

Welcome!

Short Courses Online Summer Sessions

The Economic impact of COVID-19

The session will start at 19:00 BST.

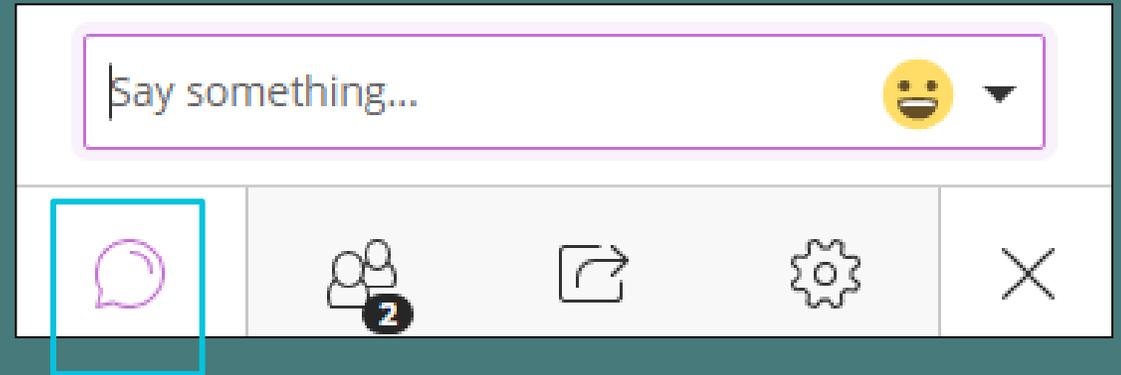


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Asking questions

Please feel free to ask questions!
During the session, simply type
your question in the Chat box.
You can also use your
microphone but please turn it off
when you're not using it.

I will do my best to answer them
along the way, or I will pick them
up at the end.

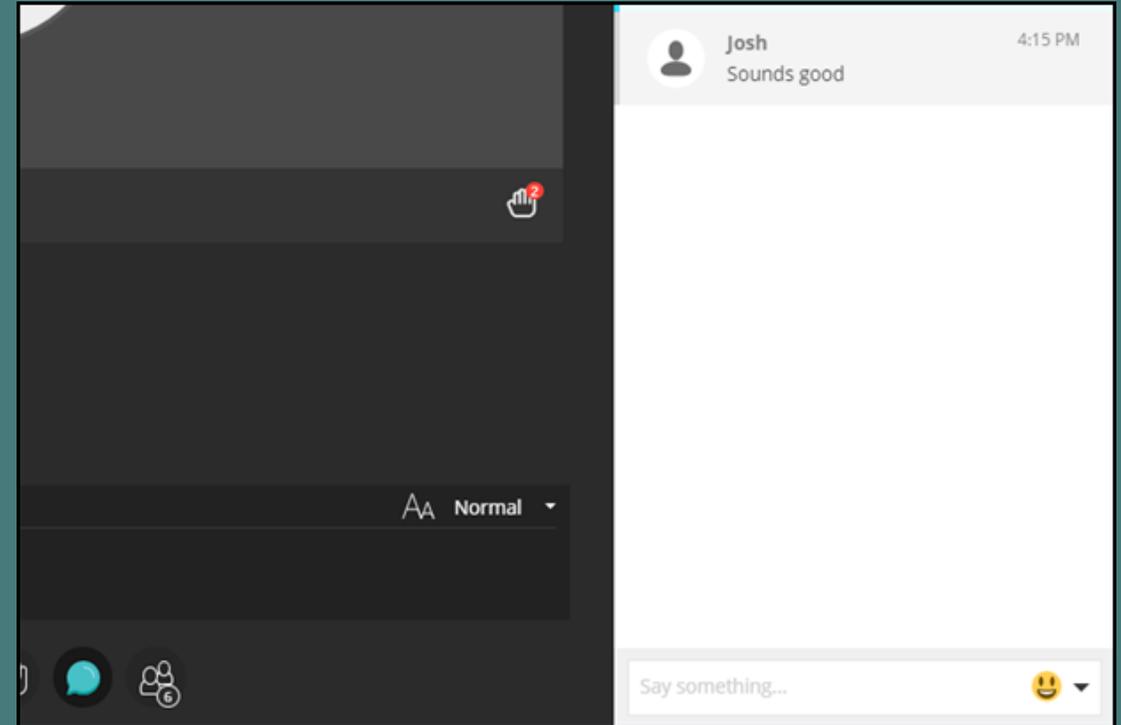


Audio check

Can you hear me?

