

FACE MASK ECONOMICS...

... but the stats can't hide the real story.

On COVID-19 and the end of macro-economic policy making

By Bart Le Blanc

- *The IMF's latest World Economic Outlook points out that the global economic situation is worse than thought before: a bigger drop in GDP from lockdown, a shallower recovery and big differences between regions and countries (China +1% GDP growth in 2020, the US -8%, the UK -10%, Italy and Spain a whopping - 13%).*
- *But while many economic policymakers continue to focus on macro-economic data (face mask economics: hiding pain), the real story is told by the statistical data on behaviour of economic actors. Never before were statistics so popular. Since the start of the COVID-19 pandemic, we devour with gusto the daily reports on the impact of public health and lockdown measures.*
- *The COVID-19 stats tell a story of a 'new normal' emerging with very different patterns on the ground, across sectors and regions and at individual levels.*
- *COVID-19 and the lockdowns have drawn deep furrows in the social economic landscape: Shops and city centres and commercial property owners are suffering. Home working and schooling, and video meetings changed the way we work and live, but not for everyone. Luckily the natural environment flourished with lesser and different transport and traffic patterns.*
- *These developments merge with concurrent, other BIG trends for a fairer and greener society but they will also feel the impact of the severe economic downturn which will make the suffering and increased inequality more painful.*
- *The data make it abundantly clear that traditional macro-monetarist economic policy won't work: It is like target shooting with a buck shot. The recently published 'Angrynomics' by Eric Loneragan and Mark Blyth (a sure must-read) elaborates on the disconnect between the economic models and 'the world as many experience it' which is feeding the anger.*
- *The post COVID world demands pro-active and targeted policies on work, organisation and leadership, on a fair and equal (international) society, on climate change and transport and energy transition and infrastructure.*
- *NOT back to BIG government but the new way of governing demands a different approach: participative, more data based, polling-driven and agile.*

1. 'A Crisis Like No Other, An Uncertain Recovery'

The latest IMF World Economic Outlook Update (title in heading) is disturbing reading.

Let us look at the recently published IMF World Economic Outlook Update.

The grim message is: it is going to be far worse than we earlier feared...

Global GDP growth is not -3% but closer to -5% for this year and the recovery is less buoyant than forecasted in April. The divergence in growth rates across countries is even more pronounced with China showing +1% GDP growth in 2020 versus the US with -8%, European countries such as the UK more than -10% and Italy and Spain at almost -13% for the year.

	Year over Year					Q4 over Q4 2/		
	2018	2019	Projections		Difference from April 2020 WEO Projections 1/		Projections	
			2020	2021	2020	2021	2019	2020
World Output	3.6	2.9	-4.9	5.4	-1.9	-0.4	2.8	-3.5
Advanced Economies	2.2	1.7	-8.0	4.8	-1.9	0.3	1.5	-7.2
United States	2.9	2.3	-8.0	4.5	-2.1	-0.2	2.3	-8.2
Euro Area	1.9	1.3	-10.2	6.0	-2.7	1.3	1.0	-8.6
Germany	1.5	0.6	-7.8	5.4	-0.8	0.2	0.4	-6.7
France	1.8	1.5	-12.5	7.3	-5.3	2.8	0.9	-8.9
Italy	0.8	0.3	-12.8	6.3	-3.7	1.5	0.1	-10.9
Spain	2.4	2.0	-12.8	6.3	-4.8	2.0	1.8	-11.4
Japan	0.3	0.7	-5.8	2.4	-0.6	-0.6	-0.7	-1.8
United Kingdom	1.3	1.4	-10.2	6.3	-3.7	2.3	1.1	-9.0
Canada	2.0	1.7	-8.4	4.9	-2.2	0.7	1.5	-7.5
Other Advanced Economies 3/	2.7	1.7	-4.8	4.2	-0.2	-0.3	1.9	-5.1
Emerging Market and Developing Economies	4.5	3.7	-3.0	5.9	-2.0	-0.7	3.9	-0.5
Emerging and Developing Asia	6.3	5.5	-0.8	7.4	-1.8	-1.1	5.0	2.4
China	6.7	6.1	1.0	8.2	-0.2	-1.0	6.0	4.4
India 4/	6.1	4.2	-4.5	6.0	-6.4	-1.4	3.1	0.2
ASEAN-5 5/	5.3	4.9	-2.0	6.2	-1.4	-1.6	4.6	-1.4
Emerging and Developing Europe	3.2	2.1	-5.8	4.3	-0.6	0.1	3.4	-7.0
Russia	2.5	1.3	-6.6	4.1	-1.1	0.6	2.2	-7.5
Latin America and the Caribbean	1.1	0.1	-9.4	3.7	-4.2	0.3	-0.2	-9.0
Brazil	1.3	1.1	-9.1	3.6	-3.8	0.7	1.6	-9.3
Mexico	2.2	-0.3	-10.5	3.3	-3.9	0.3	-0.8	-10.1
Middle East and Central Asia	1.8	1.0	-4.7	3.3	-1.9	-0.7	...	...
Saudi Arabia	2.4	0.3	-6.8	3.1	-4.5	0.2	-0.3	-4.4
Sub-Saharan Africa	3.2	3.1	-3.2	3.4	-1.6	-0.7	...	...
Nigeria	1.9	2.2	-5.4	2.6	-2.0	0.2	...	...
South Africa	0.8	0.2	-8.0	3.5	-2.2	-0.5	-0.6	-2.1
Memorandum								
Low-Income Developing Countries	5.1	5.2	-1.0	5.2	-1.4	-0.4	...	...
World Growth Based on Market Exchange Rates	3.1	2.4	-6.1	5.3	-1.9	-0.1	2.3	-4.9
World Trade Volume (goods and services) 6/	3.8	0.9	-11.9	8.0	-0.9	-0.4	...	...
Advanced Economies	3.4	1.5	-13.4	7.2	-1.3	-0.2	...	...
Emerging Market and Developing Economies	4.5	0.1	-9.4	9.4	-0.5	-0.7	...	...

