



What does the
CoViD19 crisis mean
for the future?



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The dynamics of the CoViD19 pandemic – with its enormous speed and numerous very tough decisions under extreme time pressure – currently determines the picture in politics, economy, society and financial markets. Many discussions and the question of how to deal with the pandemic currently revolve around the collapse of the global economy and the extent of the recession that is now beginning, the appropriateness and effectiveness of the aid packages and rescue packages adopted at short notice, the sense and duration of the current "lock-down-regimes" and – last but not least – questions of the right risk management in the financial markets.

Without ignoring them, we at the FERI Cognitive Finance Institute already consider many of these discussions to be "old news". Of course, the global recession that is now beginning will lead to massive slumps and (possibly) longterm damage to the global economy. And it goes without saying that the hectic crisis management of many governments and central banks will leave the global financial system in an even more fragile state than before – with possibly entirely new risks.

Nevertheless, we believe that the interesting questions lie in different areas. And they lie on a different timeline. This means that ...

... the current very challenging, extremely dynamic but at the same time very exciting time of the crisis should be used to calmly analyze the current environment and then to think specifically about the future.



Within the framework of an imaginary experiment, the time of the crisis should be left behind and "the time after" should already be considered and structured in plausible scenarios. In other words:

- Which industries, business models or companies will particularly prosper in the future as a result of the crisis?
- Which new technologies will play a major role in this or will finally prevail?
- How will previous habits, social norms and behavior patterns change?
- Will intangible things such as health and social harmony be reassessed?
- Which countries or communities will have mastered the course of the crisis particularly efficiently and successfully in the longterm?
- What role will entrepreneurial concepts such as resilience or strategic risk analysis play in the future?

In addition, there are other significant questions arising from the political or geopolitical environment:

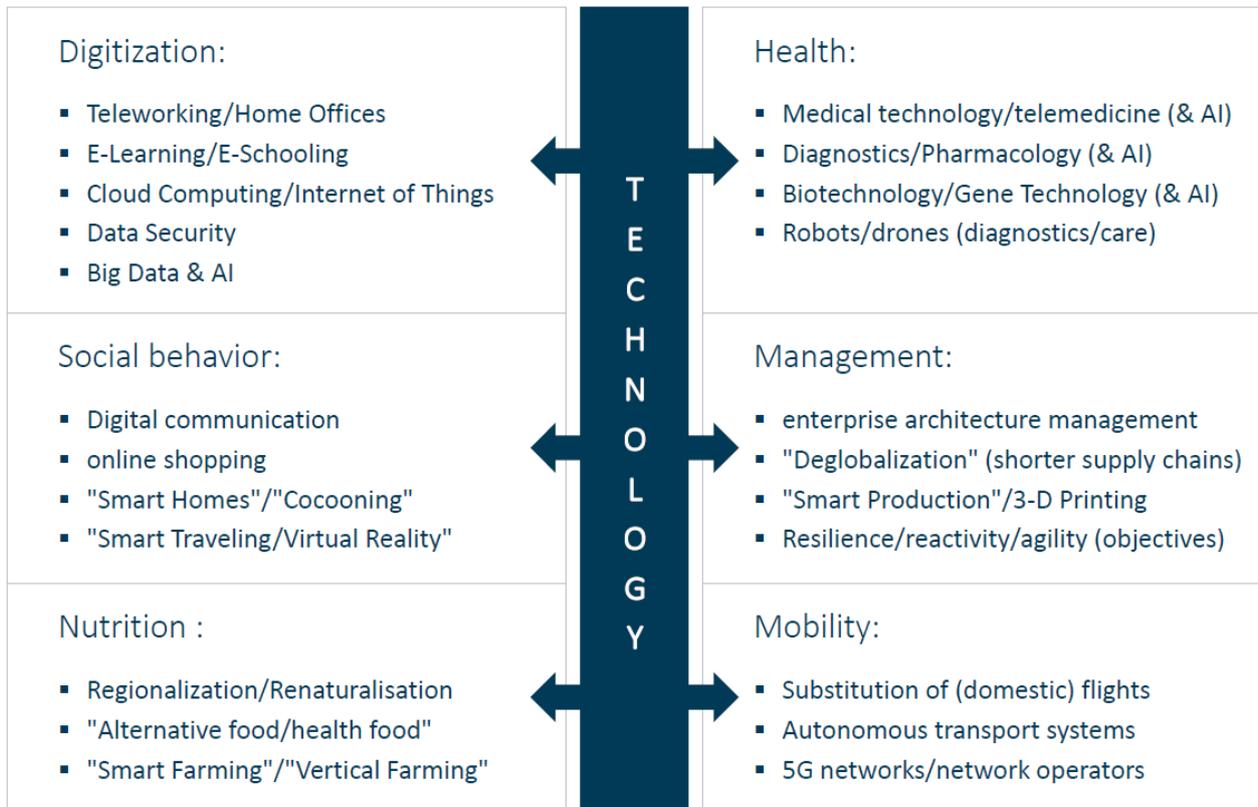
- How will the crisis change the geopolitical field?
- Will China be able to further expand its global role? ("Corona Success Model")
- Will CoViD19 be the downfall of Donald Trump? (Threat of Corona impeachment?)
- Does the crisis strengthen or weaken the cohesion of EMU?
- What risks does the sharp rise in public debt entail?
- What are the consequences of the dramatically changed monetary policy?
- Does the entry into "monetary public finance" (OMF) lead to higher inflation?
- Is there a threat of massive tax increases or capital levies after the Corona crisis?
- Does the CoViD19 crisis management generate "state economy" and more dirigism?
- Are environmental and climate goals still considered against the background of the CoViD19 crisis?



