

If?

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The title of this blog is the title of the poem by English Nobel laureate Rudyard Kipling believed to have been written in 1895. In these most difficult of times it's worth reading.

We are in a situation in which numbers are crucial. Those who may have heard the word 'pandemic' are receiving an empirical demonstration that their dreadful power lies in the fact that a highly contagious virus such as Covid-19 infects at an exponential rate.

This is shown by the World Health Organisation (WHO) presenting figures that show it took 67 days for the first 100,000 infections to be confirmed, 11 days for the infection figure to double and, staggeringly, only four more days to increase to 300,000.

It's only possible to slow down infection by 'locking' down citizens which will allow health systems to cope. Sadly, it may be that, on the basis of best current estimates, one percent of those infected may still die from complications caused by Covid-19's impact on the lungs and ability to breathe. In the absence of a vaccine for Covid-19 being available, an objective likely to take many, many months, 'flattening of the curve' massively reduce their interactions with others.

Part of the problem is that in the absence of testing, there can be no certainty as to how many people have experienced it in a very mild form and, not requiring any treatment, simply 'soldiered on'. It's estimated that this may apply to 80%.

Of course, the desire to carry on whilst infected, and because of contagiousness, have spread the virus to others, including the six per cent who become seriously ill. These people, mostly but not exclusively, the old and with 'underlying' health conditions, require urgent treatment on a respirator, the supply of which is limited.

It is estimated that about a third of the world's 7.78 billion population is now under some form of lockdown. That's almost 2,600,000,000 people whose liberty is severely curtailed as a consequence of a form of flu we'd not heard of three months ago. This knowledge and the uncertainty of how long lockdown will last as well as rapidly rising unemployment is what having such a negative impact on markets

Numbers, both definitive and speculative, are critical in dealing with the current crisis.

History will eventually provide more precise rates of infection and deaths from Covid-19. We will learn lessons. Unfortunately, we're having to react to events as they occur.

One thing that does seem clear is we had warning of Covid-19.

Dr Richard Horton, editor of the influential medical publication *The Lancet*, when giving evidence to the Science Select Committee that even in January Chinese researchers had already published papers in his journal. Dr. Horton stated that these papers warned other countries that they should prepare for Covid-19 by increasing their healthcare capacity and increasing the supply of protective equipment for medical staff dealing with affected patients.

If the government in this country had been more willing to heed such warnings, the danger of being overwhelmed would not have been so great. In particular, Dr. Horton claimed, February was a "missed opportunity" and instead adopted what amounted to a "pedestrian approach" to any preparations for the current pandemic.

Though there's no direct connection between the lack of medical preparedness and financial devastation being experienced, some may argue, with, justification, particularly should the current crisis worsen in the next few weeks and the number of deaths rapidly increases, that with more investment in preparation, the number of loved ones lost would have been lower.

What we do know for sure is that economically at least, the impact of 'locking down' because of Covid-19 is resulting in big numbers; extremely big numbers. Announcements of spending of hundreds of billions of pounds to ameliorate its effects have come thick and fast.

Whether such spending avoids the worse effects of Covid-19 only time will tell. There may need to be far more. For example, America's senate has agreed a \$2trillion (£1.7 million), stimulus package in loans to support business and individuals. It's notable that every US adult and child will receive, respectively, \$1,200 and \$500 in direct 'helicopter' money.

There is no absence of proof that escaping the economic downturn that Covid-19 is going to be eye-wateringly expensive.

How the phenomenal debts that will be run up by governments will ever be repaid is a question to be answered later. That said, without an increase in post-crisis economic activity that would need to be spectacular, higher taxes becomes distinctly possible.

However, some believe that even the amounts currently being dedicated may have limited impact in averting the short-term economic downturn and, potentially, could become a longer-term depression. Such a warning comes from Nouriel Roubini, Professor of Economics at New York University's Stern School of Business and Chairman of Roubini Macro Associates.

