

OPINION: Making sense of a pandemic

Adrian Gore: Financial Mail, 7 May 2020

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I am not one to quote Vladimir Lenin. But this insight - "There are decades where nothing happens; and there are weeks where decades happen" - is entirely apt as a description for what we are living through. The scale of disruption has been compared to World War 2 and the Great Depression. As business leaders, we are navigating through an environment of uncertainty, without precedent and with sparse data. So how do you make crucial decisions rapidly in this sort of world? Our approach has been to set out the key issues, and continually update the answers as data emerges. This creates a framework for decision-making and, over time, certainty. At this point, the key issues we see are these: is the lockdown strategy the correct one and how best should it be lifted; how dangerous is the virus and to whom; what will the impact of all this be on the economy; and what will a post-Covid-19 future look like?

The lockdown dynamics

In the absence of a vaccine or antiviral drug, a terrible trade-off must be made between public health and the economy - and the only tool is a lockdown with two variables: intensity and duration. While debate rages as to how to optimise these variables, a rational and humane constraint must set these at a level at which the expected number of people becoming sick can be accommodated by the healthcare system, while giving us time to build capacity. The data shows that we have taken a prudent approach: as at May 5, there are over 7 572 confirmed infections and 148 deaths. Our analysis shows that without a lockdown, the number of infections would have been 135 000 by the end of April and more than 5-million by the end of May. To put it in perspective: with an uncontrolled epidemic, we would have required a healthcare system at least 100 times larger than our current capacity, since we have about 3 200 ICU beds in SA.

Encouragingly, we have used the time wisely. Since the lockdown, we have placed orders for more than 47-million units of personal protective equipment (PPE) and 200 ventilators, while a team of 30 000 community health workers has been deployed; and more than 6-million screenings and 250 000 tests have been performed. Our public and private hospitals have also been able to prepare for the anticipated surge in cases.

They've put in place the appropriate triage systems, and additional bed and field hospital capacity.

Time to prepare

Besides giving our healthcare system time to prepare, the lockdown has allowed us to gain insight into how dangerous this disease is and who is most at risk. Our best view is that the Covid-19 mortality rate is about one percent. This may appear low when looking at data from around the world - as at May 5, the UK had more than 196 000 infections and over 29 502 deaths, implying a mortality rate of 15 percent - but this doesn't show the true picture. Without widespread antibody testing, we don't yet know the true infection fatality rate (number of deaths divided by number of infections) for Covid-19. We therefore rely on reported infections for the denominator - which requires confirmation of cases via testing and ignores the large cohort of mild and asymptomatic cases, which is estimated to be as high as 50 percent- 80 percent. So, relying on confirmed cases understates the real number of infections - and, critically, leads to an inflated view of the likelihood of death. Our analysis suggests a mortality rate closer to 0.4% in SA, though this may change. However, not everyone is created equal in the eyes of Covid-19. Mortality rates are dramatically higher for the old. We know that between 80 percent and 90 percent of all deaths occur in those aged 60 and above. The mortality rate of 8 percent for people older than 80 contrasts with less than 0.1 percent for those younger than 50. Furthermore, mortality rates are even higher for those who are both old and sick: more than 50 percent of deaths are attributed to those who have three or more co-morbidities. This is mirrored in Discovery's own data, where initial indications align to international research that shows that risk

factors include having a body mass index above 30, hypertension, diabetes, heart conditions, chronic obstructive pulmonary disease; and those who are immune-compromised. This explains our initial data, which shows that a lower Vitality age, which indicates a healthier lifestyle, reduces the risk of hospital admission.

Less deadly

Another key lesson is that Covid-19's profile is fundamentally different to previous epidemics. It is much less deadly than Severe Acute Respiratory Syndrome, or SARS (9.6 percent fatality rate), and Middle East Respiratory Syndrome (MERS, with a 34.3 percent fatality rate), albeit far more contagious (its R0, the technical term to define contagiousness, is 2.8, which is second to SARS at 3, but more than Ebola's 1.9 and MERS's 0.8). Importantly, unlike the 1918 Spanish flu, which killed more than 50-million people, Covid-19 doesn't place young adults in the working population at risk. Why is this important, you ask? It has significant policy implications for how we might emerge from the lockdown. We need to factor in the real mortality rates and who is vulnerable - in this case, the old and sick. Keeping the economically active away from work becomes questionable if they are not in considerable danger. Of course, SA may be different, given the large number of people whose immunity is compromised by poverty, HIV and tuberculosis. Again, the time that lockdown bought was crucial in better understanding this. While time has given us a better understanding of the disease, there is a worrying blind spot: we don't yet know the effect of putting our economy on ice.

Bearing the brunt

Business SA estimates the economy will contract between 10 percent (mild projection) and 23 percent (severe projection), with the unemployment rate surging to between 33 percent and 47 percent. We have to find a way to manage this. To this end, President Cyril Ramaphosa's announcement of R500-billion in aid and stimulus - including relief for the poor - is hugely encouraging. But taking care of the poor isn't sufficient. We need to take care of small business as well - because the welfare of both is inextricably linked.

