

And what comes next....

An Essay on the impact of COVID - 19 on cities and towns

Episode 1 - Impacts of COVID -19

The impact of COVID-19 is unfolding. The pictures of seriously stressed health systems in Europe and USA are highly distressing, and the infection is yet to peak in other parts of the world. It will only be brought under control when a vaccine is developed and this is at least twelve months away. Until it arrives our best strategy is low tech, and one that has been used for millennia in the face of epidemic - lockdown, social distancing and washing. Even if a vaccine is developed quickly we are now living in a COVID world that will not return to its pre-COVID state.

While in a historic context there have been worse diseases and epidemics¹ the impact of COVID-19 is exacerbated by the fact that it is highly infectious and has spread globally in a very short time. While the low tech management solutions are working, the economic and social costs have, and will continue, to be huge even after the vaccine arrives.

Human beings however can be incredibly inventive, resilient and resourceful, and this article has been written for those who, like me, are already working out the shape of the COVID world and how we should live in these times.

Given the fluidity of the situation this assessment is not a coherent or logical analysis, rather its placing a series of jigsaw puzzle pieces out on the table and then leaving the way open for the question "and how will we fit these together?". So let's plunge in.

We are fallible: While humanity has been living with plague, famine, pestilence for the hundreds of thousands of years that we have been humans, the current living generation has seen the less of these than any previous generation, particularly if you live in the wealthier countries.

The legacy of the Enlightenment, modernism and benefits of the scientific and technological revolutions is the belief that we collectively are immune to historic sufferings. Neo-liberal economics and politics have promulgated the myth that the pursuit of individual happiness is the highest human calling, is a demonstration of personal freedom, and this can be achieved by an ever increasing pursuit of, indulgence in, and displays of wealth - at the expense of all else. And if we are unable to access such wealth then the aspiration to attain it is seen as a good initiative.

And COVID has challenged all of this. As H.G. Well's technologically superior Martians that invaded earth were defeated by earth microbes² so our belief and trust in the neo-liberal prescription of economic success and identity has been seriously challenged by COVID.

The rich will get richer: As Warren Buffet said "be greedy only when others are fearful"³. Inevitably individuals and corporations with a lot of money will have repurposed complex networks of investment and tax minimisation structures to squirrel away their wealth in anticipation of being

¹ The Case Fatality Rate (CFR) from COVID infection is somewhere around 4-6 %, some references place this as similar or higher than the 1918 Spanish flu epidemic. Two viruses related to COVID, MERS and SARS had CFRs of around 34% and 14% respectively however neither of these were as infectious as COVID. HIV has a CFR of 90 - 100% and the recent Ebola outbreaks in Africa the CFR was around 50%. In the 14 Century the Black Death wiped out 30% - 60% of the population.

² <https://www.gutenberg.org/files/36/36-h/36-h.htm>

³ Warren Buffet 1987

able to pick up cheap assets at the bottom of the market⁴. And the assets that will come available will be absolute steals.

The question then arises if the wealthy are taking advantage of this situation to further increase inequality will there be sufficient groundswell of the less wealthy to precipitate active and violent revolution. My assessment this is unlikely in Australia, however in countries with a history of people lead revolution it is possible that this would happen, or at least there may be regional or city based conflicts.

Global hotspots will become hotter: Places such as Syria, Iran, Zimbabwe, Nigeria⁵, Venezuela with embedded instability due to political dysfunction and economic weakness will be further stressed by COVID. The latest crisis in USA with the conflation of race, the left-right divide, and inept responses to COVID have turned America into another somewhat unexpected hotspot. Each of these cases has its own issues and trajectory with the likelihood that they will be pushed further into crisis.

The global lockdown on movement and shutting down industry has reduced the demand for oil and consequently the major oil producers Saudi Arabia, Russia, and USA have a significantly reduced income streams. In the short term producers are storing oil in anticipation of selling at a later date but the longevity of the lockdown makes this only a very short term option. This is compounded by the cost of oil production, particularly the USA oil shales, uneconomic and resulting in shutting down production facilities⁶. As the price of oil is the bedrock of global economics these uncertainties and their knock-on effects will introduce a whole range of geo-political changes. What will occur is anybody's guess but it does make the world a far less predictable place.

Economies have taken a massive hit: The lockdown has caused a huge number of job losses and consequent massive increase in unemployment. This is in no small way because of the major role the services play in the world economy⁷. Globally services account for about 70% of world economic activity. Industry - the supply of goods, agriculture and mining, accounts for the remainder.

