



Demographic Change : Country Profiles

Pandemics: Don't Panic

How dangerous are pandemics? According to Gunnar Millar, Global Co-Head of Research at the Allianz Global Investors company RCM, pandemics could be a major threat to the global economy - but less so for people. Find out why.



Gunnar Miller, Head of Equity Research, RCM

Now that the media hype has passed, are pandemics like bird flu and SARS under control?

Oh, they've passed out of the news cycle, but nothing has changed to keep them from breaking out again. They are still threats, but probably at the same stage as two or three years ago. It is just that it got too uneventful for the media to keep talking about.

When SARS broke out, the World Health Organization criticized the Chinese government for its insufficient public information strategy. Has the situation changed?

To some extent, yes. But China has more than a billion people, so it is extremely difficult to be fully prepared to communicate on such a scale. SARS had the effect of changing the behavior of the Chinese government. Look at this earthquake right now. I think there is probably more open press coverage of the recent earthquake than there ever was on SARS. You could take that as a sign that the Chinese are possibly a bit more open.

Some are more cynical, but I'm not. Look at the way we are all increasingly tied together economically. Can you imagine what would happen if all the foreign buyers and economic partners would stop coming to China on the basis of uncertainty over a new outbreak? It would all come to a halt. China knows that if it is going to host the Olympics and participate in the global economy, it can't treat things like they did in the 1960s and 70s.

Has there been an increase in pandemics lately?

You have to put it into context. There really hasn't been a major epidemic since the Spanish Flu, which was 1918 and 1920 where you had 15 to 20 million people who died. You have to remember that the Black Plague in the 14th century killed more than 25 million people - as

much as half of the population of Europe at the time. So SARS and H5N1 (bird flu) are not pandemics by any stretch.

It all depends on the speed and scope of information. SARS was serious, but the actual number of people killed was relatively small. It's just that it gets more media attention because you have the Internet, reporters, and popular movies about the entire population being wiped out by disease. It's attractive to the human psyche to think and obsess about them.

But compared to historical pandemics, they are insignificant. The total number of confirmed deaths related to H5N1 is 241 people in the last five years. More people probably die on the world's highways on holiday weekends.



10 Deadly Pandemics (click on the image to enlarge)

An interactive tour of some of the world's most dangerous infectious diseases
(Animation: Allianz)

Are we in a position to fight a new pandemic?

Theoretically, you could identify the strains, how to treat the people, and come up with a vaccine. Using the Internet, television, and other modes of communication, you could inform and quarantine people if it was really serious. Tell them to wear masks or stay at home. If it was serious enough, you just stop airplane flights from that area.

In practice, there are leaks. I mean, they traced SARS back to a few individuals who knew they were sick, but just didn't care. They just walked around coughing.

Where do you see the greatest potential risks for the future?

Wherever you tend to have bad hygienic conditions and high population densities. Asia has been a source of a lot of diseases because they tend to have higher population densities.

In Europe, hygienic conditions and hospital standards tend to be a bit better. But there are resistant bacteria now, that they can't really scrub away in even the best of hospitals. And the increasing use of antibiotics in Western economies has meant that sometimes more drug-resistant strains emerge.

It sounds like you can't win. But it's a bit like letting your kids go and drink out of a mud puddle sometimes just so they keep their immune system up. If you keep everything too hygienic, they will be sick all the time.

Is there anything individuals can do to protect themselves and minimize risks?

Well, every one should take precautions. After World War I, world

vaccinations were widely accepted. And then after the 60s, that changed. And now you are starting to see people get polio again. These can be kids that go to school with your kids.

Ironically, individuals have to be thinking as much about protecting themselves as about ensuring that they are living in places where people don't just opt out of public health and refuse to get their shots. You can also not travel to areas where there are infections. Avoid contact with animals and wash your hands. You can also take preventative medicine. If you are going to the African jungle, for example, get your shots, take anti-malaria drugs.

Why is it important for an investment company to care about pandemics?

You have to be positioned to preserve and grow your clients' wealth. When everybody panics, the price of nearly everything goes down. If something like this happens, you have to know what you are going to buy and sell. Then you can find some real bargains.

In the case of a pandemic, tour operators and airlines would probably drop sharply, and that might be a great opportunity. Companies that provide drugs will probably go up a lot. The minute there are any new cases, the media jumps all over them, because it sells newspapers and gets people to watch TV.

As an analyst, you have to remain cool and methodical. You have to contact local sources to see whether the situation has been played up in the press, what the local businesses say, and how many cases there really are. The main thing: don't panic.

What are the potential economic impacts of a new pandemic?

It could be anything from zero to catastrophic. If you look at H5N1 and SARS, we're only talking about a few hundred deaths. If the virus mutates and starts to transmit from human to human, then it could be like 9/11, when the first thing they did was to stop airplane flights over the United States for three days. The impact on the economy was colossal; billions of dollars were lost. If the virus got out of control, it would be catastrophic.

But it is a bit like nuclear war. You could have sat in your basement from 1950 to 1990 worrying about nuclear war destroying everything. You've got to get on with life, put food on the table, send your kids to school. You take reasonable precautions. You trust that there is enough innovation coming out of the medical establishment, and that the government has stockpiled enough vaccines.

Today, the world is much more technologically advanced than at the time of the Spanish Flu after World War I. We have the tools, the communication methods, and the hygiene standards that should prevent something like this from happening again.

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That means for us as money managers, we have to be a bit more worried about people's perception of the threat than about the reality.

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publishing date: May 26, 2008

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