



What Does The 1918 Flu Reveal About The Economic Impacts Of A Pandemic?

Wisconsin Families And Businesses Suffered A Century Ago, But Those Lessons Are
Difficult To Apply In 2020

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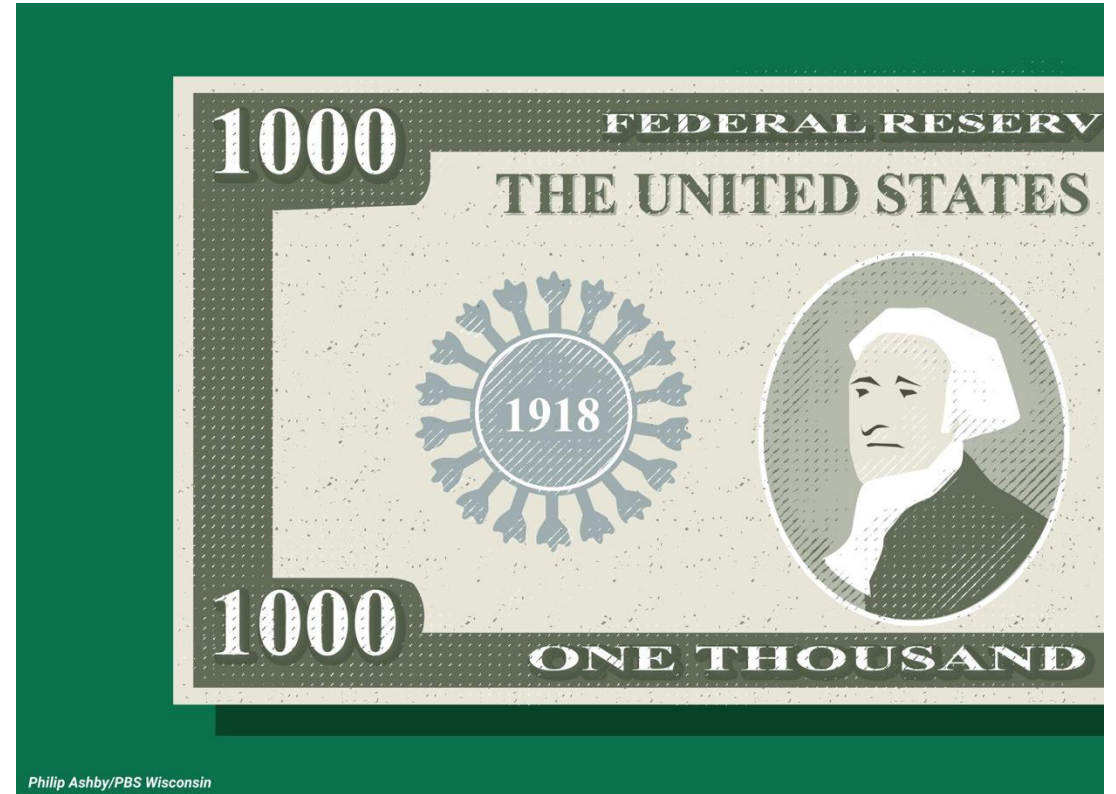




Background

The 1918 Flu in Wisconsin

- Flu arrived in WI in the fall of 1918, a few weeks before the end of WWI
- 103,000 residents became ill and 8,000 died
 - More than were lost to WWI, the Korean War, and Vietnam War combined.
- Only state in the union to respond with a statewide comprehensive approach.



The Foundation for a Public Health Response

- Wisconsin was an early-adopter of several public health initiatives.
- 1876: Implemented the State Board of Health
- The Board had power to act in the interest of public health
 - i.e. quarantine
- All localities required to have a local board of health.
 - Nearly 1700 local boards of health by 1918

Interruptions to Daily Life

- Large gatherings could spread infection.
 - Residents directed to avoid crowds.
- All public institutions were ordered closed.
- All localities asked to close schools, movie theaters, bars, restaurants, and churches.
 - Nearly all cooperated within a day.
- Only state to implement such statewide measures.



