Since January 2020 Elsevier has created a COVID-19 resource centre with free information in English and Mandarin on the novel coronavirus COVID-19. The COVID-19 resource centre is hosted on Elsevier Connect, the company's public news and information website.

Elsevier hereby grants permission to make all its COVID-19-related research that is available on the COVID-19 resource centre - including this research content - immediately available in PubMed Central and other publicly funded repositories, such as the WHO COVID database with rights for unrestricted research re-use and analyses in any form or by any means with acknowledgement of the original source. These permissions are granted for free by Elsevier for as long as the COVID-19 resource centre remains active.
The political economy of early COVID-19 interventions in U.S. states: Comment

Sang Yoon(Tim) Lee
Queen Mary University of London and CEPR

ARTICLE INFO
Article history:
Available online 15 January 2022

Keywords:
Covid-19
lockdown
politics

1. Background

As exemplified by the other papers in this issue, most papers on Covid-19 focus on health and economic outcomes, such as infection or death counts, and individual wage or regional GDP levels. Empirical studies focus on the effects of specific government policies, such as lockdowns, social distancing and mask mandates; Theoretical pieces derive the optimal level and duration of lockdowns and economic subsidies chosen by a fictitious planner.

But from its very onset, Covid-19 was arguably as much a political game piece as it was a public health and economic crisis. And in many if not most parts of the world, it still is. Thus in addition to understanding which types of policies were and would be effective, it is just as important to understand the motivation behind the different policies pursued by different political leaders (to save more lives? to minimize economic losses? or just political gain?), since policymakers, in reality, cannot be expected to behave as “benevolent planners.” That’s what Gonzalez-Eiras and Niepelt, 2022 set out to do.

2. Summary

Gonzalez-Eiras and Niepelt, 2022 investigates whether the stringency of lockdown measures across U.S. states were affected by a state governor’s party affiliation and re-election concerns. Importantly, the outcome they are concerned with is the policy itself, and little attention is paid to whether a policy in fact succeeded in reducing deaths or economic losses. So in some sense, Gonzalez-Eiras and Niepelt, 2022 is less about Covid-19 than understanding how political concerns, rather than economic or public health concerns, lead to different kinds of policies being implemented.

Unsurprisingly to anyone familiar with American politics, they find causal evidence that Republican governors implemented shorter and less stringent lockdowns. More interesting is their finding that governors facing re-election implemented longer and more stringent lockdowns, even controlling for several other factors including a governor’s party affiliation.

These are both interesting and important findings in and of themselves. They also find that other usual suspects, such as divided governments or the gender of the governor, matter little. The rest of the paper focuses on a particular interpretation of their results, which are one of the three caveats I discuss here.

E-mail address: sylee.tim@qmul.ac.uk
3. Caveats

Data and Empirics The main outcome variables of interest are whether or not a lockdown was announced, the duration of a lockdown, and a stringency index derived from the “Oxford Covid-19 Government Response Tracker” (Hale et al., 2021). The authors do a careful job checking that their results are consistent across all measures, and their extended analyses are very convincing.

Still, robustness of the outcome variable as well as potential omitted variable bias is a real concern, especially given the rather small sample size. In Fig. 1, we see that re-election concerns are identified by less than 10 out of 52 observations (45 if states which did not implement a lockdown are dropped). So potentially, the results can be sensitive to using a different outcome variable (e.g. the “Stay-At-Home” index developed in Baek et al. (2021)), or the inclusion of additional independent variables (economic structure in Aum et al. (2020) and Lee et al. (2021), public health variable such as share of population with health insurance, or something completely unrelated such as whether the state allows capital punishment).

The small sample size restricts further, potentially interesting analyses: Given the large gap between Republican and Democrat governors’ responses, we may also expect them to behave differently in the face of re-election. While possible in theory, unfortunately it would be hard to ascertain statistical power by comparing less than 5 individuals to each other.

