

Coronavirus Guided Remote Inquiry in Economics

1: Make a list of **between 10 and 15** economic concepts that can be related to the coronavirus. For this task you are simply thinking of economics key terms that you know. Use Kognity to help you remember what we have studied.

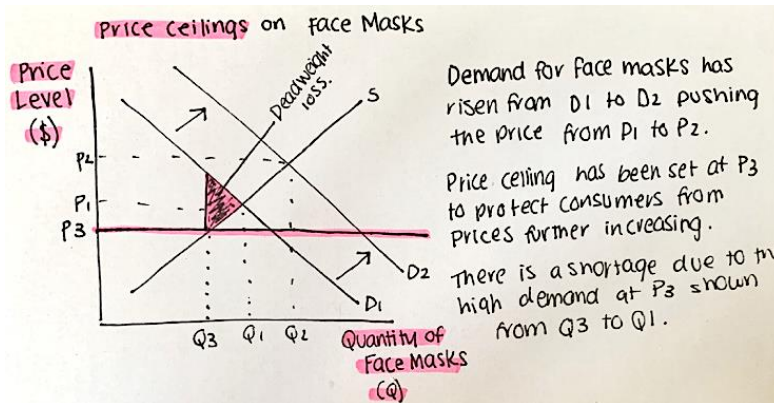
1. Price Ceilings (on masks)
2. Shortage (of masks and hand sanitizer)
3. Spiralling prices
4. Encouraging local producers to meet demand (subsidies)
5. Potential crisis/recession
6. Scarcity
7. Fixed prices
8. Production Capacity
9. Fiscal Boost
10. Purchase limit (of masks)
11. Ramping up production
12. Departmental Expenditure
13. Trading Halt
14. Increased demand
15. Unemployment

2: From your list above, **choose 5** concepts and look up the definition, and type it out. Make sure that for **at least two** of your concepts, there is the possibility of drawing a diagram (don't do that here though, see next task!)

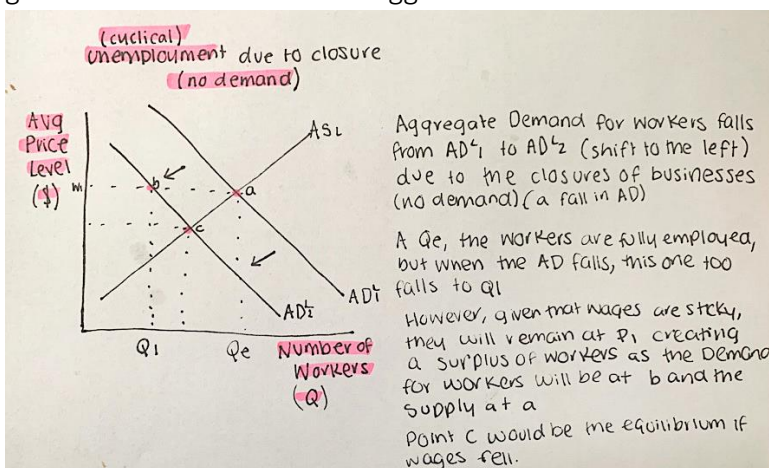
1. Price Ceilings are government-imposed limits upon the price of goods/services, used to protect consumers from abrupt price discrepancy.
2. A shortage is when there is not enough supply to meet the demand for a good/service, and thus there is not enough of that good/service for everyone.
3. Fiscal Boost is when the economy is in a period of recession and thus, incomes fall, however the impact of this is not as harsh given income earners now pay lower taxes.
4. Someone is considered unemployed when someone is part of the work force and is actively looking for a job but can't find one.
5. Trading Halt is when stock exchange stops trading on specific security for a certain time period in the US.

3: For the 5 concepts listed above, write a clear summary of how the concept related to the Coronavirus. For two of these concepts you must **draw the diagram** and explain what is happening, closely referring to your real-world example (Coronavirus), and the labels on the diagram. Each of the 5 explanations should be around 5-8 lines long (font 12), PLUS diagram where appropriate. Try to make your concepts varied and relate them to different parts of economics that we have studied so far.

1. Price Ceilings are being set as a result of the spreading COVID-19 on highly demanded items such as masks, gloves and hand sanitizer as their prices were spiralling uncontrollably. This is being done to protect consumers from a clearly abnormal economic situation that has cause the prices of the goods to rise in price to outrageous levels, leaving low income households struggling against them. However, producers are struggling to meet the demand of these goods at the sight of price ceilings.



2. There are large shortages in the highly demanded goods during this alarming crisis: hand sanitizer, face masks, gloves, toilet paper, certain food items, medicine. As people start to understand the gravity of the situation, they have been over purchasing and stocking up on necessary items to combat the disease. That is, items recommended to prevent infection and basic commodities to survive the quarantine. This in turn has caused the price for these items to rise.
3. As prices keep spiralling for certain items, the economy is suffering inflationary pressures on a very small range of items which contrasts with the absolute loss of sale in the rest of goods/service, overall leading to a global recession. This in turn is said to lower the incomes of millions of workers but, given the widespread of this pandemic, taxes will have to fall in order to sustain the global economy and re-float the market, this is called a Fiscal Boost. Chancellor Rishi Sunak pledges this would be the biggest Fiscal Boost in the UK of the past 30 years.
4. Due to the extreme but necessary precautions people are having to take to combat this pandemic most firms and producers have shut down their sales completely. Excluding supermarkets, health centres, pharmacies and other necessary industries, all the rest of physical sales have been obliged to close and thus have left millions of workers partially or completely unemployed. Workers have been lining up to claim unemployment benefits flooding the government's costs to which most governments are and will struggle to meet.

