The background of the cover is a dark red color. It is covered with numerous stylized illustrations of the COVID-19 virus, which are depicted as dark red spheres with prominent, rounded, light-colored spikes. A large, semi-transparent red triangle is positioned in the lower-left corner of the cover, partially overlapping the text area.

COVID-19 BRIEFING

SPECIAL REPORT

thebusinesslyear

THE BUSINESS YEAR: COVID-19 BRIEFING SPECIAL REPORT

Though the obit for the pre-covid world economy may not be written for years, several things are manifestly clear: first, the world is in a revolutionary situation. Trillions of dollars that existed in late February have been wiped away, while trillions more have been created out of thin air by central banks since mid-March. Who gets this relief and who doesn't will determine the size, shape, and scope of the global economy for the coming decade.

Second, the crisis has revealed hidden strengths and hindering weaknesses that will determine individual countries' recoveries. Vietnam, for example, despite its comparatively low per capita GDP and access to tech, has done better than any in containing the virus. Whether by mobilizing medical student battalions or calling upon its vast network of spies and informants to monitor the whereabouts of sick people, it has (on paper at least) kept cases to merely several hundred.

This brings up the third great question: whether COVID-19 represents the victory of authoritarian over liberal capitalism, given the latter's ability to not only crack down on, but also track down, its citizens. Though still too soon to say, and even a bit disingenuous—no one, after all, will be a net "winner" from the coming economic crunch—even raising the question betrays a shocking collapse in self-confidence in the West.

Much of that is because life as we knew it—which many are right to admit was not ideal—will not be the same. The tourism, transport, entertainment, education, food and beverage, military, and logistics sectors will all take huge, possibly permanent, hits. While the WTO expects world merchandise trade to shrink by up to 30% this year, China is on par to see its economy shrink for the first time in 40 years, while Africa heads for its first recession in 25.

Certain sectors, however, will thrive in the new post-COVID-19 economy. In line with the broader provincialization of the global economy—a world in which we have less work, less disposable income, less commuting times, less access to consumer goods, and hopefully less bullshit in our lives—we will have more time to be more creative. Which individuals, firms, organizations, and countries alike will have to become.

Economically, this means more telecommuting, telemedicine, cashless payments, and tele-education. Culturally, more regional travel and locally sourced products. From the perspective of urbanism, the new provincialism will also increase the importance of mid-sized cities whose infrastructures are more sustainable. We are entering a brave new world in 2020, which though painful now, needn't be a bad thing. The opportunity, and necessity, of making capitalism more sustainable could not have come sooner. **X**

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ISBN-13: 978-1-912498-48-2



9 781912 498482

ISBN 978-1-912498-48-2
www.thebusinessyear.com

FOCUS

The economic impact of the Spanish Flu

LESSONS FROM HISTORY

Countries with greater mortality rates saw GDP fall by 6-8% as a result of the Spanish Flu, though manufacturing wages rose in places most battered by death, and cities that implemented the strictest measures saw the quickest return to growth.

IT IS DIFFICULT to disaggregate the effects of Spanish Flu of 1918-19 from a world already coming apart at the seams after four years of global conflict. Thought to have infected one-third of world's 1.5 billion people, the Spanish Flu killed up to 50 million worldwide. While the US got off somewhat comparatively easy, with a death rate of "merely" 0.64%, it still lost around 600,000 people, while the UK lost a quarter million and France and Japan 400,000 each. Iran, once again bearing the brunt of the epidemic, may have lost 2 million people, nearly 20% of its population.

While policymakers and pundits debate the cost-benefit analysis of NPIs, i.e. non-pharmaceutical interventions such as social distancing and the closing of schools, churches, and businesses, it is worth taking a look at the data from the last global pandemic to determine how lasting its economic effects were. Since more research has been done on the US, our focus shall center there.

The single largest difference between the Spanish Flu and COVID-19 is that the former took those in the prime of their lives, namely between ages 18 and 45 (older generations had been exposed to a virus in their youth that gave most immunity). As such, the economic fallout from the Spanish Flu could be expected to be far worse. For starters, as researchers at the Federal Reserve Bank of St Louis showed in 2007, the Spanish Flu caused manufacturing to decline by 18% in 1918-19, chiefly caused by huge dips in both supply and demand.

