

**PANDEMIC  
INSIGHT  
SERIES**

# America's Pyrrhic Victory



Photo: Ruben Baques on Unsplash

**In an age of science, politics reigned.** America can see the light at the end of the tunnel. The hope is for a return to normalcy by Independence Day, which would be a reprieve after a dreadful winter. The challenge is that not all the world is as fortunate as America in their access to a vaccine, nor do they have a substantial population that developed antibodies after contracting the virus. The global population that is vulnerable to the virus is material and less accessible than the currently vaccinated. This situation ensures that the global recovery may not parallel the American experience. For now, it is morning in America. Best make hay while the sun shines as regional epidemics will persist.

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America is leading the vaccine distribution charge as the decision to pre-fund vaccine development pays its dividend.

The dramatic drop in cases is a function of vaccine distribution and prior high infection rates. The cost was unnecessary deaths.

- Jason Prole

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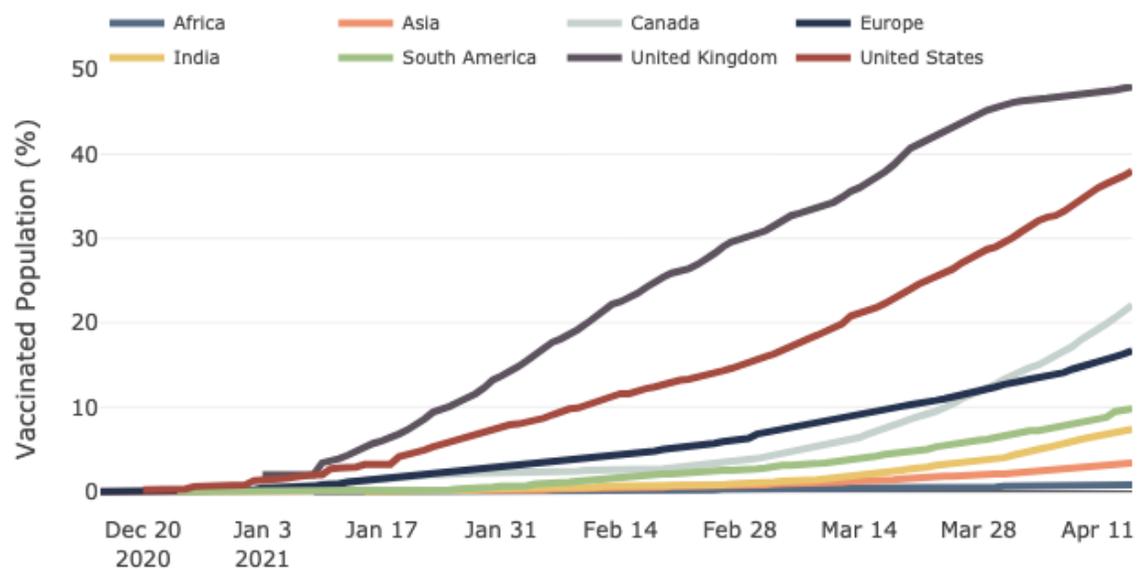
## Highlights

- An impressive **vaccine roll-out** is a cause for hope in the US.
- **Low infection rates** and **limited vaccine access** in some regions are an *opportunity* for virus spread.
- **Bubbles and mask mandates** may endure to contain regional epidemics.
- **A return-to-normal** by the summer is on the horizon for the US.
- US citizens will enjoy **international travel** as vaccine passports propagate.

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**J**ump the Queue. The saying "Money Talks" is evident in the roll-out of the vaccine. The United States (along with the United Kingdom and others) prefunded the purchases of dozens of vaccine solutions, which gave them preferential access upon the demonstrated viability of the vaccines. The result is a dramatic difference in the vaccination rates across the world (exhibit1). The story is quite evident: the more affluent a country or region, the more likely a person received a vaccine.

Exhibit I. Vaccinated (Percent of Population)



Source: Vaccination data from Our World in Data. Capital Risk calculations. The vaccinated population is the percent of people who received at least one vaccine shot. Data as of April 15th, 2021.

