

# **COVID-19 Response and the Economy:** Comparing the United States, China, and Taiwan

Garrett Ainsworth  
Business Economics, Class of 2019

---

## **PART THREE**

### **Taiwan:**

A Model for Economic Growth and Transparency During a Pandemic

**Kautz-Uible Economics Institute**  
Carl H. Lindner College of Business  
University of Cincinnati  
2906 Woodside Drive  
Cincinnati, OH 45221-0371



## About the Author: Garrett Ainsworth



Garrett Ainsworth graduated from the University of Cincinnati Lindner College of Business in May 2019, with majors in Business Economics and Marketing. He is interested in international relations and international economics and has a passion for traveling and exploring cultures. He has been studying Mandarin and Chinese culture for 2.5 years. During the 2019-2020 school year, Garrett taught English in Taiwan as a Fulbright Scholar. He is currently enrolled online at Cheng Kong University in Tainan, Taiwan, where he studies Mandarin.

One of Garrett's academic goals is to combine his studies with his personal interests by exploring international economic and political issues. In his essays on the economic impact of the coronavirus on the US, Taiwan, and China, he utilizes his understanding of economics and his cultural experiences to write a compelling cultural narrative and political argument.

## **Taiwan: A Model for Economic Growth and Transparency During a Pandemic**

The highly successful response of Taiwan in preventing the spread of the coronavirus—without the need for an economic shutdown or large-scale quarantine—has proven to benefit the country economically. Taiwan has experienced economic growth at a time when most nations experienced record losses. This growth is a direct result of their government’s preparedness. China, however, has experienced moderate to significant economic losses as a result of its initial shutdown and quick reopening. Lastly, the United States has experienced significant economic losses due directly to their unprepared and divided response. But how great have these losses been for the US and China? How much has Taiwan’s economy grown? What do these economic results say about what type of government best responds to pandemics? What changes should be made to the US system to avoid this situation in the future? Over the following pages, I will review the data and provide an analysis to answer these questions.

### **China**

It is difficult to determine the exact effect of the pandemic on China’s economic growth. Prior to the pandemic, securing reliable data on Chinese economic growth and keeping a firm grasp on its quickly evolving economy already proved to be difficult. Throwing on top of that the uncertainty of the pandemic and the expansion of Chinese government censorship to control it, this task proves to be monumentally difficult. Yet, it is extremely important for the world to understand. The rise of China as America’s biggest rival for world influence will be significantly affected by where these nations end up when this pandemic comes to an end. Will Chinese growth and influence continue as it did prior to the pandemic, or will the world experience greater apprehension towards supporting China? The key to understanding China’s place in the post-coronavirus world is to understand its economic effect.

Most pundits at the beginning of the pandemic believed that China’s economy was on the verge of collapse. The drastic measures taken by the Chinese government to virtually shut down the entire country, and the uncertainty of the severity of the virus, made most of the economic prospects for China seem abysmal. After the first year of the pandemic, however, it seems that China’s economic prospects are not as bad as previously thought. Since China reopened its domestic industries, it has seemed to have very little resurgence of the virus, while its economy has grown. Meanwhile, the rest of the world is still struggling to contain the virus. This leaves many wondering: What actual economic impact has the virus had on the Chinese economy?

The data seem to say that the virus has taken its toll on China’s economic growth, but through their government’s strong response, the toll has not been nearly as costly as it could have been. China’s Real GDP in quarter 1, quarter 2, and quarter 3 of 2020 incurred changes of -6.8%, +3.2%, +4.9%, respectively (National Bureau of Statistics of China, 2020). These quarterly growth rates for China represent their lowest yearly growth in 44 years, yet they are relatively good compared to the US and the rest of the world. The quarter 1 losses represent a significant loss due to the initially uncontrolled pandemic in China. The immediate bounce-back of the Chinese economy in quarter 2 and 3 suggests the country’s control of the pandemic has increased and is paying off, though China’s economy had yet to return to its pre-pandemic growth.