Source: IMF World Economic Outlook Update, June 2020

The IMF highlights the extra ordinary 'double whammy' of falling consumer spending and of capital investment during the current COVID-19 lockdown:

'In most recessions, consumers dig into their savings or rely on social safety nets and family support to smooth spending, and consumption is affected relatively less than investment. But this time, consumption and services output have also dropped markedly.... Firms have also cut back on investment when faced with precipitous demand declines, supply interruptions, and uncertain future earnings prospects. Thus, there is a broad-based aggregate demand shock...'

No wonder that the world-wide loss of output is unprecedented and will take years to overcome.

The corona pandemic and government responses to the ensuing public health crises have created massive human grief, social upheaval and economic destruction on a massive scale all over the world.

They also have created an unprecedented wave of data on the spread of the COVID-19 virus, on government response and the social and economic impact and the lockdown measures that followed.

Against the backdrop of the IMF's gloomy economic outlook one might have assumed that economic policy makers would grab the opportunity to rake over this newly found treasure of data and statistics and draw new insights from them. But the economic policy debate seems to remain dominated by macro numbers of GDP growth, unemployment, inflation, etc. My focus is however on *what is (not) done with these data?*

2. COVID-19 pandemic and national government response

Many countries had their own national policy response to the pandemic. However, a number of similar key features can be found in the government action programs although in varying combinations of intensity and speed.

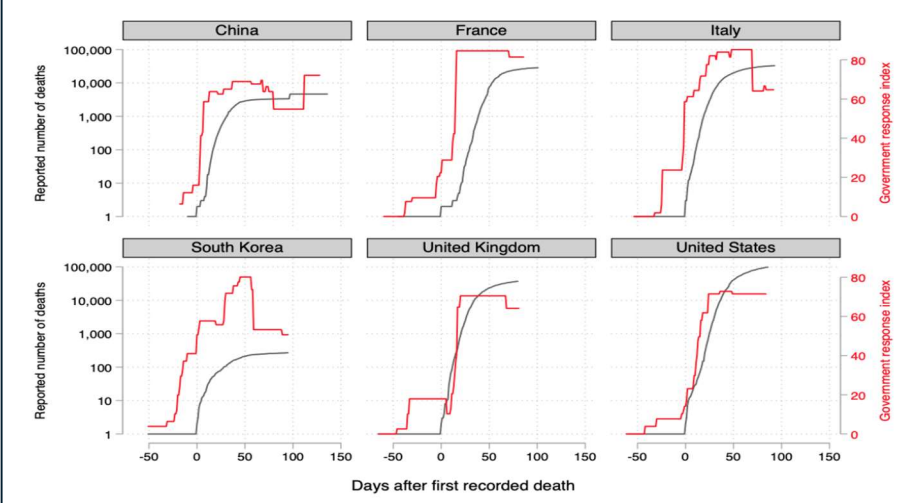
The table below is inspired by the OECD's excellent website section 'Tackling corona virus (COVID-19)'. It groups different actions applied across the world in some key categories.

Containment Measures	Public Health Actions	Economic/Fiscal Stimuli
School Closures/Home schooling	Public Communication Campaigns	Temporary Payroll Support
Workplace Closures/Home working	Test & Trace	Debt relief/Payment Holidays (mortgages, credit cards, etc.)
Cancellation Public Events & Limits on Public Gatherings	Emergency Health Facilities Spending	Fiscal Stimulus
Reduction of Public Transport	Personal Protective Equipment	Monetary Easing
Stay at Home & Self Isolation/Quarantine	Face Masks	
Social Distancing	Vaccine & Treatment Medication	
Border Closures & Limits on International Travel		

Oxford University's Blavatnik School of Government recently published a study on government responses across the globe and graded them in terms of speed and strength of action. The Oxford researchers classified the responsiveness of governments to the developing pandemic in a 'Global Responsiveness Index' (Thomas Hale *cs*, *Variation in government response to COVID-19*, May 2020). As was clear from the outset government action differed greatly from the *pandemic deniers* to the *cautious preventers*.