Connection to Political Economy Model Gonzalez-Eiras and Niepelt, 2022 present a model that features a not-necessarily-benevolent policymaker who realizes that economic activity can lead to more infections according to a standard SIR model, and needs to decide on how long and severe economic restrictions should be. The framework is simple and transparent, and motivates the empirical regressions that follow. The framework also makes it clear how environmental variables such as the electorate’s ideology and urbanization should enter the decision problem.

However, the analysis stops short of making predictions on how the policymaker’s decisions should depend on any of the underlying variables. So while the theory is useful for shaping how we should think independent variables affect a policymaker’s decision, a theoretical explanation for why Republicans avoid restrictions and why re-election concerns lead to stronger restrictions is absent. So in some sense, how we interpret the coefficients is left to the reader.

The authors invoke existing political economy theories—not modeled in their own theory—to give an interpretation, but the link is not obvious. In fact the results do not necessarily imply political motivations at all: For example, to the extent that the chosen policy deviates from a benevolent planner’s, it could be that the policymaker is indeed benevolent, but is misinformed of the underlying parameters of the economy and epidemiological environment (e.g., Republicans or governors facing re-election may have a better understanding of the environment).

Interpretation The authors interpret the fact that re-election concerns led to stronger restrictions as evidence that these governors cared more about signaling competence than generating campaign contributions. This is based on the presumptions that i) voters care more about public health than the economy when evaluating competence, and ii) less restrictions lead to more campaign contributions.

But there is no clear theoretical reason nor empirical evidence for either assumption. Not imposing restrictions might as well be viewed as competent for some (more Republican) electorates, and there may well be wealthy (presumably Democrat) donors who desired more restrictions and would thus raise their campaign contributions toward politicians who implemented stricter measures.

---

1 Their index also has the advantage of being aggregated up from the country level, whose responses varied even within states. This aggregation could be a closer reflection of reality if governors made state-wide announcements taking county-level responses into account.
At a more fundamental level, there is little reason to believe that imposing stronger restrictions implies a concern for lives (public health) over livelihoods (the economy). Since people voluntarily adjust their activity even in the absence of restrictions, less restrictions could reflect a concern for non-Covid medical emergencies, and more plausibly, early restrictions can be better for the economy later on (Aum et al., 2021). It could even have nothing to do with lives or livelihoods, in fact, and can be purely ideological (e.g. https://www.psa.ac.uk/psa/news/freedom-or-self-interest-motivations-ideology-and-visual-symbols-uniting-anti-lockdown).

References

Aum, S., Lee, S.Y.T., Shin, Y., 2020. Who Should Work from Home during a Pandemic? The Wage-Infection Trade-off. Working Paper 27908. National Bureau of Economic Research.
Aum, S., Lee, S.Y.T., Shin, Y., 2021. Inequality of fear and self-quarantine: Is there a trade-off between GDP and public health? J. Public Econ. 194, 104354. doi:10.1016/j.jpubeco.2020.104354. https://www.sciencedirect.com/science/article/pii/S0047272720302188.
Baek, C., McCrory, P.B., Messer, T., Mui, P., 2021. Unemployment effects of stay-at-home orders: evidence from high-frequency claims data. Rev. Econ. Stat. 1–15. doi:10.1162/rest_a_00996.
Gonzalez-Eiras, M., Niepelt, D., 2022. The political economy of early COVID-19 interventions in US states. J. Econ Dyn. Control.
Hale, T., Angrist, N., Goldszmidt, R., Kira, B., Petherick, A., Phillips, T., Webster, S., Cameron-Blake, E., Hallas, L., Majumdar, S., Tatlow, H., 2021. A global panel database of pandemic policies (oxford COVID-19 government response tracker). Nat. Hum. Behav. 5, 529–538. doi:10.1038/s41562-021-01079-8.
Lee, S.Y.T., Park, M., Shin, Y., 2021. Hit harder, recover slower? Unequal employment effects of the COVID-19 shock. Federal Reserve Bank of St. Louis Rev. (4) 367–383. doi:10.20955/r.103.367-83.