



**IGDS**

# **COVID-19 and the Great Lockdown Fiasco**

**UPDATE # 1 of 'Fight the Virus, Not the Economy!'**

*Graeme Donald Snooks*

**Working Paper # 20**

**April 2020**

**Institute of Global Dynamic Systems**

**Canberra**

# COVID-19 and the Great Lockdown Fiasco

## UPDATE #1 of “Fight the Virus, Not the Economy!”

*Graeme Donald Snooks*

25<sup>th</sup> April 2020

### 1. Introduction

While global crises can be devastating, they also have a positive role to play. They expose, for all to see, the fundamental fault-lines in both human nature and the operation of human society. In the early weeks of the COVID-19 crisis it was remarkable to observe the large numbers of people hoarding trivial products (such as toilet paper) that have absolutely no survival value; and to see that some of these hoarders were willing to shove, push, and even fight, over these products in supermarket aisles. (This is the subject of my forthcoming paper “The Merchants of Fear”.) So much for the widely held view among intellectuals about human altruism!

Secondly, COVID-19 has exposed the hollowness of artificial supra-national organisations, such as the European Union. Since the outbreak of the COVID-19 crisis, the EU has effectively disintegrated into its constituent national states, with each isolating itself from other member states in order to pursue their own virus policies. The EU has demonstrated quite clearly that it is incapable of providing a concerted approach to crisis. Is there any wonder that Britain wanted to leave this moribund organisation? It is unlikely the EU will ever be the same post COVID-19.

Thirdly, and more importantly, COVID-19 has exposed the failure of strategic leadership around the world. This is an issue I have been exploring for the past twenty years. While most individuals and organisations have preferred to ignore this vitally important issue, the coronavirus has laid it bare. The failure of strategic leadership is the subject of this first UPDATE on my paper “Fight the Virus, Not the Economy!” published in March 2020. I plan to produce a series of monthly updates as the world descends into economic chaos.

### 2. The Dual Crisis—An Outline

Before exploring this issue of strategic leadership, a brief update on the growing viral and economic chaos experienced internationally over the past month will demonstrate the extent of the problem. What is unprecedented about the current dual crisis is not the severity of the pestilence—human history is replete with similar attacks—but the **self-imposed** economic depression resulting from deliberate policies of economic contraction around the world. What I call **the Great Lockdown fiasco**.

In mid-March, when I was writing “Fight the virus, not the economy!”, COVID-19 infections and deaths had assumed modest, but growing proportions; and frightened countries were beginning to lock down their economies in response to advice from medical experts and health officials. It was clear at the time that these international numbers would increase exponentially over the following

weeks. Also I predicted that by “flattening the curve” of viral infections, countries throughout the world would also flatten their economies, with a resulting rapid decline in output and increase in unemployment, which, more importantly, would badly damage the underlying dynamic mechanism. At the beginning of the Great Lockdown, there was little discussion about the impact of this massive negative intervention by governments on GDP and employment; and even where it was mentioned, the impact was massively underestimated. It was thought that merely by increasing welfare payments, the economic problem could be contained.

According to the World Health Organisation (WHO), on 22 April 2020 the number of global COVID-19 cases had reached 2.6 million (6.5 times greater than on 24 March), and the number of deaths about 184,000 (10.8 times greater than a month before). While this does indeed constitute an exponential increase in viral infections and deaths, the peaks achieved are, so far, massively less than the 50 million deaths resulting from the Spanish Flu Pandemic of 1918–20. Also, so far, it is considerably less than the world-wide number of influenza deaths—up to 650,000—in 2019; or the annual number of deaths (400,000) from malaria. The countries most impacted by the 2020 coronavirus, in order of severity, are: USA, Spain, Italy, France, Germany, and the UK. Germany is interesting, because although it has 17,000 (or 12.9%) more cases than the UK, it has had 10,630 (or 58.7%) fewer deaths. Also interesting is the case of Sweden, which has rejected the total lockdown approach and yet has only 16,000 cases with 1,937 deaths. While the number of Swedish deaths on a per capita basis is 2.9 times greater than that of Denmark, it is less than two-thirds that of France; and the Swedish economy has not been disrupted to the extent of those comparative countries. Little reliance can be placed on the relatively low WHO figures for China of 83,000 cases and 4,600 deaths. Nothing conclusive can be said about the relative effectiveness of different approaches at this time, as we do not know where the economic chaos will end.

