

# Even without lockdown, our reaction to COVID-19 would have damaged the economy

Submitted by: BlueSky Public Relations Ltd

Tuesday, 27 October 2020

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Public behaviour in response to the pandemic would have negatively impacted the economy, even without a lockdown, finds new research from BI Norwegian Business School (<https://www.bi.edu/>).

Associate Professor Leif Anders Thorsrud, and colleagues, analysed daily transaction and auction data from the Norwegian housing market and their findings suggest that concerns around the negative economic effects of government action through lockdowns in Europe may have been exaggerated. They looked into how market participants reacted to the news of COVID-19 before and after lockdown, and after partial re-opening of the economy, and found that half of the COVID-related price fall in the Norwegian housing market occurred before lockdown.

The price fall before lockdown means market participants reacted voluntarily to news of the pandemic well before government action forced them to do so. This indicates a voluntary behaviour effect before lockdown followed by an additional policy effect after lockdown. In fact, government action may have helped, rather than harmed, the economy by coordinating action and reducing uncertainty among market participants.

Following lockdowns, the predominant view was that policy intervention adversely affected the economy. These results find that the economy would always have been adversely affected, even without change in policy, due to voluntary behaviour from the public.

Prof. Thorsrud says:

“The spread of COVID-19 in Norway and policy interventions is representative of much of Western Europe. In the days leading up to the lockdown, parents kept children home from school, refrained from usual leisure activities, and some companies asked employees to work from home. The Norwegian government then ordered a lockdown in March. Employees were ordered to work from home, schools were closed, and non-essential businesses were shut down. These actions are very similar to many European countries, including the UK. Thus, even if the Norwegian housing market is small in the world economy, it may still be useful as a market laboratory for studying effects of the pandemic and government policies.”

Also, although analysis focused on the housing market, the findings can be applied elsewhere as housing markets include components from other markets: A physical component in inspecting the house, a digital component of advertising online and virtual tours, a financial component, and a luxury component due to house quality and location signalling status. This makes the findings applicable for understanding developments in other markets in Norway and abroad.

These findings were published as a working paper by OsloMet Housing Lab (<https://housinglab.oslomet.no/about/>).

For more information, a copy of the research paper, or to speak with Professor Leif Anders Thorsrud, please contact Kyle Grizzell from BlueSky PR on 07904706136 or [kyle@bluesky-pr.com](mailto:kyle@bluesky-pr.com)