

EXISTENTIAL CRISIS: EVEN THE GENERALS ARE WARNING THE ECONOMY COULD TAKE US DOWN

WE NEED TO BE 'BE BLOODY, BOLD, AND RESOLUTE'

This “most terrifying and boring” European economic crisis just gets worse. It is agonising watching this greatest of slow-motion train wrecks take shape in front of us. We have again witnessed the key participants duck the fundamental issue - turning around public and bond market perceptions and confidence, and agreeing a road map for growth – and instead turn on each other and turbo charge the crisis. Last week in Brussels diversion tactics trumped sound strategic judgements. Under pressure, Merkozy and Cameron scored strategic own-goals.

History may be repeating itself. Similarities to the 1930s abound. Some key leaders have raced to cover up their own failings by pointing the finger, though after decades of increasing cooperation we might have expected them to avoid the obvious trap. Germany blames feckless southern European nations, yet heaped loans upon them and manipulated the single currency to its own benefit. Sarkozy ignores French structural and bank woes, and fingers the UK financial sector. Cameron was placed in a difficult position by Merkozy and failed to do the necessary diplomatic legwork and relationship building. History may or may not judge that he pulled the veto trigger prematurely. But within a short time events will show that UK's demands were not the issue, and the consequent debate nothing to do with Europe's predicament.

The really big issue is the scale of the mess that Europe, the West, and UK are in together. Only 18 months after they rated the US national debt as their single greatest security risk, General Martin Dempsey, the new chairman of the US Joint Chiefs, speaking about Europe has said that they are “extraordinarily concerned because of the potential of civil unrest and break-up of the Union”. The UK's chief of defence has weighed in with similar warnings. Across the West the immediate focus is economics. The root problems, of course, go much deeper and wider.

After last week's summit it appears that we are now in an economic war - almost of survival mode as friends and allies default to extreme, short-termist, protectionist and zero-sum 'me-first', not 'community-first' positions. Link our economic situation to some of the other root problems to do with our values, political and governance structures, and social cohesion. How bad do things have to get before we go into temporary national emergency mode encompassing economic and social mobilisation appropriate to the scale of overall challenge? The UK may find itself in a situation where the government, people, business, and civil society groups need to work together to cope with system-wide economic disaster, a 21st century - very different - 'blitz spirit' crisis.

We must be brutally honest about our situation. Experts are now rating the very bad and catastrophic scenarios significantly ahead of the best-case scenario, which itself constitutes years of 'grim'. No one knows precisely what or when things will happen, but the situation will likely only get worse. Rather than continuing to fudge and duck and wait until the Eurozone implodes and takes us down with it, we could be “bloody, bold and resolute”, as Shakespeare put it - going strategic and getting ahead of events and trends rather than being reactive and doing 'too little too late'. In times of extreme crisis history suggests that UK is uniquely qualified and placed to lead the way.

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Any roadmap or manifesto for a 'bloody, bold and resolute' strategic approach to dealing with the immediate economic crisis must at the same time address other core strategic challenges – including international security, climate and environment change, energy security, and social cohesion. Somewhere in Whitehall, some clever people have probably begun to think through what until very recently was unthinkable – producing outline principles and steps for emergency response to unprecedented economic disaster.

Here are a few core high-level ideas that we hope might be considered in Whitehall 'no-holds-barred' brainstorming sessions:

Government

Extreme crisis requires a proper national government. To overcome short-termism and address today's complexities and convergences and long-term systemic issues the focus should shift to 20 years hence and the next generation.

Improve plans and capabilities to respond to multiple crisis 'high impact' situations - eg simultaneous unprecedented insolvencies and unemployment, civil protest and unrest, and a beyond UK geo-political shock.

Government- International

Reinforce strategic leadership, information and knowledge capacity and networks, and increase UK contributions to the key multilateral and international organisations coordinating critical global and regional programmes.

Government- Economy

Make education, innovation, and research the top public spending priorities for long-term growth and prosperity; they are more important than health, welfare, international development, and even, for now, defence.

Introduce 'bloody, bold and resolute' growth and cuts plans – unconstrained by pre-existential crisis thinking and party politics; goodbye pet expensive projects that in the new situation manifestly do not deliver 'most for the most'.

Government-Society- Business

Set crisis values: 'community-first', human dignity for all, individual and organisation integrity. The moral dimension and public morale become crisis-winning considerations.

Mobilise active citizenship and key voluntary schemes and incentivise individuals and organisations to engage. The equivalent of many £billions of effort and work is available; popular well-managed schemes will motivate many citizens and assist community cohesion.

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Fast-track Field-Duncan Smith and other welfare reforms to promote social cohesion and opportunity - link to bold growth and crisis job schemes.

Encourage and reward innovation and philanthropy.

The generals are right to warn us that the economy could take us down. Hopefully there will not be a system-wide economic disaster, though the unthinkable is now beginning to be thought through as the odds increase. In any event, the democratic deficit across Europe, and other long-festering issues suggest real potential for an explosion of anger and violence somewhere that will trigger trouble that could impact us here in UK.

For now in UK and elsewhere, national interest is second priority and the next generation way down the list. First priority is still 'me-first' - 'my party', 'my victory' at the next election. Shocking but true. What else can we expect from this most selfish generation in history - consider eco system and environmental destruction and unimaginable debt burdens handed over to our children? Do we have to wait until we are on our knees before we go into emergency mode and begin to do some of the things we should be doing already? Probably.