On the basis of 15 theses, an attempt will be made to investigate these aspects and to transform them into a future scenario with attractive investment themes. Within the framework of an "investment matrix" these themes are analyzed with regard to their medium and longterm attractiveness. In addition, the most important political issues are discussed in a brief overview.

Relevant topics and trends after the Corona crisis

Focal points and interdependencies/strong technology focus



Quelle: FERI Cognitive Finance Institute



1. Digital Technology

The CoViD19 pandemic has very quickly shown how great the benefits of modern technology can be in combating it. Within a very short time, the Internet, laptops and modern communication technology (especially "video meetings") became the new backbone of an economy that had to be largely outsourced to "home offices". Without these basic technologies, no country would currently have a "Plan B" for the crisis.

In China and South Korea, the use of state-of-the-art technology - from network monitoring and telemedicine to drones – was a crucial aspect in fighting the epidemic efficiently. A large number of new technologies and application possibilities were directly and consistently transferred there into hard practical tests and meaningful "use cases".

At the same time, the crisis shows mercilessly the (long known) technological deficits everywhere, especially in Germany (and Europe). In areas such as telemedicine, e-learning or big data analysis, there is currently a lack of the necessary infrastructure, available technology and adequate training.

CONCLUSION: The entire field of **modern digital and telecommunication technologies** has been in a strong "megatrend" for years. This trend will continue, accelerate and significantly intensify as a result of the findings of the crisis. Many "old" habits, including doctor's visits or business meetings with costly travel, are likely to be **generally and permanently** replaced in the future by new virtual forms of cooperation and communication.

→ Beneficiaries: Companies in the 5G sector, video communication, telemedicine, data management, cloud computing, software, big data and (time-delayed) artificial intelligence (AI).



2. Health/Medical Technology

The CoViD19 crisis shows that in many countries the importance of functional and well-equipped health care systems must have steadily decreased for years. (There is no other explanation for the massive deficits in equipment, personnel, technology and reserve capacities).

The pandemic is likely to bring about a **significant change in thinking**. The entire healthcare sector – at least in wealthy countries – should receive a **significant boost in investment** in the coming years. This is likely to result in more personnel, a significant increase in capacity, more efficient diagnostic technology, telemedicine equipment and special sectors for intensive care and disease control.

CONCLUSION: In general, government spending on the respective health care systems is likely to increase significantly for years to come. This also applies to notoriously underfinanced or incomplete systems such as the USA and the UK.

→ Profiteers: Companies in the "health care" sector (pharmacology, biotechnology, medical technology); possibly also hospital operators (only short-term effect?)

3. Diagnostics/Biotechnology

One of the lessons of the corona crisis is that, although targeted basic research was carried out in the entire field of rapid diagnostics ("tests"), it was possible to deliver precise analyses of the CoViD19 pathogen relatively quickly. Nevertheless, the "exploitation chain" up to the global provision of sufficient quantities of diagnostic and test kits was obviously incomplete and time-consuming (aggravated by initial errors by the US authority CDC).

CONCLUSION: As a consequence of CoViD19, it is to be expected that considerable resources will flow into the development of more efficient systems and processes for **diagnostics and biotechnology**. [Presumably, the goal "Pandemic Preparedness" will be treated with much higher priority by many countries in the coming years than it has been so far!] New research approaches using **artificial intelligence (AI)** methods seem promising.