Unsurprisingly, the service and entertainment industries were hit the hardest, while those specializing in healthcare products did well. In the days before broadband internet, the other big winners were mattress and spring suppliers, given that doctors' best advice back then was simply to stay in bed. Contrast this with today, where the doctors' orders are to watch lots of television, and it is not difficult to imagine which sectors will at least momentarily shine.

The death rates, and hence immediate economic impact, were far higher in certain American communities: namely dense, polluted ur-

ban environments and places where workers were in close contact with one another. Mining towns were particularly hard hit, with the town of Coalfield, Tennessee reporting at the height of the crisis in the autumn of 1918 that only 2% of the town was "well." Population densities were also to blame. Though the US was only 51% urban in 1918, compared to 82% today, it had an average 4.53 people per household, compared to 2.43 people today, the average size of which was 100sqm then (compared to 220sqm today). Moreover, mobility between city and countryside was less acute.

What, then, were its effects? Just like the Black Plague and so many epidemics before and since, the Spanish Flu drove up wages, particularly in manufacturing. The paper by the St Louis Fed also found a significant relationship between statewide mortality rates and subsequent per-capita income growth by 1930.

A more recent paper by the Federal Reserve Bank of New York showed that cities that intervened earlier and more aggressively saw a greater recovery once the pandemic passed, including "relative increases in manufacturing employment, manufacturing output, and bank assets." As far as manufacturing goes then, lost ground was made up. Across the world, however, a paper earlier this year from Barro et al. found that higher mortality during the Spanish Flu lowered real GDP by 6-8% in affected countries.

Though economies suffered greatly from the Spanish Flu, the economic pain still paled in comparison to the effects and fallout of WWI. Where the biggest long-term effect may have lain, however, was among those born during the epidemic. A recent study from Columbia University and the National Bureau of Economic Research has shown that the "flu-born cohort" achieved lower educational attainment, had increased rates of physical disability, lower lifetime incomes, and a lower overall socioeconomic status than those born before or after the flu. As if we needed one more reason to maximize every possible NPI until the curve is flattened. 

The military barracks of the First World War were fertile ground for the spread of the Spanish Flu



FOCUS

The impact on megacities

WANING ONESELF OFF THE MEGACITY

WHY COVID-19 FORCES A RETHINK
OF URBANISM AND BOOSTS THE
IMPORTANCE OF MID-SIZED CITIES.

WHEN LONDON overtook Beijing in the 1820s to become the world's largest city, it had 1.35 million people. Then governing a global empire of 70 million people spread across four continents, the British capital had merely 10% of the population it does today (to govern a similar number of people now mostly living on one mid-sized island). On the other hand, the 1.3 million people of Beijing, capital of the world's largest land empire since the 13th century, governed 381 million people. However exploitative, it would seem, throughout history the human needs of the administrative state have been comparatively small.

The industrial revolution changed all that. By 1900, London, still the world's largest city, had quintupled to 6 million people (to govern an empire that had grown to 384 million), while New York City, which would overtake it in the 1920s with 7.7 million, governed none but the commercial appetites of the young American republic. When NYC was eclipsed by Tokyo in the 1950s, they were the only two cities on earth with over 10 million people. Today, on the contrary, the world boasts 37 such megacities.

While impressive on paper, it is far from clear that megacities have done the world, or even their inhabitants, many favors. In our strangely configured 21st century, the world today boasts dozens of cities over 5 million people without a single world-class museum, park, university, or even metro system to speak of.

Of growing pains, of course, we can speak. But as Lewis Mumford warned in his magnum opus, *The City in History* (1961), "When the city ceases to be a symbol of art and order, it acts in a negative fashion: it expresses and helps to make more universal the fact of disintegration." Already by the mid-20th century, he bitterly complained, the world's megacities, including and especially those of the US, had given form to a kind of social life that "was not a temporary confusion and an occasional lapse in efficiency [but] a crystallization of chaos... and social derangement."

"The world city in order to function," he wrote in the same book, "as such requires a world order." On the contrary, "A world in disorder can find no use for such a city, except to make it a center of political aggression and financial aggrandizement."

Though it's far too soon, and much too exaggerated, to speak of global breakdown, it is clear that globalization will enter a new phase in the wake of COVID-19. More decentralized, provincial, and dispersed, the global economy that emerges will be more encumbered by borders, regulations, hygienic standards, and travel restrictions.

