



The Economic Club of New York

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The Virus Should Wake Up the West

Video Conference

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Chairman, The Economic Club of New York  
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## Introduction

### President Barbara Van Allen

Welcome everyone. Thank you for joining us today. This is Barbara Van Allen, President of The Economic Club. And we will get started in exactly two minutes. Thank you.

### Chairman Marie-Josée Kravis

Good morning everyone, and welcome. I'm Marie-Josée Kravis, the Chairman of The Economic Club and a Senior Fellow at the Hudson Institute. And as I said to many of our members who have participated in these previous calls, The Economic Club of New York, which we think of as the nation's leading nonpartisan forum to discuss economic, social and political issues, feels a special responsibility in this time of crisis to bring you relevant information regarding both the health crisis and the economic and political implications that we're now witnessing and that we will witness going forward.

So I'd like to extend a special welcome to members of The Economic Club of New York but also of The Economic Clubs of Chicago and Washington, D.C. as well as those from the New York Women's Forum who have also been invited to join the call today. I hope you and your families are well and safe and continue to be so. And I take this

opportunity to thank all of those on the front lines – our healthcare workers, grocery workers, transportation workers, all of those on the front lines who are helping to make all of our lives a little easier and better. And I hope that they continue to be safe even though they are putting their lives on the line for us.

So it's my pleasure today to introduce and welcome two guests, John Micklethwait and Adrian Wooldridge, who will talk to us about the role of the state and where we might go from here in terms of modernizing and improving the effectiveness and efficiency of government.

John Micklethwait is the Editor-in-Chief of Bloomberg where he oversees editorial content across all Bloomberg platforms. Before joining Bloomberg in February 2015, John was Editor-in-Chief of The Economist where he led the newspaper into the digital age while expanding its readership and enhancing its reputation. He joined The Economist in 1987 as a financial correspondent and served as Business Editor and United States Editor before being named Editor-in-Chief in 2006. He is the co-author of six books, most recently *The Fourth Revolution: The Global Race to Reinvent the State*. In 2010, John was named Editors' Editor by the British Society of Magazine Editors.

John is joined by his co-author of *The Fourth Revolution*, Adrian Wooldridge, who is The Economist's Political Editor and author of the Bagehot column. He's also served as The

Economist's Management Editor and author of its Schumpeter column, and Washington Bureau Chief and author of the Lexington column. As I mentioned, he co-authored a number of books with John Micklethwait. He's the author of ten books and his most recent book is *Capitalism in America: An Economic History*, co-written with Alan Greenspan.

So the format today will be a conversation which I'm fortunate to be moderating. Questions that were sent to the Club by members I will try to incorporate. They've been shared with me and I'll try to incorporate in this conversation. But, John and Adrian, welcome and thank you for taking the time. You're calling us from Britain. And so maybe at the outset you might want to tell us a little bit about the situation in Britain. Your Prime Minister was severely ill and is recovering. The situation in Britain is extremely difficult. We're seeing relatively high fatality rates, even though we all know that the denominator is problematic. But we're seeing a stressed NHS. And I'd like you maybe to comment on the situation in Britain and tell us where you think this might lead. So whichever one wants to start.

ADRIAN WOOLDRIDGE: Britain was very interesting in that it tried at first to have a herd immunity strategy and to basically allow the virus to do its work and allow the herd to acquire immunity, which is a strategy which I think Sweden continues to use. But then we reversed ourselves on that and then had a lockdown like most other countries. So

we've had two strategies in place and that sort of slowed us down a little bit at first.

Then our Prime Minister was put into intensive care and that's further complicated our dealing with the problem and the Cabinet is a young cabinet, a new cabinet, and doesn't have any very clear direction because Boris is away. He's out of the hospital now. He's in Chequers recovering from this terrible thing. So that's the sort of the worrying side of Britain. The good side of Britain, I think, which needs to be stressed is that we were very worried that the National Health Service would collapse under the pressure of cases and that doesn't seem to have happened partly because the suppression strategy is beginning to work, but also partly because we built with incredible speed a great deal of fresh capacity. We've built a 5,000-bed hospital in the East End of London. That's one of four new hospitals to be built. So we have enough capacity in terms of beds. We're still short on tests, ventilators and medical kits. But it's definitely the case that the Health Service has not been overwhelmed in the way that a lot of people feared that it would be.

