

Not Another Coronavirus Article!

Sales of Camus' *The Plague* have increased dramatically over the last month¹ and people are literally hoarding toilet paper like Cottard². It is tempting to see COVID-19 as example of Absurdism. Rather than reflecting on the rise of fascism or life as a Sisyphean nightmare, we at the Economics Society are interested in what this means for the way our societies are structured.

It might seem obvious that the economy is likely to slow down as a result of COVID-19, but is there evidence of wider ranging effects? While there is literature on this in health economics, I am choosing to focus on the institutional work of Daron Acemoglu and James Robinson.

The most famous analysis of the effects of pandemics on society comes from Acemoglu and Robinson in their 2012 book *Why Nations Fail*. Their basic thesis is that we reach inflection points in history, where institutional structure (and subsequent drift) may determine the long-term effects more than the shock itself. Even to the extent that two regions may experience radically different outcomes.

What does this teach us about Coronavirus? Acemoglu and Robinson focus their analysis on the 1347 Black Death in medieval Europe and not the specific vulnerabilities of modern societies. They suggest that the large-scale loss of life created by the Plague led to a dramatic increase in the bargaining power of peasantry. They note the increase in wages and link it to the eventual abolition of coercive measures that tied labour to land. They argue that this has to do with the construction of Western European political institutions. They contrast this with experience of Eastern Europe. They argue that while states in this region were affected in similar ways, their political institutions were significantly less inclusive. While this shock had improved bargaining power in the West, in the East, local elites were able to consolidate power, forcing wages and labour rights into a century of decline. They put this down to a difference in foundational power structures following the collapse of the Roman Empire. However, if you are interested in this, I recommend you read the book (or the excellent follow-up, "*The Narrow Corridor*").

So far, the Black Death is an unrepresentative historical case. Something like the Spanish Flu seems like a much more relevant comparator. A 2007 report by the Federal Reserve of Saint Louis³ suggests that pandemic growth effects tend to be sharply negative. However, this is referencing an experience where health systems were completely overwhelmed and there were very few effective attempts to "flatten the curve", since the seriousness of the influenza strain was actively covered up by the authorities during the First World War. This was in the relatively short term. They found that in the next ten-year period, per capita income growth in heavily affected regions was significantly higher than in regions less impacted by the disease. This was primarily as a result of lower populations increasing per capita capital stock. However, it is far more difficult to analyse the structural effects of influenza since these have not been widely explored.

However, while these accounts are focused on the unexpectedly positive impacts of pandemics (usually experienced long after the initial wave of illness and death and not always by the people who largely suffered), there are studies that suggest that human capital is persistently lowered as a result. After the 1918 influenza pandemic they found that children whose mothers had caught the flu were

¹ <https://www.vox.com/2020/3/13/21172237/coronavirus-covid-19-albert-camus-the-plague>

² https://en.wikipedia.org/wiki/The_Plague

³ https://www.stlouisfed.org/~media/files/pdfs/community-development/researchreports/pandemic_flu_report.pdf

likely to have lower wages and lower life expectancies with higher risks of complications. It is not clear what broader impacts this may have since there is little research on this, but given that effects were correlated with income in 1918, it seems fair to say that the burden of the disease will likely fall disproportionately on the poor. It also seems that COVID-19 may have a wider impact on international politics than previous disease outbreaks, coming at a time where the benefits of globalisation, and particularly the free movement of people, are increasingly questioned.

The main issue that remains is that since there has been relatively little research done on the structural impacts of pandemics, the effects of COVID-19 on institutions are likely unpredictable. Let's hope they are in the same direction as those of the Plague; sounds as strange as the times we're living in.