

# The Moment We Trained For

# GEORGE OSBORNE

SERVED AS UK CHANCELLOR OF THE EXCHEQUER from 2010 to 2016. During the period Mr. Osborne had responsibility for the UK's economic, budget and financial policies, the country posted the strongest growth in the G7 and attracted a rising share of global business and tech investment. He also undertook far reaching reforms of pensions, introduced the ground-breaking sugar tax, and promoted regional growth and devolution with the northern powerhouse. Following the successful election of a Conservative Government in 2015, he also served as First Secretary of State. A prominent campaigner for Britain to remain in the EU, Mr. Osborne left the government in July 2016 following the outcome of the referendum.

On his appointment in May 2010, Mr. Osborne was the youngest Chancellor since 1886, and the third youngest in history. He presented eight budgets, the most of any Conservative Chancellor. Prior to that he was elected in 2001 as the youngest Conservative MP, ran David Cameron's successful campaign to become Leader of the Conservative Party and helped negotiate the formation of Britain's first Coalition Government since the Second World War.

Today, Mr. Osborne is Editor of London's Evening Standard, one of Britain's largest circulation newspapers, a post he has held since 2017. He is also a senior adviser to the BlackRock Investment Institute. He chairs the Partners Council of EXOR, the holding company for firms like Fiat Chrysler, Ferrari and the Economist Magazine. He is a visiting professor at Stanford's Graduate School of Business, where he teaches a course in decision making – and he is a fellow of the Hoover Institute. He has a Masters Degree from Oxford University in Modern History. He was interviewed for the Review by Philip Delves

**A (young) elder of UK government and politics on leadership amid the pandemic.**

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George Osborne, then serving as Chancellor of the Exchequer, holds the Budget Box outside of 11 Downing Street in 2016.

Broughton, a Senior Consultant to Brunswick, former New York and Paris Bureau Chief for the Daily Telegraph and the author of best-selling books.

**How is it running a daily newspaper these days?**

This pandemic is the biggest story of our lifetimes and there is an enormous amount of public interest in getting authoritative facts and analysis. But there's also the real business challenge of the precipitous fall in advertising revenues. It's both a great opportunity and a big challenge.

We've responded in two ways. First, we've had to reduce costs. We've put some of our staff on a furlough scheme, and we're making sure we're as efficient as we possibly can be.

Second, we have reshaped the newspaper to cover the Covid-19 crisis and dramatically changed the distribution. We used to hand out copies at Tube stations but people aren't using the Tube. Now we've switched to hand delivering copies of the newspaper to homes across London. We're also seeing traffic up on the online platform. This is just accelerating the merging of our print and digital operations.

**What do you imagine it's like in Downing Street?**

Downing Street is a very small building. Even though you're part of a broad network of the state with thousands of people working in departments and different arms of the government, ultimately the decision making comes down to a very few people in that very small building.

There will be intense pressure on the political and official leadership. And they've got the additional human toll, which I never had, of infection and self-isolation.

**What's the government's biggest communication challenge?**

Trying to get the balance between reassuring people that you have a plan and a path through, whilst at the same time not giving false hope and promising things that can't be delivered. Governments get themselves into all sorts of trouble when they over-promise and under-deliver.

At the moment, I would be erring on the side of caution, explaining to people what we don't know as well as what we do, and not promising either timelines that can't be delivered or exit strategies that don't exist or help that is not about to imminently arrive.

**Who really makes the decisions at times like this?**

In any organization, and government is no different, it's always three or four individuals right at the center

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who are making the biggest contribution to steering through a crisis.

In a democracy, you can't avoid the head of government—the central decision maker. One thing I was constantly reminded of in government was that every one of the most difficult decisions is elevated to the Prime Minister. If they were easy decisions, by their very nature, they wouldn't have reached the Prime Minister's table. Some of the burden can be shared by people like the Chancellor, but essentially the PM is left with the hardest calls.

Usually there's also the head of the civil service. The late Jeremy Heywood in the UK was the outstanding example of this.

Obviously in this kind of crisis, you're also relying on your public health officials, your chief scientific advisors, who usually wouldn't have anything like this kind of access to the PM. In ordinary times, they might see the Prime Minister once or twice a year.

