of emerging and developing countries are likely to be far beyond the IMF's lending capacity.

## Investor sell-off of both emerging markets equities and debt

Accumulated non-resident portfolio flows to EMs since Jan 21 2020 (\$bn)



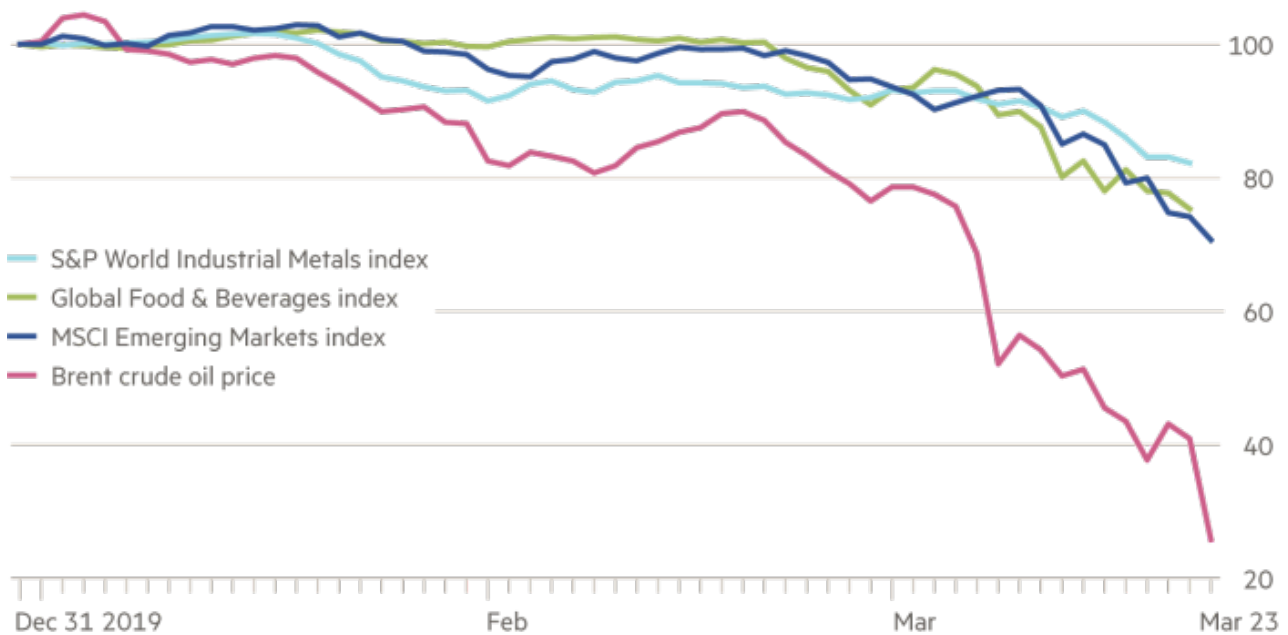
Source: IIF  
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These vulnerable countries will benefit if high-income countries succeed in suppressing the disease and rescuing their economies. But this will not be true in the short run. Emerging and developing countries will need much assistance. That will also help every country's economic recovery. The virus is a shared challenge. So, too, is the coming global slump. Practicality and the demands of solidarity justify generous help.

The same is true within the eurozone. The defining characteristic of a currency union is that individual members have given up the insurance of fiscal autonomy and a sovereign currency in favour of collective mechanisms. During the global financial crisis, that largely failed a number of member countries. Yet, in that case, a moralistic argument could plausibly assert that it was in good part their own fault. This pandemic is not anybody's fault. If the eurozone cannot show solidarity in such a crisis, its failure will be neither forgotten nor forgiven. The wounds will be deep, perhaps mortal. Without visible solidarity in a crisis for which nobody bears blame, the European project will be morally, maybe practically, dead.

## Commodity prices and emerging market stocks tumble

Indices and oil price (rebased)



Source: Refinitiv

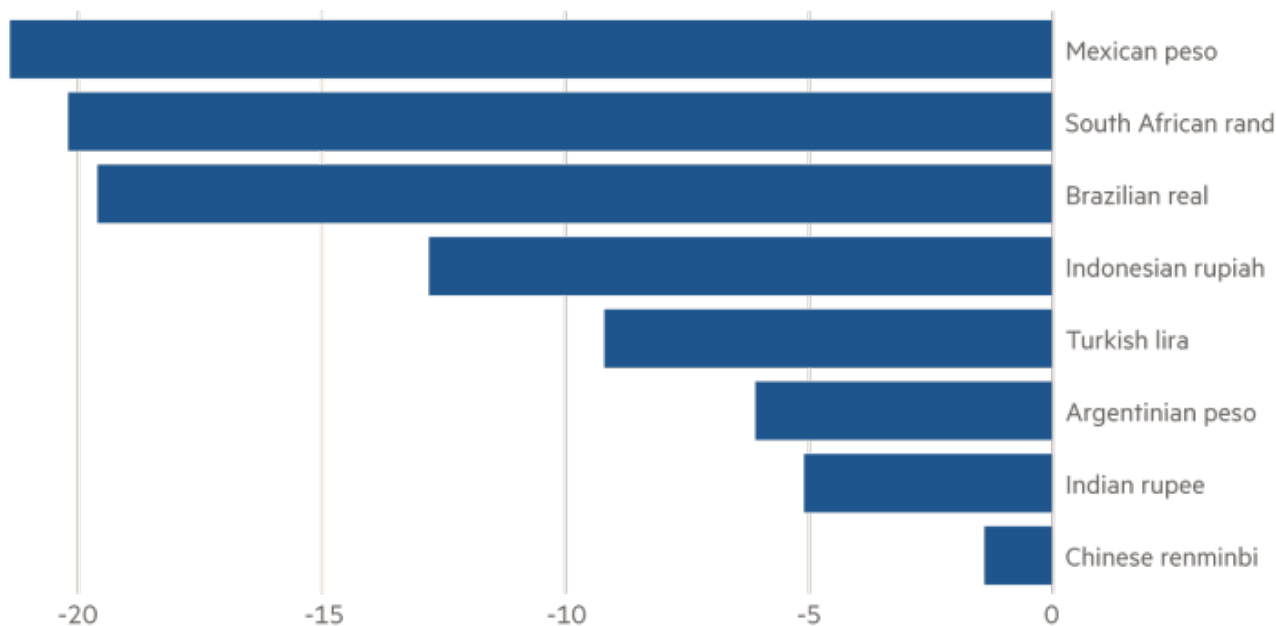
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Any cross-border aid cannot, moreover, be purely financial. Medical help will be needed too. A crucial step will be ending the spate of export controls that are destroying medical supply chains.

Fortunately, the disease we now confront is nothing like as bad as the plagues that repeatedly devastated the lives of our ancestors. Yet it is still something virtually no living person has experienced. It is a practical challenge that must be met with well-informed decisions. But it is also an ethical challenge. We should recognise both aspects of the decisions we must make.

## Coronavirus hits emerging market currencies

Change in value against the \$ since Dec 31 2019 (%)



Source: Refinitiv  
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Do leaders project calm and use reason? Do we defeat the disease, while minimising the economic damage? Do we ensure that the weakest people and countries are protected? Do we choose solidarity over hostility and global responsibility over inward-looking nationalism? Do we seek to bequeath a better post-pandemic world, not a worse one? Unlike viruses, human beings have choices. Choose well.

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