

Coronavirus and Spanish flu: economic lessons to learn from the last truly global pandemic

What follows is a synthesis of ideas from:

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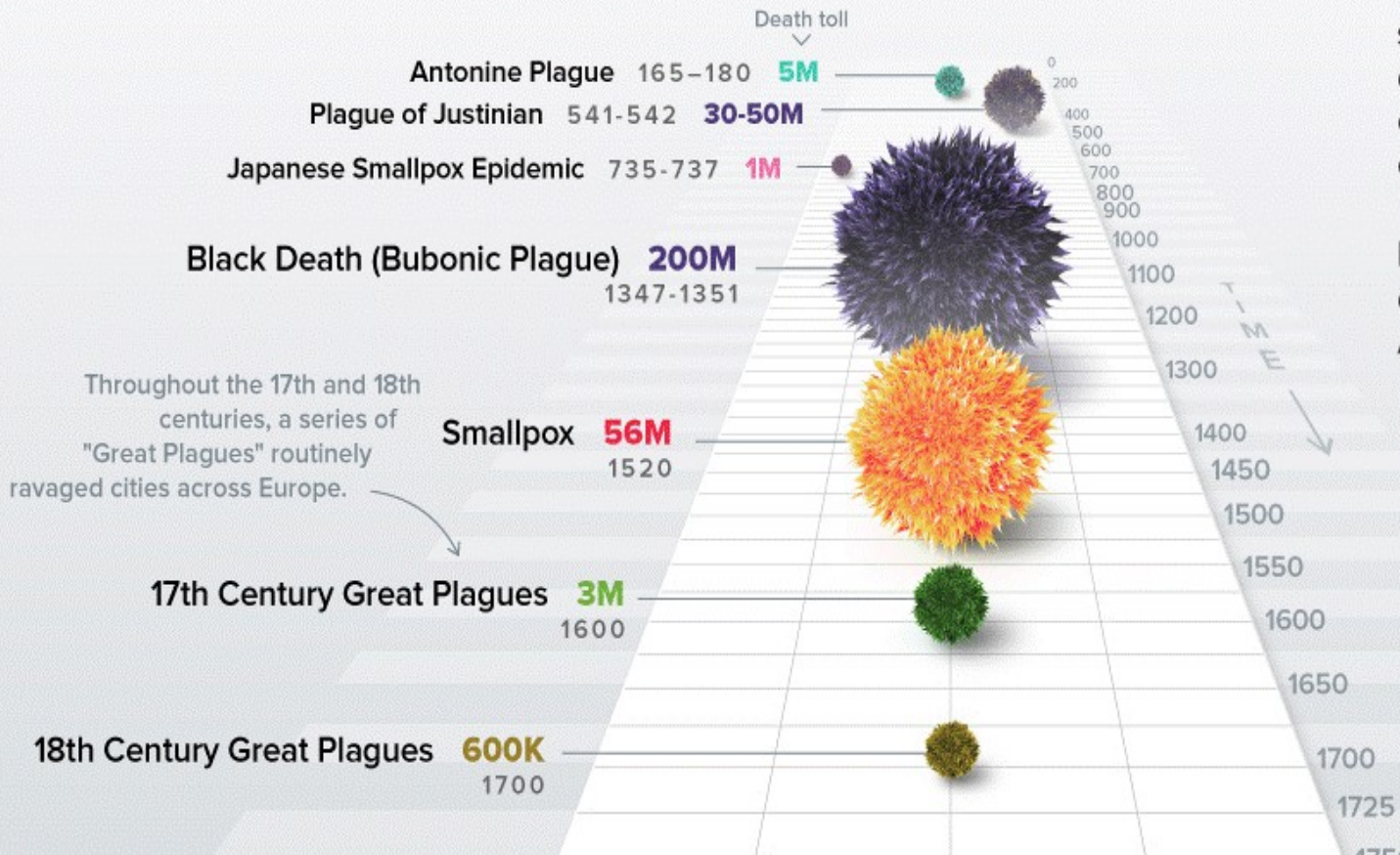
Fritjof Capra, Ph.D., physicist and systems theorist, is the author of several international bestsellers, including "The Tao of Physics" (1975) and "The Web of Life" (1996).