→ Beneficiaries: Companies in the field of biotechnology, genetic research, (often still in the private equity stage); also: diagnostics, telemedicine, AI.



4. Robotics/Drones

The course of the CoViD19 crisis makes one point very clear: in the event of a global pandemic, there will be too few nurses (and corresponding equipment) available worldwide to treat (intensive care) patients in a highly infectious environment. Since robots cannot infect themselves with (biological) viruses, it makes a lot of sense to increase medical care capacities by means of appropriate robots.

CONCLUSION: Even if many care activities cannot yet be performed in human quality even by highly developed robots, the **gain in safety in the event of a crisis** outweighs this. In certain (less complex) areas of hospital operation, robots would thus be a clear, sensible and goal-oriented option. The same applies in other areas to the use of modern drones, which have proven their versatility and utility under the most difficult conditions in China and Italy.

→ Beneficiaries: companies with a focus on robotics & drone technology

5. E-Learning/E-Schooling

Even before the CoViD19 crisis, concepts for digital mediation of education showed positive demand. In Germany, on the other hand, despite many announcements on the digital "upgrade" of the school system, there are still major deficits. The Corona crisis and the need to relocate schools, universities and other educational institutions to the "digital space" have once again made these deficits very clear.

CONCLUSION: Since a lot of state money will flow while combating the crisis and the primacy of securing the future is obvious, schools and teaching institutions cannot be "forgotten" again after the crisis. Consequently, the CoViD19 crisis should lead to a strong increase and acceleration of smart **e-learning** and **e-schooling concepts**.

→ Beneficiaries: Companies in the hardware, software and digital communication sector



6. Online Shopping

After only a short time, the Corona crisis forced stationary trading to close down and a massive "lockdown". Since not every retailer has a parallel online sales channel, business and sales are irretrievably lost in the crisis. In this phase, the strategic superiority of digital online retailers, who are available at all times and (mostly) able to deliver, is (once again) evident.

CONCLUSION: The triumphal procession of **digital shopping platforms** continues; the CoViD19 crisis enables the already dominant online platforms to massively increase their reach and future market shares.

→ Profiteers: Companies with a clear focus on online trade/platforms

7. Logistics/Supply Chains

At the latest at the beginning of CoViD19 in China it became clear that the following crisis could lead to massive "breaks" in global supply chains and to obstacles and burdens for worldwide production networks. However, this problem was already apparent in the previous year, as a direct consequence of the trade war between the USA and China. Longstanding fashion themes such as "globalization", "outsourcing", "Kanban" and "just-in-time production" quickly became problems that could potentially threaten the business or existence of the company. The lessons of the CoViD19 crisis in Europe and worldwide will certainly revive this topic and lead to new solution models. Derivable trends go in the direction of "deglobalization", "insourcing", "localizing" and generally "elastic" manufacturing processes. This requires, among other things, **different logistics and storage chains**, but will probably also result in a "thinning out" of global production facilities in far-flung locations. New technologies such as **3D printing** will also enable cost-effective production "on site" even in today's high-wage countries.

CONCLUSION: New logistics models, more warehousing and a greater reduction in globally outsourced production processes could be direct consequences of the corona crisis.

→ Beneficiaries: Companies in the field of logistics, process management, 3D printing.



8. Data Security/Cloud Management

The CoViD19 crisis has a worrying side effect: The entire "Plan B" of all industrial societies is currently based on a massive shift of "real" processes and structures into "cyberspace". This results in a new variant of **critical dependency** (this time on digital technology). Such dependencies create new potential risks of concentration and accumulation, which must be addressed by all industrialized countries. (The next "worst case" after CoViD19 would be a "computer virus" with high global spread).

CONCLUSION: The constant development and expansion of efficient technology for data security, system architectures and backup facilities are already an important imperative today and should be further strengthened and accelerated by the experiences of the corona crisis.

→ Beneficiaries: Companies in the field of data security, cryptotechnology, cloud architecture

9. Enterprise Architecture Management

The adjustment shock of the CoViD19 crisis has hit companies with a weak digitization profile hard. The forced "lockdown" – without a powerful data architecture and largely digital control of critical processes – may have caused considerable **problems in operational control**. In times when physical capacities are largely shut down, this "blind flight" can threaten the existence of companies. During the Corona crisis, the following general rule applies even more than usual: The more digital a business model is, the easier it is to react and adapt to unexpected developments.

