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Beware those bearing simplistic ‘lessons’ from the pandemic

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Those hostile to the idea of small-state, free-market capitalism never let a good crisis go to waste.

The horrendous events of 9/11 were said to prove that “small government” had to give way to a more muscular state at home and abroad. The 2008/09 financial crisis later supposedly disproved markets’ efficacy, potentially even marking the beginning of the end of capitalism itself.

That one proved wishful thinking from the market economy’s harshest critics. But now, those who desire vast new government regulation or control of the economy see fresh pandemic-born opportunities. Commentator Will Hutton wrote in 2008 that the financial crisis was “our generation’s once-in-a-lifetime chance to change British capitalism”. He was wrong about the one-off call to arms. Today, he says, presents another chance for “one form of unregulated, free-market globalisation” to give way to “another form that recognises interdependence and the primacy of evidence-based collective action”.

Ingest the *Guardian* comment pages and you would believe the pandemic makes a slam-dunk case for almost all the left’s policy preferences. It supposedly justifies a “great reset” on environmental policy, shows “we must democratise work”, proves the case for rapid decarbonisation, and highlights the need to overhaul labour markets to make life less work-driven. Of course, it purportedly confirms the need to end austerity and introduce wealth taxes too, not least to part-finance all these new government programmes.

It’s not just the usual, left wing suspects who have concluded that the desirability of more activist government is the key lesson from this crisis, however. Conservatives here and in the US now seem to believe the pandemic proves the brittleness of free global supply chains and the need for government efforts to re-shore pharmaceuticals, medicines, and manufacturing capacity.

Even Prime Minister Boris Johnson is high on the motivated reasoning for more intrusive government. He has claimed the pandemic confirms the desirability of “doubling down on levelling up”. That would involve using state power to “rebalance” the economy geographically through infrastructure spending, industrial policy, and region-specific “deals”, even as the economy bounced back in the months after lockdown. Why a viral pandemic that has disrupted ways of working and kept many of us at home proves the long-term need for HS2 and other transport investments is anyone’s guess.

These “lessons”, unified only by their greater demands for cash from taxpayers or for powers for bureaucrats, are tendentious. Yes, we inevitably have learnt valuable things about dealing with this specific type of viral pandemic, including acquiring the knowledge-by-experience that left

East Asian countries, burnt by earlier dalliances with SARS or MERS, better prepared to test, trace, and contain this virus.

Going through an episode like this highlights pinch-points in public supply chains and inadequacies in government bureaucracies too, just as firms in markets reassess their resilience when unexpected shocks hit.

But any future crisis will not be the same as this one. Even if, miraculously, all the rag-tag ideas above might have helped in preparing for or reacting to this virus, reorganising society or the economy based on a particular once-in-a-generation event would be a disproportionately costly response. Consider the sheer madness of subsidising or setting aside year-on-year production capacity for pandemic-level PPE and ventilator needs in normal times, for example.

More broadly, there is no generalised evidence that larger governments dealt with this crisis better. South Korea, Taiwan, Australia, and New Zealand all have smaller governments than the UK, but are held up as Covid-19 exemplars. Many of those with larger governments, such as France, Belgium, and Italy, have seen similarly shocking death tolls to us. At best, any failure to deliver resources where needed for this pandemic reflects faulty state priorities, rather than an impoverished public realm.

Private sector inadequacies - including a supposed lack of resilience of supply chains - are a peculiar place for politicians to start, too. After all, we weren't being asked to stay home to "protect our private sector" during lockdowns. "Our" NHS is, of course, a nationalised, socialised system, unlike, say, Germany's decentralised model, and was on the ropes for a time. Centralised planning on testing has been an original sin of the UK's response. Yet many now believe that it's crucial for a government that's made a pig's ear of that endeavour to plan out the industrial and spatial dimensions of economic life. Under the Government, testing has slowed in recent weeks, with entire areas running out of tests and patients facing delays for results.

In fact, the rapid global response of the pharmaceuticals industry and supermarket supply chains to disruption in this crisis have been nothing short of remarkable.

A recent report by McKinsey documented the intense global interconnections in the pharma and medicine sectors, highlighting perhaps how heavy-handed governments unpicking them might create a host of unintended consequences. That report concluded that pandemics and natural disasters were relatively low risks to the operations of these sectors.

What does it say is the biggest risk? Politician-driven protectionism. Specifically, trade disputes and "sicken thy neighbour" attempts to hoard or re-shore medical production in the name of public health, policies which have already proven damaging during this crisis and conservatives now demand.

It takes some chutzpah then, at a time when we observe tales of completely inadequate testing capacity in the right places, for the universal takeaway to be that the pandemic proves the necessity of more government planning in normal times.

Of course, a global pandemic is a true collective action problem, necessitating a large role for governments. But what is good in a pandemic tells us little about what is optimal after it. This period has highlighted just how easy it is for governments to fail, even in core functions.

In a rational world, this would set the bar higher for new ideas for state action. Yet right now, the shackles are off, with motivated “lessons” that stretch credulity.

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