
BONUS CHAPTER

...following *The Storm Before the Calm*

Coronavirus and the Crisis of the 2020s

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I argued in *The Storm Before the Calm* that the 2020s will be a time of instability, anger, dread and mistrust. I did not predict that the decade would begin with a global pandemic that brought the global economy, and especially the U.S. economy, to the brink of collapse. Oddly, the pandemic didn't falsify the forecast, nor make it irrelevant. The socioeconomic and institutional tensions are more intensely relevant. The forces that were bringing the United States to a cyclical shift are more powerful now than I imagined, and the crisis may bring a longer period of turbulence beginning earlier than I expected, but the forecast remains intact.

The new coronavirus has led to global illness and death. It is by no means as deadly as the black plagues of the Middle Ages. It is likely that such viruses have been common in history, coming and going. In the past, when communication was poor, no one knew if an outbreak was global or not. They knew only those things that were near to them. But more important, life expectancy was short, and death not a surprise. In a world in which hygiene and medicine were uncommon, early death was common, and a disease like COVID-19 might simply be seen as part of the common misery of existence. Not only would global disease be noticeable, but even

a new wave of virus unexceptional.

In a world of cholera, diphtheria, smallpox and tuberculosis, the transitory illness and occasional death caused by the coronavirus might never have been noticed as a unique or particularly dangerous disease. It kills relatively few, and those few primarily are old and infirm. In other words, the coronavirus might not have been noticed.

But we live in a different time. We know what happens in the farther regions of humanity. And having conquered or suppressed cholera, diphtheria, smallpox and tuberculosis, the emergence of a new disease affects us in novel ways. We expect to be healthy, we expect to live long lives, we are aware of the world, and we do not expect the world to get sick.

When the coronavirus struck China, it was a Chinese disease, considered by many as one appropriate for the Chinese to bear. It wasn't until Europe and America found themselves vulnerable that the panic took hold. *The Storm Before the Calm* was published on Feb. 25, with publicity and speaking engagements that are craved by all authors arranged for the following several weeks. But three days into my talks and interviews, Americans became over-

overwhelmed by the new fear, and the media became obsessed with chronicling the fear. A plane ride to Chicago a week later ended in a canceled event. I have stayed home since then. And so it has been for America and the world.

So far, there is no cure. Some medicines might take some steps to prevent death, but those are tentative and uncertain. Even your doctor is helpless. That is the terrifying thing about the pandemic. We expect technology to solve our problem, and medicine is in its way technology. We do not expect miracles. We expect solutions to our fears. And the fact that there is no solution spooked us.

Since there are no medical solutions, the only path is to avoid contracting the disease, and the only way to do that is to avoid contact with its primary vector: other people. In the past, quarantines have been imposed on those who had already fallen ill. This time the strategy is to quarantine the healthy. Avoiding others, along with special precautions of wearing masks and gloves when you are required to leave your home, has become the only available medical option. Imposing isolation on yourself passes responsibility and control to each of us, and given the fearsome nature of the disease, we are highly motivated to avoid others. In due course, we can

expect vaccines and medications, but now the only medical solution is sequestration.

That solution, of course, is economically consequential. Take the supply chain. The supply chain, put very simply, is the movement of goods from start to finish. The key to a supply chain is the workforce. Unlike service industries, where the end product can flow over electronic connections, the material supply line can produce, distribute and sell only when managed by people.

The quarantine has eviscerated the labor force. A significant amount of service work could continue at a distance, but as an example, the delivery of food to supermarkets was strained. There are thousands of items in a supermarket that are packaged or manufactured in thousands of factories. They have to be shipped to packagers who ship them to warehouses, and from there to warehouses of supermarket chains, then delivered, shelved and sold to a population that dreads entering the stores. Food supplies have contracted but remained sufficient, while other major supply chain-based companies, like Amazon, have seen their supply chains disrupted with massive time penalties. At the same time, the self-quarantine system has forced the closure of busi-

nesses that involve close contact with customers. Many people have lost their jobs.

The federal government is trying to cushion the blow by creating staggeringly large subsidy programs, but the medical system and the economic system run on fundamentally different timelines. The medical system, operating on a zero-risk principle of doing no harm, remains rigid with its test and evaluation program, meaning that medication will not be available for long after the economic system has moved at least into recession, if not depression. The economic system operates on a principle of calculated risk, which evaluates action against the cost of not acting and the cost of failure. This is suited to the much more intense timeline of the economy.

The longer it takes for a medical solution to be reached, the longer people will self-quarantine. The longer that goes on, the more strain it puts on the economy. The more strained the economy becomes, the larger federal subsidies have to be, and the more long-term weakness is built into the economy. Massive liquidity does not lead necessarily to increased productivity, but instead to increased consumption, even as production decreases. There is no

structural imbalance except that imposed by the virus.

