

RESEARCH REPORT: PUBLIC UNDERSTANDING OF THE ECONOMIC IMPACTS OF COVID-19

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OVERVIEW

Building on our recent NIESR report on [Public Understanding of Economics and Economic Statistics](#), we conducted an additional 20 semi-structured interviews with members of the UK public. We explored public perceptions of the economic impacts of the Covid-19 pandemic, and assessed what formative experiences are likely to shape public understanding of the economy for years to come.

SUMMARY OF FINDINGS

Covid-19 was seen as an unprecedented economic crisis. There was a sense among participants that this was the worst crisis in a very long time, one they had not faced in their own lifetime and which was likely worse than anything since the world wars. Participants described in detail how it had affected all parts of the economy, but also that it impacted certain industries and people differently, and some not at all. The crisis had made some participants realise how interconnected the economy was, and that seemingly isolated impacts could create domino or ripple effects.

Above all, participants associated the crisis with the large government support packages, especially the furlough scheme. This was seen as an example of the tremendous power and ability of the state to protect its people and businesses when they most needed it, but it also made participants wonder why the money had not been used to improve public services before the pandemic. Participants were immensely worried about how long such measures could be sustained, and feared what would happen with an already struggling labour market in the future. Participants had already seen large rises in redundancies and closures of businesses but anticipated there would be mass unemployment once the furlough scheme came to an end.

Participants said the pandemic had reinforced their confusion about government borrowing and debt. Participants did not understand where the money came from, who it would be paid back to, and the consequences of not doing so. Some said it must come from a “*war chest*” or “*a mystery man*”. Others said it was related to government borrowings and debt, and that it had “*something to do with the Bank of England*”, but did not understand how, but really wanted to know. Regardless, participants anticipated that the money would inevitably have to be paid back in the future, and it would probably be recouped through large tax rises. Many feared this would unfairly fall on the working man as it had done in the past, but wanted larger corporations, especially digital companies and others who had done well out of the pandemic, to pay their share of the burden.

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1 Introduction

Our recent study on *Public Understanding of Economics and Economic Statistics* ([Runge & Hudson, 2020](#)) showed that people's perceptions of the economy are often affected by personal circumstances as well as people's previous formative experiences, especially witnessing periods of economic crisis and instability. For many people, the economy is often associated with moments of national economic downturns. That's a time when people hear a lot about the economy, and they become immensely interested, but also fearful of the economy, as it suddenly threatens to impact their job prospects and livelihoods. Our previous research, conducted prior to the Covid-19 pandemic, shows how previous economic crises shaped many people's perceptions of the economy for years to come, and how memories such as those of hyperinflation and very high interest rates during the 1970s and 1980s still affected how people spoke about the economy today.

The Covid-19 pandemic is likely to become a particularly strong formative experience that British people will remember for the foreseeable future, even if do not normally pay attention to economic matters. The public are currently living through the very visible economic consequences of the pandemic, which in many cases have directly affected their job prospects and financial situation. Especially during the early stages of the pandemic, the British public also received government briefings on an unprecedented scale and regularity, which included wide-reaching announcements of economic measures in response to Covid-19. Maybe more so than any other crisis, the pandemic is likely to shape people's understanding of the economy for years to come. This paper will therefore explore the formative experiences about the economy arising from the Covid-19 crisis.

What we did

Our previous research was undertaken pre-Covid between October 2019 and February 2020. It consisted of 12 focus groups with 130 people and a nationally representative survey with 1,665 people. To build on this, in July-August 2020, as the UK was coming out of the first lockdown, we did an additional 20 semi-structured 45 minute online interviews with members of the UK public, who were each paid £30 to participate. The sample was recruited by a market research company to include a mix of participants from different backgrounds. As such, we aimed to ensure that we recruited people who had been impacted differently by the pandemic, and whose interest in economic issues varied. The conversations covered anything from how people were personally impacted by the pandemic, to how they thought the country as a whole had been affected, what economic measures had been taken, and how the UK economy was likely to be affected in the future. The appendix provides further information about the sample. It is important to note that it is a relatively small sample, and it is not nationally representative so the findings are not necessarily generalisable to the wider population. Rather the strength of this type of qualitative analysis is that it provides in-depth insights into the mix of views within the population at the time of the interview.

