

# The 1918 Influenza Pandemic and COVID-19: Have We Seen This Movie Before?

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Imagine reading this in a U.S. history textbook:

The pandemic affected nearly everyone. Its origins were unclear. It came in waves. Businesses were closed. Public events were canceled. Churches and schools were closed. Social distancing was encouraged. Masks were used. Travel restrictions were imposed. The health care system was pushed to its limits. GDP declined. Even the president was infected with the virus. The medical doctors and scientists innovated, developing new approaches for prevention, diagnostics, and treatment.

Sounds like 2020, right? Maybe we have seen this movie before. All these events took place during the 1918 influenza pandemic, popularly known as the Spanish flu. There are striking similarities between the 1918 and 2020 pandemics. And yet, there are big differences as well. The 1918 influenza pandemic hit during World War I when war production was a national priority and American “dough-boys” were being deployed to Europe. While World War I is a key subject in American history textbooks, the brutal 1918 influenza pandemic is much less discussed. Are there contemporary lessons from this historical pandemic?

While both the 1918 and the 2020 pandemics were devastating, the 1918 influenza pandemic was worse. Its origins are still debated, but it was first identified in the United States at Fort Riley, an Army base in Kansas. According to the Centers for Disease Control and Prevention (CDC), an estimated 500 million people (or one-third of the world’s population)

became infected with this virus. An estimated 50 million people died worldwide with about 675,000 deaths occurring in the United States.<sup>1</sup> This number of U.S. dead would be the equivalent of about 2 million people in relation to the present day population.

The 1918 influenza pandemic came in waves. The first wave, in spring 1918, moved from the U.S. to Europe, probably through troop deployments, and began the spread in Europe. A more deadly second wave spread through Europe and arrived in New England in late August. Deaths peaked in the United States after several weeks and the epidemic was waning by November 1918, although some areas were affected by a third wave in the winter or early spring of 1919.

## How Are the Two Pandemics Economically Alike?

In a pandemic, the circular flow of income and product slows down. Illness cuts into the labor force and less is produced. In

turn, paychecks dry up or disappear and consumers cut back on their spending. Reduced spending feeds into still lower production. In both cases—COVID-19 and the 1918 influenza pandemic—there were reductions both in aggregate supply (the total production of goods and services offered for sale) and in aggregate demand (the amount that consumers spend on all goods and services). Thus, for both pandemics, there was an economic downturn but, in the case of the 1918 influenza pandemic, the decline in GNP happened more gradually.

Public health officials advised caution in both 1918 and 2020. Little was known about either virus when it started to spread. Lockdowns slowed economic activity. Today, states, counties, and cities have issued their own guidance and mandates according to the state and local situation, even as the CDC has provided national guidance. Local officials locked down whole cities like New York City, citing the national guidelines.

It is harder to know about the situation in 1918 due to limited data. Cities and sometimes states took a wide variety of actions such as shutting down public gatherings, staggering business hours, closing schools, imposing quarantines for infected people, requiring masks, and so forth.

A report by the Federal Reserve Bank of St. Louis uses anecdotal evidence to

document many cases of merchants losing business. Here is one sample from a news report.<sup>2</sup>

### Little Rock, Arkansas

“How Influenza Affects Business.”

*The Arkansas Gazette*, Oct. 19, 1918, page 4.

- Merchants in Little Rock say their business has declined 40 percent. Others estimate the decrease at 70 percent.
  - The retail grocery business has been reduced by one-third.
  - One department store, which has a business of \$15,000 daily (\$200,265 in 2006 dollars), is not doing more than half that.
- Bed rest is emphasized in the treatment of influenza. As a result, there has been an increase in demand for beds, mattresses and springs.
  - Little Rock businesses are losing \$10,000 a day on average (\$133,500 in 2006 dollars). This is actual loss, not a decrease in business that may be covered by an increase in sales when the quarantine order is over. Certain items cannot be sold later.
  - The only business in Little Rock in which there has been an increase in activity is the drugstore.

The Federal Reserve report goes on to point out that many businesses, especially those in the service and entertainment industries, suffered double-digit losses in revenue. Other businesses that specialized in health care products experienced an increase in revenues.

### How Are the Two Pandemics Economically Different?

While COVID-19 was most deadly to older people with other medical conditions, the 1918 influenza pandemic killed many who were otherwise healthy. The high mortality rate of the young and healthy was a unique feature of this pandemic. Males aged 18 to 40 were the hardest hit. In economic terms, this resulted in a large loss of human capital and imposed economic hardships on many families, who at the time, usually depended on males for household income.

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## Classroom Activities

After students have read “Then & Now: Pandemic Economics,” encourage them to consider what lessons might be learned by comparing the COVID-19 pandemic to the 1918 influenza pandemic.

### Discussion Questions

1. How are the economic effects of the COVID-19 pandemic similar to, and different from, those of the 1918 influenza pandemic?
2. What sectors of the economy are most affected (positively and negatively) by pandemics?
3. In the reaction to the 2020 pandemic, people demanded more disinfecting supplies and personal care items. Does that mean that the aggregate or total demand increased?