## The United States

The economic situation in the US, however, is significantly bleaker. After a year of delayed and disorganized national and state government responses, the pandemic in the US seems to be only getting worse, both in terms of controlling the virus and its economic impact. US cases increased from just 1 on January 20<sup>th</sup> to nearly 22,000,000 by Dec 31<sup>st</sup>, 2020 (Hernandez et al., 2020). Most states in the US have implemented the only option available to prevent the spread of the virus—a shutdown of all non-essential industries. These closures have been issued and reversed several times in most states as infection rates increase and decrease. As these closures began, the economy in the US started on a record downturn, with results worse than many could have ever imagined before the pandemic. US 1<sup>st</sup> and 2<sup>nd</sup> quarter GDP changed by -5% and -31.7%, respectively, while bouncing back some in the 3<sup>rd</sup> quarter with growth of 33.1% (U.S. Bureau of Economic Analysis, 2020). US unemployment saw its peak in April at 14.7%, decreased to 8.4% in August, and ended the year at 6.7% in December (U.S. Bureau of Labor Statistics, 2020). The unemployment peak of 14.7% even surpasses the height of the 2008 financial crisis of 10.0%.

Meanwhile, the rest of the world is expected to see real GDP losses of 4.9% in 2020 (International Monetary Fund, 2020). That means that the US is outpacing China and the rest of the world in expected GDP loss for 2020. Meanwhile, China is performing better than not only the US, but most every other country in the world. Taiwan, in fact, seems to be one of the only places in the world that incurred less COVID-19 related losses than China.

## Taiwan

After an astonishing spring that saw Taiwan's coronavirus case rate remain one of the lowest in the world, despite the expectations of many at the beginning of the pandemic, Taiwan is poised for economic growth. As of September 2020, Taiwan has yet to close any industries or mandate any large-scale quarantine. Taiwan's economic growth rate increased by 1.5% from January to May 2020 (Liu, 2020) and is expected to end the year with an overall growth rate of 2.5% (Leng, 2020). This may seem like a modest achievement, but considering the performance of other nations over the same period, it is quite impressive. Japan's and South Korea's economic growth rates changed by -8.4% and -11.2%, respectively, over the same period (Liu, 2020), while both countries are not expected to experience positive growth rates for the year.

In a recent article, *Taiwan News* had this to say about Taiwan's control of the coronavirus: "Thanks to the outstanding handling of the Wuhan coronavirus (COVID-19) outbreak by the Central Epidemic Command Center (CECC), Taiwan has seen the least impact on its economy by the pandemic, disproving the widely spread myth that controlling infections must always come at the cost of economic growth" (Everington, 2020). How is it possible for a relatively small nation like Taiwan to outperform nearly all other nations during a time of such economic downturn?

## **How the Coronavirus Affected the US Economy**

An important factor to consider in this analysis is which aspects of the pandemic have affected GDP and unemployment the most. Is it the mandatory economic shutdowns of industries or the loss of labor associated with fatalities and sick leave that is causing economists to project losses? It appears that the overwhelming cause of economic losses is due to changes in consumers' behaviors. In analyzing mobile data on consumer purchasing traffic during the pandemic, it was found that overall consumer traffic fell by 60%, but mandatory government shutdowns only accounted for around 7% of that (Goolsbee & Syverson, 2020). Consumer traffic seemed to change before legal restrictions were implemented and was highly tied to the number of COVID-19 deaths in the county (Goolsbee & Syverson, 2020). These results indicate exactly how to avoid economic losses during a pandemic: contain the virus, avoid consumer panic, adjust the economic infrastructure to prepare for changing consumer habits, and reap the economic benefits.

Taiwan has become the economic champion of the pandemic because it has contained the virus and avoided consumer panic. Through smart governance and proactive prevention measures, Taiwan has done an incredible job controlling the pandemic and has therefore not incurred the economic losses that China and the US have. China, however, was able to implement drastic containment measures and, therefore, largely prevent the spread of the coronavirus, while minimizing the length of economic shutdowns. This has led China to experience moderate losses while avoiding a major economic catastrophe. As of December 31<sup>st</sup> 2020, the US has yet to contain the virus and still has a disorganized containment plan, with many states still in partial economic shutdowns. The lack of containment of the virus and push to return to a more normal lifestyle has also led to second and third waves of the pandemic in fall and winter 2020, causing the need for additional rounds of shutdowns of non-essential industries. Another shutdown period would be devastating for the US economy, but it may be unavoidable unless the virus is contained. This feedback loop of trying to avoid economic hardships due to shutdowns but needing to implement new shutdowns because of increases in the spread of the virus has put the US in a no-win situation. This may be the new normal until the current coronavirus vaccines are distributed to the wider population—something that is not expected until at least the summer of 2021.

