

Economic Measures for Tough Times

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## Raft of Measures by the United Kingdom during Tough Economic Times

The coronavirus (Corvid-19) is already creating an impact on the global economy. This has caused policymakers in governments and private institutions to look for the best ways to respond to this. Some countries, including China, have impressed, showing that the right measures can make a difference in the fight against the disease mitigating its impact on the economy. However, some of the decisions made will come with tough economic choices. In the recent few weeks, different countries have come up with a diverse raft of measures to overcome the difficult times to bail out businesses, employees mitigating the pandemic at the same time. The United Kingdom, in specific, through the politics and Bank of England, has come with emergency plans to save the economy. The Boris Johnson government together with the Chancellor pledged billions of pounds to fight the economic fallout and the spread of coronavirus. The government pledged 330 billion pounds (\$400 billion) as government-backed loans and guarantees as cushions for the business from the knock-on effects (Dunn, 2020). The government also promised three month mortgage holiday for those who own homes, grants for small businesses, a total of 10,000 pounds (\$12,000) and other measures to support the aviation industry. The bank of England, on the other hand, made emergency cuts on the rates of interests (FT Reporters, 2020) as a means to support small and medium enterprises.

### **Why These Measures are helpful**

#### i. Measures by the Government

I think these measures will go along with cushioning the economy by supported both small and big businesses from falling. In Boris Johnson's words "We must support millions of businesses and tens of millions of families and individuals through the coming months. And to do that the government machine must and will respond with a profound sense of urgency" (Dunn,

2020, p. n.p) With the stimulus packages, the government is aiming to prevent the business from firmly closing down, and, therefore, manage to support families and individuals through jobs and circulation of finances. This provides guarantees for the workers whose jobs are at risk by getting paid 80% of their salaries by the government. The businesses that are under this program will get a 30 billion-pound tax holiday with suspension of value-added tax payments for three months. The renters and the self-employed are expected to benefit from the measures too. With these proposals, they bounce back after pandemic looks positive. Despite the positivity in terms of the impact, the government intentions, the future may not result in positive outcomes. For instance, JPMorgan & Chase economic Allan Monks says government measures are only 4% of the economic output, predicting a massive fiscal consequence. Additionally, Bloomberg Economists says that these measures are no silver bullet as their jobs will be lost, economic recession looming. Nevertheless, they express confidence in the stimulus package that it will help to rebound the economy once the pandemic is passed (Dunn, 2020).

#### ii. Measures by the Bank of England

The incentivization of the banks will radically improve people's borrowing and help in fighting the economic effects of the disease (FT Reporters, 2020). According to Mark Carney, the outgoing bank governor, the measures are timely and authoritative will a chance to create maximum impact to the government and the citizens. Besides, the cuts in interest rates would help to bridge the potentially challenging period. The small and medium-sized business will take loans with low interests. With this measure, people can raise finances for their businesses and rebound again.

#### **Opinion of an Economist**

As an economist, I predict that United Kingdom will have a 10% drop in its GDP because of the surge in hospital budgets, collapse in air travels, unemployment benefits allocations, decline from critical business and a reduction in retail sales.

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## References

Dunn, K. (2020, March 17). *U.K. government promises to do 'whatever it takes' to protect the economy from coronavirus as it pledges billions in loans*. The Fortune.

FT Reporters. (2020). *BoE makes emergency rate cut to cushion economy*. London: Financial Times.

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