

# The **IMTe**<sup>™</sup> Reports

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## **COVID-19 (Coronavirus)** **A social and economic perspective ...**

**IMTe** Situational Report – 1/2020  
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## **COVID-19 (Coronavirus)**

### **A social and economic perspective ...**

It's not what you don't know that gets you into trouble, but rather what you think you know with absolute certainty, which then turns out to be wrong!

The world is in a state of panic, this reflecting the public's feelings about an invisible and, to a certain extent, unknown health threat. This prompts *crowd behaviour*, with a focus mainly on temporary negative news and depressing actual events. Much of this has, unfortunately, been dramatized to the extreme by the mass media, which do not always present an objective picture based on rationality, science, past history, and actual facts, nor do they always focus on the positive technological capacities for response to such a crisis that our world possesses. Outbreaks of different coronaviruses have predated the current one, with scientists having identified a number of viruses which cause different respiratory illnesses in humans (and animals), e.g., SARS-CoV China 2002, MERS-CoV 2012. Pandemics usually spread fast but then subside thanks to strict and coordinated measures of containment, such measures being enacted at this very moment throughout the world. Consequently, the intensity of this virus outbreak and fast spread will eventually recede, while vaccines and antiviral drugs will gradually enter the market, all which will most likely help turn this disease, as was the case with many others in the past, into something the world can live with. Nature has its own self-corrective and defence mechanisms too and, longer-term, a wider level of physical resistance and immunity should be reached worldwide, while this virus pandemic will retreat.

Panic among the public arrives suddenly, reaches a peak of an extreme intensity, and then equally rapidly subsides with the first good news. The fact is that at present, throughout the world, unprecedented political, social, economic, and scientific mobilization is being targeted at stemming the current pandemic. However, *fake news* and disinformation abound, with figures falsely attributed to epidemiologists being disseminated by the media as to the potential of infection rates going up to 70% of the global population, or theories that this virus is likely to become globally endemic and be with us in perpetuity, creating catastrophe after catastrophe, or even worse. We naturally have enormous respect for and trust in the power of science, particularly today in our scientific/technological age. However, we need to distance ourselves from all *non-scientific* sources that cite such overly gloomy, extreme predictions, which, moreover, do not take into account the unprecedented defensive and counterattack measures already placed in the pipeline by societies worldwide. Also, to be taken into consideration is the spiritual power of many individuals, possibly whole communities, who are currently praying for divine help and for the restoration of good health to the entire world. Of course, the rising number of coronavirus fatalities around the globe is heartbreaking, but so are other daily, large-scale human tragedies related to wars, famines, genocides, etc. and which have always been with us but which, sadly, all too often leave people indifferent and unmoved (far less panicked), *simply because they have not happened or, allegedly, do not happen on «our» territory.*

People worldwide need to modify their behavior in certain ways. Sudden global health threats cannot be viewed as *personal* but rather *collective/community/social risk threats* which can only be addressed through a cooperative attitude in thinking and in action. *Resilience* is a measure of how societies master critical situations, both technologically (including the health sciences), socially, and economically. The *Covid-19 pandemic* is currently a barometer showing how far ahead the *crisis resilience* of countries, especially in

Europe and the US and other regions of the world, is functioning. International health organizations and academic/scientific institutions have in the past done various hypothetical studies with dramatic scenarios on the outbreak of pandemics, with large human cost and the destruction of a considerable amount of global economic output. European nations such as Germany, Switzerland, and Austria, certainly others too, have done drill exercises on pandemic cases in the past. The current global epidemic is putting the planning of the past few years to the test. *Resilience* concerns the past, present, and future of such a crisis. Past means levels of preparedness, present means efficiency and effectiveness of action, and *future is measured in terms of social structures being better off after an emergency than before*. The *state's resilience to a crisis* is only really put to the test when the state emergency personnel in hospitals or among the security forces begins to fail. Most if not all world nations may simply not reach such a situation because of the younger age of a large number of the personnel in such professional sectors and disciplines. Once the wave of infections has been slowed down, the *resilience* of societies is not in danger. Eventually, with this crisis as with so many others in the past, the number of affected cases will begin to decline. Viral epidemics usually last about 5-6 months, 3 months of the high-infection period and the virus's spread, then another 3 months of the retreat phase. By the end of April 2020, perhaps a bit sooner or slightly later in May, we will most probably have seen the total number of cases peak and begin to decline, at least in the Western world. The world will come to realize that the present Covid-19 outbreak - although very contagious and, as a virus, living longer outside the body - is more or less like its predecessors. Thus, it could well be that by May this year the spread of the disease will have been dramatically slowed. Hopefully, within another month, the disease may no longer be an emergency. Life will return back to normal. It is, nevertheless, unfortunate how quickly societies forget such health crisis events, e.g., the other coronavirus epidemics such as *SARS*, as well as *swine flu*, *mad cow disease*, and *bird flu*. This tendency to forget unpleasant even shocking events all too quickly, *because we simply want the good times to continue forever*, to a certain extent deprives the world of the highly important learning process - one that must be assimilated by the public but, more importantly, adopted by governance, the health sciences and related private or academic research centers, to support optimal planning for the next pandemic and its detrimental effects, which will inevitably arrive again at some point in the future.

