

# StraightTalk

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## Innovation Forged in Difficult Times

For any readers of this newsletter with silver hair, the news you received while growing up was always local. You can likely remember the days of both a morning and evening newspaper. Then, with the advent and growing importance of television, the delivery of news became national in scope, with trusted nightly news anchors like Brinkley and Cronkite soberly explaining the stories of each day from across our land. Today, of course, we have a minute-by-minute, global information feed with substantially less credentialed talking heads delivering, through a highly partisan lens, the “breaking news.”

And, something bad is always happening in this vast world of 7 billion people, we just didn’t always hear about it. The problem, if you pause to think about it, is that good news takes a long time to develop, because improving trends in countless areas of life are difficult to report on the news, and don’t fit into a sound bite. But, bad news happens quickly and it is easy to report, plus it has the added benefit of being shocking or titillating, which helps for advertising, which in turn pays the enormous cost of broadcasting news 24 hours a day. So, it’s no surprise which flavor of news dominates the airwaves and the internet.

For example, the CDC Coronavirus Dashboard shows the daily numbers of new cases declining 44% since the July peak, and more important, the daily number of deaths dropping 81% since the peak in the spring. But that’s not what the news reports is it? No... It’s mostly about the COVID-19 clusters on college and university campuses exploding, and how schools are being forced to switch to online learning or send the students home. Or extrapolating what the virus cases will look like this winter when combined with the flu - both almost exclusively bad news narratives. But the stock market knows what the news editors, cue card readers, and “news” website managers don’t. That this will end soon, and the future is brighter indeed.

I recently posted to my social media pages a fabulous article titled, *When The Magic Happens*. This was an informative discussion about when some of the most important and impactful innovations have occurred throughout history. A hint for those that did not read it – they do not tend to occur when everyone is fully employed, happy, and the future looks bright. In fact, many of the truly game-changing breakthroughs for life as we know it actually occurred during times of turmoil, war, or economic stress.

The 1930s are, without a doubt, the most disastrous decade in the twentieth century. We all know the talking points – the two biggies being a quarter of all Americans out of work, and a stock market decline of 89%. But few of us realize that the 1930s recorded the highest measure of economic output ever, relative to hours worked, what economists call total factor productivity. In addition, the national highway system, and massive civil works like the Washington, Golden Gate and Bay Bridges were built as a partial remedy to the unemployment situation. FM radio was created, transforming communication for the next 40 years, and our nation’s nascent electrical grid was extended beyond cities into the rural parts of America. The number of rural homes with electricity rose five-fold by 1945. It is hard to imagine, but it was not that long ago that a substantial portion of America was literally in the dark. Electricity introduced washing machines, refrigerators, and vacuum cleaners, freeing up hours of household labor, allowing female workforce participation to increase meaningfully, and remained a key driver of growth in the 20<sup>th</sup> century.

Another innovation born from that difficult time, was the creation of supermarkets. Rather than separate trips to the baker, butcher, and produce stand – it all became available under one roof. This led to streamlined farming and delivery methods, and the adaptation of Henry Ford’s assembly line idea in

factories beyond just the automobile industry. In short, the 1930s saw massive technical progress in transportation, farming, utilities, mining, wholesale and retail trade, and communication. The economist Alex Field wrote, “The trauma of the Great Depression did not slow down the American invention machine. If anything, the pace of innovation picked up.”

In essence, large, rapid changes only happen when forced by necessity. And that is exactly what is happening today as the world’s best and brightest race for treatments and a cure for the novel coronavirus that has upended everyone’s 2020. It is widely accepted in the biotech world that the fastest a vaccine has been developed is four years. But we have never mapped a new virus gene sequence and published it for the entire scientific community to work on simultaneously. Between our government and the Gates Foundation – we have never built seven vaccine facilities before having a single viable vaccine, knowing that most will be abandoned and prove a waste of money. But it is better to waste money than waste time in the race to scale up 660 million doses of whatever vaccine is created. This is our generation’s Manhattan Project.

What unalloyed good can come from the world’s biotech community putting their combined efforts into solving this crisis? What medical discoveries beyond a Covid vaccine might we find? What manufacturing or distribution methods might be improved as every country on earth races to get the vaccine out as quickly and safely as possible?

One could make an argument that since the virus exposed our dependence on other nations (namely China) for our drug supply chain – that one of the major positives to come out of this turbulent time will be better quality and greater control over our national drug manufacturing process. Earlier this year, a private Richmond-based company was awarded \$354 million from the U.S. government to help create a domestic supply chain, and make active ingredients for a dozen Covid related medicines. Dr. Frank Gupton, whom I have met due to my involvement in the Massey Cancer Center, is a 30-year veteran of the pharmaceutical industry, came out of retirement to work on many of these issues at VCU. With brilliant

folks like him leading the charge all over the country, any number of great things could happen coming out of this year.

Discussing the required transformational change in work and schooling from home this spring, Microsoft CEO Satya Nadella said, “two years of digital transformation took place in two months.” I experienced this personally, as Raymond James spent what was necessary to allow 95% of the firm to work remotely. All through the rapid market decline in March, and the surprisingly strong recovery in the following months, I was able to talk, teleconference and zoom with all of you, reviewing your plans and portfolios from the comfort and safety of my home. What kind of positive changes to the workplace, and work routine might become permanent as a result of 2020? Could we emerge from this with a far healthier national sense of work/life balance than before?

Watching how higher education is grappling with a trend that was underway, but has accelerated, will also likely bring positive changes. While some students will undoubtedly want to revert back to the traditional college experience, the forced changes to the educational model will mean more access, not less. If you can go to college anywhere in the country while sitting at your dining room table – will the educational model be broken apart like the music industry was two decades ago? The rise of iTunes meant you no longer had to purchase the entire album to get the one song you liked, you could just buy that song. What if three different colleges each have curriculum you want – could you sign up as a virtual student of each, and build your own curriculum? What other long overdue positive changes could come to our national educational system?

At the end of the day, we all expect that the news will remain negative, particularly in an election year with a virus still very present in our lives. But if we can all pause for a moment, and try to see the forest for the trees – there is an opportunity to have some truly fantastic breakthroughs occur right here and now. And those systemic and technological innovations may well improve our collective lives for years and decades to come. Stay positive, my friends...

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