CHAIRMAN MARIE-JOSÉE KRAVIS: You mentioned the Cabinet and the whole election platform for Prime Minister Boris Johnson was Brexit and getting Brexit done and now you have a whole new focus, a different agenda and so on. Do you feel that, do you have a sense that the Cabinet is prepared for this new world?

ADRIAN WOOLDRIDGE: Well, it's quite extraordinary because you had a Cabinet

which was elected on the Brexit platform, which is completely full of Brexiteers, it's Brexit Cabinet, and then suddenly it was confronted with a problem which it hadn't expected, which is completely unconnected with Brexit. And they had to adjust very, very quickly to a new world. And I think that did slow it down for a couple of weeks, but now, and it's in some ways still slowing it down because we have this notion that we are going to leave, complete the first stage of negotiations of leaving the EU by the end of the year. I really can't see that that's possible to do. So we still haven't come to terms with it but we are beginning to come to terms with it. And this is, what looked like a Brexit government is a corona government. And what looked like a Brexit prime minister is a corona prime minister. Extraordinary change.

CHAIRMAN MARIE-JOSÉE KRAVIS: And what about the economy? What are you seeing? What are you sensing? Is there pressure on behalf of your private sector workers and so on to reopen, similar to what we're seeing in the U.S. for example?

ADRIAN WOOLDRIDGE: Absolutely. And there's a very sharp division within the Cabinet between Matt Hancock and the health people who say we've got to keep locked down and Rishi Sunak of the Treasury and the economic people who say that the damage that's being caused is too big and the long-term scarring will be too deep if we remain locked down. And so far, Boris, who sort of floats above this, and doesn't, isn't there on a day-to-day basis, so far Boris has sided with the people who say we've got to

keep locked down. We can't risk another wave of, a secondary wave of infection. So that's where we are. But the economy is dead, at the moment, in the water.

CHAIRMAN MARIE-JOSÉE KRAVIS: Well, I gather that, I would think that after what he's been through, he probably has a different perspective on coronavirus.

ADRIAN WOOLDRIDGE: Exactly. That totally changed his perspective. Absolutely.

JOHN MICKLETHWAIT: Can I add one thing? There's quite an interesting difference between two sorts of versions of populism is that both Trump and Boris came in under populism per se which is largely a kind of stream of anger about how bad government is. But the interesting bit, when it came to the virus, Boris, who is thoroughly capable of grandstanding and doing things, right from the very beginning he went straight to experts. Every time that he appeared it was always with scientists. And as Adrian pointed out, to begin with at least, maybe those experts got it wrong and recommended the herd immunity. But Boris' narrative on this is very different to Donald Trump. There was no denying from the beginning that, you know, it's all a bit of a sideshow and that we'd be back by Easter. And so there is a way in which the sort of two populace have diverged in that respect. And so Boris has probably got slightly greater credit on that side than Donald Trump has.

CHAIRMAN MARIE-JOSÉE KRAVIS: But you pointed out recently in both cases, and I think not only, not only in the U.S. and in Britain, it's true in many other countries, you've pointed out that the state – not only in the coronavirus case but this may be the most glaring example – the state in the last two decades has really not been up to its job, that the state has not modernized, it has not followed up with, or followed their private sector modernization in many ways. And that, in fact, this whole idea of the state and you mentioned Hobbes talking about protecting the citizens, that this whole idea of the state as protecting its citizens has really withered.

JOHN MICKLETHWAIT: I think that's entirely true. I think if you look at the basic history, recent history, is that we have a government on both sides of the Atlantic that's out of date by any measure. The easiest way to look at that, look at the American education system where you have this wonderfully long summer holiday purely because everyone is supposed to go back, all the children are meant to go back and work on the harvest. And that is because the U.S. education system was designed from an agrarian economy and no one has updated that.

