

The planet-saving market crash?

Is COVID-19 an environmentalist's dream come true? Very few stock market crashes have the ability to bring both good and bad in equal measure. This one, like all others, will impact society's most disadvantaged, but may also save the planet and help transition the world to a more sustainable and fairer future.

Temps de lecture : minute

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Let's start with two rules that every parent advises their children to follow - Don't buy things that you can't afford. Don't leave food on your plate. Don't waste things. The harsh reality is that only a few of us have the self-discipline to follow this advice. We've all been complicit in seeking what Greta Thunberg calls "a fairy tale of eternal growth".

As a result, historians may be unkind to policymakers, consumers and capitalism in recent times. We've feasted on two decades of loose credit and fast food, poisoning our population with debt and diabetes while creating obese balance sheets and waistlines.

This is the root cause of our present-day problems. Growth and sustainability have never been very compatible. They were on a collision course well before the unforeseen catalyst of the COVID-19 coronavirus outbreak.

Sustainability V growth - Mother Nature takes control

I have no desire to trivialise the pain that this possible pandemic may cause, both in terms of its economic and human cost. From a purely

environmental perspective, however, the outbreak could well have a silver lining.

It will lead to a marked and protracted period of slow economic activity that could well allow the targets outlined by the Paris Agreement on climate change to be hit. It may also give people, particularly those in the developed world, a moment to reassess the way in which they lead their lives.

Indeed, satellite images from NASA have shown how, as a result of people being kept inside by the virus' outbreak, pollution over China has lessened over the past month.

What now? Pointless rate cuts?

Since 2008 a fearful question has hung over the markets: What happens when this debt-fuelled rally subsists and rates have already been cut? If any scenario highlights the pointlessness of rate cuts, this is it. There would, in all probability, be a further market rout if and when the Fed cuts rates.

Two more rules.

- Something bad is always waiting to happen, especially after a 12-year bull market.
- The experts to whom we subscribe never predict the cause, whether it be a pandemic or subprime lending.

The only question now is whether we recover (as we have always done before) or we face a Japanese-type scenario where the market struggles to return to former glory for another 30 years.

Personally, I think it's probably payback time, or what John Maudlin calls

the “great reset”, due to the laws of economics and balancing force of nature.

The unspoken truth

The UK courts’ ruling against the third runway at Heathrow Airport is a rare example of the environment trumping the requirement for growth.

It’s an event likely to repeat itself across many industries and sectors as numerous environmental taxes and policies assert themselves.

The future capitalistic model requires all companies to grow and develop “greener” business models that don’t just satiate the desire of shareholders, but their suppliers, employees and customers too.

The truth is that the earnings friction provided by this set of challenges is almost impossible to overcome in the short term without seismic technological advance and radical overhauls in company strategies. These, of course, take time to implement and adopt.

The emperor’s new clothes

The scene was set for another market crash long before the COVID-19 outbreak. Unlike many previous crashes, however, this one might just help save the planet.

Just like all other crashes, it will impact society’s weakest and most vulnerable. Ironically, supporting this demographic is exactly the cause a reset wishes to address.

Sustainability and growth were always uncomfortable bedfellows, as were excess debt and sustainable growth. The concentration risk is unprecedented.

We are now in a position where a short-term threat to growth has tipped the balance of a situation that no one ever truly believed was sustainable anyway.

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