INFLUENZA

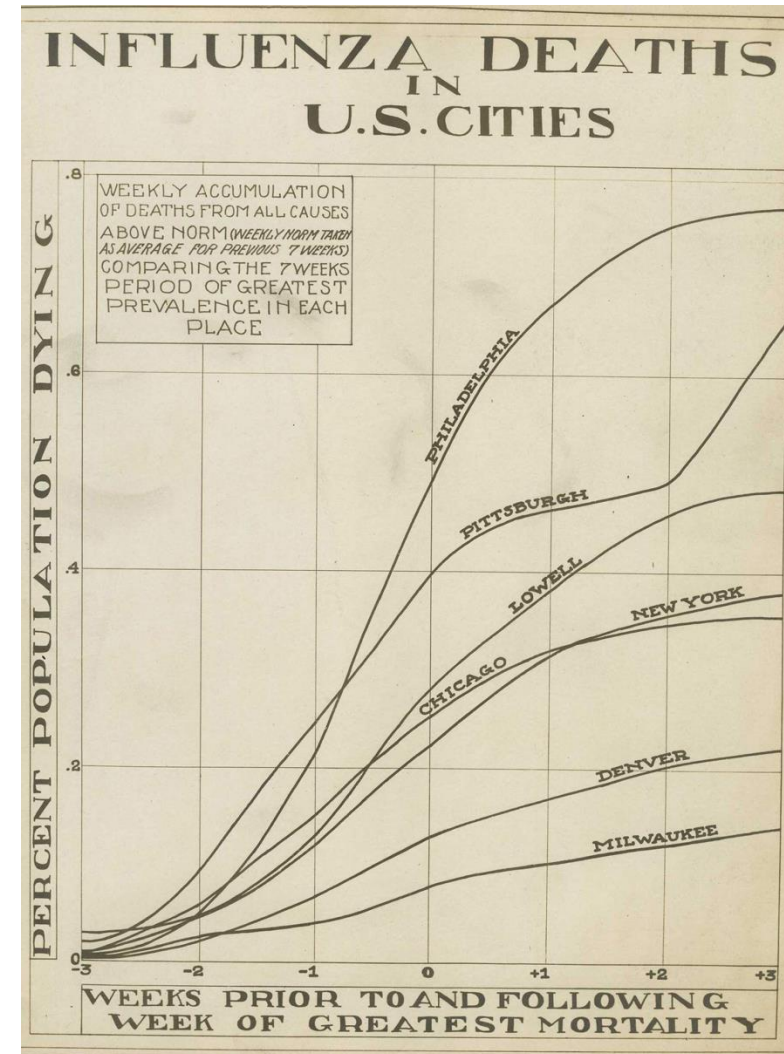
All persons, except physicians, nurses and clergymen who are in attendance, are hereby cautioned not to enter or leave this house without permission from the Commissioner of Health.

This Placard is posted by order of the Commissioner of Health of the City of Milwaukee, and can be removed only by his order; if removed otherwise, occupant of house must report to the Health Office within 24 hours.

A [placard](#) issued by Milwaukee authorities to be posted in windows or tacked alongside doorways warns of contagion. These were used for other diseases as well. [Milwaukee Health Department](#)

Low Death Rates in WI

- 2.91 deaths per 1000 in WI compared to 4.39 nationally.
- One of the lowest excess mortality rates in the country at 360 per 100,000.
- Milwaukee had one of the lowest death rates for cities of its size.
- Relative success not attributable to climate, geography, economic conditions.



The Impact of Non-Pharmaceutical Intervention

- Relative success in health outcomes not attributable to climate, geography, or economic conditions.
- Credited to the comprehensive state-wide approach as well as low population density and late arrival.
 - Relatively late arrival similar to current circumstances.
- Evidence that swift and aggressive intervention also helped the economy once the pandemic was over.



The Consequences in 1918

Local Impacts

- Hospitals still faced a shortage of beds and healthcare workers.
- Communities responded temporary emergency facilities and volunteer support.
- Localities implemented anti-influenza educational initiatives.



Photo Credit: U.S. News & World Report. The Javits Center in New York City is just one temporary hospital New York has constructed to accommodate patients as the coronavirus outbreak worsens. (JOHN LAMPARSKI/GETTY IMAGES)

Rural vs. Urban

- Rural: Scattered populations and limited resources left people dangerously uninformed.
- Urban: The number of patients overwhelmed the healthcare system.
- In Wisconsin, the ratio of the mortality rate for cities compared to the state average was 1.17.
 - Rural generally fared better across other states too.

The Flu Changed Life in WI

- Most severe for prime age adults, especially men.
 - Loss of a breadwinner was crippling.
- Campaign switched to mail outreach.
- Businesses suffered-missed months of revenue.
 - Except those in health and health-adjacent industries.
- As farmers fell ill, animals went untended and fields unharvested.
 - Interesting analog to current food-supply challenges.

Economic Impacts

- GDP declines in the range of 6% at the country level
- Higher wages
 - Due to restricted labor supply
- Income growth
 - Higher worker productivity and wages
- Large immediate declines in productivity
 - Large overall lost economic activity
- Generally short-lived effects.
 - Some long-term effects for those born in the wake of the flu.



