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Unintended Consequences— The Never-Ending Story

We published a White Paper in early 2022 (**How Did That Happen?**) that discussed a number of interesting examples of the Law of Unintended Consequences. That law states that the actions of people, and especially of governments, frequently result in outcomes that are unanticipated and unintended. Moreover, the imposition of simple solutions on complex problems often produces results that are not only unintended but actually perverse. This paper presents a number of current examples of unintended consequences that are both powerful and thought-provoking. While several of the examples cited in the previous paper were quite amusing, those discussed herein are unfortunately on the serious side.

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UNINTENDED CONSEQUENCES OF BREXIT

Following a referendum in 2016, the UK withdrew from the European Union in January of 2020, the only sovereign nation to have left it. The ultimate implications of Brexit are largely uncertain. However, one particularly important provision is that EU citizens are now subject to the same UK immigration and visa requirements that apply to nationals of non-EU countries. In particular, EU nationals must now acquire a visa if they intend to work in the UK. (Previously, EU nationals could automatically work there) In 2017 there were 3.7 million EU nationals living in the UK, the largest number hailing from Poland at roughly one million. As a result of Covid, improvement in some EU economies, and the perception that immigrants are not welcome, that number has since declined by more than 200,000. More important, the number of work visas granted in 2021 was 43,000 as compared to the typical level of 230,000-430,000 that prevailed in the six years leading up to Brexit.

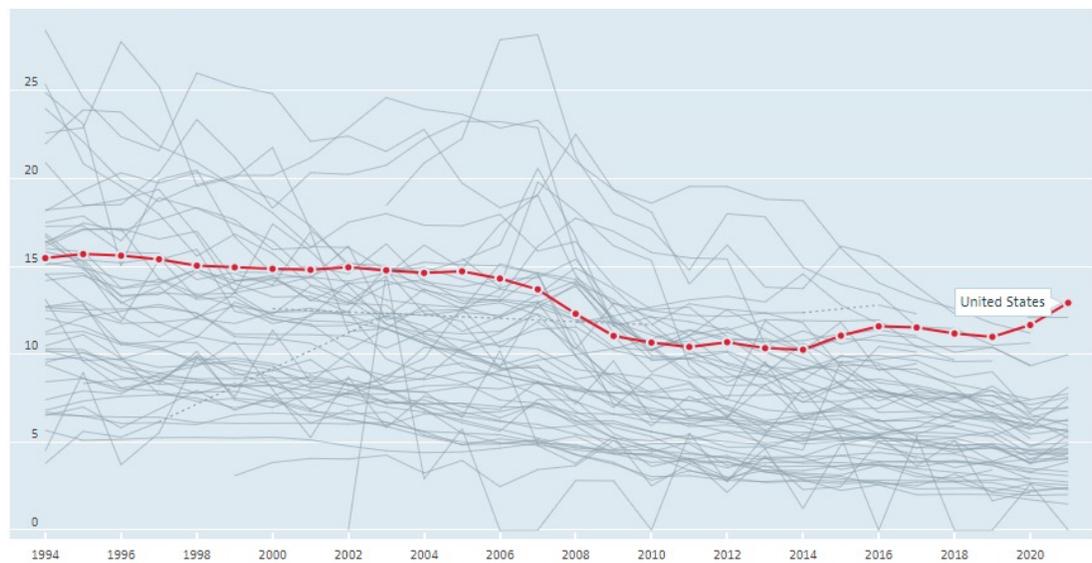
The unintended consequence is that the UK now finds itself with a shortfall of roughly 330,000 workers, mostly in lower skilled jobs in sectors such as farming, retail, transportation, and hospitality. The farming sector has been particularly hard-hit in that some 22 million pounds of fruits and vegetables went unharvested in 2021 due to labor shortages. A survey of UK farmers found that 40% reported crop losses and more than half were forced to cut back production. The combination of poor weather and the lack of sufficient labor resulted in a 20% decline in farm income as compared to the peak in 2017. And, the average British family has been directly impacted in that lower production and increased trade barriers contributed to a 13.3% increase in the cost of food over the past twelve months which is a key component of the overall UK inflation rate of 9.2% during that period.

