

# AN UPDATE ON COVID AND ITS POSSIBLE LONG-TERM ECONOMIC IMPACTS

Cécile Philippe

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Photo: Overwork, illness and symptoms of illness among employees at Prostock-studio.

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Contact : [postmaster@institutmolinari.org](mailto:postmaster@institutmolinari.org)

Site Internet : [www.institutmolinari.org](http://www.institutmolinari.org)

## SUMMARY

COVID, A LONG-TERM PUBLIC HEALTH ISSUE .....	4
COVID, AN ECONOMIC ISSUE THAT IS BEGINNING TO BE THE SUBJECT OF CONCERNING FIGURES IN COUNTRIES OF FULL EMPLOYMENT .....	5
COVID, A RISK FOR ECONOMIES BASED ON DIVISION OF LABOUR AND TRADE .....	8
NOTES.....	10
ABOUT THE AUTHOR.....	12

## 1. COVID, A LONG-TERM PUBLIC HEALTH ISSUE

With the wave of the Omicron variant, most Western countries have gradually abandoned the idea of controlling the number of infections related to the SARS-COV-2 virus, focusing on vaccination only to protect against hospitalization and death. However, since the beginning of the pandemic, we have seen the emergence of a new phenomenon called Long Covid.

The latter refers to the prolonged, fluctuating and multi-systemic symptoms that develop and then persist after infection with the SARS-COV-2 virus. The symptoms listed can be respiratory, cardiac, neurological, vascular, dermatological, ENT, digestive ... and would affect, according to a study of a very large cohort published in *Nature*<sup>1</sup>, up to 12% of infected and vaccinated adults.

Neurological and cognitive symptoms are among the most widespread with fatigue of course, "cognitive fog", concentration problems and a deterioration of what is called in medicine "the processes of visuo-spatial construction" that make it possible to analyse, understand and represent space (the environment) in two or three dimensions.

While a great deal of uncertainty surrounds this subject, many studies indicate that the phenomenon deserves attention as the economic and social consequences could be significant. Covid could significantly reduce potential growth (early withdrawal from the labour market, lower growth in exposed sectors) while increasing collective costs (health spending, early retirement, etc.). There is a risk that this pandemic will cause a negative scissor effect on our economies and public finances.

While data accumulates on the non-anecdotal nature of long Covid, the solution for the problems of those who suffer from it and the dynamics of the epidemic remain uncertain. Indeed, contaminations continue, wave after wave, with the possibility for each new variant to reinfect a very large part of the population that has, in part, renounced all forms of protection. The question therefore arises as to whether or not the increase in infections has the potential to trigger an ever-increasing number of long-term symptoms that can disable part of the working population, while they require care, for what we already know to be chronic diseases.

The cumulative effects of repeated Covid-19 infection are still poorly understood but appear to exist. For some, each new infection may be associated with higher risks. In a recent study<sup>2</sup>, Ziyad Al-Aly, a clinical epidemiologist at Washington University in St. Louis, suggests that long Covid is more prevalent in people who have contracted multiple infections than in those who have only been sick once. Laith Abu-Raddad, an infectious disease epidemiologist at Weill Cornell Medicine-Qatar, hypothesizes that "every new infection is a new opportunity for Covid to strike." He adds: "Every time we expose ourselves to reinfection, we are playing a very dangerous game. It may be this specific infection that will end up being the most serious."<sup>3</sup> If their fears were verified, it could ultimately create untenable situations for social protection systems and, ultimately, tensions for our capitalist societies.

Only time will decide. However, to date, there are worrying elements indicating that labour markets are already impacted.

## 2. COVID, AN ECONOMIC ISSUE THAT IS BEGINNING TO BE THE SUBJECT OF CONCERNING FIGURES IN COUNTRIES OF FULL EMPLOYMENT

It is on the English and American labour markets that Long Covid seems to be having a visible effect. These countries are frequently at full employment; it is not surprising that tensions can be visible more quickly.