In most countries public health measures aimed at controlling the spread of the virus were launched well before the death rate of the COVID-19 infections started to rise, but - as the graphs below illustrates - this was not the case everywhere.

Figure 3: Reported COVID-19 deaths and government response index, selected countries



Source: Hale c.s.: 'Variations in Government Response to COVID-19' Blavatnik School of Government, Oxford University, May 2020.

It may not surprise that in countries where governments were relatively slow to react (see in graphs the UK and US but also Brazil and Sweden), efforts to control the spread of the COVID-19 virus were less successful than elsewhere.

The level of infections and fatalities in Brazil, Sweden, the UK and the US could have significant socio-economic consequences as uncertainty over the future of the virus remains undermining confidence and as a result undermining the recovery. In this context, the upbeat economic forecast of the Bank of England is surprising: *"There is a debate about which letter of the alphabet will best describe the path of the economy, with some scepticism about the V-shaped scenario path in the Bank's May Monetary Policy Report (MPR). It is early days, but my reading of the evidence is so far, so V..."* (Bank of England, Second Quarter speech, Andrew G. Haldane, 30 June 2020).

So far so political...

3. 'Para, Para, Paradise' of data

Statistics and data comparisons have dominated media and the political and socio-economic debate since the start of the pandemic at the end of last year (remember the Wuhan meat market?).

Daily updates on the number of infection cases, on death in and out of hospitals with local and regional break-downs and build-ups in all different demographic segments are presented, constantly updated and refined, discussed by experts, interpreted by health and other experts, statisticians and commented on.

In addition to these public health data, a new wave of pandemic-derivative data is published: on government action and on their impact on life and consumer behaviour, on transport and migration data, on energy usage, the environmental impact and much more.

So, what did economists do with this new goldmine of data?

Not much by the current looks of it.

The IMF and the OECD seem to plough on with their stereotypical macro-economic advice and policy recommendations.

3.1 Veblen, Kahneman and Angrynomics

For the transformation to a balanced post COVID society, policy makers need to study the data across sectors and disciplines. They should avoid automatically focusing on the traditional well-trodden route of macro data and statistical averages. Economists have long ignored the driving force of consumer behaviour in the development of consumption as macro-economic factor. The traditional neo-classical view was goods were bought and sold via markets depending on supply and demand determining the price. And consumers behaved rationally in their choices. At my economics faculty, there always was some disdain for the subject 'marketing studies'. How wrong we were!

It was only in the early 20th century that the American economist and sociologist of Norwegian descent Thorsten Veblen developed a first economic theory of consumer behaviour. Even after Veblen, it took a long time before the consumer became a serious subject of economic theory. It was only with the rise of 'behavioural economics' that Daniel Kahneman and Amos Tversky firmly placed behaviour in the core of current economic thinking.

Hedge fund manager Eric Loneragan and economics professor Mark Blyth very recently published their fascinating '*Angrynomics*'. The book summarises the many problems of macro-economic policy making: '*Economics is a powerful map of the world.... but increasingly fails to describe what most of us experience and care about.*' They argue that economists do not see the disconnect "... between our models and what is actually happening in the world" and their pursuit of 'steady progress in "GDP per capita"' seem to ignore "the dramatic and disconcerting societal change" (see: Introduction to *Angrynomics*, Agenda Publishing 2020).

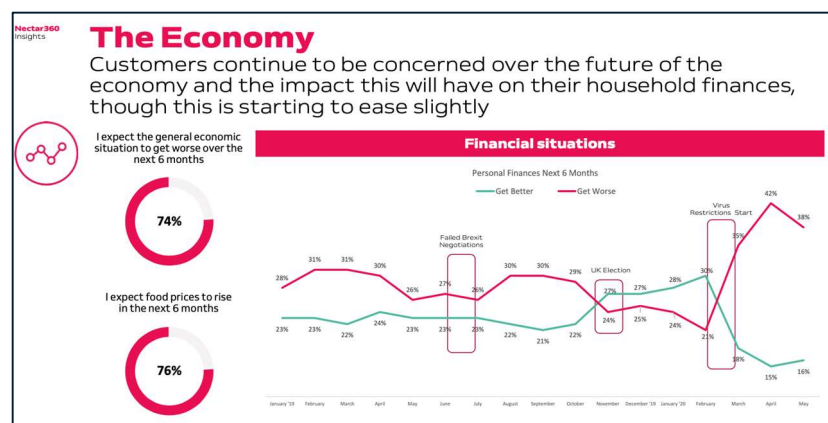
Hence my 'face mask economics' qualification: it hide emotions and the real pain felt.

