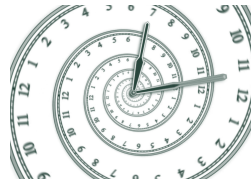


The “Before Time”



Newsletter, July 2020

“Do you know who I was? Nobody. Except on the day after, this nobody had a chance to be somebody.”
Tina Turner as aunty Entity in Mad Max: Beyond Thunderdome (1985)

The global pandemic has been experienced as a singular, traumatic event for most, not so much because of the actual toll or number of casualties, which is comparable to that of the seasonal flu and therefore not remarkable in itself, but mainly because of the radical measures used to contain and reverse its effects. The social distancing and other unprecedented techniques that have been enforced over most populations across the globe over the last few months are major “stressors” that go so much against our social construct that they appear to have altered our behavior in ways that are likely to remain with us for some time to come. We have been conditioned to a new way of life that is sufficiently different from before the crisis started that even the first two months of this year appear to be more distant and hazier than they actually are. These behavior-altering “stressors” have been traumatic enough to make us think in terms of a “before time”, a reference to a period before an apocalyptic type of event¹.

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Perhaps it is our evolutionary instincts that have kicked in, the ones that involve “loss aversion”, our drive to avoid unpleasant experiences at all costs because natural selection has “hardwired” in us an asymmetric reaction to experiencing losses and gains in our brains. And why wouldn’t they, considering we evolved from a world of harsh survival conditions, where the loss of a day’s worth of food could mean death, whereas more food mattered much less when there were no means of storing it?² Most of us are familiar with Pavlov’s famous experiments on dogs that were conditioned to salivate at the sound of a bell³. The trick was simple really, ring a bell before serving food, repeat the process many times and after a while the dog will salivate the instant it hears the bell, irrespective of whether it is followed by food. What is maybe less known is that in 1924, around when these experiments were being conducted, a major flood in Leningrad swept through the kennel, killing most of the dogs. Pavlov was astonished to discover that the ones that had survived the ordeal had totally lost their conditioned salivation at the sound of a bell.

It is as if the conditioning had been erased by the flood. Pavlov theorized that the flood event had been sufficiently traumatic on the dogs to have rewired pathways in their brains, wiping out the previous association between the ring of a bell and food. The significance of this discovery in context to the current pandemic cannot be overemphasized. Although the extent to which the traumatic experience of confinement has altered the behavior of large swaths of the world population remains uncertain, the changes themselves are sufficient enough to have caused a paradigm shift in mindsets

¹ <https://www.theatlantic.com/science/archive/2020/04/coronavirus-pandemic-criinge/610180/>

² https://en.wikipedia.org/wiki/Loss_aversion

³ https://en.wikipedia.org/wiki/Classical_conditioning

and behavior, which is probably why a growing number of people may be perceiving the pre-COVID19 era as a sort of "before time"⁴. This in itself is likely to have profound consequences on how the future unfolds.

The world around us is constantly changing, evolving and in many cases, this is happening at an accelerating pace. There are so many variables involved that it would have been impossible to predict a catastrophe like that of the pandemic. Even if many red flags were pointing towards something major brewing on the horizon, we had been numbed by complacency. The fault lies squarely in our evolutionary wiring, we are ridden with so many biases (some of which have yet to be discovered) and they collectively play such a profound role on the outcome of events that we should probably be paying more attention to them, rather than wasting our time on futile efforts in crystal balling the future. We have far more to gain from understanding our cognitive flaws if only because, unlike our constantly evolving environment, they stay the same over time, forged over eons of natural selection subjugation.

This is to say that we could have been better prepared for the pandemic and its aftermath, if only we had focused on our very flaws that kept us from seeing and acting on the impending dangers that brought us to where we are today. It all started when a virus jumped the species barrier (from animals to humans), and because this has happened countless times in the past, we had become complacent about the lurking dangers. It then didn't take long to spread across populations, which shouldn't be surprising given our hardwired propensity to mingle as social creatures. Little effort was exerted in the early stages to stop the spread; we had entrusted that job to "others", namely the countries from which the virus had originated or initially spread to (another example of complacency). Even when it became clear that "this time was different", because of our deeply ingrained overconfidence in our abilities to surmount even the greatest of challenges, we failed to act early enough to stop the threat from inflicting greater damage. Our ingrained biases triggered a cumulation of mini dangers and failures that eventually snowballed into a formidable "black swan". We had failed to see it coming because we weren't looking in the right direction.