But it will also move at a more measured pace. It will be less mobile, and less frenzied. Though megacities will not shrink over night, they should see their stars fade. In richer economies, for example, the option of commuting will become more of a reality for millions of workers. While the office is still the best incubator of ideas and creative collaboration, after a 2-3 month taste of not commuting, many workers will be loath to go back to riding the bus five days a week. In addition to reducing traffic, this will also boost the appeal of medium-sized cities that have the human capital and IT infrastructure to reemerge from the storm without the overhead costs of operating in an expensive capital. Already companies such as WeWork are taking a historic beating, suggesting the enormous property bubble in many of the world's most in-demand cities is already popping.

As telecommuting, telemedicine, and online education grow more viable and even conventional as a result of COVID-19, so will the attractiveness of mid-sized cities. Though many will lack the arts and entertainment of the great metropolis, as sectors most battered by human contact, these for a time will recede in people's grand scheme of priorities. What's more, after 6, 12, or 18 months of home entertainment, it is unclear how quickly demand will return for major sporting events, concerts, and exhibitions—at least as long as people's pocketbooks are in a comparative pinch.

Finally, mid-sized cities are more sustainable than megacities. With more green space, closer access to the countryside, better hospital bed-to-resident ratios, lower costs, and equal access to tele-knowledge, to use a distasteful turn of phrase, mid-sized cities are also better equipped to weather future storms. Not to mention more livable. Of the world's "10 most livable cities" in 2019, four had a million people or less.

Which shouldn't take the wind out of megacities' sails either; as Mumford reiterates time and again, it was often during their greatest economic crises that world cities such as Vienna, London, New York, and Berlin were able to build many of their playgrounds, parks, and public universities. "Life-values came back to the city," he wrote, "only after financial values had been deflated." If true, COVID-19 could be a blessing in disguise for large and medium-sized cities alike. *



**Pope Francis delivers
a message to the
world during an Easter
sermon at the Vatican**

FOCUS

The road to recovery in Asia, Europe, and North America

STAGGERED RECOVERY

WILDLY DIFFERENT RESPONSES TO COVID-19 WILL ALTER THE ECONOMIC RECOVERY IN EAST ASIA, EUROPE, AND NORTH AMERICA. YET WHATEVER THEIR COMPARATIVE RECOVERIES, UNTIL GLOBAL FAITH IN THE FREE MOVEMENT OF CAPITAL, GOODS, AND PEOPLE IS RESTORED, WE ARE HEADING FOR A NEW PROVINCIALISM.

PANDEMICS can have a sick sense of humor. While the individual is left in an embarrassing lingo, an emotional pendulum somewhere between paranoia and stoicism, states have an even more difficult decision: whether to shut it all down and risk economic collapse, a fate that societies premised upon endless growth can ill afford, or keep the party running and risk widespread death. Even now, with New York under a state of siege, many are the American voices who claim we're overreacting, chomping at the bit to get back to their 9-5.

But one thing is becoming clear: countries' recoveries are highly contingent on how quickly they responded to COVID-19 in the first place. Economic data from the Spanish Flu shows that American cities who reacted the most aggressively also saw the quickest recoveries, largely because their "stock of labor," to put it crudely, remained most intact. The difference between then and now is that the Spanish Flu chiefly took those in the prime of their lives, while COVID-19 prefers the elderly and vulnerable.

Hence the second chief difference between recovery then and now in this age of quantitative easing: how quickly, and comprehensively, states can implement effective aid packages and stimuli. In both regards the world's three predominant economic regions differ.

YET ANOTHER ASIAN MIRACLE

It is no secret that East Asian countries reacted far more swiftly and aggressively to COVID-19 than their western counterparts. Scarred by the memory of SARS, China roped off entire cities and regions. Once the curve was flattened, it began implementing aggressive bio-tracking mechanisms such as "health code mobility apps" that people must show to security before they can enter parks, shops, and other public places. Police are also using face-scanning apps to pull up people's passport photos and ensure they haven't recently been abroad. The irony that recent surges in reinfections have come from foreigners entering China or Chinese returning from Europe and America cannot be understated.

What China did with quarantining and intrusive surveillance, South Korea did with aggressive testing, checking nearly 1% of the population for COVID-19 by the end of March alone. Vietnam, however, is arguably the world's unsung hero, with zero reported deaths into April. Less prosperous than China or South Korea, the country of 97 million has relied on more traditional forms of resilience: the mass mobilization of medical and military personnel, capitalizing on the state's network of informants to report people's comings and goings—particularly if they're thought unwell—and direct and transparent messaging from the state-controlled media.

