

A Better Future following the gale of destruction that is Covid-19?

By Dr. Steven McCabe, Associate Professor, Institute of Design and Economic Acceleration (IDEA) and Senior Fellow, Centre for Brexit Studies, Birmingham City University

Every day brings new data demonstrating how dreadful things are as a consequence of the crisis caused by Covid-19. The statistic that really concentrates the mind is the number of deaths, who will have died as a result of having been infected by the pandemic that has afflicted pretty much every part of the globe.

Daily announcements of deaths in various countries are used by analysts to identify any trends suggesting that rates of infection and deaths may be either 'peaking' or levelling off. However, as is recognised, making sense of what is going on is complicated by under reporting of deaths outside of hospitals.

On Tuesday ONS (Office for National Statistics) published data showing that there were 18,500 deaths in the week ending Friday 10th April. This figure, based on death certificates, and compared to averages over the previous five years, shows that there have been some 8,000 additional deaths than would normally be expected.

The immediate implication of what we are discovering is that death due to Covid-19 in the UK is 41% higher than the figures we have been hearing each day. The majority of the additional 8,000 deaths are believed to have been in care homes, in which, it's reported, there has been a quadrupling.

That those who are the weakest and most vulnerable will have contributed significantly to the death toll for Covid-19, now accepted as being closer to, at the time of writing, 25,000, is a shocking indictment of how unprepared an advanced economy such as ours was in coping with a pandemic.

Whatever the final death toll turns out to be, this should be regarded as the main index of the impact of Covid-19. Every death, regardless

of underlying health issues that the victim may have been suffering from, represents a personal tragedy for them and their loved ones.

However, we know that when the health crisis caused by Covid-19 passes, as surely it must, there will be a huge economic cost in the widespread and, unprecedented closures that have been needed to arrest the rate of infection. Predictions of how destructive the implementation of so called 'lockdown' will be published with a regularity resonating with the mortality caused by a virus we'd never heard of only a couple of months ago.

Last week the OBR (Office for Budget Responsibility) and IMF (International Monetary Fund) both presented their forecasts of rapidly rising unemployment and, in the short-term at least, economic growth that has literally dropped off a cliff. In the case of the former, it's suggested that by the end of June we could see unemployment at 3.4 million, the budget deficit will have reached £273b and there will have been an 35% drop in gross domestic product.

Given the impact of lockdown, such predictions, that would have been inconceivable only a month or so ago, are entirely understandable. Crucially, as the OBR and IMF contend, any down turn will be temporary in nature and there will be a very extreme 'V' shaped dip from which we escape as rapidly as entered into recession.

Many assert that this outlook is overly optimistic. The OBR acknowledged that whilst any downturn in economic activity might be brief, dealing with the impact on unemployment might take considerably longer. It will possibly not be until 2023 that we get back to the current 4%. It is significant that economist and former Bank of England Monetary Committee member Danny Blanchflower and David Bell will, in their study to be published by the National Institute of Economic and Social Research, suggest that unemployment in the UK – including those not working but subject to furlough – will have risen by 5 million to reach a total of 6 million by the end of May. This would result in a rate close to 20%.

The costs of using furlough and supporting businesses in the current crisis is huge. The purview of government in dealing with the economic impact of Covid-19, though immense, is predicated on the assumption of the sharp 'V' shaped decline in the economy. This is a

view being challenged. Some believe that should the recession we're currently in be extended into the autumn, and the government decide that it cannot sustain assistance to companies to keep its employees at home, there is a danger that we could see a rate of unemployment considerably higher than even the early years of the Thatcher administration when it was over 10%.

In an article 'UK braced for long recession due to virus fear factor' in [The Financial Times](#) there is description of an acknowledgement by the Bank of England and the Treasury that any removal of restrictions imposed due to the impending threat of Covid-19 will not create the hoped for recovery. People fully appreciate that the threat of infection will remain until a vaccine is developed; an objective that is many, many months, possibly even a couple of years, from being achieved.

The consequence of such reluctance will be that we are more likely to experience a prolonged 'U' shaped curve that acts as a drag on growth and any recovery. In an event organised by Chatham House on Monday, former chancellor Philip Hammond cautioned against the 'V' shaped recession; "This is a £2 trillion economy, you can't spin it up overnight from nothing."

There is an accepted view that the experience of the UK most closely resembles France. It is notable that in announcing that its cafes and restaurants will remain closed for many months to come and that the wearing of masks on public transport will be mandatory, French Prime Minister Édouard Philippe stressed that the Covid-19 virus will be something that people will have to get used to; "Our life from May 11 will not be like our life before, not immediately, and probably not for a long time."

What is certain is that economic activity has stalled in an alarming way demonstrated by the price of oil which, on certain 'futures' market is [trading at zero](#). This would indicate that those engaged in the production and supply of oil, a commodity that used to be known as 'black gold', are extremely pessimistic about prospects for the economy in coming months.

What is important is that when any recovery, putative as it may be initially, there is attention to creating a better world that does not

simply recreate the current one that has proven to be so utterly fragile and, for individuals and families affected, calamitous.

Getting back to whatever 'normal' will be for the foreseeable future is going to require adventurous and innovative thinking and political leadership as was displayed in the Bretton Woods Conference at New Hampshire in 1944 that led to the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD).

Critically, some commentators argue, what the current crisis may engender will enable us to undergo what Austrian economist Joseph Schumpeter, on the basis of the work of Karl Marx, described in his book *Capitalism, Socialism and Democracy* (originally published by Harper and Brothers in 1942) as the "gale of creative destruction". This phenomenon was, Schumpeter explained, "[the] process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one."

Creating a new economic system would undoubtedly be hugely welcomed by those whose lives were already blighted before the Covid-19 crisis which, very sadly is likely to suck many more into the maelstrom. However, this new system should be one that is explicitly devoted to providing the basis of vastly increased equality.

As Matthew Lawrence so stridently argued in an [Independent article](#), 'Businesses are taking coronavirus bailouts while leeching wealth from their communities', the objective is "a new economy fit for human flourishing, rather than simply reinflating [sic] the inequalities and insecurities of the old."

The economically destructive 'gale' that's been a consequence of Covid-19, thankfully, occurs very infrequently. It's absolutely essential that our leaders do not use this as an excuse for outing in place the foundations that, as occurred prior to the end of the second-world-war, achieved a better world.

To fail in this objective will mean that not only future generations will suffer, but that the pain that has been endured will have been in vain.

Dr. Steven McCabe is co-editor of *Brexit and Northern Ireland, Bordering on Confusion* (published by Bite-Sized Books, ISBN-13:978-1694447807) and contributor to *Boris, Brexit and the Media* edited by Mair, Clark, Fowler, Snoddy and Tait (published by Abramis Academic Publishing, ISBN-13: 978-1845497644)