

Ryan Bourne: What is the Government using the shutdown for?

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Covid-19 is producing an economic bloodbath across developed economies. OECD sectoral analysis suggests lockdowns will see day-to-day activity fall 25-30 per cent across countries for their duration; the Office for Budget Responsibility reckons 35 per cent in the UK. Even if this lasted for just three quarters, with immediate rapid bounce-back, GDP would be 10 per cent lower over the year – a much greater downturn than after the Great Recession.

You don't need economic expertise to realise that closing businesses and locking people at home reduces activity. U.S. data shows 16.6 million Americans – over a tenth of its labour force – filed for unemployment insurance in the past three weeks.

Universal Credit here in Britain has seen 1.2 million extra claims since March 16. That's after unprecedented actions, remember, to discourage layoffs. The OBR assumes a strong recovery and no permanent economic damage, but the longer this goes on, the more businesses fail and employment relationships get destroyed. After some duration, mothballing activity becomes more damaging relative to economic adaptation. No wonder, per Fraser Nelson, Boris Johnson wonders about the wisdom of restrictions.

Truly dreadful GDP and unemployment figures are incoming. But Johnson must remember this: the economy would still be cratering even without lockdown, because of changes to behaviour and collapsing supply chains.

Swedish unemployment is rising faster than after 2008, even with laxer social distancing measures. South Korea, with its test-and-track approach, has seen growth give way to recession. Consumers and producers will avoid getting sick by forgoing much "social spending" and risky production even absent government orders.

This effect probably accounts for 50 per cent of the downturn. We tend to attribute all outcomes to politicians, but you could re-open every cinema across the country tomorrow and barely anyone would go. So false dichotomy #1 is that the economic alternative to lockdowns is normality.

In reality, the economy will only fully "normalise" once the virus threat is vanquished. That means a credible vaccine, effective treatment or relatively stable herd immunity (it is unclear how long immunity lasts), or else such an efficient test and contact tracing system that public

confidence is restored. Anything else is adaptation or destruction, with a cost. We therefore need less talk of an “exit strategy” for lockdowns and more talk of an exit strategy from covid-19’s stranglehold over our lives.

Here, though, the Government’s thinking is difficult to discern. Can anyone explain its aim beyond “protecting the NHS” from this first peak of infections? Is it to use the lockdown time to build extra NHS capacity and then manage future caseloads until herd immunity is reached? Is it instead to use restrictive containment to minimise deaths until a vaccine is in sight? Is the Government waiting on an effective treatment to facilitate loosening restrictions? Or building up South Korea-style testing infrastructure?

Last week, Dominic Raab alluded to a strategy for the next phase. But he would not express it, lest he muddy the waters on “stay at home” messaging. Yet, the population has been, if anything, more compliant with orders than expected so far. It belittles us to be kept in the dark. Absent a clearly articulated strategy, and business uncertainty will heighten, and severe non-compliance is risked if people start questioning why they are sacrificing their livelihoods and liberties. Particularly once the army of the immune grows and other countries take different approaches.

The absence of discussion of our true options here is sadly leading to false dichotomy #2: that the alternative to lockdown is doing nothing and hundreds of thousands of people dying.

Let’s be clear: lockdowns will “work” in lowering the virus’s transmission. In the face of uncertainty, overwhelmed health systems, and lack of infrastructure for other approaches, they are a precautionary nuclear option. But they aren’t an end game for the virus. They buy time to better manage cases or work towards a vaccine.

Yet they are a destructive, unsustainable stop-gap restricting much high-risk and low-risk economic activity alike. So grave are they in disrupting our lives and freedoms, we must first demand that they are not more draconian than they need to be and, second, that the time bought by them is used wisely, with a meaningful new policy once new cases are back at low numbers.

“Reviews” of lockdowns should therefore be meaningful. Worldwide, businesses are adopting strict social distancing safety protocols, such as screens, regular disinfecting, mandatory mask wearing, one-way systems, single entrances, and adjusted business hours. Capitalism finds ways of giving consumers and workers confidence to re-engage. As these develop, business shutdowns, logically, should be eased. Is the Government considering this? Life-sapping restrictions on outdoors activities likewise look disproportionate, given other steps that could be taken to lower risks.

Making sure any lockdown only disrupts what it has to should be the bare minimum we expect from governments. But ultimately the next stage requires confronting the messy trade-offs that come on the path to the end of the pandemic, best analysed using an all-encompassing economic cost-benefit analysis.

For keeping aggressive restrictions until a vaccine turns up is a non-starter – it guarantees an economic depression that would create civil unrest (especially if a vaccine proves elusive). Now is the time to earn public buy-in for balancing health and economic wellbeing going forwards, recognising the trade-offs inherent in any other path.

Allowing younger age groups back out brings significant risks for multi-generation households, for example, while industry-by-industry relaxations bring charges of favouritism. Immunity

passports – allowing those who have recovered to live normal lives – brings risks of false positives if introduced too early, while also creating incentives for some to catch the virus to “win their freedom.”

Variolation –giving “safe” doses in controlled medical environments – requires using scarce healthcare workers for deliberate infections. Relaxing to social distancing measures after the peak, a la Sweden, but perhaps with at-risk groups isolated, sounds more feasible, but that would bring political accusations of “putting the economy over lives” given an inevitable higher death toll than suppression.

Testing-and-contact tracing as mitigation “works” elsewhere. But it has monumental civil liberties implications, particularly if it incorporates forced quarantine. Then there’s trying to end this through medical innovation – vaccines and effective treatments. These, surely, have to be an addition to a strategy and not its extent.

The lockdown bought time to weigh up these options, or some combination, considering the constraints of public opinion and technology. They are all imperfect, given this truly dreadful situation with no “good” outcomes. But the government must soon show its hand. The alternative, let’s not forget, is a deeply destructive, authoritarian, largely un-policeable lockdown. The vacuum of audible strategy is creating an inane debate that implies the only meaningful choice is between mass deaths or economic destruction.

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