

The cost of the pandemic.

# Is anyone smiling now?

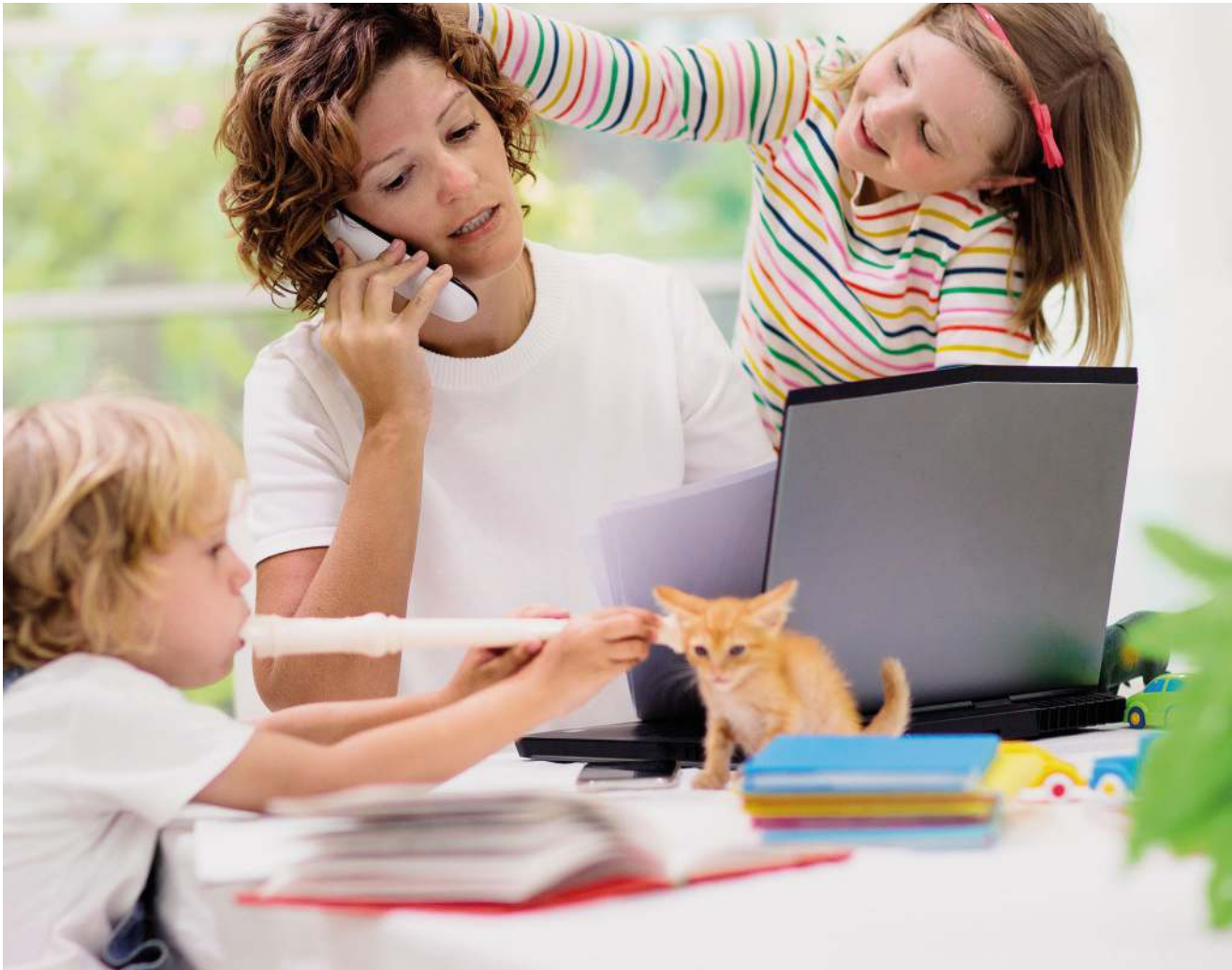
by Keyi — Lower VI





Written by **Keyi** – Lower VI (Year 12)

# The cost of the pandemic. Is anyone smiling now?



In the Chinese language, the word for “crisis” consists of two characters: one representing “danger”, and the other “opportunity”.

Looking back, the COVID-19 pandemic incurred a huge social cost in almost every single economy across the world. Since the first report of the virus in December 2019, what started as a health panic rapidly mutated into an economic crisis, plunging the world economy into the deepest recession since World War II.