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AUTOMOBILE FATALITIES—AN ACUTELY AMERICAN PROBLEM

Traffic deaths in the U.S. per one hundred million miles traveled declined from 1.8 in 1994 to 1.46 today due to airbags, anti-lock brakes, seat belt laws, and other safety features. That is the good news. The bad news is that the U.S. is a particularly dangerous place for drivers, cyclists, and pedestrians as compared to other high-income countries. The following chart shows the number of road deaths per one million people as compared to thirty OECD (Organization for Economic Cooperation and Development) member countries.

Each gray line represents the trajectory of one of the 31 OECD countries:



Source: Organization for Economic Cooperation and Development

Note that the U.S. has risen from the middle of the pack in 1994 to a position in which fatalities are unfortunately in excess of those of every other member. As compared to France, Japan, Germany, and the UK, the US has 2.5, 3.0, 3.4, and 4.3 times the number of annual deaths, respectively, in relation to the size of their populations. Those are staggering multiples that contribute significantly to the lower overall life expectancy in the U.S. as compared to these countries.

The EPA reports

that the weight and horsepower of vehicles in the U.S. is at an all-time high.

Not surprisingly, this is a complex problem for which there is no easy solution, but here are several of the most commonly cited causes. First, the average American drives roughly twice as many miles annually as compared to citizens of France, Germany, and the UK. The argument that this gap occurs because the U.S. is a large country is somewhat specious as Canadians (a country with a larger land mass than the U.S.) drive roughly 30% less. The probability of dying in an auto crash is 60% lower there. Americans use automobiles for 85% of their daily trips as compared to 50-65% for Europeans. A particularly powerful statistic is that 70% of Americans use a car for a trip of less than one mile while 70% of Europeans walk or ride a bicycle. Our driving habits are a function of culture, tradition, and the relative unavailability and low appeal of public transportation in many places. A second explanation for our poor track record is that our drunk driving and speeding laws as well as their enforcement are relatively lax. Roughly one third of traffic fatalities involve alcohol and another third speeding. The legal Blood Alcohol Limit in most U.S. states is .08% as compared to .05% in France and Germany and .03% in Japan. A third explanation is that cars in the U.S. are on average a good bit older than those in comparable countries which suggests they may have mechanical issues as well as fewer safety devices. The average American car has been on the road for 12.2 years as compared to about 8.5 years in most European countries and Japan. Another argument is that our roads are designed for speed rather than safety in that we make minimal use of traffic cameras, bicycle lanes, speed bumps, auto-free zones, and roundabouts, all of which contribute to fewer accidents.

While these causes are important, the most significant factor is our collective love of trucks and SUVs which now constitute a little less than 80% of new vehicle sales. First, the high ride of these vehicles improves long distance visibility at the expense of a significant blind spot immediately in front. Last year saw the most pedestrians killed in forty years and the number of bicycle fatalities rose 44% between 2010 and 2020.

Most important, the EPA reports that the weight and horsepower of vehicles in the U.S. is at an all-time high. As a result of energy crises and government mandated fuel economy standards, the average vehicle weight dropped from 4,060 to 3,200 pounds between 1975 and 1981, a decline of 21%. However, it has risen fairly consistently since then to the current level of 4,166 pounds. As just one example, the 2023 Ford F-150 truck is 800 pounds heavier than its 1991 counterpart. Similarly, average horsepower has increased from 102 in 1981 to 252 currently and there are “muscle cars” that come in at more than 700 horsepower. The problem is that these vehicles accelerate very quickly and their weight is devastating to

pedestrians, cyclists, and occupants of smaller vehicles in case of a crash. This unfortunate fact may account for some of the demand for trucks and SUVs as owners of smaller vehicles trade into larger ones in order to protect themselves.

Given this background, the major unintended consequence in the automobile world oddly enough relates to electric vehicles (EVs) which most consider a key component of the effort to reverse climate change. EVs represented 10% of global sales last year. Consistent with the demand for different types of gasoline powered vehicles, car manufacturers are shifting their EV production toward trucks and SUVs which are even heavier than their gasoline counterparts due to the weight of their large battery packs. Even with this additional weight, they accelerate very rapidly. For example, the Ford-150 Lightning weighs about 6,500 pounds, a third more than its gasoline counterpart. The Hummer EV weighs in at over 9,000 pounds. In terms of acceleration, the Chevy Blazer EV goes from zero to sixty in a time comparable to that of a Dodge Charger or Ford Mustang. The Tesla Plaid Model S reaches 60 mph in 1.99 seconds, acceleration that exceeds that of a Porsche 911.

