

Loughborough University PRESS RELEASE

31 March 2020 updated 14th April 2020

A practical plan to stop business failures from the pandemic



Professor [Alistair Milne](#) has developed practical proposals to minimise the economic impact of the current pandemic.

Drawing on ideas already being taken in Denmark, Switzerland, the US and other countries it goes beyond support for individuals to save “every business and every job”.

His new and updated analysis released today, in a [NIESR policy paper no 15](#) and an accompanying [note on practical implementation](#) describes how this works and why it is worth doing.

- The basic principles: 100% guaranteed two-year lending now to ensure quick dispersal.
- Scale this lending to the costs of keeping businesses alive (on “life support”)
- Retrospective, by the end of the two years, change loans into grants to the extent shown necessary to avoid failure
- Such a scheme of retrospective insurance can provide support for all businesses large and small, for non-profit cultural, social and religious organisations and for the self-employed
- This complements measures already taken e.g. the payment of 80% of wages of laid off workers; more recent measures to help the self-employed; as well as the range of government support credit facilities. Retrospective insurance acts as a ‘top-up’, filling the gaps left by these measures.
- Basing this support on a rough but fair formula, allows rapid, near immediate distribution of funds through the banking system.
- It is tailored to need, affordable and fair. With an insurance deductible and co-insurance) retrospective insurance is surprisingly inexpensive (an additional expenditure of less than 2% of GDP can prevent the failure of SMEs accounting for 5% of national output.
- It provides immediate support for all essential expenditures. An analogy is with the medical costs at a hospital. Bills do not have to be paid upfront. All essential expenditures can, if necessary, be financed on credit and the bills settled later once the crisis has passed.

Contact details:

Alistair Milne a.k.l.milne@lboro.ac.uk

Skype: alistair.milne4

More information:

- The National Institute of Economic and Social Research is today publishing Alistair's analysis of the economic costs and benefits of this scheme (on <https://www.niesr.ac.uk/publications/search>). Alistair finds that every £1 of public money devoted to preventing business failure, has a payoff of £5 over the following five years.
- An additional updated **practical summary** is released today on his personal webpages: [Updated implementation of the plan for guaranteed borrowing and retrospective insurance.](#)
- Further Covid-related posts and material can be found on or linked through [his personal webpages](#).

Alistair is professor of financial economics Loughborough University. He is the author of "The Fall of the House of Credit", Cambridge University Press, 2009, a comprehensive account of the global financial crisis of 2008 and principal investigator of two research projects on insurance at Loughborough University <https://floodfinjava.lboro.ac.uk/> and <https://www.techngi.uk/>

Related research by Loughborough colleague Duncan Robertson on the economic and business aspects of the pandemic can be found on <http://www.duncanrobertson.com/>

ENDS

Notes to editors

Loughborough University is equipped with a live in-house broadcast unit via the Globelynx network. To arrange an interview with one of our experts please contact the press office on 01509 223491. Bookings can be made online via www.globelynx.com

Loughborough is one of the country's leading universities, with an international reputation for research that matters, excellence in teaching, strong links with industry, and unrivalled achievement in sport and its underpinning academic disciplines.

It has been awarded five stars in the independent QS Stars university rating scheme, named the best university in the world for sports-related subjects in the 2019 QS World University Rankings, University of the Year by The Times and Sunday Times University Guide 2019 and top in the country for its student experience in the 2018 THE Student Experience Survey.

Loughborough is in the top 10 of every national league table, being ranked 4th in the Guardian University League Table 2020, 5th in the Times and Sunday Times Good University Guide 2019 and 8th in The UK Complete University Guide 2020.

Loughborough is consistently ranked in the top twenty of UK universities in the Times Higher Education's 'table of tables' and is in the top 10 in England for research intensity. In recognition of its contribution to the sector, Loughborough has been awarded seven Queen's Anniversary Prizes.

The Loughborough University London campus is based on the Queen Elizabeth Olympic Park and offers postgraduate and executive-level education, as well as research and enterprise opportunities. It is home to influential thought leaders, pioneering researchers and creative innovators who provide students with the highest quality of teaching and the very latest in modern thinking.