2 The economy in an unprecedented crisis

The interview participants came from all walks of life, and their personal economic impact of Covid-19 varied, from those who had been furloughed or lost their job and subsequently struggled to pay rent, to those who had managed to pay off their credit card and increased their savings due to reduced expenditure. However, they all agreed that as a country, the UK faced an economic crisis that was "unprecedented" and seen as the "worst in a very long time". There was generally a sense that this was the worst economic crisis during their own lifetime, and that we had to go back to the world wars to see economic impacts of a similar magnitude. One of the participants, Tom, made a typical comment:

'It's possibly the worst economic disaster this country has ever seen. I think it's unlike anything we have ever seen in both my lifetime and my parents' lifetime. I think really

it's my grandparents who went through the Great Depression who would have seen anything close to what we're seeing now.'

Tom, 46, literary assistant.

Generally, there was a sense this crisis would “take a long time to get over” and that it will “take long for the UK to get back on their feet”. However, some participants also struck a more positive note, emphasising that we would get through it, such as James:

'It will be really bad for the next 2-3 years, but things will pick up, we will get through it. We got through the wars, we got through the interest rates in the 1990s.'

James, 31, sales and marketing director.

The impacts of the crisis had been very visible to people, more so than during previous crises such as the 2008/09 financial crisis. Participants spoke in depth about the closures and bankruptcies of businesses and shops in their local area, the damage to an already struggling high street, and the resulting redundancies among friends and family members. Many said the impacts were felt “across the economy” and that “nearly every sector is decimated” and wondered how they would ever get back on their feet. People especially mentioned restaurants, pubs, bars, hairdressers, cinemas, theatres, and the leisure and travel industry as having been adversely affected. However, people also recognised the differential impacts across the economy, especially that some online shopping websites and supermarkets would have done very well.

The Covid-19 crisis had also made some participants realise how interconnected the economy was. People said the crisis had shown that the economy works as “a chain”, and that changes in one part of the economy can cause “knock-on effects”, “domino effects” and “ripple effects” across the economy. For instance, Harriet spoke about the adverse knock-on effects on local shops close to office buildings as a result of the rise in home working, and on restaurants due to closures of nearby theatre and music venues. Similarly, Andrea had realised that reduced revenues for shops led to redundancies and reduced incomes, which would affect spending power among potential customers:

'I have started to realise the knock-on effects of working from home, and how businesses are connected with each other... I didn't realise the impact it has on local shops who rely on office workers buying lunches. And for theatres and music venues, it is not just the theatres and the actors, but all the restaurants around them. It's not just going to affect that one theatre production, it's going to affect the bigger circle.'

Harriet, 32, customer service assistant.

'It made me realise. It's like a domino effect. The first place goes down, and then it impacts all the rest of the chain. Take any kind of shop, like a clothes shop, if the public doesn't buy clothes, then it will impact the employee, the shop cannot pay the employee, so they employee need to be made redundant. Then they cannot find any other job, so we are gonna stay at home without making any revenue for any shop, then the owner of the shop will be forced to close the shop. And the delivery people, if there are nobody who can afford to buy clothes, then there will be no delivery, so the driver will be impacted. It's like a chain.'

Andrea, 45, site manager.

Some participants especially worried about the knock-on effects of working from home, including on the high street and the cities. John had worked as a freelancer in the theatre industry but seen his work dry up completely and was therefore forced to tap into his savings for retirement. He said the knock-on effects of the entertainment industry would impact local communities and cities, and shops, such as pubs, clubs, and coffee shops:

‘Everybody connected with that knock-on effect, it’s devastating. People are working from home, now they don’t want to go back to the office. A lot of these city skyscrapers will be empty. It will be totally changed, and it will impact the nation for years to come. The high street will be changed.’

John, 65, unemployed.

Some participants had also realised that their own behaviour could contribute to vicious spirals in these chains, for instance when they reduced their own spending due to the heightened uncertainty. Harriet and James considered themselves typical examples of how the economy could become negatively affected. They had both started prioritising their spending more carefully. Harriet said she appreciated her situation, as her wages had not been impacted because she was able to work from home in her role as an administration assistant in the public sector. Nevertheless, she had reduced her spending substantially. In the beginning, this was partly forced due to lockdown as a result of reduced travel and social expenses, but she had also realised how much she could save by prioritising spending further. James had not been personally impacted yet, but he worked in hospitality together with his wife, and was therefore keenly aware that his job could be at risk in the future. Therefore, they had *“minimised all unnecessary spending, anything that we don’t need to buy, we won’t. Save, save, save, as hard as we can.”* Both felt it was the right decision for their individual household, but they had come to realise how their decision to reduce their own spending would negatively affect revenues for businesses and livelihoods for their employees:

‘I recognise I am the worst person. I am definitely saving even more money, and I now realise how this affects the shops. I didn’t realise the domino effect.’