## **How to Ensure a Better Future Response**

At this point in time, the US has failed to contain the virus and avoid its negative effects on the economy. It is folly to continue to debate that. The real question that must be asked is: What changes can be made to avoid this type of response to possible future pandemics?

It is clear from my analysis that there are certain advantages that centralized authoritarian governments have in controlling a pandemic. These advantages include the ability to force citizens to follow shutdown mandates, control the spread of false information, and access personal data for all citizens, therefore making it easier to contact trace and restrict individuals from spreading the virus. There are some considerable disadvantages to this system as well, including lack of informational transparency and reduced human rights, which may cause the

virus to spread domestically and abroad before a problem is acknowledged. This issue can lead to devastating results for the world and increased foreign mistrust in the centralized government, as seen with the coronavirus pandemic that spread from China.

A democratic system, however, also has its shortcomings in controlling a pandemic, as I outlined previously. These shortcomings include divided politics, which can cause a disunified response; an inability to control false information, which could make it harder to implement a response; and the personal freedoms that citizens are accustomed to, which may make it hard to enforce shutdown and containment policies. After analyzing the advantages and disadvantages of these two systems, it is clear that neither is ideal, but I argue that Taiwan has shown that democracy, if run correctly, is the ideal government system to respond to pandemics. The key to that statement being “run correctly.” I believe that Taiwan did this and the US did not. If the US would like to prevent failures in its pandemic response in the future, it must learn from Taiwan.

In comparing Taiwan and the US, it is possible to see structural differences in their governments’ response mechanisms. If the US is to implement a better disease prevention strategy in the future, it must model its government response after Taiwan. One of the clear disparities between the responses of the US and Taiwan, as discussed earlier, is the attitudes of their citizens toward general disease prevention requirements and the mandates made on them by their governments. It may be attributed to cultural differences, but it was clear that, somehow, Taiwanese citizens trusted their government and followed their recommendations much more than Americans. There was not divisive politics or backlash from the citizens about losing their personal freedoms. The Taiwanese people simply made the sacrifices necessary to save lives. I do not believe it is possible to change Americans’ culture in a way that would make them more willing to cooperate with their government, but I do think small changes to the system could go a long way toward achieving that.

## **Trust Is Key**

To find an optimal pandemic response structure, we first look to Taiwan. It is helpful to return to a previously cited quote from Taiwan’s Minister of Foreign Affairs, Jaushieh Joseph Wu. In response to a question about what other countries could learn about Taiwan’s COVID-19 response, he stated, “We create a bond and a trust between the government and the people, and when the government is telling the people that this is probably something you need to do, people will follow” (Bardi & Bollyky, 2020). The important thing to understand from that statement is that transparency is key to fighting a pandemic. In these difficult and worrisome times, it is essential for citizens and their government to trust one another. I believe that cultural and structural differences in the US cause Americans to lack trust in their government.

In a free democracy, the press wields an ability to publish any facts they deem important for citizens to know. This means that, in a democracy, the citizens have access to the facts; if their government is not transparent or lies, they will know about it. It is folly in a democracy to try to cover up information or outright lie about important facts. That is one way in which the American government, especially the president, has failed. This can be highlighted best by information that came out in September 2020 from journalist Bob Woodward of the Washington



Post, who interviewed President Trump at the beginning of the pandemic in February. According to Woodward, President Trump was informed by his advisors, as early as January 28<sup>th</sup>, that this virus was deadly and would likely be “the biggest national security threat” President Trump faces during his presidency (Pelley, 2020). Just two days later, President Trump, in a press briefing said, “We think we have it very well under control. We have very little problem in this country at this moment — five. And those people are all recuperating successfully. But we're working very closely with China and other countries, and we think it's going to have a very good ending for us. So that I can assure you” (Pelley, 2020). This statement later proved to be devastatingly false and even the president knew that. In his February 7<sup>th</sup> interview with Woodward, President Trump said, referring to the coronavirus, “It's also more deadly than your, you know, your even your strenuous flus. This is deadly stuff” (Pelley, 2020). In the same interview, President Trump later said, “I wanted to always play it down, I still like playing it down, because I didn't want to cause a panic” (Pelley, 2020).