On the American side, as early as 2020, Lawrence H. Summers and David A. Cutler, of Harvard University, are interested in the cost of the pandemic, which they estimate at \$16 billion.

More recently, David Cutler<sup>4</sup> has re-estimated the cost of the pandemic upwards under the update of data on Long Covid. As he explains, "many survivors of SARS-CoV-2 infection suffer from a 'Long Covid' [...] Data suggests that 22-38% of people with Covid will have at least one symptom 12 weeks later, and 12-17% will have three or more symptoms." The author hypothesizes that symptoms could last for a period of 5 years, given the slow recovery process. Considering three types of costs – loss of quality of life over 5 years (\$2,195 billion), loss of income (\$997 billion) and rising health costs (\$528 billion) – the economist arrives at a significant cost of 3.7 trillion in total, which puts the cost of prevention and protection measures into perspective. "Such high costs justify virtually any expense related to the detection, treatment and control of long-term Covid. They would have benefits far greater than they could cost," concludes the author.

The same goes for the Brookings Institution, which since January 2022 has been sounding the alarm on the subject. In two reports – one in January 2022<sup>5</sup> and the other in August<sup>6</sup> – Katie Bach, a graduate of MIT and the London School of Economics, draws an alarming conclusion. According to her calculations, "About 16 million working-age Americans (ages 18-65) are suffering from long-term Covid today. Of these, 2 to 4 million are unemployed because of this disease. The annual cost of lost wages alone is about \$170 billion per year (and could even reach \$230 billion). »

The phenomenon is also of concern to the Federal Reserve even if Brendan M. Price, author of a note on the subject, remains very cautious given the difficulty in estimating the extent of the phenomenon. The economist finds that "individuals who have Long Covid are about 3 percentage points less likely to be employed than those who have had Covid, without experiencing symptoms for more than three months." He concludes "in addition to their effects on health and quality of life, the long-term symptoms of Covid are likely to also limit work capacity."<sup>7</sup>

In January 2023, the labor force participation rate was only 62.4% according to the Bureau of Labor Statistics<sup>8</sup>. This figure has not yet returned to the February 2020 level of 63.3% and has been stagnant since March 2022.

However, as three economists indicate<sup>9</sup> in a recently published working paper<sup>10</sup>, based on the results of the SWAA survey<sup>11</sup> conducted each month among 2,500 to 5,000 Americans aged 20 to 64 for the period February-July 2022, "More than 10% of SWAA respondents say they will not return to their pre-Covid activities once the pandemic is over. They plan to avoid subways, crowded elevators, taxis, ride-sharing services, and dining in indoor restaurants. 45% of respondents say they will not return to their pre-Covid activities » Knowing that Covid-19 hasn't gone away, some people aren't ready to let their guard down yet, according to this discussion paper released by the National Bureau of Economic Research. Only 42% said they planned a "full return" to the activities they were

participating in before the pandemic. The authors introduce a new concept to describe this new phenomenon, that of "long social distancing", widely used since<sup>12</sup>.

