



Special Edition

Pandemics and the World Economy

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*To the memory of Robert Gilpin and William McNeill,
beloved friends who taught me much.*

1. A New Era

We only are beginning now to understand the deep and lasting changes in human societies effected by the covid-19 pandemic. Starting with the first cases to appear in China late in 2019, we try to examine the key events and trends. Norman Gall, executive director of the Braudel Institute, has been engaged in reporting and research on Latin America and the world economy since 1961. As developments evolve, sections on aspects of this civilizational problem will appear biweekly to subscribers and on our website. This first chapter examines general and historical aspects of the pandemic.

Never before in the history of the world has a pandemic so suddenly provoked global economic upheaval. The coronavirus pandemic (covid-19), impacting billions of people on all continents, already has set in train lasting changes.



After tracing recent developments, this edition of *Braudel Papers* tries to explore longer-term issues appearing on the horizon, with a stream of surprises that the world struggles to understand.

Emergency measures intensified in several countries after public health specialists at Imperial College, London, in March 2020 warned of 510,000 deaths in Britain and 2.2 million in the United States, if the pandemic were not controlled, and warned: "The global impact of covid-19 has been profound, and the public health threat it represents

is the most serious seen in a respiratory virus since the 1918 influenza pandemic," commonly known

as the Spanish flu, which killed tens of millions of people. “We face the greatest threat of a medical holocaust of recent times,” observed the economist Luis Eduardo Assis, a member of the Braudel Institute. The emergencies bred by the pandemic also are triggering major changes in the structures of economies and societies, threatening longstanding political commitments.

The fusion of today’s pandemic and international financial crisis constitutes a unique historical event. How contagion spread so quickly from eruptions of infectious disease to labor and financial markets, on such a great scale, is yet to be fully explained. Nevertheless, it reflects an ease of communication between the world’s regions and societies never before seen. “It is very likely that the global economy will experience its worst recession since the Great Depression, surpassing that seen during the global financial crisis a decade ago,” said Gita Gopinath, the IMF’s chief economist. “The great lockdown, as one might call it, is projected to shrink global growth dramatically. Like in a war or a political crisis, there is continued severe uncertainty about the duration and severity of the shock.” The IMF saw a shrinkage of the world economy in 2020.

Doubts ranged from verifying death rates in stricken regions to the usefulness of wearing face masks outside hospitals. Uncertainty haunted hospital staff. “For this pandemic, none of the knowledge would help you,” said Dr. Vasantha Kondamudi, chief medical officer at a public hospital in Brooklyn, New York. “This pandemic, nobody knows anything. It’s brand-new for everybody, for the entire world.” Most predictions foresaw a bell curve profile of the pandemic in rich countries, with a sudden rise in cases and deaths, remaining at peak levels for a short period, followed by rapid declines and return to a kind of normalcy with lower levels of infection. But then cases and deaths surged once more in Europe and the United States. The projections generally fail to account for seasonality in different regions of the world, the mixture of covid-19 with other

infectious diseases and enormous differences in the quality of public health institutions between richer and poorer regions. Over the past century, influenza epidemics have come in three waves, with the second phase recorded as the most severe. But this time may be different.

Robert Redfield, director of the U.S. Centers for Disease Control and Prevention, warned that this is “going to be the most difficult time in the public health history of this nation,” with covid deaths declining slightly even as they approached 600,000 in March. “We’re going to have the flu epidemic and the coronavirus epidemic at the same time,” Redfield said, believing that covid-19 infections may be 10 times more common than those recorded. Statistical analysis in January 2021 of data from 59 nations and states by *The Wall Street Journal* showed that 2.8 million people lost their lives during the pandemic, a 12% increase in reported deaths over the average of previous years.

Brazil now leads the world with covid deaths approaching some 400,000, recently overtaking the United States, but unrecorded deaths may bring the total to 500,000, according to Alexandre Kalache, a gerontologist and a former director of the World Health Organization (WHO). Brazil’s average covid death toll, at 4,000 daily, was 13% of the world’s recorded total with less than two percent of the world’s population. The covid emergency reduced treatments for diabetes, detection of cancers and vaccination of children. “This will increase mortality,” said Márcia Castro, a Brazilian demographer at Harvard. “The message is clear, direct and simple: the demographic impact of this pandemic erases nearly two decades of progress in reducing mortality in Brazil.” The pandemic reinforces the impact of institutional failures, such as leadership with declining political legitimacy, endemic crime and corruption, chronic inflation, failure of infrastructure and lack of public investment, which threaten Brazil’s survival as an organized society in its present form.

