

HERMIT HERALD

VOL 1 ISSUE 32

MAY 24, 2020

QUOTE FOR THE DAY:

“The greatest threat to the world is not missiles, but microbes.” Bill Gates 2015.

A POTPOURRI OF COVID 19:

Our readers were spared coronavirus (CV) topics in issue 31, so we have some catching up to do. Until yesterday, I had been unfamiliar with the above quote, but it echoed what I said in issue 29; that an atomic bomb in one of our major cities would have fewer consequences for the country than the CV.

When you think about it, it's only been since mid to late March that the country went into a rolling lockdown. In that short period the economy has come to ruin and the CV has claimed 100,000 lives.

Let's take a moment to look at the economy. I believe a principal reason for the economy's sudden demise is due to large segments of our country living on the edge – think – individuals, private businesses, restaurants, state and local governments.

Individuals: Are you aware that only 41% of Americans would be able to cover a \$1,000 emergency with savings? The statisticians report that the average cost of an unexpected emergency is \$3,500. Compounding the plight of this 41% is the fact that three in ten Americans have no emergency savings. In short, over 70% of our citizens are living on the edge with no ability to handle financial downturns. A subset to the plight of individuals, and separate from the CV issue, is income inequality in the U.S. I have a keen image in mind. In 1975, a newly minted vice president at Bankers Trust Company made \$25,000 and the President of the bank made \$250,000. In many industries today, that 10X factor in 1975 is a 100X to 1000X factor today, with similar percentages pertaining to many senior officers, while the average worker struggles to keep up with the cost of living.

Private businesses and restaurants: Here leverage is the name of the game. You want as big a foot print as possible as you start your business or restaurant, with the latter being the prime example. Good location = expensive lease payments. Then you take out as large a loan as you can get, spend that on lease- hold improvements and hire staff. With all your fixed expenses, it is required that you have a high level of revenues per seat from the first day. You are on the edge, with little tolerance for the downside. It is estimated that one quarter of all restaurants will not reopen.

State and municipal governments: As reported in issue 30, with major reductions in tax revenues, the pain is only just starting to be felt. On top of which, many states have substantially under funded their pension plans. The net effect will be sharp reductions in policing, education, sanitation services, etc.

Basically, being a service and consumer based society, we've all been living high on the hog. Brings to mind the parable of the lazy squirrel who frolicked and didn't save nuts while the

other one did. So, that in a nutshell (no pun intended) is, in major part, how America finds itself on the brink of disaster in less than three months time.

But, wait – there on the horizon, on that white stallion, a figure hard to make out. Is it Santa Claus? No, as he comes closer, it's none other than Uncle Sam. Ok – a poor attempt at humor, and don't misinterpret what I am about to write, because we have to have this support from the Federal government. I'm just confused where the money is coming from. You may recall a few issues back I tried to create a visual image of what 230 million unemployed people look like. Well, let's try to envision what really big dollars look like. Starting with the little stuff. A billion dollars is 1,000 million dollars. Moving up to the major league, a trillion dollars is one million dollars times one million dollars, or, 1,000 billion dollars.

So to help rescue the individuals, companies and restaurants, various stimulus packages have been put together totaling close to three trillion dollars. To a good number in Congress,

even more has to be done, and don't forget about the states. I've seen different numbers, but an additional 2 to 3 trillion is being discussed.

OK, wrapping my mind around these numbers and understanding where the money comes from is way above my pay grade. What do we do besides print the stuff? We must be having to give someone some IOUs, and promise them California if we default. Perhaps a 100 year bond might give us a chance to repay the loan.

A TRAGIC BACKWARD GLANCE:

Much has been written lately about the modeling that has been done to reflect how many lives would have been saved had various states gone into lockdown earlier. Let's also remember here that it has been up to state governors to take action as appropriate for their own states.

Going back more than a month, you may recall that Dr. Frieden, President Obama's head of the CDC for seven years, said that if Governor Cuomo had locked down NY a week earlier,

5,600 lives could have been saved. Now it is being reported that by Governor Cuomo waiting until March 22nd to start lockdown, the state lost 17,581 who need not have died. Of course New York has been the epicenter, but even so, it accounts for 49% of the 36,000 lives that could have been saved with earlier lockdowns across the country.

Another startling statistic, as long as we're looking in the rear view mirror; with less than 5% of the world's population the U.S. has 30% of the world's CV cases, but the death rate tells a different story, and that has to be the most important metric. As a number of deaths per 100,000 here are the stats: Belgium, 77.4; Spain, 58; Italy, 51; UK, 50; France, 40; Sweden, 38; Netherlands, 32; Ireland, 32; U.S. 25.7; Luxemborg, 17.9; Germany, 9.9; and those pencil thin, bike riding Danes, 9.7.

THE GREAT RACE:

Just using the word, race, implies there will be a winner and losers. Not so in the great vaccine race. With over 2 billion people on the planet the experts say that many vaccines will be

needed, so the more approved vaccines that come out – all for the betterment of the world. I don't think anyone is interested in the intricacies of how vaccines are developed as opposed to where the promising ones are in the pipeline. Most of these we have touched on before.

AstraZeneca is spending up to \$1.2 Billion on the vaccine we discussed that has been developed at Oxford University with phase 3 trials with 30,000 people in the U.S. this summer.

Moderna's results have also been very encouraging with their vaccine showing consistent development of antibodies, albeit in a small sampling. In conjunction with Operation Warp Speed, Moderna is also hoping to go to phase three trials this summer.

CanSino Biologics in Tianjin, China has also had very good early trials, but appears to be slightly behind Astra Zeneca and Moderna.

Bottom line is that there is a chance a vaccine could be approved by this Fall. Getting the

public in for inoculations is another story. First of all you have to prioritize who gets the vaccine first. Obviously, first responders, doctors, nurses and all who come in regular contact with patients. But, then who? Blacks, with a high susceptibility? People with serious other conditions that make them easy targets for the CV? Older people in general? People in businesses where they have to constantly interface with others- fast food workers, waiters, waitresses, etc? And then, will a black market come to exist? Instead of a free shot, will wealthy people be able to jump the line by going to their own special provider and paying \$100 to \$500 for protection? From what I read, if a vaccine were approved this Fall, you might have to wait until June or September of next year to qualify for your place in the queue.

AND FINALLY, SOUTHEY'S, "SOLD, FOR \$560,000.":

**Wow! Must be a lost Caravaggio. No? Then, what? Well, you guessed it, Michael Jordan's sneakers from his rookie season. These fans are called "sneaker heads". Go figure.
Your faithful scribe, PB**