The surge of federal dollars is designed to mitigate unemployment and sustain the domestic supply chain. But the first tranche of the subsidy in the U.S. equaled 10 percent of gross domestic product, a staggering amount from a historical standpoint, with more on the horizon. The impact of this transcends any economic problem I posed in *The Storm Before the Calm*, not because of the amount as much as because of the underlying dangers to the supply chain and other productive mechanisms. The amount dispensed could mitigate a crisis in the short term, but a multi-month crisis would fundamentally damage the productive process independent of the financial dimension.

A series of unexpected social crises will assert themselves. One distinction will be between those who can work from home and those who cannot. The latter are, to a great extent, what used to be call laborers. Many are well paid, but in the circumstances the virus created they have been forced into unemployment. Those who can work from home tend to be from the technocracy, intellectual labor that does not involve direct physical contact with people or objects. These people are doing better.

This extends the problem of class distinction laid out in the book, with the burden and risk allocated to one segment of society already under heavy economic pressure, and the other class ascendant and more secure.

Both classes are now on the defensive. Economic pressure will force many types of businesses to close down or lay off people. An example might be web designers working for companies that sell physical products. The disruption of the supply chain makes securing the product and shipping it to customers problematic, and while many might fail, others would not be interested in upgrading their website. The pressure would fall on both classes, with the technocratic class experiencing pain and moving more rapidly toward decline than anticipated.

A systemic failure of the supply chain was not anticipated in the book, nor is it clear that it will happen. However, such a failure would be far more significant than a financial failure, as it would immediately impact not only the businesses but also individual consumers in need of the product. This is the difference between a recession and a depression. A recession is a cyclical part of the normal business cycle, in which the system slows or even contracts, but

no physical or permanent damage is done to the system. A depression is not part of the business cycle; it is caused by an exogenous event. The most extreme case is the result of war. In wars, the physical structures of nations can collapse. And with that collapse, the economy can collapse as well.

In some ways this virus resembles war, making the physical function of the economy impossible because of lack of a workforce for manufacturing and delivering goods. There is clearly a financial dimension, from declines in the value of facilities to unemployment pulling down consumption. But the key problem is the lack of product and lack of work, which creates a cycle of poverty that destroys not only the supply chain but also the financial structure of the country and requires ultimately an institutional shift.

One of the key challenges to the United States in the last decade of the Reagan cycle is the technocracy, or in this case, the focus on narrow expertise. Expertise is valuable but the expert can master only a fragment of reality. The expert looks at the world through the lens of knowledge, and frequently doesn't see the effects on reality as a whole. The argument in the book was that a government of experts creates excessive

complexity that makes it difficult for citizens to understand what is being done and in general creates unsuccessful solutions owing to the parochialism of the expert.

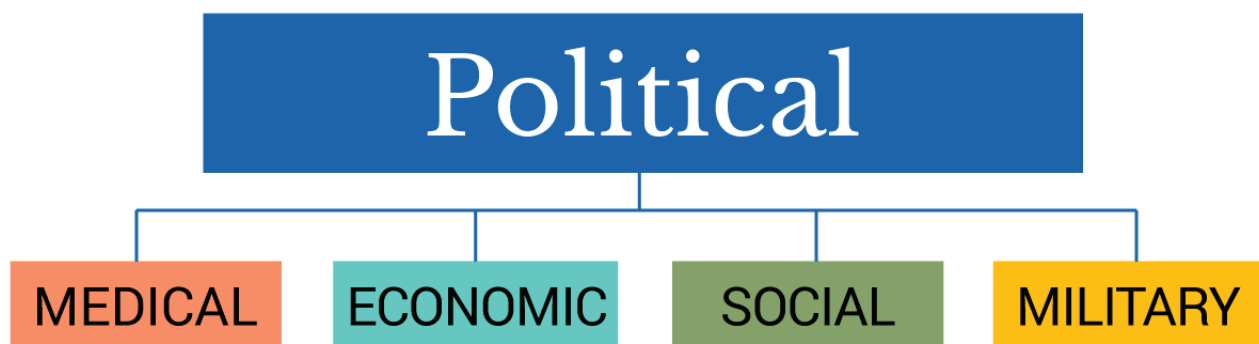
The response to the coronavirus crisis revealed this issue more clearly than ever. There are four elements involved in the crisis: the medical, the economic, the social and the military, all overseen by the political, or government. Each has a different role, and each operates on its own logic. Some are represented by a single spokesman evaluating the situation through his own lens. Other systems have no single spokesman, but operate through the pressures generated within their sphere.

The coronavirus is a medical event, and we now know that the solution –

imposed by the government – was to impose social distancing and isolation. The government wants to either cushion the impending economic crash or buy some time for a medical solution to be found. Economists understand the massive potential consequences of stimulus, but unlike the medical community, they operate in a structure of calculated risk. They are focused on the short term, dictated by political and social reality – if the economy collapses, the long term is too far away to be of concern.