CONCLUSION: Previously hesitant approaches to the digitization of business processes (especially in Germany) should gain considerable speed and momentum after the crisis. The focus here is on concepts of digital **"Enterprise Architecture Management"**.

→ Beneficiaries: Companies in the field of business software, databases, corporate networking, e-factory



10. Corporate Governance

The crisis will show which companies, business models and management principles are well prepared for difficult times. Longterm trends towards streamlining business processes ("lean management"), minimizing inventories ("just in time") or optimizing capital returns through share buybacks on credit ("share buy-backs") are likely to have weakened the resilience of many companies. If serious problems of well-known companies arise in the course of the crisis, this should lead to a **significant reversal in behavior**. Principles such as **resilience**, **responsiveness** and **agility** will increasingly come into focus and also significantly increase the need for strategic risk analysis.

CONCLUSION: As a consequence of the Corona crisis, previous management principles could change significantly: "resilience", "responsiveness" and "agility" would be the new corporate goals.

→ Profiteers: Companies with a head start and success in implementing these goals, providers of software for early risk detection/risk modelling/risk control

11. Mobility

CoViD19 and the imperative of "social distancing" have dramatically restricted the mobility of entire societies. Flights are cancelled, trains are cancelled, and subways are suddenly under severe health risks. Public transport becomes risky in times of a pandemic and is often only available to a limited extent.

CONCLUSION: Pandemic-related restrictions of "normal" mobility affect especially those who, for environmental reasons, do not have their own car, cannot use "car sharing" and do not have other means of transport. In the future, this could significantly increase the demand for **alternative (ideally autonomic) mobility concepts** that offer an ideal mix of individual transport and driverless environment.

→ Beneficiaries: providers of autonomous mobility concepts ("driverless cars"), 5G networks.

12. Travel/Tourisms

CoViD19 has clearly shown that easy travel and normal tourism quickly become impossible in times of a pandemic. The experience of being stranded in a distant country (or on board a cruise ship) with no possibility to return or adequate medical care is likely to be drastic. Such experiences could have a lasting effect on future travel behavior. Business travel, especially flights, was suddenly no longer available during the Corona crisis, but this was quickly replaced by teleconferencing. Many people are now experiencing for the first time how easily many meetings can be replaced by digital meetings in "cyberspace"; they will continue to take advantage of their benefits in the future (comfort/time savings/cost reduction/environmental aspect).

CONCLUSION: The **behavioral changes** in tourism and business forced by CoViD19 could have a long reverberation; the demand for long distance travel could drop sharply, many domestic flights could disappear permanently. Exotic travel experiences could be increasingly "simulated" by "virtual reality" elements.

→ Profiteers: providers of "Digital Meetings"/"Virtual Reality", social media

Losers: traditional airlines, cruise and tourism companies

13. Social behavior

The "lockdown" enforced by the Corona crisis, with simultaneous massive restriction of social contacts ("social distancing"), is likely to have a noticeable echo even after the crisis. Previous social behavior will change, although the new direction is still unclear. The corona crisis is forcing a retreat into private spaces and thus accelerating the trend of "**cocooning**". Instead of going to the cinema or restaurant, "digital alternatives" are used (video streaming; delivery service). In general, the behavior of many people could change significantly when travelling and in other areas of "social consumption".

CONCLUSION: The corona crisis could noticeably change human social behavior. Greater **awareness of private retreat areas**, using digital entertainment and communication technology, could result as a longterm lasting effect ("cocooning").

→ Profiteers: Companies with a focus on digital entertainment, digital communication, "smart Homes", Digital Services ("Concierge")



14. Nutrition

CoViD19 changes the awareness of many people with regard to health and avoidance of dangerous pathogens. Whether this will also trigger a new trend towards more "local and sustainable" nutrition is not yet clear. Nevertheless, the corona crisis could trigger trends towards "local" or "decentralized" food production (through technologically driven processes such as "smart farming" and "vertical farming"). Higher demand (and increased production) of meat replacement products and other innovative and health-promoting foods ("Alter-native Food"/"Health Food") also seems plausible.

CONCLUSION: In general, CoViD19 should lead to a return to local food production and short supply chains; attributes such as "organic" or "vegan" should also receive a boost. This favors the new area of "**alternative food**", which is already growing strongly, but could receive a further strong boost as a result of the corona crisis.

→ Beneficiaries: Companies with a focus on innovative food production and sustainable nutrition, technologies for vertical farming, health food and alternative food.

