



# Pathways to a New Global Economy out of Lockdown



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# Chair's Letter

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**Peter Hain**

## LOCKDOWN LESSONS

Europe's sorry experience of the Covid-19 pandemic has left one thing crystal clear: it's an awful lot harder to get out of lockdown than into it.

After about 4 months of near-normal life during summer in the northern hemisphere, European countries have experienced soaring infection and death rates, Britain's amongst the worst.

Ignoring calls for decisive action from his scientific advisers, just as he had done back in February/March, Prime Minister Boris Johnson went late into England's second national lockdown earlier this month. Without an effective system of universal testing and tracing for the virus – like South Korea or Taiwan for instance – putting the virus 'back in its box' as Boris Johnson trumpeted has proved impossible.

He has been caught out by a cavalier attitude to truth and detail. His Ministers' preoccupation with dominating the news agenda has produced a chasm between headline grabbing rhetoric and reality, surpassed only by Donald Trump.

Why for example does Germany, a similar north European country with an even larger population, have so many fewer deaths and infections than the UK which has one of the very worst records?

The answer is that Germany invested in its local care and health systems, empowering them to track, trace and isolate, whereas Britain has tried to superimpose an entirely new centralised system outsourced to private providers like Deloitte's who have no experience whatsoever of attempting anything like that.



Meanwhile, pandemic historian Mark Honigsbaum has analysed the 1918, 1957 and 1968 influenza pandemics and argues that they don't end easily or quickly, certainly not without a forensic, locally based network for testing and tracing.

It seems that there is no easy answer except to isolate cases and quarantine close contacts, obey social or physical distancing, wear masks, rigorously practise hand hygiene and protect those who are most at risk of serious illness or death if they are infected, mainly the vulnerable and elderly.

If looking for examples on how to manage the incredibly complex issues of getting life and the economy back up and running again during Covid-19, don't follow Britain – except mostly for what not to do.

And for good leadership don't look to the self-styled strong men of the world Trump, Putin and Bolsonaro. Instead try three women: New Zealand's Jacinda Ardern, Denmark's Mette Frederiksen, and Germany's Angela Merkel who without bombast or ego have been decisive and effective.

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# Pathways to a New Global Economy

## How to exit lockdown?

Several weeks into the global lockdown, many countries are now grappling with strategies to exit. With no vaccine in sight for several months to come, cautious and staggered exits are now being considered and implemented as the collateral damage from the accompanying economic slowdown is proving, particularly in countries with low to no safety nets, far more harmful to society and wellbeing.

Some countries, particularly New Zealand, Ghana and South Korea, have been more successful than others and their early co-ordinated and disciplined action is now being rewarded with a managed return to daily economic life.

With these few exceptions, economists, scientists, health ministries and policymakers worldwide are still for the most part grappling with the puzzle of how to get the global economy moving again without accelerating infections and deaths, or worse, risking a second, possibly more deadly wave.

Hopes are resting on a ground-breaking vaccine, possibly in conjunction with mass enrolment into immunity passport schemes and contact tracing apps.

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But could it be there the routes out of lockdown, and there are several, are already plain to see, if only we would look, and seize the opportunity to re-configure our world anew?

We certainly shouldn’t pretend the model we had before of global warming, inequality, inefficiency, presenteeism and overconsumption was an economy that worked for everyone.

So what can be done and how can we rebuild differently?

## A New Green Deal for a Sustainable World

The rallying call for the post-Covid-19 global economy has been to Build Back Better. The idea of a Global New Green Deal doesn’t seem so fanciful with leaders such as the IMF’s Kristalina Georgieva calling for a Great Reset. Georgieva wants to see the fiscal stimulus that has been extended thus far for recovery, lead to a “greener, fairer and smarter” world. She believes that governments should act now to put in place public investment into low-carbon growth, digitally equitable and socially inclusive initiatives to achieve this.





## New Growth Sectors: Healthcare, Tech and Essential Retail

Well, the stock market, volatile as it has been – gives us several clues. Stocks in aviation have been dumped by Warren Buffett. Oil majors have shown significant vulnerabilities. But tech, healthcare, essential retail, especially companies like Amazon and Zoom are thriving in a world of deliveries, webinars, and blockbuster vaccines.