By mid-April 2020 the economic implications of the Great Lockdown were becoming clearer. The international Labour Organisation (ILO) now claims that “the COVID-19 crisis is expected to wipe out 6.7% of working hours globally in the second quarter of 2020—equivalent to 195 million full-time workers” (ILO *News*). It is important to realise **that this estimate of global unemployment is 37 times greater than the best-case scenario, and 8 times greater than the worst case scenario made by the ILO just three weeks earlier** (around the time I published my “Fight the virus” paper). On a regional breakdown, the ILO now (mid-April 2020) expects the number of full-time workers to decline in the second quarter of 2020 in Europe by 12 million, in Asia and the Pacific by 125 million, and in the Arab states by 5 million. We know already that the number of unemployed workers in the USA exceeds 22 million and is expected to climb much higher. This is why there are so many protestors (some of whom are heavily armed) on the streets in more than a dozen US states, demanding an end to economic lockdown, and why a growing number of those states (with the encouragement of President Trump) are “reopening for business”. Similar protests are also taking place in other parts of the world, such as France, Germany, India, Iraq, and Lebanon.

A similar tale of gloom is now (mid-April) being told about GDP growth by the International Monetary Fund (IMF). Projections by the IMF suggest that real GDP for 2020 will *decline* by 3% for the world economy, 6% for “advanced economies”, and only by 1% for the rest of the world—mainly because they expect China and India to experience positive growth of 1.2 and 1.9 percent respectively. The worst performers among the advanced economies are expected to be Italy (-9.1%), Spain (-8.0%), France (-7.2%), Germany (-7.0%), Australia (-6.7%), UK (-6.5%), and USA (-5.9%). These are, of course, heroic projections owing to the high degree of uncertainty in a highly volatile world; they will probably be rapidly and substantially revised downwards, particularly for India and China. It is remarkable that these projected annual falls in real GDP are of similar magnitude to those

experienced during the Great Depression years of 1930 and 1931. **But while governments had no control over the collapse of the Great Depression, they are the direct cause of the Great Lockdown contraction.**

A few case studies illustrate the enormity of the economic problem. The UK, which reacted slowly to the coronavirus before shifting into total lockdown, is beginning to realise the enormous costs of “flattening the economy”. Newspaper headlines are belatedly stark: “UK economy crumbles under virus strain”. This was a response to a statement by Jan Vlieghe (external member of the Monetary Policy Committee of the Bank of England) that: “We are experiencing an economic contraction that is faster and deeper than anything we have seen in the past century, or possibly several centuries”. But he doesn’t say that its uniqueness lies not just in its severity but in it being the outcome of deliberate, if belated, government policy. Curiously, during this time of economic chaos, Boris Johnson is still being criticised for his delayed introduction of the self-destructive policy of total lockdown! A Reuter’s poll of economists in Britain shows a consensus believes that economic contraction in the April–June quarter will be of the order of 13%—the largest contraction since the Great Depression. At the same time, Britain’s debt is growing rapidly, now exceeding \$US 2.5 trillion. Net public sector borrowing is expected to reach 14% of GDP in 2020, making it the biggest single-year deficit since World War II. Yet, the economy continues to contract and coronavirus infections and deaths continue to climb. Britain is experiencing the worst of both crises owing to its indecision and fatally flawed strategic policies.

Australia, in contrast, has been able to avoid the worst excesses of COVID-19, owing to the seasonal timing of its attack, the isolation of this island nation, and early lockdown. But this success has been achieved at great cost. **In flattening the curve, the Australian government has also flattened the economy.** Real GDP in 2020 is expected to fall by \$403 billion, or 21% (Business Council of Australia, *Report*), and unemployment (including those supported by government welfare) to rise to at least 15%. Also a recent (30 March to 17 April) nation-wide survey of Australian businesses by the Australian Chamber of Commerce and Industry (ACCI), found that:

- Nearly one-fifth of businesses had been forced to close.
- A further one-third had been forced to “strip back to essential operations”.
- Over one-third experienced an 80% reduction in revenue.
- And a further one-half experienced a 50% reduction in revenue.

These results can be expected to deteriorate further in the near future. Even some of the largest companies are suffering. Virgin Airlines Australia, which was already heavily in debt, was forced into voluntary liquidation by the government lockdown, throwing the future of its almost 11,000 employees into doubt.

Interestingly, the IMF expects both the global economy and its component regional economies to “rebound” strongly in 2021. They predict (a “projection” is, in reality, a prediction) that in 2021 the global economy will grow by 5.8%, advanced economies by 4.5% (led by Germany with 5.2%), and the rest of the world by 6.6% (led by China with 9.2%). This collapse and rebound is being called the V curve. Some economists seem to believe that if you provide a concept with a simple shape, you have provided an explanation. Alas, the V curve—or its other ludicrous variants, the U and W curves—is just wish fulfilment: it has no underlying theory or empirical support. It is a fantasy taken up by government ministers around the world, based on no more than a hope and a prayer—and possibly on the memory of playing with Lego construction kits during their childhood.

