



Re-thinking our Global Economic Future

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Re-thinking our global economic future?

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Abstract

This note offers a few thoughts at an early stage of this COVID-19 crisis, largely with the objective of stimulating further reflection and analysis, and generating much better thoughts.

The primary concern now should, unambiguously, be heavily skewed to this phase of the crisis - which may not necessarily be very short term. It is a critical, humanitarian phase in which the health imperatives and the medical needs and food supply take on an unprecedented importance for each person – and especially the most vulnerable in our societies - and for us collectively.

But it is already urgent, too, to understand the future and how we rapidly design and build a future that is sustainable.

1. Our new context

It is helpful to think, in essence, of at least three phases to this crisis: this first humanitarian phase, with its absolute preoccupation for saving life, and with the lock-down that removes all non-essential personal mobility, while permitting only that of the critical essential workforce; followed by the likely second phase of cautious and tentative – and almost certainly non-linear – relaxation of the severe constraints on the mobility of most people; and the third phase of hesitant recovery, as mobility restrictions are almost totally removed, although with the uncertainty that they could be re-imposed at any time, if necessary.

It is perhaps self-evident that this is a time of exceptional uncertainty. The precise course and timing of the health crisis is simply unknown. The underlying science to understand COVID-19 is evolving rapidly, but is inevitably in its formative stages. The scientific and medical responses are equally moving swiftly, but are based upon very partial and incomplete evidence and knowledge, and therefore with impacts that are necessarily impossible to predict with certainty at this time.


It is all too apparent that it is impossible to predict the future with any confidence: the current best-case scenarios would have been strikingly worse than our worst-case scenarios just two months ago.

In consequence, the social, environmental and economic implications of this health crisis must similarly be immensely uncertain, too.

Nonetheless, while quantitative economic analysis is therefore highly speculative, there are clearly many critical emerging challenges that we *can* identify, for which we should offer qualitative thoughts and consider scenarios that appear very plausible and for which we must prepare. Intense uncertainty should not preclude this form of careful reflection. We shall, however, need a very high degree of agility in our thinking and response as our knowledge evolves, probably very substantially and rapidly.

Longer term thinking, though in one sense secondary at this moment, is therefore one crucial piece in the defining of a future sustainable path – discarding the more comfortable thought of a return to the former *normality* which will probably never exist again.

The adjustment to this path may need to be undertaken very rapidly, as the resilience of the world economy and of individual people will need to be rebuilt as rapidly as possible, in order to both restore global well-being – again, in the foreseeable future, probably to levels far below that to which we were accustomed and with a far greater concern for inequalities



and sustainability – and to establish a resilience in readiness for any further national or global crisis.

It is hard to see how our global perspective will ever be the same. Usually, it is over-dramatic or attention-seeking to claim such a thing: at this time, it seems that we are all, with a shocking suddenness, having to face this new irreversible reality.

2. Recognising this new driver of the global economy?

For the first time – certainly in living memory - the global economy is no longer shaped predominantly by politicians or economists or even by conventional and familiar market forces. Instead, the global economy is dramatically being shaped by the imperative of our global health and, indeed, the survival of millions of vulnerable people. Globalisation, which has so dominated our thinking and the formation of highly intricate and deep-seated global interconnectedness and economic dependence, has been exposed as unable to co-exist in its *present* form with the fiercest of global health crises.

Economic philosophies that have espoused the ability of global trade to advance global living standards have been valuable in many respects, but have never managed to adequately address the unacceptable implications of this global economic perspective, or find complementary policies that are capable of giving the appropriate value to other critical global objectives. Neither the global and intra-national distributional objectives that many have seen as necessary, nor the environmental imperatives that have now been exposed as grossly misunderstood for decades - with the devastating consequences that the climate emergency has now crystallised – have been accorded *universal* recognition¹.

Negligence – at best – has brought the climatic conditions that pose just as great a threat as COVID-19. Similarly, globalisation has self-evidently struggled to demonstrate its ability to be shaped to provide the levels of global equality and to secure the absence of massive international and intra-national inequality that many are now belatedly realising are critical in providing the stability and sustainability required of our global political, economic and social communities.

¹ Though, as regards the global and national implications of inequality for political and economic development, many writers have long warned of the acute dangers. For example, see Thomas Piketty ***Capital in the Twenty-First Century*** (2013) and the writings of Angus Deaton, amongst many others. Similarly, with respect to the environmental emergency, the issues have long been understood, albeit not acted upon, globally or nationally, rapidly enough or to the required extent. ***The Stern Review on the Economics of Climate Change*** published back in October 2006, was one of many exceptional contributions to our understanding, focussing on the effect of, and potential responses to, global warming on the world economy, but arguably has been adopted far too slowly by the global community. (www.lse.ac.uk/GranthamInstitute/publication/the-economics-of-climate-change-the-stern-review/),

Waking up to our Global Health objectives

Now, we see that our *global health objectives* – ultimately, with a primacy that we had never really absorbed? – have also violently clashed with the global economic system that we have created or allowed to develop.

Of course, the health implications of environmental destruction have long been understood, but mainly as regards the impact of changes in our physical, visible environment, as with flooding and fire. Similarly, the damage to human health from unacceptable labour market practices in every country of the world have been understood – even if not addressed – for decades.

But the global health risks from disease have only surfaced occasionally, as with the 2002-04 SARS outbreak and the 2014-16 Ebola outbreak in West Africa, and have not remained to the fore in the aftermath of these outbreaks as potentially the most immediate global threat. Despite high profile warnings, they have not been at the centre of global debate, as has become true at least of the immense environmental challenge in recent months.

For example, Gro Harlem Brundtland² has long spoken powerfully of the risks to global health; as in a speech for the University of Cambridge³ back in 2001:

The concern that "we will all go together, when we go" was central to the argument of the World Commission on Environment and Development.

Illness does not respect national boundaries. The patterns of globalization that promote increasing inequities will encourage the spread of illnesses - particularly those which are associated with extreme poverty.

In the modern world, bacteria and viruses travel almost as fast as money. With globalization, a single microbial sea washes all of humankind. There are no health sanctuaries.

The separation between domestic and international health problems is no longer useful, as over two million people cross international borders every single day. A tenth of humanity each year.

² For example, see the **Brundtland Report**, *Our Common Future*, released in 1987 by the World Commission on Environment and Development (WCED), that introduced the concept of *sustainable development*.

³ <https://www.cisl.cam.ac.uk/resources/publication-pdfs/brundtland-paper.pdf>

More recently, in 2019, fresh warnings^{4,5} were given.

A casual approach to risk?

Many institutions – companies and governments – have no doubt for many years included “*pandemic*” as a key element in their *risk registers*, and sometimes as *the* key element: how much this acknowledgement of the risk has given effect to real contingency planning and appropriate preparedness, proportionate to the potential impact of the possible event, is highly questionable.

Why exactly there has been this serious disjuncture between these formal processes and the actions that should - but didn't - flow from them is the crucial question. It is becoming hard to escape the conclusion that the risk was never fully appreciated. Maybe the costs of preparedness were seen as *too high*?

