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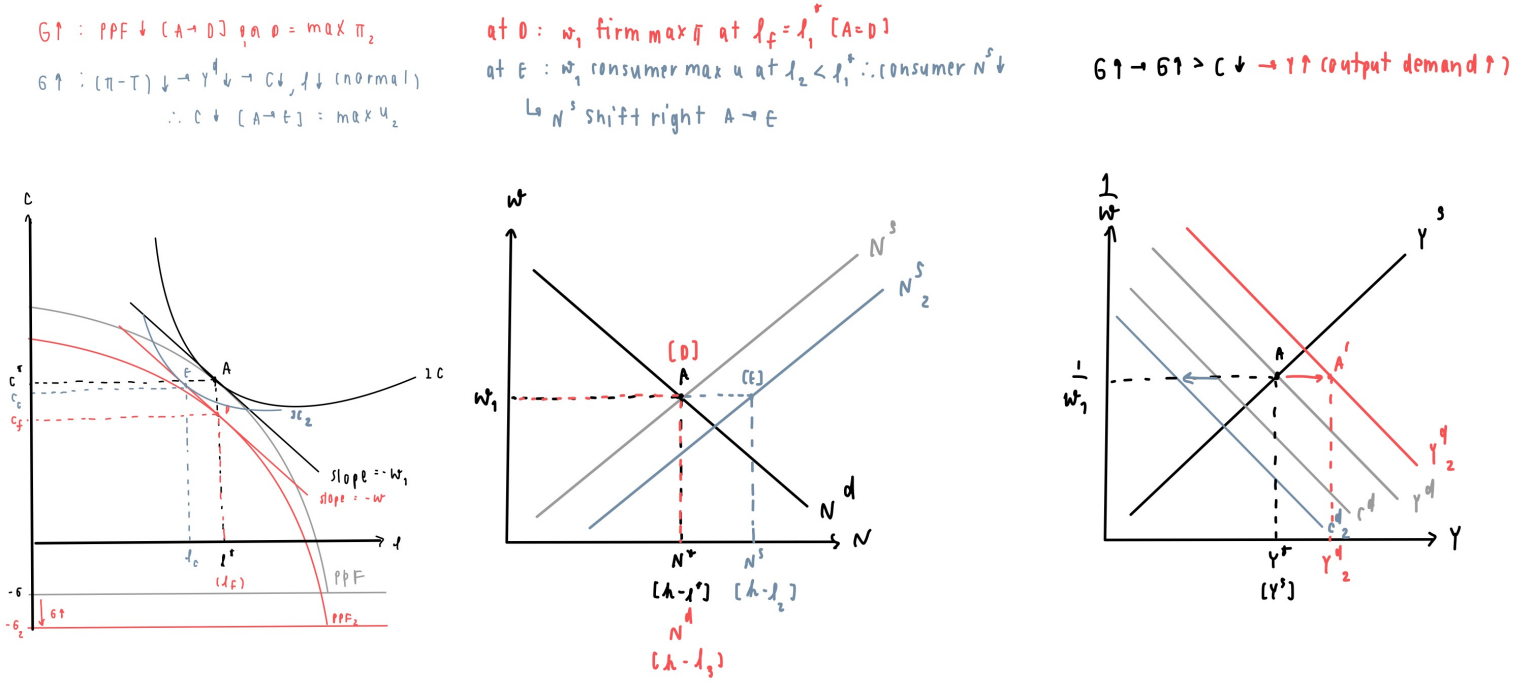
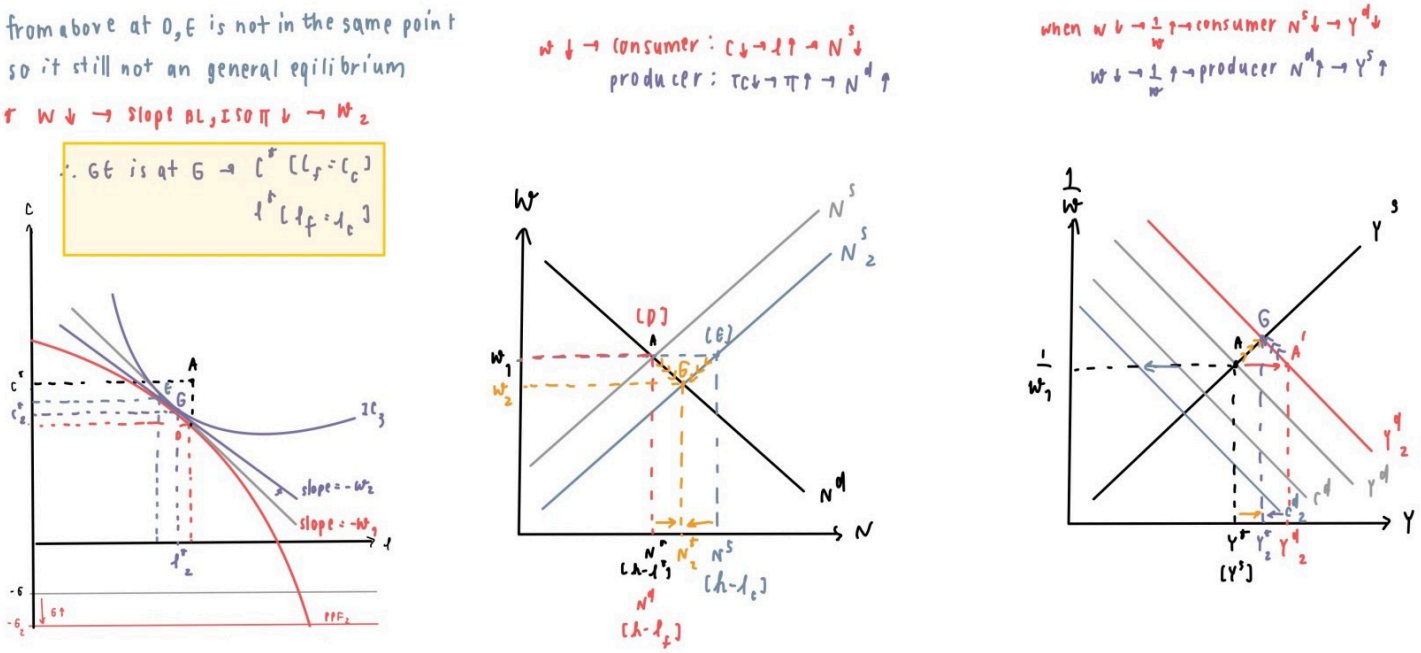
The economic impact of Covid-19 in UK