Harriet, 23, administration assistant.

‘I stopped all unnecessary spending, and I’m saving as much as I possibly can. And I think a lot of people will be in that situation, I got a job now, but I don’t know if I got a job in 6 months’ time. And so, at the very point that we need people spending, to get the economy moving again, actually the opposite is happening, because people are worried. Personally I am a prime example of that, because actually I haven’t been negatively affected financially, but even I am being really, really cautious.’

James, 31, sales and marketing director.

When describing the current economic crisis, a couple of participants mentioned that we were currently living through *“a recession”*, but generally this was not a term that was used by participants. When prompted and asked directly about the meaning of the term, many participants said they had seen it mentioned to describe current and past economic crises. But while the term is often used in the public debate, such as in [comments](#) in May 2020 by Chancellor Rishi Sunak that the UK economy was facing a *“severe recession, the likes of which we have not seen”*, it is important to recognise that our participants had a very broad understanding of the term. While economists typically define a recession as two consecutive quarters of economic decline, or fall in GDP, for our participants a *“recession”* was understood to be an umbrella term for a negative economic event, basically equivalent to an economic crisis. For our participants it made no sense to talk about an economy going in and out of a recession, or suddenly announcing a recession, or avoiding a double-dip recession, for them this whole period would be marked as a recession, due to the severe negative impacts on all parts of the economy:

‘A recession is obviously when unemployment is high, prosperity is at an all-time low, the economy is hit, prices go up, poverty increases.’

Holly, 48, administrator.

'I've lived through recessions. It means there are no jobs, there is no stimulus in the economy, no GDP growth, no anything. People lose their jobs, there is a huge bill for benefits, no investments. Companies don't invest in recessions.'

Jessica, 64, room steward.

'Would it have something to do with spending? People won't be spending in shops, they don't have the money to spend, they are poorer.'

John, 65, unemployed.

'I have heard about recession before. It's when the financial situation is really bad, unemployment, the money coming in isn't great. A lot of people and families are struggling.'

Susan, 37, facilities manager.

'A recession is when the economy slows down, there is less confidence, people lose work, industries like manufacturing slow down, trade slows down, building slows.'

Shaun, 42, senior estimator.

'It's essentially when the country has to borrow more money than it's currently making.'

Harry, 26, social video executive, furloughed.

'Basically, a recession is mass unemployment. You know, no one with money in their pockets, people stop spending. It stops the engine of the economy.'

Katie, 54, sewing tutor.

'Recession is obviously when things go back, as in the Great Depression of the 30s, where a lot of things stop. A lot of people out of work, the country doesn't have the money really to do anything, it can't pay bills, it wouldn't be able to pay its own people, like people in the NHS. And that's a recession where we are in deep trouble financially.'

Robert, 59, unemployed.

3 The impact on jobs

Participants were likely to remember the Covid crisis for how the government “*pumped billions and billion into the economy*” to support businesses and jobs, not least the furlough scheme which was at the forefront of people’s minds. Four of the participants were on furlough at the time of the interview, others had recently returned from furlough. Everyone agreed, however, that the Chancellor’s announcement to introduce the furlough scheme had been “*historic*”, “*impressive*” and “*incredible*”. It is clear from this research that the furlough scheme will be remembered for years to come and will likely become a formative experience. People often spoke with pride about the furlough scheme, as an example of the state’s “*tremendous ability to hold a hand over people and businesses when they are in need*”. Katie, James and Fatima were just three of the participants who described this in detail:

'When [the furlough scheme] happened, it made me think what a fantastic country we live in, that our government is stepping in to stop us falling over.'

Katie, 54, sewing tutor.

'The day it was announced, we were all at work, sat around the computer screen watching the Chancellor's announcement. We were almost in tears, wow, this is incredible what the government is doing to try and protect jobs.'

James, 31, sales and marketing director.

'Government has really helped out. I am really quite impressed by how much they have helped out, the people and the economy.'

Fatima, 30, administration assistant.

The participants broadly understood the rationale behind the furlough scheme. The participants explained how the furlough scheme avoided a scenario of mass unemployment, by allowing business to keep operating without having to pay the full cost of staff wages. Participants often explained quite eloquently that the aim was to ensure that the economy could “*bounce back*” and bring staff “*back into work straightaway*” once the economy was allowed to reopen.

