

New Horizons Hub: Will banking survive covid-19?

BigTech companies have many ingredients to get ahead in the post-Covid world. They are digital natives; they have the technology, customer base and brand recognition, writes Elena Carletti, Stijn Claessens, Antonio Fatás and Xavier Vives for VoxEU. Here's our top selection of this week's stories from ING authors and our trusted third-party providers.

In this bundle



New Horizons Hub

The moment when America fell behind

The European Union and China, in particular, are focusing on long-term investments in clean energy, whereas America is doubling down on the past, writes...



New Horizons Hub

VoxEU: The bank business model in the post-Covid-19 world

This article presents a report by the IESE Business School and CEPR which shows how the current crisis will shape the future of banking, writes Elena...



eZonomics | New Horizons Hub

Football fandom and loss aversion: A paradox

Football is back. Unfortunately, most fans are likely to see their teams lose (or at best, draw). So, given the high probability of disappointment, why is...



eZonomics | New Horizons Hub

What is inequality aversion?

Social and economic inequality has been an important topic for years. Research suggests that many people have an aversion to unequal rewards. Known as...

The moment when America fell behind

The European Union and China, in particular, are focusing on long-term investments in clean energy, whereas America is doubling down on the past, writes Jules Kortenhorst for Project Syndicate



Donald Trump talking about coal with a supporter in 2018

The US is at risk of being left behind

As governments around the world adopt policies to address the immediate economic fallout of Covid-19, they are making decisions that will also determine their countries' competitiveness for decades to come. If designed correctly, stimulus and recovery packages can position countries and regions to reap the benefits of the industries of the future.

The European Union is already poised to speed ahead with the European Green Deal. And China will inevitably build on its pre-pandemic competitive advantages in solar power, electric vehicles (EVs), and batteries. The United States, on the other hand, is increasingly at risk of being left behind.

The European Green Deal is the perfect model for designing stimulus and recovery packages to create both immediate and long-term economic advantages. In the short run, its proposed investments would produce many high-paying jobs in clean-energy infrastructure, funding the installation of more wind and solar facilities, EV charging stations, hydrogen production plants, and programs to retrofit buildings for energy efficiency.

Better still, over the long term, all of these investments will result in lower energy costs, more

resilient energy systems, and a healthier population – among many other benefits. The costs of clean-energy technologies have been falling rapidly, following predictable learning curves. Over time, they will only become cheaper and faster to deploy on a greater scale.

The EU Green Deal earmarked €40 billion investment in hydrogen infrastructure

Recognizing these advantages, Europe's recovery efforts have already allocated billions of euros to build solar farms in Iberia and offshore wind turbines in the North Sea. European companies such as Vestas, Siemens Gamesa, and others will do all the work. And these expanded sources of cheap, renewable electricity will then be used to produce the hydrogen molecules that will power heavy industry in the future. By earmarking €40 billion (\$45 billion) for investment in hydrogen infrastructure, the European Green Deal aims to ensure that shipping, steel manufacturing, and other industries can run on clean fuel.

The EU has also set aside recovery funds to install two million electric and hydrogen vehicle charging stations, thereby stimulating demand for EVs that can be built locally by companies like Volkswagen, Mercedes, and Renault. In these and other ways, Europe is taking meaningful steps to catch up with China in green technologies.

In the US, policymakers have thought little about the future

Then again, if China were to introduce a stimulus and recovery package modelled after the European Green Deal, it could extend its competitive advantage into other forms of renewable energy, electric mobility, and hydrogen-powered industry. As in Europe, investment in green infrastructure will produce millions of good jobs in the near term, while reducing or containing air pollution and greenhouse-gas emissions over the long term, even as the Chinese economy grows. The clean air, quiet streets, and pristine views that became an accidental byproduct of the pandemic lockdown can be made permanent with cleaner forms of energy and transportation.

In the US, by contrast, though the federal government has taken some of the necessary steps to mitigate the short-term collapse of the economy, policymakers have thought little about the future. That is why many of the dirty industries of the past are being bailed out.

