The Daily Telegraph

The techlash is over – or at least it should be

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April 9, 2020

Its products keep us sane during lockdown and provide essential infrastructure for work. The sector was miles ahead of most governments in taking Covid-19 seriously. Its data, information provision, and content moderation, meanwhile, is vital in the ongoing public health effort.

Most deaths from Covid-19 will be painful and regrettable, but, given the role its businesses are playing today, the demise of anti-Big Tech hysteria would be worthy of celebration.

In many ways, our current crisis is seeing the promise of Big Tech fulfilled. The value of greater online connectivity – tech "bringing us together" – has never been clearer. HD quality video calls allow the elderly to continue to see grandchildren while in isolation.

The value of having millions of videos and music on demand is obvious. Online learning and telemedicine, long discussed, are now scaling up out of necessity.

For years, economists lamented that new technologies have shown up everywhere except the productivity data. Perhaps this aberration of normal life will finally lead to better application of tech's new tools. Regardless, only a fool could deny tech's innovations have improved economic resilience to this shock.

GDP might still be cratering in light of unprecedented social distancing and enforced shutdowns. But without Big Tech and its logistics, cloud computing, and entertainment capabilities, much continued business activity wouldn't be possible and enforced lockdowns would be far less tolerable. On both fronts, Big Tech has made the fight against the virus easier.

Yes, ad-revenue-dependent tech giants are taking a battering right now. Advertising budgets are often first to be cut as businesses struggle. But this problem isn't unique to tech – just see how other UK media is suffering. What's clear is that the tech companies' front-end services are becoming crucial for non-mothballed businesses to function.

Facebook reports skyrocketing use of video calls and messaging. Amazon is one of few firms hiring and raising wages, as demand shifts from shuttered retailers to deliveries. Microsoft reports massive increases in use of its collaborative "Teams" software for businesses.

Google Classroom and YouTube's Learning Hub are helping millions sustain education as teachers and students are separated. Many new apps launched on Apple's App Store are directly helping track and fight the virus.

Those for whom Big Tech is a boogeyman will argue we are seeing impenetrable monopolies benefiting further from a crisis. But despite years of being told that competing against Big Tech was impossible due to dominant companies' large numbers of users, the pandemic proves fierce competition exists across the tech sector.

The number one rated social networking app right now is the group video application Houseparty, which itself competes against WhatsApp, Google Duo and FaceTime. Microsoft Teams is competing with Slack to provide business collaboration tools. Zoom competes with Skype, BlueJeans and others for video conferencing. NextDoor provides a hyper-local online social network, an alternative to Facebook.

If conventional wisdom that Big Tech companies are monopolies has been proven bankrupt, other platitudes are collapsing too. Competition authorities worldwide often presume that less concentrated sectors would be better not just for consumers directly, but in terms of privacy, fake news, and treatment of online harms too. This crisis exposes that view as the cruel fiction it always was.

The benefits of winner-takes-most competition right now are clear. Facebook and Google, in particular, have been providing extensive, easily accessible information about Covid-19 for users. Both have policed misinformation about the virus with vigour and banned ads suspected of scamming us to buy facemasks and hand sanitiser. Apple's app store ensures any new applications purporting to help us are legit.

A world of smaller tech companies, without extensive teams to monitor such activities, would find these consumer protection measures near impossible.

Even on privacy, it's going to be difficult for politicians to accuse Big Tech of "surveillance capitalism" when governments need their data to implement "testing and contact tracing" for economic re-openings. Indeed, when faced with the choice of continued house arrest or a more tracked life, one suspects user concerns about personal data being used for targeted advertising will plummet.

The truth is Silicon Valley was way ahead of lethargic governments in recognising the severity of this public health crisis, even though it's a key government function. The major companies cancelled company travel and banned handshakes weeks before western leaders were still bragging about touching hands.

The firms' business activities adjusted quickly, while the companies donated masks, testing assistance and relief for businesses to help the broader effort.

And who is leading in vaccine development? Why, it's Big Tech's favourite son, Microsoft founder Bill Gates. He's opening seven factories simultaneously to test different vaccines, knowing four or five will be pure money pits, to save time in ending this virus's terror.

The idea propagated by progressive thinkers that only "the entrepreneurial state" has the incentives and foresight to engage in societally transformative innovation now looks laughable.

For years, Big Tech has been denigrated for all sorts of supposed economic and societal ills, including, bizarrely, lack of innovation. The phrase "we wanted flying cars, instead we got 140 characters" percolated widely.

Such thinking was always absurd. "But apart from the revolution in supply-chain logistics, smartphones, encrypted conversations, door-to-door minicabs at a couple of clicks, high-definition video calling, cloud computing, driverless cars and drone R&D, and the sum of human knowledge, music, and videos at your fingertips, what has Big Tech ever done for us?" we might ask, in Monty Python fashion.