'The rationale is that people still have a job to go back to, when this is all over.'

Richard, 52, consultation manager.

'It allowed companies to keep operating without having to pay the full cost of wages, meaning that when they are ready to come back, they can bring those people back into work straightaway, which would obviously boost the economy.'

Robert, 59, unemployed.

'The rationale was to make sure there was no mass unemployment. I think the overall aim was to make sure that once we gradually baby-step our way back out of this, the country and the economy looks as similarly to early March as possible.'

Harry, 26, social video executive, furloughed.

'It was a good effort to try and keep the economy going, so it could bounce back rather than just carry on in decline. It was an attempt to keep people trading.'

Katie, 54, sewing tutor.

Despite the furlough scheme, the Covid crisis was still felt in the labour market and seen as a jobs crisis. While people recognised that the furlough scheme protected and avoided the worst-case scenario, at least for now, many said unemployment was still “*soaring*” and that it had already had a “*massive impact on unemployment*”. Participants especially cited redundancies among friends and family as evidence, and they spoke about closures and liquidations of businesses. They also said that some people had “*gone through the net*” and become unemployed, such as those who were not included in the furlough scheme by their employers, or who were self-employed and did not qualify for support. Some examples were from Holly, Helena and Veronica who all argued that the unemployment rate must have increased:

'Unemployment has risen drastically, and I would think it's going to continue to rise. It's never been this high if ever.'

Holly, 48, administrator.

'The number of people who are no longer in work have risen due to the pandemic. Jobs are lost, redundancies, businesses are shutting down, which means people are no longer paid.'

Helena, 44, office manager, furloughed.

'I imagine it's quite high. Businesses are struggling to pay rent and pay staff, furloughing staff, and some have closed down entirely.'

Veronica, 41, office manager.

A couple of participants also felt employers had sometimes used the crisis as an “*excuse to streamline*” their operations, including by shutting stores and laying off staff. For instance, Shaun

worked as a senior estimator in the construction industry. He felt the construction industry had not been as adversely affected as other sectors, but he had still seen companies cut many jobs:

'It seems to be more of an excuse to streamline their company, using Covid as an excuse. They maybe got a bit too comfortable, and they can see that things are gonna tighten up. They are gonna fire as many people as they can in positions not classed as critical.'
Shaun, 42, senior estimator.

As a technical point, some participants wondered how people on furlough were counted in the unemployment statistics, and wondered whether, or to what extent, it would reflect the millions who were currently staying at home. Andrea, who had recently come back from furlough herself, concluded that those on furlough should count as unemployed, because they didn't work:

'The unemployment rate is super, super high. A lot of people have been made redundant. And the furloughed people are considered unemployed, right? I am not sure how the government rate people who are furloughed. We don't work, so we should be put in that category. I mean your job is secured, but you don't work, and unemployed are those who don't work.'
Andrea, 45, site manager.

Other participants concluded that those on furlough probably counted as in employment, because they were still on payroll as employees. For instance, Harriet made a typical comment:

'I am not sure whether furloughed count. You still get paid, but by the government, so it is kinda like benefits. But I think it should still be counted as employed.'
Harriet, 23, administration assistant.

At the time of the interviews, in July and August, the furlough scheme was still in its first phase, and tentatively due to expire later in the autumn, at the end of October 2020. The participants were extremely aware of this policy change; many participants identified this upcoming change themselves, and spoke about the potential consequences in some detail. The participants identified this moment as the one where the crisis would turn into a “full-blown unemployment crisis”, causing a lot of businesses to shut down and result in subsequent redundancies. For instance, Katie thought the UK was “on the brink of mass unemployment” and feared that the government had not fully explained to the general public how devastating it would be. Many participants described how companies would inevitably have to lay off workers and make some tough decisions once the furlough scheme ended. As such, participants mostly expected unemployment to keep rising in the future, and were not sure when it would fully recover. Participants often referred to personal experiences when they explained how the labour market would be affected. For instance, Helena was currently on furlough from her job as an office manager in the construction industry. She described herself as “being at jeopardy of being made redundant” once the furlough scheme came to an end, and therefore she was currently searching and applying for other jobs. She said:

'At the end of October, companies will have to make decisions whether they can afford to keep staff or let them go. A lot of people will be let go and made redundant. There will be a rise in unemployment.'
Helena, 44, officer manager, furloughed.