Pandemics have been recorded back to ancient times

- Key features of a Pandemic:
- Mortality rate (which age groups)
- Infectivity
- Incidence (new cases in the community)
- Prevalence (overall infected in the community)
- Severity
- Mitigation measures available
- Duration

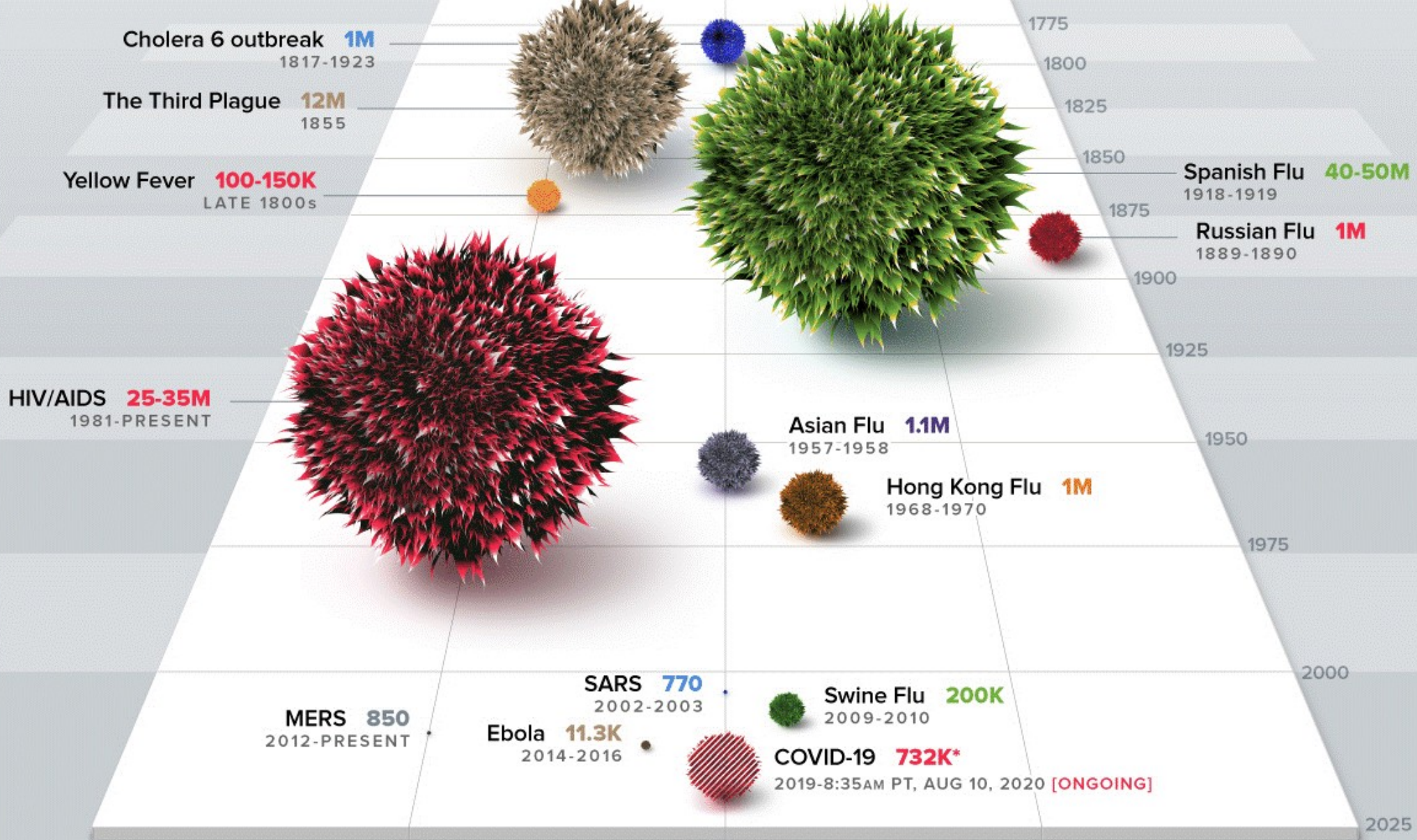
HISTORY OF PANDEMICS

PAN-DEM-IC (of a disease) prevalent over a whole country or the world.