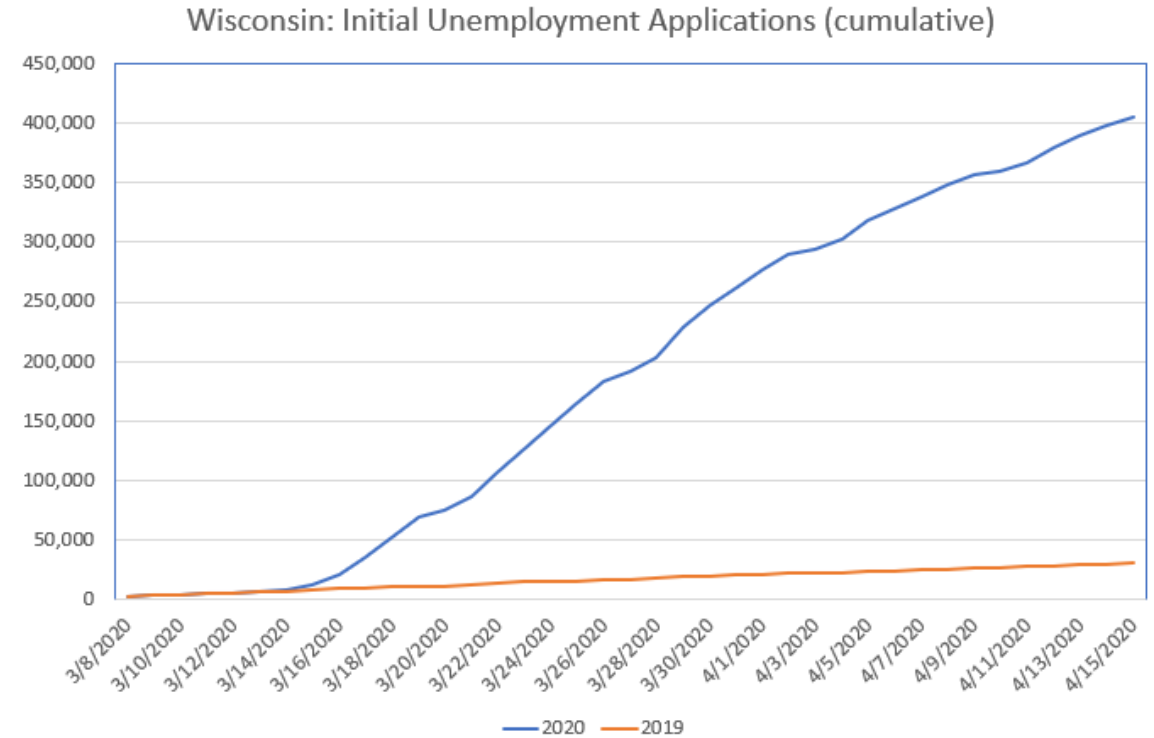
A Comparison Fraught with Complications

Now and Then: Many Differences

- The 1918 flu was most severe for the working age population
- The 1918 flu spread along transportation routes.
 - Today we travel faster over a much more extensive network.
- Production is geographically dispersed.
 - Hard for one area to encounter and address the flu without affecting other regions due to the supply chain.
- Effects potentially conflated with a war-time economy.

Federal Programs

- Unemployment Insurance
 - Wisconsin was first state to pass in 1932
 - Mid-March to mid-April, 400,000 new applications in Wisconsin
- Old-Age, Survivor, and Disability Insurance Program (aka “Social Security”)
 - Passed in the 1930s



Economic and Fiscal Policy in 1918

- The Federal Reserve bank was just five years old.
 - Had mainly focused on financing the war effort.
- Classical economic thinking
 - Pre-1930: Let the markets correct themselves.
 - Little appetite for large Federal spending bills
- Fiscal Stimulus
 - JMK's idea
 - Used in response to The Great Recession in the 1930s.



A Series 1918 \$1,000 Federal Reserve Note bears the engraved signature of Secretary of the Treasury Carter Glass, who helped craft the 1913 bill that created the Federal Reserve System. Credit: [National Numismatic Collection/National Museum of American History](#) (public domain)



A Vastly Different Policy Approach

Monetary Policy Today

- At the discretion of The Federal Reserve
 - Lowering interest rates on debt incurred on large purchases
- The Fed has lowered interest rates to near zero.
 - Indicated a plan to keep it low.
- Quantitative Easing
- Stabilizing Markets

Fiscal Policy Today

- Congress and the White House
 - Change tax rates and government spending
- ~\$8 billion in emergency funding to support the coronavirus response
- Families First Coronavirus Act, is expected to cost close to \$200 billion
- Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, centered on a \$2.3 trillion fiscal stimulus package.
 - The largest ever in U.S. history.

COVID-19 and Policy

- Familiar tools, unfamiliar circumstances.
- Economic downturns usually caused by one of the following: supply shock, demand shock, financial shock.
 - Pandemic has aspects of all three.
 - Difficult policy environment
- Better position than in 1918?
 - We (especially policymakers) hope so.



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