Harry was also on furlough from his job as a social video executive, but had managed to secure freelance jobs, which had not only increased his total income, but also given him the “assurance and confidence that I can find a new job”. He counted himself as “exceptionally lucky”, as he had managed to pay off his credit card. However, he fully recognised that most of his friends would probably struggle in the future, as they had been warned by their employers what would potentially happen at the end of the furlough scheme:

'I am led to believe that due to the recession we've had due to Covid that the unemployment rate is going to be around 30%. A lot of my friends have been told they will be made redundant.'

Harry, 26, social video executive, furloughed.

Similarly, Jessica anticipated an increase in unemployment, and predicted that it could hit groups who had so far not been affected significantly by the crisis:

'When furlough ends in October, that will increase unemployment. It will be a tough reality check for a lot of people, including white collar workers who have been slightly insured up till now against redundancies.'

Jessica, 64, room steward.

Recognising the potentially damaging impacts of ending the furloughing scheme, some participants said that the furlough scheme had been a necessary investment for the government. John predicted that the government would have to continue it even longer, and Robert argued that it would have been worse if the government had not made this investment:

'The government had to intervene, they had no choice, they had to do it, and they must keep on doing it, to come back to normal.'

John, 65, unemployed.

'It's costing a lot of money to do this. But if we hadn't done this, I think we'd have been in a lot worse state than we are now. So the government had to do these things.'

Robert, 59, unemployed.

But John also acknowledged that “the government can't pay the nation's wages forever” and other participants remarked that they wondered how long the government could continue pumping this much money into the economy. For instance, Fatima and Holly said:

'But it might all start ending very soon. The government will not want all those businesses to shut down, so there may still be help coming. But how much funding is there?'

Fatima, 30, administrative assistant.

'There is only so long that the government can keep providing the furlough scheme, well it's October isn't it, and then this is where the real impact, people will be laid off and unemployment is going to go through the roof. It's going to be a complete nightmare.'

Holly, 48, administrator.

Katie also said that the “money might run out at some point”, especially as the pandemic could potentially last much longer than initially anticipated:

'But it is all going on a lot longer than anticipated. It could go on forever, this may never resolve... It's a lot of public money.'

Katie, 54, sewing tutor.

As it happened, on 31 October 2020, the Prime Minister announced the furlough scheme would be extended, due to the second national lockdown for England, and it is currently still in operation at the time of publishing this report.

4 The economy in debt

The second defining feature of the economic crisis was that the government had pumped large amounts of money into the system, especially through the furlough scheme and business grants, but also through funding to the health care system, testing, track and trace, social distancing signs, police enforcement of social distancing, and so on. Many participants wondered where all this money came from. This included participants, such as Harry, Helena, and Harriet who wondered why the money had not been used to improve public services such as the NHS before the pandemic:

'We have spent a fortune. Why didn't they help us before? For years and years, we've been saying the NHS needs money. Schools need money. And then, all of a sudden the pandemic hits and there's all this money just plugged into the system. Where was this before? Why didn't we invest in our schools and health service before?'

Helena, 44, office manager, furloughed.

'If you had all that money before, why is it only being used now during a pandemic?'

Harriet, 23, administration assistant.

'Over the last 10 years, all we've been used to is cut, cut, cut, and then it suddenly turns out that they're able to get all this money. So it's a bit suspicious. But at the same time, I think we need to just praise what money they have put in so far.'

Harry, 26, social video executive, furloughed.

Some participants thought the money must come from a “war chest” that was set aside for unexpected emergencies, such as global pandemics. Robert, and others, feared that this money was running out soon:

'I presume there is a big chest of money somewhere, maybe they have dug into the war chest or something like that. But there's obviously a big pot of money somewhere that that has been used to alleviate the worst effects for the people. But there's a deepening hole that's only going to be deepening further.'

Robert, 59, unemployed.

'There must have been a pot of money for emergencies, because they couldn't have predicted this situation. They must put money aside for emergencies like this?'

Fatima, 30, administration assistant.

Many participants, however, knew the money came from “government borrowing” or “government debt”, but could typically not explain this any further. Some participants said they knew it was important to reduce the government debt, and many said it had been one of the main aims of the government in the past decade, and that they had largely been successful, including through cuts to government spending. Simon, for instance, said it had been “drilled into us that government debt needs to be low” during the past decade. However, when participants thought further about government debt and government borrowing, they often realised that they did not have “the faintest idea where this money actually comes from”. People often came back to this point repeatedly, and without prompt during the interview. Dylan, Katie, Helena, Tom and Susan were typical examples:

'I would love to know who the government actually borrows from. How does everyone borrow from the mystery man?... I just don't know how everyone can borrow. Every single country borrowed, who from? I don't understand that. They must borrow from each other somehow.'