Professor Stephen Boyle⁶ has offered some very insightful thoughts here of great relevance:

- Why exactly has this disjuncture taken root?
- Is this disjuncture true of other serious risks? Arguably, it has been equally true for climate risks (e.g. flooding and flood prevention/protection) and it patently has been for pandemic flu-type risks. How seriously, in a very different but critical context, are cyber security risks actually taken, or are they, too, only registered in the most superficial sense?
- Why are there differences in approach and in the priority assigned to each class of risk?
- Have there been economic appraisals of each of the risks on the national register?
- Have national and regional governments across the world been too focussed on health and their health services in the here-and-now, and not on risks of the type that we now confront?
- What does all of this tell us about any collective present bias and our discount rates?

⁴ <https://www.theguardian.com/global-development/2019/sep/18/a-deadly-virus-could-kill-80-million-people-in-hours-experts-warn>

⁵ <https://www.voanews.com/science-health/health-experts-warn-disease-could-kill-millions-worldwide-36-hours>

⁶ Professor Stephen Boyle, University of Strathclyde (in a personal email, March 2020).

The disruptive power of COVID-19

In any event, COVID-19 has starkly demonstrated the incoherence of the existing systems and their inability to co-exist, now, at least in their present forms.

From the economic perspective, we have thought in terms of political and economic borders, and of regional trading blocs and regional trading agreements, and of economic and monetary unions. Now, we find that our entire perspective may have been misjudged, or, at the least, premised on a set of global assumptions that may have been shown now to be deeply flawed.

- Had anyone foreseen that borders would be closed by the gravest of health concerns?
- Had anyone thought in terms of closed borders and even serious border restrictions on the movement of people and goods for very extensive periods of time?
- Had we seen the high risk of second and multiple subsequent waves of COVID-19 – and indeed the risk of COVID-19 mutations and new viruses – making this now into a massive challenge to the global system over the long term?
- Had anyone foreseen that political democracies would now need to re-think entirely their understanding of what their national governments are most fundamentally in power to do; and to uphold what might be seen as arguably their primary obligation to preserve the life and most basic medical and food needs of all their citizens?
- And the critical economic question: had any national governments planned for an eventuality in which they would be the *economy of last resort*?

Some insightful individuals undoubtedly *had*: but few had managed to really impact on the key national and global figures and institutions that might bring a clarity of global priorities to the fore, and global civil society has not grown as regards global public health to establish the powerful position that it has today with respect to the environmental emergency.

These thoughts raise immensely complex questions about the future of global governance and the future of our major regional political entities. It will inevitably also open up the most fundamental questions about the role of multilateral organisations such as the UN and the WHO – remembering, very importantly, that they are governed by, and subject to, the vision and prioritisation of their member states who establish and direct these bodies' strategic vision and activity.

3. The reality of our integrated global systems

Maybe we need to very explicitly extend our vision of global development explicitly to embrace this new world into which we have been catapulted. Maybe we need to expand from considering economic and social development – which encompass our economic growth objectives, and our distributional goals with respect to well-being, inequality and poverty - and (somewhat reluctantly, until recent times) global sustainable development, and now explicitly embrace the imperative of global health in a way that we have simply not done before.

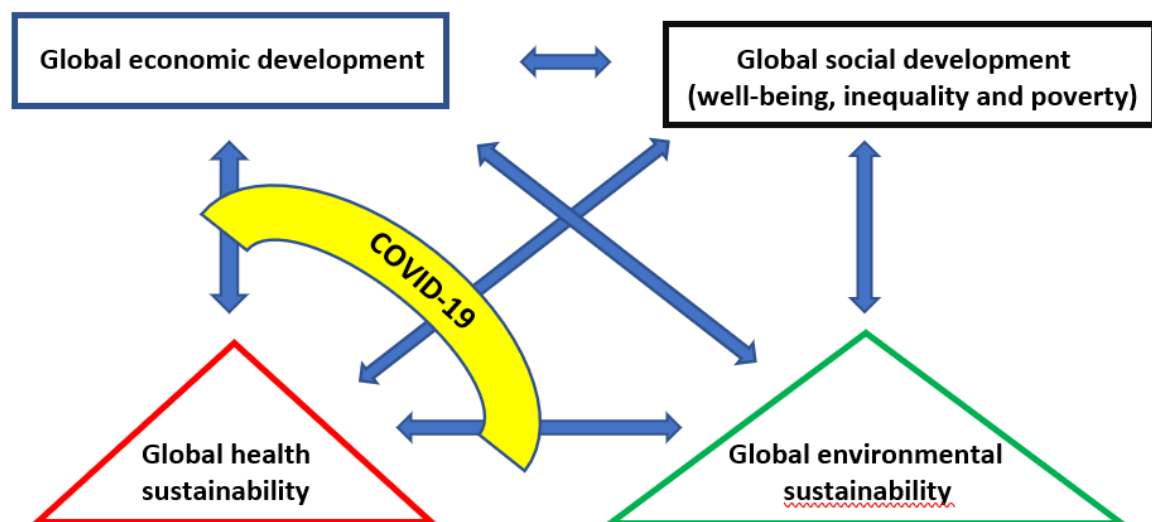
All four are important global outcome objectives and all four interact intimately with the others. Maybe we should more sharply see global health and global environmental sustainability as the underpinning and precondition for our global economic and social vision, *irrespective* of the precise political and societal choices as regards the latter.

Maybe – and, many would argue forcefully, definitely? – we need to re-shape and re-focus economic globalisation to unambiguously reflect the *totality* of the global outcomes that we seek. The challenge will be in defining what and how these changes are brought about, and the role that global governance and national governments will inevitably need to play.

This perspective shouldn't really surprise us, but COVID-19 has done exactly that.

Certainly, even if we understood this in theory –and many individuals have of course done so as noted above - we have not collectively as a global or indeed national society displayed that understanding in our political and policy decision-making.

Figure 1: Our inextricably inter-dependent globe:



4. Global economic impact

The impact on global and national GDP levels will inevitably be profound. Even at the best of times, economic forecasts are uncertain and all the forecasts currently being offered are inevitably based on a brave assumption of how the crisis plays out in the coming months – something which is, of course, uncertain in the extreme.

In what now seems a highly optimistic forecast on March 2, 2020, the OECD⁷ *Interim Economic Outlook* estimated that the global economy could grow in 2020 at its slowest rate since 2009 due to the coronavirus outbreak, with forecast growth of just 2.4% in 2020, down from a forecast of 2.9% in November 2019.

The OECD⁸ paper *Evaluating the initial impact of COVID 19 containment measures on economic activity* suggested that:

“.... the initial direct impact of the shutdowns could be a decline in the level of output of between one-fifth to one-quarter in many economies, with consumers’ expenditure potentially dropping by around one-third. Changes of this magnitude would far outweigh anything experienced during the global financial crisis in 2008-09.

This broad estimate only covers the initial direct impact in the sectors involved and does not take into account any additional indirect impacts that may arise.