As outlined in my article “Fight the virus, not the economy!”, most economic advisers and policy makers have a simplistic mechanical view of the economy. They seem to think it can be dismantled and placed in its box for an extended period of time, then at some later date taken out of its box and reconstructed in whatever new shape they desire. Take for example, comments by Luca Zaia, Governor of Veneto (north east region of Italy), who was quoted as saying that as the rate of contagion declines, Italy can “turn on the machine, warm up the engine and then pick up speed”. Also an editorial in the usually sensible *Australian* (18–19 April 2020) was headed “Reinventing the Economy”, and the following week it was followed with the suggestion that Australia, and, presumably, the world should “recondition the engine of growth”. Needless to say that in order to “reinvent and “recondition” the engine of growth, it is necessary to know how it works—to possess a general dynamic theory. Unfortunately, none of the “experts” or their clients has such a theory or knows how the engine of growth works. While there are many other examples, I will provide just one more. An Australian think tank member asks in an article in the *Canberra Times* (18 April 2020): “What should we keep from the old economy and what should we build anew?”—clearly someone brought up on Lego.

As I show in “Fight the virus, not the economy!” the economy is the manifestation of the underlying dynamic system I call the strategic *logos*. This dynamic life system consists of visible agents, institutions, organisations, and infrastructure, together with invisible forces such as strategic desire and strategic demand. It is more like an organic than a mechanical entity. It is also self-starting and self-sustaining, and does not cope well with interventionist governments attempting to dismantle it, place it in cold storage, and then reconstruct it in novel ways (Snooks, *Ark of the Sun*, 2015). While in most instances, if interventions are removed in a timely manner, and the correct strategic environment is provided, slow recovery will occur, but it may take years, even decades, to get back on track. It will be like a wounded animal, unable to function effectively. In the meantime long-term living standards will be reduced and lives will be ruined, even lost. Many societies will lose their place in the transition from the old industrial to the new solar technological paradigm, while others may never recover. It is essential to realise in this context that while viruses (including COVID-19) can and will kill individuals, they cannot destroy the strategic *logos*. Only massive, ideologically driven government intervention can achieve that unhappy outcome.

### 3. A Failure of Strategic Leadership

Why is the world experiencing both rapidly rising numbers of coronavirus infections and rapidly worsening economic conditions? Why do we have a dual global crisis? Most policy “experts” and government leaders around the world would like us to believe that COVID-19 is directly responsible for the economic crisis. The IMF, for example, claims that “the COVID-19 pandemic will severely impact growth across all regions” of the world (IMF, *World Economic Outlook*, April 2020), while the ILO asserts that “COVID-19 causes devastating losses in working hours and employment” around the globe (ILO, *News*, April 2020). The media has taken up this interpretation, with NBC News telling its audience in mid-April that “the coronavirus has destroyed America’s job market”. Government ministers and officials have been quick to take up this mantra in the hope of avoiding electoral backlash. But this story of convenience is very far from the truth. **The deepening economic crisis has been caused not by the coronavirus, but by a selective government policy aimed at “flattening the curve”—even “smashing the curve”—of viral infections by deliberately stalling the economy through total lockdown.** It is the outcome of a dangerously inappropriate policy that I

warned against in “Fight the virus, not the economy!” a month ago, when lockdown was in its early stages. The Great Lockdown fiasco is an outcome of what I called the “interventionist storm”.

The central question is: why have governments throughout the world—with very few exceptions—embraced the disastrous policy of total lockdown, when there was a better way to go? A way I outlined in “Fight the virus, not the economy!”. Instead of adopting the negative approach of downsizing the economy to prevent medical facilities being overwhelmed, governments should have geared up their economies to expand medical facilities and to take the fight to the invading virus. We needed to wage war on the virus, not the economy. No country ever won a war by crippling its economy in the face of invasion. No society in history has ever survived in the longrun by placing its economy in suspended animation—or “hibernation” as it has often been called. To stand still in a dynamic world is to die. Details of this argument are provided in my earlier paper. This parlous situation is the outcome of the failure of strategic leadership.