In a *Project Syndicate* column [‘A Greater Depression?’](#) published on Tuesday 24th March, Professor Roubini, commonly known as ‘Dr Doom’ because he predicted the 2008 Global Financial Crisis (GFC), believes that Covid-19 poses a risk that could create a global economic catastrophe worse than that experienced in the aftermath of both the 1930s American Great Depression the GFC:

“The best economic outcome that anyone can hope for is a recession deeper than that following the 2008 financial crisis”

Though acknowledging that what was done by central banks in the 2008 financial crash, Professor Roubini chillingly writes that “We may not be so lucky this time” Instead, he contends, a best-case scenario would be a return to growth in the fourth quarter of this year based on three conditions being met:

1. That countries hardest-hit by Covid-19 must conduct mass testing, enforce quarantines and lockdowns, and roll out antivirals and other therapies “on a massive scale”

2. Central banks “must continue to throw the kitchen sink of unconventional measures at the crisis” including zero or negative interest rates, asset purchases and extending credit facilities to businesses of all sizes
3. Governments must engage in “massive fiscal stimulus,” by making direct cash payments to households (‘helicopter money’) and running central-bank-funded budget deficits of 10% or higher

Longer-term Professor Roubini stresses the difficulties that may emerge as a consequence of the fiscal measures being taken in terms of rapidly rising inflation “especially if a series of virus-related negative supply shocks reduces potential growth” as well as what he calls “geopolitical white swans” events such as the outcome of the US presidential election as well as its (current) administration’s disputes with China, Russia, Iran, and North Korea:

“This trifecta of risks — uncontained pandemics, insufficient economic-policy arsenals, and geopolitical white swans — will be enough to tip the global economy into persistent depression and a runaway financial-market meltdown”.

There is a danger of countries being so indebted that they cannot afford the measures he advocates a vista that may be faced by many others in the medium-term. As Professor Roubini asks, “Who will bail out governments, corporations, banks, and households in emerging markets?”

Earlier this week the [*Financial Times*](#)’ markets editor Robin Wigglesworth described the concerns of one investor, Alan Waxman, the head of Sixth Street Partners, the \$34bn-in-assets credit arm of private equity giant TPG, that the impact of Covid-19 may be being underestimated by investors may. As we’re already seeing, most especially in travel and airlines, companies, starved of revenue may face a “full-on” liquidity crisis resulting in “unprecedented revenue destruction”.

It is precisely to avoid the current crisis caused by Covid-19 turning into a downward spiral that governments are engaging in measures that, in normality, would be inconceivable. Nonetheless, according to Ben Winck in [*Market Insider*](#) article ‘Goldman: 4 reasons current bear market is worse than past crashes’. Goldman Sachs Bank chief global

equities strategist Peter Oppenheimer, based on analysis of 27 bear markets since 1880, thinks that the “one-off ‘shock’” and particular circumstances that exist, may mean that recovery will be far more difficult than any previous financial crisis.

For the majority of people, especially those already affected by Covid-19, including the almost 500,000 people in this country who’ve applied for universal credit in the last two weeks, as well as those lucky to not yet feel its impact, that is profoundly worrying.

According to projections by the World Trade Organization the economic downturn and job losses resulting from the Covid-19 pandemic are likely to be worse than the recession caused by the GFC in 2008. WTO director general, Roberto Azevêdo warns that their data shows that there has already been “a very sharp decline in trade”.

There are many ifs that are yet to be manifest in the ongoing crisis.

Beyond the inevitable deaths pressure on health provision in coming weeks, leadership of the highest calibre is essential.

Let’s hope that leaders in all spheres remember the sentiment of Kipling’s poem If. In particular, “If you can meet with Triumph and Disaster, and treat those two imposters just the same,” and “If you can keep your head when all about you, Are losing theirs and blaming it on you.”

Dr. Steven McCabe is co-editor of *Brexit and Northern Ireland, Bordering on Confusion* (published by Bite-Sized Books, ISBN-13:978-1694447807) and contributor to *Boris, Brexit and the Media* edited by Mair, Clark, Fowler, Snoddy and Tait (published by Abramis Academic Publishing)