

How relevant is economics during a pandemic and in what way might economists make things better?

Economics offers an accessible medium for all to comprehend the ever more complicated issues we face as a society today. The pandemic has brought numerous challenges to governments, businesses, and individuals, significantly distorting past perceptions of how economic agents function. Despite the many pandemics that have struck entire nations in the past, it is the first to strike such an interconnected global community. It is essential we as humans feed our natural curiosity, and we must understand to the best of our ability why the pandemic occurred, how it occurred, and its consequences today. Today's world is congested with arbitrary data and overly complicated opinions to ordinary citizens who hope to better understand the pandemic.

Economics is most relevant when considering the vigour at which the coronavirus spread globally and how it consumed entire healthcare systems in weeks. An interconnected society is susceptible to such deadly infections as individuals commute to work on crowded public transport and business travellers and tourists travel to foreign countries daily, unintentionally spreading infectious disease. Clear analysis from the deduction process coherently explains the spread of the disease, evaluating human psychology and suggesting weaknesses in national lockdown measures, specifically due to compliance.

Traditional economic theory explains the concept of 'The Tragedy of the Commons' where individuals act in self-interest despite their collective actions leading to a negative outcome. For national lockdowns to be effective in driving down the spread of coronavirus, full compliance is required. A minimal level of disobedience can profoundly affect the spread of the virus, causing the reproduction (R) rate to rise. Thus, it is irrational for individual agents to disobey lockdown rules as it will only increase the time spent in lockdown and depress the struggling economy further. Nevertheless, small portions of the population breach such rules for individual satisfaction, relying on the rest of the population's efforts to slow down the virus's spread.

Irrationality is arguably the determining factor in society's overall incompetence to control the virus and allow it to spread rapidly, twelve months on. Economic agents are bounded by imperfect information and computational weakness resulting in sub-optimal decisions that failed to control the virus early on. Governments, acting in their self-interest, refused to close borders or enact lockdown rules early, opting to protect their economies instead, which in turn depressed their economies further in the long run. Self-interest is a detriment to effective governing during a pandemic, and economics allows us to comprehend why governments are making poor decisions in response to the virus.

The NHS test and trace scheme poured billions into an ineffective programme where call handlers are only working 1% of their contracted hours¹, yet health ministers continue to excessively fund the programme in the hopes of political cover. The UK government acted

¹ The Guardian (December 2020) "England's test and trace repeatedly failed to hit goals despite £22bn cost" <https://www.theguardian.com/world/2020/dec/11/uks-test-and-trace-repeatedly-failed-to-hit-goals-despite-22bn-cost>

ineffectively early on during the pandemic, and the government became much more interested in repairing their administrative reputation instead of making decisions for the collective interest of the United Kingdom. However, irrationality could suggest to ordinary citizens that economic agents are prone to making mistakes due to a natural tendency to act irrationally, which could provoke society to consider the extent to which they can blame the government and their compatriots for the consequences of the pandemic.

The causes of the pandemic and understanding why it is still prevalent is not as important to ordinary people compared to the consequences of the pandemic, which directly affects them. They are likely to understand better the externalities caused by the pandemic, yet an individual's view will be distorted based on personal circumstances like income, age, gender, and occupation, amongst many other factors. Macroeconomic indicators provide objective and bias-free data concerning the pandemic's economic consequences and can be interpreted to understand the virus and its effects better. A significant rise in unemployment can be deduced by anyone, whether by being impacted by unemployment personally knowing others who have been made redundant or merely seeing the issue discussed in the news.

Unemployment statistics, however, are generally misleading and difficult for comprehending the extent of the catastrophe caused by pandemic disruption. Through detailed unemployment statistics, we notice the negative impacts of the pandemic are not equal across the board and that certain groups are affected greatly. Younger age groups are more likely to work in the hospitality and retail industry, which has been disrupted disproportionately due to lockdown measures, and consequently, job losses are higher than any other age group². Hiring graduates is usually a novelty, and firms have axed graduate positions as their finances cripple in this economic climate³. Those with lower-level occupations generally work in industries that cannot work remotely, such as manufacturing and hospitality, and are unevenly affected by unemployment.