### ***The First Challenge for Strategic Leadership***

What do I mean by **strategic leadership**? This is a concept that first emerged from the general dynamic theory of human society that I developed in my book *The Dynamic Society* published in 1996. The concept of strategic leadership played a central role in a series of further books I published between 1997 and 2000: *The Ephemeral Civilization* (1997a), *Longrun Dynamics* (1998), *Global Transition* (1999), and *The Global Crisis Makers: An End to Progress and Liberty* (2000). Here is what I had to say about strategic leadership in *The Global Crisis Makers* (2000: 57–58):

Strategic leadership is essential to the survival and prosperity of human society. It was ... the primary reason for the emergence of government at the dawn of human civilisation and for its extension and maintenance ever since. The nature of strategic leadership will become clearer when we review the way it has worked throughout human history. Basically it involves facilitating the objectives of society’s dynamic strategists. This is achieved by coordinating the efforts of strategists, directly through government directives and incentives, and indirectly through cultural institutions such as religion, ideology, and the arts. In particular, the state provides basic infrastructure that is beyond the financial resources of individuals and corporations, it negotiates political and economic deals with other societies, it protects the dynamic strategy at home and abroad, **it encourages the emergence of new strategies during recession/depressions**, and it provides basic facilities for the education, training, and research required to nourish the modern technological strategy. This is a proactive rather than a passive role, and it is provided by representatives of the strategists for the benefit of the strategists. To achieve this, successful strategic leaders listen carefully to what the strategists think they need to achieve their objectives.

It is important to realise that the strategists do not necessarily encompass the entire population of a society. They include only those individuals who invest, either in physical or human capital terms, in the dominant dynamic strategy. The proportion of the population that can be classified among the strategists has varied throughout human history, not in a linear but in a circular way. In palaeolithic society, almost all adult members were involved in the family-multiplication strategy, with the result that the proportion of the population in the strategist category approached one-hundred per cent. Hence, tribal leaders needed to take into consideration the aspirations of all adults. By contrast, in neolithic society, only a small proportion of the population was actively involved in the strategic pursuit owing to the economic monopoly of the ruling elite. This proportion ranged from less than one per cent in

societies based on dependent agriculture (lords and slaves/serfs) to about one-quarter in mercantile societies. Only in advanced technological societies has the strategists/population ratio once more approached that of hunter-gatherer societies.

In *The Global Crisis Makers* (2000: Ch. 4) I show in detail how strategic leadership functioned effectively in paleolithic society, neolithic society, and modern technological society (at least up to the 1980s).

While strategic leadership worked effectively in supporting the strategic *logos* throughout human history, what went wrong in the late twentieth century? Why has the strategic leadership of contemporary society failed? In *The Global Crisis Makers* (2000) I was concerned with the issue of inflation targeting. At the end of the 20th century, inflation targeting was (and still is in less extreme form) a central policy of national governments, central banks, and international organisations (IMF and World Bank). At that time, the objective was to contain inflation in the range of 0–2% per annum (for practical reasons this has now been lifted to 2–3%) by deflating economies in both advanced and developing countries. The IMF and World Bank would only make funds available to developing countries (later this was imposed on Greece as well) if they agreed to balance budgets, rein in borrowing, and remove protection—essentially to deflate their economies. Around the turn of the century this was contributing to problems in Asia known (erroneously) as the “East Asian Meltdown”. This policy of contraction in the name of inflation-targeting was the outcome of analysis and advice from neoclassical economic experts. As I pointed out at the time, as well as before and after (Snooks 1993; 1997b; 1998; 1999; 2008b; 2015), these “experts” had no general dynamic theory or long-term empirical evidence about the relationship between inflation and economic growth.

Using data on prices and economic growth for the past 1,000 years (Snooks 1993; 1994; 1998), together with my general dynamic theory (Snooks 1996; 1998), I estimated statistically the relationship between prices and growth for the very longrun (1370–1994), the longrun (1870–1994), and the shortrun (1961–1994), and was able to demonstrate that “strategic” inflation (price rises in strategically successful societies) of 3 to 7% was, and is, a stable function of sustained economic growth. I called the relationship the “**growth-inflation curve**” (Snooks 1997; 1998: 151-159). Further, strategic inflation is a sign of a successful dynamic strategy placing creative demands on productive resources.

By employing deflationary monetary and fiscal policies to constrain strategic, as well as nonstrategic, inflation, national and international organisations place self-defeating and dangerous constraints on economic growth and social progress. Self-defeating because these policies reduce the expansion of economic and social resilience (measured by real GDP); and dangerous because it generates “strategic frustration” (see Snooks 2000: ch. 6) that in turn produces social unrest and leads to the emergence of the hard right, thereby endangering democratic systems. This is a very real threat to both progress and liberty. In effect, this deflationary policy approach developed to combat the illusory crisis of strategic inflation, was a dress rehearsal for the much more savage deflationary policies now being employed to wage a phoney war against COVID-19. In both cases it has been on the advice of ideologically driven “experts” **who know little about the dynamic growth process of human society**. This is the core of the **failure of strategic leadership**.

