The INVESTMENT LETTER

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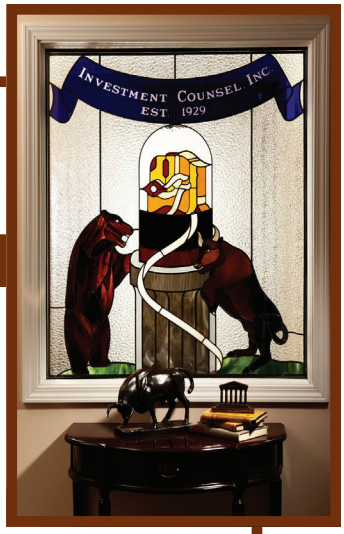

Marshall Plan 2.0: will it work again?

A sharp divide between our common health and the economic impact of the 'Shelter-in-Place' exists. For many of us, March marked the real emergence of COVID-19 from the headlines and into our homes and lives. We mourn the over 100,000 Americans we have lost to the virus. Three months later, we have succeeded in the goal of 'flattening the curve.' Hospitals now have the capacity to care for the sick. The fears surrounding ventilators and PPE supplies have abated. The COVID-19 crisis is still with us, but it has started to become manageable, something we can envision living through without the horrific decisions and worst-case scenarios that were a reality just weeks ago.

While our first responders, healthcare system, and healthcare providers continue to care for the sick until a vaccine or cure is found, we now need to focus on the economy as well. Our progress against the health threats has come at the cost of our economic health. Although the stock market has recovered a majority of its losses, unemployment reached nearly 15% in April, the highest level in recent memory and many businesses remain closed. The true economic impact is still unknown.

The price has been extreme to contain the caseloads of COVID-19. We must properly balance economic prosperity and the health of Americans. While we begin to restart the economy, we must also give our healthcare professionals everything they need to keep the COVID-19 crisis in check.

We've Had to Restart the US Economy Before

There's no truer adage than history repeats itself. Over 70 years ago, the United States was emerging from World War II. Americans sacrificed their lives, livelihoods, and futures to band together against common enemies, and all the evils they brought upon the world. In the end, we won World War II at extreme personal and economic costs.

After the War, the US turned the focus to the economy, which had been largely shut down to support the war efforts. The Marshall Plan was a US program designed to secure and jumpstart Western Europe after World War II. Named for US Secretary of State George C. Marshall, the four-year plan delivered more than $15 billion ($130 billion in today's dollars) to Europe as it sought to rebuild its cities, industries, and infrastructure after the war ended. In turn, those revitalized economies were able to buy goods from reengaged US industry.

In the May 1948 edition of the *Investment Letter*, Investment Counsel wrote, **"Recent developments, including tax reduction, passage of the European Recovery Program [the Marshall Plan] …have effected some improvement in sentiment although it is not yet evident that this change will be sufficient to reverse the irregular stock market action of the past eighteen months."**

Indeed, we have been here before.

Prevailing Against COVID-19

We continue to battle against COVID-19, the stakes are equally high. In March, lawmakers passed the CARES Act (the Coronavirus Aid, Relief, and Economic Security Act), which will pump $2.2 trillion into the US economy to help individuals, small businesses, and industries

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weather the COVID-19 crisis. More than twice as large as the $831 billion 2009 Recovery Act, the CARES Act became the largest emergency aid package in the history of the United States.

Now, more than two months beyond the passage of the CARES Act, Congress debates whether to expand the program even further.

We are seeing a new Marshall Plan 2.0, one structured to rebuild America as it reopens from the economic shut down imposed to halt the spread of COVID-19. In part due to the Marshall Plan, the US experienced great expansion throughout the 1950's; Marshall Plan 2.0 may provide similar economic success in securing and jumpstarting our future.

As Investment Counsel wrote in 1948,

> **"Uppermost in investors' minds, at the moment, is whether these changes will prove sufficient to swing the stock market out of the trading range that has confined it…"**

Carrying Past Successes into Our Future

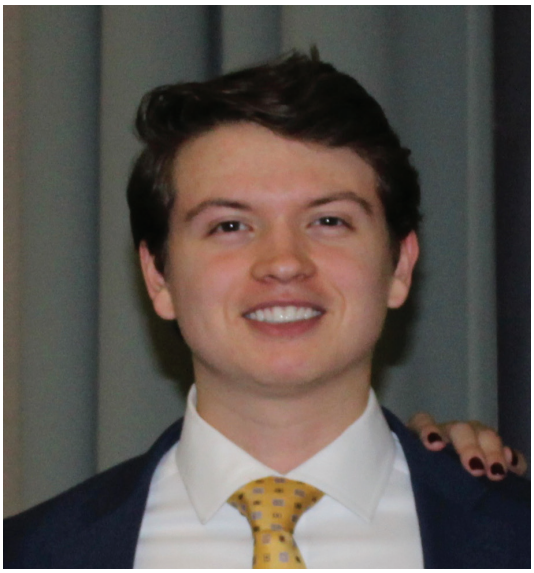
Americans in the post-war era worried that the depression could reemerge. They looked to the Marshall Plan to increase prosperity domestically, even while sending large sums of money abroad. The Marshall Plan helped rebuild American industry by stabilizing our trading partners and by helping them restore their lost livelihoods. In the end, prosperity returned to our economy, factories, and the American people when demand increased for food and goods manufactured in the United States. A material difference with Marshall Plan 2.0 is that we are providing this stimulus directly to US citizens. Hopefully these funds are spent in ways that promote domestic manufacturing and services, therefore recycling these funds throughout our economy. However, like the fear of a potential reemergence of a depression 70 years ago, we now must be mindful of the potential risk of inflation this massive stimulus may cause.

Investment Counsel maintains confidence that the American economy will once again prosper and prevail through this uncertain time. We garner perspective and insight from experiences of our history and remain cautiously optimistic that equities will continue to provide inflation protection, income and growth of capital. In the long-term, we will reach and exceed previous market highs.

Much depends on how we as a people come together to support each other as we face common enemies of health and economic challenges. All businesses will have to adapt, and many may not survive, however we are confident the US economy will eventually again be successful and thrive. ■

Investment Counsel News

Inside the Office



Todd Fridline has transitioned into his new role as our Operations Manager, we look forward to his growth. Again, we thank Dorothy for her years of service and wish her well in retirement.

Outside the Office

A recent important topic in the investment service industry has been whether investment managers such as Investment Counsel can apply or accept funds from the Payroll Protection Program (PPP). Investment Counsel, Inc. has not and will not participate in this program. Like our investment style, we also manage our business very conservatively. We did not require these funds and thought they are better used by companies more directly impacted by the shut-down.