3.2 Consumer behaviour: changing patterns, winners and losers, acceleration of internet shopping and second order effects (property?)

With '*Angrynomics*' in mind, what then does the data on consumer behaviour during COVID-19 and lockdown teach us about the possible shape of the post-corona economy.

Let's start with the obvious: The COVID-19 virus and the many public health measures including lockdown have had a serious negative impact on people's confidence in their future personal, societal and financial situation.

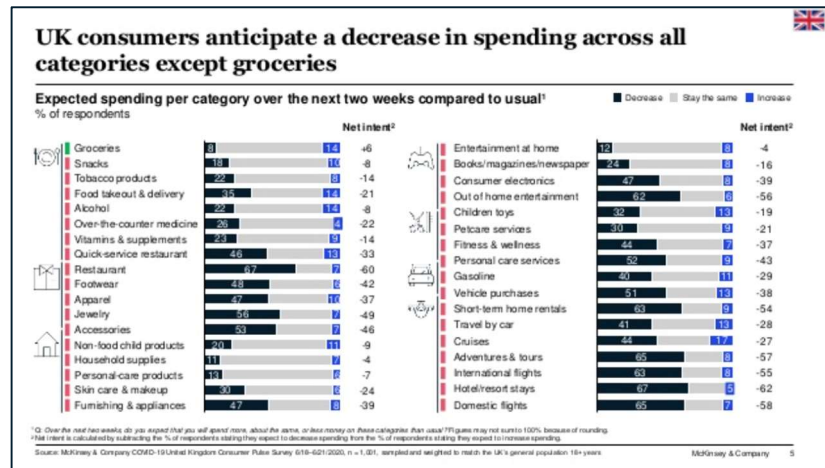
The graph below from the Nectar 360 Insight reporting show the significant increase in the net negative confidence levels of consumers in the UK.



Source: Nectar 360 Insights

This dent in consumer confidence had a varying impact on different categories of consumer spending.

Logically all spending in closed-down sectors such as entertainment, hospitality, fashion and accessories, holiday rentals, cruise holidays, business travel, have suffered significantly (see McKinsey reporting on UK consumer behaviour below).



Source: McKinsey COVID-19 United Kingdom Consumer Sentiment, June 2020

The grocery sector was the only retail sector reporting a net increase in consumer spending during the lockdown. But even in groceries the 'normal' consumer pattern changed: Nectar Insight reported a drop in the frequency of shopping but significant increases in the levels of spending per shopping.

A surprising fact is that this pattern affected both physical (to be expected) **and** internet shopping (huh ??) regardless the overall shift from physical shopping trips to supermarkets to web-based shopping.

Food for thought for marketing analysts!

In summary, the above data point at important issues for the future such as:

- Consumer spending in many areas may (partially) recover from big drops in sales during lockdown such as in fashion, footwear, accessories, furnishings and even in consumer electronics, jewellery and cars. For other categories a gloomy future could lie ahead and much of the traditional travel industry (business and pleasure) may be doomed.
- Even in the case of some recovery in post-lockdown consumer spending, the shift towards internet shopping will have undergone a structural acceleration. Physical shopping activity may never return to the earlier levels.
- In addition, the impact of a prolonged severe recession and resulting high levels of unemployment will have an impact on future income expectations. This will lead to more cautious consumption spending for some time to come, particularly in high spending categories such as cars, jewellery and consumer electronics.
- A significant second order effect will be felt in the property sector, where demand for hotels and shopping malls will come under pressure and may require revamping.

3.3 Changing Business: the future of work, business meetings and leadership?

As to be expected, COVID-19 and the global lockdown has had an enormous impact on the use of Internet services and applications all over the world.

We have seen a staggering jump in business video conferencing as workplaces were closed and many people were working from home.

The closure of schools and universities lead to a boom in home education and home schooling. And not going out meant that home entertainment services (including gaming and gambling) did get a real boost.

There's much data available to illustrate this.

The simplest way is to look at sales data from the big providers of such services like Zoom, Amazon, Alibaba, Google, Netflix and others.

All of them have seen exploding sales figures even in the first quarter of the year when lockdown was still predominantly an East Asian phenomenon and in the process of being launched in March in Europe and the US.