Nor have other Asian governments shied away from aggressive quarantine measures. While Trump waited until March 12 to ban flights from the EU (at first excluding the UK and Ireland), Vietnam banned all flights with neighboring China on February 1. It even cordoned off large residential sections of the Vinh Phuc province on February 12 after it was learned that workers from Wuhan had returned. Meanwhile, in the Philippines, President Duterte has cordoned off the entire island of Luzon, home to the capital of Manila and some 60 million people, through the end of May. In addition to declaring a one-month state of emergency on April 6, the Japanese government also issued a stimulus package to give USD2,800 to households affected by the economic fallout of the shutdown.

Taken together, these measures suggest that Asia's recovery will be the quickest. To be sure, it will still be a very painful year or two. China already showed its slowest growth in 30 years in 4Q19 and is now on track to contract for the first time since Mao's death. That being said, after 11 weeks of lockdown, trains are once again coming in and out of Wuhan, and manufacturing across the country is rapidly recovering. Overall, it seems, a combination of quicker containment and aggressive top-down surveillance will allow Asians to go back to work more quickly.

THE TYRANNY OF TOLERANCE

The same can sadly not be said for Europe and North America. Though the White House and Congress acted aggressively to pass the largest stimulus bill in history, some USD2.2 trillion, much of that money will sit idle while states scramble to stem the spread of the virus. Indeed, though the US benefits from the fiscal centralization needed to jolt supply and demand back into action once the virus has been contained, it lacks the mechanisms, both material and political, to stem the virus itself—a critical default that will delay America's protracted recovery by at least several months.

In Europe, the problem is two-fold. Not only were attempts to stem the virus checkered across the continent—with Germany not only well-prepared (in terms of hospital beds and test kits) before the onslaught, but far more effective in its response than even, say, the neighboring Netherlands, where people flocked to the beaches by the thousands as late as mid-March—the continent lacks the ability to materially or fiscally respond en masse. Not only did Italy's Mauro Ferrari resign as president of the European Research Council after failing to persuade Brussels to set up a large-scale scientific program to fight COVID-19; upon leaving, Europe's top scientist expressed his disgust at the EU's failure to act with any coordination or foresight whatsoever.

The EU's failure to develop a coordinated response to the virus foreshadows its inability

to fiscally respond in kind. So far, German and Dutch resistance to issuing "coronabonds," the proposal that debt issued to recover from the crisis be collectively guaranteed across the single currency area, has been strong. Why, on top of everything else, ask the Italians and Spanish, should they face higher borrowing costs to recover from a pandemic not of their making?

Didn't the rest of Europe benefit from Italy's early experience in combatting COVID-19? Surely if knowledge was shared at the most critical stages, then in the spirit of solidarity so often uttered by the EU's chief architects and apologists, the recovery should be too. If Western Europeans cannot come together in times of pandemic, the thinking goes in Italy and Spain, the bloc's fourth- and fifth-largest economies, then why heed its cumbersome requirements in times of peace?

Therein lies the crux: both the responses and the recoveries to COVID-19 are provincializing Europe, and probably America too. As smaller increasingly self-contained countries such as Czechia, Austria, and Denmark slowly return to normal, with Denmark cautiously announcing the opening of daycares and kindergarten on April 15 and Austria that of small shops, DIY stores, and garden centers on April 14, the impetus to "go it alone" will only grow. Yet only, one imagines, so long as its border remains closed with Switzerland, Italy, and Germany, which respectively have 45%, 900%, and 1100% more cases than Austria.

Therein lies another terrible irony. The quicker a country recovers, the less it is inclined to cooperate internationally: for no sooner does a country begin to defeat the virus, as in China, then its suspicion of foreigners, or locals who've been abroad, resurfaces with a vengeance. The greatest recovery, then, will not only go to those who can best contain the virus and stimulate supply and demand through aggressive quantitative easing; it will come quickest to those who can restore popular trust in the free movement of people, goods, and capital. Which as anyone ever caught fibbing knows, is much harder to win than lose. **X**

FOCUS

The fate of damaged sectors



LOSE-LOSE

TOURISM, EDUCATION, TRANSPORT, ENTERTAINMENT, FOOD AND BEVERAGE, DEFENSE, AND GLOBALIZED SUPPLY-CHAINS WILL ALL TAKE HITS. CAN THEY RECOVER FROM THE COVID COLLAPSE—AND, IF SO, HOW?

