

# Is the Pandemic Coming to an End, and What to Expect Next?

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Publication of the 'roadmap' out of the current lockdown on Monday gives us a sense that, hopefully, should the four key conditions be met in coming weeks and months, there will be an end to the restrictions that've intermittently blighted lives since in the last 12 months. However, caution by all in the coming months is essential.

Though confirmed cases and deaths are, at the time of writing, 4,126,150 and 120,757 respectively, lack of testing early in the pandemic significantly underestimates what we've suffered. Infection and deaths will inevitably rise.

In a log last year, ['Fatalism and an absence of public grief: how British society dealt with the 1918 flu'](#) the London School of Economics argued that failure to commemorate the Spanish Flu meant we're ill-prepared in dealing with pandemics.

'Lockdown', previously associated with prisons in controlling occupants, is now part of our everyday lexicon. Temporary closure of down large parts of the economy, particularly hospitality, causes inevitable disruption to personal lives and finances.

This is true for the UK economy which, last year, suffered a reduction in GDP (Gross Domestic Product) of 9.9%. In announcing the roadmap out of the current restrictions, Prime Minister Boris Johnson will be fully aware that everyone wishes to get back to enjoying activities which, prior to the pandemic, were simply normal. In being cognisant of such desire, he will surely have conflicted emotions.

Johnson surely recognises the danger, especially before completion of the vaccine programme, of allowing people to interact. Another upsurge in infections resulting in deaths, and the NHS once again being overwhelmed would be hugely problematic for his continued leadership.

However, Johnson will be equally aware of costs of dealing with the pandemic.

Three lockdowns as well as a host of other costs mean, as the Office for Budget Responsibility (OBR) estimate, that UK borrowing is likely to exceed £394 billion by the end of this financial year. Johnson, already under pressure from those within his party who argue that lockdowns are unnecessary and financially ruinous, undoubtedly hope that facilitating a rapid return to 'normality' will be good for the country's battered finances.

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In considering what this means it's worth thinking about the potential 'purchasing power' of £1 billion. An average house currently costs £250,000. Therefore, £1 billion would allow the purchase of 4,000 houses, the size of a small town with a population of 10,000 people (allowing for an average occupancy of 2.5 per household, slightly higher than the current national average).

The challenge confronting the government in thinking beyond the end of the pandemic, is how to start to repay the £400 debt billion incurred because of the pandemic. Channel 4's *Dispatches* programme 'Britain's £400bn Covid Bill: Who Will Pay?' presented by economics and *Telegraph* commentator Liam Halligan, outlined some scenarios by which the debt of £400 billion could be repaid and which Chancellor Rishi Sunak will have considered before his budget on 3<sup>rd</sup> March.

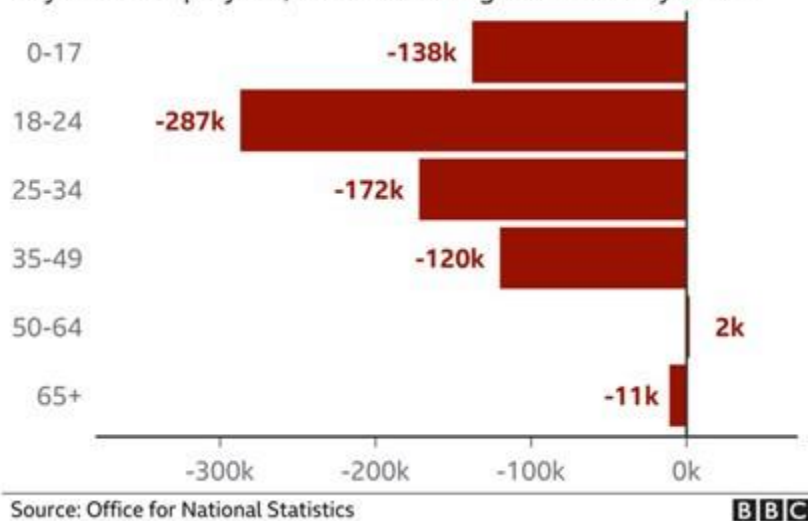
One, always a favoured way to raise finance by Chancellors is to raise money by putting up income tax. As one commentator on the *Dispatches* programme explained, to raise enough to pay off the deficit run up during the pandemic over a ten year period, the basic rate tax would need to rise by a whopping nine pence to 29p from its current rate of 20p.

An alternative suggested was an addition of six pence to all bands of taxation including VAT (value added tax). The problem, it hardly needs pointing out, is that whilst some may argue that such changes are egalitarian in intent, any burden falls unequally on the poorest.

Latest data from Office for National Statistics (ONS), shows unemployment for the last quarter of 2020 has risen to 5.1% as well as a fall of 726,000 on payrolls when compared to prior to the pandemic. That almost three-fifths of those losing their jobs are aged below 25 tells us that the young are being disproportionately affected by the current health crisis.

### The 18 to 24 age group has seen the greatest decrease in payrolled employees

Payrolled employees, absolute change on February 2020



[House of Commons Youth unemployment statistics](#) indicate that by comparing the last quarter of 2020 to the first (January-March), unemployment for those aged 16-24 has risen from 12.1% to 14.2%. Those who believe lockdown was unnecessary argue that such data verifies a belief that those least likely to be infected or die, the young, are paying the heaviest price economically.