A big challenge for government is that you can't be entirely led by the science. Scientists are making a very important judgment, which is how you tackle the disease. But politicians and officials have to balance that with other judgments like what is sustainable for the economy, or acceptable to society. You could imagine a piece of scientific advice which would be to let the elderly and the sick die so you can concentrate your resources on the young. But no civilized society could make that judgment.

Expert opinion should certainly inform any decision, but ultimately the political leaders in a democracy are balancing various judgments, and the group helping them with this is very small.

**How does government prepare for these kinds of crises?**

The government I was part of had a risk register which we'd regularly interrogate. It was a grid showing a combination of the risk of a particular event happening with how damaging it would be. Top of the risk register was a nuclear war, which governments still do some planning for, though not nearly so much as 30 or 40 years ago. Then there are events like flooding, a solar flare, a fuel strike, all sorts of things like that. There'd be rigorous and regular assessments of the register. Pandemic flu was very high up on the register. So it is not true that no one in the British government had done anything to think about this. Governments have had stockpiles of protective equipment. But clearly, it's self-evident, not enough thinking had gone into this.

Looking back in a lot of countries, we hadn't really stress-tested a pandemic where the hospitalization

rate would be so much higher than in a flu outbreak. That's what has led to the pressure on all these healthcare systems.

**How do you sustain energy and morale on a team under intense pressure?**

For the people at the top of government, it is incredibly exhausting and challenging. But this is also, frankly, the defining moment of their careers. If you talk to the people who were directly involved in the financial crisis, they will now say that those few months in 2008-9 were the high point of their career. They may not have felt it at the time, when they were overworked and faced enormous pressures, but it was also the moment they could make the biggest contribution to the well-being of their societies. And



Days before presenting budget to Parliament in March 2016, Osborne visiting a construction site in central London.



In 2015, when George Osborne was Chancellor of the Exchequer and Boris Johnson was Mayor of London, the pair delivered a joint speech at the Tate Modern, outlining a long-term plan for the city's economic future.

when they were required to be as innovative and flexible as possible. They won't think of this now, but for the people at the heart of the Covid-19 crisis, this is the great moment of their careers. To use the hackneyed phrase, this is what they trained for.

**How do you stay level-headed?**

Inevitably, in the first couple of weeks of a crisis, there is a physical toll. You have to get through an enormous amount of material and make a huge number of decisions. You have to be realistic that you're going to be using most of the hours of the day to do that.

What's crucial is spotting the moment after you've made the initial decisions when you have to figure out how to pace yourself. The absolute key to staying sane and making sensible decisions is knowing that you can't do it if you're flat-out exhausted the whole

time. You have to make sure you're getting a decent night's sleep, you're getting some exercise, you're eating healthily and regularly.

Quite often I find political and business leaders remain frenetic and can't spot the ebbs and flows of when they really do need to be up all night, and when now's a night you can actually go to bed. Obviously you get completely burned out. I saw it happen a lot in politics, people work absolutely flat out, then get frazzled, and they're no use to anyone.

**How has the British government handled this crisis?**

Britain is in the middle of the pack, I would say, of the Western countries. It has clearly been better than many. It has the advantage of a public healthcare system so it can direct the nation's healthcare in a way in which, for example, the US with its fragmented healthcare system cannot.

But now it has announced all these schemes to deal with the problems, it can't keep announcing more schemes. You have to deliver, otherwise you'll undermine confidence in what you're doing.

There's a legitimate debate about whether Britain, like other countries, was too slow to move to quarantine and to adopt the strategy of trying to halt the spread of the disease altogether. But that will be for the wash-up afterwards.

What's clear is that this is an absolutely defining event for all governments. Many will be casualties of it. Recessions and crises like these lead to changes of government. Probably not in the UK, because we've just had an election, but in many other places, I suspect, there'll be regime change.

**What differences have you noticed in the response of government and business?**

Events like this remind you of the power of government compared to the power of an individual business, which is only as strong as its balance sheet.

This virus has struck different business sectors in this completely random way. An otherwise healthy, exceptionally well-run travel business now finds itself in a critical position. Whereas a badly run chemical company which happens to make hand sanitizer finds itself in a very good position.

Businesses tend to be narrowly focused on what the management can deliver, the costs of the business, the income, and I guess for better businesses, concern for their workforce.

A government has so many more considerations—very many more stakeholders and at the same time many more resources available to it. It

PHOTOGRAPH: RIGHT, PETER NICHOLLS-WPA POOL/GETTY IMAGES; TOP, STEFAN ROUSSEAU - WPA POOL/GETTY IMAGES

doesn't have that narrow concern about the balance sheet. You can see the way central banks and Treasuries have massively expanded their balance sheets.