In economic terms, 166 out of 194 economies experienced negative growth in 2020, and the UK economy in particular contracted by a record 9.9% – a level that is much more severe than the previous global crisis in 2008. Long-term economic ‘scarring’ (structural damage done to the economy) is now almost inevitable.

As UK cases surged in early 2020, the health sector, one of the main pillars of our society, soon became overwhelmed with patients. The shortage of critical care beds, ventilators and personal



protective equipment (PPE) further exacerbated the situation, costing tens of thousands of lives. It was later revealed in subsequent investigations that the UK had one of the highest per capita death tolls among the advanced economies at the start of the crisis.

Meanwhile, a completely different kind of demand-side shock (a sudden change in demand, a decrease in this case) was taking place in the remaining sectors of the economy: consumers fled from potential infection sites, such as cinemas, restaurants and shopping venues, due to fear of virus contraction, which then brought about job losses and supply-side contractions in these industries.

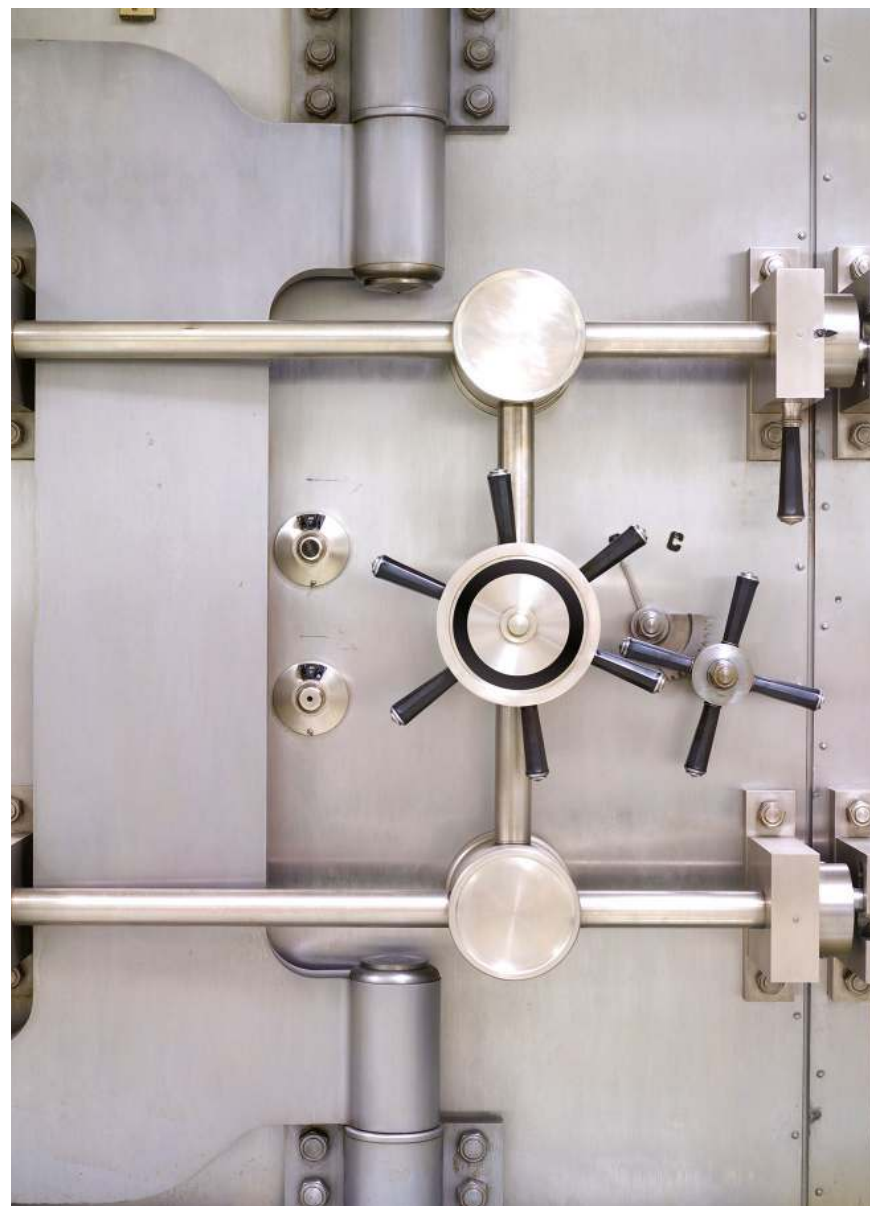
The subsequent travel restrictions and the national stay-at-home lockdowns further weakened economic activities, manifested in the largest quarterly dip of real GDP (-20.4%) since records began during the second quarter of 2020. Source: Office for National Statistics - GDP monthly estimates.

