

Trust, Resilience and the Effectiveness of Government:

Emerging Lessons from the COVID-19 crisis

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Hellenic Observatory Lecture

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What makes government effective?

- Huge topic in political economy in recent years
- Two main approaches
 - The role of institutions
 - The role of values and culture
- The COVID crisis provides an opportunity for investigating this
- The jury is out on the factors that have helped to make public responses effective
 - Not only in terms of the progression of the disease but also social and economic impacts

This lecture

- Discuss some background themes on government effectiveness
 - Discuss factors at the borders between economics and politics
- Report on some on-going research investigating economic and policy responses to COVID in light of this
 - Uses daily data on the crisis going back to when COVID-19 emerged.
 - Looking at correlates of policies and outcomes during the crisis
 - Although will be some time before we have anything close to a complete understand
- Will organize some of the discussion around themes of trust and resilience

Twin pillars of policy responsiveness

- Politics as aggregation
 - Reconciling different views
 - Different categories of expert
 - Young versus old
 - Regional differences
- Politics as accountability
 - How are people rewarded/sanctioned for their decisions?
 - In democracies, periodic elections play this role
 - But scrutiny by media/civil society is important

Two Views of Social Order

- View 1: *Force Majeur* (Leviathan)
 - the state is an institution which monopolizes the power to coerce
 - the strength of the state rests on building coercive institutions
 - force is the only solution to Hobbesian anarchy
- View 2: Social Contract
 - The state is about creating a sense of voluntary compliance through a shared sense of obligation
 - the strength of the state rests on inculcating a form of civic-mindedness
 - cooperative norms/socialization are the solution to Hobbesian anarchy
 - emphasizes the power/importance of civic culture

Measures of success

- Aim is to evaluate “what works”.
- Answers are never clear cut
 - E.g. classic questions about what democracy is good for
 - Growth
 - Health
 - Well-being
 - But not just about final outcomes
 - Trust can be an end in itself
 - The importance of resilience has arguably been underplayed

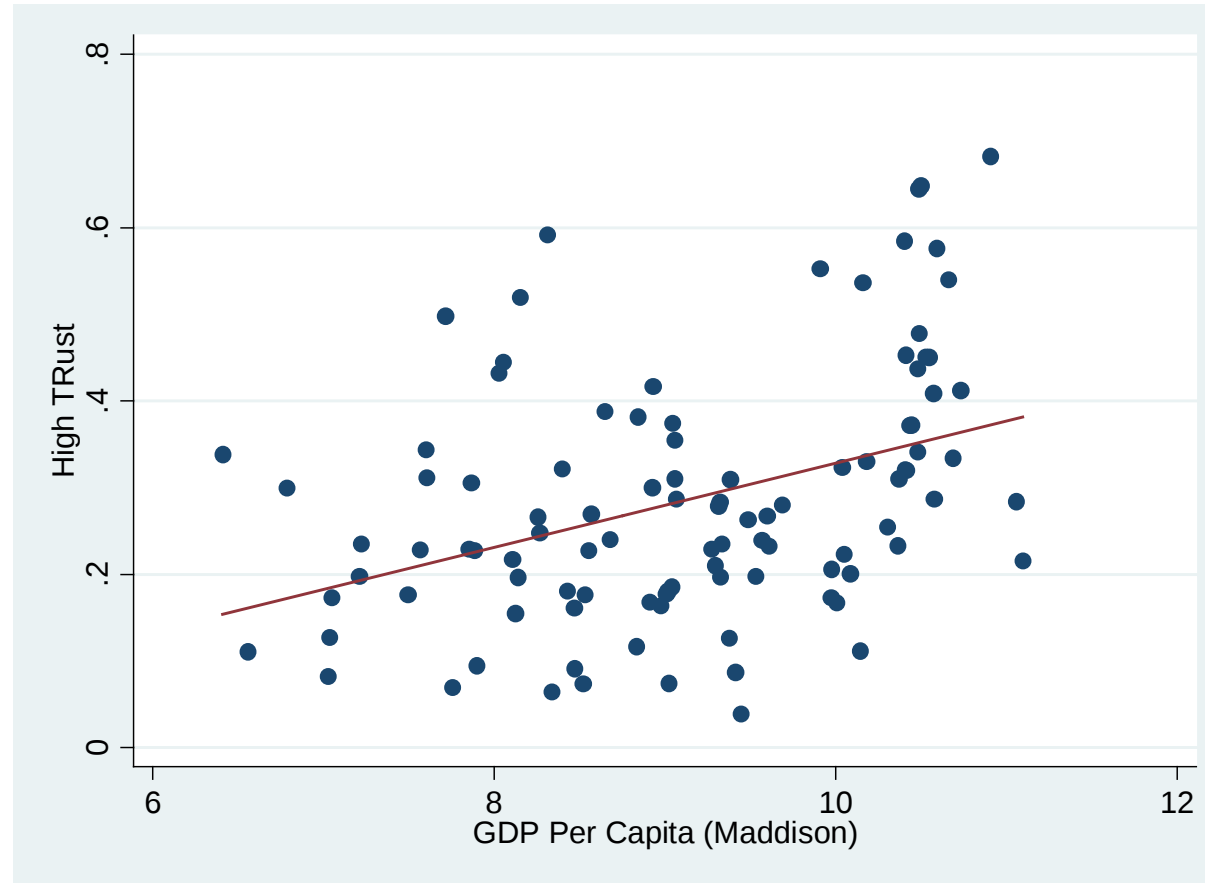
The COVID-19 crisis

- Will eventually provide important evidence on government effectiveness
 - There will be a long-period of investigation of
 - What types of policy were most effective?
 - What types of institutional features facilitated a good response?
 - What types of socio-cultural factors are important?
- BUT three immediate challenges
 - Radical uncertainty
 - Little or no agreement on what a good outcome is
 - Focus on short-term outcomes

Trust

- Now regarded is central to understanding effectiveness of markets and government
- Formal analyses back up the idea that trust is inherently fragile
 - Easy to break and hard to repair
- Trust is central to having social order
 - The state works on the basis of trust in government
 - sometimes referred to as “quasi-voluntary compliance” or “conditional consent”
 - tax compliance is strongly correlated with confidence in government
- There is a strong correlation between trust levels and “success”
 - Although not clear how far such links are causal

Trust



- From World Values/European Values Survey

Resilience

- How do systems respond to shocks?
 - A system is resilient when it springs back following a shock
 - Having oversight of key decisions is important
 - But also right balance of expertise and politics
- There have been limited studies on how different political and economic systems create resilience
 - Systems with strong executive constraints on government tend to be more resilient
- Long standing questions
 - How do market economies respond to shocks?
 - What is the role of government in mitigating the effects of shocks?