PAUL VOLCKER, the Chairman of the Federal Reserve best known for salvaging the American economy from the grips of “stagflation” once remarked during the height of the 2008-9 financial crisis that: “The only thing useful that banks have invented in the past 20 years is the ATM.” While times of crisis are often moments of great ingenuity—the Chinese and Israeli surveillance techniques being developed before our eyes are sadly likely to remain fixtures of our societies going forward—they are also moments of great thrift and closet cleaning. Times to sort the futile from the fit.

As George Orwell famously wrote: “In philosophy, or religion, or ethics, or politics, two and two might make five, but when one was designing a gun or an airplane they had to make four.” The same could be said for post-COVID-19 economics. Given

that all but the essentials of most global economies have been shut down, the eventual “return to normalcy” will not be so normal. Certain sectors will see permanent reductions, if not be dispensed with altogether, while others will never regain their pre-March 2020 luster.

Of those most effected, travel, hospitality, food and beverage, and the cruise ship industry will take the most obvious hits. As bitter memories of isolated and repeated rejection, itinerant freights of slowly moving death, cruise ships are likely to never recover. But the global travel industry will also take a resounding hit. Though it could pick up pace again within 12 months, depending on how strongly the virus reemerges in the fall, we are highly unlikely to see the same levels of international travel we saw before March 2020 for several years.

After all, for decades international travel saw historic increases every year but 2009, when the global financial crisis caused it to decline by merely -0.4%, according to the UN’s International Civil Aviation Organization. With global growth contracting -0.5% in 2009, according to Nouriel Roubini, the dip in travel was comparably mild. Compare this with expectations that global GDP could fall by at least 20% this year, and the forecast for travel is much darker.

ROOM WITH AN INWARD VIEW

COVID-19 effects minds and mobility as much as the velocity of money. For a time, people and companies will not only have far less disposable income for travel; for fear of contracting the virus,

they won't have the stomach either. This is why though luxuries of every kind will take a battering, few will be as major as that to travel, hospitality, and tourism. And however less (socially) effective, organizations the world over will also grow used to the savings made possible by conference call, making long-distance travel more of the extreme luxury it was for most of human history.

The food and beverage industry, which accounts for 5% of GDP, 10% of employment, and 10% of disposable income in the US, will also see a historic battering. Given their centrality to human happiness and sociability, restaurants will reappear once the virus has been defeated, but much fewer and far between. Sadly, the industry's recovery is likely to hit older and independent businesses the hardest, while more recognizable franchises find the capital to reopen more quickly. Though a travesty for patrons and restauranteurs alike, not to mention human culture, those franchises that manage to convey a sense of authenticity and unique value offering will see their stars rise.

THE ARTS UN-SPARED

The sports and entertainment industry, which makes up over 4% of GDP in the US, will also see a battered and disjointed recovery. On top of no films being made this year, the very idea of gathering in large public places to enjoy what can be relished from the comfort of one's couch in perfect safety will take much longer to revive. Granted, when Hong Kong briefly reopened for business in late March, it handed out free masks to filmgoers. But the allure of risking life (if not limb) for a French romcom or a banal remake will be minimal for some time.

Sadder still, niche entertainment markets such as IMAX films, which rely largely on museum foot traffic, may never recover. While major operations with deeper pockets—the Met, the Louvre, the Chicago Museum of Science and Technology—will reemerge almost unscathed, provincial museums, theatres, and exhibition halls the world over will need an extraordinary hand up if they are to be resuscitated. Governments and wealthy patrons alike take heed.

The education sector will also see a major transformation. Though it is far from clear how useful zoom is as a teaching method—one suspects nowhere nearly as much as it is claimed—a Rubicon

of sorts has still been crossed. For administrations the world over have seen how quickly entire costly departments can be reduced in minutes to a set of basic software.

Though these fall far short of the real thing—the point of primary education, after all, is to socialize children, while that of post/secondary education is often to make friends and find a mate—online courses are still likely to play a much larger role going forward. At the university level, for example, less remunerative departments such as philosophy, English, and history could see themselves relegated to the internet, their hardware and infrastructure handed over to expand AI, machine learning, medical research, and computer science labs.