Provided governments can maintain the confidence of financial markets, they can deploy incredible resources—but if they lose that confidence, as you saw so many countries do after the financial crisis, then like any badly run business they face bankruptcy.

**What will be the consequences for business?**

Businesses are going to have to look at their balance sheets. Investors are going to ask, what is the strength of those balance sheets in a crisis? What are the cash reserves? You're going to end up with these fortress balance sheets. Certainly in the short- to medium-term after this crisis, you will see a big suspicion of over-leveraged companies.

It's quite similar to the banking crisis. The banks fell over. They were rescued. After that, they were required to hold very large amounts of capital. All the people in the industry who complained that regulators and politicians like myself were demanding too much of the banks can now look at this present crisis and thankfully the banks are in a relatively strong position precisely because they have these reserves.

I think the same thing will happen in the broader corporate sector. For corporates who are rescued and bailed out, the price will have to be stronger balance sheets. They will have to show they can operate with zero income for longer than they are clearly able to at the moment.

**What are the most relevant historical parallels to today?**

Plagues and pandemics are actually fairly regular occurrences in human history. It's amazing when you read historical accounts, like Samuel Pepys on the plague in London in the 17th century, how similar the issues are: the pressure on the authorities to close down activity; the strain that puts on the individuals being confined; what do you do when people are defying the quarantines. There's the reassurance that these are not new issues.

An interesting model is Franklin Roosevelt. In his first inaugural address, he is very candid with the American people. He does not promise the Great Depression will be over immediately. But he offers vigorous leadership and is innovative in getting the bureaucracy of the US government to think differently about how to help the American public. You end up with enormous schemes to keep people at work, to rescue banks, to support businesses.

Although this is a more condensed timetable now

**“FOR CORPORATES WHO ARE RESCUED AND BAILED OUT, THE PRICE WILL HAVE TO BE STRONGER BALANCE SHEETS.”**

**PHILIP DELVES BROUGHTON**

is a Senior Consultant to Brunswick, based in New York. He was previously a Senior Adviser to the Executive Chairman of Banco Santander. His books have appeared on The New York Times and Wall Street Journal bestseller lists. He is a former Financial Times columnist, and former Daily Telegraph bureau chief in New York and Paris. He has collaborated with corporate and non-profit leaders at firms including Blackstone, Apple and Goldman Sachs. He has a Masters Degree from Oxford University in Classics and an MBA from Harvard Business School.

because the crisis has come so quickly, what you want from your political leaders is candor about the situation, not false hope that there's any easy route through this or it's all about to come to an end. But at the same time you want hope that there is a path through and that government will be deployed in brand new ways.

**Will this lead to greater international cooperation or greater mistrust?**

The striking difference between this crisis and the global financial crisis is the lack of international coordination and the high degree of mistrust.

During the global financial crisis, there was lots of coordination between central banks, the G20 and international institutions like the IMF. You see almost none of that now. The G20 is completely irrelevant. There has been some central bank coordination but not much. And of course, unlike in 2009, when the cooperation between the US and China was critical, with China stepping in to help the global economy, now you have a war of words between the two.

Unfortunately, international cooperation has been almost entirely lacking. Countries have tended to adopt their own economic and health solutions to the problem. In the future, what you'll see is countries essentially building out their resilience, creating domestic supply lines for key chemicals and testing kits, and ventilators and protection equipment, and acting more quickly to shut borders.

Clearly, it should be self-evident that this is a global crisis, which shows no country is an island. Everyone is affected in much the same way. I suspect, the actual result will be countries thinking they can isolate themselves from future episodes like this.

**You're a passionate Londoner. What's it like seeing your city under siege?**

London has been through a hell of a lot: plagues, Great Fires, the Blitz. It's pretty eerie going around seeing how everything is shut in London just as in these other great cities like New York. But London will come back. It always does.

If I was looking for a silver lining, I'd say that in the street where I recently moved, one of my neighbors celebrated their birthday. I didn't even know who this neighbor was. But the whole street came out and raised a glass. There was this incredible community spirit in a street where I barely knew anyone. In these rather anonymized cities, like London and New York, one of the amazing paradoxes of everyone being forced to stay at home is perhaps we are becoming stronger and greater communities. ♦