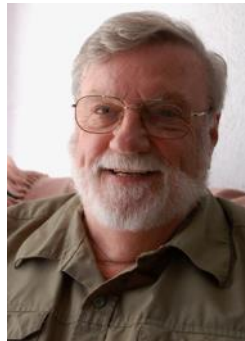


## The Aftermath of the Pandemic – Lessons from the Past

By Gerald Trites, FCPA, FCA

Marchionne di Coppo Stefani lived in Florence during the great plague of 1348. He wrote about it in his *Cronaca Fiorentina*.



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The Black Death started in Florence in March, 1348, with the first wave continuing until September, a period of six months. There were successive waves until 1350. During that time, Florence's population was reduced from around 120,000 inhabitants to around 50,000. In Europe overall, some 30 – 50% of the population died. There were other outbreaks over the next few centuries.

Much has been written about the immediate impact of the plague, of the black sores appearing in a morning and the infected person dead by nightfall. Of the bodies piling up and being carried off in carts and thrown into mass graves, layer upon layer.

Stefani wrote of this experience, as well as the effect of the plague on the economy, such as the fact that the Florentine guilds, craft shops and taverns closed down during the plague. Wax for

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lighting was scarce and became so expensive that few could afford it. The city government finally resorted to placing a ceiling on the price so people could buy some for light. Other prices needed to be controlled; for example, burial items such as perfumed spices and caskets (for those who didn't get thrown into the mass graves). And there was control over the "news" too: the government forbade the ringing of bells during a funeral for fear that people might realize how many funerals were taking place.

But Stefani also wrote about the aftermath of the plague.

The plague's considerable population reduction led to cheaper land prices, more food for the average surviving peasant and a relatively large increase in per capita income among the peasantry. Since the plague left vast areas of farmland untended, it was made available for pasture, which led to additional production of meat and dairy. The consumption of meat and dairy products went up, as did the export of beef and butter.<sup>1</sup>



Because of the increased value of the peasants and their relative scarcity, historians credit the plague with precipitating the decline of the feudal system. Also, many historians credit the plague, particularly in Florence, with the birth of the Renaissance, because the massive death rate and suffering caused people to look at the world with a new lens, to think differently about humanity's

place in the universe and to produce a glorious wave of art, music, philosophy and literature.<sup>2</sup>

### **The 1918 Spanish Flu**

The other major pandemic, one that perhaps bears a stronger resemblance to Covid 19, is that of the Spanish Flu outbreak of 1918. That year saw the end of the First World War, which was a major factor in the spread of the flu, because the troops on the move in very close conditions carried the flu with them, causing it to be spread rapidly.

The Spanish Flu infected around 500 million people, about one-third of the world's population at the time.<sup>3</sup> An estimate from a 1991 study states that the virus killed between 25 and 39 million people.<sup>4</sup> It lasted for about two years. The second wave over the winter of 1918/1919 was the most deadly.

That the Spanish Flu bore many similarities to the present day Covid 19 is illustrated by the example of San Francisco.

The Spanish flu began to appear in San Francisco during the fall of 1918. The first documented case was in late September; by mid-October, the city had more than 2,000 cases. The city's Board of Health enacted various measures to try to curb the disease, such as banning gatherings, closing schools and theaters and warning citizens to avoid crowds. Professionals that served customers (including barbers, hotel and rooming house employees, bank tellers, druggists, store clerks) were required to wear masks. On October 25, the city passed an ordinance requiring everyone in San Francisco to wear a mask while in public or when in a group of two or more people, except at mealtime.<sup>5</sup>



A strong public protest occurred about the masking rule, which spread to various other centers. A later study found that measures, such as banning mass gatherings and requiring the wearing of face masks, could cut the death rate up to 50%, depending on them being imposed early in the outbreak and not being lifted prematurely, but that was after the fact.<sup>6</sup>

### **Now as Then**

Thomas Garrett, who did a significant study of the matter, observed that the people most affected by the 1918 pandemic were the less privileged members of society;<sup>7</sup> the same has been observed of the Covid pandemic. This will have long-term repercussions for us. We already have had a situation where there was a wide gap of income and wealth between the people at the upper end of the spectrum and those at the middle and lower levels. The pandemic will exacerbate that gap and increase the prospect of social unrest.