Resilience

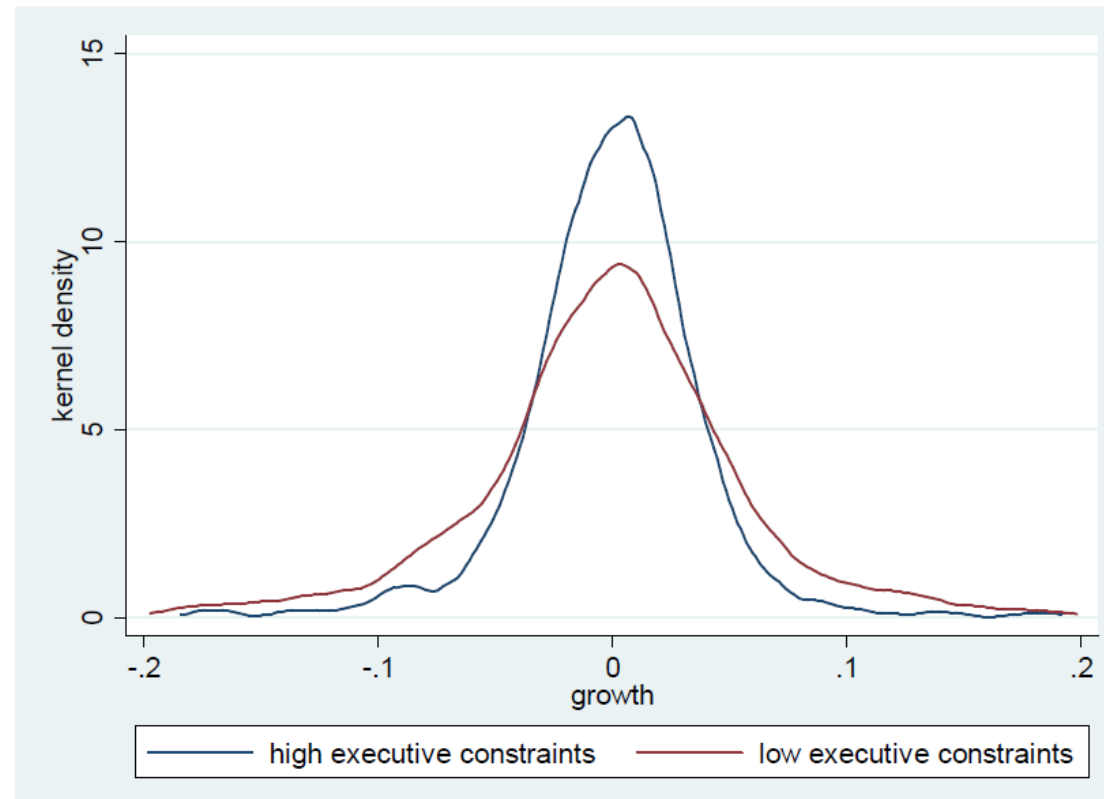
Table 1: Failures and Executive Constraints

	weak executive constraints		strong executive constraints		t-test	t-test*
	obs	mean	obs	mean		
10% drop in GDP per capita	4170	3.86%	1979	1.11%	7.23	4.41
20% drop in GDP per capita	4410	1.52%	2017	0.40%	4.85	2.92
fall in life expectancy	5656	1.45%	2222	0.50%	4.38	1.08
increase in child mortality	5102	1.22%	2145	0.47%	3.52	1.72
start of armed conflict	6095	3.20%	2417	1.03%	7.09	2.62
start of civil war	6627	1.39%	2611	0.27%	6.37	2.93
start of refugee outflow	4976	2.07%	2397	0.42%	6.86	2.54
start of purge	4924	6.15%	2225	1.71%	10.13	4.47