When you look throughout government on both sides of the Atlantic, there has been no real systemic attempt to update it, we would argue that pretty much since the beginning of the 20<sup>th</sup> century. You had a slight attempt I think with Reagan and Thatcher to try and change things. But by any measure, if you look at all the changes that the private sector



has been through, think of all the companies that have come up and gone down, look at the way the headquarters have changed, headquarters on campuses, headquarters inside – all those sorts of changes. None of that has really hit the state. And I think what the virus has done is its sort of asked two questions.

One is why are our governments so bad? I mean we've been astounded by the reaction to this article. We've gotten letters from people all around the world, many of them actually people in government, sort of saying this hasn't sort of hit people. Suddenly people are aware of the fact that the basic function of the state, function that Thomas Hobbes identified all those years ago which is to keep us safe, it's not working. And then secondly, there's a second bit, that the West does not look as if it's done that well compared with parts of Asia. And the interesting part of that is when Thomas Hobbes wrote Leviathan, which is how we began our piece, back then Asia was the place which you went to if you wanted to discover the government. For 400 years, the West has been better because it's been through a series of revolutions.

And now, notwithstanding the things we said about Britain and the things we said about America, if you look at the numbers, you know, this has been a very, very good test of how good your government is. When you look at places like Germany, when you look at places like Denmark and Norway and Sweden, and they've all done very well. When you look at places like America and Britain, they have not done particularly well, ranked

probably least of all. You look at Asia, you look at South Korea and Taiwan, in the piece we celebrated Singapore and they've gone down back a bit. But all those countries have done well and most places which generally have governments that work relatively well, so it has been a test of government.

CHAIRMAN MARIE-JOSÉE KRAVIS: So why don't you share with us some of the comments, I mean you mentioned the question of why are governments so bad, or why has the West failed to modernize, would you share any other comments? You've gotten comments from all over the world and it might be interesting for us to understand how people are reacting. Because it was, you know, it was quite an, it was an important article and not a popular one in the sense that it required – it's a long article – it required attention. And I'm interested in seeing and hearing a little bit about the comments that you've heard because people clearly are expressing their worry or their discontent with government either through populism or abstention. People are not going out to vote or, you know, street protests or taking to the streets. We saw that before coronavirus how the street had become much more important worldwide. Why don't you share with us some of the reactions?

JOHN MICKLETHWAIT: I'll go first and then Adrian can comment. It's been kind of a bifurcated one. On the one hand, you can get people – Adrian just showed me something from a member of parliament here who some people think could be a future

prime minister just saying we have a system of government that doesn't work, it is not modernized, that civil service is not as good as it used to be, that we don't pull out people, we don't, you know, why do we not pay civil servants the same kind of rates that you can get in the private sector.

CHAIRMAN MARIE-JOSÉE KRAVIS: Or in Singapore.

JOHN MICKLETHWAIT: Yes, Singapore pays its civil servants \$2 million a year. They run comparatively smaller than say the Veterans Administration. Go look at the VA and look at the total lack of, kind of technology, and how veterans are supposed to look after themselves. And it's perhaps not surprising, there are a lot of people in the state who work incredibly hard and who are absolutely doing their best. There's no doubt that talent as a whole is going straight to the private sector.

So one part of the reaction that's come from people who are right in the middle of it saying will you come and talk to us, explain, explain it to us. The other quite interesting one is from a whole group of people who had never shown any interest at all in politics or theory and probably Thomas Hobbes and John Stuart Mill and all these names who did fundamentally ask this question, what is the state for? I think that's suddenly become a real issue for normal people. People have just taken this thing for granted. The West, you know, the West used to be really good at government. In the 1960s,

many people still trusted it to do things. Now it doesn't. And it doesn't work. And I think that terrifies people in the same way that Hobbes was terrified. Adrian, do you think that's an accurate?

ADRIAN WOOLDRIDGE: Yes, absolutely. I think you've had two groups of people who have not had anything very interesting to say about government. You have businesspeople who say basically that government is irrelevant and the less you have of it, the better. And you've had government people who say we're perfectly good at what we do and we don't want any big changes. And I think what's happened is both of those two groups have sort of woken up.