Please type **yes** or **no** in the “Text chat area”

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 - Check the Audio/Visual settings in the Collaborate Panel
 - Try signing out and signing back into the session
 - Make sure the audio is turned up on your personal device
 - Type into the chatbox and I will try to assist you as best I can



Recording

This session will now be recorded. Any further information that you provide during a session is optional and in doing so you give us consent to process this information.

These sessions will be stored and published online by the University of Edinburgh for one year after the event. Schools or Services may use the recordings for up to a year on relevant websites.

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 Start Recording

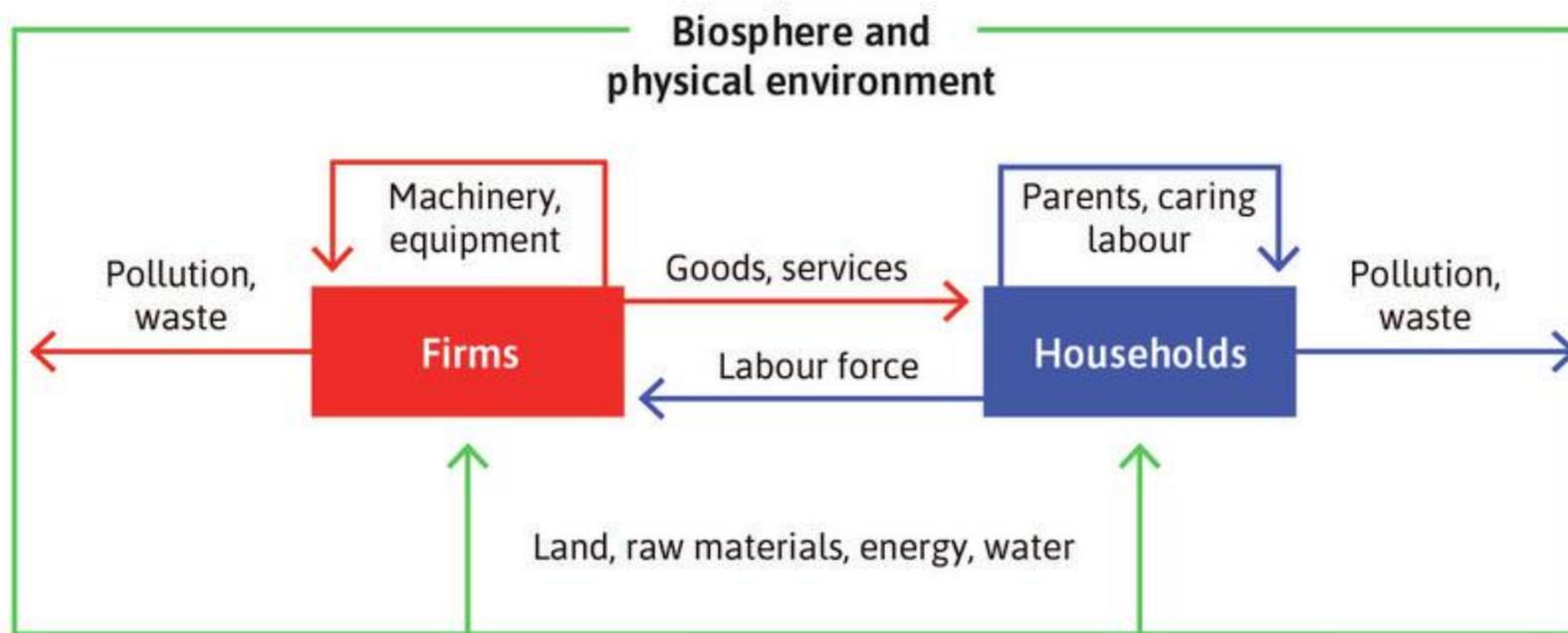
The *Macroeconomic* Impact of COVID-19

- GDP and economic growth
 - Circular flow of income
 - Measuring the 'economy'
 - Economic growth
- Economic policy responses
 - Fiscal and monetary policies
 - Furlough and Universal basic income (UBI)