In *The Global Crisis Makers* (2000: 12-15) I summarised my argument about the failure of strategic leadership as follows:

At the heart of the hidden crisis is a failure of political vision and leadership. Modern Western governments have lost sight of the real reason for their existence, which is to facilitate the unfolding of society's dynamic strategy. This unfolding, which must never be regarded as inevitable, enables the citizens of any society to achieve their key objectives of survival and prosperity. It is for this reason that governments emerged in the earliest civilisations of both the Old and New Worlds, and it is for this reason that governments have been maintained ever since. Until now. In the past few decades [before 2000] governments of the Western world have relinquished responsibility for promoting and shaping economic development and growth. They have placed our future in the hands of the economic experts in central banks and key bureaucratic departments. This failure of strategic vision and leadership is, as I show, a very modern failure. If it were not so, the modern world would not exist. It is a failure that emerged in a widespread manner only during the second half of the twentieth century.

The burning question, therefore, is: Why has modern strategic leadership failed? .... Briefly, it is an outcome of the growing democratisation of modern society. As I demonstrate in *The Ephemeral Civilisation* (1997), the unfolding technological paradigm, which has been under way since the Industrial Revolution, leads not only to economic progress but also to changes in the sociopolitical structure of society. In particular it is responsible for drawing an increasing proportion of the population into the strategic process, which results both in a more equitable distribution of income and a greater participation of the population in the political process.

This growing democratisation strips economic and political power from society's leaders. We need only reflect on the way the US Congress has been able to belittle its President. Accordingly the more imaginative and able individuals, that at an earlier time would have entered politics, now seek other more remunerative outlets for their talents. Hence, in national politics we are left with individuals whose desires and talents qualify them only to run the existing political system rather than to provide the creative leadership that strategists require to achieve their objectives. These new 'leaders' are content, in other words, to merely occupy the driver's seat in the vehicle of state without ever being tempted to throw the idling engine into gear. In this way they ignore the strategists, who are concerned with material progress, and they seek advice about their role from economic experts, who are concerned merely with the efficiency of this stationary institutional machinery.

The failure of strategic leadership is compounded by the neoliberal advice supplied by these experts. As governments that have lost strategic vision want to appear to be doing something, they adopt policies proposed by economic experts. These experts are members of a highly technical, and thereby inaccessible, intellectual cult known as neoclassical economics. This inaccessibility provides the authority and mystery required by those wishing to predict the future. The process is very similar to that employed by the mystical cults of earlier civilisations — such as the Apollonian cult at Delphi in the ancient world (see my *Economics without Time*, 1993) — that used religious ritual for the same purpose. The Apollonian cult was no less successful in its secular advice than the neoliberal cult, and considerably less dangerous to its society.

The current problem is twofold. Not only does the neoclassical cult possess a flawed view of the world, it has also been able to disguise this through the highly technical nature of its intellectual ritual. Elsewhere — in *Longrun Dynamics* (1998) and *Global Transition* (1999) — I have discussed in detail the problems with the vision, methods, and policy of

neoclassical economics. Essentially this intellectual cult treats human society as a giant factory dominated by the machine, rather than as an organisation dedicated to the strategic pursuit. Its practitioners focus on the nature of production and on the role played in this by technological change. In effect, mainstream economics is a branch of production engineering. And to make matters worse, they treat their subject in a static rather than a dynamic way. They insist on viewing our dynamic world — a world in continual flux — through models constructed from static production theory. Accordingly, the orthodox vision of the world is dominated by concepts of equilibrium and order rather than disequilibrium and change.

Such a vision is attractive to politicians with no sense of strategic leadership. Yet, even they feel they must exist for some good social purpose. If only they could discover it! What better role could they play than to create order and balance in society? They could not be more mistaken. What they and their neoliberal advisers do not understand is that equilibrium and balance are the very opposite of what is required to maintain the health of any society. As I show in *The Dynamic Society* (1996), the normal healthy condition for any society is disequilibrium and change. Any misguided attempt to force a dynamic society into a static straightjacket will merely damage the viability of that society, perhaps terminally.

The more effective a government is in achieving stasis, the greater will be the eventually crisis. The former USSR is a classic example of this. Governments in Western countries also possess powerful policy armouries, including what I call the policy rules of the four zeros — zero government deficit, zero government debt, zero inflation, and zero market imperfection. If rigorously applied, these neoliberal policy rules will eventually derail a society's dynamic strategy, which is the wellspring of its prosperity and liberty.