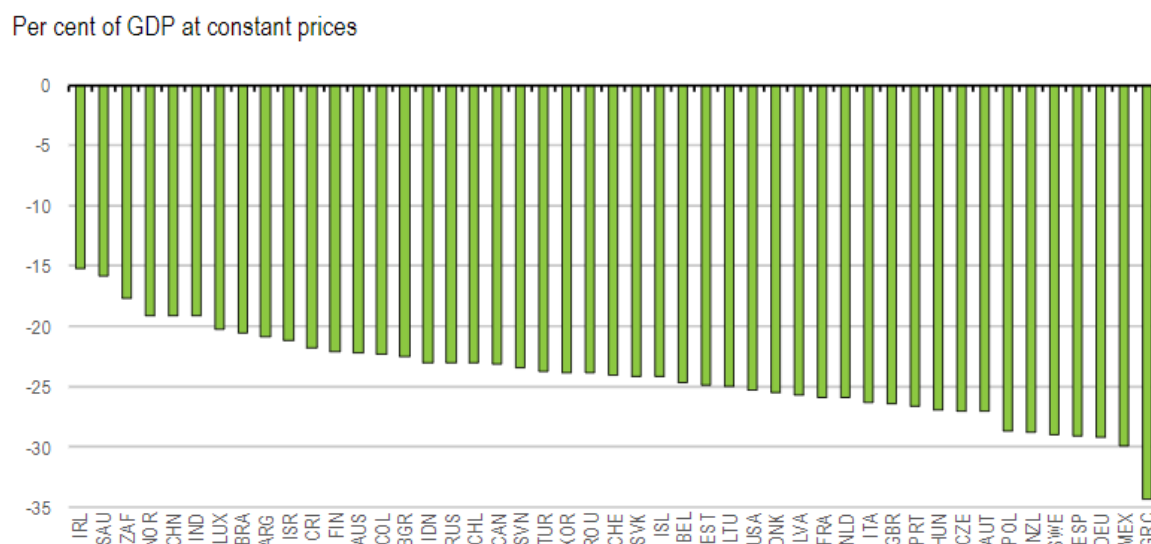
The implications for annual GDP growth will depend on many factors, including the magnitude and duration of national shutdowns, the extent of reduced demand for goods and services in other parts of the economy, and the speed at which significant fiscal and monetary policy support takes effect.

The scale of the estimated decline in the level of output is such that it is equivalent to a decline in annual GDP growth of up to 2 percentage points for each month that strict containment measures continue. If the shutdown continued for three months, with no offsetting factors, annual GDP growth could be between 4-6 percentage points lower than it otherwise might have been.”

⁷ <https://www.oecd.org/economic-outlook/>

⁸ [https://read.oecd-ilibrary.org/view/?ref=126_126496-evgsi2gmqj&title=Evaluating the initial impact of COVID-19 containment measures on economic activity](https://read.oecd-ilibrary.org/view/?ref=126_126496-evgsi2gmqj&title=Evaluating%20the%20initial%20impact%20of%20COVID-19%20containment%20measures%20on%20economic%20activity)

Chart 1: The potential initial impact on activity of partial or complete shutdowns on activity in selected advanced and emerging market economies




Source: OECD Annual National Accounts; OECD Trade in Value-Added database; Statistics Korea; Brazilian Institute of Geography and Statistics; and OECD calculations.

The paper by McKinsey on *Safeguarding our lives and our livelihoods: the imperative of our time* (March 2020)⁹ also provides insight into the potential impact of the crisis and of different responses to the crisis.

By way of further example, JP Morgan economists' views on the economic consequences of the virus shock have evolved dramatically in recent weeks with respect to the severity and duration of the outbreak. The J.P. Morgan Global Economics Research team now expects the global economy to experience an unprecedented contraction during the first half of 2020 as containment measures are driving deep collapses in monthly economic activity.

More specifically, the U.S. economy is projected to contract by 14% in the second quarter, after experiencing a 4% contraction in the first quarter, before recovering to 8% and 4% growth in the third and fourth quarters. Euro area GDP is projected to suffer an even

⁹ <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/safeguarding-our-lives-and-our-livelihoods-the-imperative-of-our-time?cid=other-eml-onp-mip-mck&hlkid=71fff3862f76408fae7b72ebfc1f8cbe&hctky=1376668&hdpid=1ee58aab-ef5d-4c93-a652-7ffdce76fb8f>



deeper contraction, with double-digit declines of 15% and 22% in the first and second quarters, before rebounding by 45% and 3.5% in the third and fourth quarters.

These forecasts could easily be on the optimistic side, not least since the anticipated duration of the crisis is, as noted elsewhere, far from clear.

The forecasts for the second half of the year look to be based on some very critical and sensitive assumptions about the rate at which the health risks decline and the mobility of the workforce and of consumers is allowed to rise.

5. UK economic impact

That the UK will mirror this global trend seems inevitable. Anticipating the precise level of the impact of the lock-down on GDP and employment is presently totally speculative but there is no doubting the fundamental conclusion that the drop in both will be huge¹⁰.

Blanchflower and Bell¹¹ look at the possible labour market impact in the UK and at the comparison with other periods of deep recession and depression and see a deeply concerning picture.

Equally, a preliminary view from the British Chamber of Commerce¹² in their April 2, 2020 *Coronavirus Business Impact Tracker* shows a broadly similar picture: that is, a heavy toll on UK business communities as the majority of firms face significant cash flow crises.

Irrespective of the precise fall in GDP, it is rapidly emerging now that there will be a huge economic and financial cost from addressing the COVID-19 crisis. The cost implications of the UK Chancellor's recent announcements on measures to support the economy are simply immense, particularly if we consider the likely time period over which, in reality, these measures may now have to extend to protect people's incomes, to sustain large companies and thousands of SMEs from collapse as all non-essential production and trade simply stops.

These measures are clearly critical to address the serious threats to our productive capacity. However, the costs are enormous.

¹⁰ The latest forecasts of the Office for Budget Responsibility (OBR) exclude any major assumptions about COVID-19, having been compiled before the spread of the coronavirus was expected to have a significant effect on economic activity outside China. They note on March 6, 2020 that: "*Our global forecast was closed for new data on 14 February. At that point, the coronavirus outbreak was mostly concentrated in China with only limited spread to other countries. For our central forecast, we assumed that the associated economic disruption would be relatively short-lived and concentrated in China, with some transmission through supply chains to other parts of Asia and Europe. This implied a temporary impact on global GDP and trade, weighing modestly on UK activity in the first part of this year – a mild 'V-shaped' shock.*" <https://obr.uk/box/potential-impact-coronavirus-economy-public-finances/>

¹¹ Professor David Blanchflower, Dartmouth College, New Hampshire and Professor David Bell, Stirling University. <https://www.theguardian.com/commentisfree/2020/apr/03/recession-depression-data-coronavirus>

¹² <https://www.britishchambers.org.uk/news/2020/04/bcc-coronavirus-business-impact-tracker>

The IFS have, for example, estimated the cost of the measures to support businesses and those in employment¹³ through the new *Job Retention Scheme*¹⁴:

“The Institute for Fiscal Studies (IFS) said the “huge” move to allow the state to cover 80% of a worker’s salary - up to £2,500 a month - could come with a price tag of £10bn over three months even if just 10% of employees were affected. “

In other words, if 30% of the population were to be supported through the JRS for 6 months – not an impossible scenario by any means – that would accumulate a total cost of around £60 billion¹⁵.

Similarly, the new UK measures to support the self-employed^{16, 17, 18} - the *Coronavirus (COVID-19) Self-employment Income Support Scheme* - is estimated by HMT to cost the Government £9 billion for the first three months.

