

RESEARCH SUMMARY

Pandemic Problem Solvers: Private Markets and the Public Sector

COVID-19 was a seismic shock to US economic activity, but individuals, businesses, and governments responded with creative energy and innovation. In “Pandemic Problem Solvers: Private Markets and the Public Sector,” Tina Marsh Dalton and Grace Lyons explain the economics underpinning the challenges brought on by the pandemic and assess the effectiveness of the responses from both private markets and the public sector.

LEARN THE CORE ECONOMIC PROBLEMS UNDERLYING THREE PANDEMIC GOALS

1. Reduce the spread of infection while maintaining economic activity.
2. Help those facing economic pain due to unemployment and demand shifts.
3. Monitor ongoing infection through testing.

Dalton and Lyons assess private-market and public-sector solutions to these core economic problems on their timeliness, effectiveness, flexibility, and scale.

DIFFERENT ADVANTAGES OF THE TWO SECTORS

During a crisis, calls for solutions are often directed solely toward the public sector. However, such calls neglect the main drivers of the economic engine—private markets, which are constantly engaged in problem-solving.

- *Government responses* shine in their large-scale impact but are often accompanied by a bureaucratic and more inflexible approach.
- *Decentralized decision-making* to local governments eases some of these challenges.
- *Private markets* responded to COVID-19 disruptions with a great variety of innovations that excelled in speed and ability to adjust to many types of individuals and environments.
- *One of the most impactful solutions*, the development of vaccines, illustrates the advantages of both sectors and how they can best collaborate.
- *Timely and large public funding of private-market innovation*, coupled with shedding of onerous bureaucracy and regulation, helped lead to rapid production of lifesaving and economic-activity-restoring vaccines.

LAYING THE FOUNDATION OF FUTURE RESPONSES

During the pandemic, government legislation loomed large in the public debates. However, much of the problem-solving came from the actions of private businesses. Throughout the crisis, private businesses developed innovative solutions that flexibly and rapidly addressed the challenges, knowing that every day of delay would affect their bottom line. The most impactful public-sector solution was to provide timely, accurate information about the disease to businesses and the public.

Such lessons and insights can help inform more resilient future responses and provide a counterbalance of optimism to the turbulence of pandemic disruption.