### *New Challenges for Strategic Leadership in the 21<sup>st</sup> Century*

Since the turn of the 21<sup>st</sup> century, other major issues have arisen to challenge strategic leadership around the world. These include climate change/mitigation and COVID-19. As was the case with strategic inflation, governments have turned not to dynamic strategists—those driving society's dynamic strategy—but to ideologically driven intellectual “experts”. This shows a failure to realise the central maxim of the Dynamic Society—“desires drive, ideas merely facilitate” (Snooks 1996; 2015). In the case of climate change/mitigation, governments and international organisations (UN, IMF, World Bank) have turned to natural scientists and neoclassical economists. While natural scientists have correctly drawn the world's attention to the reality of climate *change* and the causative role of human agents, they have no expertise in analysing human society. As such they can have no role to play in advising on climate *mitigation*. While neoclassical economists like to claim expertise in the analysis of human society, they have been unable to develop a realist general dynamic theory, and, therefore, are forced to fall back on their flawed shortrun, static, marginal theory. As I show in *The Coming Eclipse* (2010), *Ark of the Sun* (2015), and “The Great Climate Mitigation Myth” (2019b), owing to reliance on flawed policy advice, the strategic leadership of governments throughout the world is on the brink of failing catastrophically. By pursuing policies aimed at constraining the operation of the strategic *logos*, leading nations threaten to derail the dynamic process and to stall the transition to the next technological paradigm.

As the climate-mitigation debacle is in its early stages, its full economic implications are not yet clear to the public. For this reason I estimated—in *The Coming Eclipse* (2010: ch. 5)—the **dynamic** costs to the world (not the piddling **static** costs calculated by neoclassical economists) of the adoption of a radical climate mitigation program (also see Snooks 2019b). These dynamic costs are

the cumulative differences in World GDP over the next century generated by two very different scenarios: the “mitigation” scenario where the global dynamic mechanism is stalled by the interventionist effort to control climate change, and the “revolution” scenario where the industrial technological paradigm now approaching exhaustion is replaced by the emerging Solar technological paradigm (just as the industrial paradigm replaced the former agricultural paradigm between 1780 and 1830). By disrupting the coming technological paradigm shift (modelled to emerge in the middle decades of the 21<sup>st</sup> century), the cumulative cost of a command mitigation global system would amount to a staggering \$US 28 quadrillion—that’s right, 28 million, billion dollars US—over the next century. That is the power of exponential growth (or compound interest) over some four generations (Snooks 2019a). And the proportion of potential annual World GDP absorbed by these dynamic costs would increase from zero in 2025 to 11.6% in 2050 and to 90.1% in 2100. Static costs calculated by orthodox economists, on the other hand, are said to be merely 1–2% each year forever. As the post-Keynesian Cambridge economist Joan Robinson famously said, neoclassical economics is only useful for determining the price of a cup of tea!

The impact of the Great Lockdown, however, is emerging more rapidly. The existential pain in terms of reduced living standards and unemployment is already being felt in advanced economies, while poverty and starvation in developing countries are frighteningly near. We are on the brink of disaster. How did the world get into this parlous condition? It is the same old story that I’ve been charting for the past thirty years. Contemporary governments are incapable of responding positively to crises of any sort. Instead of facilitating the requirements of the dynamic strategists—who in turn are responding to the demands of the strategic *logos*—national governments and international organisations have turned once again to ideologically driven “experts” whose gut reaction is to constrain, deflate, or close down the economy that they are incapable of understanding. In the case of COVID-19, governments have allowed medical experts and health officials to dictate strategic policy; and as the predictable economic chaos has emerged (see my article “Fight the virus, not the economy!”), they have turned back to our old friends the neoclassical economic “experts” to get them out of this mess.

What has been the role of medical experts and health officials in shaping the government response to COVID-19? Governments who fail to understand their role as strategic leaders are more than happy to hide behind naïve experts, who will eventually cop the blame for the coming chaos. (Medical experts offering advice on the economy is as dangerous as President Trump offering medical advice to the health industry!) As mentioned in “Fight the virus, not the economy!”, disease modellers have shaped the approach taken by the governments of leading nations. We have seen how Britain changed its approach from herd immunity to total lockdown in response to revised disease modelling, thereby creating the dual crisis of skyrocketing viral infections and rapidly emerging economic chaos. Indeed, the influence of health officials has been so strong—precisely because national leadership has been so weak—that strategic leadership in the UK has been totally distorted. At a press conference on 25 April, Priti Patel the UK interior minister said: “Our instruction remains clear, people should stay at home, **protect the NHS [National Health Service]** and save lives.” This is astounding. **Instead of attempting to save the economy that sustains us all, the UK government wants to save the NHS that saves the few!**

The response in the EU, with the exception of Sweden and the Netherlands, is similar to that in Britain. European governments have largely embraced the total lockdown advocated by medical experts, who have absolutely no understanding of the short-term, let alone, long-term economic implications. Their first priority is to save their health industry, not the economy. In the USA, despite the initial reluctance of President Trump, White House officials and, particularly, Democratic state

governors, have been heeding the advice of disease modellers and health experts to lock down the economy.