- From joint work with Hannes Mueller

Resilience

Figure 5: Executive Constraints and GDPpc Growth



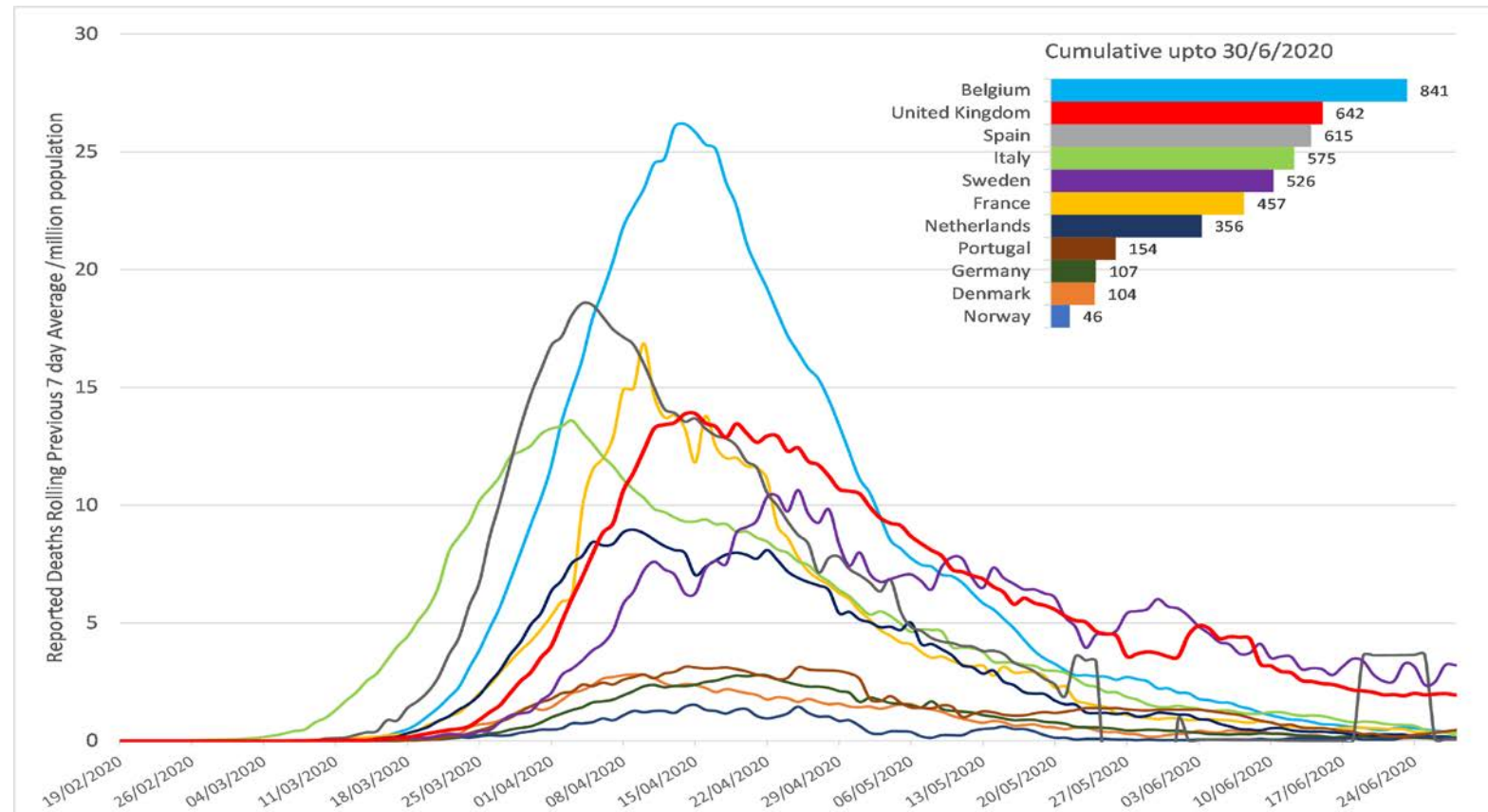
- From joint work with Hannes Mueller

Responding to COVID-19

- Three dimensions to the crisis
 - A health shock
 - An economic shock
 - A shock to politics and society
- Some elements of this will take a while to be understood.

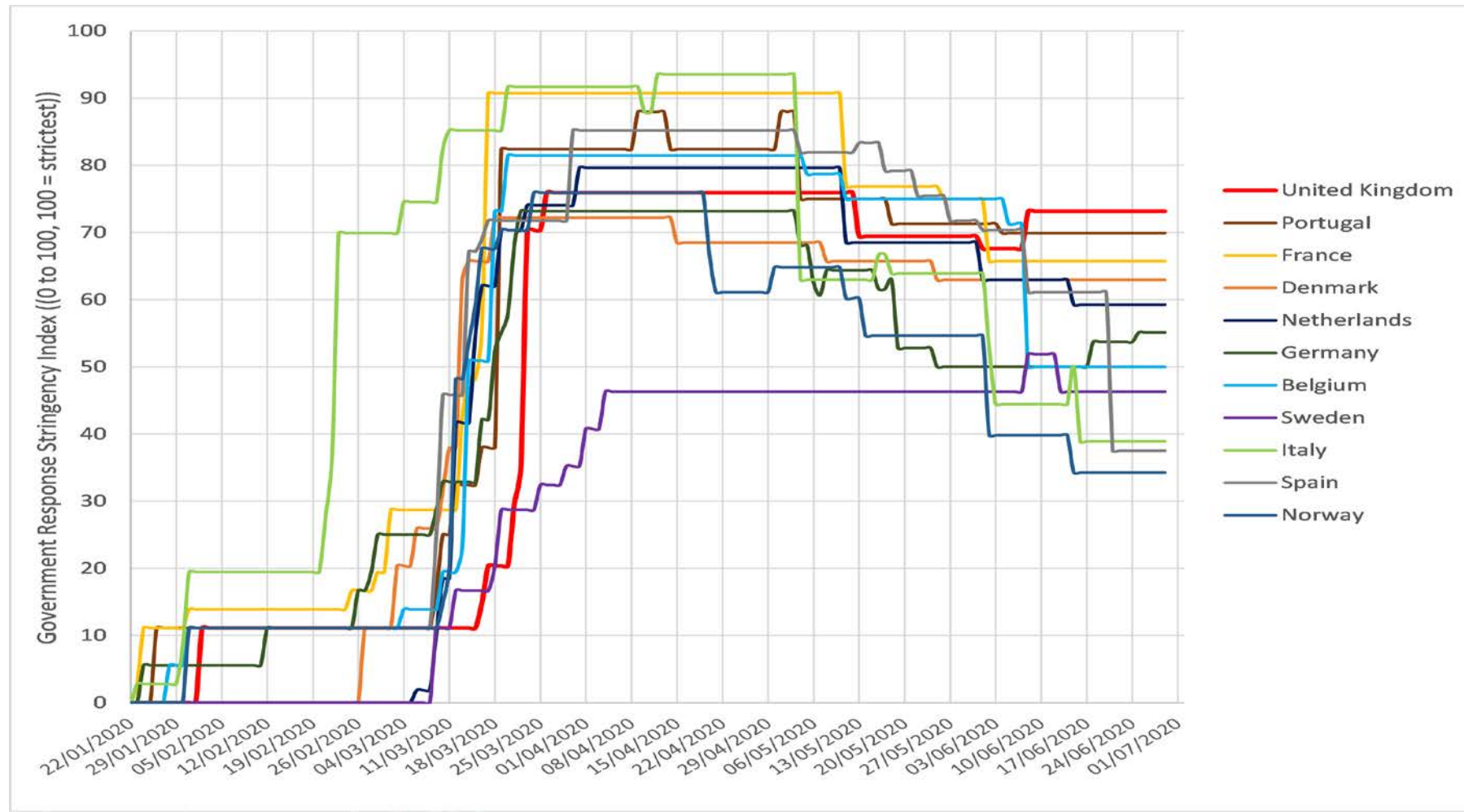
Cumulative reported deaths across countries (first wave)