In an interview with 60 Minutes' Scott Pelley, Woodward summed up his thoughts on President Trump's strategy of not being transparent with the public. He said, “I think he did not understand the American public. And he said, ‘Well, I don't wanna create a panic.’ We know, from history when the public is told the truth, they organize. ‘We have a problem. We're going to step up.’ And Trump thought, ‘Oh, well, they'll panic.’ When there's a crisis, when the president, particularly, knows something, it's time to tell the public in some form. He failed” (Pelley, 2020). This statement sums up the need for transparency in the pandemic response. If the citizens are informed, they will respond.

### **Taiwan's Pandemic Response Structure**

As discussed in my previous essay, Taiwan's pandemic response was led by the Central Epidemic Command Center (CECC), which was created on Jan 20<sup>th</sup>, 2020 to lead Taiwan's coronavirus response (Taiwan CDC, 2020). The CECC is run by Taiwan's CDC and headed by Taiwan's Minister of Health and Welfare. The CECC in Taiwan has become known for their emphasis on transparency, as shown through their daily press briefings, chaired by the commander, through which they release COVID-19 related information to the public (Taiwan CDC, 2020). Taiwan's CDC has also collaborated with their National Police Agency, National Communication Commission, and Bureau of Investigation to fight disinformation, which may affect their COVID-19 response measures (Taiwan CDC, 2020). The CECC has also utilized more aggressive policies, such as tracking personal data of those infected or exposed to infected individuals through increased surveillance measures. The CECC also encourages Taiwanese citizens to report themselves if they feel any symptoms or individuals they deem to be showing signs of sickness to the CECC (Taiwan CDC, 2020).

Centralized control, transparency, and the ability to track its citizens has allowed Taiwan to aggressively control the pandemic while not overstepping the bounds of democracy. This may be doable in Taiwan, but transparency and increased surveillance are both things that seem incompatible in the US. Overall, the CECC structure is very similar to that of the US Coronavirus Task Force. They are both run by presidentially appointed disease specialists and work closely with the government agencies responsible for controlling diseases. Additionally,

both organizations work closely with the president to ensure that the resources of the executive branch are used to help combat pandemics.

### **What the US Should Change**

Due to the similarities of their current systems and the drastically different results they produced, I believe that the US and Taiwan should not have the same pandemic response structure. Both nations are different in many ways. As shown in this analysis, the main difference in the results of each nation's response was the trust each nation's citizens had in their government. If the US is to have the same success as Taiwan, it needs to adjust the structure of its pandemic response in a way that removes political influences and encourages competent, qualified leadership. This will in turn increase trust by the citizens in the government's response. This could mean disconnecting control of the disease prevention departments, the CDC and the NIAID, from direct executive control in a way like that of the Federal Reserve, an independent department under the executive branch that is led by a chair appointed by the president and approved by Congress. This structure also allows for the Federal Reserve to make its decisions with autonomy, therefore removing direct political influences from the executive branch.

Specifically, the US pandemic task forces should not be influenced by the politics of the executive branch of the federal government. The task forces should have more autonomy from the executive branch and should be completely in charge of instituting the pandemic response. The president should not oversee these key decisions in a way that bypasses the control of Congress and head immunologists. I believe it is better to have the experts and qualified scientists handle these matters. This will remove the influence of politics on the disease prevention strategy as well as the president's ability to threaten or remove key leaders of these departments during a crisis if they do not follow his/her desires. Doing this will help these departments make the right decisions without political pressure and, in turn, increase Americans' faith in these departments, as they will know that these decisions are not made for political reasons.

### **Conclusion**

In conclusion, I believe that a democracy, if run correctly, is the best form of government to prevent the spread of pandemic diseases and their coinciding economic losses. An authoritarian government may have an advantage in forcing its containment measures, but it is at the unnecessary expense of its citizens' personal freedoms. A democracy is not guaranteed to have good results, however, as seen from the US's abysmal pandemic response. If the US is able to decentralize its disease prevention strategy, and therefore depoliticize it, while increasing transparency to its citizens, especially through the president, then it will be able to avoid future pandemic disasters.