No prior knowledge of economics is assumed

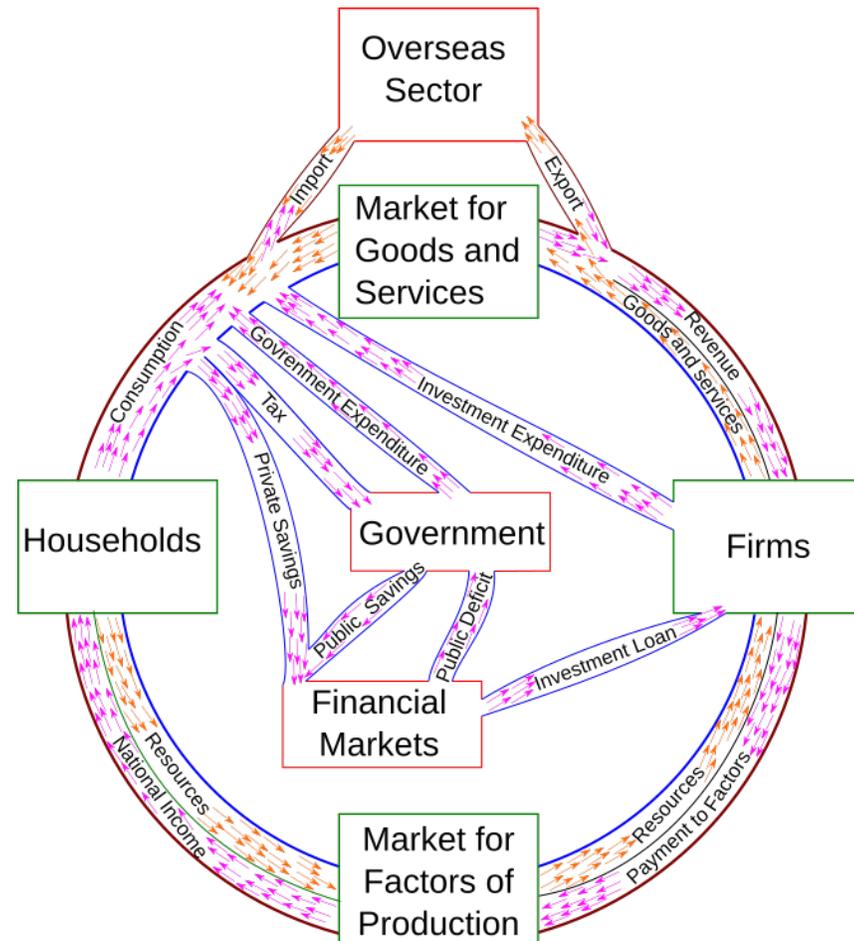


The circular flow of income



What comes around, goes around?

The circular flow of income again





In 1933 American economist Simon Kuznets used statistics to estimate the national income over the previous four years (at the request of the government who wanted to see how bad the depression had been)

In 1940 John Maynard Keynes asked for more detailed statistics on the UK economy in preparation for the war



Gross Domestic Product:

The final **monetary** value of all goods and services produced **in** an economy

(usually in a 12 month period, or sometimes quarterly)

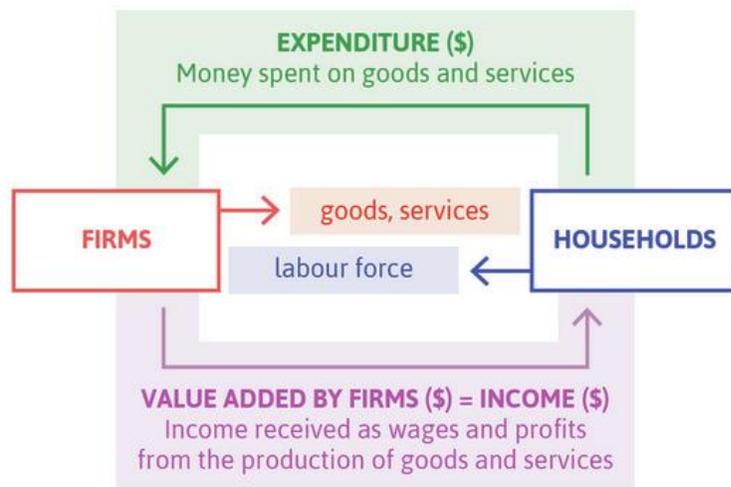
“Everything from nails to toothbrushes, tractors, shoes, haircuts, management consultancy, street cleaning, yoga teaching, plates, bandages, books, and the millions of other services and products in the economy.”

