

# State Capacity and the Role of Government During a Pandemic

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# The Logic of Public Action

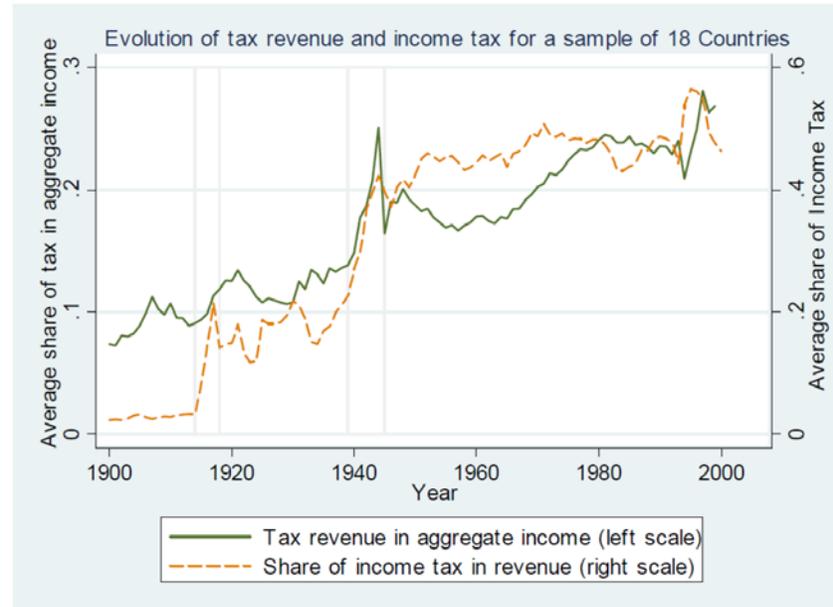
- Combination of
  - State policies
    - Supported by state capacities
  - Private action
    - Pro-social behaviour
    - Compliance
- The latter has been especially clear during the pandemic
  - Social distancing
  - Vaccination
  - Responsible use of state resources

# Effective policy-making

- State capacities as the sinews of the state
  - Fiscal
  - Legal
  - Collective
- The origins of state capacity:
  - Economics
  - Politics
  - Culture
- National emergency always part of the narrative
  - Wars/military rivalries



# The War Story



Taxes and share of income tax over time

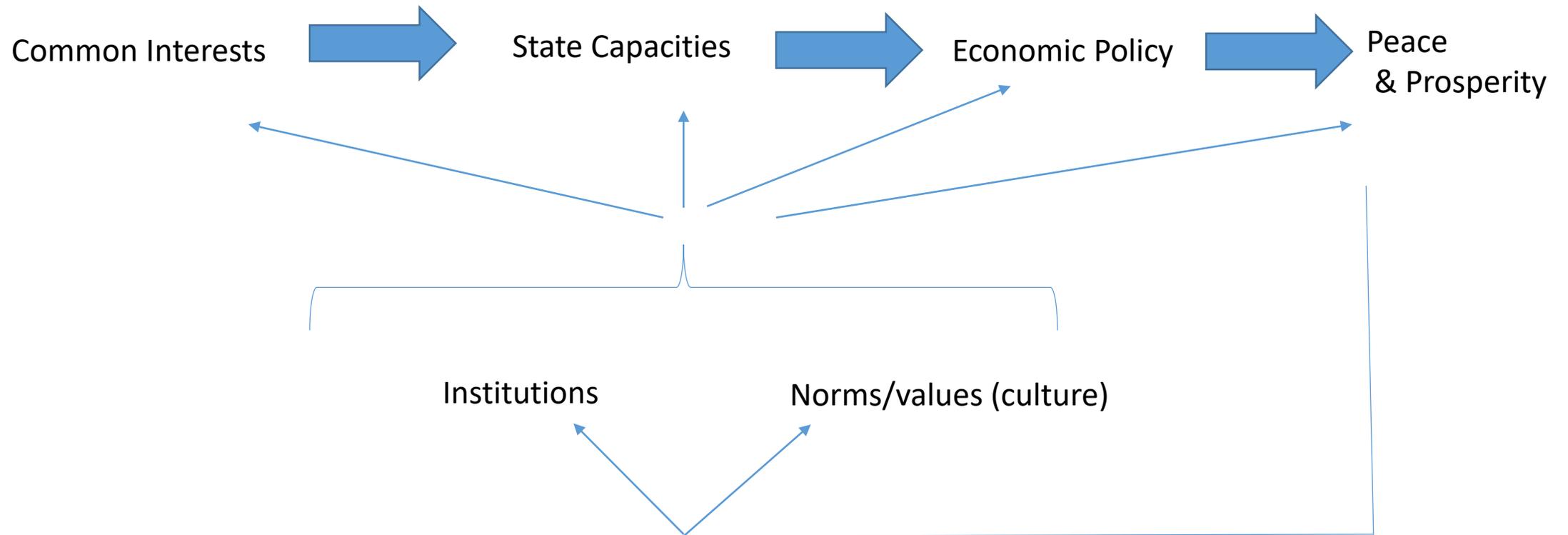
Countries in time series are: Argentina, Australia, Brazil, Canada, Chile, Colombia, Denmark, Finland, Ireland, Japan, Mexico, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom, and the United States.

