

Economic aspects of COVID-19, numerical illustrations, and policy implications

Louis N. Christofides¹

Abstract

The new virus SARS-Cov-2 has caught many governments unprepared. COVID-19 has typically given rise to 'lockdown' and isolation policies which aim to limit the spread of the virus and safeguard the capacity of medical systems to deal with this new illness. Relevant economic questions, including but not limited to the likely impact of these responses on GDP, arise. Because the initial confinement of labour and consequent loss of production in the 'non-essential' sectors constitute a supply shock, a reasonable first step to understand relevant economic implications and have a stab at 'forecasting' the impact on GDP is a production function approach. One such approach is fleshed out and illustrated using details from the Republic of Cyprus. The informational requirements are minimal, the approach flexible enough to help think about the circumstances in other countries, and pliable enough to take on board new information that may emerge about the virus and the treatment of the associated disease.

Key Words: COVID-19, lockdown, GDP, policy, fiscal needs, financing, generations.

JEL Classification: E23, E27, E60, E65, H51, H6.

¹ Professor Emeritus, University of Cyprus and University Professor Emeritus, University of Guelph.