When a baker buys wheat for £3 and flour for £5 to make bread (assuming that this is all you need to make bread) which she sells for £10, what is the bakery contribution to the economy's GDP? It is the **final** price of the product: £10
If we had included the ingredients then we would be calculating the same 'product' twice



- **Gross National Product (GNP)**: National output (as opposed to domestic)
- **Human Development Index (HDI)**: life expectancy at birth, adult literacy rate and standard of living
- **The capabilities approach** (by Sen and Nussbaum): *real* opportunities to do what is reasonable considered valuable

$$Y = C + G + I + X - M$$



Looks familiar?

	US	Eurozone (19 countries)	China
Consumption (<i>C</i>)	68.4%	55.9%	37.3%
Government spending (<i>G</i>)	15.1%	21.1%	14.1%
Investment (<i>I</i>)	19.1%	19.5%	47.3%
Change in inventories	0.4%	0.0%	2.0%
Exports (<i>X</i>)	13.6%	43.9%	26.2%
Imports (<i>M</i>)	16.6%	40.5%	23.8%

Figure 13.7 Decomposition of GDP in 2013 for the US, the Eurozone, and China.

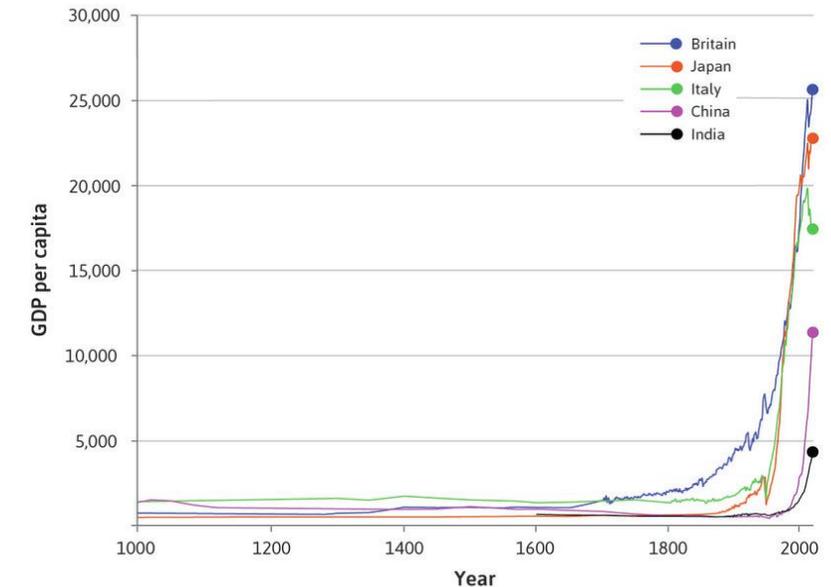
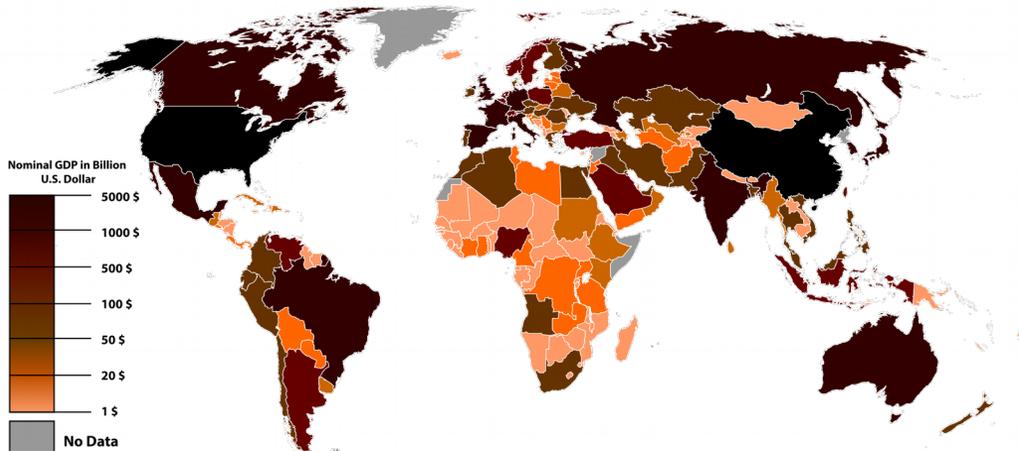
OECD. 2015. *OECD Statistics*; The World Bank. 2015. *World Development Indicators*. OECD reports a statistical discrepancy for China equal to -3.1% of GDP.