THROUGHOUT HISTORY, as humans spread across the world, infectious diseases have been a constant companion. Even in this modern era, outbreaks are nearly constant.

Here are some of history's most deadly pandemics, from the Antonine Plague to COVID-19.



DEATH TOLL

[HIGHEST TO LOWEST]

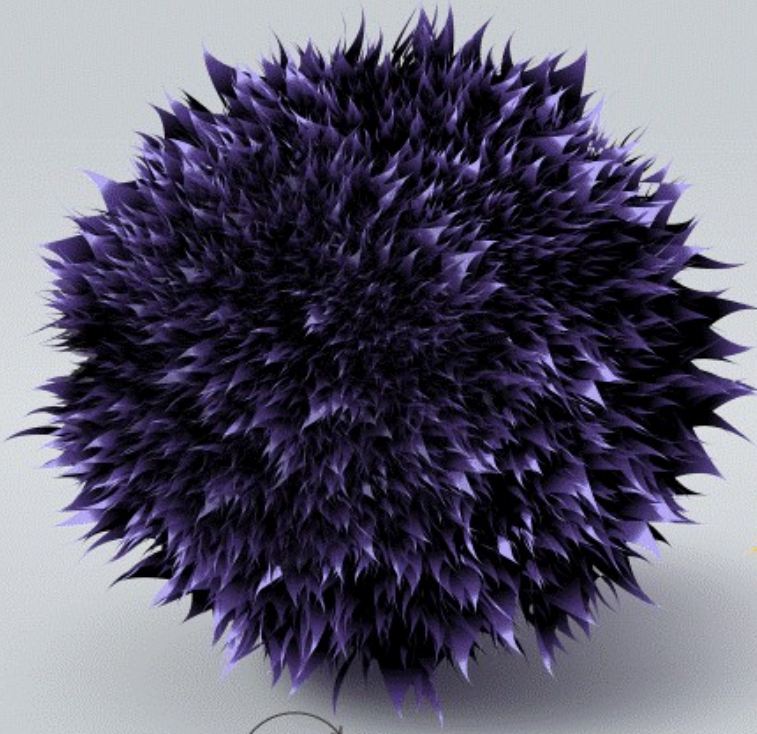
the disease is new to medicine, and data is still coming in.

*Johns Hopkins University estimates

200M

Black Death (Bubonic Plague)

1347-1351



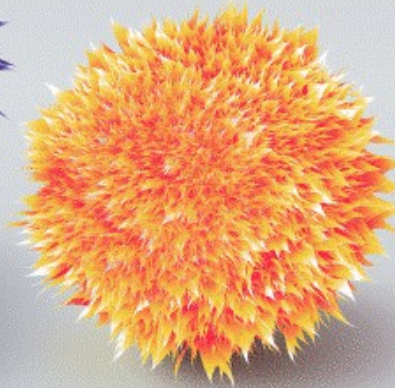
The plague originated in rats and spread to humans via infected fleas.

↑ The outbreak wiped out 30-50% of Europe's population. It took more than 200 years for the continent's population to recover.

56M

Smallpox

1520



↑ **Smallpox** killed an estimated 90% of Native Americans. In Europe during the 1800s, an estimated 400,000 people were being killed by smallpox annually. The first ever vaccine was created to ward off smallpox.

40-50M

Spanish Flu

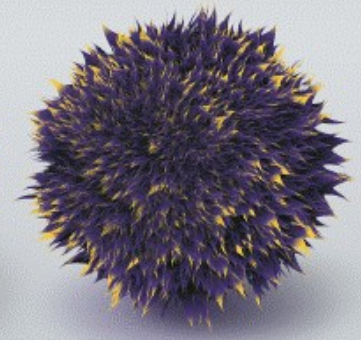
1918-1919



30-50M

Plague of Justinian

541-542



↑ The death toll of this plague is still under debate as new evidence is uncovered, but many think it may have helped hasten the fall of the Roman Empire.

