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Days of the shovel are long gone. The times demand we adapt, adapt, adapt

Ryan Bourne

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Politicians rarely let a crisis go to waste. But even by their standards, speeches by Michael Gove, Minister for the Cabinet Office, and Boris Johnson, the Prime Minister, this past week took some liberties in claiming Covid-19 justified their long-desired policy agendas.

Gove made the case for an approach to government inspired by American “New Deal” president Franklin D Roosevelt. In Gove’s interpretation of FDR’s legacy, government should be animated by the concerns of the “Forgotten Man,” while constantly experimenting and evaluating the effectiveness of policies. Johnson invoked the Rooseveltian spirit more directly in the call for a state-led economic rebalancing, with a Conservative “New Deal” to “level up” the country via investment in public services and infrastructure.

Now, it seems contradictory to demand adherence to evidence while taking inspiration from a US president who presided over weaker economic outcomes than his Thirties British contemporaries. It’s odd to extol the virtues of evaluation and then ignore the lack of long-term productivity dividends from New Labour’s “investment” or Japan’s Nineties infrastructure drive. It’s bizarre to pretend this agenda is “new” when most ideas have been pre-announced.

But to question the Conservatives here on empirical grounds is to misunderstand what is really going on. Invoking Roosevelt was political framing. The message was that the Conservatives desire economic transformation, while signalling firmly that their agenda isn’t the Tory party’s of the Eighties. For all the arguments over the desirability and how electorally sensible this Leftward shift on economics is, the packaging is more about rank electoral politics than any evidence basis for the ideas.

That’s not to say all of the proposals were statist or, indeed, bad. Planning reform is a long overdue pro-market policy that would benefit the poor. Gove is right about civil service groupthink, inertia and, in principle, the need for decentralisation of power too. No, the real problem is the gliding over of the more immediate economic downturn at hand, pretending that somehow what the Conservatives intended to do anyway is simultaneously the answer to our short-term woes.

It would be incredibly convenient if an unexpected, virus-caused depression of activity in industries requiring physical interactions led one to the exact same policy agenda as for tackling

major structural inequalities across the country. Yet that is what Boris would have us believe. He warned we are in the period between the lightning flash and the thunderclap, unsure as to the destruction we will see as lockdowns are lifted. Yet we are told that Covid-19 highlights the need to “double down on levelling up” anyway, with large state investments on everything from HS2 to social care “because that is what the times demand”.

But that is clearly not what these times demand. The immediate economic crisis is not a demand-led recession like the Great Depression, not akin to a rebuilding effort after infrastructure destruction in war, nor the result of public services being starved of funds. It is driven by an unprecedented change in consumer behaviour and how businesses can operate. A pathogen has disrupted relationships between employers and employees, retailers and suppliers, and customers and firms, with layoffs and businesses collapsing as supply and demand conditions alter.

The Prime Minister has no idea yet whether this crisis makes the business case for HS2 stronger (if air travel contracts permanently) or weaker (if remote meetings become normalised). Ministers have no special insight into how businesses will re-evaluate reshoring after disruptions to their supply chains, or to where. The wisdom of most other government investments is largely independent of these short-term pandemic problems. To pretend then that Covid-19 itself shows the economic need for this state-led rebalancing effort is the worst form of motivated reasoning.

Far from a government-led “build, build, build” agenda, we need a market-led “adapt, adapt, adapt” one. A cinema and surrounding restaurants struggling with social distancing and depressed demand are not much helped by investment in a nearby bypass. Nor, as it might have done in some cases during Thirties America, would that road building mop up such workers laid off in leisure and entertainment industries. The days of the shovel are long gone, as would the threat of the virus be by the time such projects actually got off the ground.

Ryan Bourne occupies the R. Evan Scharf Chair for the Public Understanding of Economics at Cato. He has written on a number of economic issues, including: fiscal policy, inequality, minimum wages, infrastructure spending and rent control.