

January 2021

In early August, Bill Gates gave an interview to Steven Levy of *WIRED* magazine. Mr. Levy has been interviewing Bill Gates since 1983. In answering a question about the Covid-19 pandemic, Mr. Gates responded:

“... for the rich world, we should largely be able to end this thing by the end of 2021, and for the world at large, by the end of 2022. That is only because of the scale of innovation that’s taking place. Now whenever we get this done, we will have lost many years in malaria and polio and HIV and the indebtedness of countries of all sizes and instability. It’ll take you years beyond that before you’d even get back to where we were at the start of 2020. It is not World War I or World War II, but it is in that order of magnitude as a negative shock to the system.”

In December, both the Pfizer-BioNTech and Moderna-National Institute of Health teams announced results of the large-scale Stage III tests of their vaccines. They each hit a “home run”. The statistics the two teams presented indicate that their vaccines are 95% effective.¹

By mid-December the Pfizer-BioNTech and the Moderna-National Institute of Health vaccines were being distributed and people judged most in need of protection were receiving their initial dose.

As to Bill Gates’ other comment about the “shock to the system”, the full extent of the damage is yet to be known.

Although the economy as a whole may snap back, the disparity between families prosperous enough to have investment assets and those which are not has been accentuated. Many families without assets lost their jobs and had no other means of support. Families which held assets saw their wealth increase as a result of the general rise in stock and bond values. (The Dow Jones Industrial Average closed on December 31, 2019 at 28,538. By March 23rd it declined to a pandemic-related intra-year low of 18,591. It then rose to over 30,000 in December, an all-time high.)

¹ Previously the Commissioner of the Food and Drug Administration, Dr. Stephen Hahn, had said he would accept a vaccine if it was at least 50% effective (comparable to a seasonal flu shot).

This remarkable rise in share prices was driven by two factors:

1. Extremely low interest rates caused by the aggressive monetary policy of the Federal Reserve.²
2. Optimism that once people felt free to go out and about, the economy would improve dramatically.

Optimism may be justified because of the “pent up demand” phenomenon.³

As a result of the Covid-19 pandemic, 2020 ranks among the bleakest years in the history of the United States. However, there is a strong ray of hope for 2021 and beyond.

² On September 16th, Federal Reserve Chairman Powell pledged to keep interest rates low until inflation begins to rise. This may take a very long time. (After the 2008-2009 recession, the Federal Reserve kept rates near zero for 7 years.)

³ At the end of World War II, the consensus was that the American economy would sink back into the Great Depression with which it had dealt for most of the 1930s. That hypothesis proved to be incorrect because “pent up demand” drove the 1945–1962 period to one of the greatest growth spurts in the history of the American economy.