



Covid-19 pandemic is not a black swan event

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On 5 November 2008, Queen Elizabeth II was at the London School of Economics to open a new building. This was just a few weeks after Lehman Brothers had gone bust. In the weeks that had followed, governments and central banks of the rich world had to rescue some of their biggest banks and financial institutions. The queen asked the economists present: "If these things were so large, how come everyone missed them?"

Nearly 13 years later, we can ask the same question on the covid pandemic. Why did no one see it coming? Or did they and still ignored it?

Many politicians and chief executive officers (CEOs) have referred to the pandemic as a 'black swan event'. Nassim Nicholas Taleb coined the concept in his eponymous book. It refers to an event that comes as a big surprise, just as sightings of black swans in Australia astonished the Europeans who first landed on the continent. Until then, given the evidence on offer in Europe, people were convinced that all swans were white.

Other than that, a black swan event has an extreme impact. Also, as Taleb puts it, human beings concoct "explanations for its occurrence after the fact."

Not surprisingly, many people have termed the covid pandemic a black swan. But is it one? As Ryan A. Bourne writes on the matter in *Economics in One Virus*: "It suits both CEOs and politicians to believe this and convince us that it is true. If nobody could have possibly foreseen the pandemic, then it absolves politicians and businesses from many of their failures in preparing or reacting to the eventuality."

By calling the pandemic a black swan, it becomes easy for CEOs to lobby the government to bail them out with taxpayer money. As far as politicians are concerned, by categorizing the outbreak as a black swan event, they don't need to explain to people why they were caught completely unprepared for it.

Hence, both politicians and CEOs have an incentive to label the pandemic a black swan event. But, again, is it one? Taleb doesn't think so. As he told *The New Yorker* in April 2020, a black swan has become "a cliché for any bad thing that surprises us".

Pandemics have happened regularly, even if we only look at history since the beginning of the 20th century. The Spanish flu of 1918-1920, the 1957-1958 Asian flu, and more recently, Ebola, severe acute respiratory syndrome (SARS), Middle East respiratory syndrome (MERS) and the nipah virus infection. As Bourne writes: "Humanity has to deal with viral outbreaks with unnerving regularity, and those risks were heightened in a world bound by deeper interconnections and cheap air travel."

Other than pandemics happening at regular intervals, specific warnings were also made. As Bill Gates said in 2018: “There’s one area though where the world isn’t making much progress... and that’s pandemic preparedness.” Or as a 2017 article in the *Harvard Business Review* put it: “Pandemics now occur with greater frequency... yet the threat of a deadly pandemic remains dangerously overlooked.”

Many such warnings were made over the years, and still, governments across the world were largely unprepared for the pandemic when it hit. As Niall Ferguson writes in *Doom: The Politics of Catastrophe*: “We had countless warnings that humanity’s most clear and present danger was a new pathogen and the global pandemic it could cause. Yet somehow these warnings did not translate into swift, effective action in a majority of countries.”

One simple explanation for this lies in the fact that the precise form a pandemic would take couldn’t have been known in advance. And given this, it would have been difficult for many governments that aren’t exactly resource-rich to prepare for it. But this explanation doesn’t work for the rich Western countries.

So, what gives? As Ferguson writes: “Leaders are rarely rewarded for what they did to avoid disasters—for the nonoccurrence of a disaster is rarely a cause for celebration and gratitude.” As always, incentives were at play.

The reason for this lies in the fact that what has not happened can’t be seen. And how do citizens judge what they haven’t seen? This is precisely why most politicians like to be seen doing things once disaster strikes. As Bourne writes: “Voters tend to reward those who react to crises by dishing out relief, in other words, but do not reward those who prevent the worst outcomes from crises by preparing.”

This explains to a large extent why governments around the world were universally unprepared to handle the covid pandemic. But there were exceptions to this rule. South Korea was one such country. It handled the first wave of infections much better than other countries. The explanation for this lies in the fact that the country had had a MERS outbreak in 2015 and the government of the time was widely criticized for the way it handled it. This changed the political incentives at play and South Korea was better prepared.

In fact, once most countries had faced the first wave of covid, they were slightly better prepared for the second wave. Of course, this does not stand true for India. Our government got caught believing its own rhetoric.