Figure 1:

# Origins of state capacity

- *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/trust

# Schematic Representation



# State capacity during the pandemic

- All three forms of state capacity essential
  - Fiscal
    - Generating resources
    - Issuing debt
    - Expensives Innovations
      - e.g. furlough program in UK
  - Legal
    - New forms of regulation
      - Lockdown
      - NPI's
  - Collective
    - Vaccination programs
    - Reorganizing health systems
- Reasonable conjecture that strong state capacity countries would fare better?
  - Enable larger scale and more effective interventions

# The Scale of the Intervention: UK as an Example

- Legal interventions
  - Lock down measures
- Key economic support
  - Coronavirus job retention scheme
  - Loan support schemes
  - Vaccine roll out

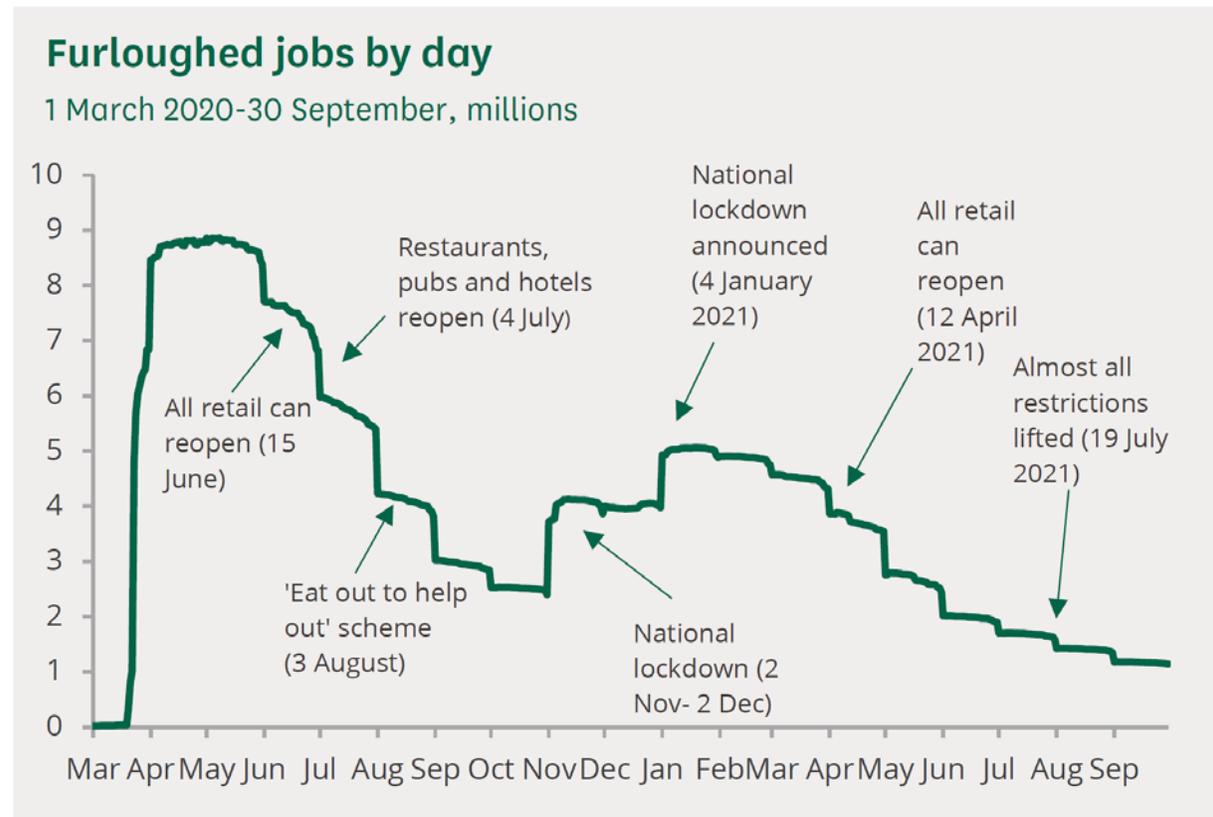
TABLE 1  
*Key measures during lockdown*