All epidemics - and this virus pandemic is no exception - have a highly emotional component, fully justified by the tragedy of illness and of loss of human life. However, in economic terms, the current outbreak is creating a situation which is, most probably, of measurable and manageable proportions. Does the current re-rating of equities make fundamental sense? In our view it does not. This is evident, as far as we can go with a present assessment, but, in fact, this is the only thing a prudent investor needs to understand. Despite the present panic, the American economy has been doing quite well. Europe has also been on a fairly positive track. With ultra-low interest rates in the US, Europe, and other areas worldwide, some of the best companies in the world will continue to be the only meaningful long-term investment avenues. We will assume that once the peak rate of infections has been reached in the US, Europe, and, throughout the Western world (something that cannot necessarily be viewed as an absolutely synchronized event), stock markets will recover quickly. Central banks are never out of ammunition, as long as the public agrees to hold the money that a central bank is printing. In that respect, it is a fallacy to assume that because of almost zero interest rates, e.g., in the US or in Europe, the FED or the ECB have no other emergency options with which to stem a crisis situation. In fact, in Europe, the ECB could increase its bond purchases, including government and corporate debt, virtually to an unlimited extent. It could in the future decide to buy equities

directly, provide perpetual long-term loans, or even distribute free money to the public. In the current post-disease outbreak recovery stage, ample fiscal and monetary measures should ensure that production and services, supply chains, and, generally, economic activity around the globe will recover quite fast. Most of the current and maybe new upcoming costs will be transferred to government bills and ultimately land on central banks' balance sheets. Supported by extremely expansionary monetary and fiscal policies, governments would provide near-unprecedented help to companies, workers, and consumers to contain the risks of widespread bankruptcies, dismissals, and of a systemic wave of credit default. During the rebound period, bond yields will probably stay in very low territory for even longer than they would have done otherwise. This automatically re-rates quality companies, as corporate dividend yields look even more attractive. Low interest rates may make it easier for governments to bear the extra debt burden without having to increase taxes by much in the post-crisis period. Lower oil prices will support the real purchasing power of consumers. Ultimately debt can, either directly or indirectly, always be monetized. Even with the worst predictions on this pandemic, it looks rather unreasonable to expect a permanent re-rating of equities to such an extent as the current market panic suggests. From an economic perspective, the best value companies in the world will continue their successful course and, during the peak of this crisis, will, pricewise, remain on an extremely interesting investment plateau.

Certain things may change in the post-pandemic period throughout the world, but not radically, since respective new trends were already intact even before the Covid-19 outbreak, such as remote work, working from home, flexible, alternate, and staggered work schedules, more electronic shopping, a cashless society, etc. Certain trends may simply be accelerated. What we trust will have been learned is better global and nationwide preparedness of the healthcare and health science systems, government health planning carried out in a more globally coordinated manner, and, importantly, better and early health crisis management with consequently fewer human casualties and lower levels of panic over any similar future event.

Politicians now have a perfect reason to spend more money and they will, from both a social and a political perspective, do so. What effect will all this new money flooding markets have longer-term on the economy worldwide, is another subject that we have addressed at length in various sections of our report *Aspects of an Emerging World B. Times of conflict ...* These are indeed times of change and times of conflict. In a world that is, in any case, changing rapidly, the current events should be viewed as fully corresponding to the pattern of upheavals and volatility ahead of us well into the mid-to-late years of this decade. Surely the ultimate lesson to be learned from this crisis is the folly of our self-seeking, egoistic attitudes that are so rife in the current age, our belief that we can act immorally, arbitrarily, and indiscriminately - and then deal with any negative situation, any crisis, that we *ourselves* may have caused via means that sometimes produce even more confusion and disorder. As we experience now, out of the blue, a tiny invisible organism invades our bodies and instantly creates chaos in all our institutions and systems around the globe. Humanity has to grow out of this profoundly self-centred - and thus essentially sightless - manner of behaving and become humbler, attaining the awareness that the laws of the universe, the laws that govern life on our planet and throughout the cosmos, are not somehow subservient to us humans, nor to our scientific knowledge and know-how, nor to our multiple accomplishments, but reside in divine creation. Therefore, expressing and demonstrating gratitude to God for all His gifts to humanity, and praying to Him for the fast resolution of this current threat and for His help in all future crises for the entire world - these are activities that automatically raise the level of human thought and acts from the material to the

divine sphere and attract both personal and collective blessings at all levels of human endeavour, whether political, scientific, cultural, or social, which will then spread abroad in the form of wellbeing for the entire planet.

**Note**

This situational report has been included in our forthcoming fully updated work *Aspects of an Emerging World B. Times of conflict ...* with references and further readings, which will be electronically circulated and posted on our website within the next days as one entire publication.

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