GDP is used to measure the size and health of economy.
As such, it is intrinsically linked with discussions about
changes in the economy, including **economic growth**

Economic Growth

Economic growth is, plainly put, the increase of GDP; if an economy produces more toothbrushes in the current year than the previous year (*ceteris paribus*), then the economy has grown



The 'hockey' stick

In economics terminology, an ‘economy’ produces more by using more **factors of production**: Land, labour, capital, enterprise (and perhaps technology)

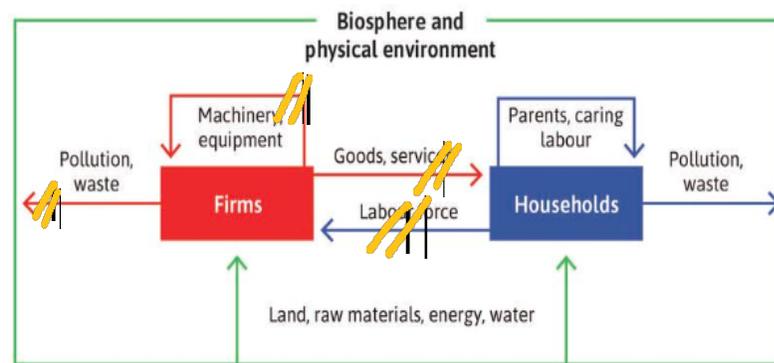


Figure 1.12 A model of the economy: Households and firms. COVID-19 effects

Should the economy produce more?



The impact of the pandemic on GDP and economic growth has not been explicitly addressed so far but using the concepts discussed we can discuss it in economics terms.

Why would COVID affect GDP?



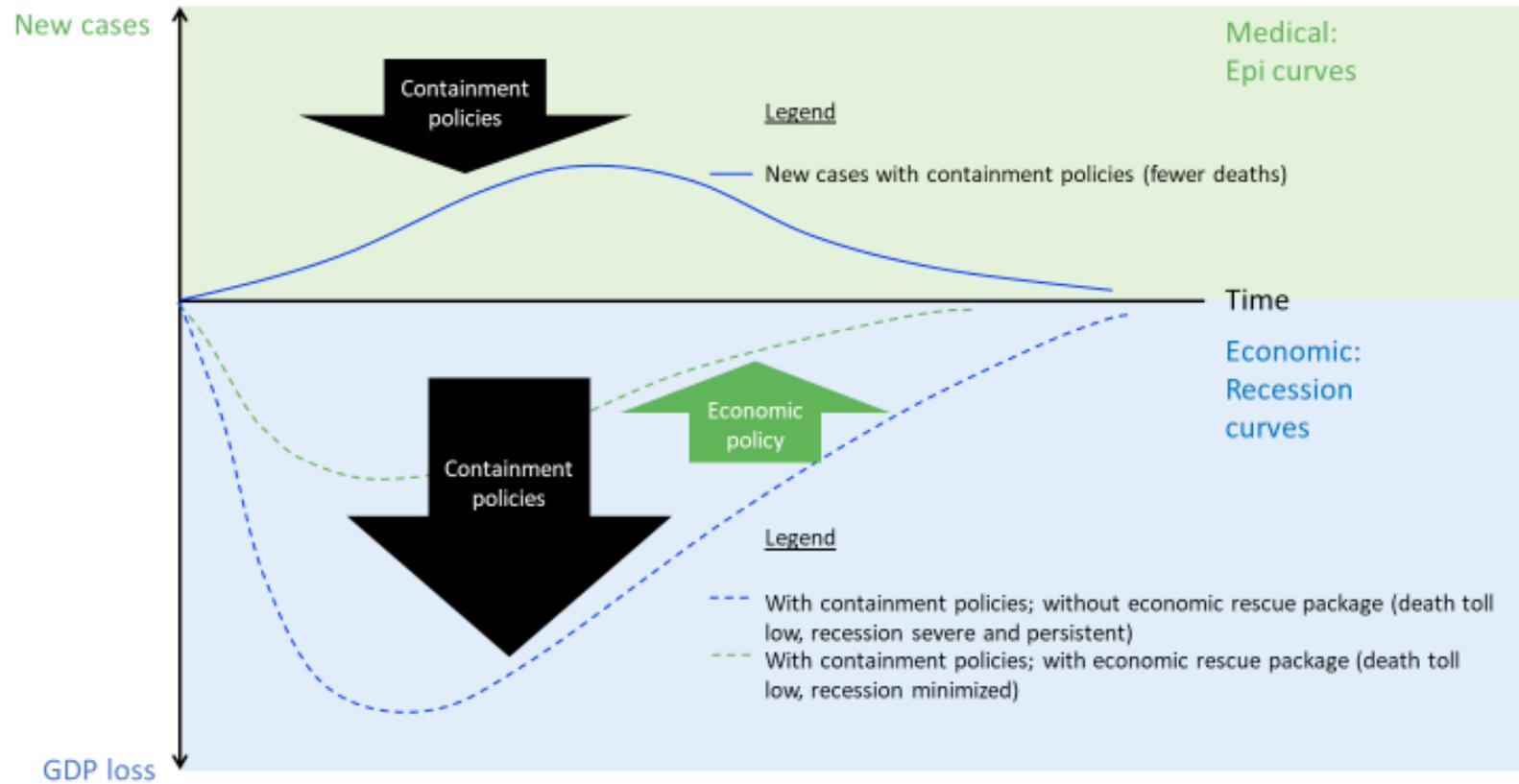
The government (or is it the state?) intervenes in the economy is through fiscal and monetary policy