When the world goes into lock down the services are hard hit. People are not travelling, using things that are provided by other people, shopping, accessing education, being tourists, accessing child care or other services. When the service sector collapses the ensuing job losses are phenomenal.

There is a different story for industry. Prior to COVID the combination of cheap international labour, IT, robotics and AI were able to supply of a near infinite range of goods very cheaply, at least in a historic context, which accounts for the decreasing proportion of industry, as opposed to services, in the global economy. Unlike the Spanish Flu epidemic/WW1 or WW2 where supply chains were highly disturbed or repurposed for a war effort, today's supply chains are still in existence and have not been highly disrupted by COVID. Consequently it is highly unlikely that the provision of basic needs - food, water, shelter, toilet paper will be significantly disrupted, the bigger issue will be whether people have money to pay for them.

Stimulating the economy: The conventional wisdom is that once businesses close and jobs are lost it is very hard to restart the economy. Around the world governments are tipping cash into

⁴ Thomas Goda, The global concentration of wealth, *Cambridge Journal of Economics*, Volume 42, Issue 1, January 2018, Pages 95–115, <https://doi.org/10.1093/cje/bex020>

Gabriel Zucman Global Wealth Inequality Annual Review of Economics Vol. 11:109-138 (Volume publication date August 2019)

⁵ <https://foreignpolicy.com/2020/03/31/coronavirus-regime-change-could-topple-governments-around-the-world/>

⁶ <https://asiatimes.com/2020/04/opec-deal-wont-revive-covid-19-ravaged-oil-prices/>

⁷ <https://www2.deloitte.com/us/en/insights/economy/issues-by-the-numbers/trade-in-services-economy-growth.html>

their economies through subsidies and employment benefits to keep businesses operating. These funds are being taken from reserves, loans and in some cases printing money.

Accepting that a global vaccine program is up to 1 - 2 years away it is likely that the impact of COVID shutdowns on the existing world economic structure will require a rethink of how the global economy works, similar to the Bretton Woods Agreement post WW2⁸. If, and more likely when, the world economy goes into depression as a result of the shutdowns there will be a range of government lead stimulus packages similar to Roosevelt's New Deal⁹ that will emerge to get the world economies re-started.

The challenge with this however is the blame game around COVID particularly between USA and China. If this continues and entrenches global suspicion the consequent question will be whether there is enough international appetite for collaboration between countries on creating a better world.

Someone will have to pay for the stimulus packages: At some stage there will be the need to recoup the money used to stimulate the economies and avoid high inflation which results from printing money.

How governments pay for this stimulus is an open question. Options will include directly increasing taxes, removing existing tax breaks, reducing services, accessing existing savings pools e.g. pension funds, and increasing charges. More extreme options include debt default. While there is uncertainty about which options will be used there will be significantly less money available and less discretionary spending.

A vaccine will emerge: Globally there is a huge effort to create a vaccine¹⁰ with signs that this will be achieved and be scalable, possibly within 12-18 months. Until a vaccine is in place lockdowns will continue. In locations where the spread of the virus has been contained by current low-tech strategies, and no new cases emerge, the lockdowns will be more locally based and focused on testing and prompt containment any new outbreaks. While this will relieve some of the social isolation it will be a long way from return to normality.

Cementing in on-line living: The internet has been the lifeline for social and business interactions in a locked down world. For many years the IT industry been touting on-line living, which was meeting resistance from business and community who believed that people still needed and wanted face to face contact. Now that COVID has increased the risks associated with personal connection significantly many of these barriers to on-line living have been removed. IT luddites are discovering that they can operate in a dispersed office and effectively undertake commercial and administrative activity online.

However there is the question as to whether on-line living will meet the human need for connection. When humans interact there are multiple dimensions of connection in operation. Face to face is information rich, strong on context, in 3D, nuanced, tactile, olfactory and agile. Flicking between Zoom screens that only show talking heads greatly diminishes the richness of information exchange between people and, while it is better than no contact and may be adequate for the geek and nerd end of the population, it is far inferior to face to face human connection.