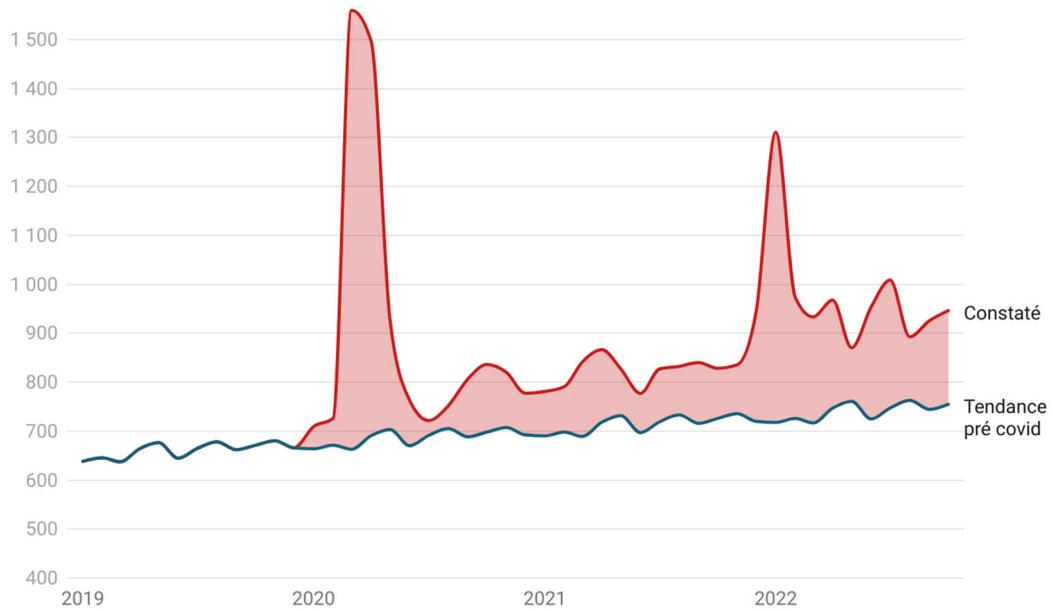
In the United Kingdom, it is first of all the CIPD (Chartered Institute of Personnel and Development) – an association of human resource management professionals – that sounds the alarm. Its February 2022 survey, conducted among 804 organisations representing more than 4.3 million employees, reveals that "26% of employers now consider Long Covid as a main cause of absence due to long-term illness".<sup>13</sup>

Then, it is the turn of the Bank of England to worry in May 2022 by providing more precise data on the economic fallout of Long Covid in terms of tensions on the English job market characterized by a very low unemployment rate, below 4%. As the author of the analysis – economist Michael Saunders – points out – if the UK economy had returned to its pre-crisis dynamism, one might have expected that there would still be room for manoeuvre in the labour market. However, that was not what the central bank was finding. Indeed, between the fourth quarter of 2019 and the first quarter of 2022, the number of people aged 16 to 64 who are outside the labour force and do not want a job increased by 525,000, including 320,000 people with long-term illness and 35,000 with short-term illness. Women would be particularly affected. With the disease explaining 70% of the observed phenomenon, the author adds: "I suspect that much of this increase in inactivity due to long-term illness reflects the side effects of the pandemic, through Long Covid and the increase in waiting lists at the NHS."<sup>14</sup>

In France, the signals are weak but they exist. In its 2021 Annual Absenteeism Barometer, Malakoff Humanis notes that Covid-related stoppages were up significantly in 2021. They accounted for 12% of stoppages, up from 6% in 2020.

This trend could be long-term. Over the first 10 months of 2022, the daily allowances paid by the Health Insurance for illness (excluding accidents at work) were up 49% compared to 2019, 19% compared to 2021 and even 5% compared to 2020 when no vaccine was available. They represented 11% of the reimbursement expenses (outside hospital spending), whereas, before Covid they represented 10% of expenses. Since the beginning of the pandemic, the increase in daily allowances for the disease represents an additional cost of 6 billion compared to the pre-Covid trend (Figure 1).

**Figure 1: Daily allowances paid under Health Insurance (France, million euros).**



Source: Calculations by Institut économique Molinari based on Health Insurance, series of city care disbursements as of 2019 to October 2022.

### 3. COVID, A RISK FOR ECONOMIES BASED ON DIVISION OF LABOUR AND TRADE

Long Covid is starting to become a social phenomenon that is increasingly difficult to ignore, whose impact on companies and the business world could be significant. With the proliferation of scientific work, it seems increasingly likely that the pandemic will have lasting health and economic consequences. Whether it's the Financial Times<sup>15</sup>, the Wall Street Journal,<sup>16</sup> Fortune<sup>17</sup>, MarketWatch<sup>18</sup>, or Bloomberg<sup>19</sup>, awareness is increasing. And rightly so because if Long Covid continues its course in the long term, it could be a formidable destroyer of confidence, the cement that constitutes wealth and a motor of the development of the capitalist system.