15. Political Management

The corona crisis requires (even now) rapid, targeted and consistent political action. Countries and political systems with short decision-making paths and centralized (or autocratic) power structures have so far had clear advantages here, as the example of China shows. The federal structure in Germany has so far tended to prove to be a disadvantage, entailing a certain fragmentation and heterogeneity of political action. In principle, however, even decentralized systems often offer advantages in crises, as they allow for very differentiated actions at local or regional level. However, in order to prevent the (early foreseeable) pandemic, coordinated action should have been taken much earlier in the area of health systems, for example in the central procurement of important aids for doctors and hospitals.

Also with regard to the **EU**, massive **political failure** can be observed so far, which points to serious problems. The long absence of a coordinated response to the Corona crisis, the "every country for itself" approach and the dangerous sealing off of national borders and goods markets show a status that in no way corresponds to the often invoked values of the EU.

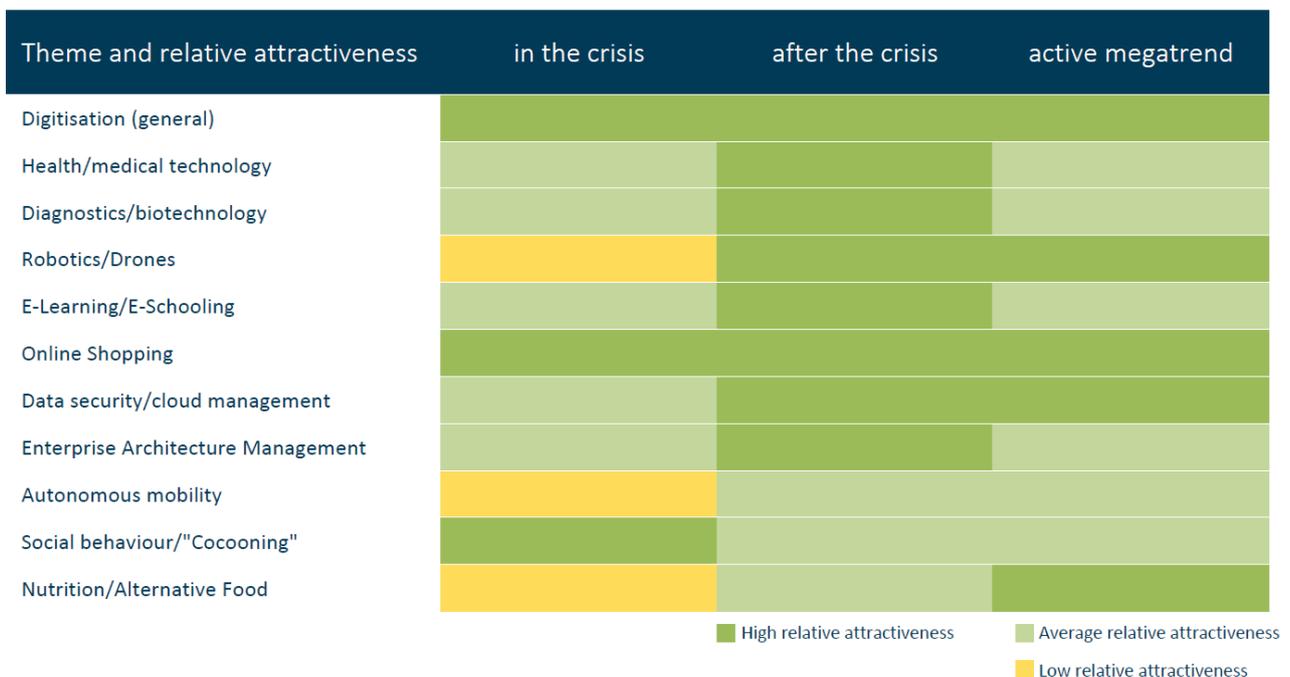


The political management of the crisis is particularly bad in countries led by **populists**: The USA and Great Britain, but also Brazil and Turkey, are therefore massively affected by the CoViD19 wave, largely unprepared and hampered by a maximum of prior **ignorance, deception and misinformation** by their respective political leaders.

CONCLUSION: In retrospect, the corona crisis is likely to lead to critical reflection and subsequent revision of weak processes also in the area of political management. Even democratically managed, rather decentralized systems should be able to do this. What lessons the EU will learn from the corona crisis is still completely open for the time being. A serious improvement of deficient structures does not seem realistic for the time being. Populist governments (as in the US) could pay a high price for their glaring failure in the corona crisis and be voted out of office after the crisis (Trump).

