

in brief...

## The lasting impact of epidemics

What can we learn about the potential effects of Covid-19 by looking at plagues of the past? According to **Jeremiah Dittmar** and **Ralf Meisenzahl**, history suggests that experiences of severe suffering can lead populations to reject poorly performing ruling elites and generate more inclusive social arrangements.

Epidemics drive profound social and economic changes through their effects on politics and beliefs. Living through epidemics changes what people want and imagine. Death and suffering lay bare the fragility of the existing social order and highlight the shortcomings of incumbent elites.

What can history tell us about how epidemics drive social and economic change? The death and dislocation occasioned by epidemics transform politics. The Black Death of the 1340s, which killed one-third of Europe's population, led to a shortage of workers and higher wages, but it did not usher in significant changes in the role of government. In contrast, later epidemics – which were not so deadly – gave significant impetus to reform movements that reshaped government and social and economic life.

European history has been marked by repeated plague outbreaks. These struck cities that formed the economic,

political and cultural backbone of society. Typically, the wealthy fled to their country homes. City rulers often abandoned their responsibilities. Public authority fell into disarray. Bodies piled up, and orphans wandered the streets. This bleak situation persisted from the time of the Black Death until new social contracts were developed.

In the 1500s, epidemics struck societies in which the existing order was already subject to profound criticism. This was especially true in Germany, where Martin Luther and his comrades criticised the corruption of religious and secular authorities in the early 1500s. They developed a clear alternative: a religious and political reform agenda. The reformers proposed a new design for city governments and a dramatic expansion in the role of public authorities in providing for the common good.

Experience with the plague highlighted the shortcomings



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of the old regime and the attractions of the Protestant agenda. In this era, citizens in German cities rose up to demand the implementation of a new religious and political order. Protests, marches and disturbances pushed local elites to accept a new political equilibrium. In our research, we find that cities that experienced plague outbreaks in the early 1500s were far more likely to pass laws formalising the reform agenda.

These political changes led to some of the most important and consequential institutional innovations in European history. With the help of invited experts, cities designed Europe's first large-scale experiments with mandatory public schooling, public health provision, welfare transfers, subsidies so that the children of the poor could attend university, and anti-corruption measures to preserve the sanctity of public finances.

Martin Luther's confessor, Johannes Bugenhagen, drafted laws for many cities in Germany. Bugenhagen's laws make explicit provision for the staffing of plague hospitals. The laws themselves state that it is 'disgraceful' for poor women to be unable to afford professional midwives and that access to healthcare must be provided for all. The laws established common chests – lock-boxes to collect all municipal and church income. These funds were used, for example, to provide dowries to poor women. Put simply, in this new order the role of government fundamentally expanded.

How did these changes affect businesses and economic growth? We find that cities that institutionalised the

provision of public goods embarked on new trajectories. Reformers emphasised the importance of educated civil servants who were needed to cement a new social order. Cities that expanded public goods provision in the 1500s began to attract and to educate talent that flowed into careers in education, public service and the reformed church.

With time, and as an unintended consequence, business in these cities boomed. Over the next two hundred years, cities that formally expanded public goods provision grew far faster than those that did not. This difference in fortunes was driven by the institutionalisation of public goods provision and not by the spread of Protestantism *per se*. Protestant cities without institutionalised public goods provision did not enjoy economic booms.

The lessons one can draw from plague outbreaks in the 1500s are not unique. There are other examples of how epidemics may swing politics and lead to social change, such as the mismanaged cholera outbreak in Hamburg in 1892. History suggests that experiences of severe suffering can lead populations not only to reject poorly performing rulers but, more hopefully, to demand more inclusive social arrangements.

In the middle of the Covid-19 pandemic, we have already seen calls for a European fiscal union and for the transformation of US healthcare provision. These calls may mark the beginning of large-scale transformations in what citizens imagine, demand and ultimately receive.

This article draws on 'Public Goods Institutions, Human Capital, and Growth: Evidence from German History' by Jeremiah Dittmar and Ralf Meisenzahl, published in the *Review of Economic Studies* 87(2): 959-96 in March 2020.

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## Cities that institutionalised the provision of public goods embarked on new trajectories of growth