



## Maintaining Open Societies after the Pandemic

By Kurt Lieberman, CEO, Magni Global Asset Management

April 2020

Much has been written on the global effects of the COVID-19 pandemic. I thought it would be interesting to view this from a different perspective.

The world will overcome the challenge of COVID-19, though the damage from the outbreak is broad and deep. My previous column on the weaknesses in China that made the outbreak worse remains valid, though dated. The unfortunate reality is that few countries have handled the outbreak well.

So far, South Korea and Taiwan appear to have done better jobs. Clearly, Italy and Spain have not. Over time, a clearer picture about the relative success, or lack thereof, in addressing COVID-19 will become clearer. Though preliminary in nature, there are lessons to be learned from analyzing the different approaches used by countries.

- Widespread testing remains a very powerful tool. Early in the outbreak, South Korea was testing at almost 1,000 times the per capita rate as the United States. Such broad testing was more thorough than simply confirming COVID-19. They tested to find who had been exposed. Until such testing is done, governments don't know who is infected or where it is spreading.
- Without thorough testing, the blunt approaches called social distancing and the more extreme "lockdown" are required. Open societies with individual liberties have a much tougher time with this type of government control. For most of modern history, lesser control over individual activities has been a good thing and, hence, one of the reasons open societies have been more successful.
- As governments realized the importance of testing, the supply chain and testing process became bottlenecks. Reagents were in short supply. The correct type of swabs to take samples ran out. Labs became overloaded. Countries with open societies need to have governments that are ready to handle societal events in an orderly manner so that top-down control of individual activities is not required.

# Magni

- The lack of knowledge of who is infected or where it is spreading makes ending social distancing and lockdowns more difficult. Literally, governments are flying blind.
- Transparency and context become important too. Transparency means that a government is being open with its citizens. In the United States, the shortcomings of our testing system were evident for a while, yet there was little communication about it. Transparency helps assure trust; the legitimacy and stability of government is enabled by trust. When bad things happen, high trust causes people to rally for the government instead of demonstrating against it.
- Context is also important. Transparency with bad or no context can be harmful. There has been a lot of transparency about Confirmed Cases. The metric of Confirmed Cases says a lot more about the testing system in a country than it says about infections. A shortage of testing kits means that countries only test those who likely have COVID-19. Most people infected with COVID-19 are not tested and the number of cases is far larger. Transparency around a number that is rather useless created a false sense of security.
- Further, there are indications that the tests are not very accurate with “false negatives” occurring frequently. A “false negative” is a big issue in this situation. Some with a “false negative” have COVID-19, yet the test says the person doesn’t have the virus.
- There are some positive notes. An anti-malaria drug from France appears to be promising. A Japanese drug used in China appears to be promising. Hopefully, these and other medicines can be found to treat symptoms.
- A lot of work is being done on vaccines to prevent the infection, though vaccines take time. Vaccines are different than drugs to treat symptoms as they are given to the healthy so complications and interactions with other drugs become very important. Some vaccines brought to market quickly in order to address previous outbreaks have caused more damage than they prevented. We need to be aggressive in conducting research, yet thorough in our approval process.
- Testing may become a bright spot. Companies from Roche to Abbott to Eli Lilly have created new ways to complete testing. Hopefully these tests can be deployed quickly.

# Magni

- The creativity on testing is testimony to the power of capitalism. Moral capitalism is the combination of trust, preparedness, transparency, context, and responsiveness in a country that enables businesses to flourish.

Once the pandemic has subsided and the world returns to some new form of normalcy, let's hope we spend the introspective time to learn from this experience. Along the way, I hope people around the world realize we have much more in common and that we are stronger working together.