A witness to this trauma is Vanessa Carmo, who was a student leader in the Reading Circles of the

Fernand Braudel Institute, now working at the regional hospital in Quixeramobim, in the northeastern state of Ceará:

Here in Quixeramobim the efforts are enormous! We had to reduce the functioning of some hospitals to have enough professionals, resources and TIME to meet the enormous demand. Constantly beds and equipment are adapted to take covid-19 patients, to give them needed support when this is possible. This is not easy!!! Physical and emotional stress is enormous. We live with feelings of impotence against something so invisible that cuts lives short so unjustly. Beyond this, we must deal with the negative impact of shortages in hospital supplies from production networks. When one item is lacking, we try another. When that runs out, we try another, then another, in an unending cycle. A gigantic effort is made by professionals to use supplies efficiently so they last until new deliveries arrive, which recently is not possible.

Some questions for the world persist: How long will the current pandemic last? Will covid-19 later be incorporated into endemic disease cultures that weaken but not threaten communities? How may they be influenced by inventions in medical technology? What levels of skills, investment and solidarity are needed to sustain the health of complex societies?

After Spanish flu

Spanish flu was a global event that still haunts many epidemiologists. “It is possible that the 1918-19 pandemic was, in terms of absolute numbers, the greatest single demographic shock that the human species has ever received,” Alfred Crosby wrote in *The Cambridge World History of Human Disease*. “The Black Death [of the Middle Ages] and World Wars I and II killed higher percentages of the populations at risk, but took years to do so and were not universal in their destruction. The so-called Spanish flu did most of its killing in a six-month period and reached almost every human population on Earth.” Since then, estimates of the dead from Spanish flu ranged widely, from 22 million to 100 million, overlooking many deaths in Asia and Africa. Possibly accounting for 40% of all deaths in the pandemic, British India at first estimated six million fatalities, but accounts were revised upward by scholars to reach 20 million. Lingering effects worldwide lasted more than a decade.



Medieval Plague

In Brazil, the Spanish flu of a century ago claimed 300,000 deaths, including that of President Francisco de Paula Rodrigues Alves. In Rio de Janeiro, pharmacies closed in 1918 for lack of healthy employees. In cemeteries, coffins were strewn above ground for lack of gravediggers. São Paulo installed electric lights in its cemeteries so burials could continue at night. Among the city's population of 500,000 then, some 350,000 were said to be infected and 5,300 died.

million people in the United States, which is in line with some current projections. By 2020 covid deaths in the United States led to an increase in general mortality of 16%, greater than in the 1918 flu pandemic.

After the Spanish flu pandemic of a century ago, the world economy quickly revived. But today's global economy is many times bigger, more complex, more urbanized, more integrated, with



Washington Post, February 22, 2021

The Spanish flu was an offshoot of World War I, which stimulated a financial and industrial boom, whereas today the world economy is growing slower and has assumed expensive social commitments that did not exist then. “The most astonishing thing about the [Spanish flu] pandemic was the complete mystery that surrounded it,” observed Maj. George A. Soper, a sanitary engineer writing in 1919, when influenza was thought to be a bacterial infection. Viruses were still unknown to science, only to be discovered in the 1930s. Influenzas, such as covid, were not confirmed to be viral until the 1990s. During the three years (January 1918>December 1920), the Spanish Flu pandemic infected some 500 million people, or one-third of the world's population, killing at least 50 million, including 550,000>675,000 in the United States, or 0.66% of its population, according to researchers at the U.S. Federal Reserve and MIT. If the same proportions applied today, the current pandemic would kill nearly two

more medical and technical knowledge, yet more dependent on public credit and government financial transfers. The covid-19 pandemic is raising new issues in science and economics.

There are stark comparisons and contrasts with today's covid pandemic and financial expansion with the relatively tranquil and optimistic boom years in the 1920s before the Great Depression of the 1930s. The financial boom of the 1920s parallels the global financial expansion in the decades before the stock market crash of 2008-9. In both experiences, economic growth was sustained by massive financial expansion, with declining results most recently.