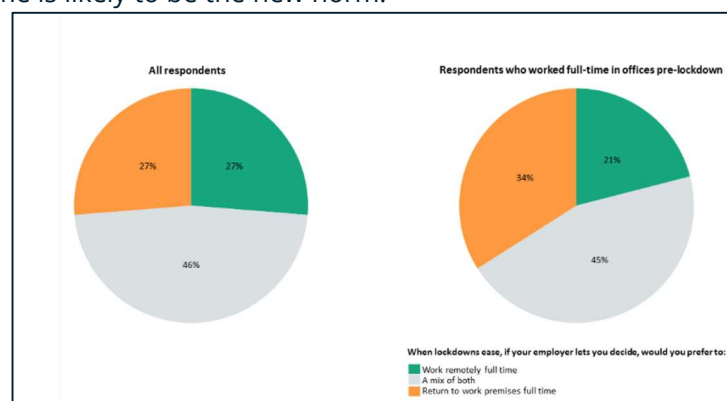
The sales figures for quarter 1 show already the impact of sharply increased digital use and shifting physical shopping to on-line: Alibaba +36%, Zoom + 49%, Amazon +26%, Google/Alphabet +33%, Netflix +23%. Undoubtedly the second quarter with lockdown situations everywhere around the globe will show more buoyant sales figures.

The earlier quoted McKinsey study concluded that much of that shift to on-line activity for consumer spending is here to stay.

The same is happening in the business world. A steady progress of increased use of video conferencing was already underway; COVID-19 has speeded up this development to levels previously beyond belief as the Zoom video communications data since the start of the year show.



The same applies to working at home. All the data currently show that we seem to be moving towards a future with a mix of office and home working. The graph below illustrates that even for people who were full time office workers before COVID-19 , the majority think that working away full time or part time is likely to be the new norm.



Source: Ship-Technology polling data June 2020

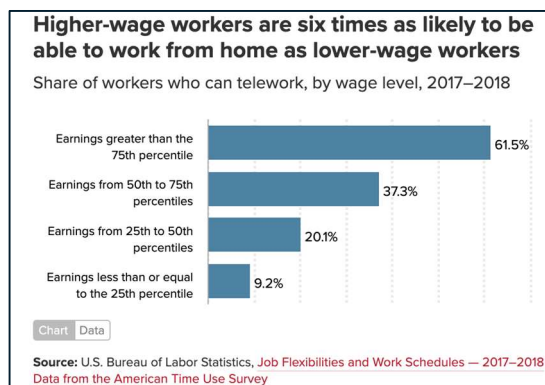
These significant changes in the way we work will have an impact on corporate cultures and management styles. This cannot be underestimated.

Traditional management practice is based on organisational structures which until now assumed visibility of bosses and subordinates and to a certain level also 'control' over working practices (including the number of coffee breaks).

The new way of working will raise many questions. How to ensure staff to comply with the corporate values and follow the culture and the ethics standards required? How to assess performance when communication and management controls are all virtual? How to manage a team that nobody has never seen them together in one place?

it is remarkable that social science in its different applications has not (yet) actively participated in this debate.

One should however not overlook that the workplace-home working choice is not for everyone. The graph below illustrates that data from the US imply that the flexibility of home working increases with the level of work, or at least the level of pay.

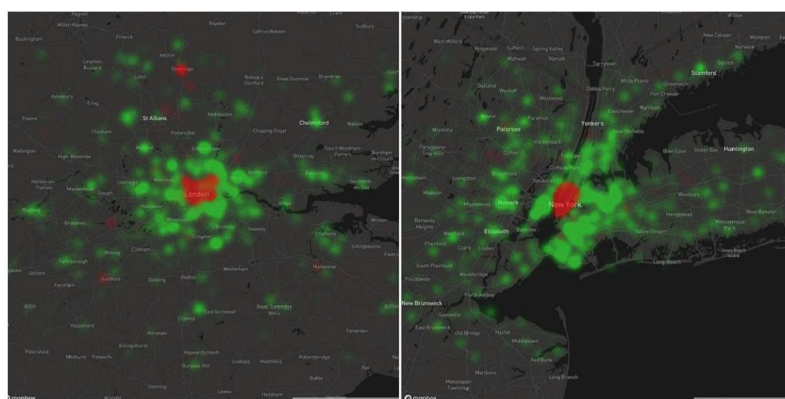


If this is a trend that has not been changed in the COVID-19 lockdown experience (and anecdotal evidence does not indicate this), a new inequality issue is emerging.

The lower paid workers will not enjoy the same level of flexibility in working remotely or from home as the top earners.

Apart from the earlier mentioned change in transport and traffic volumes, the increased internet use has resulted in a clear shift away from the traditional places of work in city centre offices and business centres toward residential areas.

The Cloudflare internet use heatmaps of London and New York during the lockdown show the change in internet data use between mid-February and mid-March 2020 (red means a decrease, the green an increase).



Change in internet use in London (left) and New York (right) between Wednesday 19 February and Wednesday 18 March. Red shows a decrease in traffic, green shows an increase. (Cloudflare)

It illustrates a visual 'out of office' trends in red (Manhattan, Central London) and a move to more (green) working from home in the surrounding residential areas.