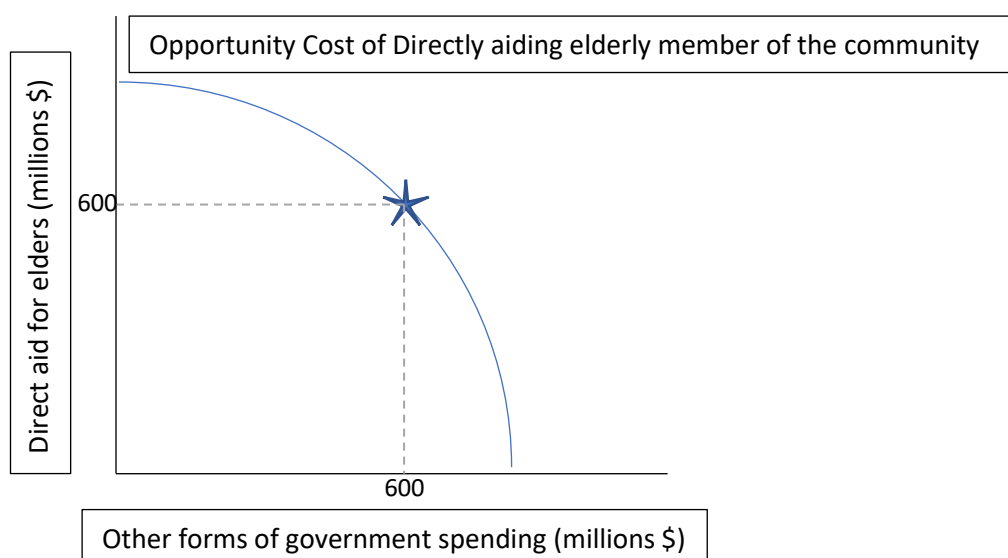


- Due to the COVID-19 pandemic, the US stock market has already crashed into a halt three times in the past two weeks. There have been huge drops in the price of stocks worldwide as everyone is trying to save money. The bitcoin which was thought to be a stable currency fell by more than half its value due to these Trading Halt's. For a Halt to occur, there must be a drop of at least 7% from the previous day. This has happened on the 9th, 12th and now the 17th of March.

5: Government Intervention.

Make a list of **5 things** that governments have done. From your list of 5, **choose 2** and explain what impact each action will have on the economy or the market in question. For these two explanations, you must relate each action to the economy. Describing what the government has done is not enough. You must explain the economic impact (actual or potential). Try to include at least ONE diagram to illustrate the effect of the action. Write 5-8 lines (font 12) for each action.

- Governments have closed all schools in most countries worldwide
- Governments have obliged the closure of any physical commerce not considered essential to life, that is any establishment that isn't a pharmacy, health centre, supermarket or airport. This will cost employers and employees an enormous cost due to the loss of sales and complete dependence on online sales in some cases. However, this cost will most likely be paid by the government in the form of unemployment benefits and repayments. This holds a large opportunity cost upon the governments' budget as this will not be sustainable with expenditure elsewhere.
- Many have closed their borders allowing only local residents to enter the country and no one to exit it
- Some governments, like the Spanish and Italian ones, have ordered people to not leave their homes unless to go to one of the listed establishments that remain open or to, in the case of having a pet, walk said pet.
- Direct aid towards disfavoured families like those composed of self-dependent elders. This will hold a great cost upon the government's budget for spending. The amount of aid depends on the country in question, in Spain, there has been 600 million euros destined to this cause, which in turn with repayment and unemployment benefits costs will hold the government an alarming cost.



6: Policy recommendation.

Using the data provided and your knowledge of economics, recommend a policy which a government could introduce to address any ONE of the problems being faced by the current pandemic. This should be different to all policies mentioned so far, and should be 12-16 lines typed, font 12.

All governments should take into consideration that slowly implementing policies will not stop the virus any further and thus, I believe that we need to resort to more abrupt policies. If they all conjointly decided to implement a mandatory quarantine (all borders closed for non-citizens), then, although highly costly and very abrupt, the gravity of the pandemic could be properly analysed and treated according to its level of gravity. Being able to acknowledge everyone who has been infected and completely eliminating the possibility of further spreading outside of people's homes is the necessary at this point, if countries keep "recommending" they will soon realize a high percentage of the population will not be compelled to follow these recommendations, further spreading the virus until it's too late. We should notice Spain and Italy and learn from their mistakes, the times they wasted and their alarming situation at the moment. So, instead of falling one by one, allowing us all to recover together. This of course is and would be very economically unstable but then again, it is unstoppable and if we globalize the problem rather than focus it according to gravity, then we will be able to find these solutions along the way.