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# SIX THINGS



## Can We Thread the Needle on the Coronavirus?

I hope that you, your families, your friends and your colleagues are staying safe and aren't going crazy in isolation. I live in Northern California and (gah!) am in the over-60 demographic, so I've been sheltering in place for days. The good news is that, without sports on in the background, I'm being wildly productive.

As I have searched for an analogue that would help me get my head around the global pandemic and its two-by-four to the face of the economy, it has occurred to me that I have a

fairly good one. I was the bureau chief for the Wall Street Journal in Mexico City during the peso devaluation crisis that began in late 1994. So I watched, up close and personal, a crisis that threatened to not only take down the Mexican economy but also spread to the rest of Latin America and eventually to throw the U.S. into a recession.

Now, I realize that what my colleagues and I covered was a financial crisis, not a medical one, and that my degrees are in journalism, not in medicine, public health or economics. But I still think some aspects of the peso crisis match what's been happening in the coronavirus crisis and may have something to say about what will happen over the next several weeks and months.

I certainly hope so, because the Mexican government fumbled its way through the first two phases of its crisis and still came out pretty well in the third. I think the U.S. (and many other countries) have likewise been slow in the first two phases of the coronavirus, but I still hope we can thread the needle and bring the crisis under control in the third phase before many thousands more people die or our economy is trashed, or both.

So, I'll lay out what I see as the three phases to a crisis—the buildup, the inflection point and the aftermath—and explain how I think the current crisis maps to what I witnessed in Mexico in the mid-'90s. I'll then describe what I see as the best option for action now, based on considerable reading on the subject, and will provide several links for those who want to dig deeper.

Yes, I'm being speculative, but I figure that it just wouldn't make sense to write about anything other than coronavirus at the moment, and my experience in Mexico is about the only thing I can lob into the discussion: a bit of heavily qualified hope.

The background on Mexico:

When I moved there in 1993, it was the darling of the developing world. Under the leadership of a group of young technocrats, the country was privatizing businesses that had been nationalized under previous, leftist governments. NAFTA was about to be ratified, which could turbocharge foreign investment and modernize the economy—but only if Mexico could maintain the stability of its currency. There had been so many devaluations that earlier in 1993 the country switched to *nuevos pesos* (new pesos)—I had loads of bills that said they were worth 100,000 pesos, but those were old pesos; you lopped off three zeroes to convert to new ones. Foreign companies liked what they saw in Mexico's leadership in 1993, but they were nervous.

The buildup to the crisis began on New Year's Day of 1994, when some indigenous rebels took control of the capital in the state of Chiapas. The threat escalated in March when the man who had been designated to be Mexico's next president was assassinated. But the Mexican government took a "nothing to see here" approach and did little but talk even as the instability made foreign...

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