



Who's Really Paying for COVID?

Student Workbook

Name:

Class:

Teacher:

Sponsored by:



Economic
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Research Council



In partnership with:



University
of Glasgow

Introduction

This student workbook is intended to support the session ‘Who’s Really Paying for COVID?’. The session is designed to help you explore issues around money, debt and sovereign debt and to consider the impact of government borrowing for COVID-19 on your futures.

The session has been developed by Young Citizens in partnership with the Dr Dania Thomas from the University of Glasgow as part of the Economic and Social Research Council Festival of Social Sciences 2020.

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Activity 1: Learn the lingo

1. Look at the list of terms in the table below and discuss with your group:
 - What you think they mean;
 - In what context you have heard them before.
2. Agree a definition for all the terms and write them in the table below.
3. Get feedback from your teacher – were your definitions right?

Term	Definition
Financial system	
Debtors	
Private creditors	
Interest rate	
Personal debt	
Sovereign debt	
Gross Domestic Product	
Default	
Financial Crisis	
Austerity	

Activity 2: Borrowing to meet your goals

Imagine you are 18 years old and either on your way to university, your first job or to start an apprenticeship and will need to get some new things. Decide which one to focus on and answer the questions below.

1. Make a list below of things that you will need to help you (e.g. a new laptop).

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2. The problem is you don't have enough money to buy the things that you need. In the table below, list the different options you have to borrow the money to buy these things (e.g. friends).
3. Use the table below to consider the advantages and disadvantages of each lending source.

Possible creditors	Advantages	Disadvantages

Activity 3: Faustian bargain

1. You have taken a loan of £1,200 from Halifax Bank which has to be repaid in equal instalments over a year.
 - a. How much do you have to pay back each month in order to repay the amount borrowed?
 - b. The conditions of the loan state that you need to pay 10% interest on the full loan over one year. How much interest will you pay each month?
 - c. In total, how much will you have to pay the bank after a year?
2. There is a sudden shock in the financial system. Due to many factors the number of debtors has increased and the number of creditors has decreased. We are in a financial crisis. You get a letter from Halifax Bank saying that your interest rate has increased to 50% a year. You have not started repaying your loan.
 - a. What is the total amount that you have to pay back now?
 - b. How much is that each month?
3. You do not have the extra money to pay back what you now owe and the bank refuses to suspend repayments. What options do you have?

4. You manage to increase your loan from Halifax so you can meet your monthly repayments but they charge you an additional interest of 20% on the new amount. Do you think the term 'Faustian bargain' reflects the situation in relation to your personal loan? Why/why not?

Activity 4: Sovereign debt

When talking about personal debt, you just found out that you may have to make changes to your life in order to pay back your debt. These are the non-financial costs of debt. Similarly, there are non-financial costs of government borrowing.

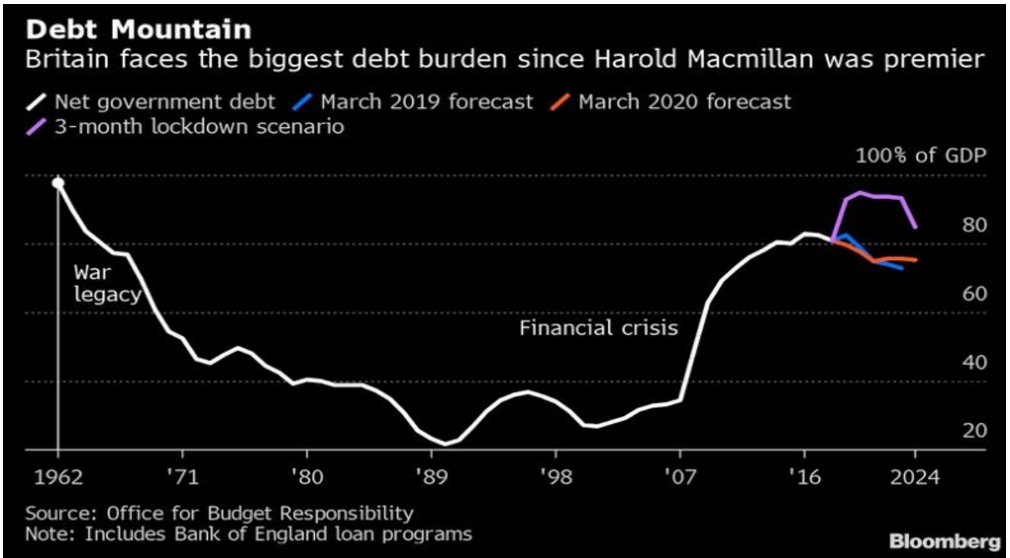
1. What kind of things does the government spend money on? List these on the left column in the table below.

In order to repay their debts, the government may have to make cuts. This is called austerity. The government can choose to reduce their spending on public services such as the ones you listed below.

2. Watch the video explaining why government borrowing now has an impact in the future.
3. Discuss what you think might be the impact of these cuts on future generations. Write your thoughts on the right column in the table below.

Areas of government spending	Impact of cuts on future generations
Education	Fewer teachers; inadequate resources; increased class sizes; not being able to maintain school buildings.

Activity 5: The costs of COVID-19



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1. As the presentation is playing, note down five key points about the graph above:

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-
-
-

2. According to the graph above, during which two periods was the UK debt the highest?

3. List some of the things that the government has increased spending on as a result of COVID-19 (eg the cost of PPE for NHS staff).

Activity 6: Reflection and discussion

Consider the questions below and spend a few minutes making notes of your answers. Discuss your answers with another student or in a small group.

1. How will you be affected by increased government borrowing due to COVID-19?

2. Is austerity the only option to deal with sovereign debt? What other options are there?

3. Are there any steps you and other young people can take to hold the government accountable for their borrowing decisions? What might these be?