Spanish flu 1918 - 1919

- It was a pandemic of influenza that struck in three waves. The first, mild wave in the Northern hemisphere's spring of 1918 receded in the summer or late spring. A much more lethal second wave erupted in the latter part of August and receded towards the end of that year, and the third wave emerged in the early months of 1919.
- Second wave was largely due to knowingly allow the spread of infection in munition factory workers to support the “war effort”. (Political Brutalism). WW1 ended 11 November 1918
- We think it infected about 500 million people – so one in three people in the world alive at that time, and it killed 50 million of them. The death toll could have been even higher because there was a big problem with under-reporting at the time. They didn't have a reliable diagnostic test.
- Many died through complications of the virus mainly pneumonia

Spanish Flu: Context

- When the first world war ended, entire armies were being demobilised, returning home with the disease. This caused the third wave of the outbreak.
- Outbreaks spread along major transportation routes.
- Much of the world's population was already weak and susceptible to disease because of wartime strains, especially in Germany.
- World governments shared an absence in transparency and little policy coordination.
- Wartime media censorship was still in force and governments were preoccupied with planning for the peacetime economy.
- Those who perished were typically in the prime of their lives, between 15 and 40 years of age.
- Exposure to the flu had serious permanent long-term physical and mental health consequences on many survivors, especially the very young

Spanish Flu: Context

- There were no commercial aeroplanes, so the fastest way you could get around was by ship or by train.
- Henry Ford had invented his Model T motor car, but they were still the preserve of the rich, as were telephones.
- Illiteracy was much higher than it is now, which had an impact because the main way that news was transmitted was by newspapers.
- In illiterate populations news travelled much more slowly and was often distorted.

Spanish Flu Economic Consequences

- The immediate economic consequences of 1918 stemmed from the panic surrounding the spread of the flu.
- Large US cities, including New York and Philadelphia, were essentially temporarily shut down as their populations became bedridden.
- As in Europe now, businesses were closed, sporting events cancelled and private gatherings – including funerals – banned to stem the spread of the disease.
- War effort continued

Spanish Flu: Workforce

- The economic consequences of the pandemic included:
 - labour shortages
 - wage increases
 - increased use of social security systems.
- Economic historians do not agree on a headline figure for lost GDP because the effects of the flu are hard to disentangle from the confounding impact of the first world war.
- The long-term consequences proved horrific. A surprisingly high proportion of adult health and cognitive ability is determined before we are even born.
- Research has shown the flu-born cohort achieved lower educational attainment by adulthood, experienced increased rates of physical disability, enjoyed lower lifetime income and a lower socioeconomic status than those born immediately before and after the flu pandemic. This is very likely to be the case with Covid 19

How did the Spanish flu change society 100 years ago, post 1919?

- There was a jump in life expectancy, because a lot of people who were very ill with, for example, TB, which was a massive killer at that time, were purged from the population.
- There was also a baby boom in the 1920s, which has always been put down to the war and the men returning from the front. But there is an argument that the flu could have contributed because it left behind a smaller, healthier population that was able to reproduce in higher numbers. Norway, for example, had a baby boom even though it was neutral in the war.
- Among those very vulnerable to the Spanish flu were the 20 to 40-year-olds. Normally flu is most dangerous to young children and to the very old, but in 1918, bizarrely, it was this middle age group. There wasn't much of a social welfare net, even in wealthy countries, so lots of dependents were left without any means of support because the breadwinners were taken out by the flu.

How did the Spanish flu change society 100 years ago?

- From a study in Sweden we know that a lot of old people moved into workhouses and a lot of the children became vagrants.

Men were more vulnerable than women overall globally, though there were regional variations.

- Pregnant women were particularly vulnerable and had miscarriages at frighteningly high numbers because, to fight the virus, the body took resources away from the womb and the growing foetus.

What parallels are there with today's coronavirus?

- The Spanish flu was democratic on one level. It could infect anyone: British Prime Minister David Lloyd George came down with the flu and Boris Johnson has had COVID-19 today. Nobody is, in theory, spared.
- Population level, clear disparity between the poorest, the most vulnerable, the ones with the least good access to healthcare, the ones who work the longest hours, who live in the most crowded accommodation, are more at risk.
- But in 1918, it was a time of eugenics-type thinking and it was perceived that those people who were more prone to the flu were constitutionally somehow inferior, that it was their fault. Of course eugenics was completely discredited after the Second World War.
- Today, we understand that the reason those poorer groups in society are more vulnerable is because of the environment they inhabit and the fact that they don't have access to better healthcare. That effect is strong in every pandemic and, unfortunately, it's likely that developing countries are the ones that are going to bear the burden of this pandemic.

