

Hello Everyone,

According to scholars at the University of Paris, the Black Death is created on March 20, 1345, from what they call “a triple conjunction of Saturn, Jupiter and Mars in the 40th degree of Aquarius, occurring on the 20th of March 1345”.

I’m not much on planet conjunctions, but the date struck me. Supposedly, 675 years ago (exactly!) the Black Death was born...if death can be born that is.

Today’s missive just happens to cover some of the parallels and differences between then and now. And, no, this is not the bubonic plague. Still, history is good guide. Humans don’t change much.

So, with that cheerful introduction, I hope you find today’s missive enlightening.

Signed, Your If-We-Are-At-War-With-Coronavirus-At-Least-During-Previous-Wars-They-Kept-The-Bars-And-Restaurants-Open Financial Advisor,

Greg

KKOB 03.20.2020 Venice 1348 and USA 2020

Bob: So, Greg, after last few weeks, I’m not sure where to start. The markets are convulsing. I’ve never seen such wild swings. Even on calm days, the market seems to bungee jump from positive to negative to positive. So, what’s next?

Greg: Well, Teddy Roosevelt once said, *“I believe that the more you know about the past, the better you are prepared for the future.”* So, today, let’s go back to the year 1348 --- to the city of Venice. Many of your listeners know that was the year the Black Death gripped Europe resulting in 40%-60% of the population dying.

With that said, KKOB listeners, please do not say, “Zanetti says coronavirus is the Black Death!” It’s not. We’re only looking for similarities and lessons.

For example, as with today, the plague came from the east and it hit Italy first. That's because Venice was a Mediterranean power. Ships from all over the world docked there. And as the sailors disembarked, so did the rats carrying the virus.

The people of Venice weren't stupid. They knew they had to act. They had to balance the commercial and health impacts. Thus, they created a council of experts. That council banned any suspected plague ships from docking and implemented radical population controls.

Thus, it was from that plague, we got our first public health measures.

So, Bob, is any of this sounding familiar?

Bob: Sure. We're trying to balance the economic and health issues, too. And, we've all seen the cruise ship messes. Plus, governments are imposing all kinds of restrictions. And people are either voluntarily, or involuntarily, being quarantined.

Greg: Which is the perfect segue to my next point. The Venetians imposed a law called *quaranta giorni*. *Quaranta* means 40 and *giorni* means days. Thus, anyone disembarking---or anyone showing symptoms---had to isolate themselves for 40 days. And, Bob, it is from *quaranta giorni* we get the term quarantine today.

Here's another similarity. Historians note how differently people behaved once the plague hit. Some took it very seriously and self-quarantined. Others, however, became fatalistic. "Let's eat drink and be merry for tomorrow we shall die," (which sort of comes from the Bible) became a very popular saying. Anyway these folks

would go house-to-house having plague-parties and getting drunk. Does that sound familiar?

Bob: Well maybe not to the same degree, but I know a lot of students today didn't cancel Spring Break plans. By now, most of us have seen the videos of students drinking beer on the beach and saying, "Hey, if I die, I die."

Greg: Right. So, now let's draw some economic parallels...but also note some significant differences.

670 years ago--- as the deaths piled up---the European economy was decimated. Commerce didn't recover for decades. Some historians say centuries.

I don't see that happening today. Again, Covid19 isn't the Black Death. Still, there will be after effects that will linger.

For instance, tourism & travel alone account for about 10% of global GDP. That industry is crushed right now. It will recover, but it won't be overnight.

Next, companies are going to reevaluate their supply chains. They're going to start building redundancies into their systems. That's good in the long run...but it will take time (and money) to make it happen.

Next, there is real damage to the global economy. Corporate earnings will fall. Weaker companies will fail---energy looks particularly vulnerable. Unemployment is already rising. Tax revenues will shrink. Government deficits will head much higher.

And, finally. The immediate problem is in banking. And, I'll get to that one on Monday.

Bob: I can see all that. But, this isn't the end of the world. I can see a slow build back up. And, once that's done, the system will probably be more resilient than the current one.

Greg: I totally agree. Sometimes it take a crisis to expose our flaws & weaknesses. Oh, and regarding your comment that this is not the end of the world. There was funny meme last week that said, "See, even the end of the world is made in China."

Bob: That's pretty funny! How do people reach you?

Greg: My number is 505-250-3754. Or, go to my website at zanettifinancial.com.

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