The businesspeople have recognized that, you know, crises like the corona crisis, mean that they're intimately affected by the quality of government. And people who are inside government who are trying to get this system to work have realized more and more that the system just isn't working well enough. It's not coping with this particular threat that we have and probably won't cope with future threats. And I think it's very interesting to think that, you know, the corona crisis is a massive crisis but it's coming on the heels of two other crises which have hugely expanded the role of government, the September 11 crisis, which, you know, led to new departments such as the Department of Homeland Security, led to a big expansion of military spending, and led to sort of the big question of whether you could democratize parts of the Middle East.

And the second is the 2008 financial crisis, which again led to government taking over chunks of the economy and becoming more active. So it just seems as though the 21<sup>st</sup> century is determined to tell us, you know, government matters. You need to do something about it to make sure that it works. But now, you know, the corona crisis, I think, is the biggest of those three. And I think it's very, very difficult to imagine that we're going to go back to the old way of doing things. I think that's come over again and again and again in the responses we've gotten.

This is a tipping point, a turning point in history, one that we've got to get our government sorted out just for the simple reason that we need to save lives and make sure that we're capable of saving lives in the future. But secondly, this wait a minute, what's happening, you know, the West is no longer clearly number one. Thirty years ago it was clearly number one. Now in certain very fundamental ways it's not doing as well as countries that we used to sort of assume were not up to competing with us. Certainly South Korea and Taiwan and perhaps even China. And that, linked to the fact that China is obviously using this, using America's very confused response as an attempt to expand its soft power at the moment, I think it's all come together to people saying wait a minute, we've got to really do something about this.

CHAIRMAN MARIE-JOSÉE KRAVIS: Well, let me ask you, because you referred to the

West a few times, both of you, is there such a thing as the West right now? It seems that, you know, the Atlantic Alliance and the West as we knew it in the post-war period has frittered. It seems that every country is looking after its own national interests. You look at the dissent within the European Union. You look at the trans-Atlantic tensions and so on. Is there such a thing as the West? Even though maybe we have common underlying values, but are they still, are they still prevalent?

JOHN MICKLETHWAIT: I think there are two answers to that question. The first is you're absolutely right. It's been a tragedy really if you think, I mean first to blame America and then blame Europe. You know in previous crises on this scale the leader of the free world would have gathered together the other countries of the free world and made common cause with them. In this case, Trump closed down air travel to those countries without even bothering to tell them about it.

And so I think there's been, and you can see all the resentment and all the fury that he has harbored against institutions like NATO and so on coming back to roost. People like Merkel, people like Macron, even like Johnson, they don't really trust him. And there's a tragedy in that. On the other hand, I don't think in any way you should let the Europeans off. As you look at the European Union, if ever there was a moment where you would imagine the European Union coming together, it should be now instead of which people have been battling between different bids. Nobody, you know, the Italians sat there with

a great many people dying, and as Adrian pointed out, the Chinese in some ways were quicker \_\_\_\_ (audio issue).

On the one hand, the West is very split compared with how it was. On the other hand, I think you're right to talk about common values in two different ways. Give or take a few people, like Viktor Orban and people in Eastern Europe who use this as an opportunity to seize power, most of the West is still rooted in democracy. It's still rooted in the basic idea that sort of liberty is somehow the way forward which is not present in China certainly. And on the whole, as we've pointed out repeatedly, the people who have done best in this thing, actually China may have done better than America, but a lot of democracies have done better than China.

But the second point is that actually the general system of government throughout the West with obviously differences isn't that different. I mean most countries have got big welfare states, which are trying to provide a much broader version of the security that Hobbes talked about. And if you look across the West at different bits of government, you can find some bits which are really quite good. You know, you can look at what the Scandinavians have done in terms of pensions. You can look at what the Germans do in terms of training. You can look at a lot of things that American cities do. But the complete failure now, which was not true before, is that nobody copies the good stuff, or very few people do.

So I think the West has a common problem, you know, to a greater or lesser extent in the different places, and it does have common values but you're absolutely right to point out that in terms of politics, it's been a disaster even much worse than it was in the financial crisis. Back then, in the financial crisis ministers got together and there was kind of an element of an establishment coming together to try and make things work. This time there hasn't.