WHEN WAR DOESN'T PAY

For those of you who thought there wouldn't be good news, think again. For another great unseen loser to covid may be military departments around the world. For starters, war is always harder to wage in times of epidemic. Though this hasn't always deterred military leaders throughout history—the last year of WWI alone saw sweeping outbreaks of typhus, TB, and pneumonia in addition to the great Spanish Flu—life in the 21st century is not quite as cheap. Unless militaries reconfigure themselves to combat infectious diseases, they are likely to see their budgets squeezed, and their adventures curtailed, while money for research and development in healthcare takes precedence through at least 2022.

Finally, global supply chains will also take a battering. As people not only tighten their belts over the next 18 months but grow wearier of overextending themselves, we are likely to see a provincialization of supply-chains in most things outside pharmaceuticals and healthcare-related products. Gone will be the days in which “the inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep,” as John Meynard Keynes wrote of the world before 1914, at least for a time.

This does not mean that people will lose their appetite for life's niceties; they will merely regionally refine them. As the drawn-out recovery begins to kick in, the race will be on for the companies and products able to imagine and supply these. ✎



A woman practices yoga via an online course in Rome

THE CENTRIFUGAL UNFOLDING

TELEMEDICINE AND E-COMMERCE WILL BE THE TWO GREATEST VICTORS OF THE POST-COVID-19 GLOBAL ECONOMY, THOUGH REGIONAL TOURISM AND ARTISANAL PRODUCTS WILL ALSO BENEFIT FROM THE COMING PROVINCIALIZATION OF THE GLOBAL ECONOMY.

GIVEN DOCTORS' sole recommendation that patients keep to bed, only two sectors thrived during the last global pandemic (the 1918 Spanish Flu): drug stores and mattress spring-makers. Not long afterward, mainstays such as manufacturing and transport recovered, and the world largely restored to its frenzied pace by 1920-21. Why should this time be any different?

For starters, because the world is infinitely more interconnected than it was a century ago. Countless companies, organizations, products, and even personal relationships rely on intricate international networks of sourcing, supply-chains, hiring, and travel. In a world made provincial for anywhere between 6-18 months, if not more, many of these will collapse. And those who survive will be far wearier of overstretching themselves.

Other sectors, of course, will thrive amidst the current crisis, starting with our most basic needs. Milk, flour, sugar, salt, vegetables, bread, coffee, chocolate, paracetamol, and other basic pharma goods will take precedence, followed closely by puzzles, Netflix, Babel, mail-order burritos, and divorce and bankruptcy lawyers. Cookbooks will also take off, in addition to whichever grocery stores can optimize their food delivery services.

Therein lies the real crux: already a dying sector, in rich economies retail of every kind will find itself replaced by e-commerce. Though many before COVID-19 were uncomfortable getting more than socks and shoes online, that too will change. After 3-6 months of living life through a portal, many will not hesitate to continue ordering clothing and apparel, household appliances, and even groceries online after the storm recedes.

At the national level, ensuring access to broadband must become an adamant priority. Though

Zoom is overhyped and cannot replace the social aspect of education, it will help companies, universities, and organizations the world over trim costs. Apart from increased telecommuting, the industry most likely to see a boost from COVID-19 is telemedicine. Especially given that people are weary of visiting congested places such as the hospital or even the parochial doctor's office, a large percentage of routine medical interactions could soon move largely online. This includes medication refills and check-ups and diagnoses for colds and rashes, urinary tract infections, birth control and fertility, and mental health.

This last sector will be particularly crucial. With insurance companies in many American states now required to insure online mental health consultations, this market could see the single largest increase. With reduced overhead costs, the cost of consultations should also go down.

Regional tourism will also increase. Instead of flying to Mexico, Washingtonians will drive to the Smokey Mountain National Park, while Istanbulites forgo weekends in Vienna and Prague for outings to the southern coastline. Whether cheese, beer, or chocolate, local and regional brands will also fare better as global supply-chains contract, giving local producers who can respond the quickest to increases in post-COVID 19 demand the greatest advantage.

Finally, the nature of transactions themselves will change. Though the use of cash has been long on the defensive—its treasured place in (mostly) victimless crimes will see that it always has some small but crucial role to play—COVID-19 will come that much closer to giving it that final push. As people not only flock to cashless online purchases for everything from meatballs to mental health, they will also increasingly balk at handling stinky bills that have passed through hundreds of other possibly infected hands. Expect the dark web to start offering more accessible “cashless” solutions, whether it is bitcoin or something even easier. Fintech, then, though a broad basket, should also see its star rise.

