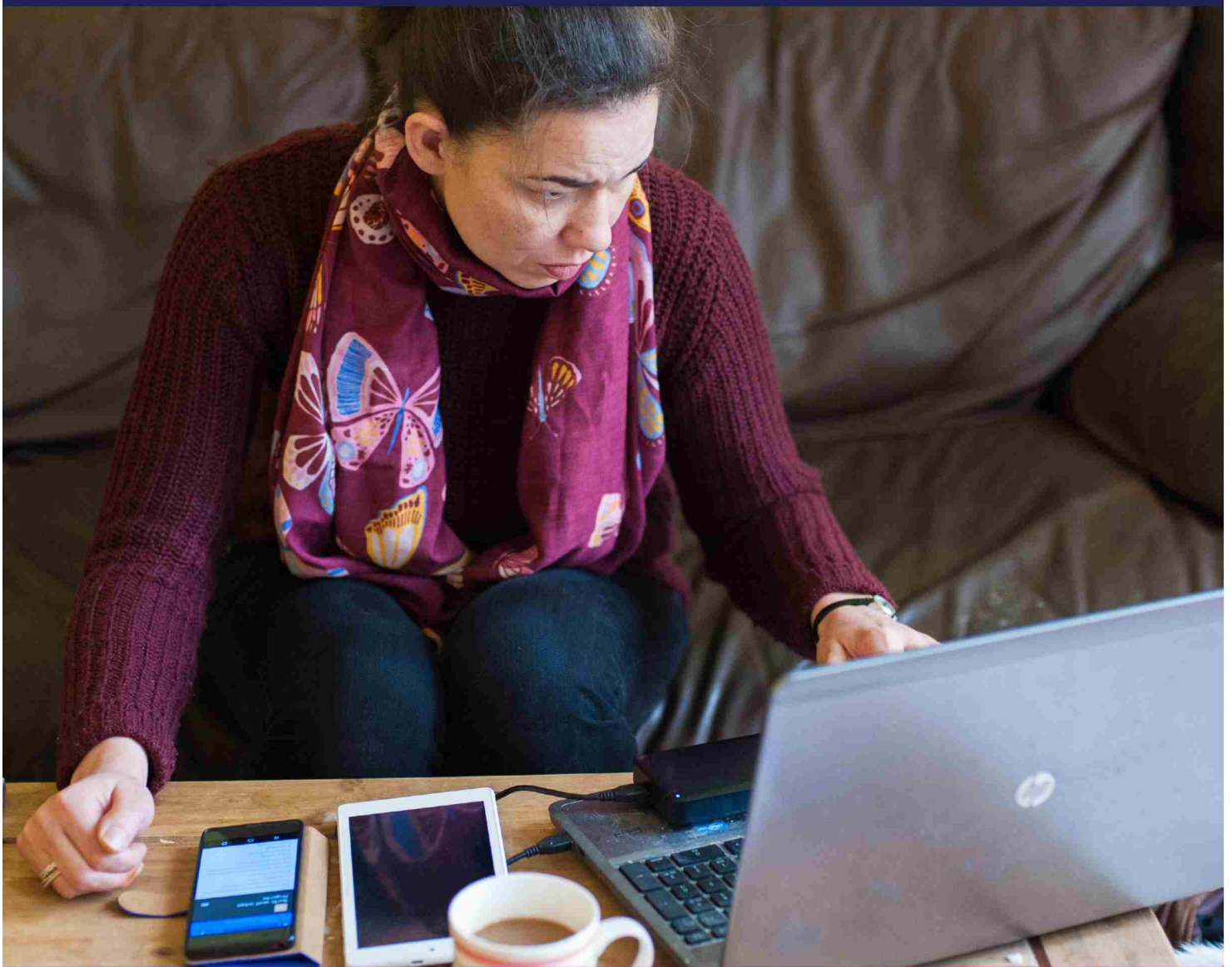


The Treasury during Covid

What lessons can be learned from the pandemic?