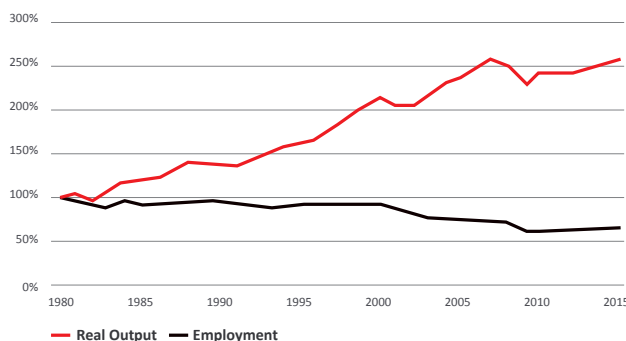
This is great news for next generation international companies that provide solutions that increase digital participation in the global economy. One great such example is Nigeria’s Paystack, which raised over \$100m from UK fintech, Stripe earlier this year also showcasing North-South co-operation.

## Staggered workdays, Shared Jobs and Four-day Weeks

Further, many workers in formal employment have found lockdown beneficial for mental and physical wellbeing. If social distancing will remain in place for the next 12 months or so, the willingness of workers who can do so, to work from home, or stagger their work days, and be productive while doing so, will be crucial or transport systems and workplaces will be unsafe. In the UK, legislating the right to work from home is currently being discussed for some of these reasons.

### More Output, Less Employment

The manufacturing sector has gotten more productive, while giving fewer people jobs (compared to 1980 levels).



Employment figures could rebound if jobs were shared, or more people worked fewer hours. Several companies experimented with four-day weeks, pre-pandemic, with impressive effects on productivity and wellbeing.

## Universal Basic Income and The Return of the Big State

Next, the amount of fiscal stimulus unleashed by governments globally for wage and SME support has shown that the money taps can be turned on when needed, and this has only strengthened arguments that universal basic income is both affordable and essential. A universal wage scheme could top up the wages of an increased number of people in employment on lower wages, while providing a safety net for the unemployed.

This would certainly signal a return of the idea of the ‘Big State’ and that so-called government intervention into the economy is not such a bad idea for innovation, wellbeing and human development. Countries needing a boost in getting there could co-fund broad-based spending with aligned initiatives such as Twitter CEO, Jack Dorsey’s Start Small LLC.





## ESG and Digital Capacity

Much has been said on the potential for impact investing, particularly from institutional investors to leverage Africa's growth sustainably. Certainly investing in good governance, social entrepreneurship and sectors that promote digital and healthcare access can tick the boxes for impact investors, but does the continent have the technical capacity to measure ESG metrics and to deliver on, and scale, digital initiatives.

The large institutional investors in the Nordics have been leading the charge globally, but much needs to be done in terms of educating business and asset owners alike to take these ideals over the line. What are the barriers to realisation and the policy supports required to dismantle them?

## Policymaking for a Greener, Fairer, Smarter World

The barriers to realising the ideal of a greener, fairer and smarter world are the same globally. In the first instance, the most important factor that will determine if the Sustainable Development Goals are met and whether economies grow in ways that are fair to everyone is a political will.

Without political will, it is impossible to legislate and implement targeted investments, and create the momentum and capital for streamlined reporting, investor relations and capacity building in sustainable finance and economic development. Globally, several initiatives backed by the International Finance Corporation, IMF, Financial Stability Board, and African Development Bank aim to do just this.

Multilateral support has already seen private equity and institutional capital able to mobilise towards sustainable business. This is now being codified in legislation with the EU introducing mandatory ESG disclosures in March 2021, and the UK in coming years making climate risk disclosures mandatory.

## Individual and collective action

As we navigate out of lockdown worldwide, we should also be asking what kind of world we want to return to.

Seeing our loved ones without restrictions and enjoying life with travel and hospitality can return, but it depends on decisions we now make both individually and collectively.

As individuals, we should wash our hands, observe social distancing and wear our masks fastidiously. Business leaders could dare to think differently about productivity and hygiene in the workplace. Meanwhile politicians, could think about improving the hygiene of public spaces by having them cleaned more often, and support initiatives to resuscitate the hospitality and tourism sectors in sustainable and innovative ways. It is also crucial that the new vaccines are distributed equitably between poor and rich countries to counteract the lockdown inequalities between formal and informal work.

These have been tough times, but with optimism and collaboration, an inclusive, sustainable, digital global economy is already within touching distance.

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