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Painful choices will have to be made the longer this goes on

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"Whatever it takes." Just in case you didn't hear the intended government message of reassurance to businesses, Chancellor Rishi Sunak repeated the mantra five times through Tuesday's speech and in answering subsequent questions.

As the coronavirus ravages demand across the food, transport and hospitality sectors, and subdues demand in other industries, the Chancellor offered up to £330bn in zero-interest loans to businesses, business rates relief and cash grants to retail, hospitality and leisure companies, and £10,000 grants to small firms. Further subsidies for employment are reportedly to be announced.

The Chancellor's rationale for such action is more clear-headed than the US response, with president Trump promising cheques to every American. Rather than targeting consumption, Sunak wants instead to ease cashflow problems and curb layoffs from companies labouring under a necessary partial shutdown of the economy. His desire is to preserve capacity.

A collapse in spending arising from "social distancing" and government-imposed containment measures risks killing many firms by holding back revenues, while costs such as rent, debt payments and payrolls persist.

Sunak's goal here isn't to "stimulate the economy", as such. He doesn't want to risk speeding up the virus's transmission. No, the aim, at least, is for taxpayer support to help companies to bridge the time until the virus passes.

Taxpayers, so the thinking goes, are paying out or supporting activity in lieu of a missing insurance market. Households and businesses couldn't feasibly have foreseen a global pandemic and if the state didn't step in, thousands of normally viable businesses could be wiped out, so creating a deep recession and financial crisis.

Now, we can all debate whether the measures will prevent that outcome. A lot of self-employed and gig economy workers seem precarious. Markets seem sceptical about the effectiveness of the business measures. Aside from the scale, one reason might be that this strategy requires the effective economic shutdown to be brief. Policymakers ideally want it to become like an extended Christmas week or "bad season", from which rapid bounce-back occurs, even if some economic activity disappears forever.

But the truth is we simply don't know the duration of this crisis yet. Epidemic modelling from Imperial College has suggested that we might need suppression policies for 55pc to 96pc of time over the next 18 months. Even when government controls are relaxed, workers and customers might still be reluctant to return to activities or establishments where fear of catching or

spreading the virus is greatest. Until widespread testing and/or a vaccine are available, this is the huge uncertainty.

Reassuring businesses then, in principle, doesn't require just committing to do "whatever it takes" but to do it for "however long it takes". Yet such a promise would neither be believable, nor desirable. If we are really talking about 12 to 18 months of disruption, trying to hibernate much of the economy of February 2020 to "reawaken" it in mid-2021 becomes no strategy at all.

Such an approach would require a gargantuan commitment from taxpayers. Zero-interest loans from government won't help many firms with this duration of mothballing. As the Office for Budget Responsibility's Sir Charles Bean explained on Tuesday, the longer this crisis rolls on, the more loans have to become cash grants, lest firms loaded with debts become insolvent. Many will be reluctant to take on loans anyway without certainty about the duration of disruption. So direct taxpayer support will ratchet.

If longer than a year, up to a fifth of the economy being replaced by government transfers for no activity starts becoming actively wasteful. As the economy adjusts to its new reality, novel forms of business, new attitudes to teleworking, altered tastes, and alternative supply chains, will develop, making it less and less desirable or feasible to try to return to the economy of yesterday.

And we see seeds of economic adjustment already. Supply chains for supermarkets are running on overtime. Amazon is hiring and raising wages. Demands have understandably shifted to certain coronavirus-related products and, before long, certain workers, who really need the income, will divert into delivery, supermarkets, and care work.

Many families might re-examine too their preferences about having two income earners as childcare becomes scarcer. Paying firms to maintain the same workforces as today, in light of all this, becomes destructive.

Cost-benefit analyses are always uncomfortable to think about during the heat of a crisis. But there must logically come a point when the rise in cost and the falling benefits of "bridging to recovery" makes a change of approach optimal.

We are certainly not there yet and, given the flashing warning signs of an imminent output recession, the Government's framework of thinking is sensible enough, for now. This genuine public health crisis must mean we all temporarily rethink the role of government.

Highly targeted provisions of income support for households and businesses deeply affected by the downturn have a much clearer justification than expensive universal schemes such as a temporary "basic income", although deciding on deserving targets is always fraught with difficulty.

The key point is that the Government should avoid making promises it can't keep. Bills currently in the US Congress for business support are good until June. By that time, the trajectory of the virus's transmission should be much clearer. Programmes can always be renewed, if necessary. But promising "whatever it takes, for however long it takes" would be foolhardy.

In what's left of the market economy during this time, change occurs quickly. Governments could relax certain regulations, particularly the licensing of occupations and business "types", to make transition easier still. What we cannot do is try to freeze the economy for years.

Let us hope that the end of this current crunch then comes sooner rather than later. Otherwise we are looking at huge destruction, be it to livelihoods or our health.

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