

Cushioning the economic impact of the virus measures

It s time to take stronger economic action to offset the impact government measures against the virus around the world, along with consumer behaviour is now having on jobs and business.

It is clear that as the virus spreads so people cancel travel plans, hotels, restaurants and pubs lose clients, cultural and sporting events are stopped, business and academic conferences abandoned and discretionary shopping and tourism fall substantially.

Let us take a bad case of what could happen. Let us suppose that the 20% of our economy most exposed to these activities that lose out from closures and loss of customers are in trouble for four months. Let us guess that they lose a large 50% of their revenue on average. They are likely to lose more turnover than businesses do in a typical recession, as in some cases what they do is simply banned and in other cases consumers walk away from them in big numbers.

This would mean a fall of 3.3% in annual GDP just from the impact on the most vulnerable 20% of the economy. There would then be second round effects. These businesses would shed labour quickly as they try to stem their cash losses. Some will go bust with every employee losing their job. This then means lower incomes for people to spend on other things, and a further loss of consumer and investment confidence.

What could be done to reduce this bad outcome? The government could step in with temporary help for employees working for basically sound businesses that have experienced a big loss of turnover thanks only to the special circumstances of the virus. It could be like the German temporary reduced working scheme which has got through state aid tests.

The terms might be that the government will pay a specified quite high percentage of the wage bill for a company that was profitable up to the end of January, but has faced a fall of more than say 15% of turnover since thanks either to the virus putting off customers or from bans and closures required by law. This would be a grant, available for a limited period related to the progress of the virus. It would be conditional on the business not taking on any extra employees during that period, and not making anyone redundant. The business would otherwise be loss making.

It is most important that say a good hotel in a town or city can keep its core staff together during a period of much reduced bookings to be available again for the recovery once we have an all clear from the virus. Putting more businesses through bankruptcy is not a good idea if they are sound businesses for the future damaged by this one off extraordinary event. Bankruptcy puts the costs of the employees onto the state anyway when they lose their jobs, and makes recovery for them and for business more difficult afterwards.

The new facilities to lend to business, and the capacity of the Treasury to delay tax payments are both very helpful to many businesses hit by the virus slowdown. They will not be sufficient for the businesses at the sharp edge of the problems, as their revenues fall too much to survive just on more loans and deferred tax.

Supermarket stocks

I visited a couple of supermarkets in Wokingham on thursday and today, both to do my usual shopping and to talk to the staff about the pressures they are experiencing.

The shops were busier than usual with car parks full. More people were opting for the very large trolleys and filling them. There has been as reported unusually high demand for toilet rolls, cleaning fluids and gels, pasta and rice and some tinned goods.

The supermarkets assure us there is plenty of food available, and they have so far done a good job replenishing stocks of most items even where under unusually high demand. In other countries that have entered more severe lock downs, people have still been allowed out to shop or have benefitted from on line deliveries. The aim of policy is to keep good supplies available.

It would be helpful not to buy unusual quantities of some items and to be conscious that there need be no shortages if we stick to more normal home stock levels. Even longer life food does deteriorate so it is best to buy when you have a need in the next few weeks for the product you are purchasing.

I thanked the staff I talked to for handling the rush. The shelf stackers have been particularly busy lately.

Local Resilience Forum

Under The Civil Contingencies Act 2004 Local Resilience Forums meet regularly to assess risks of emergencies and ensure plans are in place to respond. Wokingham falls under the Thames Valley Forum, as they are organised around Police Authority boundaries outside London.

They have been working with the NHS on plans for handling the virus. Parliament is likely to be asked to approve wider emergency powers in the next fortnight to assist in tackling the virus.

I have talked to the Royal Berkshire Hospital and senior management in the local NHS about providing sufficient capacity of care should need arise from the spread of the virus . They tell me they have made more ward space available as a contingency and can convert further wards to virus care if needed.

Experts, politicians and the media

Beware the tyranny of experts.

Whilst like the next person if I fell ill I would turn to a good doctor to help me, that does not mean experts are always right or should make all the decisions.

It has been fashionable for some years to say experts should be in charge of more of our public policy decisions and politicians fewer. This resulted in some famous policy disasters chronicled here . It has also led to greatly contrasting styles of interview on the UK media, especially by the BBC and Channel 4.

If an “expert” is interviewed they are introduced positively, they are rarely interrupted, they are asked questions designed to let them explain their knowledge and viewpoint. The interviewer is often on their side and usually concludes with a short summary of their main points to reinforce them.

In contrast a politician interviewed on the same subject is often introduced with some critical or derogatory reference or characterisation, interrupted often, asked questions which make allegations or allege views to the interviewee which he or she does not hold, seeks to set the interviewer against the politician with a superior moral position and ends with a put down or critical comment.

I have a bigger complaint about the way the so called expert is interviewed than the politician. I of course think interviewers should be challenging and put alternative views where necessary. When interviewing an expert we should be told

Who they represent

Who pays them

Their political affiliations where they have them

What their main qualification is

The interview should consider covering professional competence where relevant. For example, if interviewing an economist about the current crash,

did they forecast it or the last one and what did they say about previous disasters? If they earn money from a related interest the interview should also refer to or ask about that. If the expert is a known supporter of a particular political party or movement that too might need to be questioned.

No politician should be given an easy interview, but they should be allowed to state their case before it is probed and questioned. I sometimes am frustrated by interviews of Labour people because the interviewer talks over them to the point where we cannot hear what Labour does actually think or recommend about a crucial topical issue. I will look in a future post at the ploys interviewers use to ensure politicians come over badly.

IR35

On Friday I attended a presentation at a business breakfast about the problems created by the new enforcement mechanisms for IR35. The Wokingham Positive Difference networking group met in the Town Hall to hear how companies the Inland Revenue would in future assess whether someone was a sole contractor or in effect an employee working for their client company.

I explained I was against the change of approach by the Revenue. I have written and spoken about the issue. I have lobbied two Chancellors, the Minister concerned and the Prime Minister. I further promised to work with other like minded MPs should a new Parliamentary opportunity present to relaunch the issue in the Commons. Meanwhile implementation goes ahead.