The bottom line and unintended consequence is that despite all of the best intentions, green may be deadly!

CONSEQUENCES OF THE WAR IN UKRAINE

The almost year-long war in Ukraine has produced consequences ranging from moderate inconvenience for much of the world to pure horror for the people of that country. Roughly 7.6 million have fled, primarily to Poland, Hungary, and Romania. Another 6.9 million have been forced to relocate within the country. In total, the UN estimates that roughly one third of the population has been displaced in one way or another. The people of Ukraine are scarred by the horrors of war, the loss of friends and relatives, cold, hunger, and a variety of other ills. The disruption in Ukraine's production of agricultural commodities as well as embargoes on Russian oil contribute to global inflationary pressure, and a number of countries are facing food insecurity due to shortages. Finally, extreme tension between Russia and NATO countries stokes fear of a broader conflict including the possible use of tactical nuclear devices.

Undoubtedly, there will be a large number of long term consequences that we are unable to imagine today. However, there is one in the economic realm that is being actively discussed which is the possibility of what is being called the "deindustrialization" of

Germany. German manufacturing has heretofore been highly dependent on cheap Russian gas as well as significant product demand from China, both of which may have changed permanently. It is important to remember that the German economy is 1.25, 1.4, and 2 times the size of the economies of the UK, France, and Italy, respectively. Additionally, manufacturing represents 23.4% of the German economy as compared to an average of about 11% for the U.S., UK, and France.

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I am labeling the possibility of deindustrialization an unintended consequence of the war but it could very well be entirely intended as a component of a Machiavellian scheme on the part of Mr. Putin. In any case, there have recently been a number of ominous actions on the part of German industry. In September, steelmaker ArcelorMittal announced that it was switching off one of its two blast furnaces in Bremen until further notice due to high energy prices and weak demand. That was followed in October by an announcement by chemical company BASF that it would be permanently downsizing operations in Europe due to persistently high energy prices. A recent survey of medium size German manufacturers found that 9% were actively considering moving production to other parts of the world. Finally, a publication called Focus estimates that one in ten German companies is experiencing financial difficulties and may be facing bankruptcy.

Deindustrialization of Germany is far from a foregone conclusion but it is worth thinking about possible implications of some degree of downsizing. What would it mean for the already shaky nature of Europe's economy? What countries would be the beneficiaries of a shift in production? What would it mean for the U.S. economy given that Germany is our fifth largest trading partner? These questions should keep think-tanks engaged for the foreseeable future!

THE PANDEMIC AND LOCKDOWNS

There is general agreement that the Covid-19 lockdowns saved millions of lives around the world but they generated enough unintended consequences to supply an entire generation of PHD candidates with dissertation topics. Moreover, many of the unintended consequences are still developing making their ultimate outcomes very unclear. The best example of a developing issue is the broad area of work including remote work, the Great Resignation, wage pressures, worker shortages, and other labor issues. The most recent reading suggests that offices are about 50% occupied and a number of companies have announced that they expect workers to be back in the

office full-time in 2023. However, there are still more than 10 million unfilled jobs and a recent survey indicated that 68% of employees prefer to work remotely. How all of this shakes out and its ultimate impact on cities, office properties, service industries, and many other sectors is very much up in the air. So, rather than make a feeble attempt to speculate on the future of work, I would like to focus on pandemic related unintended consequences that are very poignant and readily observable.

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With the lockdowns in 2020 and a portion of 2021, vehicle miles traveled (VMT) in the U.S. not surprisingly declined by more than 13%. Normally, there is a significant correlation between miles driven and the number of auto related deaths, so one would have expected a similar decline in fatalities. Instead, auto related fatalities shockingly increased from 36,835 in 2019 to 38,824 in 2020 and 42,915 in 2021!! That two-year increase of 16.5% followed a period of three years in which fatalities had actually declined. This calamity seems to be a textbook example of the Peltzman Effect which states that people are more likely to engage in risky behavior when they feel safe. In this instance, there were many fewer cars on the road and a smaller number of policemen patrolling highways. Moreover, those policemen who were on patrol made fewer traffic stops in order to minimize potentially dangerous personal contact. As a result, many people engaged in risky behavior including speeding, running red lights, texting while driving, driving under the influence of drugs or alcohol, and failing to wear seat belts.