Dylan, 34, project engineer.

'I don't know where we get the money from. I'm sure it must be internationally, we can't be borrowing money from ourselves.'

Katie, 54, sewing tutor.

'The government are dishing out all this money. Where is it coming from? Who's paying it back? Maybe we are borrowing from other countries, some of our allies, but then again they are all in the same boat.'

Helena, 45, officer manager, furloughed.

'Who are they borrowing it off thought? Government debt doesn't make any sense to me. It doesn't panic me or anything like that, because I don't understand it enough.'

Susan, 37, facilities manager.

'I don't know who we are borrowing the money from. Usually when the UK have a problem, they go to America, so maybe we have had talks with the UK? The Queen would have been involved, too.'

Tom, 46, literary assistant, furloughed.

Some participants mentioned the Bank of England, and felt they had “*something to do with it*”, but could rarely provide any more detail. Among all the interview participants, Jessica was the only one who mentioned government bonds:

'It has increased borrowing from, like, wherever they borrow from, probably the Bank of England.'

Richard, 52, consultation manager.

'The Bank of England has something to do with it, but I am not sure. It could be we are indebted to America and other countries, but they are in the same situation as us. I don't know, I don't know if I'm talking absolute rubbish.'

Holly, 48, administrator.

'I assume the Bank of England rustled up the money from somewhere. Is it government bonds or something like that? That's where I get hazy, but I have definitely read about government bonds. Is it based on how much gold we owe as a country? Do we owe the Bank of England? Can you buy, I think people and companies can buy government bonds as investments? Other countries will invest in our bonds, and we will invest in other bonds, I guess.'

Jessica, 64, room steward.

One participant, Dylan, who was confused about how every single country could borrow and described the borrower as “*the mystery man*”, had heard about a “*triple A rating for borrowers*” and that it had been downgraded, or at least that there had been talks about downgrading it due to Brexit, but he did not know any more about this.

Despite being unsure about the nature of the debt, many participants said it would take a very long time to pay the Covid debt off. Some of the older participants, such as Robert and Jessica, compared it to the repayments after the Second World War:

'We have the problem of paying back all the money we had to borrow. I imagine it's going to take years to pay them back, probably a similar length of time it took us to pay the USA back for all the money they lent us to get us through the second world war.'

Robert, 59, unemployed.

'It's astronomical amounts. The debt is like four time GDP. It means it will be generations before the debt is paid off. We've only just paid off that debt from World War II. Now, we've got to start again.'

Jessica, 64, room steward.

Other participants, such as James and Sanjay, noted the irony that the government had spent the last decade bringing down government debt, and then *"wiped all that hard work out in one sweep"*, and now had to start all over. Participants did not lay any blame on the government for increasing the debt in this way, as they recognised the exceptional circumstances, but there was an overriding concern among most participants that the money would inevitably have to be paid back in the future. Participants assumed it wouldn't be sustainable for the government to keep pumping so much money into the system. Holly made a typical comment:

'How long can you sustain these things for? Because that money is coming from somewhere, isn't it? And eventually, it's going to have to stop. How long is a piece of string?'

Holly, 48, administrator.

Therefore, participants fully expected a *"reckoning"* where the population would be *"made aware of what the deficit is, and how we are going to make up for it."* While a couple of participants mentioned that money could be recouped through either by reducing government spending or raising taxes, by far most participants spoke exclusively about tax increases as a way of *"getting the money back"*. Dylan, Richard, Fatima, Harry, Shaun and Beth were only some examples of participants who expected tax increases in the future:

'The outlay has been massive. Furlough scheme must have cost a hell of a lot of money, which I why I can understand why there would be tax increases to cover that. The purse string has definitely been tightened now.'

Dylan, 34, project engineer.

'Sunak has to get the money from somewhere. They will put tax up next year, increase national insurance, so that all the nice working people will have to pay for everyone else. So, there is going to be a reckoning.'

Richard, 52, consultation manager.

'They have just got this load of money from somewhere, but at the end of the day, someone's gonna have to pay that back. And usually, it is the taxpayers who have to pay it back.'

Fatima, 30, administration assistant.

'I think there is a wide acceptance, particularly from myself and people who have been on furlough, that you don't just sit around for four months getting paid, and expect that's it, and that's the end of it. I think tax will go up.'

Harry, 26, social video executive.