Accordingly, to maintain social order and also for humanitarian reasons, social safety nets will have to be strengthened. For countries which already have safety nets, it will mean adding to them, probably through government action. In Canada, there has already been growing talk of implementing a basic minimum wage, and preliminary steps are being taken in that direction. In countries with less of a safety net, it may mean combined action of government and the private sector.

The long-term effects of the 1918 pandemic were not as extensive as they were for the plague. This may be in part because the ratio of deaths to the population during the plague was much higher than it was during the flu pandemic. Or because the effects of the pandemic were mixed in with the effects of World War I. Deaths were already running high because of the war and people lost track of how many were attributable to the war and how many to the pandemic. The deaths were indistinguishable at times.

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According to Thomas Garrett, “Although the influenza pandemic occurred 90 years ago (sic) in a world that was much different than today, the limited economic data and more readily available mortality data from the time of the event can be used to make reasonable inferences about economic and social consequences of a modern-day pandemic. Despite technological advances in medicine and greater health coverage throughout the 20th century, deaths from a modern-day influenza pandemic are also likely to be related to race, income and place of residence.”<sup>8</sup>

### **Accelerating Change**

The world today is indeed very different from what it was in 1348 and 1918. In 2019, we already had a world undergoing rapid change. The modern world is heavily driven by technology and, in particular, technological change. Many current observers have said that Covid appears to be accelerating changes that were already under way. The previous pandemics lasted for two or more years, so we are at an early stage of Covid, and it may be too

early to predict the social and economic outcomes. Nevertheless, some of the changes appear to be quite evident.

For example, we hear the most about more employees working remotely. This will evolve and could take several forms, such as people continuing to work at home, companies establishing satellite offices to reduce commute times and congestion at their main offices, companies establishing regular home/office hours for their employees, etc.

The work model where we gather in a central place and work under supervision was a product of the industrial revolution and has been obsolete for some years, but we have only mildly reacted to that fact. Covid is forcing us to act a lot faster and more forcibly. Technology makes it possible.

**Covid appears to be accelerating changes that were already under way.**

Working at home could have significant implications in the longer term, especially if the pandemic lasts for a long time, which is very possible. It forces families to live closer together, which could fundamentally alter the dynamics of family life. Given the importance of the family unit in our social fabric, this could mean fundamental sociological changes.

There are other implications. KPMG recently did a survey which noted that “75% of businesses are changing recruitment strategies, to try to hire workers who might live far from the office. And with more than two-thirds of CEOs saying there are plans to downsize office space, it seems remote work is here to stay.”<sup>9</sup>

Recruitment strategies were already undergoing change, because of the skills shortage and the need for upskilling. PwC has said that “a full 74% of CEOs taking part in our 23rd Annual Global CEO Survey said that a lack of availability of the right skills is a concern.”<sup>10</sup>

We were already in a gig economy. Gartner recently referred to an increased use of contingent workers,<sup>11</sup> basically an expansion of the gig economy with an emphasis on finding the necessary skills needed right away.

Gartner pointed out that working remotely would lead to increased use of employee data as opposed to, or in addition to, corporate data.<sup>12</sup> In other words, employees working remotely may have a tendency to collect and use their own data for business purposes. This adds to the security issues around working at home and also adds to the issue of data quality, which is critical in a data driven world, and a world where an increased use of AI means greater reliance on large quantities of high-quality data.

Covid has also raised issues around supply chains. Some of these will go away when the pandemic is over. Others will not because of lingering concerns about a recurrence and a

realization of the extent to which supply chains were unstable and needed to be strengthened. That could mean fundamental changes in trade relationships. Companies will find themselves reducing reliance on trade relationships that turned out to be unreliable.