In addition, of course, will be the very significant impact on other expenditures and all tax revenues as GDP dips very sharply, and potentially remains far below trend for many months to come. For example, the massive expansion of Universal Credit brings a major cost¹⁹, with the Department for Work and Pensions stating that 950,000 successful applications for the payment were made between 16 March, when people were advised to work from home, and over the next two weeks to the end March. The Department would normally expect 100,000 claims in a two-week period:

¹³ <https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses>

¹⁴ <https://www.politicshome.com/news/article/rishi-sunaks-plan-to-pay-wages-at-coronavirushit-firms-could-cost-billions-every-month-says-institute-for-fiscal-studies>

¹⁵ Further insight is provided by the Resolution Foundation: <https://www.bbc.co.uk/news/business-52209790>.

They estimate, using the latest figures on take-up of the scheme from the British Chambers of Commerce, that the cost over three months would be £30-40bn, with 50% of companies putting most of their staff into the scheme.

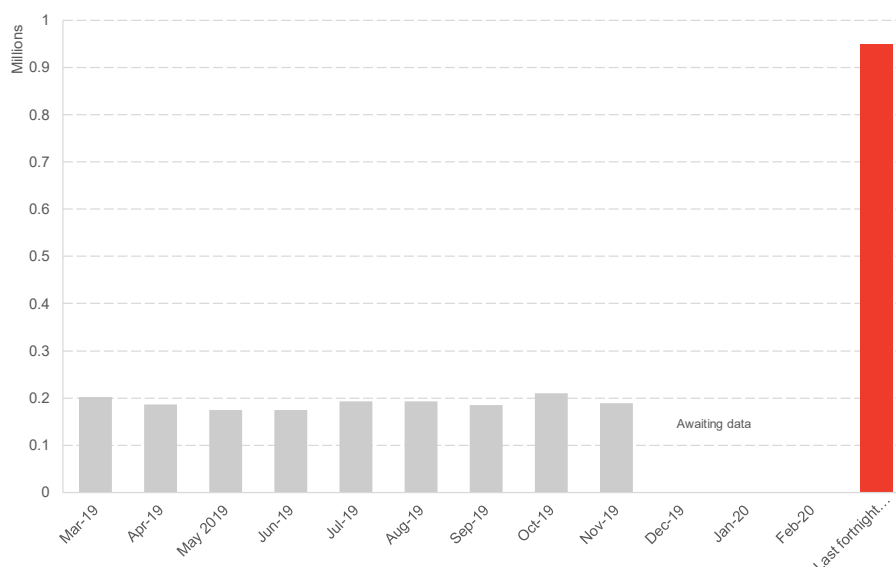
¹⁶ <https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>

¹⁷ <https://www.ifs.org.uk/publications/14768>

¹⁸ <https://www.ft.com/content/1a69d69f-06de-4af7-972b-52f2f4d9a3f5>

¹⁹ <https://fraserofallander.org/fai-publications/scottish-labour-market-trends/update-on-claims-to-universal-credit-since-the-start-of-the-shutdown/>

Chart: Universal Credit applications²⁰



With COVID-19, it is impossible to measure the ultimate implications for the government finances, but the scale of the impact is looking to significantly exceed that of the 2008-09 crisis. Deficit financing will rise extraordinarily rapidly during this current phase, with the debt-GDP ratio rising far above that of the *post* 2008-09 period.^{21,22} The IFS provide some insight into the scale that looks inevitable.²³

“Only taking account of measures announced so far, and even if the economy “only” shrinks by 5% per cent this year, we might expect borrowing in the coming financial year to exceed £175 billion, or more than 8% of national income. This would be more than triple the amount forecast in the Budget just two weeks ago. About 40% of that increase would result from new fiscal measures, and the rest from the economic downturn depressing revenues and adding to government spending.

*The deficit could easily swell by much more than that if the economy shrinks by more, if take up of the employment retention scheme is high, or if further substantial fiscal measures are unveiled. **A deficit of over £200 billion in the coming financial year is well within the bounds of possibility.** Yesterday’s announcement in parliament*

²⁰ Compared to normal on-flow to unemployment related benefits (assumes all new claimants to UC in last fortnight have become unemployed). Source: Alternative Claimant Count and most recent UC on-flow, DWP.

²¹ The UK’s public sector net debt peaked at an equivalent to 82.9 percent of the country’s GDP in 2016-17 fiscal year.

²² The IFS paper *for sale: £45 billion of gilts* sets out the scale of this huge rise in government borrowing to manage this crisis. <https://www.ifs.org.uk/publications/14782>

²³ <https://www.ifs.org.uk/publications/14771>

to increase the contingency fund for the coming financial year from £10.6 billion to £266 billion suggests the government may be prepared to go even further than that.”

Servicing this massive debt in the shorter run is not the most worrying element with interest rates at virtually 0%, but this demand for government finance is undoubtedly going to test the global financial markets in a way that they have not been tested before. At present in this phase of the crisis, there is little current danger that public sector demand for finance will crowd out private sector finance needs, and the private sector is necessarily the primary supplier of these hugely increased governmental finance needs. However, when economic life is re-established in some form, this picture will change and private sector finance will need to evolve to reflect the nature of the recovery in economic activity and economic expectations.

National governments capacity to manage such exceptional debt levels in the next phase of the COVID-19 crisis will be severely tested. The implications for national fiscal policy will be extraordinary, raising the most basic questions about our societies and the role of the State and the obligations of the private sector.

In particular, by whom, and how, the COVID-19 crisis will ultimately be financed will be one of the greatest political questions and challenges over the next decade.... or more? At its heart, the debate will need to struggle and resolve critical long term political and societal questions that will form the foundations of the economic and financial path that is adopted.

Many of the pivotal challenges are emerging already:

- how will public expenditure programmes in a post-COVID recovery phase evolve: and, and probably most immediately, how will the future NHS be directed and financed;
- how will the most vulnerable in society in future be cared for; how specifically will society wish the State to support the most disadvantaged and poorest in society over the longer term – and not just in crisis situations - in the new political and social climate that may well emerge. This point is picked up below further;
- how will companies, and their employees, and the self-employed be supported and what will be expected of them as part of the new relationship between the State and the private sector, in the aftermath of what is now the most fundamental absorption of the national economy into the control - and life-support - of the State ever seen in peacetime;

- in a period of fragile and uncertain personal and corporate demand, can the tax burden be increased without further negative impacts on the recovery process, a fear all too familiar from the post Financial Crash era;
- and, will fiscal thinking dominate economic strategy as the potency of monetary policy is likely to be even lower in the post-crisis period than it has been in recent years, as private sector risk aversion and caution will increase (with memories of 2008 still present), meaning that the elasticity of private sector activity with respect to monetary conditions will be even lower.

We return to some of these challenges in a little more detail below.

Once again, the key unknown here, which bears heavily on these reflections, is how quickly the current crisis can be brought under control, and whether that control is sustainable, and whether the global economy has time to recover in time for the next challenge.

6. The impact on Scotland

The Fraser of Allander Institute has documented the course of the COVID-19 virus closely and its emerging impact on the Scottish Economy in a series of publications and short papers, and notably in the Fraser of Allander Institute *Economic Commentary, Corona Virus Special Edition*, of March 25, 2020 (Vol. 44, No. 1).²⁴ The Summary is included below:



The coronavirus pandemic represents the greatest public health crisis in a generation.