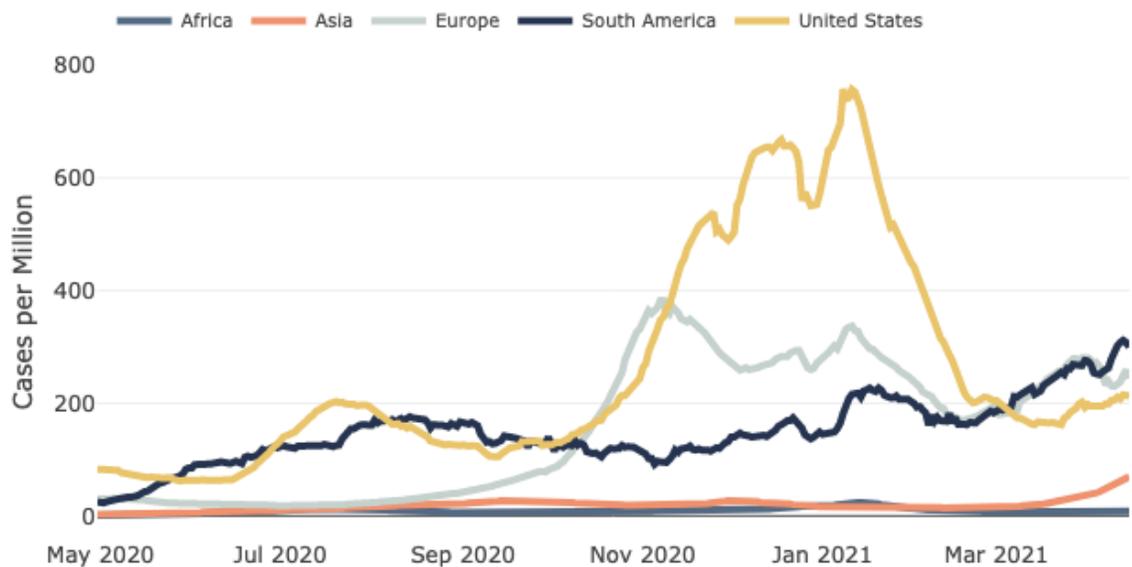
This outcome is troublesome because most of the world resides in less developed (i.e., less affluent) countries. Hence, the world may mitigate the pandemic but suffer continued epidemics during a prolonged vaccine roll-out. The most material implication is that travel to laggard countries (or regions) may be curtailed for an extended period. This outcome would invert the prior situation where Americans were *non grata* in most of the world when the virus was propagating widely across the US. As international travel returns, it may be a developed (i.e., rich) world phenomenon.

Advanced payment ensured early access.

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**Parting Clouds.** There is an unquestionable joy as virus cases fall from the devastating highs experienced in January (exhibit 2). Europe was the only other region to experience such a dramatic peak, primarily the result of the carnage in the United Kingdom. These outcomes contrast materially with the other areas of the world that saw little pickup. Whether government policy or seasonal variation in the weather drove this fortunate outcome is largely irrelevant. The rates were lower, which implies the virus did not reach as much of the population.

Exhibit 2. Cases (7-day average) Per Million



Cases are plateauing or *increasing* despite vaccines.

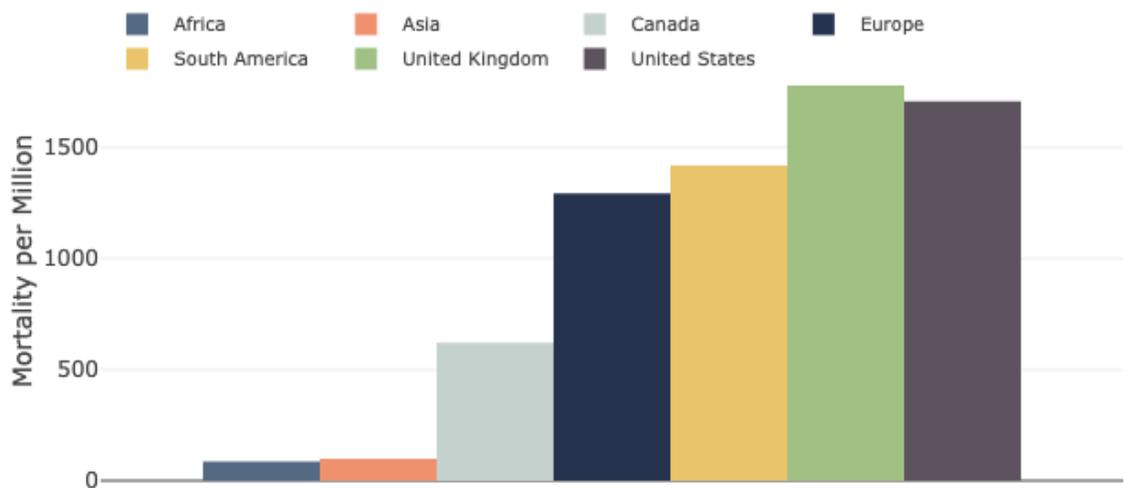
Source. John Hopkins data as of April 15<sup>th</sup>, 2021. CRM calculations.