No matter how bad the coming contraction, the world's 7.8 billion people still need to eat, drink, and, where possible, be merry. Though their recreational habits will be curbed, those who offer the most affordable and sustainable options will fare the best. Though tragic, a transfer of wealth from the prematurely deceased elderly to the healthier and more flippant young should also boost essential consumption of all kinds. While many forms of conspicuous consumption take a mid-term back-seat, this needn't be such a bad thing. ✎

FOCUS

COVID-19 and the green economy

LEANER & GREENER

CRISES ARE MORE THAN OPPORTUNITIES TO REMAKE SOCIETY; THEY'RE OFTEN LONG OVERDUE REMINDERS THAT STRUCTURAL CHANGE IS NECESSARY FOR CIVILIZED SURVIVAL. AS POLICYMAKERS AND CENTRAL BANKERS DECIDE WHICH ECONOMIC ACTORS GET TO LIVE AND WHICH MUST DIE IN THE COMING MONTHS, THE OPPORTUNITY TO BUILD A GREENER ECONOMY FROM THE FOUNDATIONS UP HAS NEVER BEEN GREATER, OR MORE URGENT.

COVID-19 is exposing far more than the underbelly of many rich economies' inadequate healthcare systems: it's also shutting down all but the most essential services. In doing so, it is exposing the extent to which service-based economies—ones that thrive on food and beverage; retail; legal and security services; barber shops and beauty salons; street hawkers, palm readers, and personal trainers; and even education—are wholly secondary to staying alive.

For East Asian economies that quickly shut down, the return to a semblance of normal may be nigh—possibly even including their service sectors. As with the American cities that responded the quickest to the Spanish Flu in 1918, their recoveries will be the fullest. In the US, however, where the fiscal and monetary responses were timely but the shutdown itself was staggered and haphazard and the healthcare infrastructure wholly inadequate, even talk of economic recovery is premature. And the longer the virus and shutdown drag out, the more 'superfluous' entire sectors of the service economy will become.

This is partially because central banks now control the fate of entire economies. With publicly backed credit most companies' only lifeline for the next 6-12 months, survival will be incumbent upon convincing central banks of one's utility. This, in part, will function as a kind of litmus test, to determine who survives and who doesn't. It will be socially determined—i.e. by who you know and how important your company is considered to the survival of society—on both a micro and macro level.

Richard Branson, for example, who lives in a Caribbean tax haven, is now begging the Central Bank of England for GBP500m to save Virgin Airlines. Though the most recognizable, he is but

one of many travel and tourism companies that will fail, partially for his personal lack of tact, but mostly because the government's far more pressing task of saving lives and minimizing unemployment. Though stewardesses and pilots need jobs too, beach holidays will take a back seat for at least several years to come.

