

Council of Economic Advisers teleconference minutes: June 2020

Attendees and apologies:

Crawford Beveridge – Chair of the Council
Harry Burns
Sara Carter
Craig Clark
Brynhildur Davíðsdóttir
Martine Durand
Mariana Mazzucato
Jim McColl
Julia Unwin
Gary Gillespie – Chief Economist, Scottish Government

Also attending:

Benny Higgins, Chair of the Advisory Group on Economic Recovery
Joanne Briggs, Senior Economic Adviser, OCEAES
Juan Pedro Castro, Assistant Economist, OCEAES

Apologies:

Anton Muscatelli
Joseph Stiglitz

Welcome

The Chief Economist thanked all members for joining the call and the opportunity to catch up on the many economic and policy developments since the last meeting in early March. Members would also hear from Benny Higgins on the work underway through the Advisory Group on Economic Recovery (AGER) – to which Julia Unwin and Anton Muscatelli were contributing.

Advisory Group on Economic Recovery (AGER)

Benny Higgins, Chair of AGER, provided an overview of the group's remit, analytical work, and areas under consideration for recommendations. The group emphasized that recovery from COVID-19 efforts had to recognise previous socio economic challenges (Brexit, productivity), and aligned to societal objectives (net-zero, inclusive growth, wellbeing). To ensure all this was factored into their recommendations, AGER was using a 4 capitals approach – facilitating a holistic, long-term and multidisciplinary perspective.

The group was working on a very short time scale, aiming to report to parliament on Monday 22nd of June. It was expected they would present 20-25 broad recommendations.

The Chief Economist asked Julia Unwin, also a member of AGER, to share some reflections. Julia reiterated the groups' practical and long-term approach, reflecting in the 4 Capitals approach. Given the scale of the challenge brought about by COVID-19, AGER was being ambitious and bold in its advice.

The following points arose during discussion on this topic:

- Members highlighted the importance of a 4 capitals approach to keep a long-term view, aligning short-term support policies with long-term societal objectives, and integrating a multi-dimensional wellbeing approach into the recommendations. Members noted the importance of looking where and how the different capitals meet, and how best to exploit these points of synergy – for example, through attaching conditionality to business support to promote sustainability and fair business practices.
- Members noted the opportunity to build on positive behavioural changes. The spread of digital skills, facilitated by technological developments, could promote more flexible working patterns going forward, with potential productivity and wellbeing gains.
- At the same time, members raised the risk of increasing inequalities across income groups and sectors, from unequal access to technology and ability to work remotely. This has implications across education and employment. Policies should work to improve the access of disadvantaged households to digital tools.
- Members agreed young people were particularly vulnerable and exposed to labour market conditions, with potential lifetime scarring. They welcomed AGER's plans to issue recommendations in this area.
- Members noted the importance of supporting and creating good secure jobs in the recovery. This may involve different forms of government support for industries, with SNIB potentially playing an important role.

State of the Economy

The Chief Economist presented the key findings from the State of the Economy monthly report published on the 8th of June.

The Scottish economy was now experiencing the induced slow-down from the lockdown measures. A fifth of businesses had temporarily halted operations and the unemployment had increased to 4% (March) and was thought to have increased since. The supply and demand shock had had very asymmetric effects across sectors. Modelling from OCEA suggested recovery might take longer than the originally V-shape prediction. This reflected some permanent loss in capacity.

The crisis was also having a significant impact on balance sheets across the economy (government, business, and households). Sustainably unwinding lockdown measures, and increased indebtedness, would be a big challenges going forward.

From the onset of the pandemic, the Scottish Government has prioritised the public health crisis, and pivoted towards working on COVID-19 analysis and response.

The following points arose during discussion on this topic:

- Members shared concerns around the continued uncertainty over the path of the virus and the resulting uncertainty over socioeconomic impacts.
- Members highlighted the potential for economic recovery plans to build on existing objectives and policies, and to shape a better economy going out of the crisis.
- Members noted the importance of building-up resilience to shocks as a lesson from the current pandemic.
- Members highlighted the unequal character of the health and socioeconomic impacts from the pandemic, and the need to ensure most vulnerable groups are not left behind in the path towards recovery.
- Members noted the significant impact the pandemic could have on Scotland's HE sector, as well as on the 'COVID-19' cohort leaving university or high school, and the need to address both.

Update on Developments

The Chief Economist updated members on activities carried out through the Wellbeing Economy Governments (WEGo). Founding member countries (Iceland, New Zealand, Iceland), joined by Wales and Finland held a virtual Policy Lab on COVID-19 and the Wellbeing Economy approach. The Policy Lab, which included the participation of Martine Durand, had gone well and members were interested in holding further sessions over the summer. Wales has since become a full member of the network.

Looking Ahead

The Chief Economist reminded members that the next scheduled meeting was on the 29th and 30th of October. This would likely be, at least partially, virtual. Council members agreed to an interim call over the summer and to further updates.