There are two critical implications with the current data. First, most of the world remains susceptible to the virus. Second, the virus is still propagating at a high rate in America, even with material distribution of the vaccine. These insights suggest a foreboding outcome. Without the achievement of herd immunity, the virus will continue to spread as people *conflate* vaccination programs with the end of the pandemic. The result would be a more fertile atmosphere for the virus to spread as people reject continued restrictions on their freedom. The result would be numerous unnecessary deaths. Sacrificing mortality at the altar of liberty is a quixotic endeavor.

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**A Mortal Cost.** As America envisions the end of the Pandemic, there is some remorse. Liberal democracies in the West (e.g., America and the UK) exercised their freedom of choice, which led to higher deaths per million (exhibit 3). America's burden is a death rate three times higher than its geographic and political peer, Canada. The mortal cost was an additional 350,000 lives lost. The United Kingdom led the parade of tragedy across the pond with a rate 50 percent higher than its continental cousins. Indeed, freedom has its price.

Exhibit 3. Covid19 Fatalities Per Million



The price of liberty.

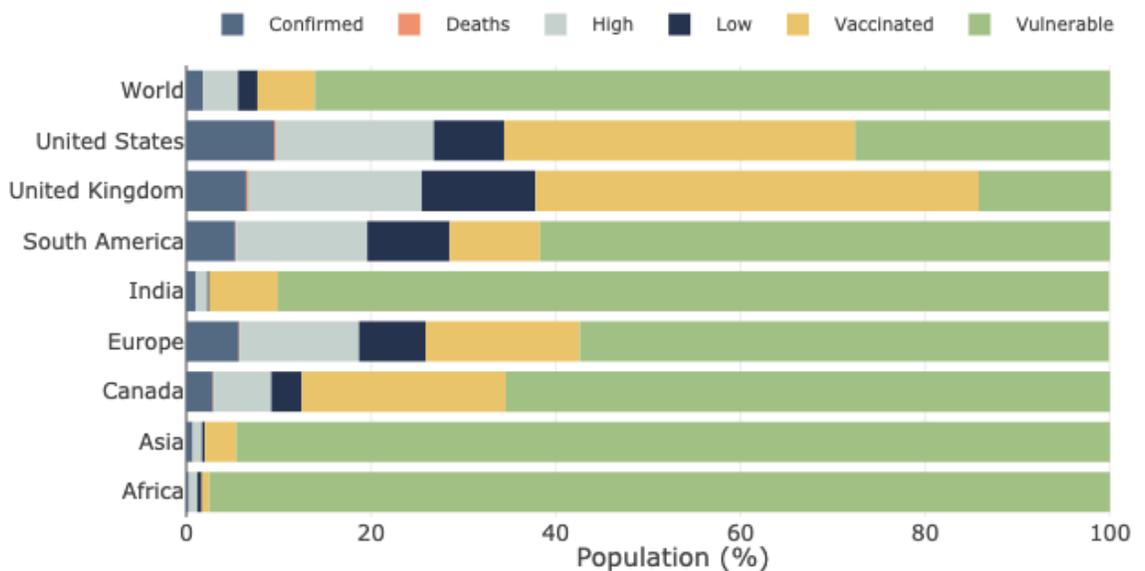
Source. John Hopkins data as of April 15<sup>th</sup>, 2021. CRM calculations.

These two forces combine to enable America and the UK (among others) to lead the exit from the Pandemic. The vaccine distribution pace is at a rate that America may reach most of the adult population by its birthday in July. When combining the vaccinated with the number of people who had the virus and developed antibodies, the outlook is bright for herd immunity in America and the UK. This rosy outlook hides the challenge: most of the world remains unvaccinated and *unexposed* to the virus. This insight highlights the challenge ahead. In a world of people susceptible to the virus, it is *dangerous* to relax restrictions on basic preventative measures (e.g., mask wearing) and return to normal.

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**Contrasting Stories.** The uneven response to the Pandemic resulted in widely divergent outcomes for the proportion protected and those that remain vulnerable. When accounting for the confirmed cases, vaccination rates, and undercounted cases, 86 percent of the world remains vulnerable (exhibit 4). That some parts of the world are experiencing relief is welcome. This respite for some, unfortunately, does not apply to all.

Exhibit 4. Estimated Population Vulnerable to Virus



Source: Capital Risk calculations with data from John Hopkins and Our World in Data. High and low projections use the number of actual deaths multiplied by the inverse of two fatality rates (1% and 0.5%).

