

WHITE PAPER



The Other Side of the Abyss

All of us are experiencing incredible anxiety; concern for the health of ourselves and loved ones, financial stress, loneliness and isolation, and uncertainty regarding the future. In this climate, it is very difficult to look beyond the crisis. However, we will begin to recover physically, emotionally, and financially at some point. In my opinion, trying to forecast the actual shape of that recovery over the short to intermediate term is a futile exercise but I do think it is worthwhile to begin to ask questions regarding the long term impact of the pandemic and how it might change some aspects of our lives. Perhaps we will return to the status quo ante, but I believe it is more likely that our way of life will be permanently altered.



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To that end, I posted a blog on March 12th titled Seeing Around the Corner which posed seven questions regarding the future of our world. For example, I wondered if there will be less demand for office and other types of space given that many people have learned to work from home effectively. Since posting that blog, I have enjoyed the luxury of a good deal of time to think of other questions, and have also come across a number of articles in which thoughtful people raised similar issues. So, without providing any answers, I would like to catalogue a number of questions that cover a wide range of human endeavor. In order to digest them more readily, they are divided into major categories.

The Way We Work

- Will companies permanently decrease business travel, attendance at conventions, trade shows, and so on in favor of teleconferences and similar technologies? What impact would that have on airlines, hotels, restaurants, and other travel related businesses?
- Will companies discover that working from home is an effective model thereby decreasing the need for office space? What impact would that have on the need for public transit as well as all of the services that support commerce? Would such a trend change the dynamic of urban versus suburban and rural life? Anecdotally, a number of organizations with whom I am associated have found that there has been no decrease, if not some increase, in the productivity of their employees who are working remotely.

The Way We Use Technology

As a result of “stay at home” orders, most of us have shifted to a greater or lesser extent to the use of online services.

- Shopping - Prior to the crisis, 16% of retail sales represented online purchases. With the closing of non-essential businesses, that figure has undoubtedly soared. To what extent will people return to bricks and mortar shopping following the crisis?
- Entertainment - To deal with isolation, most people have resorted to some form of online entertainment. Prior to the crisis, approximately 33% of all entertainment spending consisted of at-home services such as movies and games, and this figure has necessarily approached 100% in recent weeks. Will consumers permanently change their mix between online and in-person experiences such as movies, concerts, professional sports, and so on?

- Education - Virtually all educational institutions have shuttered and many are finishing the semester with some form of online instruction. Particularly for higher education, will this permanently change the demand for a residential experience versus an online degree? For the last year for which data is available, 15% of higher education students were enrolled in distance learning programs and another 16% had taken at least one online course.
- Will financial services such as banking and insurance migrate entirely to online delivery?

The Way We Live

- Millennials have been attracted to more urban “live, work, play” settings. Will that generation shift toward a more suburban lifestyle?
- Will various parts of the country become more or less attractive as places to live? For example, will the coastal “gateway” cities lose some of their appeal?
- Prior to the crisis, 43% of food related dollars were expended outside of the home. Will social and physical distancing permanently change the mix of in-home versus restaurant dining? Might the old-fashioned family dinner come back into vogue?
- I have witnessed lots of families doing things together such as walking, riding bicycles, and playing in the yard. Could families revert to a life with less emphasis on a rigid schedule of practices and lessons?
- Will we discover that communal facilities for the elderly are not optimal and revert to a system where multiple generations of a family live under one roof?
- In recent years, international travel represented approximately 13% of all travel spending by Americans. Will overall travel spending decrease permanently and will international travel be particularly impacted?
- If international travel is curtailed, will there be a resurgence of more traditional national travel such as camping, the use of National Parks, and so on?

The Way That Companies Operate

- There has already been a backlash against companies that previously engaged in large stock buybacks and are now seeking government financial support. Will there be significant changes in policy regarding stock buybacks, executive compensation, and so on?
- Between 2006 and 2019, Corporate America doubled the amount of its outstanding debt which represented a 6% annual growth rate during a period in which the overall economy grew at a 1.7% rate. While the Federal Reserve is taking significant steps to support the credit markets, there will be many bankruptcies and debt defaults. Will there be future restrictions on the issuance of debt by companies?
- It is likely that interest rates will remain low for an extended period in order to support the recovery. What impact will that have on savers, pension funds, insurance and other financial firms?
- With the interruption of global supply chains, will there be a revival of U.S. manufacturing, particularly for goods deemed critical?
- In a worst case scenario where a huge number of companies go bankrupt and the government becomes the lender of last resort if not outright owner, how do we transition back to a market based economy?
- Will there be significant increases in the appreciation of, and compensation for, workers in food distribution, package delivery, and healthcare among other categories that have proven so essential during the crisis?

The Way the Healthcare System Works in the U.S.

- Will we dramatically increase our spending on Public Health? The U.S. currently spends at roughly 40% of the rate of the rest of the industrialized world.
- Will Telemedicine grow significantly in relation to traditional modes of health care delivery?
- Will there be massive consolidation of the healthcare system which is currently quite fragmented and inefficient?
- Will we move to a single payer system?
- Will there be universal access to healthcare?
- Will we build a large stockpile of critical supplies? If so, who will pay for and control it?

The Way We Deal With Our Aging Infrastructure

- Will we finally make necessary investments in our infrastructure as a way of stimulating the economic recovery and dealing with what will likely be massive unemployment? For more information, please see my paper **Infrastructure in the U.S.- Current State** which was published in February of 2020.

The Way We View Our World

All of the questions that I have posed are significant and the ultimate answers to them will dramatically impact our collective future. But, perhaps more important than any of these are our attitudes and the way that we behave as citizens of our country. Will the pandemic and associated trauma change for the better the deep divisions and dysfunction in our country or will we sink into a Dystopian free for all? For example:

- Will we work together to recover from the trauma of this event or engage in finger pointing and an endless blame-game?
- Many Americans have a high level of distrust if not distaste for government. But management of the crisis and our ultimate recovery from it is very much in the hands of governments at all levels. Will this critical role change the scope and perception of government?
- This crisis is likely to exacerbate the problem of income inequality in our country. Will this finally bring this issue to the fore resulting in a civil dialogue and concrete steps to narrow the gap? For more information, see my paper **Income Inequality**.
- Similarly, the need for a “Safety Net” as well as its scope have been hotly debated in our country since the Great Depression. Will attitudes toward these programs change?

IMPORTANT NOTES AND DISCLOSURES

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- Our society has been described as highly materialistic. Will this crisis change our collective priorities in favor of other values?
- Most important, will this crisis result in a sense of common purpose and community or will it supercharge a tendency on the part of many to favor isolationism and xenophobia?

Conclusion

There are dozens of other significant questions that I could have included but this should be enough to keep us mentally stimulated for the time being. I am acutely aware of every dimension of pain and suffering that has afflicted the world. But, while I may come across as something of a Pollyanna, I hold out a small ray of hope that this is the catalyst that was needed to move us in the direction of unity, a common vision, and a sense of purpose beyond our individual needs.

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