Fiscal policy: a government changes its expenditure and taxation

Monetary policy: a government changes the supply of money

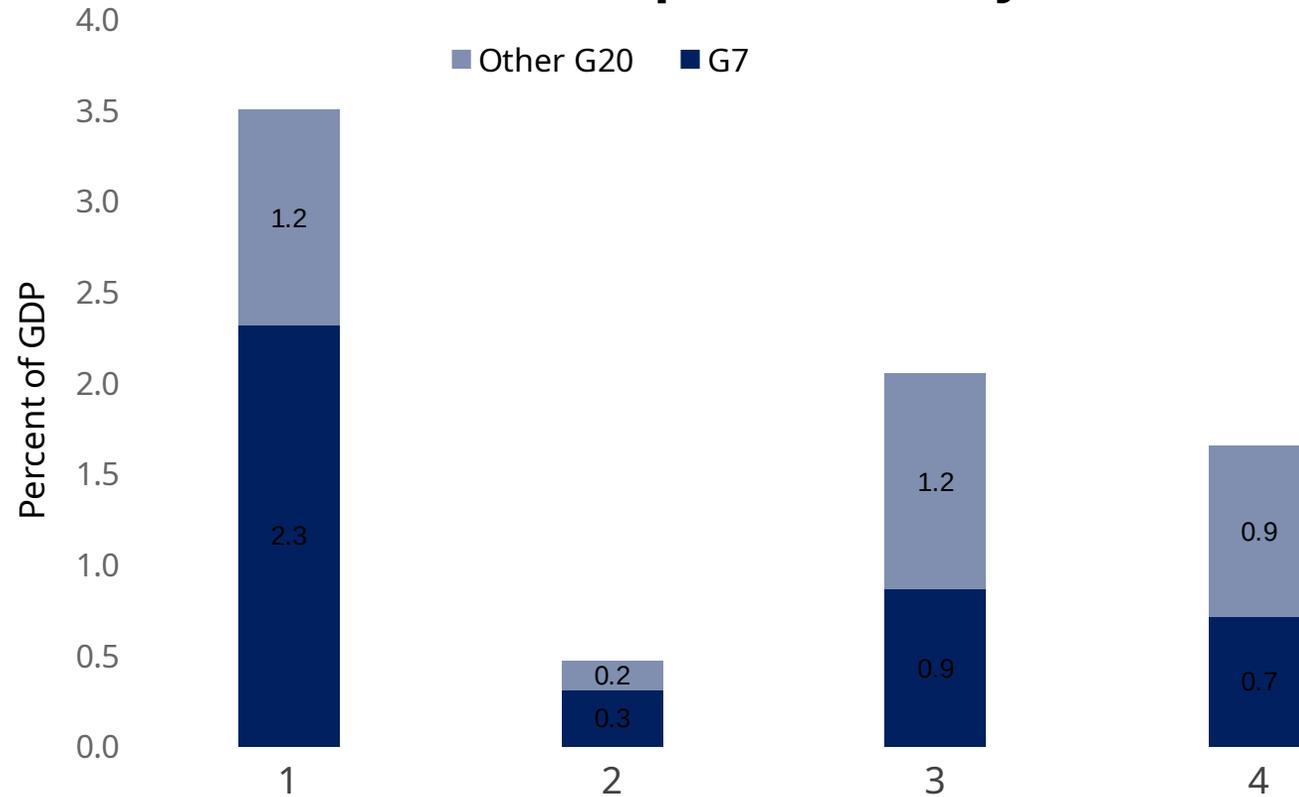


Economic policy responses





The size of the fiscal response – early IMF estimates