Concerted policies to build clean-energy infrastructure will boost prosperity

A decade ago, the conventional wisdom was that America would lead the energy future because it was approaching "energy independence," owing to massive reserves of shale oil and gas that could now be extracted through hydraulic fracturing (fracking). But those industries are now in structural decline. The cost curves are clear: fossil fuels cannot compete with cheaper, more efficient, and clean-energy solutions. By the same token, EVs will become steadily cheaper and more reliable than internal combustion engines, just as green hydrogen will become the energy of choice for increasingly decarbonized heavy industries.

Watching US President Donald Trump's administration attempt to rescue jobs in coal mining, I am

reminded of my first job after high school, when I worked in a typewriter factory in the south of the Netherlands. Imagine if the Dutch government had for some reason decided to bail out that factory when personal computers started coming to market in the 1980s and 1990s. It would have been investing in a museum, not in a viable industry.

While jobs in the fossil-fuel industry will be lost, many more jobs will be created to manufacture wind turbines and batteries, install solar panels, build EVs, retrofit buildings, and so forth. The world is making the transition to clean energy, and those countries that are betting on the technologies of the past are digging their own economic graves.

Concerted industrial policies to build clean-energy infrastructure will do an enormous amount of good, not just for people and the planet, but also for countries' economic competitiveness and future prosperity. Europe and China understand this and are already on track to become the leaders of the world economy in the coming decades. They are actively leveraging their recovery packages to hasten that historic shift. In Europe, especially, future generations will admire today's leaders for creating jobs, driving down air pollution, and establishing a competitive economic position for decades to come. In the US, not so much.

The original article first appeared on Project Syndicate [here](#) on 10th June 2020.

Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing
sander.burgers@ing.com

Lynn Song
Chief Economist, Greater China
lynn.song@asia.ing.com

Michiel Tukker
Senior European Rates Strategist
michiel.tukker@ing.com

Michal Rubaszek
Senior Economist, Poland
michal.rubaszek@ing.pl

This is a test author

Stefan Posea
Economist, Romania
tiberiu-stefan.posea@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Jesse Norcross
Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

Teise Stellema
Research Assistant, Energy Transition
teise.stellema@ing.com

Diederik Stadig
Sector Economist, TMT & Healthcare
diederik.stadig@ing.com

Diogo Gouveia
Sector Economist
diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Ewa Manthey
Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas
Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com

VoxEU: The bank business model in the post-Covid-19 world

This article presents a report by the IESE Business School and CEPR which shows how the current crisis will shape the future of banking, writes Elena Carletti, Stijn Claessens, Antonio Fatás, Xavier Vives for VoxEU



Source: Shutterstock

Low profitability was already a problem before the Covid-19 crisis

Forecasts for 2020 suggest a drop in global GDP of 6% with a record number of countries growing at negative rates (OECD 2020). Advanced economies will suffer a much larger drop in GDP, of a size not seen since the Great Depression. No doubt, banks will come under stress as large-scale insolvencies among firms will arise and a wave of bankruptcies among households may follow. In addition, while banks entered the crisis better capitalised and more liquid, the size of the crisis will likely strain them to a degree exceeding that envisioned in many stress tests conducted so far (ECB 2020).

The crisis comes on top of the combination over the past decade of several trends that have meant increased competitive pressure on banks and that, in particular in some regions, have lowered their profitability. In the second report in CEPR/IESE series on The Future of Banking (Claessens et al. 2020), we argue that the global pandemic is likely to prolong, if not accelerate, many of these trends – digitalisation in particular. While the economic crisis has triggered policy responses to

stimulate lending to the real economy while assuring the stability of the banking sector that provides breathing space in the short run, deep restructuring of many banking systems will be needed in the medium-term.

A key quote from the article:

In the short run, banks may enjoy a revitalisation as they continue lending to their customers during the crisis, notably as soft information can be more valuable today than hard information. They also enjoy the protection of the safety net and access to deposit financing. Nevertheless, Covid-19 will likely accelerate the digitalisation and the shift over the medium term of activities away from the sector. Medium-sized banks will likely be suffering the most since reaping cost efficiencies with large IT investments, crucial in a persistently low-interest environment, will be out of reach.