'But what's gonna happen next? They have to recover the money somehow as quickly as possible. Taxes are gonna go through the roof, and people will end up struggling.'

Shaun, 42, senior estimator.

'There will be a Covid-tax, I reckon. We're definitely gonna pay some sort of tax. They will not call it a Covid-tax, but our taxes are gonna go up quite drastically. I think we are

gonna have to suffer for, I don't know, 10 years, to come back to a good level of economic balance.'

Beth, 32, customer service assistant.

Katie and Tom also compared the upcoming economic measures to the past decade of austerity, and predicted that this would be even more “ruthless”:

'Austerity won't be a word that will adequately describe what's going to have to happen, in order to get us back on an even keel.'

Katie, 54, sewing tutor.

'They are going to be more ruthless and cunning than they were during austerity, and that's scary.'

Tom, 46, literary assistant.

However, while participants expected future tax increases, they often emphasised that they did not find this fair. In particular, many participants said the government should not once again punish “the working man”, but that large corporations and especially digital companies should contribute more, especially those who had done well out of the pandemic. For instance, Katie made a typical comment:

'I really hope they're not going to go for the easy target, which is the working man. It's always the lower echelons that are picking up the slack. I really hope they won't do that this time. I really hope they'll go for, you know, Amazon and Google and all the massive companies that are avoiding tax and the people that are wealthy enough to have financial advisors to tell them how to hide their money.'

Katie, 54, sewing tutor.

As our previous research showed, public participants frequently spoke about how they managed their own household finances in order to make sense of public finances, what economists call the ‘household analogy’. For instance, Sanjay used this analogy to argue that the money would have to be paid back, probably through considerable tax rises:

'You go to live within your means. Because even with my personal finances, I can't just use my credit card and build that up, you got to pay it back. I think we will have considerable tax rises for everyone, and it's going to be quite painful. Hopefully people will realise that there is no other way, we have to pay it back.'

Sanjay, 55, project manager.

Towards the end of the interview, participants were shown some information about government debt. This included figures that Britain’s public debt was now larger than the size of the country’s economy for the first time since 1963 at 100.9% GDP, and that the total level of debt had risen by £173bn over the last year to reach £1.95tn. The figures were described as ‘shocking’, ‘scary’, ‘unbelievable’ and ‘mindboggling’. Many participants said that figures like these, in millions and billions, were ‘meaningless’ and ‘hard to visualise’, and that they could not “fathom that much money”. For Holly and James, the inability to make sense of such figures meant they almost underestimated the scale of the debt:

'The amount is such a high amount. The amount is almost played down because it's that large that it is out of reach of what my brain can take, it's out of my zone that I can visualize. Whereas if you tell me an amount that is a lot lower, and it would mean an impact, but this money is like fairyland.'

Holly, 48, administrator.

'They are talking about such huge figures that, why worry about it? It's all just fake money going around the economy, it's not real economy, there's not gonna be a bailiff knocking at the door tomorrow to the government saying, "hey, can you repay your debt please." It's such huge figures, when you talk about trillions, it gets too big to think about and worry about really.'

James, 31, sales and marketing director.

'I always find it weird when I read billion and trillion. You can't fathom that much money.'

Harriet, 23, administration assistant.

'What does tn mean, is that trillion? Oh my God, oh wow. We don't even see that written on paper normally, oh no, that's shocking... This is sad. God. Oh my God. UK's finished, isn't it, oh my Lord. I was right about paying more in tax for at least 10 years, if not more.'

Beth, 32, customer service assistant.

Similarly, some participants, such as Robert and Jessica, did not understand how the debt could be more than 100%:

'How can you have more than 100% of anything? I've always had a difficult to get my head around.'

Robert, 59, unemployed.

'100% of GDP, what does that mean? I guess it means we've got a lot of hard work to reverse that. It means we are broke. It means as a country we are standing completely still. It doesn't matter how hard we work. We are 100% behind what we should be.'

Jessica, 64, room steward.

5 Concluding remarks

Interview participants saw this economic crisis as unprecedented and as the worst in their lifetime. The economic impacts of the pandemic have been very visible to the public, maybe more so than during other economic crises. The economy has been at the forefront of people's minds, participants had often read and heard about the economy like never before, and it is not inconceivable that this crisis will shape their understanding of the economy for years to come. So, what are the formative experiences that are likely to have impacted people's economic understanding, and what lessons should be drawn from that?