The furlough scheme of the UK government is part of its fiscal policy: the government (state) pays money into the economy (remember, again, the circular flow of income)

The Danish government pays 75% of salaries = 13% of GDP in 3 months

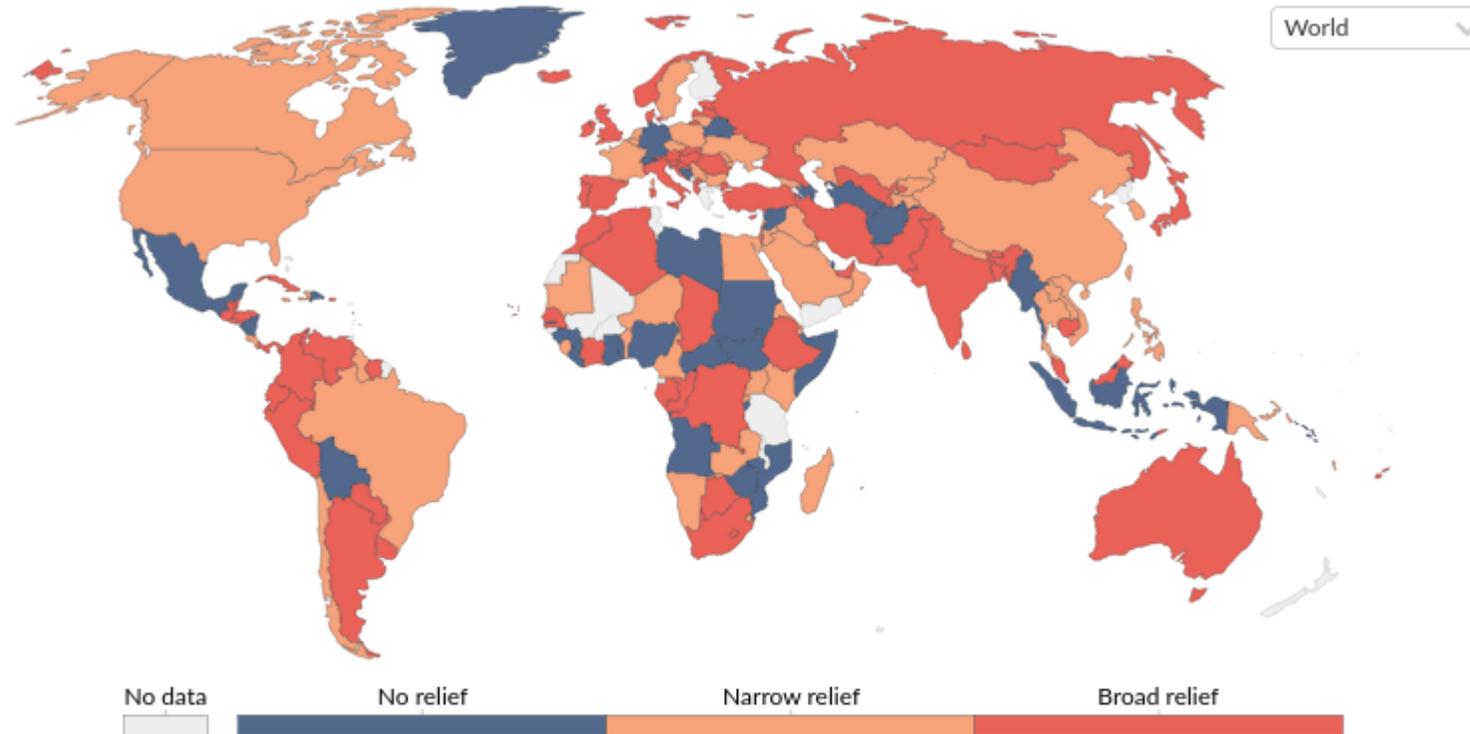
No glory in (economic) prevention?

