Staying positive

Nico Aspinall explains why he remains optimistic in the midst of Covid-19 shockwaves

The coronavirus crisis has provided a profound shock to the global economy, to financial markets, to the model of a non-interventionist government of a free market, and of course to us all as individuals and society as a whole.

Everything is being transformed by this crisis, but I remain optimistic that we could see a better society as a result. However, the course through will be painful and highly uncertain. We should expect the unexpected and can only do this with a realistic assessment of the predicament we find ourselves in.

The lockdown has brought the global economy to a grinding halt, with estimates of the impact on global GDP for 2020 looking far worse than the global financial crisis of 2008-09, and possibly overtaking the depression of the 1930s in terms of sheer economic destruction.

In the UK there have been a number of policy interventions that are aimed at softening the blow, including a government guarantee of new lending to business, the government's job retention scheme to pay 80 per cent of wages of staff who are 'furloughed' and the Bank of England's acceptance that it should be financing the fiscal deficit by essentially printing money rather than relying on tax rises.

Similar measures are being pursued around the world. The state is intervening directly to support business and employment and printing money to do so. This is not what our recent experience of capitalism has looked like.

All in all, radical policy interventions are taking place much faster than in response to the great depression of the 1930s; and indeed faster than in the financial crisis in 2008-09. Ultimately the model of private enterprise and employment that has flourished since the industrial revolution is severely challenged. Financial markets are based on this model of the economy.

In the face of this uncertainty it was no surprise that the steepest ever decline in global equity values occurred between 19 February and 23 March.

Bonds have had performance generally divided between lending to governments, which acted as safe havens and went up in price; lending to well-rated corporations, which have held up or improved in value; and lending to poorly-rated companies, which have fallen in price. Both equities and bonds have had distinct sectoral impacts within the broad analysis with healthcare and groceries booming and tourism, entertainment and energy crashing.

When the economy's in bad shape and markets are volatile, there's a knock-on effect on pension savings, which are invested in shares and bonds. So it's a worrying time and investment decisions should not be taken without realism, but at the same time I believe there are reasons for us to count our blessings here.

At no other time in history could humans have provided such a deep and extensive resource of academic medical, vaccine and drug development research to search for preventative measures and treatments and such a deep and well-resourced network of healthcare professionals to reduce the mortality of infection. And to so comprehensively abandon outdated understandings of the meaning and role of money such that the money presses can be set to address the economic effects. "We will do whatever it takes" is a mantra of this new era.

Meanwhile, people have coped marvellously with enforced lockdown, and much of that is down to revolutions in information technology bringing us closer together despite our physical distance. Like many others, our team has been working remotely throughout lockdown. Technology means we can keep in touch and monitor everything in real time on a global scale, and that simply wouldn't have been possible just 20 years ago.

There are grounds to hope that we will look back on this as a blip, possibly a long one, in an otherwise uninterrupted journey of human progress. We cannot know for certain what comes next – and much depends on scientific developments. We should recognise we are lucky to live in these times and come together to make the world a better place, in whatever ways we can.

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