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COVID-19-Aerosols, Retrofitting & Construction, Stock Market Materials Sector

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You might have noticed that there has been quite a flap lately about the idea that COVID-19 may be transmitted through the air. But isn't that old news? Haven't we recognized from the outset that we needed to distance ourselves from one another to minimize airborne spread of the virus? Yes, but we were talking about *droplets* that may have spewed from our mouths or noses and settled to the ground within minutes, while the new concern is that the disease may spread via *aerosols*, that is, microdroplets that are small enough to remain suspended in the air for hours and travel much farther than the six feet that we've all been so careful about, making poorly ventilated indoor spaces much more hazardous than we first thought.



To draw attention to this concern, a group of 239 scientists from 32 countries sent an open letter on July 6 to the World Health Organization (WHO). This article from the *MIT Technology Review* explains the contents and import of the letter:

“What’s the evidence? The letter says multiple studies ‘have demonstrated beyond any reasonable doubt that viruses are released during exhalation, talking, and coughing in microdroplets small enough to remain aloft in air.’ It says these microdroplets ‘pose a risk of exposure at distances beyond 1 to 2 m from an infected individual.’ An [early laboratory study](#) carried out by the US [National Institutes of Health](#) found that the coronavirus can linger in the air for up to four hours in aerosol form. The coronavirus was also detected in aerosols collected at two hospitals in Wuhan, China, according to a study published in *Nature* in April. And superspreading events add to the weight of evidence: for example, after [a choir practice in the US](#) nearly 50 people were infected even though they kept a safe distance apart.”

(“A group of 239 scientists says there’s growing evidence covid-19 is airborne,” *MIT Technology Review*, July 7, 2020, <https://www.technologyreview.com/2020/07/07/1004841/a-group-of-239-scientists-say-theres-growing-evidence-covid-19-is-airborne/>)

The letter itself is here: “It is Time to Address Airborne Transmission of COVID-19,” *Clinical Infectious Diseases*, <https://academic.oup.com/cid/article/doi/10.1093/cid/ciaa939/5867798>.

Three days later, on July 9, WHO responded to the letter from the 239 scientists by publishing a revised scientific brief on the transmission of the virus. That brief is viewable here: “Transmission of SARS-CoV-2: implications for infection prevention precautions,” WHO, <https://www.who.int/news-room/commentaries/detail/transmission-of-sars-cov-2-implications-for-infection-prevention-precautions>.

As background, for those who missed Dr. Jon LaPook's June 1 CBS News interview with Professor Kimberly Prather, Distinguished Chair in Atmospheric Chemistry at UC San Diego, we *highly recommend* that readers take 18 minutes to watch:

https://www.youtube.com/embed/PU8Hf_5-oLc. LaPook and Prather discuss the role of aerosols in the spread of the SARS-CoV-2 virus that causes COVID-19. The interview was recorded before the letter from concerned scientists was composed and sent to the WHO, and it is an excellent introduction to how aerosol spread works and what we can do about it. Prather explains why masks are essential, six feet is not enough, outside is safer, being downwind is problematic, and indoor air problems are real but solvable with ventilation solutions ranging from open windows to smart buildings and even UV-C light sanitizing air in ducts. Prather points out, "You know, I think, sometimes people are ... fearful in some ways of saying, 'It's airborne.' That has a certain fear factor. I feel like it actually has a certain fix factor, that you can fix this. If you accept that it's in the aerosol phase, and you decide to reduce the chance of risk, we can do that. Technology exists to reduce it significantly...." (It would be a shame for readers to miss all the other critical insights and information to be gleaned from Prather's discussion, so please do not settle for the nutshell rendition here.)

Many economic agents don't want to acknowledge and squarely confront the aerosols aspect of COVID-19. Why? It's cheaper to ignore it. Let's start by asking readers two questions.

Case study #1. You're readying for a trip on an airplane. One airline advertises full air filtration and continuous UV-C treatment built into the aircraft's air handling system; the other airline doesn't make such assurances. Which flight do you choose? Would you pay more for the first ticket? If you had been tested for antibodies and had them, would your answers be the same? If you could obtain and carry a prescription medication that protects you from COVID-19, would you answer the same way?