<i>Date</i>	<i>Measure</i>
4 March	Expanded public information campaign is announced, focusing on handwashing for 20 seconds.
11 March	Budget 2020: £5bn COVID-19 response fund for pressures on the NHS and other public services (later announced: £1.6bn to local authorities, £1.3bn to enhance NHS discharge processes); WHO declares COVID-19 pandemic.
12 March	PM announces new self-isolation measures for those with symptoms.
16 March	Government announces new social distancing measures, including for anyone in a household with symptoms of COVID-19 to stay home for 14 days. Government advises that that mass gatherings should not take place, in line with new social distancing measures.
17 March	Chancellor announces £330bn to support economy during COVID-19 outbreak.
19 March	The Coronavirus Bill 2020 is introduced as emergency legislation to support the government to respond to COVID-19, including a wide range of powers and flexibilities.
20 March	Government announces further social distancing measures to close entertainment, hospitality and indoor leisure premises; schools, colleges and nurseries in England ordered to close 'until further notice'; bars, restaurants and shops to close, and new measures to support employers and employees.
23 March	Further social distancing measures come into effect requiring people to stay at home, stopping social gatherings and ordering the closure of certain businesses.
26 March	New support announced for the self-employed.
16 April	Lockdown kept in place for at least three more weeks; five conditions for easing measures announced.
23 April	Announcement of new infrastructure to roll out contact tracing on a large scale, including an NHS contact tracing app and hiring 18,000 staff to work as contact tracers.
10 May	Announcement of first steps for 'reopening society' from the lockdown measures, including encouraging people to go to work if they cannot work from home.

*Source:* The Health Foundation: <https://www.health.org.uk/news-and-comment/charts-and-infographics/covid-19-policy-tracker>.

# UK Examples: The Scale of the Furlough Program (Coronavirus Job Retention Scheme)

Chart 1



# UK Examples: Loan Programs Backed by UK Government



## Over 1.6 million businesses received loans worth over £80 billion

Coronavirus business loan schemes, 31 May 2021

	Total value of loans (billion)	Number of loans approved	Total number of applications
Coronavirus Business Interruption Loan Scheme (CBILS)	£26.39	109,877	251,342
Coronavirus Large Business Interruption Loan Scheme (CLBILS)	£5.56	753	1,152
Bounce Back Loan Scheme (BBLs)	£47.36	1,560,309	2,094,858
Future fund	£1.12	1,140	2,206
TOTAL	£80.43	1,672,079	2,349,558

