

## Scenarios post-virus

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At USS Investment Management, as well as investing in order to deliver on the promises made by employers in the higher education sector, we also keep a close eye on longer-term themes that will shape the economy. Rarely has that been so important. While nobody has a crystal ball, the legacy of Covid-19 will shape the global economy for some time to come and some potential new themes may well emerge as a long-term legacy of the pandemic.

Firstly, we may see a rather different type of capitalism going forward: for example, a greater role for the public sector in the economy could remain in place through outright ownership of stakes in businesses and greater indirect influence of management decisions in order to prioritise national interest. At the same time, the experience of the pandemic, which has served to highlight the vulnerability of business models focused on short-term profits generation may re-enforce the trend towards the pursuit of longer-term sustainability.

Secondly, it is very possible that technological breakthroughs could arise, spurred by the urgency of the fight against the pandemic or its consequences (social distancing etc.). Mobilisation of resources to deal with the emergency resembles a war-like scenario and wars in the past have led to technological breakthroughs such as radars, space satellites or even the Internet, which was born as a military project.

It is not unthinkable to imagine that the development of apps for reporting and assessing symptoms, as well as contact-tracing, could be a first step towards a healthcare revolution leading to widespread adoption of AI-powered predictive care. At the same time, remote working platforms developed to enable business to continue operating during lockdowns may later transform business practices to become more mainstream.

Thirdly, macroeconomic policy in the aftermath of Covid-19 is likely to pursue greater co-ordination between monetary and fiscal policy – between Central Banks and Governments. The true independence of those Banks has already started to look questionable as Governments around the world have had to pledge increasing support to keep their economies afloat. As the world emerges from the virus and the consequences become clearer, those lines are likely to be blurred even further.

Fourthly, the post Covid-19 world may become less, rather than more, globalised. Countries have seen the downsides of relying on global supply chains. A more fragmented world could spur domestic production, import substitution and innovation but trade barriers may raise the cost of production of many goods and services. One potential silver lining of a new world order could be that actions to tackle climate change may arise in spite of limited global co-ordination as countries pursue energy independence through large-scale investments in renewables to reduce dependency on energy imports.

As my colleagues Ben Clissold and Simon Pilcher have already written in previous blogs, USS Investment Management is alive to these many possibilities and their implications for asset allocation and prospective returns from different asset classes. In a measured and thoughtful way, we are playing our part in delivering on USS's high-quality pension promises.



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