

Construction Time Again

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The title of this blog is based on the Depeche Mode 1983 album of the same name and, curiously, a line from the track 'Pipeline', made from sounds recorded on an abandoned building site in London. This album marked a departure by the group from its synth-pop origins and allowed songwriter Martin Gore to address aspects of inequality and poverty that were increasing in the early 1980s as a consequence of 'deindustrialisation' under Margaret Thatcher's Conservative government.

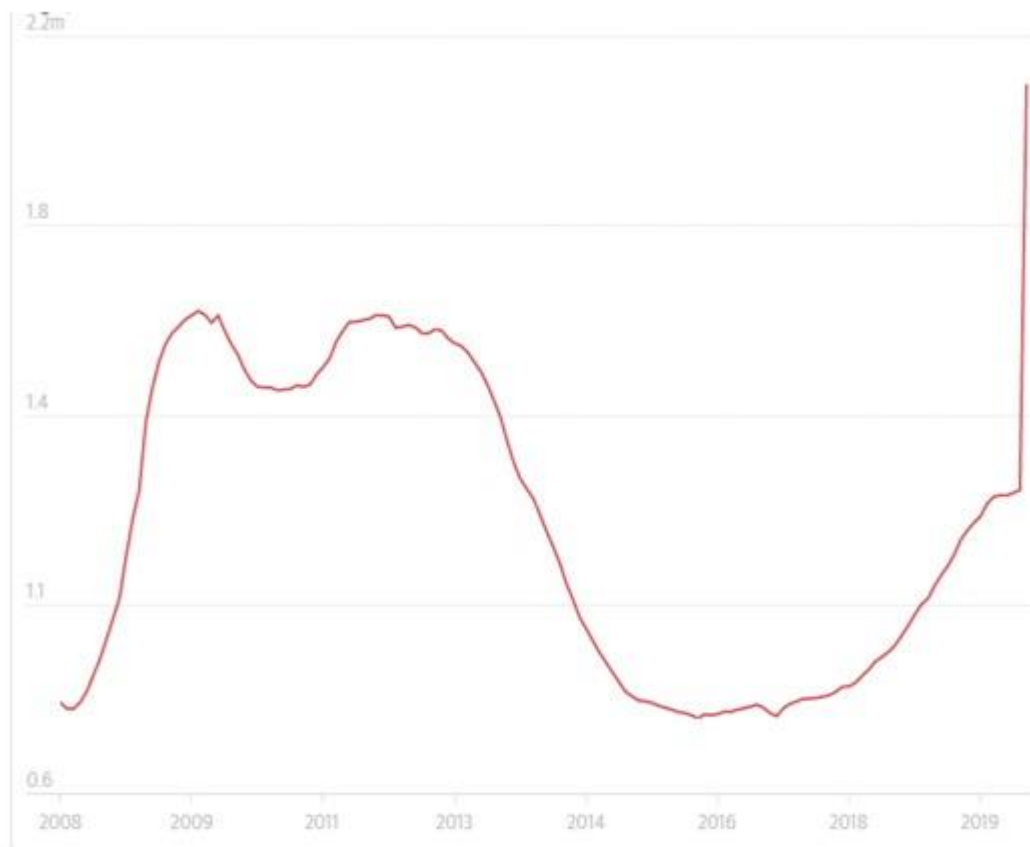
On the basis of the latest data, we appear to be entering the beginning of the end phase in terms of infections and deaths. It's to be sincerely hoped that what we've experienced, certainly in terms of health, is as bad as will get. According to [some reports](#), the UK could be free of Covid-19 by September.

This, of course, would be extremely good news. Any subsequent phase of infection that some fear possible, especially given lockdown is being ended somewhat prematurely they contend, does not bear thinking about. Moreover, whether lockdown was implemented sufficiently soon and the way that Prime Minister Boris Johnson, his cabinet or his advisor, Dominic Cummings, acted correctly will be inevitably be much analysed.

There is every chance that there'll be a public enquiry to consider the efficacy of policies developed that have, in terms of numbers of deaths, resulted in the UK having the highest death toll in Europe. According to the [government's own website](#), the UK (population of 67.886 million) has, at the time of writing, suffered 37,048 "COVID-19 associated UK deaths". As The [Financial Times](#) has reported, this figure is woefully low and excess deaths are almost 60,000.

Nonetheless, on the basis of official statistics, when compared to Germany with a population of just under 83.784 million and having suffered 8,432 Covid-19 deaths, there is a legitimate question to be asked why this country experienced four times as many fatalities?

Unfortunately, what can be said with a reasonably high degree of certainty is that the impact of measures implemented to deal with the effects of Covid-19 are having a profoundly worrying impact on the UK economy. The spike in unemployment that is shown below tells its own story.



Source: Guardian

Office for National Statistic (ONS) figures show an increase of 856,500 people accessed universal credit and jobseeker's allowance benefits in April pushing the overall number up to 2.1 million; a rise of 69% in April. Such an increase is unprecedented. However, given what occurred in effectively applying an emergency stop to the economy, its magnitude is not that surprising.