- Source: Miles, Stedman and Heald, 2020



Policy responses (first wave)

- Source: Miles, Stedman and Heald, 2020



Responding to COVID

- Governments have used a combination of
 - Regulatory measures (e.g. lockdowns)
 - Messaging/information
 - Support measures
- Constraints on government
 - Limits on coercive power
 - Especially in democracies
 - Limits on information control
 - Especially with free media

Responding to COVID

- And policy has limited evidence base to draw on
 - So policy-responsiveness is not easy to judge
 - Little guidance in existing evidence base
- Importance of voluntary compliance is a particular feature
 - What leads citizens to cooperate with measures in place?
 - Not just individual decisions
 - Depends on evolving social norms
- So much research to be done to explore this

A research program

- Three dimensions
 - Levels
 - What has happened to the disease?
 - How do citizens behave?
 - How has the economy progressed?
 - Responsiveness
 - How citizens and government changed their behaviour as the disease progression
 - Effectiveness
 - How do measures taken by citizens and government affect different outcomes?
- Heterogeneity
 - How are these affected by “pre-crisis” factors?
 - Economic
 - political
 - cultural

Data availability

- The crisis has revealed limitations of existing data
 - But many opportunities for exploiting new digital sources
 - Particularly important as official data is typically not available quickly
 - And limited granularity
 - by geographic region
 - By type of household
- Things that we have not tracked before
 - Citizen mobility
 - Social distancing
 - Using Non-Pharmaceutical Interventions (NPIs)

Sources of new real-time economic data

- Financial transactions data
 - Payments data
 - Credit cards
- Mobility data
 - From mobile devices
- Changes are happening at high frequency
 - Daily data
- Can be used to look at heterogeneity
 - By geography
 - Over time
 - By income group

Sources of new real-time data

- UK has generally lagged behind in making such data widely available
- Best data available in
 - Denmark¹
 - France²
 - Portugal³
 - Spain
 - Sweden⁴

1: Andersen et. al. (2020) <https://bit.ly/2Fn8uAb>

2: Bounie et. al. (2020) <https://papers.ssrn.com/abstract=3588373>

3: Carvalho et. al. (2020) <https://ideas.repec.org/p/eca/wpaper/2013-307531.html>

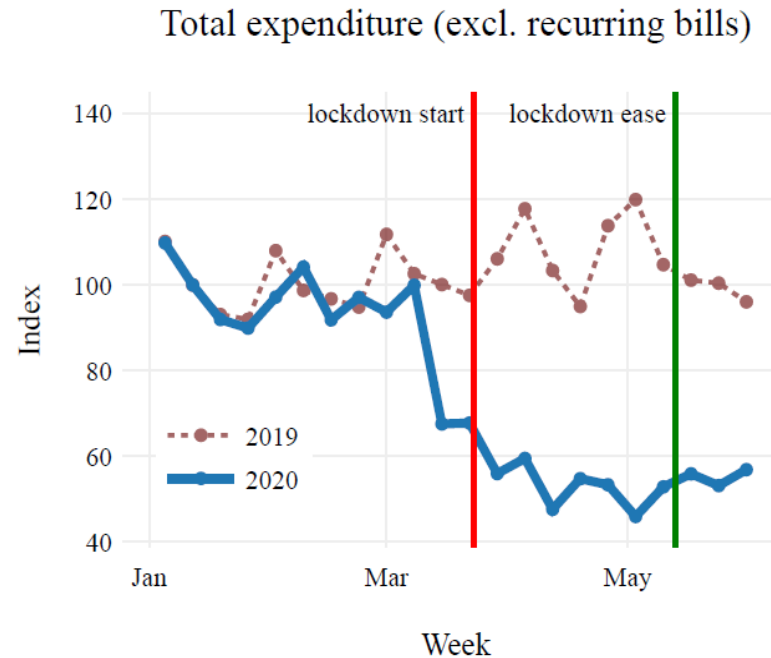
4: Andersen et. al. (2020) <http://arxiv.org/abs/2005.04630>

Some examples of lessons emerging

- Relationship between health and the economy is complex but in interesting ways:
 - Household heterogeneity
 - Cross country comparisons
 - Timing
 - Responsiveness

