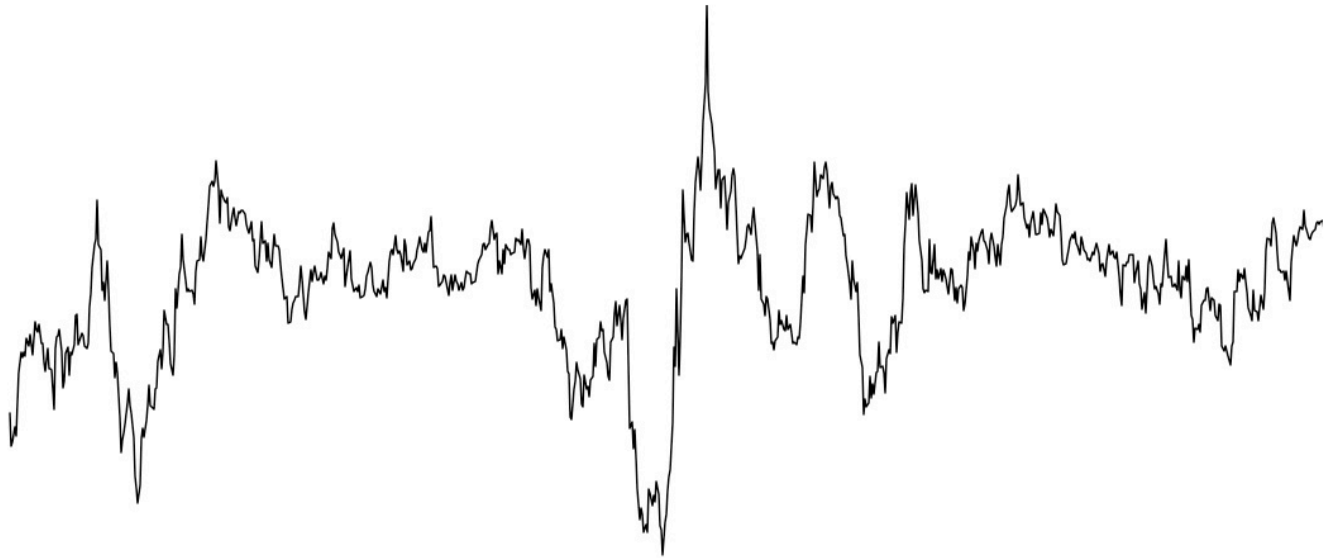


ALPHA SOURCES

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WILL YOU GET THE SHOT?

This week, I'll stitch together some thoughts on our ticket off the Covid-19 train, also known as the "vaccine". I am prompted by [Georges Pearkes' challenge](#) to come up with why it might be a bad idea to give people \$1500, or another monetary amount, as an incentive to take the vaccine. First things first, it's very possible that our main problem next year is that we won't have enough of this thing. Paradoxically, the prospect of a vaccine dealing a killer blow to the virus in the middle of next year has created an incentive for authorities to maintain tighter restrictions in the short run—well into Q1, at least—while we wait for the shot. After all, if the virus is gone tomorrow, the cost of an infection today increases, a lot. A reasonable counterpoint is that governments aren't masochists, and some form of reopening will happen in

Q1, but the point I am getting is simple in the end. Assuming the vaccine is rolled out by early Spring, on the back of a miserably semi-locked down winter, it's more likely than not that people will be scrambling for a job, especially in an environment where the vaccine becomes a ticket to otherwise restricted activities via a form of passport. In such a situation, we won't have to pay people to take the shot. We'll have to make sure it isn't hoarded.

As for the counterpoint, I am not convinced that the rise of anti-vaxxers—known in the [literature](#) as "vaccine hesitancy"—can be applied to predict a threat to the effectiveness of Covid-19 vaccine efforts. That said, early survey evidence suggest that hesitancy *might* be an issue, especially at the margin where the line between failure and success is drawn.



[A recent study in Nature found that](#) 71.5% of respondents in a cross-country sample of 13,426 people said that “they would be very or somewhat likely to take a COVID-19”, with 61.5% saying that they would “would accept their employer’s recommendation” to accept the vaccine. These numbers seem worryingly low to me. Depending on the effectiveness of the individual shot—which in itself is uncertain at this point—my (unscientific) assumption is that we need something like an 80% uptake to achieve herd immunity. Nature’s numbers also seem low in light on the study’s conclusion that trust in public information is a key parameter for people’s willingness to accept vaccination. *I don’t think I am going out on a limb when I say that public trust in official information and decision-making has been one of the main victims of the Covid-19 misery, alongside the scores of people who have tragically lost their lives.*

Broadly speaking, there could be two reasons for people’s hesitancy to accept the vaccine. The first is safety, and associated with that, the public’s trust in the authorities who undoubtedly will be pushing hard for everyone to get the jab as quickly as possible. I *think* the probability is skewed towards a relatively safe and effective vaccine, but I can’t be certain, and [neither can anyone else](#). More importantly, the *perception* of the vaccine’s safety is the crucial parameter for the initial immunization efforts next year, not its actual safety which can’t be verified before the fact, at least not very well.

The second follows from the first, and is simple game theory. Even a slight question of safety means that I am best off if everyone else gets it while I don’t. This strategy is especially lucrative if governments allow the economy to reopen fully during vaccination.

This is also one of the primary reasons why paying people to take the vaccine, especially if such a transfer is perceived as a bribe to take something that might not be entirely safe, isn’t necessarily a good idea. If herd

immunity is achieved via 80% taking the shot, the 20% most well off have no incentive to take it, and will let the plebs bear the burden/risk of eradicating this thing via herd immunity. **A monetary incentive to take the vaccine externalizes the risk of immunization on the poor and low-income cohorts.** That’s not a good look. Other effects include the possibility that some might hold off in anticipation of a higher reward in the future, or that some might commit fraud to get it more than once, creating health issues or scarcity of the vaccine.

QUI BONO?

The analysis above only scratches the surface, but the principle should be clear enough; an *economic* analysis of the vaccine—assuming it is rolled out to the broad population next year—effectively is an analysis of incentives. To that end, it’s worthwhile ending with the incentive of policymakers. Don’t get me wrong, we’re all in the same boat but our political overlords have a lot riding on the vaccine. If it turns out to be defunct, lockdown economics doesn’t work. This is to say, a relatively unsuccessful vaccine effort will force authorities to pivot to a more balanced use of containment efforts.

Before we get to that, however, I suspect authorities will cross their fingers and approve just about anything the pharmaceutical industry spits out. It follows from that, as I said in the beginning, that authorities have an incentive to keep [restrictions in place even as the vaccine is rolled out](#). This ought to matter for people’s attitude to the shot. If we are staring at a more-or-less permanent lockdown in services until Spring, I suspect people at large will be very eager to get the vaccine, unless there are some very clear and obvious safety risks, in which case we’ll have a huge problem on our hands. Before we get to that, my shout is that the vaccine will be the hottest commodity in 2021. People, I expect, will be scrambling to get the shot.