

# The White House Prepared for a Pandemic

Zinberg, Joel M; Philipson, Tomas J . Wall Street Journal , Eastern edition; New York, N.Y. [New York, N.Y.]19 Aug 2020: A.17.

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## FULL TEXT

New York Gov. Andrew Cuomo launched the Democrats' broadside against the Trump administration's Covid-19 response. "Our current federal government is dysfunctional and incompetent," he told virtual conventioners Monday in a recorded speech. "It couldn't fight off the virus. In fact, it didn't even see it coming."

In reality, the administration was well aware of the threat of a pandemic before the novel coronavirus emerged. We helped develop a September 2019 White House report, "Managing the Impact of Pandemic Influenza Through Vaccine Innovation," which prompted immediate presidential action that has accelerated the development of a Covid vaccine.

The report was produced by the Council of Economic Advisers at the behest of the National Security Council's biodefense team. It detailed the large health and economic losses that could happen from flu pandemic in the U.S. The report discussed how the lack of private market incentives had led to underinvestment in developing and using innovative technologies that can quickly produce vaccines for a new virus.

Influenza vaccines have primarily been manufactured in chicken eggs for the past 70 years. The process is too slow to produce a new vaccine for a novel, unexpected virus and impairs the vaccines' efficacy against the flu. Public-private partnerships created under a 2006 statute led to the development of newer, faster manufacturing techniques. But these vaccines are more expensive and haven't been widely adopted.

The main issue is that vaccine developers aren't rewarded for innovation. Their research-and-development and investment costs for improved vaccines are recovered only through sales that occur in the unlikely event that a pandemic occurs -- there have only been four flu pandemics the past 100 years -- even though vaccine innovation provides benefits from risk-reduction before any pandemic. Vaccines have insurance value today that provides protection against possible future damage, regardless of whether a pandemic occurs. That means the social return from innovative vaccines is greater than their private return to developers.

To overcome the problem of under-investment in rapidly produced vaccines, we proposed public investment in public-private research-and-development partnerships to promote vaccine innovation ("push" incentives) and preferential government purchase of vaccines produced domestically from those partnerships ("pull" incentives). On Sept. 19, a few days after the CEA issued its report, the president signed Executive Order 13887, which created several initiatives to modernize flu-vaccine production, including evaluation of "incentives for the development and production of vaccines by private manufacturers and public-private partnerships."

The report and the order focused on improving vaccine production for influenza; a novel virus is a surprise by definition. Yet when Covid-19 appeared a few months later, the administration expeditiously applied the report's lessons on the value of public-private partnerships to speed vaccine innovation and production. On March 30, less than three weeks after the World Health Organization declared a pandemic, the federal government began investing with private vaccine developers. Operation Warp Speed provided hundreds of millions of dollars to Johnson & Johnson, Moderna, and a partnership between AstraZeneca and the University of Oxford to develop vaccines and provide 100 million doses by January 2021 of each one that is approved, which the government will distribute free of charge. Similar arrangements were made later with Novarex, partners Pfizer and BioNTech, and partners Sanofi and GlaxoSmithKline. Contracts have also been signed to step up manufacturing of vaccine vials

and syringes.

Through Operation Warp Speed, the government assumes the economic risk of establishing mass-production capabilities while vaccines are still in development, rather than waiting until after approval to scale up production. This will encourage companies to invest in development and facilitate faster distribution of an eventual vaccine. The government has already committed more than \$8 billion to accelerate vaccine development and secure doses for early distribution.

The results of this public-private collaboration have been impressive. Vaccines for new viruses normally take years and billions of dollars to develop. Seven months after China shared the genetic sequence of the new virus on Jan. 11, multiple vaccines are in advanced clinical trials. Moderna shipped its first batch of shots to the National Institutes of Health for Phase I trials in a record 44 days and recently started a Phase III trial, the last step before approval.

The government is also funding drugs to treat Covid-19, including \$618 million to Regeneron Pharmaceuticals to develop an antibody drug and supply 70,000 to 300,000 doses. Late-stage studies of Regeneron's drug to treat infected patients and protect uninfected people are under way, and it could be available by late summer.

CEA knew that while pandemics are rare and unpredictable, sooner or later we would face the need for rapid vaccine production with profound impact on the nation's health, economy and national security. The cost of Covid-19 from reduced economic activity and lives lost is estimated at \$15 billion a day. Even though the pandemic came quicker than anyone imagined, the country and the administration were prepared to apply the CEA report's lessons. New vaccines are being developed at previously unimaginable speed.

Dr. Zinberg is a senior fellow at the Competitive Enterprise Institute and an associate clinical professor of surgery at the Mount Sinai Icahn School of Medicine in New York. He served as senior economist and general counsel at the CEA, 2017-19. Mr. Philipson is a professor of public policy at the University of Chicago. He served as a member of the CEA, 2017-20, and its acting chairman, 2019-20.

Credit: By Joel M. Zinberg and Tomas J. Philipson

## DETAILS

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|--------------------------------|--|
| <b>Subject:</b>                | Innovations; Coronaviruses; Pandemics; COVID-19      |
| <b>Location:</b>               | New York   |
| <b>Publication title:</b>      | Wall Street Journal, Eastern edition; New York, N.Y. |
| <b>First page:</b>             | A.17   |
| <b>Publication year:</b>       | 2020   |
| <b>Publication date:</b>       | Aug 19, 2020   |
| <b>Publisher:</b>              | Dow Jones & Company Inc                              |
| <b>Place of publication:</b>   | New York, N.Y.                                       |
| <b>Country of publication:</b> | United States, New York, N.Y.                        |
| <b>Publication subject:</b>    | Business And Economics--Banking And Finance          |

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|--------------------------|---|
| ISSN:                    | 00999660  |
| Source type:             | Newspapers  |
| Language of publication: | English   |
| Document type:           | Opinions, Commentary  |
| ProQuest document ID:    | 2435084985  |
| Document URL:            | <a href="https://search.proquest.com/docview/2435084985?accountid=46320">https://search.proquest.com/docview/2435084985?accountid=46320</a> |
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| Last updated:            | 2020-08-20  |
| Database:                | The Wall Street Journal   |

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