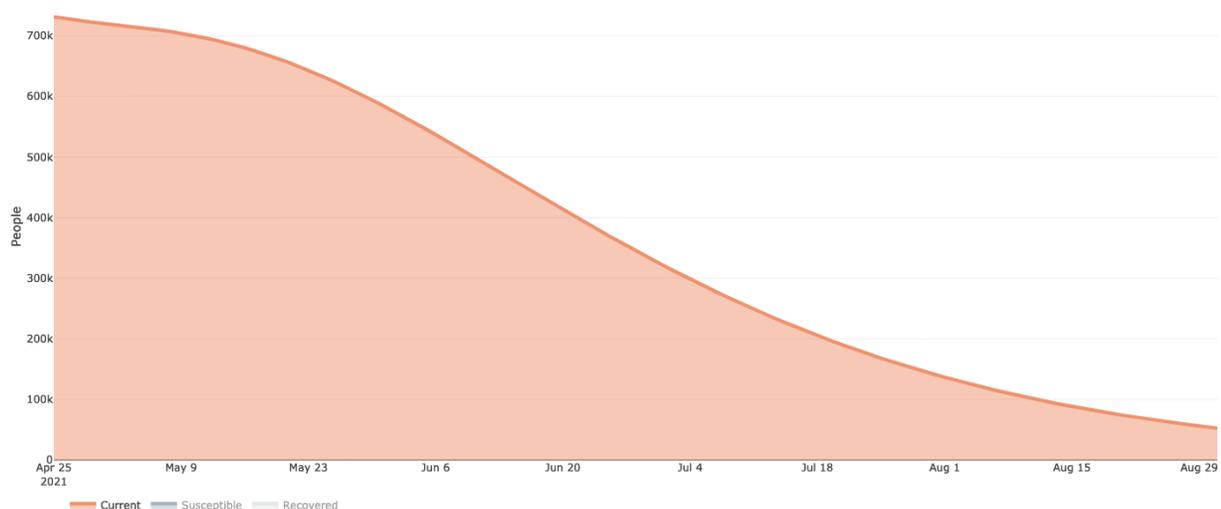
Most people remain vulnerable.

The cost of poor communication is evident with India's unfolding tragedy and should give the world pause. While we want normalcy for people to return promptly, conveying the importance of continued vigilance against the virus is paramount. A dictate of masks and distancing can reduce the spread in these locales. Indeed, occupational safety rules prevail in most of the developed world. Until the vaccine is readily available to everyone globally, prudence dictates continued mandates and some degree of caution on international travel, particularly the unvaccinated traveling to areas where vulnerability remains high.

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**A Summer of Solace.** America is on a path where the virus will no longer disrupt the national economy. At current trend rates, the number of existing cases will fall to about 50,000 (i.e., about 2,900 per day) by the end of August, which may be a high projection. Even if the remaining population were not to receive a vaccine, the virus still has to reach them. This situation is the silver lining for America. With so many vaccinated and so many already exposed, the remaining vulnerable people may not be at material risk.

Exhibit 5. Projected US Current COVID-19 Cases



The end is in sight.

Source: Capital Risk forecast using a linear decline in the reproduction rate. Data from John Hopkins.

In America, the remaining group is some combination of children who have low mortality rates, people in rural locations that are less likely to encounter the virus, and pro-liberty and anti-vaccination groups. This latter population most likely has a substantial overlap in the group of people who had the virus and were uncounted. Thus, while the aggregate population may not reach herd immunity level, it may reach a functional immunity for segments of the population that reduces easy transmission to other groups. Indeed, *prior* high exposure levels in America bring a quicker deceleration of the virus *currently*.

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**The Beginnings End.** Most of the developed world will walk away from the Pandemic by year's end and this summer for those who providence blessed. Regional setbacks will occur in the developed world, and localized epidemics will emerge as the virus arrives in previously unreachable locales, particularly prior bubbles, islands, and other places with natural barriers. This burden will be small as abundant resources prevail in the battle.

The developing world faces a different path. They utilized more aggressive strategies to contain the virus by limiting international travel to their countries and strict enforcement within their boundaries. The former will endure as long as vaccination lags, while the latter will test the will of their citizens and politicians alike.

The moment's challenge enabling rapid deployment of the vaccine across the world so everyone can partake in the rebound. Creating a jaded mirror of the fictional *Elysium* where the affluent bask in splendor while the less fortunate suffer not from the peril of over-population but the burden of illiberal solitude is a tragedy that could breed global unrest.

As told in *Guns, Germs, and Steel*, there are many ways to win a war. If containing the germs is unmanageable, then the proletariat may seek recompense in the other two. The fuse of revolutions is unequal burdens to which America and France can attest. Best end the story with a chapter on expedient vaccine distribution rather than discover where the alternative narrative may lead.

*"Tomorrow hopes we have learned something from yesterday."*  
John Wayne

**A prolonged vaccine roll-out may lead to social unrest.**

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