Australian governments, which have been successful so far in containing the coronavirus—but at a huge economic cost—are also allowing strategic policy to be shaped by medical experts and health officials. The newly formed National Cabinet of Australia (comprising the prime minister and state premiers) receives regular briefings from the Australian Health Protection Principal Committee, which is made up of “the nation’s chief health officers”. As reported in the *Canberra Times* (15 April 2020): “The Commonwealth deputy chief medical officer, Professor Paul Kelly, said National Cabinet had asked the Committee to provide it with ‘quite detailed advice in relation to what we should do next’.” And, he continued: “The national government has indicated that it will be guided by medical advice in deciding how and when to begin easing restrictions”. The Prime Minister Mr Morrison added the comment that testing for COVID-19—but not for the health of the economy—would be a central consideration in future easing of restrictions. Interestingly, New Zealand, also taking advice from health experts, drove their economy even further into lockdown than did Australia. The New Zealand Prime Minister Ms Ardern claims, contrary to the evidence, that: “The best thing for the economy has been to stop the virus.” It will be interesting to compare the degree of economic chaos in both countries in the future.

Now that self-inflicted economic chaos is threatening to overwhelm societies around the world, nervous governments are turning to orthodox economists for advice on how to stem the economic blood-flow. But as I’ve said over the past three decades, these economic “experts” have only a limited contribution to make. While their static, short-run, marginal cost-benefit analysis can expose the irrationality of some human interventions (such as the high cost of saving a modest number of lives), they completely ignore the massively more important longer term dynamic costs of damaging the dynamic system of the strategic *logos*. Accordingly, they merely advocate worn-out, static, supply-side policies such as: massive Keynesian handouts; tax reductions; reforms of workforce training, regulation, and industrial relations; moratoria on rent and interest payments; reductions in interest rates (no longer possible in a low interest world); and various forms of printing money. Curiously, much of his emergency supply-side program would normally offend their neoclassical sensibilities.

In “Fight the virus, not the economy!”. I advocated a positive approach to COVID-19. Briefly, this involves waging war on the virus and not the economy by:

- Protecting the vulnerable members of society—over 70s and the sick—by home isolation, while facilitating productive employment of everyone else, using sensible social distancing measures. Isolation of the elderly and sick doesn’t have a negative impact on the economy, as they have already left the workforce.
- Getting the young back to school and university. Their education is vital to the future of society, and they are little affected by the coronavirus.
- Gearing up the economy to a “war-time” footing to provide the necessary medical facilities, rather than down-sizing the economy to protect existing medical infrastructure. As an example of what can be done, during the early 1940s US President Roosevelt called upon the manufacturing sector to produce 185,000 aeroplanes, 120,000 tanks, 55,00 anti-aircraft guns, and 18 million tons of shipping in just two years. All other Allied and Axis powers were doing the same.

- Listening carefully to what the dynamic strategists require. Currently they want the removal of total lockdown, the formulation of a future-growth plan, regulation reform, workforce training, and technological support facilities.
- Investing massively in the technology of the future, rather than second-best technology from the old industrial technological paradigm. This will not only prevent economic chaos, but will help liberate human society from a technological paradigm that is exhausting itself, and from the grip of climate change.

This approach would have been better introduced a month or more ago rather than now that the global economy is on the brink of ruination. But now would be better than never.

As I've said many times before, **what orthodox economists lack is a realist general dynamic theory capable of analysing major crises of a dynamic and longrun nature.** Neoclassical economic theory was developed to answer small, manageable questions of the cup-of-tea variety. Without a realist general dynamic theory, economists are oblivious to the full impact that government contractionary policies are likely to have on the invisible dynamic mechanism underlying the visible economy. They believe that their version of a Lego economy can be quickly reconstructed after the COVID-19 attack has passed. But their belief is no more than wishful thinking. The impact on the strategic *logos* of the current wrong-headed COVID-19 response will be felt for years, if not decades. Some societies may never effectively recover.

#### 4. How Do We Measure a Successful Strategic Policy?

During the Great Lockdown, the only measure of policy success was considered to be the shape of the curve plotted from daily rates of infection. The mantra of health officials and their compliant government clients was the need to flatten the curve—to reduce the number of infections at any point in time to a level below the horizontal health-care capacity line. This is aimed at reducing the burden on the health industry. As they explained, by flattening the curve, the lockdown would extend the incidence of infections further into the future, but at a level that was within existing health-care capacity. What was not explained, or even realised, was that this policy would extend total lockdown indefinitely into the future, thereby completely wrecking the economy.