On January 30, 2020, after several days of internal debate, the WHO declared a public health emergency caused by the covid-19 outbreak in Wuhan, China. Since then, an enormous flow of information was provided daily to the general public. Covid-19 may be the biggest news story

since World War II. Much detailed evidence is provided by major news organizations with incisive local reporting on the scope of the pandemic and the issues it raises, in continuous dialogue with scientists. Yet confusion is spread by wild falsehoods posted on many sites of the internet.

Mortality statistics for covid-19 reflect widespread underreporting. A comparison of mortality between 2019 and 2020 in 14 countries by the *Financial Times* indicated 60% more covid-19 deaths than those registered. “The covid-19 crisis has again exposed the fragilities of social and economic systems and how they can operate on a knife edge,” writes Andy Haldane, chief economist of the Bank of England. “This time, the source of the threat is public health rather than financial wealth, but again the risk is systemic and chronic.”

Problems of scale breed uncertainty. Scientists throughout the world are sharing insights and information, as well as competing, in intensive efforts to develop new vaccines. The speed and scale of scientific discovery can overwhelm, with 23,000 research papers appearing on different aspects of the pandemic in its first four months, doubling in number every 20 days. Discovery can be erratic, subject to error and revision, before any spectacular advances appear. “Covid-19 is a new disease that demands use of the best models that may be mistaken, not because they are imprecise, but because we have insufficient knowledge of the virus,” observes Hernan Chaimovich, a leading Brazilian biochemist. By September, the National Institutes of Health (NIH) of the United States listed 3,086 studies, only 272 of which followed rigorous standards of clinical research. Since then, scientific and medical research have grown in scale and quality.

New pathogens

We face new and confusing contingencies. Scientists may foresee what may happen, but often cannot mobilize strategic action. New pathogens emerged in a more crowded world, with people,

livestock and wildlife living closer together, where big cities expanded into forests and farmland, with closer contact between people and wildlife, with global population quadrupling since the 1918 flu pandemic. So it was in southern China. It was there that SARS appeared two decades ago as a coronavirus, new pathogen that brought a new dimension to the world’s thinking about epidemics.

Biosecurity experts often focus on vaccines, rather than the more difficult and complex institutional deficiencies of public health systems. Few talk of the scale and cost of political mobilization needed to coordinate health workers and biomedical resources to efficiently test and treat people, quarantine them and trace their contacts. This effort faces logistical challenges, embracing a vast array of producers and supply chains, moving vaccines and other perishable materials over long distances despite scarce warehousing and transportation capacity, especially for airfreight. “The logistics industry doesn’t have enough of airfreight capacity, ground handling personnel and specialized equipment to handle this,” said one executive.

In recent decades, the world experienced six viral pandemics: Asian flu in 1957-58; Hong Kong flu in 1968-69; SARS (Severe Acute Respiratory Syndrome) in 2002-03; AIDS; West African Ebola in 2013-16; MERS (Middle East Respiratory Syndrome) in 2012-15), and the current covid-19, the most virulent since the Spanish flu a century ago. At first glance, covid-19 is less deadly than SARS, with a case/fatality rate 10 times lower. But covid spreads faster and more widely, with many infected people showing no symptoms but spreading the disease more deeply among communities. While SARS killed more of its sufferers, covid bred surviving carriers on a much greater scale. Survivors of covid can acquire longer-lasting ailments: severe fatigue, memory lapses, digestive problems, erratic heart rates, headaches, dizziness, fluctuating blood pressure and hair loss. Months after their release from hospital, some covid patients around the world have developed

chronic brain disorders. Others report loss of taste and smell after recovering from covid. “I have not seen any other illness that affects so many different organ systems as covid does,” said Zijian Chen, director of post-covid care at New York’s Mount Sinai Hospital.

Epidemics strike poor people hardest. This was as true of the bubonic plague of medieval times in Europe as it is today. In his classic *Tales of the Decameron* (1353) Giovanni Boccaccio told of wealthy Italians from Florence taking refuge from the Black Death at a nearby rural estate to tell each other stories, leaving ordinary city dwellers more exposed, just as in New York and São Paulo richer citizens flee to country homes or quarantine themselves in large apartments.

