

A Lesson from War of the Worlds

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In 1939, an obscure actor by the name of Orson Welles created a radio program entitled: War of the Worlds. At the beginning of the program, there was a full disclosure that the broadcast was a radio show and had nothing to do with reality. However, many listeners tuned in after the show began and were quickly engrossed by the reporting of a faux alien invasion that struck fear in their hearts and minds. Some people panicked and behaved as if the end of the world, as they knew it, was at hand. While the degree to which the “panic reaction” was accurately reported, history tells us that the media had a vested interest in making news look worse than it was. (See Wikipedia: The War of the Worlds (1938 radio drama).

There is a strange similarity between the War of the Worlds drama and the reaction created by the coronavirus. Panic has already been manifested in financial markets and the media seems focused on any news that the virus is spreading. The immediate reaction is to shut down any events or travel that could possibly spread the virus. Why has there been such an enormous response to this virus versus the traditional flu virus that kills 300,000 people around the globe every year? If the symptoms and the mortality rates are not substantially different from traditional influenza, then why publicize the Covid-19 virus as a “War of the Worlds” type of microbial invasion?

As in the radio program story above, most people did not even know “the invasion” had occurred. The panic was confined to those listening to the radio and spreading the story among friends and neighbors. The point of this story is to somehow quantify the perceived impact of the spread of the coronavirus and put it in perspective for investors. The day-to-day volatility in stock prices reflects the spread of the panic, not the virus. The virus is not an invasion from Mars and is like those viruses that have previously spread around the globe. The good news this time is that there is a concerted effort to eradicate the virus or bring it under control through therapeutics and vaccines. The global pharmaceutical industry has never been more committed to working together on a solution. We should not ignore the history of success in this arena. Such cooperation may also provide a blueprint for dealing with future viruses before they get out of control.

The global instantaneous reaction to the virus will result in a significant global slowdown in the second quarter. This slump may even force those companies that depend on travel and leisure spending to seek interim financing to stay in business – something that the government has said they would provide. The government also recognizes the seriousness of the situation and is implementing policies to keep Americans safe. Last Friday, the Administration unveiled a new approach to the coronavirus based on public-private partnerships and a much-needed deregulation of the healthcare market's ability to innovate in times of emergency. A solution to the virus will be created that will result in a rebound of economic growth and financial markets. Time is essential.