

# Coronavirus fears increase economic anxieties, researchers find

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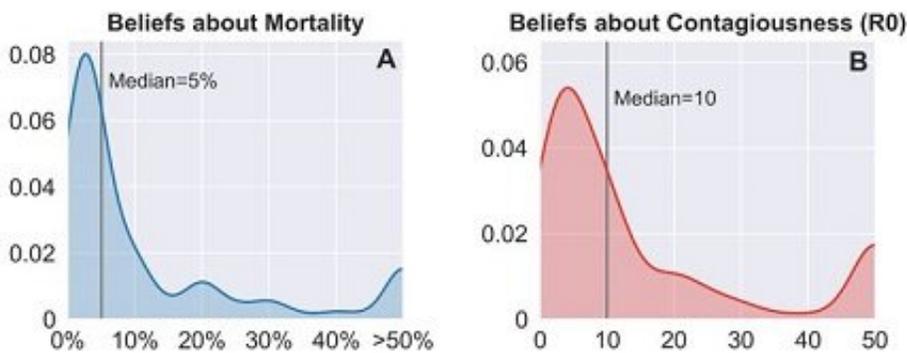


Figure (A) and (B) plot the distribution of beliefs about mortality and contagiousness ( $R_0$ ) of the new coronavirus as measured in a representative sample ( $N=915$ ) of the US population on March 4th 2020. Credit: University of Warwick

The rapid and global spread of the new coronavirus within just a few months is threatening to infect the global economy, new research has found.

While the protection of life and the slowing down of the spread of the disease has utmost priority, policy makers need to also very quickly consider moves to contain the economic fallout.

In their new paper "Perceptions of coronavirus Mortality and

Contagiousness Weaken Economic Sentiment," a team of academics including Dr. Thiemo Fetzer and Dr. Christopher Roth from the University of Warwick has found that the arrival of the new coronavirus in a country is associated with a sharp increase in Google searches indicative of anxieties and economic fears.

"Our findings suggest that the arrival of the new coronavirus leads to a flurry of search activity that, at least historically, can be linked with subsequent sizable contractions in [consumer demand](#) and real growth. This demand side contraction could add to the already expected disruptions of global supply chains and make an economic slowdown even more likely." says Dr. Thiemo Fetzer, an economist at Warwick University.

Using day-to-day Google search activity around 190 countries the authors see notable and sharp increases in Google search activity around the term recession, along with topics related to survivalism and conspiracy theories. After the arrival of the first Corona case in a country, this type of search activity increases sharply by between 20-50% relative to the period before Corona arrived.

"We are naturally concerned that the gradual erosion of trust in institutions and particularly the media in the West in recent years may exacerbate the panic reactions that are becoming visible," says Dr. Lukas Hensel of the Blavatnik School of Government at the University of Oxford.

Through an online survey experiment conducted in partnership with Luc.id in a representative sample of the US population, the researchers document that the broader public in the US seems to have quite skewed beliefs about two salient features of the new coronavirus: its [mortality](#) and its contagiousness. "Our survey suggests that the broad US public seems to have quite heterogeneous beliefs about both, the contagiousness

as well as the mortality of the new coronavirus," says Thiemo Fetzer.

"From what the medical literature has documented so far, a mortality rate markedly above 5% has little empirical support. Yet, more than 50% of respondents thought the mortality rate is higher than that. Similarly, more than 50% of the respondents thought that the contagiousness of the new coronavirus is higher compared to the current estimates available. This could well be beneficial in some sense as over-estimation may induce people to adopt behaviors that reduce the further spread of the disease. On the other hand, it could also fuel more panic," Hensel added.

A natural question to governments, and decision makers across the globe is how the economic fallout from the new coronavirus can be contained. "The media may be playing a very important role in shaping how people perceive the underlying risks. Whether the mortality of the new coronavirus is compared to that of the regular seasonal flu rather than SARS, as is commonly done in the popular press, seems to have an important impact on whether individuals display economic anxieties," says Dr. Christopher Roth of Warwick.

It turns out that information from trusted sources, along with transparent communication that explains government actions is important. To what extent this may, however, still be effective given the decline in trust in institutions and traditional media in the last decade, remains to be seen.

The ensuing economic spread and the growing economic anxieties need to be also actively tackled. This is the time for bold coordinated fiscal measures, along with an internationally coordinated containment strategy.

**More information:** Perceptions of Coronavirus Mortality and Contagiousness Weaken Economic Sentiment. [arxiv.org/abs/2003.03848](https://arxiv.org/abs/2003.03848)

Provided by University of Warwick

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