Culture changes things: Across the world countries have responded differently to COVID. As a very broad generalisation those countries with a respect for scientific opinion, good medical services, strategic and coordinated governments that can function from a local to national level, and citizens with a respect for the common good; seem to be doing better at addressing COVID despite the economic cost. Cultures that are characterised by high levels of individualism and an

⁸ https://www.federalreservehistory.org/essays/bretton_woods_created

⁹ <https://www.history.com/topics/great-depression/new-deal>

¹⁰ <https://www.the-scientist.com/news-opinion/covid-19-vaccine-frontrunners-67382>

acceptance of collateral damage as the cost of personal freedom, such as the USA and UK, appear to be willing to let people die in an attempt to allow the economy to continue to function.

Politics changes things: Political response to COVID have been mixed. Due to a combination of isolation, complete boundary control, and good management the level of contagion in Australia and New Zealand has been much lower than in other countries. Consequently in these two countries the step to returning to Business-As-Usual is relatively easy and it is uncertain whether COVID will be a transition point to shift into a new politics as some would like. In other countries where the impact has been much greater¹¹, and those in which the impact still is increasing¹² there will be increasing impact on the politics of the country and the questions about why things got so bad may lead to significant change.

CORVID is a magnifier: Reviewing the news feeds it is apparent that COVID magnifies the best and worst of human behaviour.

People working on the front line medical services are working eighty hour weeks with little respite. At a neighbourhood level meals are being prepared and delivered to people in lock down. Being unable to go out and socialise in bars, cafe or at work, people are discovering that sitting in drive ways and chatting to neighbours, playing board games or talking between balconies can be an unusual but enriching and humanising experience¹³. COVID has been the big leveller, its ignorance of wealth, position or prestige has enabled people to discover their shared humanity rather than looking to power, prestige or possessions to assign value to humans.

At the same time the worse are degenerating into the appalling. President Trump has consistently delivered mixed messages about COVID and demonstrates an astounding level of self interest¹⁴ and ignorance about its impact. At a local level in Australia there is a rise of anti-Asian sentiment¹⁵ purely because the virus originated in China. It could be equally argued that bats civet cats should be exterminated because the virus is thought to have come from these species.

At a domestic level violence in the home has increased as a result of people being forced to stay in close proximity to each other¹⁶. At a community level many people's anxiety about social interaction has increased because of the fear of "strangers as carriers of disease". In some cases the levels of fear has accelerated to the point that COVID is thought as being similar to that portrayed in the zombie apocalypse franchise *Resident Evil*.

In response to this fear some people are seeking to completely isolate themselves. The Prepper¹⁷, people who are individually prepared for disaster are coming to the fore. While some preppers are people that would traditionally would be seen as prudent and resourceful, the extreme end of the Preppers, the Survivalists, have nurtured a dystopian vision of highly armed, resourceful, individuals with caches of food and other supplies fighting off desperate hordes who are wanting to take advantage of their preparedness. The problem with this rugged individualism is that it is a fundamentally selfish behaviour that makes no contribution to solving difficult problems or making the world better. It assumes that others will make the sacrifices, take the risks and do the heavy lifting to see the world through a difficult time.

¹¹ USA, UK, Spain, Italy

¹² Russia, Brazil, Mexico

¹³ <https://www.youtube.com/watch?v=xdw7WEMe9AI>

¹⁴ <https://www.bmj.com/content/368/bmj.m1100>

¹⁵ <https://www.smh.com.au/national/covid-19-is-playing-host-to-another-contagion-anti-asian-racism-20200409-p54irl.html>

¹⁶ <https://www.bbc.com/news/explainers-52229828>

¹⁷ <https://www.wired.com/story/prepping-industry-coronavirus/>

The planet is probably breathing a sigh of relief: stopping humans moving around and reducing economic activity has driven down carbon emissions¹⁸, however the underlying processes that are driving climate change and resource depletion are still present and will need to be addressed. COVID has demonstrated the level of change in our behaviour that is needed to reduce emissions unfortunately this is only constructed as stopping doing Business as Usual rather than what can we do differently.

Resilience: The next section in this essay looks at the need to create resilient towns and cities and explores how “resilience”, like “love” and “democracy”, is a concept which has an easy and powerful conceptual appeal, but needs considerable work to operationalise.

Dr David Galloway
david@ferart.com
www.ferart.com
+61 429 900 197

David is the Vice Chair of Leederville Connect, one of the leading Town Teams in Western Australia

¹⁸ <https://www.nationalgeographic.com/science/2020/04/coronavirus-causing-carbon-emissions-to-fall-but-not-for-long/>