Case study #2. Your office lease for your 40-person staff is up in three years. You can try to negotiate a new lease with your existing landlord, knowing that your building hasn't been retrofitted for COVID-19 aerosols protection. Or you can start lease negotiations for space in another location which is being fully retrofitted for COVID-19 aerosols defense. What do you do?

Would these case study outcomes change in the shorter term if the United States had universal and free continuous COVID-19 testing, antibodies testing, and dynamic real-time contact tracing – all coupled with curated treatments and vaccines?

My first observation is supported by research on behavior of economic agents. Most people make rational choices when they can. They choose life and health over death and disease. In a paper just released by Austan Goolsbee and Chad Syverson, both of the University of Chicago and the National Bureau of Economic Research (NBER), the authors establish that the collapse of US economic activity from COVID-19 has been precipitated far more by individual choices tied to fear of infection than by government-mandated lockdown orders. Goolsbee and Syverson examined cellphone data on customer visits to more than 2.25 million individual businesses across 110 different industries. They concluded that while overall consumer traffic fell by 60 percent, legal restrictions explain only 7 percentage points of this drop. ("Fear, Lockdown, and Diversion: Comparing Drivers of Pandemic Economic Decline 2020," Becker Friedman Institute for Economics at the University of Chicago, June 17, 2020, https://bfi.uchicago.edu/wp-content/uploads/BFI_WP_202080v2.pdf)

In other words, people are rational. They don't want to be sick, and they don't want to die. They are learning about that risk firsthand.

Reader Steve Kamman, who wrote to alert me to the Goolsbee-Syverson study, added some notes that are pertinent to the economic impacts of COVID-19. Here is what Steve had to say:

1. "That means we should focus largely on local virus case counts as a leading indicator for local economic activity. As the first wave keeps rolling out across the US (lagged off a Memorial Day catalyst), we'll see the economic impacts come on a similarly lagged basis. With a likely impact on animal spirits. "It's a recession when your neighbor loses his job. It's a depression when you lose your job."
2. We can also assume 'all' of the US will be taking the virus seriously in a few months, politics aside. To repurpose that saying, "It's just the flu' when some distant city's ICUs fill up. It's a pandemic when your local ICU fills up. It's a national disaster when/if a family member dies."
3. My base case remains depressed activity until a vaccine is widely distributed. My (still!?) unknown remains whether enough debt can be floated over that gap. I keep looking for a more informed analysis on the debt question.... The silence around private sector debt risks (outside of hand-waving around 'don't fight the Fed') seems odd.
4. The other oft-unmentioned thing that shouldn't be is the \$600 a week unemployment benefits expiring July 31. It seems to have become a bit of a political football. But the economics are clear. That \$600 a week is the biggest immediate money pump into the 'real economy.' We know from post-2008 that any Fed stimulus takes a long time to trickle down. The political debate doesn't seem to recognize that \$600 is carrying a whole lot of consumer rent, credit card, auto, and home loan payments AND floating a lot of retail business activity (and associated rent/loans/demand). If politics kicks that prop out from under the economy, it might precipitate a more acute crisis."

We thank Steve for his remarks.

Given that an economic recovery is going to be inextricably tied to successfully managing COVID-19 risk as understood by rational actors, retrofitting real estate with upgraded air handling is already a sector in the early stages of economic growth. COVID-19 makes for worldwide exploding growth in economic sectors such as these. That means an upward economic recovery path for the

enterprises that survive the COVID-19 shock. Further, modifications to air-handling systems for COVID-19 will also work to stem productivity losses caused by seasonal influenza and to shore up resilience when the next flu pandemic unfolds, (since flu viruses spread in much the same ways as COVID-19 does).

In sum, nature delivered the shock. It is huge. Economic enterprises will deliver the recovery. It is looking to be globally robust.

Old pre-COVID-19 investment structures won't work. They were based on old pre-shock models. New post-shock recovery models bode well for very strong business outcomes in the sectors destined to surge.

At Cumberland we now have an overweight position in the materials sector. It has had its market drubbing. We expect booming reconstruction and retrofitting conditions will now drive future growth. And please remember, that activity will be global.

PS: If you contracted COVID-19 and are one of those lucky people who did not become severely ill, your local blood bank can do a rapid blood test to confirm your antibodies. If you have them, an immediate blood donation can convert to an antibody plasma therapy. You can save a stranger's life, right now.

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