Whilst the health implications, particularly for those families involved, are the most important concern, it almost represents a massive shock to the global economy.

The scale of the potential outbreak – with up to 20% of all working age people impacted at any one time – coupled with an unprecedented public health response, which has led to an effective shut-down of large parts of our economy, is truly without precedent.

The channels through which the crisis will feed through to the economy are complex and wide ranging.

But what we can conclude is that our economy is already in a sharp downturn. Trying to put a number on the magnitude of this contraction at this stage is, frankly, impossible to do in any sensible way.

The underlying cause of the downturn should be temporary. People off-work will return. Activities postponed will come back on stream and gummed-up supply chains will gradually return to normal.

However, there are significant risks for the long-term. Risks that will increase the more substantial the public health effect of this pandemic.

Much of the usual economic activity that would have taken place in the past weeks and in the weeks to come will be gone forever.

Recessions typically bring with them 'scarring' effects, for individuals, businesses and the economy at large. These too can have their own implications on health and wellbeing.

Last week's announcements by the Chancellor were both a short-term insurance mechanism, and a long-term investment in our economic future.

Our economy will recover, but its future shape will look quite different. Businesses that respond flexibly, look after their staff, and plan ahead, will be stronger in the long-run.

Soon, as the immediate crisis passes, we are going to have to start to discuss how to rebuild an economy that might look quite different to the one that we knew just a few weeks ago.

In this Fraser of Allander Economic Commentary, we discuss what we know so far about the impact of the coronavirus pandemic on the Scottish economy. Economic forecasting at this time adds little value, and so instead we focus on some of the key issues to look out for in Scotland and assess the policy responses.

We are delighted to – once again – be supported by Deloitte.

Fraser of Allander Institute
March 2020

²⁴ <https://fraserofallander.org/scottish-economy/coronavirus-quantifying-the-impact-on-the-scottish-economy/>

In a short paper by the FAI, *Coronavirus: quantifying the impact on the Scottish Economy*²⁵ on April 7, 2020, the possible scale of the impact was considered, subject to the major qualification that the path of the crisis is simply unknown with any certainty, as summarised in the box below.

Box: Overall impact of COVID-19 on the Scottish Economy

Bringing all the modelling together suggests that, if this sort of lock-down were to continue for a 3-month period, we could expect to see around a 20-25% contraction in Scottish GDP.

Table: Summary of modelled impacts assuming lockdown restrictions for a 3-month period

| Sector | Modelled impact range |
|------------------|-----------------------|
| Agriculture | + 2-5% |
| Production | - 25-30% |
| Construction | - 40-50% |
| Services | - 15-20% |
| Total GDP | - 20-25% |

Source: FAI calculations

It is important to emphasise again that these are not necessarily an exact prediction for growth in (say) Q2 2020 but simply an illustration of the scale of the 'shock' we are seeing to the economy.

What this shows us is:

- The scale of this shut down and therefore the impact is completely unprecedented;
- Whilst it is possible to use other assumptions about the possible scale of the 'shock' to individual businesses and sectors, any reasonable set of assumptions – given the size of the sectors being impacted – points to the impact being very large; and
- Production and Construction will be harder-hit than Services overall, although parts of retail, Accommodation and Food Services and transport are will be most severely impacted.
- These impacts will have quite different regional implications.

²⁵ <https://fraserofallander.org/scottish-economy/coronavirus-quantifying-the-impact-on-the-scottish-economy/>

- Many of these effects will be temporary. Once restrictions are gradually lifted, then we should see some of these sectors bouncing back. To what extent, we don't yet know. As we pointed out here, it is likely to be a long-road to recovery.

In addition, more specific short papers and podcasts have been published very recently as the emerging crisis has unfolded: these focus on the key themes for Scotland, as set out in table below:

Box: The Fraser of Allander:COVID-19 short papers and podcasts

Economic performance and overviews:

[Coronavirus: quantifying the impact on the Scottish Economy](#) April 7, 2020

[This isn't a v-shaped recession](#) April 1, 2020

[Coronavirus policy round-up.](#) March 27, 2020

[The Coronavirus: What does it mean for people, businesses and the economy? FAI Economic Commentary. Podcast](#) March 26, 2020

The risks facing the Scottish economy and businesses:

[A question of risk](#) April 6, 2020

The impact upon the labour market in Scotland:

[Self-employment in Scotland and the new support measures](#) March 27, 2020

[Fair work and workplace practice in the current crisis. Podcast](#) April 3, 2020

Regional impacts:

[Regional impacts of the coronavirus pandemic](#) March 23, 2020

School closures:

[The implications of school closures for parents...](#) March 20, 2020

The impact on individuals and vulnerable households:

[The coronavirus and household incomes: liquidity constrained households in Scotland](#) March 17, 2020

[Update on claims to Universal Credit since the start of the shutdown](#) April 2, 2020

[Coronavirus support: can we stop people falling between the cracks?](#)
April 2, 2020

Beyond the short-term:

[Beyond short term economic impacts: a look at the long-term challenges](#)
March 24, 2020

Economics and government advice:

[Why economics tells us we should listen to the government's advice](#) March 23, 2020

The Fraser will continue to publish in this series of short papers and podcasts, and the June Economic Commentary will provide another opportunity to provide a more comprehensive look at the COVID-19 implications for Scotland's performance and for its all-important policy response.

7. The next phase

Many have spoken of this crisis as being a relatively short but serious dip in global and national demand and output, from which the return might be relatively smooth if companies can be protected, and capital and human assets can be maintained, thereby allowing a rapid restoration of economic activity²⁶. While each nation is experiencing a distinctive challenge and there are important differences in the evolution of their COVID-19 crisis, and governments are responding in a variety of ways – perhaps illustrating the uncertainty about the scientific and medical evidence as regards exactly how to respond, as well as the variations in the political and societal dynamics across nations that are sharply apparent now – many common issues of course exist.

Firstly, it is far from apparent that the health crisis itself will be short-lived, with the prospect of many months – or even a year or more? – until mobility can be safely and fully restored. This would imply some form of control on the movement of people into work and thus a much more prolonged period of reduced, if not zero, output in some sectors of the economy.

Secondly, it is by no means clear that demand will be restored to its former levels rapidly. Indeed, this seems exceptionally unlikely for many reasons. First, disposable incomes may continue to be very significantly reduced, not just due to on-going closures or restricted hours of work for non-essential companies, but also, as noted above, as the government comes to terms with the massive accumulation of public sector debt and seeks to begin the very long process of re-establishing sustainability in the public finances. Would we anticipate tax increases - perhaps significant - as one component of that adjustment process? The debate of the last decade over the nature and form of *recovery* and *austerity* will be once more thrust to the fore for many years.

In addition, the savings of many people may be seriously eroded during this period of reduced income, especially the significant number of those who do not seem to be able to benefit from the new measures of the Chancellor. For some people, personal debt levels are already rising, and these two factors will both act to suppress aggregate demand for a long time. Against this factor, it is likely that the restrictions in non-essential mobility will have led to increased savings for some households in which aggregate incomes held up during the lockdown and this might partly compensate for the former effect.