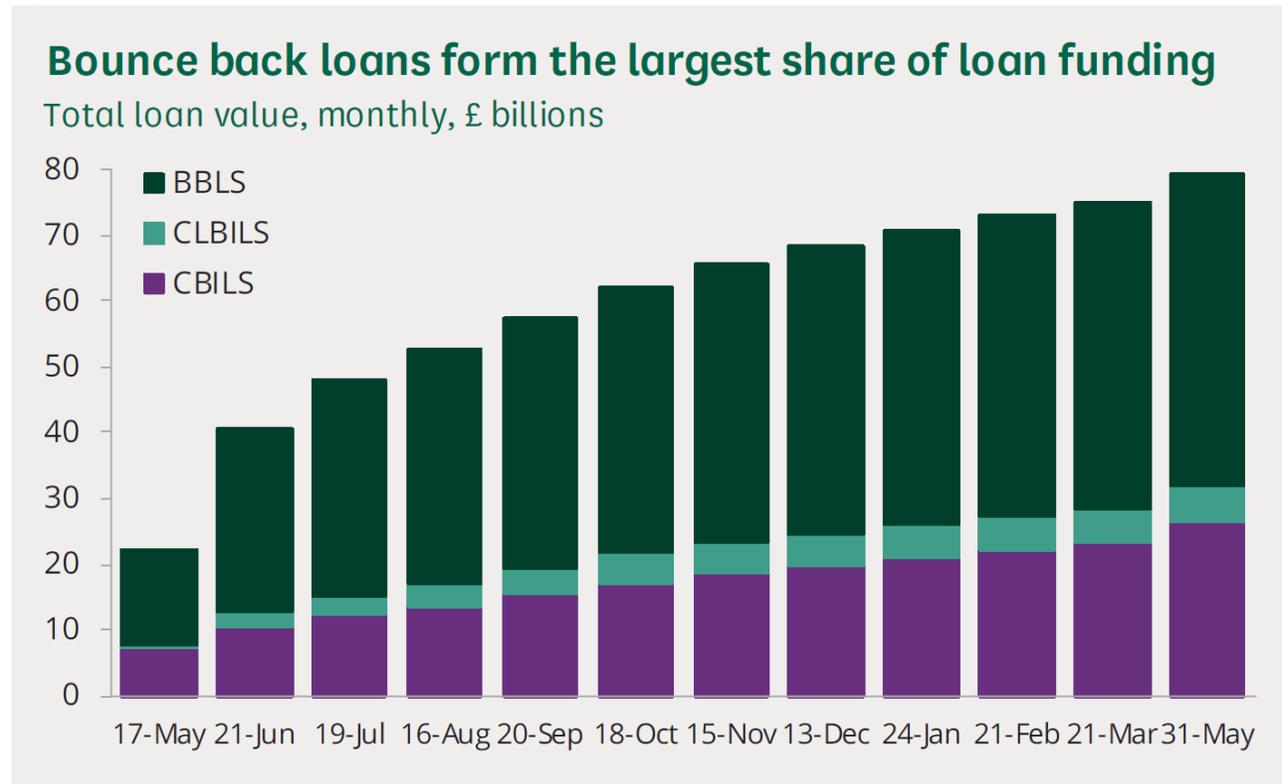
Notes: These are initial figures based on management information supplied to HM Treasury by accredited lenders for CBILS, CLBILS and BBLs and does not include data from all lenders.

The value of BBLs loans approved includes extra value from BBLs loans which have subsequently been 'topped-up' to a higher amount. As of 31 May, 106,660 BBLs top-ups had been approved worth £0.95 billion.

For CBILS the number of applications includes a number of applications that were subsequently converted to BBLs applications.

Source: [HM Treasury coronavirus \(COVID-19\) business loan scheme statistics](#), accessed 8 July 2021.

# UK Examples: Loan Programs Backed by UK Government



Source: [HM Treasury coronavirus \(COVID-19\) business loan scheme statistics](#), 8 July 2021