What parallels are there with today's coronavirus?

- The economic effects of the Spanish Influenza can not be as easily determined as they would be today due to a lack of economic data and record keeping.
- However, some figures have been reported that the influenza cut the world's economic output by 4.8 percent and cost more than \$3 trillion. The main halt in revenue for most businesses was caused by lowering attendance at work from all the employees affected by the influenza. This reduced productivity.
- There was then a greater demand for workers, so companies that were already struggling had to increase employees' wages because of their high demand.
- Many companies shut down.
- State and local health departments were reported to have shut down for periods of time.
- Basic services like mail and garbage collection were no longer carried out during the height of the epidemic.
- There was also not enough farm workers to harvest crops, leading to less food for the public and less money for the farmer.
- The only companies that benefited from the influenza were those that produced health care products.
- There were also long-lasting effects of the Spanish Influenza that led to economic trouble later. The children who were in utero during the influenza were reported to have high risk rates for many diseases; such as schizophrenia, diabetes, and stroke; they were 15 percent less likely to graduate from high school; and wages were 5-9 percent lower. |

Post Covid Future key variables: global supply chains, wages, and productivity

- The responses to the Covid-19 pandemic are simply the amplification of the dynamic that drives other social and ecological crises:
- There are four possible futures:
 - A descent into barbarism
 - A robust state capitalism
 - A radical state socialism, and a transformation into a big society built on mutual aid.
- Versions of all of these futures are perfectly possible, if not equally desirable.

Tackling both Covid-19 and climate change

- We are in **recession**, August 2020.
- The economics of collapse are fairly straight forward.
- Businesses exist to make a profit. If they can't produce, they can't sell things. This means they won't make profits, which means they are less able to employ anyone.
- Businesses can and do (over short time periods) hold on to workers that they don't need immediately: they want to be able to meet demand when the economy picks back up again. But, if things start to look really bad, then they won't. So, more people lose their jobs or fear losing their jobs. So they buy less. And the whole cycle starts again, and we spiral into an **economic depression**.
- In a normal crisis the prescription for solving this is simple – the government spends, and it spends until people start consuming and working again.

Correct Covid-19 response ?

- **Wartime economy – with massive upscaling of production.**
- **“Anti-wartime” economy and a massive scaling back of production.**
- **If we want to be more resilient to pandemics in the future (and to avoid the worst of climate change) we need a system capable of scaling back production in a way that doesn't mean loss of livelihood.**

But what is an “Economy” anyway?

- We tend to think of the economy as the way we buy and sell things, mainly consumer goods.
- But this is not what an economy is or needs to be.
- At its core, the economy is the way we take our resources and turn them into the things we need to live.
- Looked at this way, we can start to see more opportunities for living differently that allow us to produce less stuff without increasing misery.

What is the economy for?

- Currently, the primary aim of the global economy is to facilitate exchanges of money. This is what economists call “exchange value”.
- The dominant idea of the current system we live in is that “exchange value” is the same thing as “use value”.
- Basically, people will spend money on the things that they want or need, and this act of spending money tells us something about how much they value its “use”.
- This is why markets are seen as the best way to run society. They allow you to adapt, and are flexible enough to match up productivity capacity with use value.

What Covid-19 is throwing into sharp relief is just how false our beliefs about markets are.

- Around the world, governments fear that critical systems will be disrupted or overloaded: supply chains, social care, but principally healthcare. There are lots of contributing factors to this. But let's take two:
- First, it is quite hard to make money from many of the most essential societal services. This is in part because a major driver of profits is labour productivity growth: doing more with fewer people. People are a big cost factor in many businesses, especially those that rely on personal interactions, like healthcare.
- Consequently, productivity growth in the healthcare sector tends to be lower than the rest of the economy, so its costs go up faster than average.
- Second, jobs in many critical services aren't those that tend to be highest valued in society. Many of the best paid jobs only exist to facilitate exchanges: to make money. They serve no wider purpose to society.
- Business consultants, a huge advertising industry and a massive financial sector.