In New York, as in other big U.S. cities, Latino and black people have been twice as likely than whites to die from covid-19. The same difference applies between richer and poorer communities in Brazil’s cities, with the similar racial and cultural contrasts. Covid-19 is mainly a disease of the poor and powerless, lacking medical attention and forced to leave home daily and mix with crowds in order to work. In California, mortality among bakers rose by 50% and restaurant cooks by 60%.

New waves?

New challenges arise. Science produced some remarkable achievements in dealing with a new and dynamic global emergency. But the wave continues to rise, with some remarkable achievements in dealing with a new and dynamic global emergency.

Estimates of mortality tend to converge around 0.5% to 1.0% of people infected, but covid-19 is vastly more contagious than most other viral infections, causing more deaths. Yet there is uncertainty over herd immunity: whether past viral infections provide populations with protection, residual or temporary, from current outbreaks. Recent discoveries found that immunity acquired through infection tends to decline over weeks or months. WHO’s executive director, Michael Ryan, warned that “we must now do what we can to

suppress transmission and not count on herd immunity for our salvation.” Access to vaccine immunizations is spotty and erratic throughout the world as new covid varieties develop, reducing hope for ending the acute phase of the pandemic in 2021, according to Mariângela Simão a Brazilian executive at WHO.

Herd immunity indeed is important. WHO reports that vaccinations had not begun 130 countries as of February 2021, while three-fourths of all doses consumed worldwide were in just 10 countries. Surprising is the low covid mortality reported in many poor countries, which in part may be caused by defective registry. But age may decide. In rich countries, the biggest share of covid deaths occurs in old-age homes, while median age in poorer countries is much lower. This confuses many experts. Statistical research indicates that after age 30 chances of dying of covid roughly double every additional eight years of life. Residual immunities may remain from previous illnesses. High covid mortality in Mexico, South Africa and Peru augmented by the huge surge of deaths India. Nigeria was predicted to suffer 200,418 covid deaths in 2020, but the reported number was under 1,300. In Lagos, Dr. Abiola Fasina ran a field hospital for covid patients where, she said, “we were 70% or 90% full. When I walked through those wards, I remember that the patients were mostly asymptomatic or mildly symptomatic. But as the pandemic continued patients mostly remained mildly symptomatic. It’s all quite mild over here.”