This has naturally led to infrastructure issues which were generally helped by changes towards a more balanced use of internet data traffic during the day away from peak times use dictated by working hours. However, a sustained shift towards more remote/home working may require in many countries a thorough review of available broadband networks and infrastructure and it is obvious that emerging economies will need to live with some significant investment hurdles in this area.

Some the business behavioural data have given important food for thought for future policy making.

- *The lockdown has clearly accelerated the already existing trend of flexible working and virtual business meetings. The extreme increase during lockdown may well calm down a bit, but the general satisfaction of businesses and workers of enhanced flexibility and reduced costs will ensure that flexible working and mixing home/office/remote working become mainstream in many businesses.*
- *These newly won working practices are not for everyone. Some jobs will continue to demand physical attendance and they are strongly concentrated in the lower skilled jobs (and pay) echelons. This could mean that a new type of inequality is establishing itself with lots of 'have flexibility' and an improved work/life balance and many 'have-nots'.*
- *Leadership and management practices will need to adapt to a situation where physical proximity is not the rule anymore. So new methods of organising businesses and team leadership needs to be developed.*
- *Whether the existing infrastructures are sufficient to sustain this new way of working remains to be seen. Currently the access to reliable broadband is patchy across the world and even in the most developed countries. A major infrastructure masterplan is urgently needed with special attention to the future place of emerging and poorer countries (which cannot be left out!)*

3.4 Migration and Transport behaviour: less AND greener mileage, different infrastructure demands

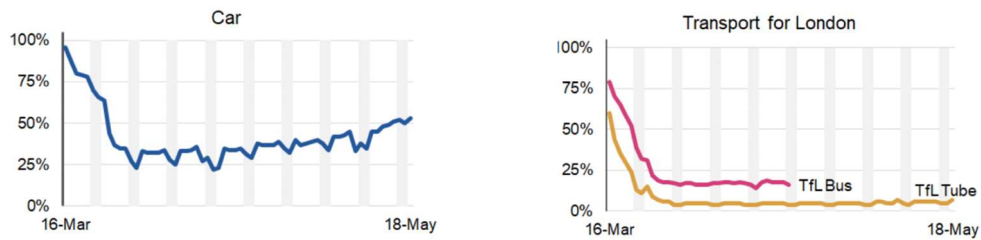
It was unavoidable that transport volumes and travel movements would drop of a cliff during lockdown.

A combination of Google and EU Mobility data illustrate this (see following table). Please note that data from China are almost non-existent as Google is prevented from collecting and publishing them.

COVID-19 travel/mobility data 23 May 2020 in selected countries (Google and EU mobility data during corona virus pandemic).

	Germany	France	UK	Netherlands
Traffic Congestion (Tom-Tom data)	-18%	-67%	-71%	- 43%
Air travel reduction (Euro Control data)	-98%	-98%	-82%	- 86%
Shopping travel (Google Mobility)	-39%	-41%	-59%	-40%
Travel to Work (Google Mobility)	-30%	-40%	- 55%	-40%

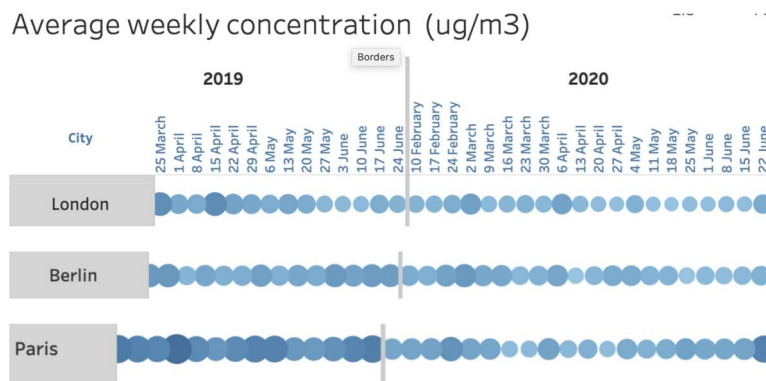
The UK Government Department of Transport statistical data over most of the lockdown period provide show a similar trend with even bigger falls in public transport in locked-down London, where the underground system basically came to a halt (see graphs below).



Source: Department of Transport June 2020.

As to be expected, the reduced traffic volumes and the more even spread of transportation needs during the day/week have had a beneficiary impact on the environment.