²⁶ See the Fraser of Allander Institute blog: *This isn't a v-shaped recession....*
<https://fraserofallander.org/miscellaneous/global-economy/this-isnt-a-v-shaped-recession/>. April 1, 2020

Similarly, corporate sector demand will be very sensitive to both the rate of recovery of domestic consumption and – equally problematic – the rate at which international trade is able to pick up and indeed is still affected by the nature of recovery in our key global export markets. International supply chains will also be subject to the evolving conditions in our key supplier markets. Corporate investment cannot therefore be assumed to bounce back if the uncertainties are still profound and the evidence of national and international recovery is weak.

It would seem that the magnitude of these demand side risks will be directly related not only to the length of this phase of the crisis - the full lockdown - but also to the nature of the second phase described above, in which there is a period of *very* cautious unlocking, as seems inevitable. Rolling lock-downs and partial lockdowns, and non-linear progress are a very real prospect over the rest of 2020 at least.

If we set these beside the supply side risks - as have heavily motivated the all-important UK Chancellor's measures - that may emerge as corporate assets do indeed suffer deterioration as the closures lengthen, and as some key staff may be victims of the virus, we see a picture that is full of uncertainty.

This perspective - from both the demand and supply sides - should lead to some hesitancy in anticipating a return to a *normality* – certainly not in the next 6 months, given the scientific knowledge that we have today.

Understanding the timing of the recovery phase is highly problematic but it is important to differentiate between the short-term measures that will be necessary to kick start the economy again as the lock-down is progressively eased - as the mobility of non-essential workers and the resumption of non-essential production is allowed - and the longer-term demand management and supply-side incentivising programmes that will need to be considered.

8. Lessons from the past?

In the 2008-09 Financial Crisis, the costs of bailing-out the banks and the other major associated costs were seen as unprecedented, which indeed they were. The impact on global central government debt to GDP ratios was of a scale unimaginable in current times, and the programmes of adjustment to restore ratios seen as more sustainable were equally major. Indeed, there continues to be an active debate about how far sustainability in the global financial system has been achieved. We can debate the basic strategy that underlay the response of national governments, and the rate and nature of the subsequent adjustment paths and the fairness of austerity, but there is no avoiding the fact that some form of adjustment was necessary, and would take at least a decade.

In the *IMF Global Financial Stability Reports* of October 2018 and October 2019,²⁷ the continuing risks to the global financial system, after 10 years of responding to the 2008-09 crisis, were highlighted, with the IMF's then Managing Director, Christine Lagarde, expressing concern that the total value of global debt, in both the public and private sectors, had grown sharply by 60% in the decade since the financial crisis to reach an all-time high of \$182tn (£139tn).

The IMF noted that: *"The sequence of aftershocks and policy responses that followed the Lehman bankruptcy has led to a world economy in which the median general government debt-GDP ratio stands at 52%, up from 36% before the crisis; central bank balance sheets, particularly in advanced economies, are several multiples of the size they were before the crisis; and emerging market and developing economies now account for 60% of global GDP in purchasing-power-parity terms – which compares with 44% in the decade before the crisis – reflecting, in part, a weak recovery in advanced economies."*

The resilience of the world financial system was therefore already being raised as a concern. The impact of COVID-19 on the national and global financial systems will now be very closely scrutinised as the support programmes are implemented and the timeline of the crisis is clarified.

It is hard to imagine how the global economy would have coped had the coronavirus hit in 2010, just a couple of years after the Financial Crash of 2008-09.

²⁷ <https://www.imf.org/en/Publications/GFSR/Issues/2018/09/25/Global-Financial-Stability-Report-October-2018> and <https://www.imf.org/en/Publications/GFSR/Issues/2019/10/01/global-financial-stability-report-october-2019>

Repairing the global economy rapidly and building the necessary global and national economic resilience will be a major challenge, especially if the global systems are to be readied to meet the next – whenever that might arise, but surely will need to be anticipated – global health crisis.

There is another crucial lesson from 2008-09, too. At the height of that crisis, the appreciation of the deep-seated and profound weaknesses of the global financial and economic systems were understood reasonably well, as were the necessary highly significant adjustments that were required for the future; some small, others at the heart of the entire system. As soon as the pressure began to ease and global meltdown began to look impossible, however, the pressure for fundamental change slowly dissipated, too. Enough was being done to recover; but it was questionable whether enough was being done to provide the resilience that was of paramount importance to drastically lessen the risks of similar future crises. This is a continuing concern.

It will be just as important with COVID-19 that the impetus to learn and change is not similarly dissipated.

Perhaps the primary point is that, in the recovery phases following the height of the COVID-19 crisis, while we shall need a major reconstruction of our economy and of our public services – not least, including the fundamental vision and the entire basis for the structure and financing and preparedness of the NHS – this will be taking place in the context of an immensely difficult macroeconomic context, notably with the public finances strained well beyond what we have previously considered to be a sustainable limit.

To state the obvious, such profound adjustment will be exceptionally demanding.

9. The global system: the interdependency of the economic, environmental, social and – now – health ecosystems

It is crucial not to be apocalyptic and overreact to the coronavirus crisis. No appropriate global strategic redirection will be born out of such a response. It is equally important, however, to acknowledge the global uncertainties and the highly significant areas of scientific uncertainty at this time, and just how serious some of the potential scenarios could be.

While the critical interdependence of global economic growth and the environment has eventually been acknowledged, and – belatedly – global policy is painfully and slowly being redirected to meet the alarming challenge here, as noted above, the interdependencies of our environmental and economic growth policies with our global health have received far less attention. Just how much does the environmental degradation of the planet impact on global health, and – most relevantly today – on the transmission of viruses from the animal kingdom into the human species? What does our science tell us?

One school of thought²⁸ strongly suggests, even if there may not yet be definitive evidence, that viruses historically lived in a more stable equilibrium within the animal and wildlife ecosystem and the broader environmental ecosystem – including the biological ecosystem – prior to the hugely significant environmental shocks of recent decades. It is suggested that these massive external shocks to the environmental ecosystem from human behaviour have drastically disturbed this equilibrium and thereby enhanced the probability of the transmission of viruses from the animal ecosystems into humans.

This increased risk is at the heart of the more concerning analyses of the COVID-19 crisis. Its implications may have once appeared alarmist and an over-reaction, but COVID-19 may well have abruptly demolished such complacency.

One academic,²⁹ Professor Thomas Gillespie, disease ecologist and Associate Professor, Emory University, has noted that:

²⁸ <https://www.theguardian.com/environment/2020/mar/18/tip-of-the-iceberg-is-our-destruction-of-nature-responsible-for-covid-19-aoe>

²⁹ Professor Thomas Gillespie, disease ecologist and Associate Professor, Emory University, Department of Environmental Sciences, Atlanta, Georgia.

“Pathogens do not respect species boundaries. I am not at all surprised about the coronavirus outbreak. The majority of pathogens are still to be discovered. We are at the very tip of the iceberg.

“Humans are creating the conditions for the spread of diseases by reducing the natural barriers between host animals – in which the virus is naturally circulating – and themselves.

“We fully expect the arrival of pandemic influenza; we can expect large-scale human mortalities; we can expect other pathogens with other impacts. A disease like Ebola is not easily spread. But something with a mortality rate of Ebola spread by something like measles would be catastrophic.”