As a result, the banking sector will need deep restructuring; winding up banks and consolidating the remaining ones will be preferred. Whether in the post-Covid-19 world, political obstacles to cross-border mergers will prevent, as states become more protective of their national banking champions, is a major policy question. BigTech companies have many of the ingredients to get ahead in the post-Covid world. They are digital natives; they have the technology, customer base and brand recognition, as well as vast amounts of data and deep pockets.

Banking may thus move from the traditional oligopoly to a system with a few dominant platforms that control access to a fragmented customer base, with a few BigTech firms, together with some platform-transformed incumbents, monopolising the interface with customers. In this scenario, ensuring customer data ownership and portability for individuals, and data interoperability between platforms will be key to keeping switching costs for customers low and the market sufficiently competitive.

The full original article first appeared on VoxEU [here](#) on 18th June 2020.

Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands
marten.van.garderen@ing.com

David Havrlant
Chief Economist, Czech Republic
420 770 321 486
david.havrlant@ing.com

Sander Burgers
Senior Economist, Dutch Housing
sander.burgers@ing.com

Lynn Song
Chief Economist, Greater China
lynn.song@asia.ing.com

Michiel Tukker
Senior European Rates Strategist
michiel.tukker@ing.com

Michal Rubaszek
Senior Economist, Poland
michal.rubaszek@ing.pl

This is a test author

Stefan Posea
Economist, Romania
tiberiu-stefan.posea@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Jesse Norcross
Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

Teise Stellema
Research Assistant, Energy Transition
teise.stellema@ing.com

Diederik Stadig
Sector Economist, TMT & Healthcare
diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer
Senior Sector Economist, Food & Agri
thijs.geijer@ing.com

Maurice van Sante
Senior Economist Construction & Team Lead Sectors
maurice.van.sante@ing.com

Marcel Kloek
Senior Economist, Netherlands
marcel.kloek@ing.com

Piotr Poplawski
Senior Economist, Poland
piotr.poplawski@ing.pl

Paolo Pizzoli
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

Marieke Blom
Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering
Senior Macro Economist
raoul.leering@ing.com

Maarten Leen
Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller
Head of Financials Sector Strategy
Maureen.Schuller@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg
philippe.ledent@ing.com

Peter Virovacz
Senior Economist, Hungary
peter.virovacz@ing.com

Inga Fechner
Senior Economist, Germany, Global Trade
inga.fechner@ing.de

Dimitry Fleming
Senior Data Analyst, Netherlands
Dimitry.Fleming@ing.com

Ciprian Dascalu
Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

Iris Pang
Chief Economist, Greater China
iris.pang@asia.ing.com

Sophie Freeman
Writer, Group Research
+44 20 7767 6209
Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA
Regional Head of Research, Americas
padhraic.garvey@ing.com

James Knightley
Chief International Economist, US
james.knightley@ing.com

Tim Condon
Asia Chief Economist
+65 6232-6020

Martin van Vliet
Senior Interest Rate Strategist
+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com

Football fandom and loss aversion: A paradox

Football is back. Unfortunately, most fans are likely to see their teams lose (or at best, draw). So, given the high probability of disappointment, why is football so popular? Football fan Jay Shamji and football agnostic Ian Bright ponder the highs and frequent lows of football fandom through the lens of behavioural science and loss aversion



Loss Aversion

[Loss aversion](#) argues that people are more sensitive to losses than to gains. In general, people value losses more than twice as much as gains. It may even be that people take actions to avoid losses. This may help explain why many people keep large sums of money in deposit accounts rather than invest it in stock markets. Their fear of losing money overrides the chance of [significant gains](#).

Yet, when we turn our attention to football, the behaviour of fans seems to violate the idea of loss aversion.

Consider results for the English Premier league over the five seasons from 2014/15 to 2018/19. Of the 20 clubs competing each season, only three (Manchester City, Tottenham and Arsenal) have

won at least half their games. Fans supporting the other 17 clubs were more than likely to experience loss.

Another way to look at this is to consider winners over the past five seasons. In the English Premier League, three teams won – Manchester City, Chelsea and Leicester. This pattern of producing few winners is repeated and may be more extreme in other countries. For example, in the German Bundesliga, Bayern Munich has won each of the past five seasons. In the French Ligue 1, Paris Saint-Germain has won four times as has Barcelona in Spain's La Liga.