At the World Economic Forum held in Davos from January 16 to 20, a formidable arsenal of measures was waiting for "key political, business, artistic and intellectual leaders of society" to protect them from Covid. Contrary to the prevailing view that it is simply impossible to get into battle against Covid, the organizers of the Forum showed the opposite.

"To create a safe environment at the Annual Meeting 2023, the Forum is working with the world's leading health experts and virologists, as well as Switzerland's public authorities," the document<sup>20</sup> for participants said. The latter had to show a negative PCR test. But above all, the conference site was equipped with state-of-the-art ventilation systems (Hepa filters, UVC lamps...). Participants could thus interact without fear, without the need to wear masks. There is no doubt that this package was designed to be very effective as it aligns the main pillars of protection against respiratory viruses with testing and ventilation. This deployment - which has not been opposed in the slightest - indicates that the risk is being addressed by some of our elites and that it can be mitigated.

Our societies depend on the division of labour and the extreme specialisation of each of us. If this system works, more or less correctly according to perceptions, it is because we are linked by a price system that allows us to communicate information about the needs of agents. What makes the existence of the system possible is the belief, the confidence that money can provide us with what we need most.

Some people don't like this situation but, overall, most of us recognize the power of money and its ability to provide solutions to our problems. We believe globally today – despite the crises – that if we have economic growth, we will be able to solve many of our current problems. This translates on a personal level into the idea that when you encounter any problem, someone, somewhere, will have the solution and it will be possible to buy it or to benefit from it.

Labour markets are the heart of the capitalist system. They must function properly in order to provide consumers with what they need. Companies provide goods, purchased by consumers, and this economic activity finances states and local or social security governments. With fewer agents to produce, the market cannot supply as much as it used to. In economics, these phenomena are called recession, or destruction of demand, which means that part of the demand will not be satisfied when it could have been met otherwise.

Jean Bodin, philosopher and economist, stressed in 1576 that "there is no wealth or strength except in men". Centuries later, his point is still relevant. How will our economies and societies evolve if we

have fewer assets and they are less healthy? As economist Garry Becker has shown, human capital is a key to prosperity. Learning to preserve it is an individual and collective challenge.

## NOTES

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<sup>9</sup> Jose Maria Barrero, finance professor at finance at Instituto Tecnológico Autónomo de México, Nicholas Bloom, professor of economics at Stanford University and Steven J. Davis, professor at the University of Chicago Booth School of Business.

<sup>10</sup> Jose Maria Barrero, Nicholas Bloom and Steven J. Davis et. (2022, october). Long Social Distancing. National bureau of economic research, 30568. [https://www.nber.org/system/files/working\\_papers/w30568/w30568.pdf](https://www.nber.org/system/files/working_papers/w30568/w30568.pdf)

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## ABOUT THE AUTHOR

**Cécile Philippe** is President of the Institut économique Molinari. Doctor in economics, she created the IEM in 2004 in Brussels and Paris. She is the author of *C'est trop tard pour la terre (It's too late for the Earth)* and *Trop tard pour la France? Osons remettre l'Etat à sa place ? (Too late for France? Dare to put the State back in its place)* and participated in the collective work *50 Matinales pour réveiller la France (50 Mornings to wake up France)*. She publishes a column in *Les Echos* and regularly in *L'Express* and *Le Point*.

She has published in the French and international press more than fifty articles on Covid and co-signed :

- a consensus paper : Lazarus, J. et al. (2022). A multinational Delphi consensus to end the COVID-19 public health threat. *Nature*.

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Contact: [cecile@institutmolinari.org](mailto:cecile@institutmolinari.org)

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