In a second study published on April 8, 2020, Christine Kreuder Johnson, Director of the EpiCenter for Disease Dynamics at the One Health Institute, UC Davis School of Veterinary Medicine, wrote: ³⁰

“Spillover of viruses from animals is a direct result of our actions involving wildlife and their habitat,”

“The consequence is they’re sharing their viruses with us. These actions simultaneously threaten species survival and increase the risk of spillover.

In an unfortunate convergence of many factors, this brings about the kind of mess we’re in now.”

These sentiments are strongly echoed by Elizabeth Maruma Mrema, the Acting Executive Secretary of the UN Convention on Biological Diversity, who has called³¹ for the global ban on wildlife markets, banning the sale of live and dead animals for human consumption.³²

³⁰ Proceedings of the Royal Society B: <https://www.ucdavis.edu/coronavirus/news/link-between-virus-spillover-wildlife-extinction-and-environment/>

³¹ <https://www.theguardian.com/world/2020/apr/06/ban-live-animal-markets-pandemics-un-biodiversity-chief-age-of-extinction>

³² These are also referenced in <https://www.theguardian.com/environment/2020/apr/08/human-impact-on-wildlife-to-blame-for-spread-of-viruses-says-study-aoe>

More challenges to come: alarmism or realism?

The potential implications of this are, of course, profound. It re-emphasises a coherence to the global system that we have simply not appreciated sufficiently and which we have therefore not sought to understand and embed in our global vision.

If the imbalance in the natural ecosystem and the animal kingdom, in particular, is indeed critical, is it alarmist to anticipate future transmission of powerful viruses between species as has occurred with the coronavirus? And with what frequency?

National policy decision-making is ultimately driven by global and national visions, and global impact is the outcome of the amalgam of these disparate national policy decisions. Individually, and collectively, these risks will need to be addressed urgently, with a sharp focus on how *globally* they can be addressed much more effectively.

Many health risks from environmental degradation have been long understood, even if the response has been totally inadequate. If these are massively compounded by these newly understood health risks from environmental destruction, then the urgency is all too apparent.

10. Further reflections on responding to the global crisis

Political response

This crisis raises the most profound questions that may need to take our economic thinking back to a former age or, more realistically, to a new place where we embrace the realities of the modern world and the very real risks that have now been translated into the current crisis. Are we looking at national democracies defining economic policy – and, crucially, social and environmental policy too – as policy that provides a national resilience to global health challenges in a way that was unimaginable three months ago? Are we compelled to contemplate the meaning of greater self-sufficiency and self-reliance and less global dependence and global vulnerability?

But, disturbingly, is there a huge danger here of national economic isolation, or at least much greater degrees of isolation, bringing reduced levels of global collaboration, global goodwill, global analysis and global solutions, just when these global political behaviours are absolutely critical?

It is already noteworthy, and somewhat disturbing that, whereas the 2008 Financial Crash saw both international, multilateral and national responses to the financial crisis, the current COVID-19 crisis has seen only – or, certainly predominantly - national responses. Indeed, the recent competition and race to grab scarce global health resources for national needs, to the very blatant harm of other nations, has been perhaps the most unedifying sight in the global political arena. It certainly appears that the primacy of national thinking and national governments has been reasserted in the most worrying manner.

Perhaps in contrast, the international response in 2008-09 was rapid and coordinated, with central banks' collaborative action to the fore. The G20 was mobilised quickly and there were efforts to implement stimulus and support actions multilaterally with extensive joint governmental coordination.

In 2020, there are few such efforts. The initial governmental and central bank responses appear to have been purely national and uncoordinated.

Politically, the indisputable imperative of a global strategy and global action to address the climate emergency has – belatedly, but nonetheless slowly – started to bring steps towards the definition of a globally-coordinated solution. The COVID-19 crisis will urgently require something just as pressing and any post-crisis retrenchment will be disastrous.

However, there are real national political and economic challenges here too that cannot be set aside, as we live in the real world of political systems that have – especially in the more democratic ones - to respond to national pressures as well as global necessities.

Our international trading response

In the UK, imported food, pre-COVID-19, accounted for about 50% of UK food consumption, and fruit and vegetable imports accounted for about 75% of aggregate UK consumption. Similarly, very significant supplies of essential medicines and equipment are sourced from overseas markets. Is this degree of dependence compatible with the sudden closure of borders, possibly for many months, and with some restrictions potentially well into 2021? Is it compatible and deemed politically possible to retain such dependence in the face of future threats of a similar or greater magnitude?

The fragility of overseas supply to the UK is now evident for a variety of reasons, including the impact of the virus in the external producing nations on their own production, consequent on their own lock down responses; the vulnerability of transportation links as land mobility is severely restricted; the limitations of air transport to fulfil the need; and the reality of the transportation labour force succumbing to illness or being diverted by their personal and family pressures and staying at home.

Importantly, national governments are also imposing export bans – or severe restrictions - on their own production of key products to retain them for their own use, and such bans are no doubt both predictable into the future and hugely concerning for dependent nations. This relates not simply to the obvious needs of food and medicines and medical equipment, but equally to key parts for the maintenance of crucial capital assets that can impact across all economic sectors.

In the very immediate term, the challenges are already immense. The aggregate supply of food is a major concern and the distribution of that available supply to the most vulnerable people, in particular, is emerging as huge challenge, with potentially devastating consequences from system failure. See for example, the attached articles that highlight these crucial questions.^{33, 34}

On the other hand, how does a future UK food strategy, and the strategies for the four nations, balance these risks to external supply chains and a more internally-focussed policy

³³ <https://www.theguardian.com/world/2020/mar/27/millions-to-need-food-aid-in-days-as-virus-exposes-uk-supply>

³⁴ <https://www.theguardian.com/society/2020/mar/28/families-borrowing-buy-food-week-of-lockdown>

environment, with other key risks, as, for example, the risk of widespread crop disease in the UK that would significantly hit domestic supply lines. There are challenging and critical judgements to be made here, presumably with the overarching objective of maintaining the options to maximise resilience in the face of all these top priority risks.

Vulnerability to the fragility of medical supply chains is equally certain to feature in future thinking. For example, very significant supplies of both drugs and equipment are sourced in China, and, as has been demonstrated, very major lockdowns in China – even before the virus spread globally – increased the risk levels for all those dependent nations.

Public services: priorities, inequality and fairness

One of the most fundamental questions to arise from the COVID-19 crisis is to what extent society and its values might be transformed – both sharply and rapidly - by an external shock of such an incredible magnitude and by the introduction of previously unthinkable forms of personal and collective life. Will memories fade very rapidly if life appears to return to *normal*, or will the imprint of this period - likely to be personally devastating for a very significant proportion of our society – bring new ways of thinking and behaving?

Changing values and expectations will have profound implications for the society that we will seek to achieve and thus for the nature and objectives of our public services.

The economic implications of these potential changes are equally profound. They are not just questions of society's values and priorities, and of social organisation, but of how the economic and financial system should facilitate and support such change, and how public services are designed and targeted to these outcome goals.

For example, as noted above, how, in future, might the most vulnerable in society be cared for; how specifically will society wish the State to support the most disadvantaged and poorest in society over the longer term – and not just in crisis situations - in the new political and social climate that may well emerge?

