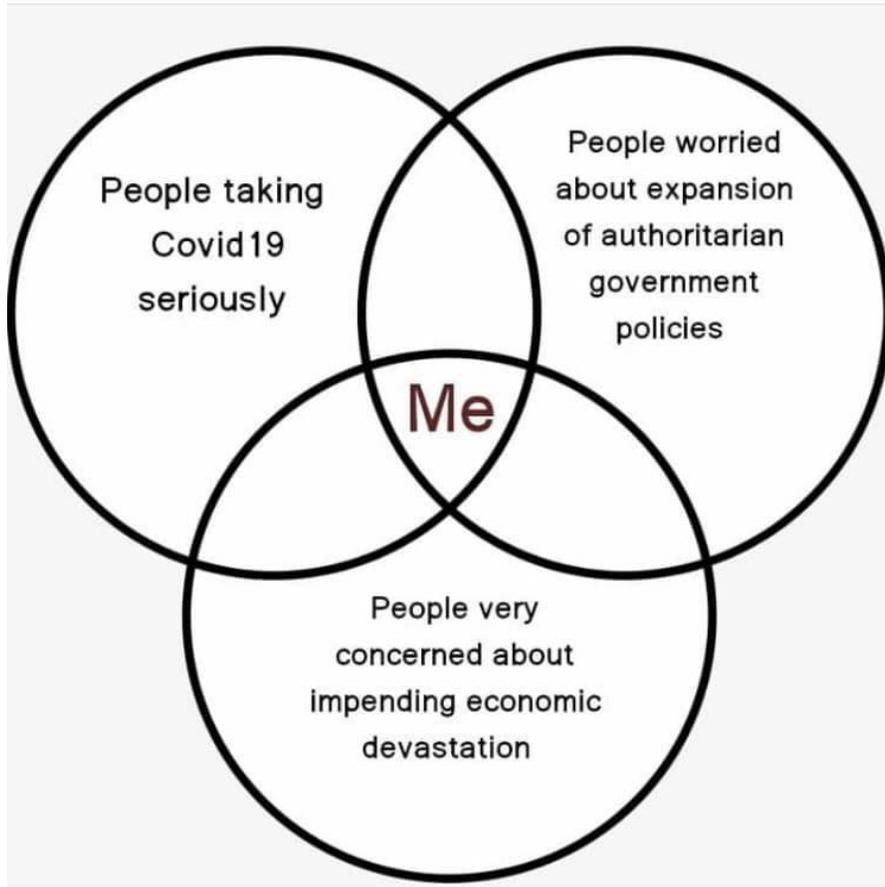


Hello Everyone,

The below chart sums up my view of things.



Signed, Your Are-We-Saving-Lives-Or-Trading-Lives?
Financial Advisor,

Greg

KKOB 04.13.2020 The Cobra-Effect

Bob: I loved the title of this morning's topic...the Cobra-Effect. It sounds like a Kung Fu movie.

Greg: I know. I recently read an article about the British in India during the Colonial Era. India had cobras. Britain didn't. And since the cobra-threat was something new to them, they had the tendency to overstate the danger.

Thus, to protect their citizens, the British bureaucrats put a bounty on cobras. They said they would pay the locals for every dead cobra they presented to the British authorities.

Now, there were many peasants in India....and they needed money. Soon baskets full of cobra heads began appearing at British military (and government) headquarters. All seemed well.

Then some enterprising Indians had an idea. Why not raise cobras? Kill them. Then, take in the heads and reap the reward money.

Soon hundreds of cobra farms sprung up.

Well, eventually, the British figured out they were getting scammed, so they stopped the program. The cobra market immediately crashed. So, the entrepreneurs just released the snakes into the jungles. Thus, in the end, there were more cobras than before the program had begun.

This then became known as the cobra-effect.

So, why bring this up during a financial talk?

Bob: I don't know. But it's pretty interesting. I'm guessing it has something to do with unintended consequences.

Greg: Exactly. My concern is we may be experiencing the cobra-effect with respect to Covid19. Here's why:

We all know we are inflicting heavy damage on the economy. We are being told we must choose between **health & life** or **money & the economy**. And, of course, most people are nice. So, Americans opt for economic sacrifice to save others. It's a noble trait.

But it may be nobility based on a false construct. The reality is---- life & health are inextricably linked to money & the economy.

For example, thirty years ago, when the Soviet Union fell, the economy of Russia fell 30%. As poverty advanced, medicines weren't available. With high unemployment came depression, despair, alcoholism, drug abuse, and suicides. Domestic violence increased. So did civil unrest and crime.

Overall, life expectancy in Russia fell 5 years. And it disproportionately affected men. It took 10 years for Russia to recover.

Oh, and the Soviet Union is not some outlier. **Every time** a country sees a dramatic decrease in its economy, we see this same pattern. Life expectancies fall...and for the same reasons.

Well, to me, a decrease in life expectancy is a premature death.

Dying from Covid19 is also a premature death.

So, the idea we must choose between "life-or-money" is really just a disingenuous form of moral blackmail.

Bob: I think I see where you are going with this. And premature deaths can occur in young people just as well as old...whether it comes from a virus or poverty.

Greg: Right. So, let's look dispassionately at some numbers.

Currently, the US is looking at a 28-38% drop in GDP...historically this is very similar to other nations that have experienced economic shocks. The data says that unless this trend is reversed quickly, America should expect to see life expectancies falling by about 6% ---or just over 5 years.

Should that occur, that equates to over 22 million premature deaths. That is exponentially more than any worst-case scenario of Covid19.

And, I am not criticizing the medical experts who are the heroes right now.

But are our political policies saving lives...or trading lives?

Anyway, it is up to our leaders, to see a bigger picture. Thankfully, we are hearing some debate on this. But until action is taken, to me, this is the cobra effect in action.

Bob: Right. Good intentions may have replaced good judgment.

Greg: The good news is this:

- Because Covid hit later here, we know what has worked elsewhere.
- Next, President Trump has resisted the urge to apply blanket policies nationwide. It would be ludicrous to treat Wyoming like New York City.
- Finally, since every nation is affected, whomever gets on his feet first, wins. We're a very adaptable people. Let loose, we'll recover quickly...while still caring for our fellow man.

Bob: Well, that was a lot deeper than a Kung Fu movie. You do have a way of shifting paradigms. How do people reach you?

Greg: My number is 250-3754. Or, go to my website at zanettifinancial.com.

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