Indeed, unemployment might have been significantly much higher had it not been for the introduction of furloughing allowing employers to claim 80% of worker's pay up to £2,500 a month. Furloughing, covering some eight million people to be paid to stay at home, is estimated to cost over £14 billion a month. ONS data that government needed to borrow £62 billion in April, the highest figure on record is, once again, unsurprising.

The big question confronting the government is in making how sure that any economic recovery is achieved in such a way that, as well as ensuring no second phase of infection, the impact of dealing with Covid-19 is minimised. There is a real and present danger that lockdown, essential as it was in creating the emergency handbrake to the economy, may have caused much longer-term damage than was anticipated in March.

In one very pessimistic scenario presented by the Enterprise Research Centre and, as they point out, "in line with OBR and BCC surveys", by end of this year, almost 832,000 firms could close down with a consequential 11.4 million jobs lost. Such statistics were the reason why chancellor Rishi Sunak and his team of economic advisors were so willing to pump eye-watering amounts of money into the furlough scheme in the hope of avoiding them.

At the outset there was a suggestion that the crisis was likely to be temporary and any recession would be what's known as 'V' shaped; rapid in, rapid out with minimal long-term damage. Looking at the data suggests this seems unlikely and there will be some scarring on the economy, it's just a matter of how deep and where and the way in which a return to normality can be facilitated through easing of lockdown.

Undoubtedly the government's strategy will be guided by what is possible whilst adhering to whatever 'social distancing' is deemed essential. Accordingly, there will be a restart for most industries and sectors within the next few weeks albeit, and certainly until a vaccine to Covid-19 is developed, in a more cautious and circumspect way than we'd have ever considered necessary until only three months ago.

Major construction projects will recommence, some never having stopped. This understandable as they occur outside. This represents money being dedicated to a sector that has an impressive payback (believed by the Royal Institution of Surveyors to be £2.84 for every pound invested). Additionally, if such investment is made in provision of housing and infrastructure, particularly outside of London, there will be a return to the agenda of 'levelling up' that was spoken about so earnestly in the aftermath of the Conservative stunning victory in December's general election.

According to the [Financial Times](#), the government is going to facilitate the objective of improving growth in the north and of narrowing inequality between it and the more prosperous south by the creation of a new body to be chaired by former Goldman Sachs economist and Treasury minister Jim O'Neill.

This is a tough objective to fulfil. In the 1960s under Labour PM Harold Wilson, the desire to ensure greater equality between regions was pursued through regional economic planning councils. As critics asserted, these councils became ever more important and powerful and, therefore, when Margaret Thatcher was elected in May 1979, it was no surprise that because they were anathema to her free market principles they were disbanded.

Regional growth based on through the work of various government-sponsored boards, that had occurred under Labour's Tony Blair and his successor Gordon Brown, was effectively scuppered by withdrawal of funds when the coalition government of David Cameron elected in 2010. Increased inequality that followed 'austerity' policies implemented by the coalition are widely cited as the reason why many of those living in northern constituencies, traditionally Labour, voted leave in 2016's EU referendum and for the Conservatives in December.

Regardless of what will be political manoeuvring by a government keen to fulfil promises made during and after the election, not to mention trying to move on from the fallout of the story concerning Johnson's chief political advisor, Dominic Cummings, the emerging economic landscape is not auspicious. Some suggest that the economic 'fallout' resulting from Covid-19 could leave a legacy that will be a drag to growth for the next decade.

'Dr. Doom', Professor, the economist who correctly predicted the Global Financial Crisis of 2008 due to indebtedness of banks through risky lending, especially 'sub-prime mortgages' has warned the world to be prepared for a "[jacklustre U-shaped recovery](#)" that may be followed by an "L-shaped 'Greater Depression'".

Despite similar forewarnings from major investors of how difficult the climate may become in coming months and years, such sentiment is not universally shared. Judging by [stock exchanges](#) indices, there is great optimism. Given the way in which the economy came to such a shuddering halt because of lockdown, any return to normality, regardless of whatever restrictions are needed, will be seen as a positive.

All that can be hoped is that whatever the new 'normal' may be, it is one in which there is not a return to the conditions that existed prior to the Covid-19 crisis. This would simply represent a way of re-establishing the worst aspects of capitalism in which wealth was concentrated into the hands of the very few. Recovery represents an opportunity to create a better society in which vast inequality in income and wealth in [the UK can begin to be lessened](#).

Oh, finally, if you are not familiar with 'Pipeline', don't expect much. It's probably the worst song they've ever done and proves that building sites sound better when in full operation!

Dr. Steven McCabe is co-editor of *Brexit and Northern Ireland, Bordering on Confusion* (published by Bite-Sized Books, ISBN-13:978-1694447807) and contributor to *Boris, Brexit and the Media* edited by Mair, Clark, Fowler, Snoddy and Tait (published by Abramis Academic Publishing, ISBN-13: 978-1845497644), *The Virus and the Media: How British Journalists Covered the Pandemic*, edited by Mair (published by Bite-Sized Books and available on Amazon Kindle, ASIN: B088QNVF1C) as well as *The Wolves in the Forest: Tackling Inequality in the 21st Century* edited by Paul Hindley and Paul Hishman (published by Social Liberal Forum) and joint editor with Beverley Nielsen of forthcoming book *English Regions After Brexit* (to be published by Bite-Sized Books)