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## Sweden's success shows the true cost of our arrogant, failed establishment

Shocking incompetence has unnecessarily wiped billions of pounds from the UK economy

**ALLISTER HEATH**

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**S**o now we know: Sweden got it largely right, and the British establishment catastrophically wrong. Anders Tegnell, Stockholm's epidemiologist-king, has pulled off a remarkable triple whammy: far fewer deaths per capita than Britain, a maintenance of basic freedoms and opportunities, including schooling, and, most strikingly, a recession less than half as severe as our own.

Our arrogant quangocrats and state “experts” should hang their heads in shame: their reaction to coronavirus was one of the greatest public policy blunders in modern history, more severe even than Iraq, Afghanistan, the financial crisis, Suez or the ERM fiasco. Millions will lose their jobs when furlough ends; tens of thousands of small businesses are failing; schooling is in chaos, with A-level grades all over the place; vast numbers are likely to die from untreated or undetected illnesses; and we have seen the first exodus of foreigners in years, with the labour market survey suggesting a decline in non-UK born adults.

Pandemics always come with large economic and social costs, for reasons of altruism as well as of self-interest. The only way to contain the spread of a deadly, contagious disease, in the absence of a cure or vaccine, is to social distance; fear and panic inevitably kick in, as the public desperately seeks to avoid catching the virus. A “voluntary” recession is almost guaranteed.

But if a drop in GDP is unavoidable, governments can influence its size and scale. Politicians can react in one of three ways to a pandemic. They can do nothing, and allow

the disease to rip until herd immunity is reached. Quite rightly, no government has pursued this policy, out of fear of mass deaths and total social and economic collapse.

The second approach involves imposing proportionate restrictions to facilitate social distancing, banning certain sorts of gatherings while encouraging and informing the public. The Swedes pursued a version of this centrist strategy: there was a fair bit of compulsion, but also a focus on retaining normal life and keeping schools open. The virus was taken very seriously, but there was no formal lockdown. Tegnell is one of the few genuine heroes of this crisis: he identified the correct trade-offs.

The third option is the full-on statist approach, which imposes a legally binding lockdown and shuts down society. Such a blunderbuss approach may be right under certain circumstances – if a vaccine is imminent – or for some viruses – for example, if we are ever hit with one that targets children and comes with a much higher fatality rate – but the latest economic and mortality statistics suggest this wasn't so for Covid-19.

Almost all economists thought that Sweden's economy would suffer hugely from its idiosyncratic strategy. They were wrong. Sweden's GDP fell by just 8.6 per cent in the first half of the year, all in the second quarter, and its excess deaths jumped 24 per cent. A big part of Sweden's recession was caused by a slump in demand for its exports from its fully locked-down neighbours. One could speculate that had all countries pursued a Swedish-style strategy, the economic hit could have been worth no more than 3-4 per cent of GDP. That could be seen as the core cost of the virus under a sensible policy reaction.

By contrast, Britain's economy slumped by 22.2 per cent in the first half of the year, a performance almost three times as bad as Sweden's, and its excess deaths shot up by 45 per cent. Spain's national income slumped even more (22.7 per cent), and France's (down 18.9 per cent) and Italy's (down 17.1 per cent) slightly less, but all three also suffered far greater per capita excess deaths than Sweden. The Swedes allowed the virus to spread in care homes, so if that major failure had been fixed, their death rate could have been a lot lower still.

My guess is that only half of our first-half collapse in GDP would have happened under a variant of the Swedish model. This means that the other half – some £250 billion – was an unnecessary cost caused directly by the lockdown itself. The decision to shut everything down, rather than to impose and promulgate extensive social distancing, hygiene measures, ubiquitous PPE and testing, means that we have wasted a quarter of a trillion pounds worth of GDP, as well as needlessly ruined the education of millions of children and cancelled the health care of hundreds of thousands of adults. I suspect that this immense, unbearable additional cost saved very few additional lives, and that almost all of the gains came from social distancing, not the lockdown.

Some of the lost GDP will be recovered; the intangible costs of lockdown – the cancelled weddings and sporting events, the failed IVF cycles, the time not spent with family – will remain with us forever.

This is a catastrophically high price tag for the British state's systemic incompetence, the uselessness of Public Health England, the deep, structural failings of the NHS, the influence of modelers rather than proper scientists, the complacency, the delusion, the refusal to acknowledge that the quality of the British state and bureaucracy are abysmally poor.

Even more depressingly, a Swedish approach was always unrealistic in Britain. Panic and hysteria were the only possible outcome when the failure of the system became apparent. I'm not seeking to absolve Boris Johnson of blame, but he would have found himself in an impossible situation had he sought to ignore the official advice, and he inherited few, if any, working levers to pull.

So what now? How should Rishi Sunak, the Chancellor, reboot the economy? Sweden, once again, is a role model. After decades of socialist decline from the early Seventies, the Swedes slashed the size of their state (though it remains too big), liberalised their economy, reformed their schools along market principles and scrapped their counter-productive wealth tax.

They learnt that the state cannot drive prosperity: only the private sector can do that. The Tories used to understand this: Sunak needs to **take inspiration from Tegnell**, and push for a Swedish, liberal approach to saving our economy, trusting individual initiative, not resorting to a top down, Whitehall-knows-best attitude. HS2 and green projects are not the answer. The Conservatives will only survive their handling of Covid if they don't also botch the recovery.

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