→ Beneficiaries: Flexible political systems with rational political style, use and appreciation of scientific expertise, high learning ability and willingness to adapt as well as strong social cohesion (type: South Korea, Taiwan, Switzerland, Scandinavia)

„Investment-Matrix“: Relative Attractiveness of certain topics



Quelle: FERI Cognitive Finance Institute



In addition to these considerations, there are other important questions arising from the political or geopolitical environment:

1. How will the crisis change the geopolitical field?

From a geopolitical point of view, crises are always also opportunities; for change or for surprising shifts in power. While the **US** lost its claim to global leadership on the world stage even before the Corona crisis, the ill-informed, selfish and irrational behavior of the Trump administration is leading the US even further into the sidelines. The looming medical catastrophe in the USA could seriously weaken the country and significantly narrow its geopolitical radius of action for some time (the US armed forces are also affected by CoViD19!). From today's perspective, it cannot be ruled out that a geopolitically very coolly calculating actor like **Russia** will use the time of crisis (in which all other players on the world stage are massively "distracted") to carry out "surprise" actions (e.g. Eastern Ukraine; Baltic States).

China is currently already working on a new "story" to demonstrate the superiority of the Chinese system as well as the "weakness" of Western countries using the example of CoViD19. The efficiency of crisis management with the intelligent use of the latest technologies provides China with both political and economic advantages in the corona crisis, which China will certainly use. Geopolitically, China is thus one of the winners of the crisis.

Europe (EU/EMU) is once again proving to be overwhelmed by complex problems and has not yet cut a good figure in the corona crisis. Economically, Europe will be massively affected; in addition, the coherence of the EU and EMU is once again in question after 2015. The fact that both China and Russia flew in very "promotionally effective" medical aid for Italy, which was not available from the EU, speaks for itself and will put a strain on the EU climate in the longterm. **From today's perspective, the EU is likely to be one of the geopolitical losers of the Corona crisis.**

2. Will China be able to further expand its global role?

China has (apparently) overcome its CoViD19 epidemic very quickly and efficiently. On this basis, China now presents itself as a "model country" that can offer other countries generous help and good advice. Although the corona outbreak took place with almost 100 percent certainty in China and was initially covered up and abductured there, China now has a **positive narrative** that is probably being used increasingly for



propaganda purposes. If China strategically exploits its potential in terms of possible aid (already evident in the early stages), China will probably be able to further strengthen its global influence and its global role at the expense of the USA and the EU.

3. Will CoViD19 be the downfall of Donald Trump?

Donald Trump is probably the worst president the USA could have had in times of the Corona crisis. As a narcissistic populist, he did everything in the run-up to the crisis to deny, negate or trivialize the impending pandemic consequences for the USA. At a time when targeted preparation would still have been possible, Trump let his country run into a **medical catastrophe** of the greatest magnitude virtually unprotected and unchecked. Although Trump is now trying to present himself as a strong crisis manager, the extent of his government's failure is hard to overlook.

In view of the harsh economic and social consequences of the Corona crisis for the USA, as well as the prospect of (at least) 200,000 CoViD19 deaths, a re-election of Trump in November seems hardly conceivable. The Corona virus is proving to be a powerful adversary that can neither be blackmailed, suppressed nor slandered by Trump, and which is completely ineffective with Trump's principle of "strike back harder". As a result, Trump is threatened with "Corona Impeachment" in November, i.e. possible disempowerment by the smallest imaginable opponent.

4. Does the crisis strengthen or weaken the cohesion of EMU?

The true state of the EU and EMU is still to be decided. Nevertheless, current developments are worrying. The rapid "overturning" of European values, principles and rules at the beginning of the crisis does **not cast a good light** on the EU, despite all the medical and epidemiological emergency measures. Even the EU Commission (led by a medical doctor) has done too little to combat the epidemic in a planned manner in the important initial phase of the crisis.

As has been the case several times before, the corona crisis is being used by some countries for blanket blame to "Brussels" and "the rich countries", who refuse to take joint aid measures (with the help of "corona bonds" – i.e. euro bonds through the back door). Here, too, intensive negotiations are currently underway, the outcome of which is still open. As in the Great Financial Crisis, Italy and Spain are once again



the hardest hit and will have to massively increase their **government spending** (and thus their debt). This requires both rapid and planned EMU aid and forces the lifting of old thinking blocks.