In contrast to the single measure of policy success employed by lockdown advocates, the measures of a successful strategic policy are multifaceted. They include:

- The ability to protect the most vulnerable in society—the sick and aged.
- The ability to expand medical facilities to meet the onslaught of the coronavirus, just as war economies radically expanded military production. This implies that the health-care capacity curve is not a horizontal straight line, but an exponential curve.
- The ability to expand the economy to maintain near full employment and sustained economic growth.
- The ability to prevent strategic inflation being transformed into strategic deflation (as shown by currently falling oil, coal, and metal prices). Strategic inflation is a vital and necessary concomitant of sustained economic growth.

## 5. Conclusions

Even if global economic recovery takes hold during the next decade or so, modern society will still face the momentous problem of what I call the “fatal forgetfulness”—the forgotten essential role of strategic leadership (Snooks 2000: 81–88). We have seen in recent decades how the role of strategic leadership in Western democracies has been undermined by partisan politics and the rise of powerful, ideologically driven pressure groups from inner city communities. It will probably take a global collapse to realign societal objectives and values along more strategic lines. Perhaps more strategically oriented leaders will emerge from the coming chaos to help reignite the Dynamic Society. If they do, these societies will lead the way to the new technological paradigm shift that is needed to escape the exhausting industrial technological paradigm and the problems of climate change. And these innovative, risk-taking societies will dominate the world for the next century, just as Britain did after it pioneered the Industrial Revolution.

Even at this advanced stage of the Great Lockdown crisis, the necessary realignment of objectives and values has not taken place. The results of a recent (16–19 April 2020) IPSOS poll of 28,000 people in 14 countries on the issues of COVID-19 and climate mitigation show that the lessons of contractionary interventionist policies have not been learnt. The questions and answers of that survey are as follows:

- In the long term is climate change as serious a crisis as COVID-19? As many as 71% of respondents said yes.
- In the economic recovery after COVID-19, is it important that government policy prioritizes climate change? As many as 65% said yes.
- Should government focus on helping the economy to recover first and foremost, even if that means taking some actions that are bad for the environment? As few as 44% said yes.

Clearly, the lessons of the impact of the “interventionist storm” on the economy have not yet been absorbed and embraced. This may change as the world rapidly descends into economic chaos, but, if not, the Great Lockdown crisis will be just a dress rehearsal for the Great Climate Mitigation crisis. In this context it is important to realise that the loss of liberty goes hand-in-hand with the expansion of interventionism.

## References

- Snooks, G.D. (1993). *Economics Without Time. A Science Blind to the Forces of Historical Change*. London: Macmillan
- Snooks, G.D., ed. (1994), *Was the Industrial Revolution Necessary?* London & New York: Routledge.
- Snooks, G.D. (1996). *The Dynamic Society*. London & New York: Routledge.
- Snooks, G.D. (1997a). *The Ephemeral Civilization*. London & New York: Routledge.

Snooks, G.D. (1997b), “Strategic demand and the growth-inflation curve. New theoretical and empirical concepts”. *Working papers in Economic History* (RSSS, ANU) no. 195 (July): 1–37.

Snooks, G.D. (1998). *Longrun Dynamics: A General Economic and Political Theory*  
London: Macmillan.

Snooks, G. D. (1999). *Global Transition. A general Theory of Economic Development*. London: Macmillan.

Snooks, G.D. (2000). *The Global Crisis Makers*. London: Macmillan.

Snooks, G.D. (2008a). “A general theory of complex living systems: Exploring the demand side of dynamics”, *Complexity*, 13 (July/August): 12–20.

Snooks, G.D. (2008b). “The irrational ‘war on inflation’: Why inflation targeting is both socially unacceptable and economically untenable”, *Global Dynamic Systems Centre* (RSSS, ANU), *Working Papers*, No. 1 (March): 1–6.

Snooks, G.D. (2010). *The Coming Eclipse, or the Triumph of Climate Mitigation over Solar Revolution*. Canberra: IGDS Books.

Snooks, G.D. (2015). *Ark of the Sun: the improbable voyage of life*. Canberra: IGDS Books.

Snooks, G.D. (2019a). “Is singularity a scientific concept or the construct of metaphysical historicism? Implications for Big History”. *Institute of Global Dynamic systems, Working Papers*, # 17 (February).

Snooks, G.D. (2019b). “The Great Climate Mitigation Myth”. *Institute of Global Dynamic Systems, Working Papers* # 18 (May).

**Snooks, G.D. (2020). “Fight the virus (COVID-19), not the economy!”  
Institute of Global Dynamic Systems, *Working Papers*, #19 (March).**

**NOTE:** All the above working papers are available on my *Researchgate* and *Academia* sites.