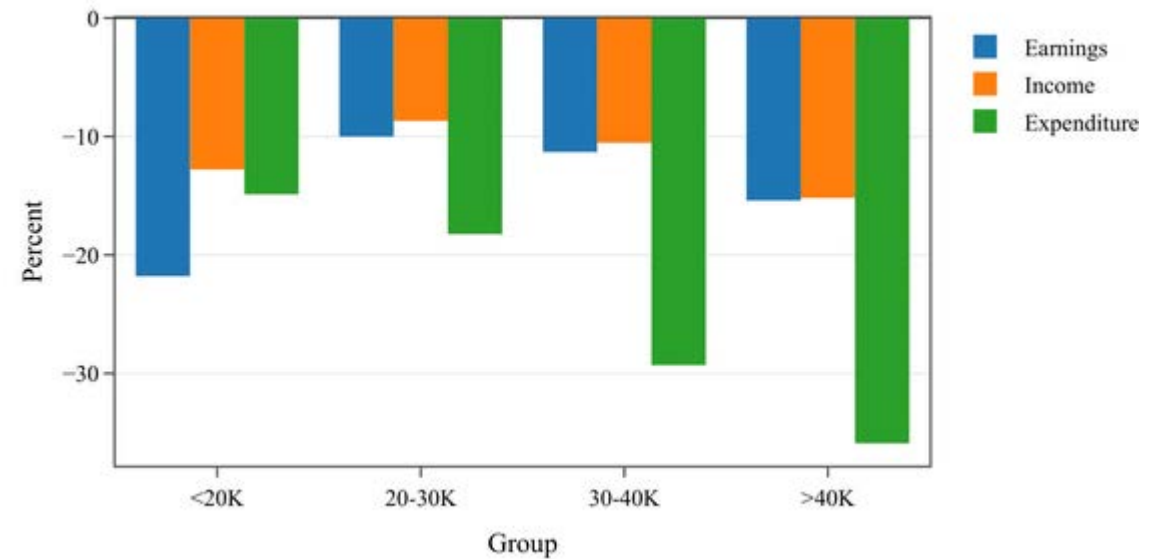
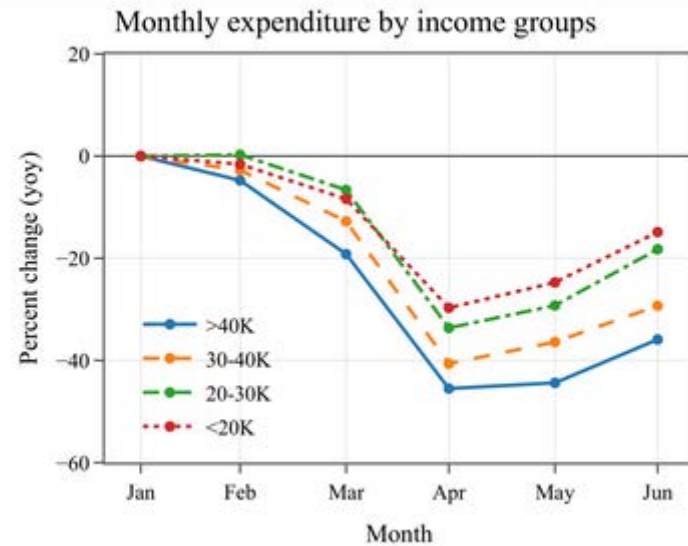
Economic Responses

- Predate formal lockdown and slow to return



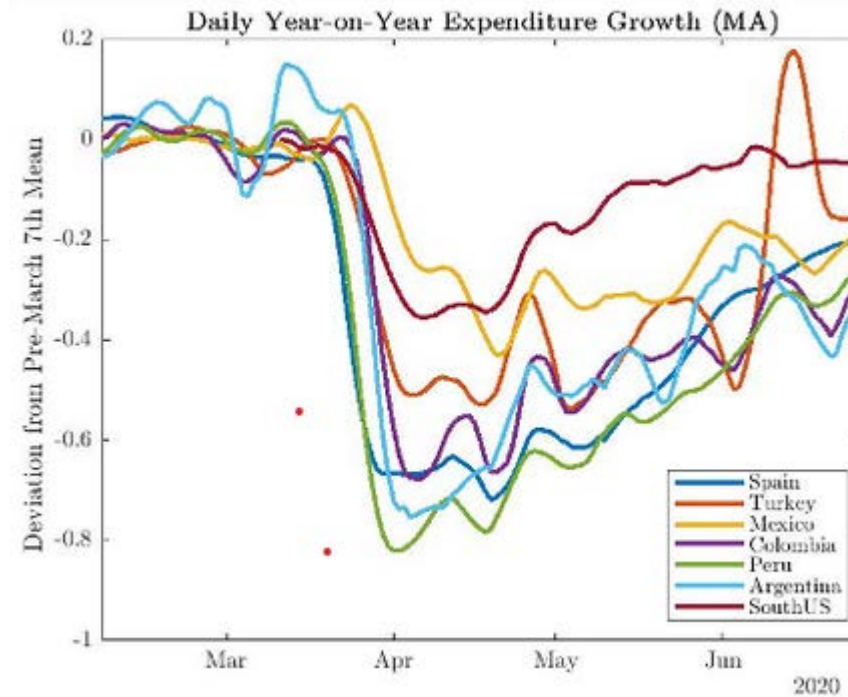
- Source: Hacıoglu, Kaenzig, and Surico (2020) data on approximately 15,000 users of a financial app (Money DashBoard)

Household heterogeneity



- Source: Hacioglu, Kaenzig, and Surico (2020) data on approximately 15,000 users of a financial app (Money DashBoard)