# Vaccination

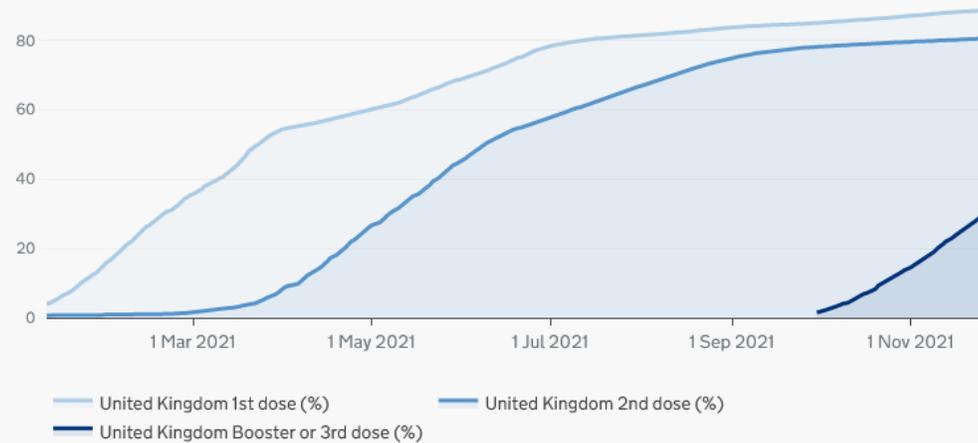
## Vaccination uptake, by report date

UK total  By nation

The number of people of all ages who have received a COVID-19 vaccination, shown as a percentage of the population aged 12 and over. First, second and booster or third doses are shown. The denominator is the 2020 mid-year population estimate for those aged 12 and over. A different denominator is used for England local areas and age demographics by vaccination date so these cannot be compared. Percentages lower than 0.1 will not appear on the chart and show as N/A in data tables.

[Uptake](#) [Data](#) [About](#)