Economic policy responses

Debt or contract relief during the COVID-19 pandemic, Jul 29, 2020

Our World
in Data

Debt or contract relief captures if the government is freezing financial obligations during the COVID-19 pandemic, such as stopping loan repayments, preventing services like water from stopping, or banning evictions.



Source: Hale, Webster, Petherick, Phillips, and Kira (2020). Oxford COVID-19 Government Response Tracker - Last updated 29 July, 15:04 (London time)
CC BY

▶ Jan 1, 2020 Jul 29, 2020



The furlough scheme is similar to ideas of a **universal basic income** (UBI). UBI usually refers to an *unconditional* transfer of money to all citizens

It has been tried temporarily in many countries but never adopted as a long-term economic policy. Scotland's baby boxes is similar in principle; everyone gets one without any other conditions

UBI can be seen to promote economic and political freedom



Recap: From GDP to furlough

Understanding GDP allows us to better understand the discussion on the implications of the pandemic and its social and economic impact. Understanding GDP, means that to a large extent, we can understand economic growth and government limitations.

Governments use monetary and fiscal policies to intervene (and control) the 'economy'. As a result of COVID, governments have had to intervene more by measures such as the furlough



Main sources used

BIEN — Basic Income Earth Network | Educating about Basic Income, n.d. URL <https://basicincome.org/> (accessed 7.29.20).

CORE COVID-19 Collection - CORE [WWW Document], n.d. URL <https://www.core-econ.org/project/core-covid-19-collection/> (accessed 7.29.20).

@NatGeoUK, 2020. Universal Basic Income is gathering support. Has it ever worked – and could it work in the UK? [WWW Document]. National Geographic. URL <https://www.nationalgeographic.co.uk/history-and-civilisation/2020/05/universal-basic-income-is-gathering-support-has-it-ever-worked-and> (accessed 7.29.20).

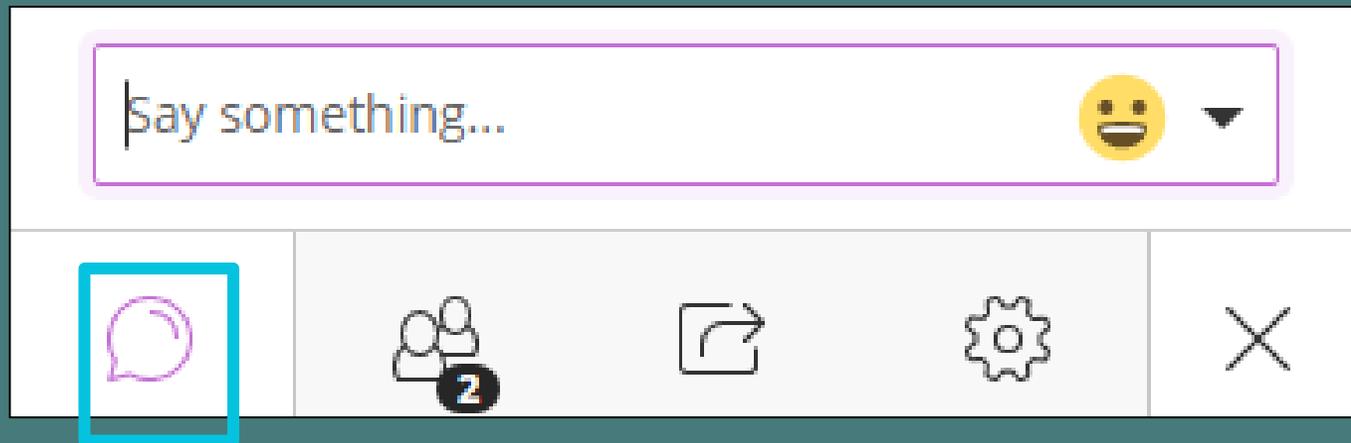
Policy Responses to the Coronavirus Pandemic - Statistics and Research [WWW Document], n.d. . Our World in Data. URL <https://ourworldindata.org/policy-responses-covid> (accessed 7.29.20).

The Economy [WWW Document], n.d. URL <http://www.core-econ.org/the-economy/> (accessed 3.16.19).

Questions?

Do you have any questions?

Please type your question
in the Chat box.



THANK YOU!

We hope you enjoyed this Short Courses Online Summer Session.

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