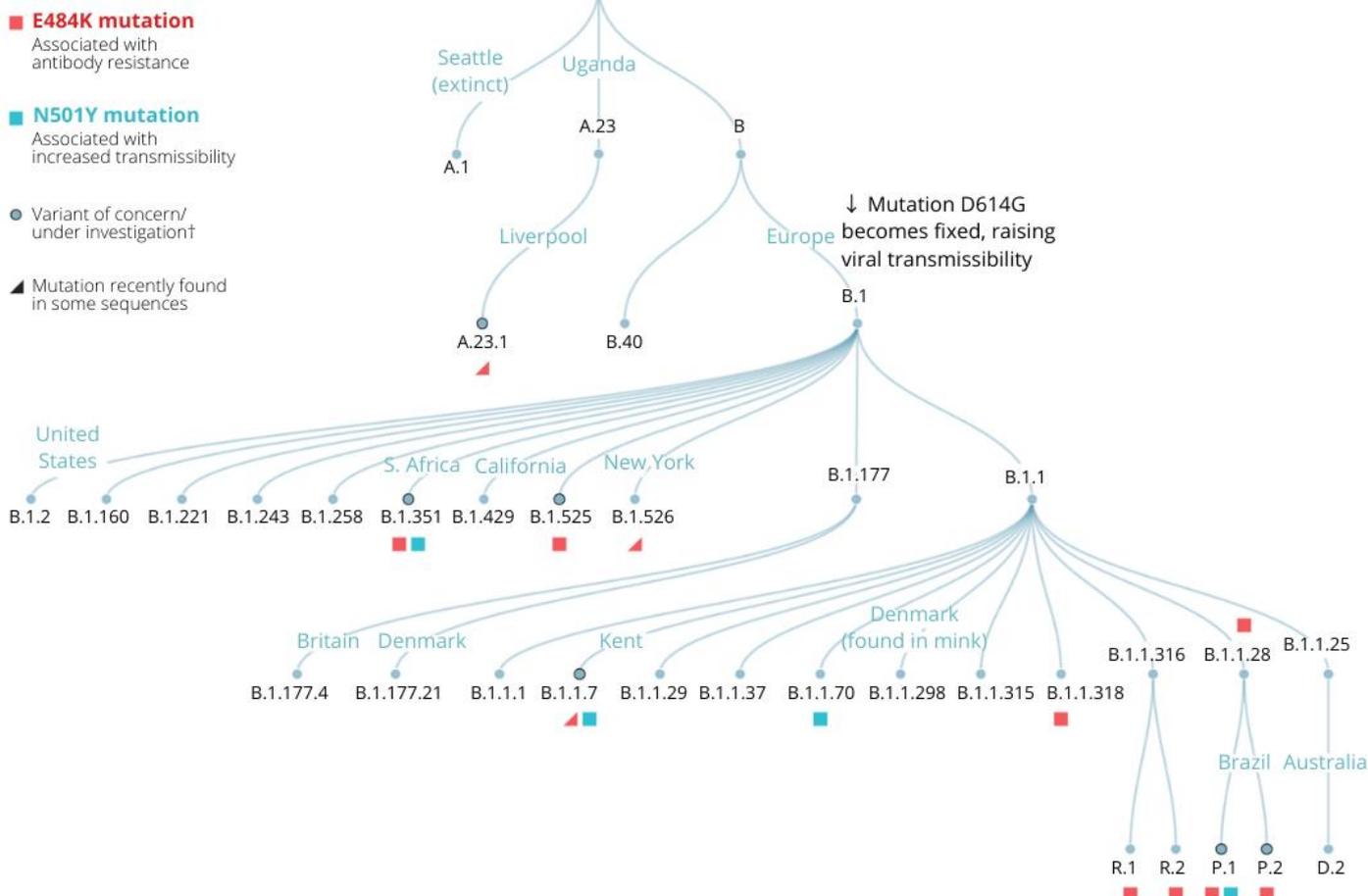
The effects of vaccination in preventing spread and recurrence of covid-19 remain uncertain. The rapid mutation of coronavirus variants threatens the effectiveness of vaccines. A fast-growing epidemic in South Africa led to discovery of a potent mutation –called 501Y.V2--that quickly spread to Britain, the United States and other countries. Another variant emerging in Manaus, the main port on the Amazon River, quickly impacted other cities of Brazil. If these variants can reinfect immunized patients, observed Tulio Oliveira of the

University of KwaZulu Natal in Durban, South Africa, “the whole idea of herd immunity would become a pipe dream, at least from natural infection.” Here is a road map of the worldwide development of Sars-CoV-2 since December 2019, drawn by *The Economist*:

Contradictions appear frequently in the coronavirus pandemic. Within Brazil and the United States, as in many other countries, dramatic differences appear in timing and severity of outbreaks between different communities and regions. State and local governments face cuts in

Selected SARS-CoV-2 lineages

Dec 5th 2019 to Feb 22nd 2021



Recently, case>fatality rates have been falling throughout the world, but epidemiologists now fear more waves of infections after the initial eruption subsides, as in Israel and Europe, repeating the successive waves of a century ago, testing the institutional capacity of many cities and nations. According to an MIT study, data from 84 countries suggests that global infections were 12 times more, and deaths 50% more, than officially reported. Excess mortality, differences in death rates between epidemic years and normal years, is a useful measure where deaths are counted and explained. But in large swaths of Africa, deaths are not recorded. In Peru, where mortality surged during the pandemic, 74% of excess deaths were not attributed to covid-19.

revenue while dealing with new demands for public health and welfare services. Contrasts emerge between rich and poor communities, between big and small countries, between nations with strong or weak institutions, and between races, reinforcing other infirmities. Wealth can help but it is not decisive. Negligence can be disastrous. European democracies, such as Italy, Spain and France, were stricken badly but recovered quickly because of their institutional coherence and capacity for focused action, yet then suffered a second wave on a smaller scale. Continental nations, such as the United States, Brazil, India and Russia, are less capable of swift and coherent action because of the size of their territories and complexity of their societies. Brazil and the United States suffered

increased mortality in 2020 for the first time since World War II. Russia's excess mortality over previous years, mainly driven by covid, is highest among advanced countries. We remain confused by ups and downs and zig-zags in covid developments. Big waves have struck, followed by troughs, only to surge again in the United States, Brazil, India and Europe, among other afflicted regions.