ADRIAN WOOLDRIDGE: I think this is exactly the moment to ask this question: is there such a thing as the West? Because I think we could go in one of two ways as a result of this corona crisis. We could go the way that we went after the First World War, which is to retreat into mutually hostile and competitive national systems, particularly with America refusing to take the role of Britain as sort of the coordinator of their international system and stepping instead to turning its back on much of the world.

Or we could go the way that we went after the Second World War with America stepping in, re-engaging with the rest of the world and being part of the, you know recognizing its role as a building block of the West. And I think we are confronted with similarly dramatic decisions, and I rather fear that we'll go the way after the First World War rather than after the Second World War. But crucial to this will be whether we can actually instill people with a sense, (a) that there is something that's called the West that



does have a set of values and a set of interests that stem from those values, but secondly whether we can actually re-galvanize some of its leading institutions which the most important is the state and to some extent is the sort of the global, sort of western establishment that grew up after the First World War and has been torn apart recently but does have some sort of role in this of re-engineering the state, global institutions, and indeed itself.

CHAIRMAN MARIE-JOSÉE KRAVIS: Do you see any leaders on the horizon that are willing to take up that challenge?

ADRIAN WOOLDRIDGE: I think one of the interesting things when it comes to leaders is what's happened to Boris Johnson because I think that he's not quite in the Trump model but he was somebody who regarded politics as a sort of entertainment when he went into politics. And he's become gradually much more serious and he's discovered that politics matters enormously and that politics is about state craft. I think he's become a much more mature figure, partly because of the crucible of Brexit but also because of his illness, experiencing, you know, almost experiencing death, fatality as a result of this thing. And I think he will be a more, much more mature figure.

So I think he will be a significant figure. Obviously, Merkel has done extremely well but she is not going to be a leader in the future. She's close to retirement. And I think, as

you said earlier on, it's very interesting how many women have come to the fore during this in New Zealand and various other countries. There is a generation of people who have done very well during this. But I would actually think that Boris will go from being a populace champion to somebody who is a champion much more of good governments than he has been in the past.

CHAIRMAN MARIE-JOSÉE KRAVIS: But isn't, in terms of unifying and bringing the West together, isn't he in an awkward position of pulling out of the European Union and at the same time advocating for more cohesion or more common values and more cooperation, collaboration?

ADRIAN WOOLDRIDGE: I think there's some truth in that but I think there's also, a lot depends a lot on how the European Union reacts to that. We did have, you know, a democratic vote. We had an election which has confirmed that vote. And we can leave the European Union in a pleasant and mutually cooperative way or in a mutually hostile way. So I think that still has to be decided. It's not all him. It's the Union as well, I think, that needs to...

CHAIRMAN MARIE-JOSÉE KRAVIS: And it's interesting that Michel Barnier, his counterpart, his counterpart negotiating Brexit, was also infected with the coronavirus. So you have two people who had very tragic experiences during this crisis. I just don't

want you to completely let China off the hook however because we seem to be saying the West is falling behind and is retrogressing and, on the other hand, China has been exemplary. And I think that, in fact, if there's something that seems to be unifying the West is a lot of skepticism towards China's handling of the situation from the very outset and also its transparency in sharing data, sharing its experience, opening up its labs and cooperating with the rest of the world in trying to understand exactly what happened and how to tackle it.

JOHN MICKLETHWAIT: I'll do that. I should say I slightly agree with Marie-Josée rather than Adrian on the question of Boris. I think he's still very toxic to Europeans. But on the issue of China, yes, as we stated hopefully as clearly as possible in this piece, China is heavily culpable with the beginnings of this virus. One of the problems about having an authoritarian state is that local officials in particular were scared to push news up and \_\_\_ tried to hide it. China did very badly then. And also, there's a lot of skepticism about its numbers and it's worth stressing that it's not just Trump.

I think plenty of people in Europe as well, we've also raised issues about the Chinese numbers. So China is not, when you look at examples of how well Asian governments are doing, then China would not be the first place you went on that. However, that said, we are dubious about some of China's numbers, but by most measures – the number of deaths, you look at things like that – there are journalists throughout much of China,

there isn't the same sense of a system completely creaking in the way that there is in parts of America. So in many ways I think China has done, it is not an exemplar on this. You look at the number of deaths, even if they are higher than it looks, it's not on the same kind of level that we've seen in places like America.