The increase in auto fatalities during the pandemic is actually part of a much larger story—**there was a significant surge in non-Covid related deaths during the lockdowns.** A fascinating paper titled **The Young were not Spared: What Death Certificates Reveal about Non-Covid Excess Deaths** was recently published in The Journal of Health Care Organization, Provision, and Financing. The authors, Casey Mulligan and Rob Arnott, analyzed all U.S. death certificates from April 2020 through the end of 2021 in order to identify the number and cause of deaths versus previous trends. (What the authors term excess deaths) Evaluating deaths versus a trendline is very important because some causes of death were already experiencing major increases. For example, drug overdose deaths increased 50% between 2015 and 2019. The authors' goal was to identify deaths in excess of the trend that were a consequence of the pandemic in some way.

In total, they identified 97,000 annual non-Covid excess deaths which were divided among major causes as follows:

	Number of Excess Deaths
Circulatory disease	32,000
Diabetes or obesity	15,000
Drug-induced causes	12,000
Alcohol-induced causes	12,000
Homicide	5,000
Traffic Accident	4,000
Other	17,000
Total	97,000

More interesting than the absolute levels in each category is a comparison of the number of excess deaths with the baseline or trend. Drug deaths were 13% above the baseline, alcohol related 28%, homicide 27%, and traffic accident 11%. All of these point to a significant deterioration in mental health during the lockdowns.

A particularly poignant finding of the study is that excess deaths were disproportionately concentrated in younger people. Excess deaths in the 18-44 age group were 16% above the baseline as compared to 6% for the 45-64 age group and 1.6% for those over 65. Excess deaths in the 45-64 age group were generally associated with chronic diseases which points to a reduction in medical care during the lockdowns as opposed to behavioral issues. Mortality from all causes (including Covid) increased 26% for those aged 18-64 as compared to 18% for the elderly. And, it is important to recall that Covid deaths were heavily concentrated in the +65 age group which means that the other causes had much less impact on this cohort.

A number of other studies suggest that the pandemic and lockdowns may have longer term impacts in addition to those associated with Long Covid. First, several different studies found an average weight gain of 1.5 pounds per month during the shelter-in-place period which may exacerbate an already serious trend toward diabetes and obesity. Second, there was a material decrease in cancer screening during the early stages of the lockdown which suggests that cancer may be diagnosed at a later stage resulting in increased mortality.

The purpose of this section was not to criticize lockdowns but to demonstrate the complexity of policy decisions. Experts state that we will undoubtedly experience future pandemics which raises a very interesting question. Given the information presented above, what will we do the next time? Is there a way to modify a lockdown that decreases the mental health issues that were so common? Or should we treat a pandemic like the flu and other endemic health issues? I am very happy that I am not a policy maker who will be forced to make these calls!

UNINTENDED CONSEQUENCES

In preparation for writing two white papers and preparing a PowerPoint presentation to a civic group, I researched about fifty examples of unintended consequences covering public policy, economics, nature, and many other facets of life. Moreover, my examples spanned several centuries. Based on this work, I come to two important conclusions. First, virtually every decision that we make entails secondary and tertiary effects which makes it incumbent on each of us, and policy makers in particular, to engage in second order thinking. While there will always be unknowable outcomes, it is critical to stretch ourselves to consider the broadest range of possible results, and to evaluate the cost of unintended consequences. Additionally, many if not most unintended consequences are tied to human behavior which must be at the center of our second-order thinking. This paper described a decision to exit an international alliance, our individual choices as to the kinds of automobiles that we prefer and the resulting decisions of auto manufacturers as to their offerings, Russia's decision to invade Ukraine, and our government's decision to impose lockdowns in response to a pandemic. This diversity of topics reinforces the point that unintended consequences can be found everywhere.

My second conclusion is that we never learn. There is a saying that history doesn't repeat, but it does rhyme. While the details vary slightly, several of the unintended consequences in my two papers are reminiscent of others that I studied. The previous paper outlined a 1990 tax on luxury goods in the U.S. that actually resulted in a decrease in government tax revenue because sales of the newly taxed items dried up. It was quickly repealed. Similar taxes were implemented in New Zealand, Italy, Norway, Turkey, and Spain with the same outcome. Well, in September of 2022, Canada enacted a similar tax! Finally, the unintended Brexit consequence described above is somewhat similar to the current situation in China in that government policies did not take into account demographics with important consequences for population and economic growth.

Perhaps we are doomed to continually experience unintended consequences, but I hope that these examples motivate each of us to think expansively.

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