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The one big flaw in the Government's plan to control coronavirus

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On September 28 last year, Health Secretary Matt Hancock told the Commons that the Government's new Covid-19 strategy was to "suppress the virus while protecting our economy and education until a vaccine arrives". After a large hump and then a dip through November, Covid death numbers have since accelerated.

They averaged 800 deaths per day (by death date) for the last full week of data, a number still rising after the explosion of cases from the new virus strain. Schools have been closed and formal market activity is shuttered as the national lockdown bites. Clearly, the suppression strategy did not work out as intended.

The Covid-19 outlook is serious enough that, even if you opposed previous lockdowns, the case for restrictions now is strong. We have vaccines being rolled out. The new strain is more transmissible. Hospitals in some parts of the country are struggling terribly. The public health benefits of anything that curbs the spread of the virus today are therefore larger and more certain.

Yet the post-September "failure" to suppress the virus and protect schools highlights a truth not acknowledged enough in Westminster: governments have far less "control" over events than commonly perceived.

We often talk as if complex, evolving human systems, such as "the economy" or, social networks, are at the mercy of politicians. That if only they pull this spending lever, trim that budget, tighten this regulation, or time that intervention well, they can tame the business cycle, eliminate deficits, or, in today's case, keep the average reproduction rate of the virus below one.

It is the same conceit that underlies Keynesian macroeconomic policy, which sees economic downturns as reflective of the Government's failure to merely gin up spending enough for the economy to be operating at its "potential."

Time and again, however, those who purport control are found wanting. Gordon Brown didn't abolish boom-and-bust. David Cameron and George Osborne didn't eliminate the deficit in five years. And Boris Johnson and Matt Hancock couldn't keep Covid-19 at bay until the "drumming hooves" of the vaccine cavalry arrived.

This is not to say that, in emergency circumstances as now, government actions cannot improve matters. But as the late, great Nobel prize-winning economist George Stigler said, the state's power to exhibit significant control over outcomes is a matter of desire rather than demonstration.

When it fails to achieve objectives, we often cannot bring ourselves to question the wisdom of the micromanagement, but instead put the failure down to a lack of will, or incompetence. That blind faith is misguided.

There have been plenty of cock-ups during this crisis that allowed the virus to gain a foothold or, at other times, worsened its spread. Yet the rollercoaster of waves we have been on since, exacerbated by seasonality and stop-go lockdowns, shows that the virus could not be tamed by fiddling with “non-pharmaceutical interventions” to balance public health and economic interests.

Through the 1960s and 1970s, politicians tried to fine-tune the economy using activist fiscal policy. It was thought they could “trade-off” unemployment for inflation by spending more to reduce unemployment during downturns and then tightening policy to curb inflation during booms. This faulty framework led instead to ever-greater instability and ultimately stagflation (high inflation and high unemployment).

In this Covid crisis, the Government has likewise turned restrictions on business and socialising on and then off to try to balance public health concerns with formal market activity. It enforced early lockdowns to flatten the curve, then urged people back to work or out to restaurants to “help the economy”, then told them to stay home again.

The result has been similar: both a disastrous death rate and a poor GDP performance relative to countries attempting less ongoing manipulation.

There are obvious reasons why governments cannot easily “control” Covid or the economy. In both cases they must use a combination of partial, out-of-date information, and speculative forecasts. A lack of widespread testing and quick, asymptomatic spread of the virus mean there is a lag between a worsening situation and its observation. Ever-changing conditions mean interventions get mis-timed, worsening cycles.

Policies are also applied not to unthinking “agents” as in epidemiological models, but to human beings, who respond to them. When governments ramp up spending, it can signal an economic crisis, causing some people to cut spending further. When governments telegraph Covid restrictions, some people travel to find refuge elsewhere, or enjoy their last days of freedom through socialising, worsening the near-term spread.

We went a long way to locking down voluntarily before the first lockdowns last spring. But if stop-go lockdowns since then make people think that governments will act whenever the situation is dangerous, they often wrongly assume non-lockdown periods are low risk. Likewise, if governments subsidise indoor dining or encourage people into the office in one period, it’s unsurprising people’s risk tolerance adjusts accordingly.

Obviously, external factors can knock even the best technocrats off course. This new mutation has made suppressing the virus more difficult, just as public finance rules often get disrupted by “unknown unknowns”, such as oil price shocks or crises abroad.

Yet though government actions clearly influence us greatly in aggregate, we sometimes downplay that it is ultimately people who spread the disease, with their behaviours stemming from personal risk tolerances, needs, and preferences — highly localised information that no politician can know or model.

Again, it's not that government action is fruitless. This pandemic has clearly required major interventions at various times. It's that politicians cannot manipulate the actions of tens of millions of people to cleanly control outcomes. That's even more true in "normal" times, when our economic aims and ambitions are more diverse.

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