

COVID-19 Protecting the Economy and Public Health: Is There a Trade-off?

On April 10th, the Center for U.S.-Mexican Studies, in partnership with Alianza UCMX and the UC San Francisco Institute for Global Health Sciences, hosted the fourth webinar on the balancing act of protecting both the economy and public health.

This document summarizes the key takeaways from our meeting. In the next days, we will announce the fifth webinar in our series COVID-19: Mexico-U.S. Interdependence and Cooperation. Follow us @USMEXUCSD @IGHSatUCSF @AlianzaUcmx

Current Scenario

- While growth rates of infected people in the U.S. have started to flatten in the last few days, Mexico continues to show considerable increases in its number of cases.
- The upcoming economic recession is unprecedented and must be tackled by considering the interdependence between economic and public health outcomes rather than seeing them as separate spheres.

Mexico

- Effective social distancing is unfeasible unless families can afford to stay home from work; this is complicated by the prevalence of informal employment.
- Government programs that provide cash payments to workers who lose their income, especially those outside the formal economy, are urgently needed.
- The government's current policy response is seen by financial markets as too limited and likely to extend the upcoming recession.
- AMLO's reticence to increase the national debt to fund relief measures may be due to factors such as a perception of political nepotism during previous governments' responses to economic crisis, risks to autonomy, and concerns with his credibility as a leftist political leader.
- Solutions must benefit workers and protect firms. For example, the policies proposed by the Consejo Coordinador Empresarial (CCE) alone do not provide sufficient support to all workers.
- The differential effects among MSMEs, vulnerable sectors, and firms participating in global value chains must be considered.
- Actors in the private sector can mitigate adverse economic effects through proposals that involve cooperation, networking, and the replication of best practices. These cannot be a substitute for government action.

U.S.

- The unemployment rate has risen to levels comparable to those of the Great Depression. At least 17 million workers have recently lost their jobs.
- Minorities are expected to be disproportionately affected since they tend to be overrepresented in lower-income jobs and in sectors where social distancing cannot be as effectively implemented.
- There is a need for the federal government to set clear expectations for individuals and firms and ensure the efficient transfer of resources to maintain spending.
- Government support should aim to maintain consumer spending in the short-run while workers are under orders to stay at home, to avoid a downward spiral towards further unemployment in the medium-term once those orders are lifted.