As always, EMU is only in crisis if drastic measures can no longer be postponed. To this extent, new European "**financial pots**" are likely to be built up in the course of this crisis in order to stabilize the troubled southern countries of EMU in particular. While this may help to cushion imminent risks, experience shows that after each crisis EMU did not become stronger but ultimately more fragile. The Europe-wide scale of the crisis means that even previously "strong" countries (such as Germany) are under massive pressure from CoViD19 and cannot be held liable indefinitely for other countries. Once again, **EMU is proving to be an unfinished experiment** that seems to be moving ever further away from fundamental stability and prosperity.

5. What risks does the sharp rise in government debt entail?

Reliable figures on the increase in public debt in Europe will probably not be available until the end of the Corona crisis. Nonetheless, in the countries that have been severely affected an increase in government deficits of **7-10%** can be assumed. However, depending on the use of state rescue packages, the extent of state participation in staggering companies and possible rescue measures for ailing banks, these figures could rise substantially for individual countries. A crisis-ridden country like Italy is thus already moving towards a **public debt ratio of 150%**.

In addition, new guarantees, sureties, credit lines and other instruments of European or national authorities also need to be taken into account; such commitments may become "beating" very quickly but are **NOT recorded as government debt** for the time being. Such instruments have the character of **contingent liabilities**, which are often booked at another level (e.g. via the balance sheet of the European Stabilization Mechanism/ESM or the European Investment Bank/EIB) and would only impact on government budgets (and debt levels) after a significant delay.

The current trend in government debt would not yet be really worrying for Germany, in isolation; the foreseeable level of debt would probably be close to 70% of GDP after the crisis and thus well justifiable. However, Germany bears far greater risks through its participation in various European "pots", "funds" and "programmes", which always also represent substantial **liability shares for Germany**. Since in the corona



crisis (in contrast to the euro crisis) not just one country has problems but the entire EMU, such liability ratios now have much greater relevance and clout for German public finances as well.

In an "old" EMU such developments would definitely be extremely worrying and could (again) entail the risk of massive credit crises or the threat of national bankruptcies. In the "new" EMU, which is now completely different with virtually unlimited **backing from the ECB**, these problems will probably be manageable, but at a very high price and with dangerous longterm consequences.

6. Does the CoViD19 shock threaten a new euro crisis?

Although the state of EMU appeared to have returned to stability after the crises of the last decade (financial crisis; euro crisis), a closer look revealed a cold reality even then: EMU is and remains an **unfinished experiment** that shows a high degree of **systemic fragility** due to blatant design flaws and political birth defects.

In a massive crisis such as the corona shock, many of the inherent (mostly economic) fault lines are overstretched and the underlying **systemic weaknesses** become clear. With each crisis, the stakes in rescuing such an unstable system increase, and the associated costs and financial risks reach dangerous levels.

This status has basically been achieved for some time (keyword "target balances") but is now being significantly exceeded by the consequences of the corona crisis. In all probability, this would have resulted in a new edition of the euro crisis from 2012 – 2015, if the ECB had not already been putting up large-volume "rescue umbrellas" across the entire euro zone for years. (The actual mandate of the ECB was massively overstretched in this case).

Today, the ECB has the monetary firepower to absorb or refinance, if necessary, even the largest mountain of EMU (or certain members') debt with newly printed money. Under the ECB's new PEPP programme, unilateral and largely **unlimited support measures by the ECB** for highly indebted crisis countries (such as Italy) are also possible for the first time.

There is no question that this approach, which has now become a **form of monetary public finance**, has its own problems. Nevertheless, the ECB can (in principle) prevent the outbreak of a new euro crisis for a very long time. However, if this approach is also applied for a longer period of time, a **new crisis** is inevitable in



the future: this would be a crisis of money, **money value and currency**, which could have extremely negative consequences (currency decline, disintegration, inflation).

7. What are the consequences of the dramatically changed monetary policy?

For many observers, one very important point is perhaps still not clearly discernible: the corona crisis has instantly triggered a massive tightening of already extreme monetary policy: Now the entry into a completely **new monetary regime**, the "**Open Monetary Funding**" (OMF), is beginning.

The term OMF means that **current government expenditure** is financed directly or indirectly by the respective central bank. It is precisely this mechanism that is now in place in response to the Corona crisis in the US, Japan, Europe and the UK. Government commitments and rescue packages are "covered" and ultimately financed in the same amount by announced bond purchase programmes of the respective central bank.

A second aspect of OMF is the reduction of **old government debt**: This point has already been activated for some time in the course of the Q.E. measures taken by Western central banks to date; as a result, around 25% of European government debt is now already directly with the ECB (or in the ECB system); for Japan the corresponding figure is just under 50%!