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Analysis and decision making

- **A fully effective government response to the pandemic depended on many things, including strong analysis from the Treasury – on the economic impacts of the pandemic and how economic behaviours and impacts interacted with the spread of Covid – being shared openly across government.** This was because there were complex two-way relationships between the spread of the disease and economic behaviour, and what was happening to the economy affected the demands facing many other departments.
- **The Cabinet Office had the main responsibility for synthesising evidence from across government to inform central decision making.** But the Treasury, as a powerful player at the centre of government, had an important role to play too and had the ability to advocate for and generate better information sharing.
- **There was a stark contrast in the transparency of economic evidence informing ministers’ decisions compared with the scientific evidence.** Very little of the social and economic evidence that informed ministers’ decisions was published, particularly before 2021, and the Treasury shared almost none of its analysis externally, even with trusted experts. This lack of transparency hampered effective synthesis of evidence (and thus decision making) and may have undermined the government’s ability to convince the public of the merits of public health restrictions. It also means we have had to piece together evidence for this report from limited published sources and interviews.
- **The Treasury worked quickly to use new real-time data sources in innovative ways to understand which parts of the economy needed support.** Despite not having a particularly strong data science capability before the pandemic, the department acted quickly to import new sources of data that other parts of government and the private sector had developed to build a picture of what was happening in the UK economy. The department started building a stronger data science capability during the pandemic and has continued to strengthen this since, which is welcome. The Treasury also shared this analysis of real-time data with Number 10, the Cabinet Office and other departments, which helped inform ministers’ decisions. Some of this work was published.
- **But when it came to more in-depth economic analysis – for example, predicting the potential economic impacts of different policy options or projecting how economic behaviour might respond to a renewed spread of the disease – the Treasury shared information much less effectively with the rest of government, particularly in 2020.** Senior Treasury officials also vetoed proposals from other departments to establish a cross-departmental group to discuss economic impacts and the proposal for a socio-economic version of the Scientific Advisory Group for Emergencies (SAGE), which could have fed external expertise into government in a more systematic way.

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- **The Treasury produced its own projections for what might happen to the economy, under alternative assumptions about policy and the disease, which informed its thinking.** But it did not share these widely across government, instead pointing other departments to projections that the Office for Budget Responsibility (OBR) and external forecasters had produced. While those were of some use, at times they became outdated. Because the Treasury stepped back from providing thought leadership, other departments duplicated effort and resorted to establishing 'back channels' of communication between analysts to better understand what was happening.
 - **The Treasury did develop models that brought together epidemiology and macro-economics (epi-macro) to examine the inter-relationships between health and the economy.** But the result of these models did not play a major part in advice to ministers.
 - **Beyond this epi-macro modelling, it is very unclear how much work the Treasury did to unpick the causal impact of public health measures over and above the voluntary behaviour responses that would have occurred anyway.** This ought to have been an important focus for Treasury analysts but there are no published outputs of this sort of work from the Treasury and interviewees had seen little evidence of it.
 - **The sharing of information and the synthesis of analysis at the centre of government were weak from the late spring until the late autumn of 2020.** The Cabinet Office did not have effective structures for drawing together evidence from different departments and presenting ministers with a common understanding of the analysis. Instead, departments – including the Treasury – shared analysis strategically to support their particular point of view, with the chancellor feeling he needed to 'make the economic case' as a counter to 'the health case' that the health minister was making. This contributed to decision making becoming a tug-of-war in autumn 2020, which led to sub-optimal decision making.
 - **During the summer and autumn of 2020, the Treasury appears to have suffered from an optimism bias that the government's public health advisers did not share.** It is not possible to know from the outside whether ministers or officials drove this optimism, or both. This led the Treasury to: not implement some relatively easy improvements to support schemes; implement the Eat Out to Help Out policy in summer 2020, which was inconsistent with scientific advisers' assessment of the risk of a second wave; and announce very late the extension of furlough in autumn 2020.