And that, I think, is a kind of wake-up call. The Chinese government, we looked at six years ago, they have real problems in terms of local officials. They have real problems also in terms of a leader who has now grabbed power for life, and those two things do not work well together. On the other hand, there is quite a lot of people inside China who are trying to make the Chinese government work somewhat better. There's the people pushing to try and, you know, there's more meritocracy going on, people being measured by different things.

That's how the Communist Party works, kind of an HR Department. None of these things are that attractive. But on the whole, they have taken government much more seriously. They've spent a lot of time studying Singapore. They've spent a lot of time studying places like Norway and Chile and places like that looking for how government can work better. So, you know, China has exhibited – I don't think any of us are going to hold up China as being the way forward in this, but in general terms, if you compare China against America, most of the world is looking and think China has done better. And that is, you know, given where they started from and given the fact that they were

almost certainly the origin of this virus, they've done better than one would have expected.

CHAIRMAN MARIE-JOSÉE KRAVIS: Go ahead. Go ahead Adrian.

ADRIAN WOOLDRIDGE: I was going to say clearly a very clumsy and authoritarian early response to it, but it's extraordinary the way that they've managed to reclaim their position in terms of soft power. I mean I think they've been very agile in terms of getting kits to the rest of the world, in terms of getting face masks, some tests to the rest of the world, particularly Italy at a time when Europe was doing very, very little. And they've sort of taken what some people call China's Chernobyl and turned it, if not into a public relations triumph, at least into something that is almost advancing their soft power. So that is agile, I think. And so I think in terms of their capacity in terms of government, they have demonstrated an ability to do things, to think, to change their direction and to throw a lot of resources at a problem once they've identified it, once the local officials have been sort of bored to hell, which also ought to worry us. And I must say, in general, I'd rather overestimate than underestimate. I think that's the wisest things to do.

CHAIRMAN MARIE-JOSÉE KRAVIS: Do you think that will play out in emerging markets? The One Belt One Road Initiative, of course, has in many circumstances

become a debt trap for many of these countries. And the way China handles that and, you know, they have tended in the past to try to transform some of this debt into equity or ownership of local infrastructure and so on but now the emerging markets face a real humanitarian crisis. How do you think China will handle this? And how do you think we'll judge China in regard to emerging markets and this whole issue of immense debt in many of the countries that signed up for One Belt One Road?

JOHN MICKLETHWAIT: I think it gives China a chance, I mean to give a very crude history of it, what seemed to happen to begin with from the emerging markets point of view was the Chinese appeared with an ability to deliver cash without many questions asked and at the time many people, especially perhaps the least democratic ones liked a lot. So China's reputation shot up. Then, for exactly the reasons you've said, China's reputation began to get in trouble. They were demanding too much. They wanted ownership of things. There were great difficulties, I think, to do with shoddy work and things that didn't work properly. There were a lot of scams. The Chinese patients suffered.

Now there is a chance, I think, for China – just as you say – to sort of recover back a bit of that. And again, it's in marked comparison really with the United States. That is where quite a lot of this narrative goes on in the emerging markets. Well, then again, this is, one-minute reporting what's happened rather than advocating it, but people look, they

see the fact that the Trump administration is saying no more immigration. Everyone around the world is now seeing pictures of New York, the richest city in the world, doctors now operating wearing ski goggles and people saying they have to wear garbage bags in order to power things through. Long queues. The emerging world is seeing that. They're also seeing what happened in Wuhan, in China. And at the moment many people will draw the lesson that actually China was quite good at running these things. And that, I think, has given China a little bit of a way back. And that's notwithstanding all the advantages the West should have in this debate.

ADRIAN WOOLDRIDGE: You keep seeing in the emerging world the notion that China can do things. It can build airports. It can build roads. And that democracies just can't do this, that they're a mess, that things are in confusion, that there's a lot of argument, that problems aren't solved. And I think that this, the contrasting reactions of the two countries to this crisis does reinforce that idea, particularly as John was saying, you see these queues, you see Trump doing all these weird things and talking about completely different policies from day to day and China, you know, a slow start but they locked everybody down, they got everything sorted out. They've exported kits and the masks and tests and things like that. I think it does play to this dangerous idea that democracy just isn't efficient and authoritarianism is efficient.

