

# Covid-19 and Economics

... where are the links?

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# Aim for today

- Point out why this is relevant for Economists
- Show you some of the up to date Covid-19 data
- Show you some of the data analysis skills you will learn
- Show you some of the data coding skills you will learn

What you see today is related to a larger data project in the [CORE-ECON Covid-19 Collection](#).

A collection of pieces by economists on issues stemming from Covid-19 can be found on <https://coronavirusandtheeconomy.com/>

# Why, as economists, should we look at Covid-19

## The **small** questions

- Understanding the current and future needs are important for business and government for planning (toilet paper producers, fresh food importers, pasta retailers, NHS hospitals, etc)

## The **big** questions

Covid-19 highlights other important issues we ought to think about as economists:

- Can we learn how to preserve some of the emission savings?

### **Climate Change**

- What is the value of a life?
- Why are some groups in society affected more than others?

### **Inequalities!**

- Rebalancing between Markets, Government, Civil Society

## Is there a society?

"[...] there's \*\*no such thing as society\*\*. There are individual men and women and there are families. And no government can do anything except through people, and people must look after themselves first. It is our duty to look after ourselves and then, also, to look after our neighbours." (Margaret Thatcher, 1987)



Often the world is portrayed as **markets** on one hand and **government** on the other.

# Markets, Government and Society

For long economists have realised that there is more than the simple juxtaposition of optimising self-interested individuals against interventionist governments.



Elinor Ostrom  
Economics of the Commons

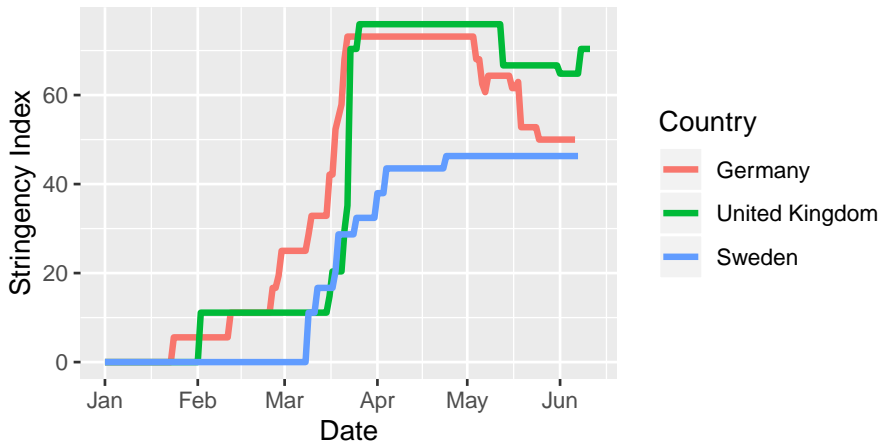


Daniel Kahnemann  
Behavioural Economics

# Covid-19 and Society

The current crisis delivers some excellent examples of how markets, governments and society work together.

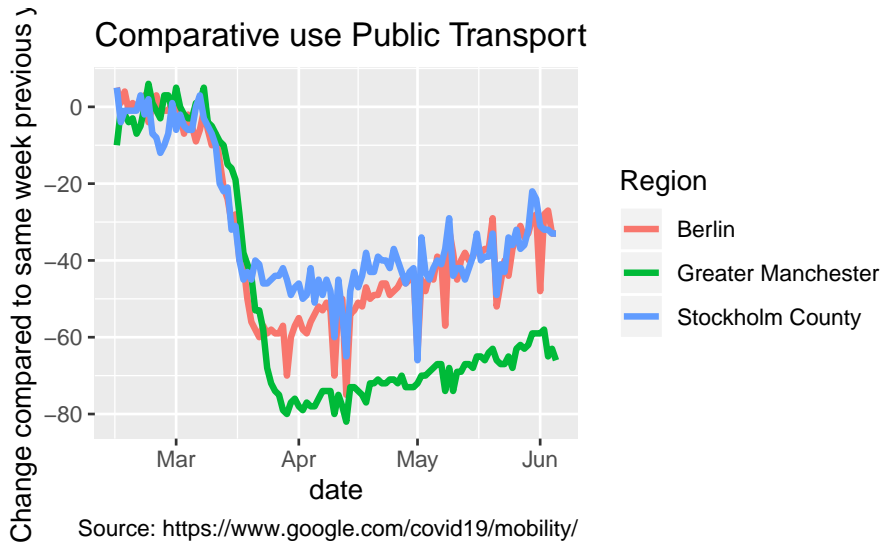
## Stringency of preventive policy measures



Source: Univ of Oxford, Blavatnik School of Government

# Covid-19 and Society

Germany and Sweden had different policy responses. Did that result in fundamentally different behaviour/usage of public transport?



# Policy and Behaviour

This is an example where the policy alone does not explain the differences in behaviour.

Despite much softer restrictions (compared to Germany) Swedes have restricted their use of public transport in a similar manner to their German counterparts.

Human behaviour is not easily modeled!

How messages are communicated matters. The UK and other governments now employ Behavioural Economists and Psychologists to advise them.

See the Behavioural Insights Team  
(<https://www.bi.team/our-work/covid-19/>).



# Again, why is this economics?

Typically, after huge crisis, we learn, and we change.

- The great depression: Governments had a role in aggregate demand management
- WWII: The Bretton Woods Institutions were created in order to co-operate, and the Marshall Plan helped Germany
- Financial Crisis, 2008: Reconsideration of the role of financial markets and regulation

What economic changes will come after Covid-19?

Is it another international institution to deal with global risks (pandemics, climate change, etc.)?

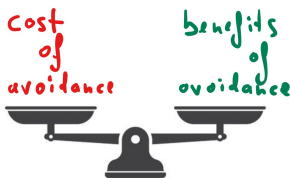
How should we decide which of these potentially catastrophic events we should tackle, if any, or both?

# Can we apply simple economic principles to catastrophes?

There are certainly elements of traditional cost-benefit analysis that could be applied, but ...

mostly measurable in monetary terms

- ① ventilators
- ② PPE
- ③ labs
- ④ scientists to develop vaccine
- ⑤ bureaucracies to coordinate. etc



many which are not easily measured in monetary terms

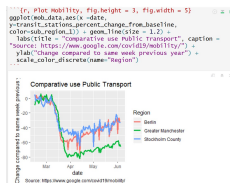
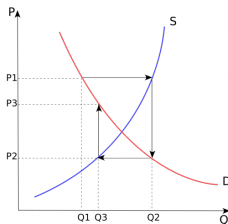
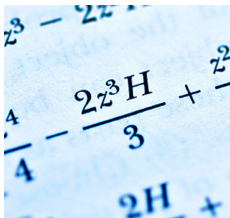
- ① saved lives, now and in the future

Literature:

- Martin and Pindyck. "Averting catastrophes: The strange economics of Scylla and Charybdis." American Economic Review 105, no. 10 (2015): 2947-85.
- Viscusi and Aldy, "The value of a statistical life: a critical review of market estimates throughout the world." Journal of risk and uncertainty. 2003. 27 (1). 5-76.

# How will your degree help you think?

- We will not give you complete answers ... where there are none
- We will give you some tools to structure your thinking process



Thanks for joining us!

any questions? don't hold back!