Still, stadiums in England and elsewhere are packed to the brim. How does this stack up against the theory of loss aversion?

Mapping happiness

These cold statistics line up with more detailed research. A study in 2018 by Peter Dolton and George McKerron of the University of Sussex tracked the responses to 32,000 UK football fans on a smartphone app called [Mappiness](#). The app pings people and asks for their mood at particular times. By combining data on locations of football stadia, match dates, teams playing, and results of those matches, the researchers were able to assess how people's happiness changed in the hours after a football match. The team a fan was likely to support could also be interpreted from the data.

The app recorded the mood of match goers following a match. The results were [stark](#). "The pain felt by football fans after a defeat is more than double the joy of winning", the study found. This was coupled with the finding that those in the stadium, rather than elsewhere, had an increased level of jubilation when on the winning side and a higher level of sadness when on the losing side.

What could explain the willingness of so many people to put themselves in such a potentially losing position? With no guarantee of successfully understanding football fans, here are three possible explanations from the behavioural literature.

1 Sunk cost

Being a football fan can be expensive. A 2019 study by [KPMG](#) found the average fan in the UK would have to spend on average £1,888 in the season to attend 19 home and five away matches. Some match goers will be less financially stable than others, meaning these costs can be a huge burden to shoulder. Some fans pay up-front for season tickets and others usually need to buy tickets months before a game.

As a result, even before kick-off, many fans are not only emotionally but also financially committed to the match, despite the likelihood of disappointment. In behavioural literature, this is known as [the sunk cost fallacy](#). That is the tendency to carry on with a task once an initial commitment that cannot be retrieved has been made.

2 Football fans and identity

Many people like to be associated with groups. This partly explains the success of social media platforms such as Facebook, Instagram and Twitter.

Football fans can form particularly strong groups. The book [Soccernomics](#) by Simon Kuper and Stefan Szymanski notes that some fans are "Hornbyesque". The term comes from the depiction of

a fanatical fan in Nick Hornby's novel *Fever Pitch*. But as Soccernomics argues, not all are so fanatical. Instead, they may be "BIRGers" - those who are 'Basking In Reflected Glory' and may be more fickle.

The Hornbyesque fans may have an allegiance to their group that extends beyond the pain of losing. The BIRGers may drift to other clubs when the going gets tough.

The intersection of football and identity need not be local. It can be international.

Various tournaments allow fans all over the world to divert their energy to support their national teams. Whether it be narrowly getting to the provisional group stages or being the favourites of winning the competition, fans come together to back their team until the very end. It is interesting to note the positive changes created from international tournaments, in particular when a national team wins a match or attains a great achievement.

A study published in the May 2020 [American Economic Review](#) by Emilio Depetris, Ruben Durante and Filipe Campante, underlined how victories and important sporting achievements in such tournaments fuel unity and trust. Victories by national teams were found to lead individuals to become "significantly more likely to trust and interact with members of other ethnicities". Inter-ethnic violence is reduced due to these victories, especially when the team is composed of different ethnicities.

3 Matchday: A Bundled Experience

Watching a football match at the stadium, or elsewhere, can be an experience that bundles together meeting with friends, a day out and a meal. The match itself is important but is only part of the package that makes an experience. [Research suggests](#) people may value experiences more highly than goods.

Consider the fans of midtable or lower league teams who purchase season tickets. These regular match goers will often start their matchday experiences many hours prior to the game itself; discussing and debating everything under the sun, from contending a potential red card to predicting the line-up for the next game. For some fans, it may be the only time they break out into song. The match may be incidental. It is the shared memories and experience of the turbulence of a football match watched together that they value.

The final whistle

There will be different reasons why each match goer and football fanatic is so invested in the face of loss aversion. As football writer and thinker Simon Kuper encapsulates in his article for the [Financial Times](#), football allows people to alleviate themselves from their problems, even if it is only for a moment or two. His philosophical take on the game picks identity as a mainstay of fandom. Some people will hold their identity solely to their football club even through the many losses they must endure. Others will let go. This may be due to losses on the field, a loss of prestige or eventually just losing interest. Who knows? Maybe there is no paradox at all.