You see, counterintuitively, it's not big business that creates jobs: It is SA's 550 000 small businesses, which employ an estimated 6-million people. These companies drive our economic growth, and they're the ones bearing the brunt of the hardship. While previous recessions such as the global financial crash and the dot-com bubble were top down crashes caused in large part by risky behaviour in trading and banking sectors, this is different. It is a crisis in the real economy: of mom-and-pop stores and spaza shops, of small businesses making an honest living and creating employment. Between 45 percent and 75 percent of small businesses may not survive a lockdown of between one and three months, according to Stats SA. At this rate, their "mortality rate" will be higher than those at risk from a health perspective. It means we have no option: we must support these companies however we can - by providing funding, ensuring big businesses pay whatever they owe on a daily payment cycle, and by building bridges to tide them over. In our view, there are two broad tactical approaches.

Risk-adjusted approach

The first is the route adopted by our government: a risk-adjusted approach in which geographic areas and specific industries are phased in, based on the calculated likelihood of infections spreading and the extent of healthcare facilities to treat the sick. It integrates contact tracing and tries to isolate the infected. It's a rational, prudent approach, but one that will take longer, and will lead to some industries - like restaurants, tourism and retail - pushing back. The second is based on an age-related easing of shutdown measures. You identify the demographically vulnerable and protect them from infection, while, in a controlled manner, getting the balance of society back to work and school.

It's not an unconvincing strategy, given that mortality rates are highest for the elderly who are less economically active, but it is fraught. For example, you need to know precisely who is vulnerable, and there is still a risk of deaths in the active population.

This approach also depends on immunisation arriving, in some form, which isn't yet certain. In SA, with a large number of immune-compromised individuals and densely populated living conditions, this strategy is particularly challenging. Our view is that a combination is needed, supported by sophisticated contact tracing. Either way, we need to proceed carefully: if we get it wrong the consequences will be dire and the spread exponential. There is no going back.

What does our future look like?

This is a hugely disruptive event, but we'd be foolish if we failed to consider how we might emerge - beyond solely looking at the downside. Most corporates rely on scenario planning to determine possible futures in times of uncertainty, but I would argue this is an unsatisfactory and limited approach. You can't rely on bounded thinking during unprecedented change. In this regard, I have found the late economist George Shackle's "potential surprise theory" to be intriguing. His work discourages the traditional scenario-planning techniques, in which the probability of specific scenarios within a bounded distribution are considered. Instead, he suggests considering an unbounded set of possibilities - or plausibilities - on both the upside and downside. We know the world will be different after Covid, but how? Rather than thinking of the probable outcomes, how about broadening our vision to a range of plausible futures? Certainly, we're likely to see continued physical distancing, the return of big government and authoritarian regimes, and a possible rollback of globalisation. But there are positives too. Consider these, for example:

- The transition from an "I" world to a "We" world in which the needs of society are valued and protected. As Jonathan Sacks writes, while in prosperous times people are inwardly focused, epidemics and wars foster innovation focused on society's welfare and cohesion - a result of the intense social solidarity that emerges from collectively experienced hardship. For example, after World War 2, the National Health Service was born in Britain; and in the US, there was new legislation governing labour relations, a minimum wage, and social security. This pandemic could spark disruptive innovation, focused on the good of humanity and addressing inequality.
- SA has been recognised for its decisive leadership by the World Health Organisation. If we're able to overcome the economic hardship, there's a possibility that SA may emerge from this in a stronger position globally.
- We will see a return to science, truth and real experts, now that the virus has shown how critical these are to society. In a world that was increasingly drifting to fake news and glorification of opinions, we are now seeing a resurgence of trust in science and facts.
- Climate change will be taken more seriously, now that we have felt how the environment can change in weeks. Covid-19 has made the concept of an invisible threat concrete, and this will influence how we respond to climate issues.
- We will see an accelerated rush to the online world as barriers fall away. In telemedicine, for example, most patient consultations in the US now happen virtually. And, now that 1.6-billion students worldwide have been affected by school closures, expect teaching and learning to shift online. Socialising and dating have also changed - US dating apps are showing 20 percent-plus increases in the number of messages exchanged on their platforms - and it's also clear the world of work will never be the same.

I am by no means making light of the pandemic; but there is an opportunity to adopt this plausibility thinking and conceive of new and positive futures for our work, our community and our families. In our space, we are preparing for an expanded role - healthcare and health insurance will be more important, as will wellness, strong immunity and healthy ageing. Banks will also move online and be

mobile-led, since few people will want to be in branches and handle cash. Of course, we need to navigate this pandemic prudently, humanely and carefully - but we should also prepare for a world that may be better after Covid-19.