

Covid-19 Scarcity and Household Utility
Stock-outs, Shortages, Substitutions, Other Goods
(II)

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“Scarcity occurs when the amount people desire
exceeds the amount available at zero price”.¹

Commodities in Short Supply

Cleaning Wipes; Hand Sanitizer; Isopropyl Alcohol; Paper Towels; Personal Protective Equipment (PPE)
— Gloves; PPE — Masks; and Toilet Paper.

*(Figure 2.1)*²

The Covid-19 pandemic has shifted the household demand curve. Each one of the determinants of household demand: income, tastes, expectations, and other goods³ have all been impacted. As households attempt to maximize their utility (the satisfaction received from consumption, sense of well-being⁴), we are faced with stock-outs and shortages in key items necessary to reduce the risk of infection, and other basic items where the quantity demanded exceeds the quantity supplied.

Household income is impacted by the participating & enforced idleness enacted through the executive orders of governors.

Household tastes (likes or dislikes in consumption⁵) which may be negatively impacted by an income shock, can be altered.

Household expectations about income, price, and availability further compound the household’s determinants of demand dilemma.

Households must keep an eye on the price and availability of other goods in order to maximize household utility and weather this storm.

In normal times household income determines whether a good is normal or whether a good is inferior. Currently, due to stock-outs, shortages, and availability exceptions a normal good may have to be substituted with an inferior good (something used or generic) or done without, until it becomes available again or hunted for despite the risk

¹ (McEachern, 2009, p. 496)

² (Institute For Supply Management (ISM), 2020)

³ (Schiller, 2009, p. 62)

⁴ (McEachern, 2009, p. 53)

⁵ (McEachern, 2009, p. 77)

of infection associated with visiting multiple stores to complete the shopping list. The tastes and creativity of the household purchaser will determine which purchases are necessary to substitute either normal or inferior goods for items that are stocked out.

Complimentary goods may be unavailable due to the shift of the household demand curve, the text book examples of complimentary goods include: milk & cookies, or Pepsi & Pizza⁶. Sugar & flour come to mind from a few weeks ago when the participating & enforced idleness left many at home and they all decided to start baking at the same time, which is a great example of the household production. We had a decent supply due to routine prior purchases; however the increase in baking activity reduced that supply. I went to multiple to stores to score sugar, flour, baking powder, baking soda, and vanilla to name a few. In order to complete the list some of the items were substituted for inferior generic goods due to stock outs.

Commodities in Short Supply

Cleaning Products; Cleaning Supplies; Construction Contractors (5); Construction Subcontractors (27); Disinfectants; Hand Sanitizer; Labor — Temporary (9); Medical Supplies (2); N-95 Respirators; Paper Products; Personal Protective Equipment (PPE) (2); PPE — Coveralls; PPE — Masks; Surgical Masks (2); and Toilet Paper.

*(Figure 2.2)*⁷

The price and availability of other goods, whether normal, inferior, substitutes or compliments, will be the way households maximize their utility in the face of income shocks, tastes, and expectations for the duration of this Covid-19 viral contamination.

⁶ (McEachern, 2009, p. 76)

⁷ (Institute For Supply Management (ISM), 2020)

Works Cited

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