Like any averages, the ONS figures above hide extremes in areas in which unemployment is far higher. In some, unemployment among 16-24 year olds can exceed 20%. This is profoundly worrying. When furlough ends, it's likely that joblessness will increase markedly.

As the [BBC](#) reported recently, unemployment could reach 7.75% by the summer. Extension of furlough by the Chancellor may mean this figure is not as high.

Though no government is able to determine the circumstances it has to deal with, Johnson's came to power with a mandate to complete the task of leaving the EU and the promise that it would level up.

Levelling up, though, an aspiration that has yet to be given precise meaning, has not been made any easier by the pandemic; quite the contrary. In the *Dispatches* programme considering the cost of the pandemic, evidence was presented showing that destitution, defined by National Institute of Economic and Social Research (NIESR) as “a two-adult household living on less than £100 a week and a single-adult household on less than £70 a week after housing costs” has risen by 220,000 to 421,000.

*Dispatches* showed that areas of the country in which long-standing issues of unemployment, deprivation, poverty and lack of opportunity already existed, particularly the north-west of England, there has been a disproportionate increase in destitute households due to restrictions necessary to deal with CV19. Logically, such areas should be first to receive any investment to improve the prospects of citizens.

However, those concerned at the vastly increased size of the debt incurred during the pandemic, and which they assert will create a drag on the country’s finances, argue paying off the deficit should be of equal, if not greater concern.

Regardless of whatever dilemmas Rishi Sunak is currently grappling with, one group’s finances have, largely, improved during the pandemic, the wealthy. Indeed, the wealthy, following the turmoil of the 2008 Global Financial Crisis, ‘Credit Crunch’, benefited inequitably from the injection of cash by the Labour government, ‘quantitative easing’, intended to improve everyone’s prospects.

An argument that’s gained some currency is that ‘heavy lifting’ needed to repair the country’s finances should be borne by those with ‘widest shoulders’; the richest. Giles Whittell and Kim Darrah, writing in [CityAm](#), explain that taxation of the wealthiest would generate revenue needed to pay off the deficit and reduce the need to massively raise general levels of taxation.

Based on information gleaned from the *Sunday Times*’ ‘Rich List’, Whittell and Darrah outline three scenarios that could be implemented over the next five years:

- All wealth above £250,000 is taxed at a flat rate of 0.64 per cent; “Billionaires pay a total of £12bn”

- Wealth between £500,000 and £10m taxed “progressively higher” and all wealth over £10 million taxed at 1.6%, “Under this plan, billionaires bring in a total of £29bn”
- Wealth between £1m and £10m taxed “progressively higher” and all wealth over £10 million taxed at 3%, “Under this plan, billionaires bring in a total of £55bn”

Whittell and Darrah recognise the inherent flaw in any wealth tax is that those who’d pay most have the double advantage of being both ‘fleet of foot’ and can afford to employ the best tax advisors and accountants to find ways to avoid any increase. As such, they believe, Sunak won’t include such a tax in his budget next week.

Nevertheless, it’s an idea that has attractiveness and may become more popular. Ipsos in a poll published last October, showed a wealth tax would be welcomed by the general public. The vast majority, whose standards of living may be greater than those of their parents, fear future prospects for them and their children are falling. They believe prospects among the wealthiest are rising inexorably.

Though Rishi Sunak will not announce anything too radical next week, he’ll will want to stabilise the economy until the worst effects of the virus have passed.

The priority then for him, or whoever’s Chancellor, will turn to dealing with residual debt and investment needed for essential improvement in the country’s infrastructure as well as incentives needed to stimulate much-needed growth and a greener economy.

This is when we’ll discover what the true economic cost of dealing with the pandemic is going to cost us.

**Dr. Steven McCabe is co-editor of *Brexit and Northern Ireland, Bordering on Confusion* (published by Bite-Sized Books, ISBN-13:978-1694447807) and *English Regions After Brexit: Examining Potential Change through Devolved Power* (published by Bite-Sized Books, ISBN-13: 979-8666953099). He has contributed chapters to a number of texts in the last year (in 2020 unless otherwise stated): *Brexit Negotiations after Article 50: Assessing Process, Progress and Impact* (published in 2019 by Emerald Publishing, ISBN: 978-1787697683); *The Wolves in the Forest:***

***Tackling Inequality in the 21st Century*** edited by Hindley and Hishman (published in 2019 by Social Liberal Forum); ***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, ISBN-13: 979-8643725824); ***The Pandemic, Where Did We Go Wrong?*** edited by Mair (published by Bite-Sized Books, ISBN-13: 979-8665858326); ***BBC, A Winter of Discontent?*** edited by Mair (published by Bite-Sized Books ISBN-13: 979-8694863117) and ***The Pandemic, Where are We Still Going Wrong?*** edited by Mair, (published by Bite-Sized Books ISBN-13: 979-8563726338). His latest chapter, 'Does Vaccination offer Johnson a Way out of the Pandemic?' is published in ***Pandemic, A Year of Mistakes?*** Edited by Mair to be published by Bite-Sized Books (ISBN-13: 979-8702357799).

His latest co-edited book, ***Exploring the Green Economy, Issues, Challenges and Benefits***, will be published in early summer.