Economists have uncovered structural socioeconomic inequality that has been amplified as a cause of the epidemic. Health data concerning deaths has revealed that ethnic minorities are more likely to die from coronavirus. Black African men are 2.5 times more likely to die from coronavirus compared with those of a White background, hardly a coincidence⁴. However, this does not explain why racial inequality exists, and economists rely on a broad range of data to attempt to convey the causes of such injustice. Factors include lower levels of education, poverty, and discrimination amongst the causes.

Through various economic indicators and methods of analysis and justification, society is provided with objective and evidence-backed explanations as to why such inequalities exist.

² BBC (September 2020) "Employment: Seven ways the young have been hit by Covid" <https://www.theguardian.com/world/2020/dec/11/uks-test-and-trace-repeatedly-failed-to-hit-goals-despite-22bn-cost>

³ iNews (October 2020) "Coronavirus latest: Graduate jobs plummet by 80% with fierce competition for each position" <https://inews.co.uk/news/business/coronavirus-latest-graduate-jobs-plummet-fierce-competition-725049>

⁴ British Heart Foundation (November 2020) "Why are so many people of ethnic minority background dying from coronavirus?" <https://www.bhf.org.uk/information-support/heart-matters-magazine/news/behind-the-headlines/coronavirus/coronavirus-and-ethnic-minorities>

This is beneficial as it is the first step in reversing socioeconomic inequality. Once the issue is recognised broadly, as it is now thanks to the wide range of data providing conclusive evidence, economic agents can begin to take action to minimise inequality immediately. Individuals from ethnic minorities will more likely be aware of the increased risk to their health and personally prevent this through dieting, exercise, and other means. Businesses could open up more diverse and inclusive programmes that positively discriminate to increase the number of ethnic minorities aiming for higher-paying jobs. Such programmes exist already but should become ever more abundant, and the government should incentivise businesses to account for socioeconomic inequality when considering applicants.

Government economists have significant advising influence and can shape policy decisions to make things better during a pandemic. The government's ability to make macroeconomic decisions such as introducing monetary and fiscal policies minimises the harm caused by the pandemic and begins to reduce the structural inequalities uncovered by the epidemic. A fiscal policy such as the furlough scheme has had great success and has minimised the increase in poverty whilst temporarily reducing unemployment, yet this is subject to rising once the furlough scheme eventually ends.

By keeping interest rates low, the government can boost consumption to keep the economy flowing. Increased consumption will generally benefit the hospitality sector better, an area of the economy depressed by falling consumption. Programmes like 'Eat out to help out' specifically attempted to boost the consumption of goods and increase employment for those suffering most from the pandemic, hospitality workers. However, a cause of the rise in coronavirus infections can be attributed to this ill-thought-out subsidy scheme, which encouraged the disease's spread⁵. Thus, the government must evaluate the risks of any policies and programmes they decide to implement and use economics to predict economic agents' behaviour in advance to ensure their schemes are successful.

Another scenario where economic understanding and analysis could have substantially reduced government failure is the coronavirus bounce back loan scheme. The government had positive intentions, to provide companies with sufficient capital in a minimal amount of time to reduce the financial burden caused by the pandemic. However, the government failed to account for human self-interest and irrationality, and since the scheme failed to use any substantial verification to provide loans, an estimate £26bn could be lost due to fraud⁶, as the loans are fully government-backed and a substantial portion unlikely to be paid back.

The core principle of economics is to understand why economic agents make the decisions they do, and understanding why, is especially important during a period of minimal

⁵ CAGE Research Warwick (October 2020) "'Eat out to help out' scheme drove new COVID 19 infections up by between 8% and 17%, new research finds"

https://warwick.ac.uk/fac/soc/economics/research/centres/cage/news/30-10-20-eat_out_to_help_out_scheme_drove_new_covid_19_infections_up_by_between_8_and_17_new_research_finds

⁶ Financial Times (December 2020) "'A giant bonfire of taxpayers' money': fraud and the UK pandemic loan scheme" <https://www.ft.com/content/41d5fe0a-7b46-4dd7-96e3-710977dff81c>

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transparency and confusion. Economists help us understand human behaviour better and provide clarity in an ever more complicated world.