Free market’s vaccine against the flu

By: Matt E. Ryan

Every fall, Americans welcome the changing season through cooler evenings, the start of football season and children heading back to school. Unfortunately, another autumn regularity is seasonal influenza.

Often perceived as a mere nuisance, the flu’s commonplace nature belies its impact: Hundreds of thousands of deaths worldwide are attributed annually to the flu with 10 times that many contracting a serious illness from the infection. As a result, getting a flu vaccine is, for millions of Americans, as much a fall tradition as picking out a Halloween costume.

The flu, however, allows a unique insight into how economies allocate goods and services — and the dangers of moving away from the market.

This year, scores of Americans will choose to get vaccinated against seasonal influenza. The decentralized nature of markets allows manufacturers to send doses to the areas with the greatest demand.

But markets haven’t always handled the distribution of a flu vaccine. In 2009, the H1N1 virus, or swine flu, spread throughout the United States and the world to such an extent that the World Health Organization declared a pandemic. As a result, the Department of Health and Human Services (HHS) assumed control of the distribution of the swine flu vaccine. Instead of markets responding to local increases in demand in light of variances in production, HHS determined exactly how many doses of vaccine each state received on a weekly basis. In short, a centralized plan replaced the spontaneous order of the market.

So what was the result? At the time, many believed that those individuals who were most at risk should have first crack at the limited H1N1 vaccine supply. While “at risk” is open to interpretation, the Centers for Disease Control and Prevention outlined exactly who it considered to be at risk for H1N1 infection. Pregnant women, individuals under the age of 24 and first responders were directly identified by the CDC to receive the vaccine first. Analysis of the actual distribution pattern of the swine flu vaccine, however, shows that none of these groups received any more vaccine than the general population. At best, the intention to direct vaccine units toward the highest risk groups simply failed; at worst, other motives were served.

So who did get more vaccine? In short, political representation mattered. States that had Democrat members on the House Oversight Committee received significantly more units of vaccine — about 60,000 additional units per representative during the first week and nearly 100,000 by the end of the third week. Instead of H1N1 vaccine units going to those who valued it the most, they instead went to those with the strongest political connections.

The lesson here is twofold. First, in scenarios of broad, complex distribution, the market has the characteristics needed to provide a better allocation outcome.

Second, when the public sector becomes involved in the distribution of goods and services, politics necessarily become involved as well.

So if you decide to vaccinate yourself or your child this fall, take a second to appreciate the ability of the market to supply you with an added protection against sickness — and be thankful that your flu vaccine wasn't left in Washington's hands.

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