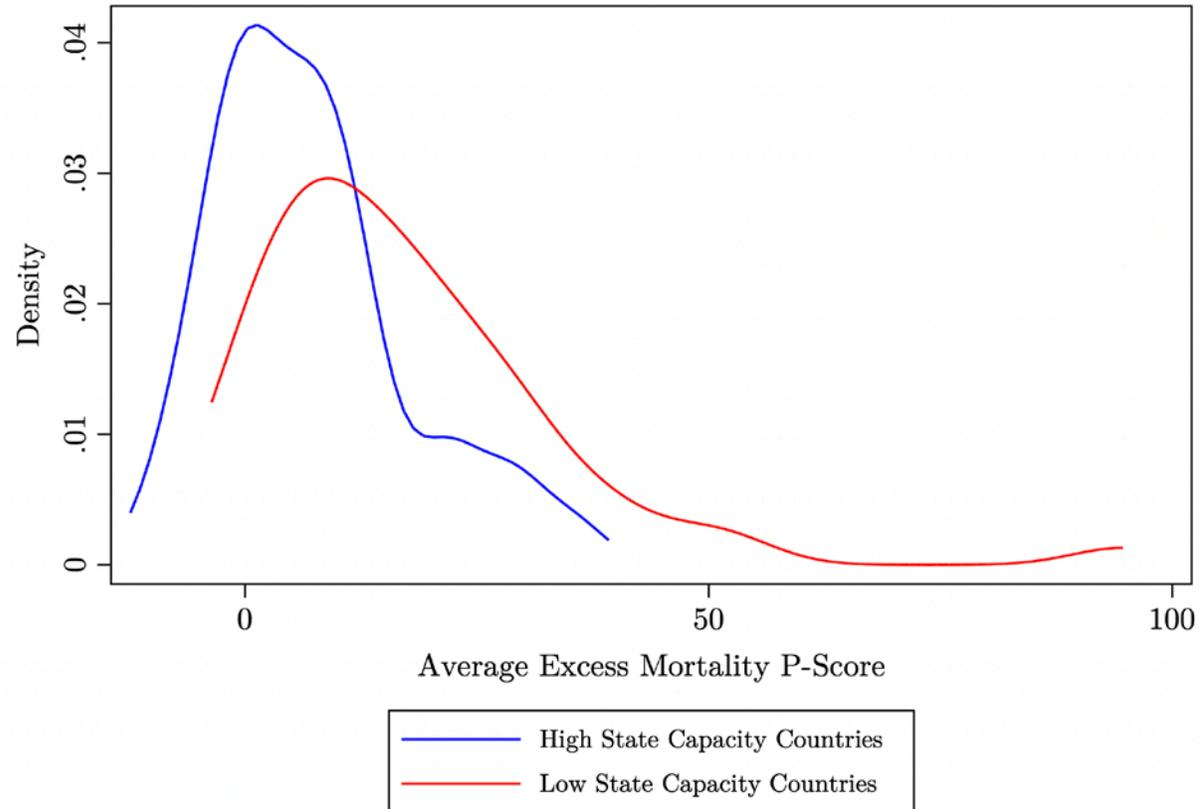
**all** 6m 3m 1m



# Cross-Country Patterns

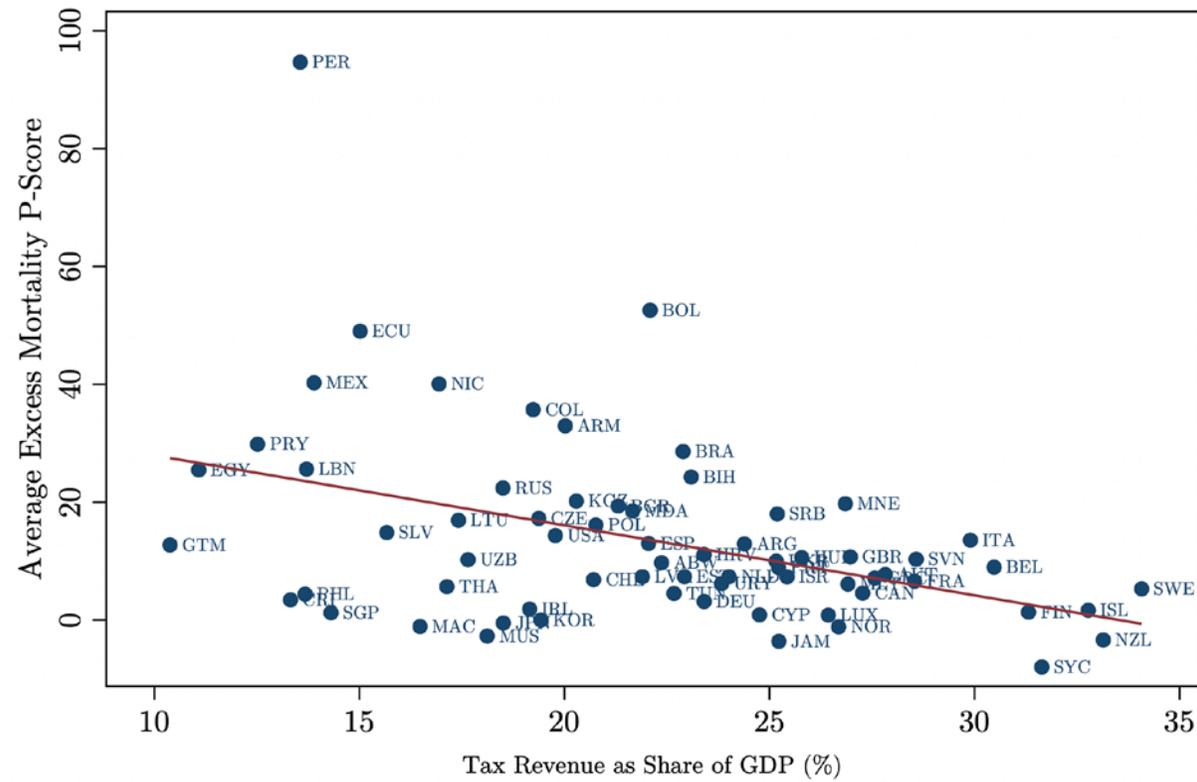
- Did countries with greater state capacity also fair better in keeping mortality low?
  - A little too early to tell
    - But suggestive evidence that the answer could be yes.
- Look at distribution of excess mortality
  - High versus low state capacity countries
  - Averages by country

# Looking at distributions



Note: high state capacity is defined as countries in the 75th percentile or above of tax revenue as a share of GDP.