### Answers to Questions for Discussion

1. *Accept a variety of answers. Both outbreaks involve a reduction in aggregate supply and demand and therefore in economic output. The differences have to do mainly with changes in medicine, transportation, and technology. These changes make it easier for a pandemic to spread internationally, but also make it possible for knowledge and cures to be adopted quickly.*
2. *Accept a variety of answers. Positively affected sectors would include those associated with disinfecting and reacting to the pandemic. Grocery stores were busy trying to keep shelves stocked. With social distancing in place, many consumers turned to companies like Amazon for purchases. Negatively affected sectors would include transportation, entertainment, and luxury goods in general.*
3. *No. Even as the demands for a small number of particular goods and services were rising, people were buying much less of many other goods, from air travel to restaurant meals. The overall total of spending declined sharply, and that is what matters for aggregate demand.*

# Then & Now: Pandemic Economics

As the spread of the coronavirus disease (COVID-19) slowly comes under control, now may be a good time to try to understand the potential future economic impact as well as some historical context. The closest parallel to the COVID-19 pandemic almost certainly is the 1918 influenza pandemic popularly known as the Spanish flu (because it was first reported in Spanish newspapers). What are the lessons from this historical pandemic for today?

The 1918 influenza pandemic was the last truly global pandemic—its potency exacerbated in an era before the existence of international public health bodies such as the World Health Organization or social media coverage about the disease and how to combat it. About one-third of the world's population caught this acute respiratory tract infection. Conservative estimates put the death toll for the 1918 influenza pandemic at 50 million, substantially more than the 6–13 million people who died during World War I.

The immediate economic consequences of the 1918 influenza pandemic stemmed from the disruption surrounding the spread of the virus. Large U.S. cities, including New York and Philadelphia, were essentially shut down. As with today, businesses were closed, sporting events cancelled and private gatherings—including funerals—banned to slow the spread.

In a pandemic, the circular flow of income and product slows down. Illness cuts into the labor force and less is produced. In turn, paychecks dry up or disappear and consumers cut back on their spending. Reduced spending feeds into still lower production.



Nurses wearing masks in the 1918 Influenza pandemic.  
(Source: Centers for Disease Control and prevention)

Thus, in a pandemic there are reductions both in aggregate supply (the total production of goods and services offered for sale) and in aggregate demand (the amount that consumers spend on all goods and services). But even as these totals are falling, particular goods and services see an increase in demand—everything from disinfecting supplies to nonperishable foods.

Can an economy recover from a pandemic? Economic reasoning suggests that the answer is “yes.” Widespread illness takes its toll on the labor force and yet an economy's capital stock and basic institutions remain in place. When the disease has run its course, economic activity resumes. The short-term disruptions from stopping the spread of the disease may then pay off in greater economic growth. From 1918 to 1921 national output declined by 5.5 percent. But by 1922, economic growth had snapped back to almost 16 percent, setting the stage for the “Roaring Twenties” that saw output and income soar to new heights.

## THE 1918 INFLUENZA PANDEMIC

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Health care knowledge is another difference between the 1918 and the 2020 pandemics. In 1918, little was known about the virus. It was not clear why it was so deadly. The cause of human influenza and its links to avian and swine influenza were unknown. There were neither vaccines to protect against infection nor antibiotics for treatment. The only tools in the health care toolbox were quarantine, personal hygiene, disinfectants, and limitations of some public gatherings.

The timing of the macroeconomic reaction was also different. In the case of the 1918 pandemic, some economic activity slowed but much did not. A recession did not occur until 1921 and much of that was probably due to post-World War I demobilization. But while the nation was at war, war production continued. Work in factories and mines continued despite the fact that this contributed to the spread of the virus.

In 2020, it was an entirely different economic story. The economic damage was immediate and real as public health experts advised government offi-

cial to require lockdowns. The effects of closures were immediate, massive, and unprecedented. GDP plummeted. Unemployment skyrocketed. Stock prices collapsed. Supply chains were disrupted in unexpected ways. No government action in 1918 went as far as closing non-essential businesses as did the lockdowns of the 2020 pandemic.

Finally, it would be hard to overstate the difference of the federal response to the pandemics of 1918 and 2020. President Wilson was focused on the war effort. He is reported to have never commented on the 1918 pandemic. Wartime censorship limited the news coverage. In stark contrast, in March of 2020, the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed to provide massive economic rescue for individuals, businesses large and small, public institutions, and state and local governments. Such an action was unimaginable in 1918.

### What Conclusions Can We Learn?

What lessons can we learn today from the 1918 influenza pandemic? Can an economy recover from a pandemic? Economic reasoning suggests that the answer is “yes.” Widespread illness

takes its toll on the labor force and yet an economy’s capital stock and basic institutions remain in place. When the disease has run its course or been defeated by vaccination, economic activity resumes.

The short-term disruptions from stopping the spread of the disease may then pay off in greater economic growth. From 1918–1921, output declined by 5.5 percent. But by 1922, economic growth had snapped back to almost 16 percent, setting the stage for the “Roaring Twenties” that saw output and income soar to new heights. As the economy reopened after the 2020 lockdowns, we can already see strong improvements in GDP, unemployment, and the financial markets. 🌐

### Notes

1. Centers for Disease Control and Prevention: *History of the 1918 Flu Pandemic* [www.cdc.gov/flu/pandemic-resources/1918-commemoration/1918-pandemic-history.htm](http://www.cdc.gov/flu/pandemic-resources/1918-commemoration/1918-pandemic-history.htm)
2. Thomas A. Garret, *Economic Effects of the 1918 Influenza Pandemic: Implications for a Modern-day Pandemic* (St. Louis: Federal Reserve Bank of St. Louis, November 2007), [www.stlouisfed.org/community/other\\_pubs.html](http://www.stlouisfed.org/community/other_pubs.html).



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