CHAIRMAN MARIE-JOSÉE KRAVIS: But, on the other hand, as we were saying earlier,

if you look at other countries in Southeast Asia, if you look at Taiwan, South Korea, Singapore until recently, but even Singapore has limited the number of deaths, if you look at success cases in Europe – Germany, Denmark, Finland, Iceland – you can argue that it's not a question of authoritarianism versus democracy. It's really a question of effective government.

ADRIAN WOOLDRIDGE: Absolutely. We would argue that very strongly, although very strangely Finland, I'm told, declared Martial Law for one day during this. I don't know why they did it. Why for one day? But anyway, but yes, we would emphasize very strongly that it's not an argument about authoritarianism versus democracy. It's an argument about efficient and successful democracies versus efficient, successful autocracies in many ways. There's no clear correlation between being authoritarian and being successful in this.

CHAIRMAN MARIE-JOSÉE KRAVIS: Go ahead John.

JOHN MICKLETHWAIT: I would go further than that. I think the evidence is very much, as you say, is that good democracies can still massively beat, do so much better than autocracies. And in some ways, it's an example of America, which is causing this problem. Again, if you look to those places like Germany, if you look at the Scandinavian countries, and again without beating the drum too much, these were all



bleeding obvious.

I mean if you put a group of politicians, anyone who has looked at the subject of government, and you asked them to list the places which have relatively efficient, good government where they put time and effort into trying to use it, you come up with a list of places, they're the ones that have dealt well with this virus. So it's not a great surprise. These are the places that people have always heralded as being, as thinking about government. And in many ways, I think it's, you know, from the point of the Anglo-Saxon world, you know we were the people, I mean we in the sense of Britain and America who used to lead all this and we have just simply not paid attention to it. Most of the great thinkers, most of the people who sort of came up with the ideas about what the state was for and came up with theories about how this could be developed. They came from Britain and America in massive numbers. And yet we, the current generation, is just simply not, from my point of view, the emerging world in many ways should absolutely look to places like Germany and Switzerland. There's a long list of places which have done this really well, including interestingly some in Asia, which tend to be democracies.

CHAIRMAN MARIE-JOSÉE KRAVIS: So why do you think our governments haven't modernized? I mean when I first came to the U.S. more than 40 years ago, I kept hearing about the need for education reform. You know, why are we lying to our

children? Why are we not giving our children the quality of education that they deserve and so on? And I hear exactly the same arguments today. You mentioned education at the outset of this conversation. Why is it that our governments are so bad? What is preventing, what is the biggest impediment? And how do we reinstate this will to modernize and improve government?

ADRIAN WOOLDRIDGE: Well, I think very powerful interest groups, not least the teacher's unions, that are very resistant to anything that smacks of elitism or selection or excellence or things like that, anything that would mean differential pay. So you've got interest groups that are blocking reform. And I think you've got also a failure for a very long time to take government seriously enough. There's a sort of notion prevalent in the private sector but beyond the private sector that the real engine of growth and the real engine of the distinctiveness of the West is what happens in the private sector. As long as you've got good companies, efficient markets and things like that, then the public sector is a residual.

And I think it's very important to note that that's not the case. What made the West distinctive from the 16<sup>th</sup> century on, it was not just the invention of the corporation and stock markets and things like that, although they were central to it, but also the fact that we have states which were efficient and competitive and constantly adjusting themselves. And I think that we've lost the appetite for statecraft and government

reform. We're good at talking about it but we've done remarkably little about implementing those reforms. We've nibbled around the edges. At a time when a country like – we talk a lot about Singapore, because what Singapore has done has been so incredibly impressive in terms of introducing meritocracy, accountability, competition, differential pay and things like that right into the heart of government. And as a result of that, creating a government to compete with the private sector in terms of its technological sophistication, its managerial sophistication and things like that. So we hope that this will be a wake-up call, but it's a very painful wake-up call.