The effect of these extreme measures cannot yet be clearly assessed. However, it should be noted that OMF is in clear contrast to all traditional norms of "sound" monetary policy and very clearly violates important principles (or laws). OMF leads to **a regime of massive monetary dilution**, which in turn implies very dangerous consequences for the longterm stability and integrity of financial systems.



8. Does the entry into "monetary public finance" (OMF) lead to higher inflation

"OMF" means that government expenditure is financed in whole or in part by open money creation by the issuing banks. A direct, almost inevitable consequence of "OMF" is thus the further **monetary inflation** of entire capital markets (including real estate); another possible consequence is a **strong surge in inflation** in the near future. The effect of the monetary inflation of entire asset classes (bonds; real estate) has already been felt during the last 10 years, as a consequence of the ongoing Q.E. policy. This effect will become even more pronounced in the future, leading to ever greater **distortions** of market prices and yields. When the latter aspect in particular (higher inflation) will actually become noticeable depends strongly on the macro-economic environment. This point could still be some time in the future but should by no means be underestimated.

9. Is there a threat of massive tax increases or asset disposals after the Corona crisis?

The crisis is forcing the state to intervene on a scale hardly imaginable before. The actual use of state aid, rescue parachutes and other obligations (EMU!) can hardly be estimated at present but could reach **massive proportions**. From the government's point of view, it would be plausible to partially absorb and redistribute burdens arising after the crisis by means of **fiscal instruments** (tax increase; "wealth tax"; capital levy etc.). Since the Corona crisis is ultimately a matter of "force majeure", the state would not have any real legitimization problem.

Under the current EMU financial regime, this approach would be perfectly valid and would have to be seriously expected.

In the new "OMF regime" the case is different: in fact the central banks (i.e. also the ECB) take the bulk of government CoViD19 expenditure (new debt) into their own balance sheets through **targeted purchasing programmes**. Since they pay for this with newly printed money, citizens do not, in principle, have to bear any additional burden. (Their burden is "hidden", through **monetary dilution**, i.e. sluggish or open inflation in the future). Nevertheless, tax increases or other "solidarity levies" should certainly be expected after the crisis, which could put a significant burden on the wealthy and "better-off" in particular.



10. Does the CoViD19 crisis management generate "state economy" and more dirigism?

In principle, the state treads new paths in every crisis and often also curtails the (basic) rights of its citizens. In this crisis, this can be observed in issues such as curfews, lockdown and the handling of sensitive data. However, such state interventions are relatively normal in a crisis and can hardly be avoided. More serious are **changes in the basic understanding of economic policy** that could still come to light as a result of the crisis or are already emerging. Thus, the entry into the new "**OMF regime**" is nothing more than a state "planned economy" with direct access to (actually independent) monetary policy. **More state economy is hardly possible!**

It is currently hard to predict whether more far-reaching dirigiste elements will develop beyond this. However, the probability clearly suggests that states will introduce certain security laws or coercive measures on a permanent basis in the course of the crisis in order to be able to react better to similar events in the future (analogous to the handling of terrorism risks).

With regard to **Europe and EMU**, it can certainly be assumed that fundamental principles of the market economy will be pushed back further and further and replaced by "planned economy" or "solidarity" **liability and redistribution mechanisms**. This is a very **serious and worrying trend** that clearly calls into question the bright future of EMU.



Finally, there is another important question which, although it is currently strongly overshadowed by the problems of the corona crisis, should not be forgotten:

Are environmental and climate goals still being considered against the background of the CoViD19 crisis?

This aspect is very important, as the impact of the corona pandemic could push laboriously developed strategies and solution packages against climate change into the background or put them on the back burner. Since every euro can only be spent once, there is now a strong **conflict of objectives** between the expenditure needed to protect the climate and the expenditure needed to ward off the corona crisis.

In an ideal world, there are high synergies between the two elements, as government spending could flow more strongly into the area of "green investments". In reality, however, this is unlikely to be practical, as government spending will first have to be channelled into completely different areas. Whether an at least partial "reconciliation" of the two necessities is possible depends, among other things, on the **determination and vision** of the respective governments or supranational institutions.

In principle, the EU Commission would be well positioned with its "Green Deal", but it will have to address completely different issues in the near future. In this respect, it is to be feared that the global corona crisis will rob mankind of valuable time to even initiate effective measures against climate change.

Since 2017, the FERI Cognitive Finance Institute has published detailed analyses and comprehensive studies on many of the topics addressed here. The corresponding topics and titles are:

- 01/2017: Carbon bubble and decarbonization – underestimated risks for investors and asset holders
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