

The potential effect of an 'economic war' on the population calls for a strategic response from policy makers

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*Economic calamity faces us all, and not just those with vulnerable jobs and incomes. **James Lloyd** argues that the way in which way government deals with the effect of the 'economic war' on society is one of the most defining challenges of our age.*



It really started in the summer of 2008, when Lehman Brothers collapsed and the global financial system teetered on meltdown. Going about their lives on the weekend of September 13th, ordinary people had to come to terms with a strange, new reality: risks and uncertainties they were not familiar with and did not understand could be about to turn their lives upside down. The fear was palpable. 'Economic war' has been with us ever since.

Financial globalisation, an unprecedented international debt-fuelled boom and the growth of the shadow banking system mean this is not a normal process of economic recovery and 'deleveraging'. Like other societies, the UK confronts unparalleled levels of economic risk and uncertainty. What happens to us and how close we are dragged to economic meltdown is determined by the decisions of financial institutions and the machinations of politicians in foreign countries. Through it all, UK policy makers are essentially powerless.

This is what the Business Secretary has described as 'economic war'. It is not just the dependency of jobs and prosperity on the global economy that globalisation theorists have long pointed out. It is collectively living our lives at the brink of economic calamity, entirely dependent on events outside of our nation-state. The potential effect of this 'economic war' on the psychological well-being of the population, and what the strategic response of policy makers should be, poses some of the defining questions of our time. The Strategic Society Centre is exploring them in a [debate](#) with the British Library on April 30th. But here are some initial thoughts:

The starting point is to ask what effect the current period will have on the physical health and psychological well-being of the population? We know that risk and stress resulting from things like redundancy result in [measurable effects](#). There is also evidence that rates of depression have increased across the population since 2008. But the distinctive feature of the current period is that everyone is faced with economic calamity, not just those with vulnerable jobs and incomes. What toll is 'economic war' having on the population?

Then we come to the more difficult question: how should government respond? One option – let's call it the 'war footing' – would be to actively downplay the risks that society confronts, ignore them and hope they slip from the national conversation. Like the secret service during the Cold War, the Treasury should get on with fighting a silent 'economic war' behind closed doors, but the rest of population should be protected and cosseted from knowing too much.

Another option is 'strong words and cocoa': the government should acknowledge the unprecedented uncertainty confronting society, but offer positive thinking and Churchillian leadership. However, invoking the spirit of a united struggle may miss the point when there is nothing practical that we can ask households to do.

A third option might be 'honesty and adaptation': tell the public the truth and encourage them to

adapt. This could mean mentally adjusting to the potential for economic meltdown in the same way society has historically had to come to terms with the possibility of nuclear war, earthquakes and deadly flu epidemics. It could also be about households ensuring they have more rainy day savings on tap, or planning for their future without banking on a return to never-ending economic boom. Encouraging [practical and mental resilience](#) among the population may be the best way to take on the effects of 'economic war'.

But the government should also sit down and evaluate existing policies in light of this new context for the population. There is an irony that the most 'workfare' oriented government we have experienced is in power at the same time that we are more than ever aware of risk, economic unknown unknowns, and the powerlessness of UK policymakers to do anything about them. The irony is compounded by the government's explicit commitment to the '[happiness agenda](#)'.

It remains to be seen how long the current period of uncertainty and risk continues, punctuated as it is by intermittent crises and pauses. But this new global era clearly asks major questions for policymakers as much as it imposes trials on the population.

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