Cross-country differences

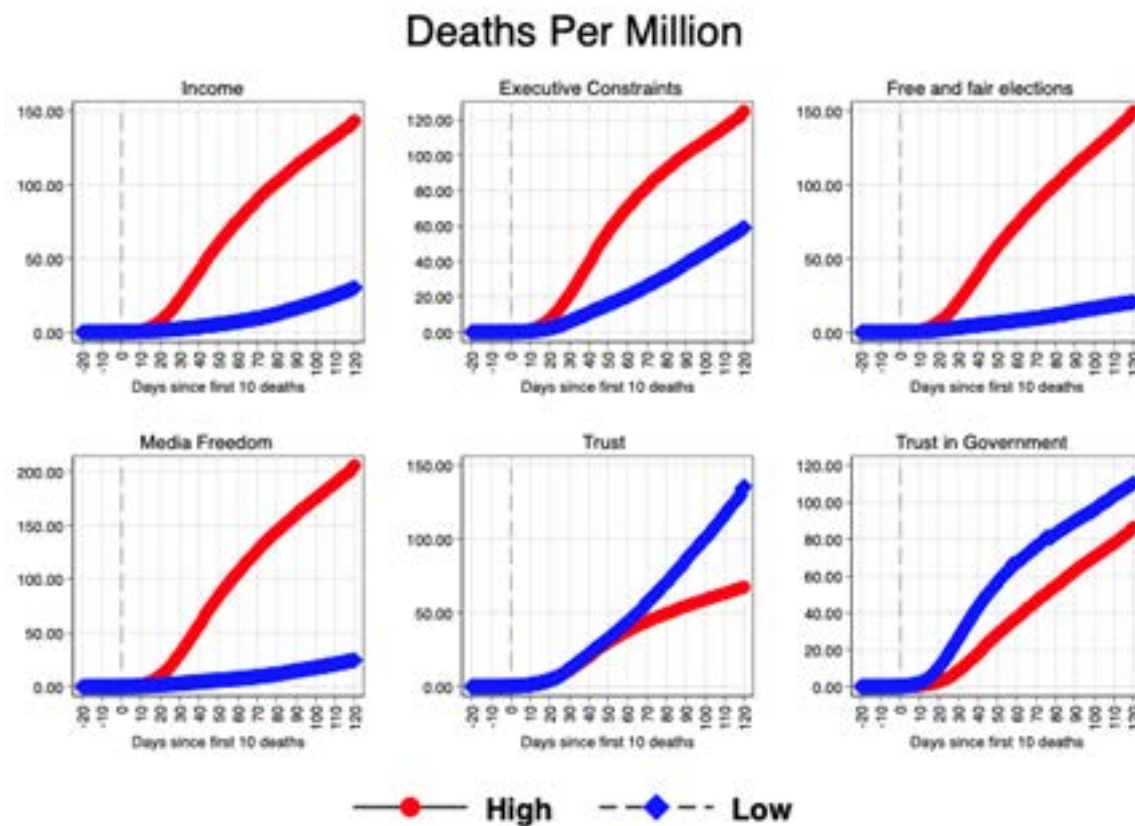


- Source: Banco Bilbao Vizcaya Argentaria (BBVA) card data from Carvalho et al. (2020)

Disease Progression and Mobility

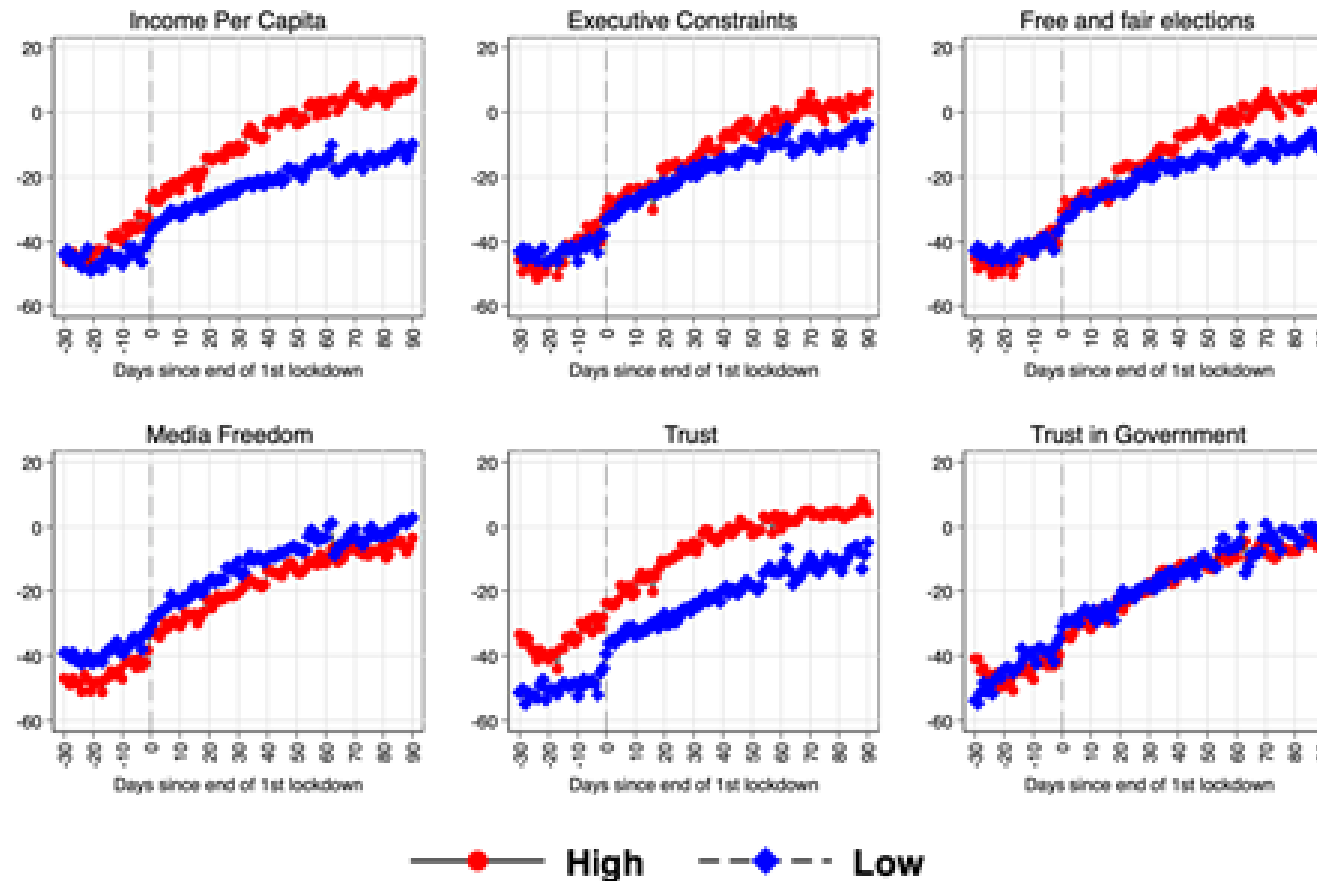
- Using data from European Centre for Disease Control (ECDC)
 - Although issues around reporting accuracy
 - E.g. Disease prevalence dependent on testing systems
 - Excess mortality versus raw mortality
 - But the latter is only available for around 28 countries
- Data on citizen responsiveness
 - Google mobility data
 - Other data from mobile devices
 - Highly disaggregated data
- How these vary with:
 - Income
 - Executive Constraints
 - Free and fair elections
 - Media freedom
 - Citizen trust
 - Trust in government
 - Joint work with Sacha Dray (LSE PhD student)