Lesson 1: People have seen the ability and power of government to protect the economy, people and businesses

During the past year, participants had seen the government pump billions of pounds into the economy at an unprecedented scale, to support health services and fund support packages such as the furlough scheme. Participants were fully supportive of these measures, and often spoke about especially the furlough scheme with immense pride. They saw it as an example of the tremendous power and ability of the state to protect its people and businesses when they most needed it. At the same time, however, it made participants wonder why the money had not been used before the pandemic to improve struggling public services such as the NHS. The question for the future is: how will UK public attitudes to government spending be impacted by this formative experience? Would people, for instance, tend to demand more far-reaching support measures in other crises as well, now they have seen the ability of the state to do this? And how would any potential changes to

perceptions or attitudes towards public spending apply to more normal times, including during times of recovery?

Lesson 2: People are not clear about government debt and borrowing, or where the money came from

Participants acknowledged the government had invested large amounts of money to protect businesses and workers in the economy, but they did not understand how this was possible. They were confused where the money came from, who it would be paid back to, and the consequences of not doing so. Assumptions about where the money came from ranged from a “*war chest*”, to “*a mystery man*”, to the assumption that it was related to government borrowings and debt, and that it had “*something to do with the Bank of England*”. Very few participants could explain in any detail the workings of government borrowing, and those who had always assumed we borrowed from other countries such as the US were confused, because all other countries were currently facing the same situation as the UK.

Our previous research, conducted during the Brexit negotiations, uncovered a limited public understanding of trade deals, at a time where the country had engaged in several years of trade negotiations and public debate about trade impacts of Brexit. This time seems no different. One of the defining features of the Covid-19 pandemic has been the large rises in government spending and borrowing, but the general public still have a limited understanding of the workings of public finances and government borrowing. This means they still use comparisons with their household finances to make sense of the issue, including that the money have to be paid back in a similar manner as their own debt. It is important that these issues are better communicated to the general public, especially as we move into the next phase of the economic crisis and recovery, which the participants feared would see a “*national reckoning*”, involving large tax rises to pay back the money, and they were not well-equipped to assess and evaluate such policies.

Lesson 3: People are listening to economic news and issues, when it is relevant to them

Our previous research showed the general public are immensely interested in the economy when it matters to their own personal circumstances and finances. This research provides further evidence for this finding. An economic crisis is a time when the economy suddenly matters to people, as it affects their personal lives in direct ways. An economic crisis is also a time when the general public learn a lot about the economy. For instance, the crisis had made some participants realise how interconnected the economy was, and that seemingly isolated impacts could create domino or ripple effects across the economy. It is also a time when people discover what they don't know, and what they want to know more about. Most prominently, for many participants it had been an eye opener that they did not actually understand the workings of government borrowing and debt. It is important that economist use this opportunity of immense public interest, to communicate economic issues in an accessible, engaging and relevant manner, especially on the workings of government borrowing and debt.

Notes

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Appendix 1: Interview participants

Age	Name (pseudonym)	Sex	Region	Employment status	Job role	Ethnicity	Economic interest (1-10)
23	Harriet	Female	North West	Full-time	Administration assistant	White	9
26	Harry	Male	North West	Furloughed	Social video executive	White	10
30	Fatima	Female	North West	Full-time	Administration assistant	Asian	6
31	James	Male	South West	Full-time	Sales and marketing director	White	7
32	Beth	Female	London	Full-time	Customer service assistant	Black	4
34	Dylan	Male	Midlands	Full-time	Project engineer	White	7
37	Susan	Female	Midlands	Full-time	Facilities manager	White	5
40	Simon	Male	London	Furloughed	Train driver	White	8
41	Veronica	Female	Scotland	Full-time	Office manager	White	10
42	Shaun	Male	Yorkshire and the Humber	Full-time	Senior estimator	White	8
44	Helena	Female	Midlands	Furloughed	Officer manager	Black	6
45	Andrea	Female	London	Full-time	Site manager	White	9
46	Tom	Male	London	Furloughed	Literary assistant	White	7
48	Holly	Female	Yorkshire and the Humber	Part-time	Administrator	White	8
52	Richard	Male	London	Full-time	Consultation manager	Black	7
54	Katie	Female	South East	Part-time	Sewing tutor	White	7
55	Sanjay	Male	London	Full-time	Project manager	Asian	10
59	Robert	Male	North East	Unemployed	IT engineer	White	5
64	Jessica	Female	South East	Part-time	Room steward	White	8
65	John	Male	South East	Unemployed	Unemployed	White	7