Taiwan is an often overlooked place. It is not given independent recognition by most nations, even though its government is completely independent from China. At the beginning of the pandemic, it even struggled to simply be allowed a seat at the table in the World Health Organization. Yet, it has outperformed the world during one of its most difficult times. As a nation that is often looked at as what China would be with democracy, Taiwan has lived up to its



potential. During a time of political divisiveness, when the world's two most powerful nations are battling for ideological and cultural supremacy, it is only fitting that Taiwan, a nation caught between these two worlds, is the biggest winner.

## References

- Bardi, J.S., & Bollyky, T.J. (2020). *Taiwan's response to COVID-19 and the WHO*. Think Global Health. <https://www.thinkglobalhealth.org/article/taiwans-response-covid-19-and-who>
- Everington, K. (2020). *Taiwan sees lowest economic impact from coronavirus in world*. Taiwan News. <https://www.taiwannews.com.tw/en/news/4008495>
- Goolsbee, A., & Syverson, C. (2020). *Fear, Lockdown, and Diversion: Comparing Drivers of Pandemic Economic Decline 2020*. National Bureau of Economic Research. <https://www.nber.org/papers/w27432>
- Hernandez, S., O'Key, S., Watts, A., Manley, B., & Petterson, H. (2020). *Tracking Covid-19 cases in the US*. CNN. <https://www.cnn.com/interactive/2020/health/coronavirus-us-maps-and-cases/>
- International Monetary Fund. (2020). *World Economic Outlook*. [https://www.imf.org/external/datamapper/ngdp\\_rpch@weo/oemdc/advec/weoworld](https://www.imf.org/external/datamapper/ngdp_rpch@weo/oemdc/advec/weoworld)
- Leng, S. (2020). *Taiwan's 2020 economic growth looks to outpace mainland China's for first time in decades*. South China Morning Post. <https://www.scmp.com/economy/china-economy/article/3113603/taiwans-2020-economic-growth-looks-outpace-mainland-chinas>
- Liu, S. C. (2020). *Taiwan faces a changed economic outlook in Asia following COVID-19*. Brookings Institution. <https://www.brookings.edu/blog/order-from-chaos/2020/06/29/taiwan-faces-a-changed-economic-outlook-in-asia-following-covid-19/>
- National Bureau of Statistics of China. (2020). *China Quarterly GDP*. <http://www.stats.gov.cn/english/>
- Pelley, S. (2020). *Donald Trump's conversations with Bob Woodward about coronavirus, Black Lives Matter and nuclear war*. CBS News. <https://www.cbsnews.com/news/donald-trump-bob-woodward-rage-60-minutes-2020-09-13/>
- Taiwan Centers for Disease Control (CDC). (2020). *Coronavirus disease 2019(COVID-19)*. <https://www.cdc.gov.tw/en/Disease/SubIndex>
- U.S. Bureau of Labor Statistics. (2020). *Civilian Unemployment Rate*. <https://www.bls.gov/charts/employment-situation/civilian-unemployment-rate.htm>
- U.S. Bureau of Economic Analysis. (2020). *Gross Domestic Product (Third Estimate), Corporate Profits (Revised), and GDP by Industry, Third Quarter 2020*. <https://www.bea.gov/news/2020/gross-domestic-product-third-estimate-corporate-profits-revised-and-gdp-industry-third>

# About the Kautz-Uible Economics Institute

The Kautz-Uible Economics Institute creates opportunities for enhanced learning and growth for students, faculty, and alumni of the University of Cincinnati's nationally ranked Department of Economics in the Carl H. Lindner College of Business. Established in 1982 as the Hewett-Kautz Fund, the institute's mission has steadily expanded and continues its transformational impact.

The institute currently supports the economics department through:

- The Kautz-Uible Fellowship Program, which offers scholarships and the Caroline M. Kautz book prize to outstanding economics students;
- An annual lecture series, presented by prominent economists;
- Annual domestic and international travel by undergraduate and graduate student groups;
- The Kautz-Uible Women in Economics Initiative, which provides scholarships and mentoring to female economics students;
- The Kautz-Uible Research Initiative, which provides faculty-supervised research opportunities to undergraduate students;
- The Kautz-Uible International Scholar Program, which financially supports the economics department by hosting a reputed international scholar for up to a year;
- Faculty recruitment and retention through the establishment of chair professorships.