Deaths per million



Time outside the home

% Reduction in Time Outside Home

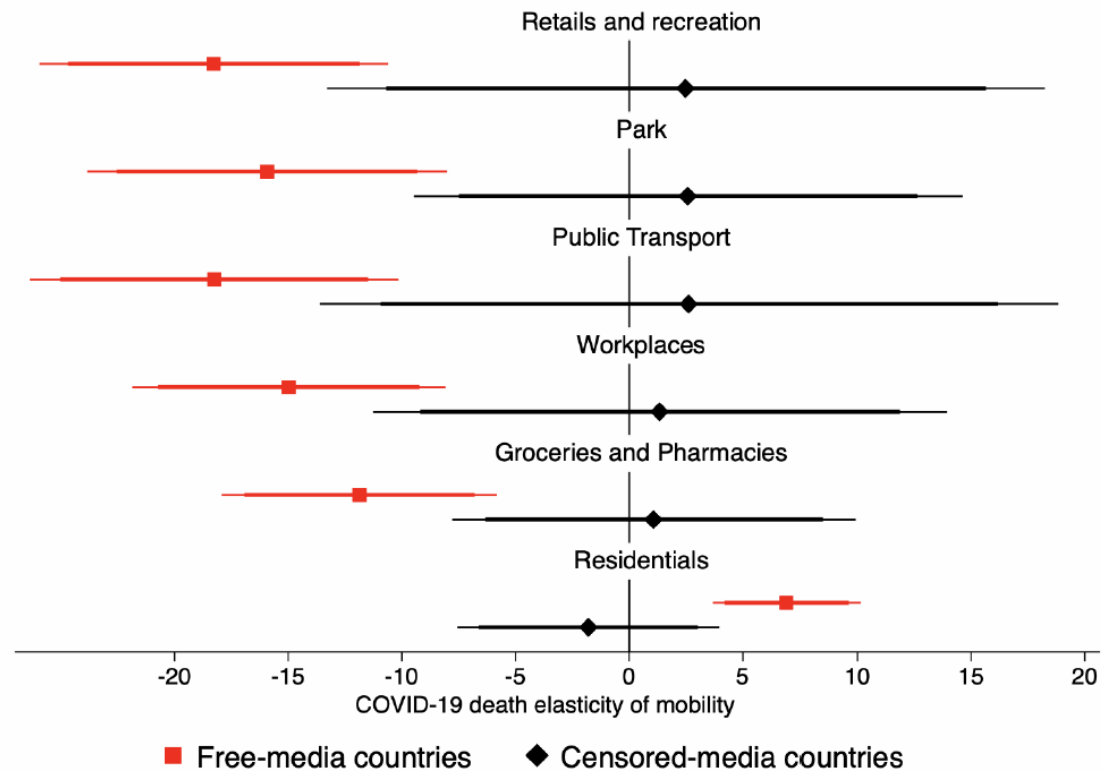


Citizen Responsiveness

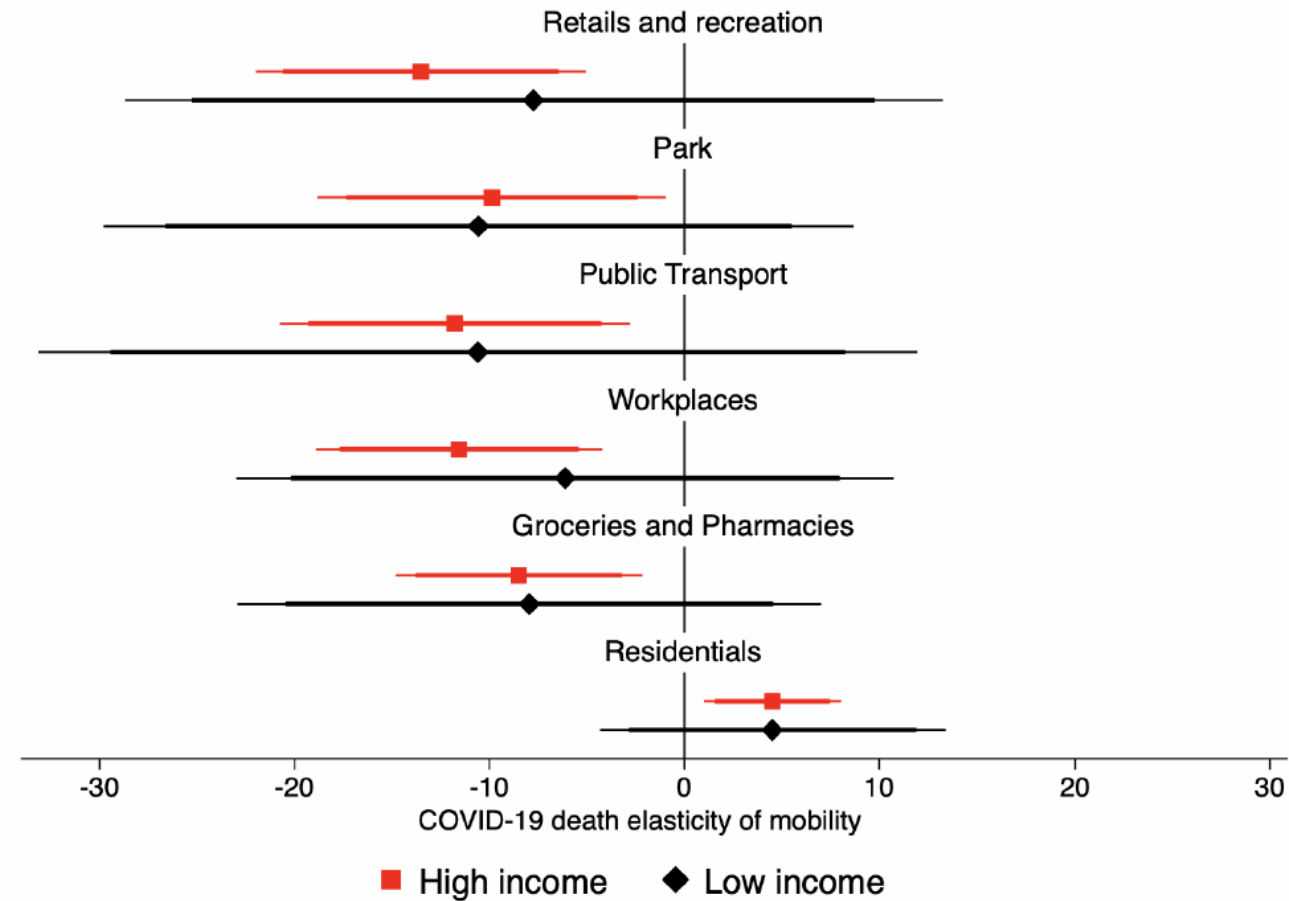
- Looked at through how citizen behaviour changes in response to information about deaths and/or infection
- Two dimensions
 - Heterogeneity across space
 - Why are patterns different across countries and regions?
 - Heterogeneity over time
 - Is responsiveness waning?