As pointed out in a study by Laker, “market volatility caused by COVID-19, alongside sweeping regulatory changes, has driven companies across various industries to urgently re-evaluate their complex global supply chains to gain control of new and significant supplier risks quickly.”<sup>13</sup>

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### **The Pending Crisis of Winter 2020-21**

Most of the leaders in the medical community have warned about the strong possibility of a resurgence of the virus during the coming winter.

As McKinsey & Co says, “winter will bring renewed crisis for many countries. Without a vaccine or effective prophylactic treatment, a rapid return to a rising spread of the virus is a genuine threat. In such a situation, government leaders may face an acutely painful ‘Sophie’s choice’: mitigating the resurgent risk to lives versus the risk to the population’s health that could follow another sharp economic pullback.”<sup>14</sup>

A resurgence of the virus during the winter will activate a number of crises – schools will close and reopen, as will universities. Workers who started to work at an office will be forced to return to working at home. Supply chain disruptions will be renewed and also aggravated by winter weather, as will disruptions to the health care system. A re-establishment of masking and social distancing rules will further test the social resolve of the populace and no doubt lead to further social discontent.

Governments will be running out of the capacity to fund people out of work and deal with other stresses on the economy, again contributing to social unrest.

At the level of individuals, “much of the population will experience uncertainty and personal financial stress. Public-, private-, and social-sector leaders will need to make difficult ‘through cycle’ decisions that balance economic and social sustainability, given that social cohesion is already under severe pressure from populism and other challenges that existed pre-coronavirus.”<sup>15</sup>

True, a vaccine may be approved before or during the winter. Medical experts have also warned, however, that a vaccine will not necessarily end the crisis any time soon. And, if the second wave is the most deadly, as it was in the winter of 1918-1919, all of these outcomes will be intensified.

## The End Game

This all sounds very gloomy. But where it all leads is open to debate at this time. The corona virus pandemic will eventually pass into history. It will lead to lasting changes. But many of those changes were happening anyway.

As is often said, this too will pass.

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<sup>1</sup> <https://www.ancient.eu/article/1543/effects-of-the-black-death-on-europe/>.

<sup>2</sup> <https://msh.councilforeconed.org/documents/978-1-56183-758-8-activity-lesson-15.pdf>.

<sup>3</sup> Taubenberger & Morens 2006.

<sup>4</sup> Patterson & Pyle 1991.

<sup>5</sup> "The effect of public health measures on the 1918 influenza pandemic in U.S. cities"

<https://files.stlouisfed.org/files/htdocs/publications/review/08/03/Garrett.pdf>.

<sup>6</sup> Martin C. J. Bootsma and Neil M. Ferguson. (April 6, 2007).

<sup>7</sup> Thomas A. Garrett, Assistant Vice President and Economist Federal Reserve Bank of St. Louis, *Economic Effects of the 1918 Influenza Pandemic Implications for a Modern-day Pandemic* (November 2007).

[https://www.stlouisfed.org/~media/files/pdfs/community-development/research-reports/pandemic\\_flu\\_report.pdf](https://www.stlouisfed.org/~media/files/pdfs/community-development/research-reports/pandemic_flu_report.pdf).

<sup>8</sup> *Ibid.*

<sup>9</sup> Scott Saloway, "As coronavirus reshuffles CEO priorities, talent retention surges 'to the top of the list': KPMG," *Yahoo Finance* (August 29, 2020).

<sup>10</sup> Upskilling: Building confidence in an uncertain world - Findings from PwC's 23rd Annual Global CEO Survey.

<sup>11</sup> Gartner for HR, *Future of Work Trends Post-COVID-19*.

<sup>12</sup> Gartner, *op cit.*

<sup>13</sup> Benjamin Laker, "How Organizations Need To Manage Supply Chain Risk Today," (September 7, 2020).

<sup>14</sup> Kevin Sneader and Shubham Singhal, *Beyond Coronavirus: The Path to the Next Normal* (McKinsey and Company, March 23, 2020).

<sup>15</sup> *Ibid.*