Pointless Jobs (Simon Mair's term, not mine)

- The fact that so many people work pointless jobs is partly why we are so ill prepared to respond to Covid-19.
- The pandemic is highlighting that many jobs are not essential, yet we lack sufficient key workers to respond when things go bad.
- People are compelled to work pointless jobs because in a society where exchange value is the guiding principle of the economy, the basic goods of life are mainly available through markets. This means you have to buy them, and to buy them you need an income, which comes from a job.

Covid-19 outbreak challenges the dominance of markets and exchange value.

- Around the world governments are taking actions that three months ago looked impossible.
- In Spain, private hospitals have been nationalised.
- In the UK, the prospect of nationalising various modes of transport has become very real.
- And France has stated its readiness to nationalise large businesses.

- Likewise, we are seeing the breakdown of labour markets. Countries like Denmark and the UK are providing people with an income in order to stop them from going to work. This is an essential part of a successful lockdown. These measures are far from perfect. Nonetheless, it is a shift from the principle that people have to work in order to earn their income, and a move towards the idea that people deserve to be able to live even if they cannot work.

Covid-19 appears to be bucking the economic trend

- There has been a broad economic consensus for 40 years. This has limited the ability of politicians and their advisers to see cracks in the system, or imagine alternatives. This mindset is driven by two linked beliefs:
- The market is what delivers a good quality of life, so it must be protected
- The market will always return to normal after short periods of crisis
- These views are common to many Western countries. But they are strongest in the UK and the US, both of which have appeared to be badly prepared to respond to Covid-19.

Four Fates: The economy vs life

State capitalism: centralised response, prioritising exchange value

Barbarism: decentralised response, prioritising exchange value

State socialism: centralised response, prioritising the protection of life

Mutual aid: decentralised response, prioritising the protection of life

State Capitalism

- State capitalism is the dominant response we are seeing across the world right now. Typical examples are the UK, Spain and Denmark.
- The state capitalist society continues to pursue exchange value as the guiding light of the economy. But it recognises that markets in crisis require support from the state. Given that many workers cannot work because they are ill, and fear for their lives, the state steps in with extended welfare. It also enacts massive Keynesian stimulus by extending credit and making direct payments to businesses.
- The expectation here is that this is will be for a short period. The primary function of the steps being taken is to allow as many businesses as possible to keep on trading. In the UK, for example, food is still distributed by markets (though the government has relaxed competition laws). Where workers are supported directly, this is done in ways that seek to minimise disruption to normal labour market functioning. So, for example, as in the UK, payments to workers have to be applied for and distributed by employers. And the size of payments is made on the basis of the exchange value a worker usually creates in the market, rather than the usefulness of their work.

State Capitalism

- Could this be a successful scenario? Possibly, but only if Covid-19 proves controllable over a short period. As full lockdown is avoided to maintain market functioning, transmission of infection is still likely to continue. In the UK, for instance, non-essential construction is still continuing, leaving workers mixing on building sites.
- However, limited state intervention will become increasingly hard to maintain if death tolls rise. Increased illness and death will provoke unrest and deepen economic impacts, forcing the state to take more and more radical actions to try to maintain market functioning.

Barbarism

- This is the bleakest scenario.
- Barbarism is the future if we continue to rely on exchange value as our guiding principle and yet refuse to extend support to those who get locked out of markets by illness or unemployment. It describes a situation that we have not yet seen.
- Businesses fail and workers starve because there are no mechanisms in place to protect them from the harsh realities of the market. Hospitals are not supported by extraordinary measures, and so become overwhelmed. People die. Barbarism is ultimately an unstable state that ends in ruin or a transition to one of the other grid sections after a period of political and social devastation.
- Could this happen? The concern is that either it could happen by mistake during the pandemic, or by intention after the pandemic peaks. The mistake is if a government fails to step in in a big enough way during the worst of the pandemic. Support might be offered to businesses and households, but if this isn't enough to prevent market collapse in the face of widespread illness, chaos would ensue. Hospitals might be sent extra funds and people, but if it's not enough, those who need treatment will be turned away in large numbers

Barbarism

- Potentially just as consequential is the possibility of massive austerity after the pandemic has peaked and governments seek to return to “normal”. This has been threatened in Germany. This would be disastrous. Not least because the defunding of critical services during austerity has impacted the ability of countries to respond to this pandemic.
- The subsequent failure of the economy and society would trigger political and stable unrest, leading to a failed state and the collapse of both state and community welfare systems.