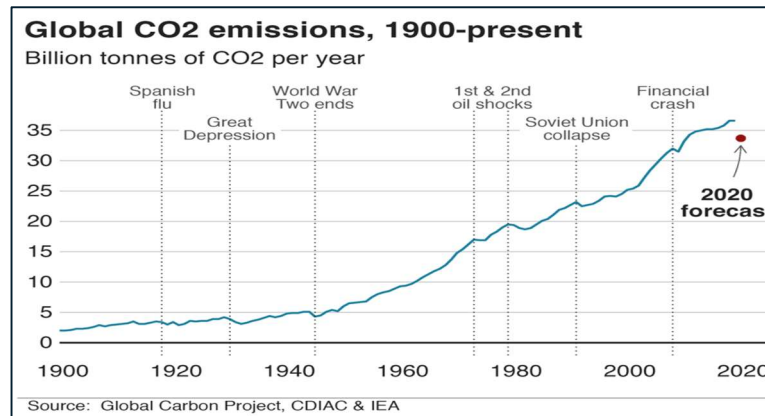
Data from the European Environment Agency show a substantial improvement in European capital cities' air quality during lockdown, which was particularly marked in Paris also given the nature of its metropolitan road network and its geographical situation.



Source European Environment Agency: Air Quality and COVID-19

Environmental issues related to transportation will become a more prominent political issue. President Macron already made this clear in an interview in the middle of the COVID-19 crisis in an interview with the Financial Times on 16 April : *'When we get out of this crisis people will no longer accept breathing dirty air People will say: 'I do not agree with the choices of societies where I'll breathe such air, where my baby will have bronchitis because of it.'*

Can we keep (part of) the benefits of less greenhouse gasses through less traffic and industrial pollution? If yes, we might see for the first time in 100 plus years a reduction in CO2 emissions. That is something that many thought impossible.



While the re-opening of economies in many countries may bring back some of the transportation and manufacturing induced pollution, it is striking that many recovery government action plans contain incentives for a transition towards a greener future (see table below).

The world's 'green recovery' plans to cut emissions after coronavirus
Sort the criteria by column heads of filter via the website link

Filter:

Country	Sector	Subsector	Description	Date	Status	Amount (USD)	Amount (local)	Type	Source document	Further coverage
European Union	Agriculture		The European Commission's plan includes an increase to the budget for the European Agricultural Fund for Rural Development, given the role farmers have in the 'green transition'.	27/05/2020	Proposed	\$16.94bn	15.00bn	Spending	eur-lex.europa.eu	
Germany	Buildings	Energy efficiency	Extra funding for a CO2-focused building renovation programme, with an additional €3bn in 2020 and 2021 taking the annual totals to €2.5bn.	03/06/2020	Agreed	\$2.26bn	2.00bn	Spending	www.bundesfinanzministerium.de	www.climateenergy.org
Germany	Buildings	Adaptation	Support for smaller municipalities to access the national climate protection initiative, with extra funds during 2020 and 2021.	03/06/2020	Agreed	\$0.11bn	0.10bn	Spending	www.bundesfinanzministerium.de	
European Union	Buildings	Energy efficiency	Aim under the European Commission's proposal would be to 'at least double' the annual renovation rate of existing building stock through regulatory and financial support, such as doubling it.	27/05/2020	Proposed		0.10bn	Spending / Regulation	eur-lex.europa.eu	www.euractiv.com
Denmark	Buildings	Energy efficiency	The Danish government has proposed funding for green renovations to social housing between 2020 and 2024. This includes measures such as insulation, window replacements and replacing oil-fired heating.	01/05/2020	Proposed	\$4.55bn	30.00bn	Spending	www.stm.dk	
United Kingdom	Buildings	Energy efficiency	A £2bn 'green homes grant' voucher scheme to fund home efficiency improvements such as insulation during financial year 2020-21. The vouchers will cover up to two-thirds of the cost of work.	08/07/2020	Implemented	\$2.52bn	2.00bn	Spending	www.gov.uk	www.carbonbrief.org
United Kingdom	Buildings	Energy efficiency	A £1bn programme for this year to make public buildings greener, including schools and hospitals. It will fund energy efficiency and low-carbon heat upgrades.	08/07/2020	Implemented	\$1.26bn	1.00bn	Spending	www.gov.uk	www.carbonbrief.org
United Kingdom	Buildings	Energy efficiency	A £50m demonstration project for retrofitting social housing in 2020-21, with press reports suggesting measures could include insulation, double glazing and heat pumps. The government says it will not.	08/07/2020	Implemented	\$0.06bn	0.05bn	Spending	www.gov.uk	www.carbonbrief.org
European Union	Buildings / Industry		For the 'green transformation of living infrastructure', 5.8bn won will be spent by 2022 and 89,000 jobs will be created, according to the government's plan. This will go towards transition.	01/06/2020	Proposed	\$4.83bn	5,800.00bn	Spending	www.gov.kr	www.konaeconomics.co.kr
European Union	Employment	Green jobs	The European Commission's plan includes a proposal for an €32.5bn boost for the Just Transition Fund to 'alleviate the socio-economic impacts of the transition'. This would bring the total at...	27/05/2020	Proposed	\$36.71bn	32.50bn	Spending	eur-lex.europa.eu	www.euractiv.com
European Union	Employment	Green jobs	New public sector loan facility in the European Commission's proposal that forms the third pillar of the Just Transition Mechanism, supported by €1.5bn from EU budget and €30bn in lending.	27/05/2020	Proposed	\$12.99bn	11.50bn	Loan	eur-lex.europa.eu	
Germany	Energy	Electricity bills	Cutting the renewable energy levy on electricity bills, currently €0.046/kWh, to €0.036/kWh. In 2021 and €0.04/kWh in 2022. According to Clean Energy Wire, the levy could otherwise have increased next...	03/06/2020	Agreed	\$12.42bn	11.00bn	Spending	www.bundesfinanzministerium.de	www.climateenergy.org

