

# Who Will Bear the Negative Externality of COVID-19: A Million Dollar Questions?

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## *Abstract*

The spread of COVID-19 pandemic bearing the huge socio-economic cost to society and finding a curative solution to break the virus has become daydream. So, only preventive measures and changes in behavioral attitudes are now the only way to reduce the cost of a negative externality in a populated country like India.

**Keywords:** COVID-19; Negative externality; Social distancing; Social cost; Economic cost; Information asymmetry; Behavioral attitude

## **1. Background**

Externality means the uncompensated impact of one person's actions on the well-being of a bystander. A bystander is a person/society who is not involved in that event or third-party. While the effect on bystanders is adverse, it is called a negative externality. In other words, negative externality occurs when one person's consumption or production behavior is detrimental to other's well-being (Mankiw 2020). Market failure is the reason for negative externality when government intervention makes the situation worse and market failure arises due to information asymmetry and free-rider problems in society. In the negative externality, the marginal social cost by producing or consuming certain goods is greater than the marginal benefit that society receives. As a consequence, society will bear the cost of a negative externality in terms of socio-economic

inequality, poverty, and unemployment (Datta-Chaudhuri 1990). In the following section, the study has portrayed the concept of negative externality into the current emergency created through COVID -19 outbreaks.

### **1.1 Origin of International Spread COVID-19**

As you know the COVID-19 diseases are originated from the Wuhan city of China around the month of November-December 2019 and eventually it becomes spread to the international community. After series of meetings since January 22, 2020, between WHO director-general and international health regulation emergency committee, and finally it declared that the COVID-19 as a public health emergency of international concern for international law on 31 January (Barrie & Jason 2020). Here, the question is that it took such a long-time, to take immediate action and provide correct information by the two-party – China (originator) and WHO (international health policy-making body) about the adverse effects of COVID-19 to the international community.

### **2. Negative Externality, Information Asymmetry, and COVID-19**

In this section, the study has linked how both negative externality and information asymmetry is played a vital role to increase the spread of disease across the globe. As we all know, china (originator) is not clear or maybe hiding the information about the source of the virus whether it is generated through the consumption of food or product innovation in the lab. Due to information asymmetry, the adverse consequence of the virus spread the majority of countries in the world. This can be stopped early if China restricts all the international travel, mass gathering, and congregation during the New Year celebration. Due to negligence from the part of the government of China, the entire global community did not get proper information on -how dangerous this virus could be, what the natures of symptoms are, what could be the possible detection method, what

could the possible preventative measures – quarantine, social distancing, hygiene practices, and uses of face-mask.

Even if the china government has put an effort to tackle the situation efficiently in Wuhan and other parts of China, but as it is an international spread through traveling from infected regions, it is very difficult to tackle from other country's government point of view, if society is having much more ignorant in terms maintain social distancing during lockdown period. On the other way round, if the country's government failed to meet the objective of lockdown through poor administrative measures, and then the free-rider problem arises where common people will not obey the rule of law. Even if somebody follows the rules defined during the period of quarantine and lockdown, eventually these people think why should we follow the rule when others are not following. Then this type of attitude leads to failure of any measures that would have been taken by the government to reduce the rate of infected cases. This type of behavioral features of some people who have had the history of travel visit or mild symptoms of COVID-19 in the society also creates negative externality for uninfected people. It would be more dangerous if the suspected people become free-rider (i.e. not maintaining social distance) and undisclosed of information - travel history and mild symptoms of COVID-19 to the concerned government authority.

### **3. Behavioral Attitude and Spread of COVID-19 in India**

In the context of India, we have seen four layers of transmission of diseases that have been brought up negative externality originated from Wuhan city China. First, persons who have travel histories from the infected country; second, travel history from infected states; third, travel history from infected districts within a state; fourth; no travel history but get affected. Across these layers of

infected persons, many people are affected due to their behavior and create another form of a negative externality in the society.

The government of India, as well as all state government, come forward to reduce the negative externality arise due to COVID-19 through the lockdown. To help the common people and minimize both social and economic cost, various public policy measures have been introduced such as the extension of lockdown period by monitoring the situation; relaxation of lockdown by dividing the area into the different zone (i.e. Red, Orange, and Green) in terms of severity of illness; increase the quarantine center; increase number of COVID-19 hospitals; allowing essential shops – medicine, grocery, vegetables; increase the number of testing; free food distribution to poor; the opening of banks to provide a monetary incentive to poor people; compulsory usage of face-mask; efforts to bring the migrated people to their native place; awareness through digital and print media about social distancing and hygienic practices (MOH 2020). But the questions arise whether people care about yourself or care about others who are not affected. Because in the recent news, we have seen how people are creating nuisance in the quarantine center, riding vehicles by breaking the rules, escaped from the quarantine center, the congregation in the vegetable market and not maintain any social distance in the ration shop, fish market, and grocery shop. This creates another form of negative externality which generates more infected cases in the country as a whole.

As you know, many public providers – medical professional, many government department officials, and ministries; police and other defense services people; researcher engaged in lab testing and trying to find out medicine for COVID-19 have been doing their duty day-night since its inception of the first case on January 31, 2020, in India. Now the situation is becoming a challenge for all public providers in the coming days because despite the early lockdown in India on June 30, the infection cases crossed the 5 lakhs limit and the increment of cases is higher than the most

of the countries such as China, Singapore, Japan, Australia, Thailand, and South Korea (Worldometers 2020). If we are not able to reduce the negative externality by maintaining social distance; rules of law in the lockdown areas; and provide correct information of travel history which would help for contact tracing and early detection of susceptible individuals, then it will lead to community spreading and we all pay the huge social cost.

#### **4. Conclusion: Defeat Invisible Spread through Social Distancing**

The negative externality generated from the international spread of disease to community spread where many individuals engaged in different layers of infection and exactly it is very difficult to tell to somebody that you are the culprit and for you only I got infected. Because this disease is invisible hand when no one knows exactly what could be the curative solution for this and who will bear the cost of adverse effects of COVID-19. The country as a whole, we will suffer in many ways if our economic (production and consumption) activities will not be normal in the coming days, then the overall economy will fall in recession due to higher debt burden, less revenue, and less growth. It will create unemployment, underpayment, and unwanted mental pressure in society.

In this context, who will bear the social and economic cost of the negative externality of COVID -19 is a million-dollar question in front of society because of many stakeholders involved in the process of generating a negative spillover effect. Only suggestions would be as faithful citizens of a country, please avoid nuisance behavior, do not spread false information, cooperate with the government machinery, and respect all public providers – medical professionals and defense services personals. Surely, society will defeat this invisible disease and no need to panic and tense, everything will come into normal in the coming days.

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