

The twin crises

The government have many difficult decisions to make. They are mainly seeking to manage the virus. The science tells them it does not have medicines to prevent the virus nor to treat it. Understandably with a new virus there are many limits on what scientists can tell us about it. The science Ministers draw on is epidemiology. It comprises a series of guesses or forecasts of how the infection may spread around the population, and how many people may die as a result of it. They usually die by compounding other health problems.

These graphs rest on the figures from China, Italy and elsewhere where it is a bit more advanced than here. None of the figures can be that reliable. No country has been able to test enough people to know how many at one time in a country actually have the virus. There is an element of chance as to whether a death is ascribed to the virus because the person was tested, or ascribed to the other health conditions because they were not. There is still a lack of clarity over whether you can catch it twice.

The epidemiologists agree that if a country cuts the rate of increase and the total number of cases by enforcing segregation of people, the virus may spread again once the restrictive measures are removed. They also think people will become better able to fend it off after they have had it once, so as more people have experienced it so there are fewer hosts in the population for a new virus attack.

At the same time the government has to manage the economic crisis which the heavily restrictive measures to deal with the virus creates. As an economic commentator I can give the government a much clearer view of the economic damage the measures will inflict, and can explain how their economic response needs to be much bigger given the extent of the damage.

The short term hit to the economy is going to be a much bigger decline in output and incomes than is normal in the first quarter of a nasty recession like 2008-9. More than a fifth of the economy will face little or no custom as hotels, bars, restaurants, pubs, clubs, leisure and pleasure events close down. There will not be many discretionary purchases either, as people put on hold any plans for new cars, new homes, or larger household items. High Streets will be largely deserted or locked down.

If the state does not come up with ways to sustain employment many people will lose their jobs. Many businesses will go onto care and maintenance or will go into wind up, bereft of revenue and purpose.

The epidemiologists cannot give us a date by which the controls can be removed and the all clear sounded. The thought that this may drag on for many months, with some seeming to say we can only relax the controls when people have been successfully vaccinated with a vaccine still to be developed and approved, will ensure many more people lose their jobs and their businesses.

Government needs to weigh very carefully the balance between the health

crisis and the economic crisis. Measures that damage the economy are only worth taking where there is considerable certainty they will save a material number of lives. The case for a major cash injection to offset the damage to companies and people is overwhelming if the close down has to endure more than a couple of weeks.