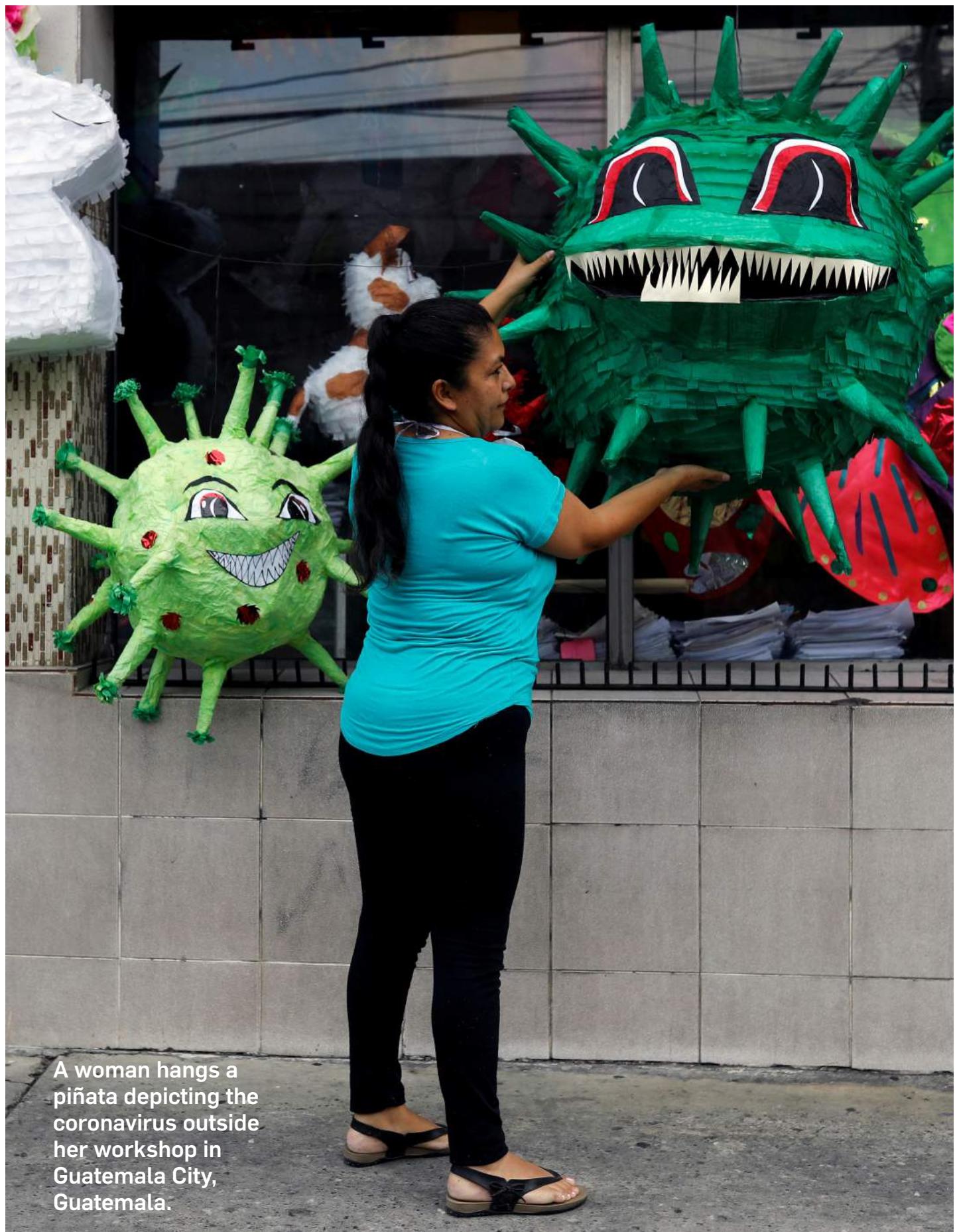
This is the sustainable silver lining of COVID-19 and the great green opening it makes possible. For while every facet of the service sector will need rescuing in the coming months, none will be more immediate than transport, rich economies' largest polluter. Accounting for 28% of carbon emissions in the US in 2018, this sector outdid electricity (27%), industry (22%), and agriculture (10%) alike. With central bankers now in a position to decide which airlines, automakers, and bus companies survive, the ball is in governments' courts to ensure that bail-outs be sustainable.

Consider, for example, the fact that all of the UK's privately-run bus companies (which service every city but London) could soon go under. In saving or replacing them, the government should require that all new buses be electric. The same must be extended to airlines receiving bailouts, for example, by making life-saving loans contingent upon their achieving far greater fuel efficiency standards. Loans to automakers must follow a similar pattern.

For the truth is this: the only thing keeping entire economies on life-support are governments' abilities to borrow at some of the lowest rates in history. This has created a perfect storm of "need, opportunity, and firepower," as Mathew Lawrence, the founder of Common Wealth, a leading UK think tank, told The Business Year, for governments to hit sustainably and hit hard.

As we witness anew each day, the right monetary and fiscal policy can unlock trillions that didn't exist even weeks ago. As leading governments convene in the coming months to put together the largest coordinated fiscal stimulus package in history, the opportunity to invest in greener sectors—for starters, in low-carbon ones such as healthcare—is unprecedented.

Sadly, huge swathes of the service economy will not be salvaged. But if stewardesses can transition into healthcare workers, to take but one small example, then the fallout and recovery from coronavirus, both socially and economically, will not prove entirely in vain. And though no consolation now, whatever companies survive the fallout—or muster the credit to start from scratch in its wake—will also prove more adept at "onshoring" their manufacturing and reducing their overall carbon footprint as much by diktat of mother earth as Adam Smith. 



A woman hangs a piñata depicting the coronavirus outside her workshop in Guatemala City, Guatemala.



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