Since Covid-19 have spread all around the world during 2019 , especially in United Kingdom that affect a lot of impact from Covid -19 . Government have to spend a huge amount of money to deal with Covid-19 pandemic and the increase of government spending cause an impact to the economic . From the exploring shows that the government of UK provide fund about 190 billion which are 70.6% spend on employment support , 53.2 business support , 47.8 public services 9.3 welfare spending and 8.4 other spending . Preceding , government of UK usually have total public spending around 870-900 billion . The government said that the government spending could be higher than this about 930 billion for the year .

From the news make us know that the Covid-19 have a lot of impact on economic especially government spending because when government increase spending it will impact to wage , labor supply , labor demand , output supply , output demand . So , it could link to the chapter 7 of effect of an increase in G .



G increase cause PPF curve decrease to PPF2 (from A to D in first graph) , dividend and disposable income fall then C ,L both decrease because they are normal good (from A to E in first graph) so labor supply increase (from A to E in second graph)and output demand also increase .



From the graph in the first picture make us know that it still not an equilibrium so the only way that we can fix this is we have to decrease wage to adjust to the equilibrium . After decrease wage slope BL and iso will decrease to w2 . When wage decrease in consumer : C decrease I increase so labor supply decrease (from A to G) . In producer : TC decrease , profit increase then labor demand increase (from E to G) . So both go back to the equilibrium in the labor equilibrium . In the last part when wage decrease cause 1/w increase then output demand decrease (from A' to G) also output supply will increase in the end (from A to G) .

Reference

https://commonslibrary.parliament.uk/costs-of-coronavirus-just-how-big-is-190-billion/