Author

Alissa Lefebre
Economist

alissa.lefebre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havlant

Chief Economist, Czech Republic

420 770 321 486

david.havlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials
marine.leleux2@ing.com

Jesse Norcross
Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

Teise Stellema
Research Assistant, Energy Transition
teise.stellema@ing.com

Diederik Stadig
Sector Economist, TMT & Healthcare
diederik.stadig@ing.com

Diogo Gouveia
Sector Economist
diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

ING Analysts

James Wilson
EM Sovereign Strategist
James.wilson@ing.com

Sophie Smith
Digital Editor
sophie.smith@ing.com

Frantisek Taborsky
EMEA FX & FI Strategist
frantisek.taborsky@ing.com

Adam Antoniak
Senior Economist, Poland
adam.antoniak@ing.pl

Min Joo Kang
Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Kloek

Senior Economist, Netherlands

marcel.kloek@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller
Head of Financials Sector Strategy
Maureen.Schuller@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

Philippe Ledent
Senior Economist, Belgium, Luxembourg
philippe.ledent@ing.com

Peter Virovacz
Senior Economist, Hungary
peter.virovacz@ing.com

Inga Fechner
Senior Economist, Germany, Global Trade
inga.fechner@ing.de

Dimitry Fleming
Senior Data Analyst, Netherlands
Dimitry.Fleming@ing.com

Ciprian Dascalu
Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

Iris Pang
Chief Economist, Greater China
iris.pang@asia.ing.com

Sophie Freeman
Writer, Group Research
+44 20 7767 6209
Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com

What is inequality aversion?

Social and economic inequality has been an important topic for years. Research suggests that many people have an aversion to unequal rewards. Known as inequality or inequity aversion, it may even be hard wired into our minds. To understand, consider an experiment involving cucumbers, grapes and monkeys



Fairness may be innate

A 2003 report in the journal [Nature](#) outlined a laboratory experiment where monkeys were offered different rewards for doing the same task. One was given a slice of cucumber for successfully completing the task. The other was given a grape. The different rewards were seen by each monkey. The monkeys especially liked grapes, so being rewarded with cucumber when the other received a grape appeared to be insulting. Indeed, [this video](#) shows the monkey receiving cucumber would throw the food out of their cage in disgust.

Experiments replicate this behaviour in [monkeys](#) and [dogs](#).

The link with animals may seem far-fetched but it may be that there is something innate and natural about our disappointment when someone else receives more than us.

Unfairness often rubs us the wrong way when it disadvantages us, and we learn how to spot this from a very [young age](#).

Be it finance, privilege or simply a slice of pie, not everyone is satisfied having more or less than others. This is what is known as [inequity or inequality aversion](#).

Fairness can be complex

Reactions to unfairness can be complex. When inequity aversion goes the other way, things get particularly interesting. Sometimes receiving more than others can cause us to reject an offer – this is known as advantageous inequity aversion.

When this happens, the absolute benefit, or total amount we receive, seems to matter less than how much we get compared to someone else.

This isn't necessarily because we care about other people. In many of the studies that have looked into inequity aversion, neither person receives anything at all if the person who has been offered a greater amount decides that they don't want it.

In this case, rejection doesn't result in equal distribution, even though arguably both could be better off if the offer was accepted and each got at least something, even if it was unequally distributed.

Because of this, it's expected that maintaining social status is one of the underlying motivations behind it. Rejections aren't necessarily about right or wrong, but about the question, "how do I come off in this scenario?"

It's also present in varying degrees in different [countries and cultures](#). For cultures that strongly value evenly sharing resources, the only acceptable distribution is an equitable one.

In real life

It can be uncomfortable if others know we have more than them. But in the same vein, it can feel unfair to have less.

Whether it's money or something else, the social environment in which it is distributed can affect how we feel, and can make us more likely to opt for an equal outcome. Even if that means we sometimes end up being individually worse off.

Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist
francesco.pesole@ing.com

Rico Luman
Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen
Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klokk

Senior Economist, Netherlands

marcel.klokk@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.