Where Do We Go From Here?

Despite the gradual winding down of confinement measures and the partial resumption of business activities across a wide range of industries, some of which had been severely crippled over months on end, we should avoid letting down our guard as an "illusionary" sense of normalcy begins to settle in. The surprisingly robust stock market rebound over the last couple of weeks, recouping most of the losses from earlier on, will be reinforcing a mistaken impression that the worst may be behind us, when in fact it is just stoking our egos and feeding the complacency bias. Truth of the matter is that there remains so much uncertainty out there that trying to predict what is likely to happen over the next couple of weeks, let alone months, is futile at best and risks backfiring against us.

As with any crisis of significance, the early stages of this one, where visibility collapsed, triggered a sharp rise in volatility and an ensuing violent correction in the markets. The "novelty" this time around was perhaps in the unprecedented way in which the world economy came to a near standstill, precipitated by the extreme lockdown measures that were imposed over large swaths of populations. The effect of this was to amplify the economic ravages of the crisis itself. Sentiment guided markets reversed course right after it became clear that we were not facing an "end of days" type of scenario, which is pretty much what the markets had been pricing earlier.

The post-pandemic world appears to differ in some marked ways from the "before time" era that preceded it. Some of the more glaring differences won't remain with us for long, whilst others, such as stricter sanitary measures, the social distancing and other behavioral changes, or the increasing blur in defining the workplace environment, are likely to stick around for the longer haul. Arguably the greatest uncertainties that the world will be facing over the future will emanate from the way in which these numerous "cognitive" changes begin impacting everything else around us. There are several major uncertainties the world will be facing over the coming months, which will be playing a determining role in shaping

⁴ <https://www.theglobeandmail.com/opinion/article-we-never-really-know-when-the-before-times-end-and-the-after-times/>

the post-pandemic world we are now entering. The way in which the COVID-19 virus evolves going forward is totally uncertain, and new studies suggesting that infection confers only short-lasting immunity, is worrisome because it would mean that conferring a “herd immunity” degree of protection on a population might be more difficult than expected⁵.

Another source of major uncertainties is regarding a “second wave”, which is becoming more likely as people drop their guard in light of the gradual deconfinement and a seasonal lull in infections. This is where the true dangers lie and countries that were less forceful in tackling the pandemic earlier on are going to be at greater risk of a more damaging re-emergence backlash. On the geopolitical front, it is mainly the unravelling of the decades long U.S.- China relationship dynamic, from its earlier symbiotic form to one that will be increasingly defined by rivalry and conflict that will be setting the tone for some time to come. We can expect to see additional protectionist measures being implemented in coming weeks and months, as we get closer to November in what is an election year for the U.S.⁶.

The pandemic appears to have acted as an accelerant on the de-globalization process, which is going to create further headwinds on an economic recovery that is still reeling in its wake. The effect will be compounded by what appears to be a global savings glut that is likely to persevere over the longer run⁷. It also means that the low interest rate environment that we have grown so accustomed to is likely to extend over the foreseeable future. The visibility is rather poor right now and it will take more than just massive and sustained government-led liquidity infusions into the economy to bring consumption levels back to those near the “before time”. The markets may have recouped a large chunk of their earlier losses, but round two might just be around the corner. The crisis is far from over and volatility will continue to make its presence felt. If you are invested, you should err on the side of caution.

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⁵ <https://www.nature.com/articles/s41591-020-0965-6?referringSource=articleShare>

⁶ <https://www.nytimes.com/2020/06/23/opinion/china-united-states-trump.html?action=click&auth=login-email&login=email&module=Opinion&pgtype=Homepage>

⁷ <https://www.nytimes.com/2020/06/17/upshot/coronavirus-spending-rich-poor.html>