Free media

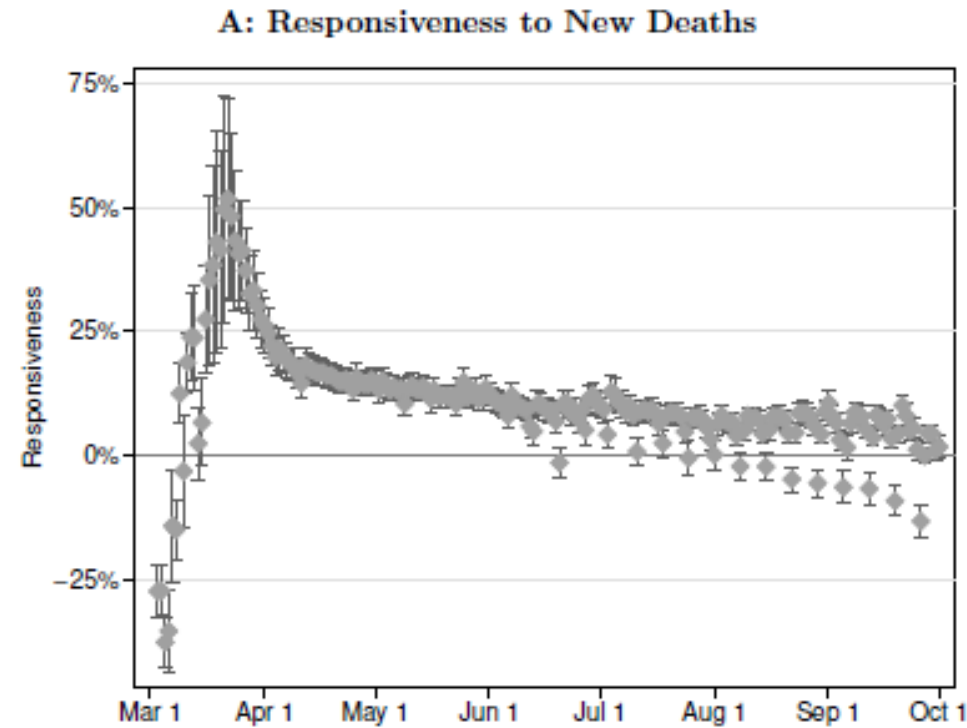
- Citizens and government respond more in free media countries



But not in rich countries...

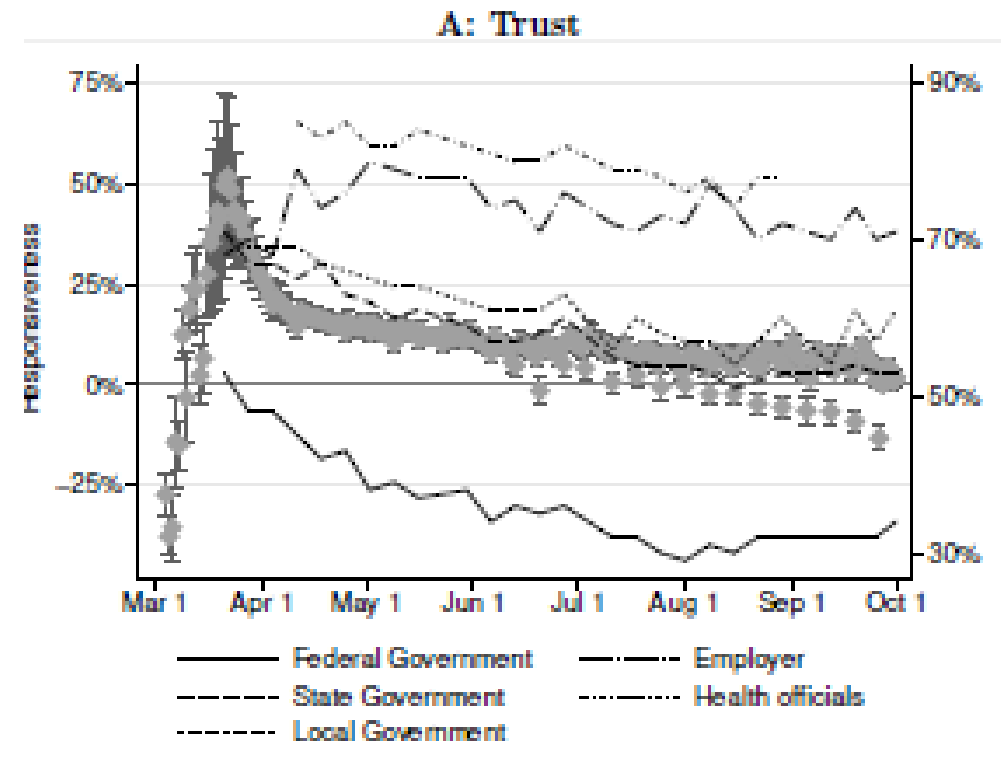


Responsiveness declining over time?



- Based on evidence from US counties in Besley and Dray (2020)

Linked to declining trust?



- Based on evidence from US counties in Besley and Dray (2020)

Concluding thoughts

- COVID-19 makes us think about government effectiveness
- And it will take a lot of time to learn the lessons
 - Requires an integrated social science
 - And new data
 - Also, will have to wait some time to learn all of the lessons
- And will it lead us to revise our views?
 - Do we need to build new state capacities?
 - How can we build a stronger social contract?
 - Is there a need for institutional changes
- COVID-19 will be with us for a long time as social scientists long after the crisis

THANK YOU!