The sphere of the economist is the process whereby humans produce or consume things. Yet, to a degree, economists focus not on the economy but on the financial system that is created by consumption and production, with the assumption that the manipulation

The Geopolitical Structure of Coronavirus



of the financial system will shape production and consumption. That is frequently true, but in extreme situations the financial system is not all-powerful. In times of war, when the country's infrastructure is fragile, the economy is self-defining, and the financial system irrelevant. We are not in a wartime situation, and the economy is not so fragile, but it is in deep trouble, and the economic problem is not financial but structural – for example, getting gas to trucks, and having the drivers to drive the trucks, so that they can move goods. This can be represented financially, but in certain moments of this situation, the financial is not relevant. Indeed, the cushioning effort is ultimately not intended for economic ends as much as for psychological comfort. However, economists think of the economy as something financial, and they seek financial solutions, neglecting its material and operational character. There were schools of economics that were extremely sensitive to this reality, but an economist today is a mathematician, not an engineer.

The problem with the economic solution is that it treated the problem as if it were primarily an economic problem. The problem was at root social – the relationship among individuals and each other and the community. Humans are social animals, and they require social

intercourse. Humans live in homes but carry out rich lives outside of them, meeting friends, going to church, eating out and going to a sporting event. The complexity of social life is endless. And nowhere is it more essential than with children, who must be with other children in order to learn the rules of interaction at every age. Confining children to homes, however comfortable they might be, creates malfunction. In addition, adults, confined with each other indefinitely, begin experiencing extreme tension, hostility and the rest. Living alone in this circumstance is unbearable.

In other words, the medical profession cannot consider the social or economic consequences of its solution. The economic consequence would have to be dealt with by economists, who are compelled to deal with the long-term and short-term problem, each of which can carry its own unique challenges. Society is pressured by the fear of disease and unemployment. The military, without a significant function to this point, would be the last recourse to limiting a social breakdown. It understands how to apply force, and with a social breakdown, force might be the only option, as all other systems are paralyzed.

Trying to coordinate this is the political

system, from the federal government to the city and county governments. All are constrained by the fundamental reality of a deadly disease that demands a response. From this comes intense pressure on the economic structure to mitigate the consequences of isolation. And at the local and state level, to cope with the social consequences of decisions by the other dimension, the National Guard and military stand by if this fails.

The government lacks the power to impose a higher level of risk on the medical profession than is ethical, nor does that pressure necessarily produce results. And no one is in a position to mitigate the un-mitigatable. The social forces are the most volatile and the most likely to disrupt society for an extended period of time. The government is hostage to experts, in some spheres absolutely, in others constrained by the way they think of their sphere such as economists, and not at all in other spheres. The federal government cannot function well, not because of political divisions but because it cannot impose solutions that are outside the understanding of its world.

Franklin Roosevelt and Abraham Lincoln understood enough of the complexities of science and professions to

compel solutions, in large part because the expertise of professions had not come to hold an overarching position in the system. The experts defined the limits, and did so without being institutionally capable of modifying their own practices or considering the consequences of their own expertise beyond their framework.

No one is wrong here. The problem is that the method and worldview of each are sealed off from alternatives within their field and views beyond their field. It is interesting that the one arena that does not have a distinct method is the social, the one in which human life is lived. And the political sphere, which ought to have the broadest view and speak for society, is limited in what it can demand of the individual experts. That is why this episode in our history provides a clear sense of what the crisis of the technocrats is about, and why it confirms rather than challenges or dismisses my description of the 2020s. It simply supercharges it.

I was anticipating a cyclical decline that would be more intense than usual, thanks to the lingering effects of the 2008 crisis, and I expected to see the downturn easing somewhat for the rest of the decade as decreased productivity growth and declines in investment

opportunity due to maturing technologies take hold. I expected the opposite of the 1970s: low interest rates rather than high ones, low to negative inflation rather than soaring inflation, relatively high sectoral employment.

Perhaps more important is the tension between the technocracy and opposing classes. Society is now divided between those who can work from home using various software and those who can't. Those who can't are generally from the industrial class, who must get their hands on production. Those who can are generally from the class that does not use its hands but rather manipulates ideas – abstract elements. The former are the ones likely to lose their jobs in a downturn in which sequestration is required and the physical supply chain is crippled. Those who produce and consume abstractly are in a somewhat more secure position. The tension I foresaw included social tensions between these two classes, as well as institutional tension. The current crisis with the coronavirus compounds the problem.

When we consider the evolution of this problem, it reaches extremes that were never anticipated. It intensifies the process to a far greater extent than I imagined, and it extends the process so that the tensions between classes, between the federal government and the broader public, and within the economy itself, compares far more to the transition between Hoover and Roosevelt than it does the transition between Carter and Reagan. That means increased tension and instability but the same outcome as before. It is not the relatively mild economic and social tension in the 1970s but the radical reconstruction required as in the 1930s.

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