# Does the pandemic conform?

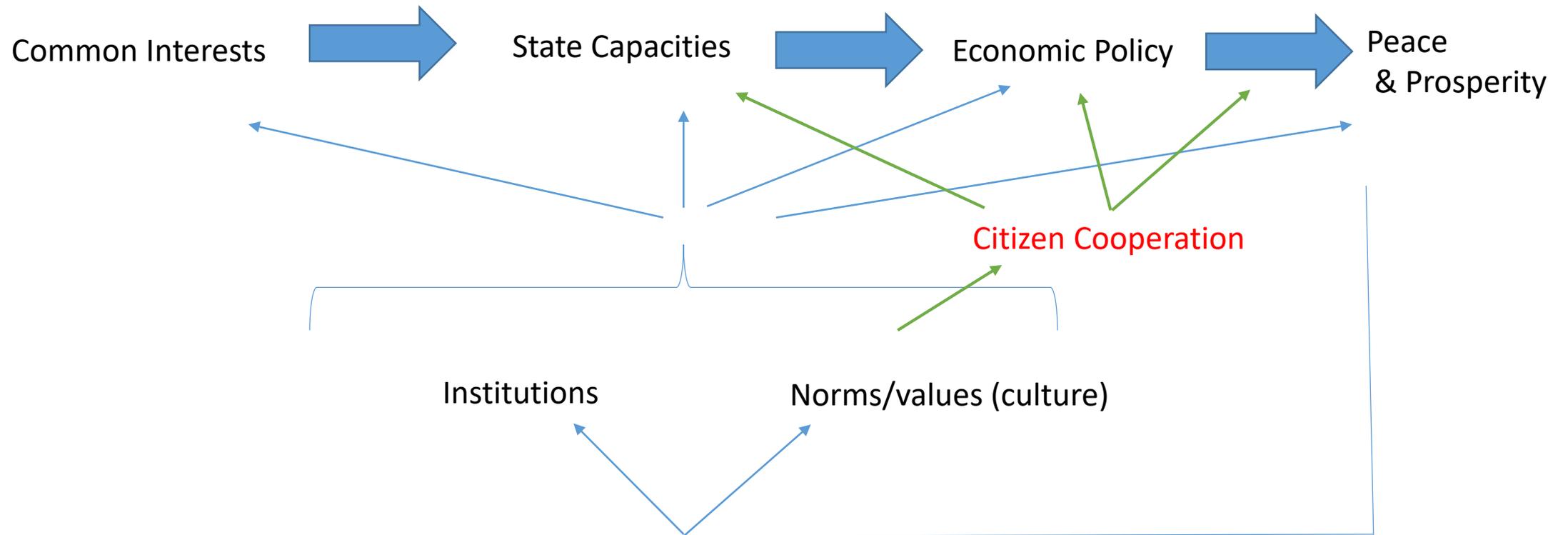


Note: data stems from Our World in Data and the International Center for Taxation and Development. Trend line is robust to using median 2020-2021 excess mortality p-scores versus monthly average. Trend line is also robust to omitting Peru as an outlier. Tax revenue as a share of GDP refers to 2016 levels as the latest observation from Besley, Dann and Persson (2021).

# What are we learning that is relevant for research and policy?

- The interplay of private and state action
  - A cooperative relationship?
  - Complements or substitutes?
- Limits to coercive power
  - Government requires compliance
    - The essence of state legitimacy
  - Built on trust rather than coercion
    - Something that we already understood to some degree
      - E.g. literature on tax morale
      - Jonathan Weigel's field experiments in DRC
- Trust can be thought of as a key asset in building state capacity
  - Some suggestive cross-country evidence
  - Within-country UK evidence

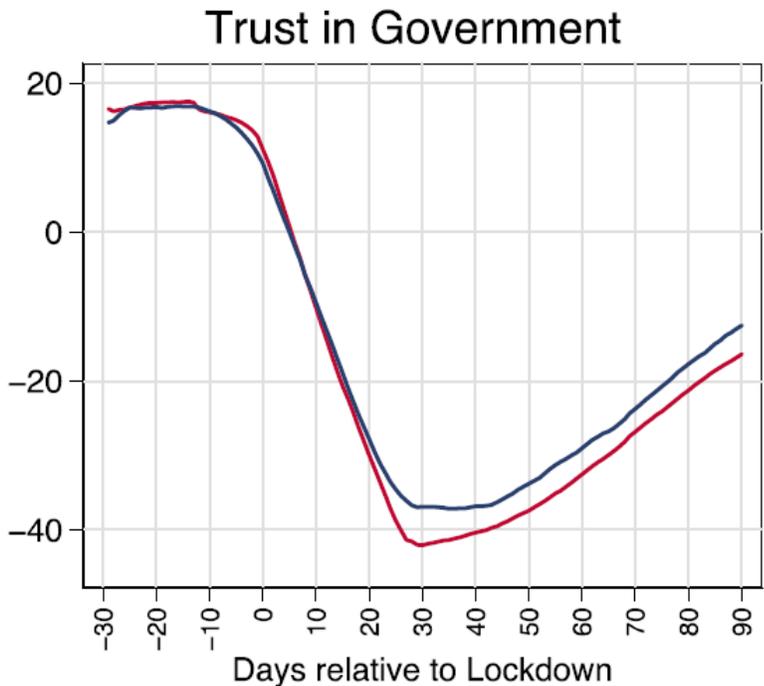
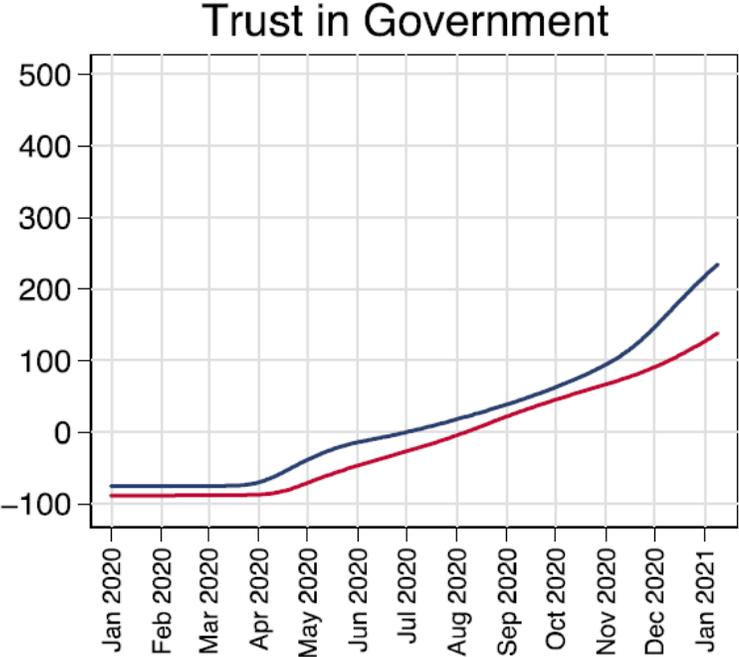
# Schematic Representation