This virus though has definitively proven the worth of Big Tech companies and the bankruptcy of the arguments of their detractors. Even when life returns to normal, we should put the crude “reining in Big Tech” agenda straight into the policy dustbin.

The OBR is far too optimistic about the economy’s ability to bounce back – 16th April

Office for Budget Responsibility modelling this week produced staggering forecasts for how the Government’s fiscal response to Covid-19 and the lockdowns will affect GDP, unemployment and the public finances. Its numbers were almost incomprehensible in historical context.

Day-to-day economic activity is expected to be down 35pc for the shutdown’s duration. Assuming a three-month lockdown that is then phased out over another quarter, that would see GDP fall in 2020 by 13pc – the biggest annual drop since 1709. Unemployment would immediately skyrocket by over two million people to 10pc of the labour force, the highest level since the Nineties, despite massive government payroll subsidies.

That estimated £42bn job retention scheme and the other £44bn worth of new Covid-19-related spending would result in annual government expenditure exceeding £1 trillion in the UK for the very first time. Alongside plunging tax revenues, the government budget deficit would balloon to 14pc of GDP, by far the highest level since the Second World War.

It doesn’t take a degree in economics to predict that shutting swathes of the economy will dramatically reduce GDP, nor that government relief to mothball that lost activity would lead to surging borrowing. Still, the magnitudes are astounding. Few economists could claim with certainty to know the longer-term consequences of an unforeseen shock of this enormity.

Another worrying aspect of the OBR analysis is that, if anything, it is far too optimistic about our medium-term prospects, assuming a rapid bounce-back once the lockdown begins to be lifted. In 2021, for example, it predicts annual growth of 18pc, bringing GDP back to the level forecast in March’s Budget for that year’s end. This, to put it lightly, seems like wishful thinking.

Don’t get me wrong: we should expect a fairly robust recovery. Temporarily dreadful though it is, this shock will not overtly destroy physical or human capital. Most workers will remain skilled, factories and offices will still exist, software will remain operational, and much pent up demand will return.

Governments have played insurer of last resort too, helping to protect as much of the business supply capacity and as many employment relationships as possible.

So, just like after a long holiday or a bad harvest, once the virus is gone, we would imagine a strong resumption in activity. Yet expecting that full bounce-back to occur by next year? Well, that’s just fantasy, for at least three reasons.

First, the medical innovations needed for a “return to normal” – whether a vaccine or an effective treatment – will not be ready and rolled out globally that quickly. Even if lockdowns are lifted despite this, bringing us closer to Sweden’s approach, continued “social distancing” by consumers and producers will not allow activity to “return to normal”.

Adapting to the virus is costly relative to a world without Covid-19. Businesses will still face considerable uncertainty too, with risks of a second infection wave and policy in other countries disrupting trade, both of which will delay business investment and hiring.

It's certainly true that building infrastructure to move to a test-and-trace system after case numbers decline would allow a degree of reopening, easing economic pressure. But there's little evidence that this would lead to a full rebound. Even South Korea, the poster child for test and trace, is suffering economic contraction right now.

Second, though the Government has acted to prevent business failures, some will fail and others will permanently lay off workers. The Office for National Statistics' recent survey found that 59pc of businesses either "did not know" or "were not confident" they would survive this pandemic.

Entertainment industries, restaurants and large venues will be particularly affected. Many employer-employee relationships and business relationships with suppliers will be lost. Given frictions to people setting up new firms, finding new suppliers, or creating and finding new jobs, the productive capacity of the economy will be impaired for a while.

Indeed, the OBR acknowledges this on unemployment – projecting 800,000 more out of work in 2021 than in its March budget. Bizarrely, it thinks this will have no effect on GDP.

The third reason why a full, immediate rebound is unlikely is because Covid-19 will permanently change other aspects of our economy, whether that be working from home or spending patterns.

Though, on net, government support has probably assisted near-term growth prospects, relief would also have helped some businesses survive that will not be viable in the post-pandemic world. It will take time for locked up capital and employees to leave these zombie firms and this will drag on growth.

Polling from Kekst CNC suggests 22pc of the public will be less likely to eat out at restaurants after this is over, 30pc will be less likely to travel abroad, and 24pc will be less likely to go to concerts, for example. Anyone who thinks major shocks to the economy's industrial composition will not affect its immediate growth potential must have been asleep for the past decade.

Now, we should not over-do the doom and gloom. The UK's economy is dynamic and adaptive. Millions of jobs are created and destroyed every year. We should still expect a sharpish bounce-back after such a trough, when worries about the virus lift. Talk of an "L-shaped" GDP path is overblown.

But the OBR's results are very much a best-case scenario for the coming year. Until the virus's threat dissipates, emergency relief is removed and the cloud of uncertainty is lifted, any restart will not result in us rebounding seamlessly to our pre-pandemic future.

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