Source: Carbon Brief, July 2020

The take-aways from this review of transport data include some key policy pointers to consider such as:

- Demand for physical transport is very likely to become lower as a result of new practices:
 - home working is going to be a normal element in the culture of work particularly in the service sectors
 - many business meetings are likely to be replaced by video conferencing
 - home/remote schooling is likely to become a structural element in education
 - shopping via the web has undergone an acceleration which will not go away
 On the other hand, increased deliveries of internet shopping may well offset part of these traffic reductions.
- Apart from lower volumes the new normal may also lead to a different distribution of traffic volumes during the day/week due to changing fixed working, school and shop opening hours. As a consequence, traffic will be more spread during the day/week. It will create less congestion, less pollution and result in a more balanced utilisation of road/rail infrastructure.
- These reduced traffic volumes which may well be more pronounced as a result of a coming substantial economic slow-down reducing transportation demand from businesses.

- *The explicit policies aimed at greener solutions for the transport sector by many governments (e.g. China, countries of the European Union, the UK, Canada) will further support these changing patterns as they produce a contribution to the ambitious climate change policy goals. Governments may also be forced to re-think their infrastructure investment programmes with less focus on more road kilometres but enhanced safety and air/noise quality levels in the existing network as well as further investment in internet connectivity levels and access to all.*

4. 'New Government'

I found my 'reccy' through the corona induced data overload very educational.

I won't repeat all the issues that my high-over analysis of the presented statistical evidence has coughed up. I can however see some major issues taking shape which urgently need attention on an academic level and certainly on an economic policy level.

The first set of topics stem from the acceleration of developments in retail due to changing consumer behaviour: obviously the pandemic induced lockdowns have knocked the retail sector off course. Many categories will recover some more fully and more speedily than others. And the already existing trend towards internet shopping has undergone an unprecedented acceleration which will result in structurally higher level of web spending and reduced demand for physical shop presence in city centres and shopping malls.

This will without any doubt lead to retail businesses losing out and closing.

Second and third order effects will touch many others such as the commercial property (investment) sector and local authorities coping with deserted town and village centres and the subsequent loss of community functions.

The second series of issues originate from fast(er) changing business practices. The gradually evolving trend towards flexible working has been kicked into much higher gears under the lockdown regime. Remote and home working will be part of the new mix of normal working practices. Business meeting will all but disappear and be replaced by video conferencing. But this is not for everyone. Lower skilled and lower paid workers will probably not benefit from these new practices which can create new inequalities.

Leadership and management practices will also need to adapt to less physical attendance in a corporate environment.

Finally, the focus of government and local authorities will need to shift from motor ways to digital highways.

The third set of topics emerge from the shift from physical transport to digital traffic. It is clear that the new world requires less transportation with the demise of fixed working, schooling and shop opening hours. The more balanced distribution of traffic during the day/week will reduce congestion and traffic pollution. A new infrastructure priority programme (less asphalt more fibre-glass cable) is needed.

This seems to be part of new stimulus programmes launched in many countries with a strong emphasis on a greener future.

One final observation: 'Angrynomics' found its base in the fact that typical macro-monetarist economic policy policies did not work out at micro-level and created anger at a private level.

The whole world now seems to have learnt that small government does not deliver for the left-behind and that austerity typically hurt just them.

Big government in the traditional sense is also not the answer.

So 'new government' needs to be different!

It needs to replace macro policies based on statistical averages by targeted interventions.

Can government do that on their own?

My answer would be NO.

We need to look for new models with social participation, involvement of workers representatives (trade unions?) and people who can speak for businesses (employers federations?) and with involvement of local authorities and local initiatives. And agile government which tries, and if it does not work changes its policy approach.

The data will guide them!

Bart Le Blanc, July 2020.

Disclaimer:

All opinions and estimates presented in this document are subject to change without notice. All opinions are the authors own.

This document does not purport to be impartial research and has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and is as such not subject to any prohibition.

The information contained in this document has been compiled from sources believed to be reliable, and is published for the assistance of the recipient, but is not to be relied on as authoritative or taken in substitution for the exercise of judgment by the recipient.