Longer-run Economic Consequences of Pandemics

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What are the medium- to long-term effects of pandemics? How do they differ from other economic disasters? We study major pandemics using the rates of return on assets stretching back to the 14th century. Significant macroeconomic after-effects of pandemics persist for about decades, with real rates of return substantially depressed, in stark contrast to what happens after wars. Our findings are consistent with the neoclassical growth model: capital is destroyed in wars, but not in pandemics; pandemics instead may induce relative labor scarcity and/or a shift to greater precautionary savings.

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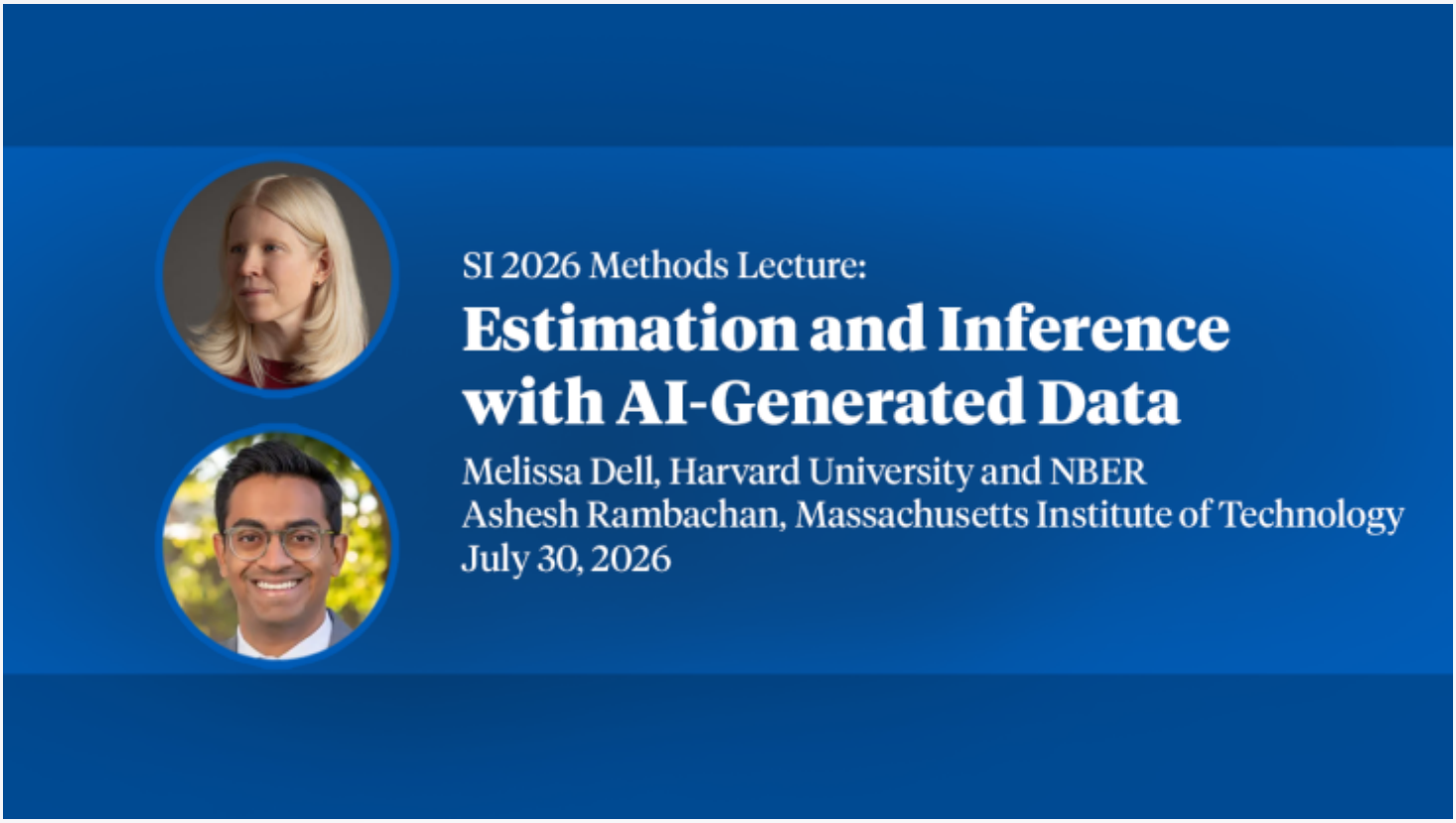


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