As it became apparent that the society was no longer able to withstand the threat of COVID-19, the government began to mobilise its monetary and fiscal weapons to counter the social

impacts caused by the pandemic. The monetary treatment plan followed the traditional procedure: the interest rate was first slashed to near-zero term to encourage lending activities. Quantitative easing (QE), which involves the creation of 'electronic' money, was then prescribed to pump liquidity into the economy - complementing the dip in interest rate. If all this is still not enough, during the first quarter of 2021, the Monetary Policy Committee of the Bank of England was even willing to venture into negative interest rates if the economy remained unreassuring.

At the same time, the government embarked on massive fiscal stimulus, the most notable example being the furlough scheme, to sustain aggregate demand, hence preventing a sickly high unemployment rate.

However, this led to the side-effect of significantly rising national debt: according to the Office for Budget Responsibility (OBR), the government's fiscal watchdog, borrowing was expected to rise to £355bn the 2020-2021 financial year, and at the time of writing, national debt per capita stood at £41,960 per capita - a cost that is likely to be passed onto future generations through tax adjustment.





Furthermore, the pandemic is also igniting different sorts of inequalities within national borders. Firstly, as schools closed down during the peak of the crisis, educational inequality jumped up as those who have no access to internet infrastructure, two-thirds of children worldwide according to UNICEF, lost hours of learning, and remote-learning quality varied across different regions.

As children stayed out of school, extra childcare was shifted onto the shoulders of the mothers, who normally take care of the children in the household.

According to the consultants McKinsey, women are 30% more likely than men to have considered either quitting or slowing down their careers during the pandemic; and among those who persevered remote-working, only 41% of working mothers felt positive about their well-being, compared to 71% of working fathers. In the US alone, more than 2 million women exited the labour force in 2020.

Quitting a job that requires skills and training means that reentering the job market after the pandemic could be tricky, as skills may decay over

time. As a result, the pandemic may further widen gender inequality in the workplace. Finally, the pandemic could deepen the inequality between different workers.

For instance, white-collar workers were more able to adapt to an online business model during the pandemic, whereas jobs that require physical presence, such as blue-collar and 'essential' jobs, may not be so flexible.

Therefore, the former may benefit from an improvement in productivity as working shifts online, but the latter would face higher job insecurity and may experience heavier loss of income as working from home may not be an available option.

By considering these social costs of the pandemic, you may ask: is anyone still smiling now? Just like the old saying goes: "In the midst of chaos, there is also opportunity" so I think my answer would still be "yes" - one of the lessons the pandemic has taught us, indeed, is how to smile using our eyebrows.

One of the positive opportunities brought by the pandemic is the improvement in the environment - so if you are an environmentalist, you can smile now! As companies adopted



remote-working during the pandemic, air pollution began to diminish in city economies thanks to the absence of the commute. In addition, decline in international travel reduced CO2 emissions from planes, further contributing to the rise in air quality.

When humans disappeared from the streets, animals reintegrated themselves into the once human-concentrated areas, such as pedestrian streets and city-centre parks. The public was also shocked by the improvement of the environment in various tourist sites - remember the photo of an ever-so-clear Venice canal that went viral on social media platforms?

The second group of “smilers” would be interventionists. During the pandemic, unprecedented government interventions have taken place compared to previous crises. For instance, the UK Conservative party, a party traditionally oriented to the free-market, pursued massive left-wing policies, ranging from furlough schemes to tax cuts, in order to contain the economic shock.

As a result, the pandemic brought about a paradigm shift in economic

policy: people are waking up to the fact that in times of crisis, there could and should be more government interventions. If the government pushes hard enough, things may be achieved more efficiently. Take the example of the vaccine: something that used to take a decade to develop has been successfully invented in less than twelve months this time.

Therefore, the pandemic has demonstrated that when facing future crises, such as climate change, government interventions should play an important role. Lastly, innovators may be smiling now. Crises prompt us to think outside the box, and in fact, a time of crisis is one of the biggest drivers of innovation. Did you know that stainless steel and vegetarian sausages were invented during World War I? Indeed, there were a plethora of innovations during the pandemic. For instance, never before has hand sanitisers been produced at breweries and distilleries. In the health sector, doctors adapted “breathing machines normally used for a sleeping disorder” to aid the recovery from COVID-19. And do you know what my favourite COVID-19 innovation is? Face masks that come with a transparent window to help us display our smile!





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