# Trust in Government and Compliance

- Cumulative deaths and compliance with social distancing



— High

— Low

# UK survey evidence

- We use UK COVID-19 survey data from Five National Cohort Studies, with about 20,000 participants interviewed in May 2020 and February/March 2021.

TABLE 2: TRUST IN GOVERNMENT AND COMPLIANCE WITH SOCIAL DISTANCING

	(1)	(2)	(3)	(4)
<i>Dependent variable: Compliance with Social Distancing</i>				
Trust in Government	0.0614*** (0.00293)	0.0424*** (0.00289)	0.0409*** (0.00297)	0.0328*** (0.00302)
Observations	32,491	32,491	31,141	29,636
Adjusted $R^2$	0.022	0.078	0.079	0.11
Mean Dependent Variable	9.08	9.08	9.08	9.08
Wave fixed effect	X	X	X	X
Cohort fixed effect		X	X	X
Region fixed effect			X	X
Additional Controls				X

Notes:

# Distributional issues

- Covid created new forms of inequality
  - Also accentuated existing inequalities
- Can the state mitigate these?
- Why does it matter?
  - Moral arguments
  - But could affect future state capacity building:
    - Shapes trust and confidence
    - Cohesion is important

# The legacy

- Lessons from the aftermath of wars and crises
  - Generally a mixed bag?
  - Moments for making errors and as well as progress?
    - Build back better?
- Refashioning the state
  - Support programs, e.g. furlough and loan schemes
  - Stronger reciprocal elements
  - Reform of tax systems
  - Stronger emphasis on robustness and resilience
  - Reorganization of emergency protocols

# From this crisis to the next: climate action

- All three kinds of state capacity needed
  - Need for specialized capacities?
- Trust really important?
  - Evidence from WVS

	Giving Income for the Environment (1)	Tax Increase for the Environment (2)
<b><u>Panel A</u></b>		
Confidence in Government	0.0596*** (0.00325)	0.0668*** (0.00332)
Political Position	-0.00446*** (0.000675)	-0.00142** (0.000690)
Observations	112,925	115,545
Period	1990 - 2009	1990 - 2009
Number of Countries	82	70
Adjusted $R^2$	0.096	0.066
Mean Dependent Variable	0.68	0.62

# Concluding Comments

- Covid was a stress test for all forms of state capacity
- States with high state capacity appear to have mitigated impact of crisis
- But state capacity is also a proximate influence
  - Reflecting conditions that enable state effectiveness
    - Institutions
    - Cohesion
    - Trust
  - Need to focus on public action not just public policy!
- But these are also moments of reflection
  - Appraising successes and failures
  - Opportunities for reform?