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Adaptiveness of the private sector in this pandemic should be celebrated

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A great unknown from the pandemic will be its lasting impact on entrepreneurship. A lot of business owners will not have ever imagined that their company could be shuttered for a year. Others will have suffered from not being able to test ideas or products in person. These regrettable consequences, especially if compounded by what economists dub “scarring beliefs” about the threat of pandemics, might make people reluctant to plough time or savings into ventures perceived as riskier.

The value of market-led entrepreneurship and innovation, however, has never been more evident than in the adaptiveness of the private sector in this crisis. Consider the shocks it faced: demand swung wildly from in-person services, such as restaurants and cinemas, to at-home products, such as groceries and streaming services. Suppliers faced shifts from providing commercial goods to selling to end users. Internet communication service demand boomed, while the desire for novel forms of entertainment soared. Businesses had to repurpose to serve old demands more safely, as new demands for public health-related products arose.

Governments take victory laps when something like the vaccine rollout goes well, but businesses faced unprecedented logistical, staffing and supply chain challenges from all this. Given their scale, the fact product shortages and bottlenecks were short-lived is nothing short of miraculous. Yet because these swift adjustments to market conditions were not planned by some committee or public body, they elicit no celebration. In fact, politicians take them for granted, downplaying the risks the companies bore or the extraordinary co-ordination their actions required.

It's easy to forget what we've seen. The initial lockdowns saw massive food inventories transfer from supermarkets to kitchen cupboards, but our food supply quickly adjusted to a new elevated, ongoing grocery demand. The size of the online grocery sector doubled. Delivery companies such as Deliveroo and Just Eat created demand for restaurant meals as indoor dining was restricted. Food suppliers and retailers renegotiated a host of contracts. All this at a time of heightened uncertainty, with production itself disrupted by workers catching Covid-19.

But it wasn't just the food sector in which private sector adaptiveness was striking. “The Manufacturer” website documents British producers reconfiguring capacity to deliver a host of public health-aiding goods in high demand – from PPE to face masks, and ventilator inputs to plastic shields. Drink businesses, distilleries and paint companies got into producing hand sanitiser. Drive-in cinemas took off across the UK. Theatres streamed performances. Activities were moved outdoors and social distancing protocols were swiftly implemented.

Of course, individuals and businesses benefited from past innovations from tech companies that came of age within the pandemic too. Zoom, Slack, and Microsoft Teams became crucial tools

for worker collaboration. Apple's platform facilitated apps to track the virus spread. Facebook's products, such as Whatsapp, helped us stay connected. Google's investments in YouTube became more important for online education. Amazon's sales rose by 51pc in 2020, reflecting its extraordinary role in product delivery.

Given how all these innovations improved our society's resilience, it's quite a remarkable time then for Tory MP Tobias Ellwood to muse about how good the world would be "without Facebook, Twitter, Google or Amazon", a world that he says achieving is "one of the priorities of our age". Sure, their investments have kept us all better connected, educated and served during the pandemic. But Ellwood, it seems, imagines a world where all those consumer benefits are maintained, without the companies that delivered them.

A lot of politicians and commentators treat the adaptiveness we've seen in this crisis as Ellwood does tech innovation – as something that just happens without human agency or incentives to deliver it. The Chancellor Rishi Sunak is said to be considering a "pandemic profit levy", for example – a windfall tax on firms that have "benefited" from the crisis. The underlying justification appears to be that certain businesses have been mere passive beneficiaries of the unique conditions of the pandemic.

The reality, of course, is that businesses invested time, effort and money in developing platforms, products or services that have proven robust to these circumstances. Even then a lot of them had to make further adjustments to their supply chains, or new investments in facilities, workforces or business operating practices, to make sure they could meet new demands in pursuit of, yes, high profits, with no knowledge of how durable these changes would be post-pandemic.

What message, then, does talk of a "windfall tax" send? On the margin, it dampens the incentive for businesses to invest in the same sort of option-ready capacity to deal with future shocks. But mainly it treats those successful companies' profits in the pandemic as an illegitimate fluke, rather than a signal to others of the immense social value of their business during this crisis.

What we see here is simply a lack of political gratitude for private sector adaptiveness and the processes that underpin it. Policymakers are quick to bemoan "consumer rip-offs", "market failures", or "unfair competition". Their words and deeds suggest much less interest in understanding how the system of profit and loss, freely set prices, and flexible markets generate the wealth they then use to shower people with relief, or what drives business to serve our ever-changing needs.

The extraordinary adaptations the private sector has delivered during this crisis will never get us out clapping on our doorsteps on a Thursday night. Without being directly planned as an explicit "Covid-19 response" and with so many actors playing such small parts, it's difficult to readily identify "heroes". But I, for one, am grateful for how private sector innovation, past and present, made this crisis bearable. I wish politicians were too.

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