One example of this is provided in the valuable set of insightful thoughts by Katherine Trebeck³⁵ who looks at how the nature of our post-crisis society might evolve. How far these kinds of more fundamental thinking become an established part of the post-crisis debate is impossible to know. But, as just one example, the current composition and existing working contracts of the key workforce in this crisis – the absolutely “essential

³⁵ <https://bellacaledonia.org.uk/2020/03/20/building-back-better-depends-on-addressing-the-new-divides-in-our-economy/>

workers” in the health sector and in other critical economic sectors in this first humanitarian phase – is a direct challenge to the *status quo* and to the values that have underpinned the reward structures of the established economic system in almost all nations. That much appears unavoidable.

A second example would be how the nation cares for both its elder folk and its most vulnerable younger folk. The profound concerns in the UK about the pre-COVID-19 state of the adult care system were already worrying. Major challenges from bed-blocking, seriously underfunded local authority care systems, the understaffing to implement required improvements, the still relatively underdeveloped integrated care systems and the weaknesses of community care, all combined to create a fragile system that was not providing the quality and consistency of care that was arguably necessary. Indeed, many political figures and observers³⁶ had made important contributions to this effect, including the UK Prime Minister, the BBC and AgeUK.

The failure to address these major issues in the elderly care system over past decades is now exposed in a striking way, as the occupants of care homes – already subject to standards of care and personal dignity that have often not been seen as appropriate – and indeed those at home and reliant on life-line care services, are found to be unacceptably protected from the severe threat of COVID-19.

Equally, the emerging risks within the child protection and alternative care systems, as the crisis intensifies, are being exposed as equally unacceptable, with the prospect that both the children known historically to be *at risk*, and those who – in this new environment of 24-hour isolation – have unexpectedly found themselves in danger of abuse and neglect as family pressures mount, face very significantly increased risk levels.

The capacity of the already over-stretched professional expertise within the social work and educational systems to identify the new *invisible at-risk* children in this crisis is one of the greatest challenges we face today. Responding effectively to both groups of *at-risk* children is, of course, *the* ultimate challenge here; and prioritising the contribution of these children to finding solutions is a key element. The intense pressure on our systems to care for these

³⁶ The PM, Boris Johnson said on August 23, 2019: “.....*what I am announcing now is.... that we will fix the crisis in social care once and for all ... to give every older person the dignity and security they deserve...*” https://www.youtube.com/watch?v=IDasefPda7s&feature=emb_title

Similarly, BBC Panorama had highlighted concerns in August 2019: <https://www.bbc.co.uk/programmes/m0005jpf> and <https://www.bbc.co.uk/programmes/m0005qqr>

AgeUK identifies the care crisis too: <https://www.ageuk.org.uk/our-impact/campaigning/care-in-crisis/pennys-postbag/>

children – both from the perspective of children's abuse and their safety, and with respect to the intensity and impact of child poverty – raises very profound long-term questions for society and thus for national governments.

Insufficient prioritisation of these societal-defining concerns over many decades, and low levels of preparedness for the risks that this crisis has brought, may trigger major thinking of how future systems are designed.

If such debates do indeed take root in the post-COVID-19 environment, it will take time for them to crystallise into well-defined strategic visions, underpinned by financial and economic programmes, and into specific public policy. However, it is already clear that, with or without the most profound reformulation of societal priorities, the strategic planning of the future of our public services will need to be tackled with the economic and financial insight to the fore.

Balancing the aspirations and visions of society, the urgent needs of many parts of society, the acknowledged rights of individuals – often underpinned by international commitments, in principle - with the icy cold realities of scarce resources, and notably the availability of financial and human resources to effectively deliver on key objectives, will be the greatest challenge of the recovery phase.

Achieving an agreed political vision for such change will be a massive – and daunting? – task.

11. Global inequality and international development

There are many other dimensions to this complex picture, of course, as regards the dangers of isolationism and of a purely inward-looking concern for one's own nation and its people's well-being. As was noted above, the environmental emergency has indisputably proved this to be an immensely interdependent world, where collective and collaborative action is critical for many issues. COVID-19 re-emphasises this yet again.

The lower income nations are especially vulnerable to any move to look inward by the higher income nations.

It is now apparent that Africa will probably be one of the most devastated parts of the planet because of the COVID-19 virus, with the prospect of a generation of older people and the more vulnerable adults and children being victims. In the context of earlier overwhelming shocks that have hit Africa in recent decades, including the HIV crisis which itself decimated many communities and especially young adults and middle age folk, this crisis has the potential to set back development in these nations by many decades. Abdicating from their responsibilities by turning inward would seem totally unacceptable by the higher income nations at this time, and indeed throughout the further phases of this crisis that are yet to be defined.

At this time, the gross inequality between nations and the imperative of addressing these, as encapsulated in the *United Nations 2030 Agenda* and the *Sustainable Development Goals*, cannot be quietly dismissed or down-graded as a problem when the richer nations become totally preoccupied by their own health objectives. As one clear example, international trade has long been seen as the key route to international development. Severe restrictions on trade or a sharp repositioning of the richer economies to reduce the demand for imported food would have devastating impacts on many of the poorer nations, especially in Africa.

Moreover, the threat from our inattention to the poorest nations might prove exceptionally costly – even from a narrow parochial standpoint - if the virus is allowed to circle back into the rest of the world again from an uncontrolled spread across these poorest nations. This is seen³⁷ as a serious risk to be addressed immediately and yet another demonstration of the global nature of the thinking and strategy that is required to resolve this global crisis.

³⁷ https://www.washingtonpost.com/opinions/global-opinions/wealthy-nations-pandemic-fight-doesnt-stop-at-their-borders/2020/03/24/94afdae8-6e0c-11ea-b148-e4ce3fbd85b5_story.html

12. Concluding thoughts

There are therefore some immensely difficult choices that will have to be made in the aftermath of this global crisis – ultimately, a hugely complex multi-dimensional crisis of global health, global economics, the global environment and global society.

Resolving the current humanitarian phase of the crisis is absolutely and unambiguously the top priority now, but defining the structures of a new globally coherent and sustainable world will be so urgent.

And, underlying many of these issues is the question of what societies will accept: will they be prepared to accept new behaviours and relinquish established ways of life that they have come to assume as a right? Which societies – and it will differ massively across the globe and indeed within nations – will be willing to forego the benefits assumed as their *normality*?

Until the science can provide more reassuring assessments of the future course of COVID-19 and about the evolution of the transmission and mutation of viruses, it seems the highest priority with which to grapple is how a sustainable economic system can be defined in this new context, that not only addresses the more familiar inequality and environmental imperatives, but also the immense global health risks.

Professor Andrew Goudie

Fraser of Allander Institute

April 9, 2020

13. Annex: FAI COVID-19: Long-term implications for Scotland

Forthcoming papers, podcasts and webinars.

These will broadly fall under four themes:

1. Global/macro issues

- Links between global public health & global economy
- Risk readiness
- Implications for 'Grand Challenges' - e.g. climate change

2. Governance & Institutions

- Devolved vs. reserved institutions
- Deliverability of support schemes
- Implications for Scottish Budget
- Debates around role of the State (the *economy of last resort*)

3. The economy

- Underlying structure of our economy - who wins/who loses
- Regional impacts across the UK
- Outlook for key sectors
- Future labour market – including the gig economy
- Outlook for productivity

4. People & households

- Home working/wellbeing
- Poverty/child poverty
- Household incomes and inequality
- Asset values and pensions
- Inter-generational equity



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