State socialism

- State socialism describes the first of the futures we could see with a cultural shift that places a different kind of value at the heart of the economy. This is the future we arrive at with an extension of the measures we are currently seeing in the UK, Spain and Denmark.
- The key here is that measures like the nationalisation of hospitals and payments to workers are seen not as tools to protect markets, but a way to protect life itself. In such a scenario, the state steps in to protect the parts of the economy that are essential to life: the production of food, energy and shelter for instance, so that the basic provisions of life are no longer subject to the whims of the market. The state nationalises hospitals, and makes housing freely available. Finally, it provides all citizens with a means of accessing various goods – both basics and any consumer goods that we are able to produce with a reduced workforce.
- Citizens no longer rely on employers as intermediaries between them and the basic materials of life. Payments are made to everyone directly and are not related to the exchange value they create. Instead, payments are the same to all (on the basis that we deserve to be able to live, simply because we are alive), or they are based on the usefulness of the work. Supermarket workers, delivery drivers, warehouse stackers, nurses, teachers, and doctors are the new CEOs.

State socialism

- It's possible that state socialism emerges as a consequence of attempts at state capitalism and the effects of a prolonged pandemic.
- If deep recessions happen and there is disruption in supply chains such that demand cannot be rescued by the kind of standard Keynesian policies we are seeing now (printing money, making loans easier to get and so on), the state may take over production.
- There are risks to this approach – we must be careful to avoid authoritarianism. But done well, this may be our best hope against an extreme Covid-19 outbreak. A strong state able to marshal the resources to protect the core functions of economy and society.

Mutual aid

- Mutual aid is the second future in which we adopt the protection of life as the guiding principle of our economy. However, in this scenario, the state does not take a defining role. Rather, individuals and small groups begin to organise support and care within their communities.
- The risk with this future is that small groups are unable to rapidly mobilise the kind of resources needed to effectively increase healthcare capacity, for instance.
- But mutual aid could enable more effective transmission prevention, by building community support networks that protect the vulnerable and police isolation rules.
- The most ambitious form of this future sees new democratic structures arise. Groupings of communities that are able to mobilise substantial resources with relative speed. People coming together to plan regional responses to stop the spread of the disease and (if they have the skills) to treat patients.

Mutual aid

- This kind of scenario could emerge from any of the others. It is a possible way out of barbarism, or state capitalism, and could support state socialism.
- We know that community responses were central to tackling the West African Ebola outbreak. And we already see the roots of this future today in the groups organising care packages and community support.
- We can see this as a failure of state responses. Or we can see it as a pragmatic, compassionate societal response to an unfolding crisis.

Post Covid: Fear and Hope

- Covid-19 is highlighting serious deficiencies in our existing system. An effective response to this is likely to require radical social change. This requires a drastic move away from markets and the use of profits as the primary way of organising an economy. The upside of this is the possibility that we build a more humane system that leaves us more resilient in the face of future pandemics and other impending crises like climate change.
- Social change can come from many places and with many influences. A key task for us all is demanding that emerging social forms come from an ethic that values care, life, and democracy. The central political task in this time of crisis is living and (virtually) organising around those values.

- Resources
- Simon Mair: How will coronavirus change the world?
- <https://theconversation.com/what-will-the-world-be-like-after-coronavirus-four-possible-futures-134085>
- Frijitif Capra A Pandemic in Retrospect—Looking Back on the Coronavirus From 2050
- https://www.commondreams.org/views/2020/03/19/pandemic-retrospect-looking-back-coronavirus-2050?fbclid=IwAR09xDjultjNP_-C84vMGlKBpjDWSV9CsgwpWgVYh4oQsSJQ2f0di1ywrq8



Your turn