JOHN MICKLETHWAIT: To add something to that, I think there's a bankruptcy of ideas on both the right and the left. On the left, as we've pointed out, you have people who step forward and proclaim that they're champions of the poor but will do nothing at all to reform the teachers who mis-educate those people.

On the other side, on the right, you have people who go on about wanting to have as small a government as possible. And that again is, if you want small government, go to the Congo. It should not by itself be a need. And what's interesting, one of the heroes, that we would regard as a hero of this, if you look at Victorian liberalism, people like John Stuart Mill, Adam Smith and all the things that effectively republicans believe nowadays, if you look at people like William Gladstone, you know these were a group of people whose stankering took the size of the British state, then remember the world

superpower, they took it from bringing in 80 million pounds worth of taxes in 1815, took it down to 60 million pounds worth of taxes in 1850 – I think, if I've gotten the date right. In the course of that, they built all of the infrastructure that we now use – sewers, schools, hospitals. And they did that by ripping out every single example of privilege, every single token, every bit of corruption they found in the state.

And I think if you were William Gladstone and you came back now, you would look at the Republican Party and would just, you would just see corruption endemic in it and you would see corruption endemic in the Democratic Party, both captive by oppressed groups. If you went to Singapore, by contrast, and we're not going to – there are reasons not to go to Singapore – but if you went to Singapore, you would look and you would see something which is at least vaguely trying to follow the things which he put out, which is to make government better. You can make government better and smaller at the same time. It is possible. You can do it just simply by making things more efficient. If you select good people to run your schools, you don't need to spend so much money on...if you set up systems where you can use technology in the right place, if you don't give away vast amounts of money in terms of mortgage interest relief.

CHAIRMAN MARIE-JOSÉE KRAVIS: Or corporate subsidies, corporations want smaller government but for other people.

JOHN MICKLETHWAIT: I mean it's a lot, the point is, none of these...if you put most people in a room, everyone would agree about most of these things. But there is, behind it, it's a failure of two things. One, as Adrian said, is to take government seriously.

There is a bit, I think there is a way in which political philosophy, you know 100 years ago people were really interested about what the state was for. You could argue obviously that, you know, when I was growing up in the 70s, in the 80s, people like Milton Friedman, people really mattered because people had big ideas about what exactly you could do with the state. Those have all gone. And that's, in a sense, what's interested us is that suddenly people are being confronted by a crisis which has really made the question, you know, what should you have a government for? What is the point of, you know, should government just be there to provide security? If so, exactly what security? And when Thomas Hobbes wrote, this, he wrote Leviathan when he'd just come through the English Civil War, which is probably the bloodiest single thing that ever happened in British history. Far more people got killed then than during the First World War. And he somehow limped his way through that despite being hated by both sides. He wrote Leviathan and then he got through the plague which was his equivalent to Covid. But his main thing was he wanted a government that could somehow provide a kind of security. He was prepared to hand over power to that government in a way that Royalists hated because he said I'm going to hand over that power as part of a

contract. It has nothing to do with the divine right of kings. But that is how Leviathan first came. And then people began to adapt what security meant.

And I think nowadays people have the right to be able to say that the security that the state should be willing to give me is something to protect me against pandemics. It's something that gives me at least the ability to be able to live in a certain way. I think that the state should not be directing these subsidies as you pointed out to massive corporate interest groups or subsidizing bad teachers just because they have a hold of the Democratic Party or indeed the Labor Party for that matter.

CHAIRMAN MARIE-JOSÉE KRAVIS: Well, John and Adrian, we could go on and on. You've opened a really interesting set of issues and given us tremendous material for thought. So I want to thank both of you for sharing your time today. And going forward, I hope that you, your families, and your co-citizens in Britain and in America will begin to do better. And please stay safe and stay vigilant. And I want to just remind our members who are on the phone that on next Monday, the 27<sup>th</sup>, Ed Hyman, the Chairman of Evercore ISI, will be joining us. And once again, on Monday, May 4<sup>th</sup>, Larry Summers will be joining us. So please continue to monitor our website and we'll also continue to communicate by email. And I thank everyone for joining us today. Wash your hands, be prudent, social distance, and hope to see you soon. Thank you.