The lessons of contagion

A new book considers the institutional ecosystem of a pandemic

The author

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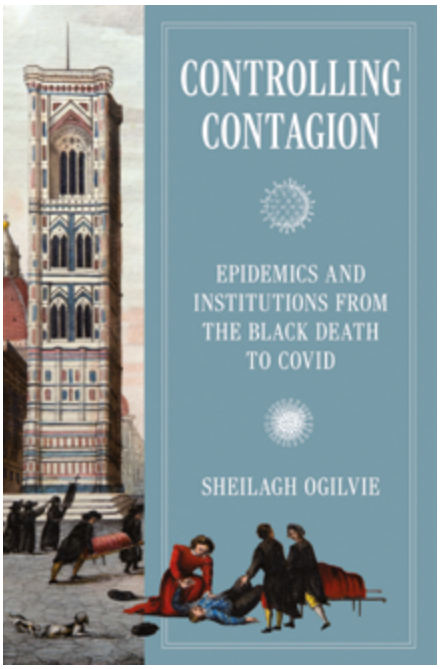
The Covid-19 pandemic thrust a basic economic problem onto the global stage: a massive and lethal externality. Suddenly, every personal choice – to work, to shop, to gather – carried social costs far beyond private calculation. Everyone had a patent policy: strong state, muscular market, cohesive community, robust religion. For economists, the challenge looked familiar, yet its scale was staggering. How do societies coordinate to tackle such a calamitous externality? In my new book, *Controlling Contagion*, I argue that the answer lies not in a single "magic pill", whether medical or institutional, but in a complex ecosystem of interacting institutions that took centuries to evolve.

Science and medicine played a role – but less than expected. Long before scientific medicine, pandemic outcomes varied hugely across societies. Epidemic disease declined in many places before scientists discovered microbes or doctors accepted contagion. Many societies took a long time to accept scientific medicine – as we saw during Covid. Science itself arose and spread for social as well as intellectual reasons. For many centuries before biology emerged, human societies coordinated and innovated in response to biological shocks.

The book takes a 700-year journey, analysing how six key institutions – market, state, community, religion, guild, and family – shaped epidemic contagion by tackling externalities and providing public goods. Each institution, it finds, has a bright side and a dark one. What matters isn't the strength of any single institution, but the overall institutional framework that supports, substitutes for, and curbs the excesses of each component.



For economists, the book offers a historical perspective on pivotal debates. Take market failure. Markets fail to charge us for infecting others and under-provide public goods like information, distancing, and sanitation. Yet markets are historically the most powerful engine we have for generating the resources needed to fight epidemics. Poverty kills. Higher incomes, driven by well-functioning markets, enabled individuals to buy better food and cleaner housing, withdraw from work, and flee contagion. Market-led growth generated fiscal capacity for states and philanthropic resources for communities and religions to fund collective action – sanitation, quaran-

tine, vaccine diplomacy. Markets also facilitated medical innovation – from eighteenth-century smallpox inoculation "franchises" to the 2021 Covid vaccine that used components from 86 providers in 19 countries. The market created both part of the problem and part of the solution.

Public policy also mattered, in good ways and bad. State capacity theories emphasize the importance of fiscal capacity, centralization, and parliaments to provide public goods and regulate externalities. But pandemic history shows that state capacity is far from sufficient. States with immense fiscal capacity allocated 90% of revenues to war, a major driver of pandemics. Parliamentary governments concealed epidemics for political purposes or used them to justify oppression. Centralization was less important than subsidiarity – tackling epidemics at the most immediate level consistent with their resolution, including local and supra-national action. In pandemics, the most successful states were not the most capacious but the most temperate: powerful enough to bang heads together but constrained by civil society – not just parliaments but markets, communities, and other institutions – to inform and respond to citizens

Epidemics also lay bare the Janus face of "social capital" – shared norms, information, and sanctions inside closely-knit networks. Neighbourly peer pressure was historically important for enforcing sanitation, distancing, and immunization – as with communal smallpox inoculations in nineteenth-century China, England, and Spanish America. But social capital could also be weaponized to resist public health measures or expel the infected, incubating pools of contagion that spilled outwards across society. Cohesive professional networks such as medical associations provided expertise and advice on public health. But they also limited healthcare provision during pandemics and fostered groupthink, hindering adoption of contagionism, chemical medicine, germ theory, and immunization.

Religion, too, had positive and negative effects on epidemic control. In crises even more than normal times, religion served as a "platform" interconnecting worldly with spiritual succour – for good and for ill. Religions supported the poor through lockdowns and exhorted the faithful not to infect their neighbours. Yet religious platforms could also bundle aid with fatalistic doctrines, organize superspreader gatherings, and preach against science. Which side of religion came out on top depended on interactions with the entire institutional landscape.

Controlling Contagion casts doubt on the idea of a single, "key" institution. What history reveals is a slow, imperfect process of societal learning. Over seven centuries, societies learned – often through catastrophic failure – to build more resilient institutional ecosystems. Successful frameworks were not all identical. But they shared three essential features: institutional diversity to prevent any single interest from dominating; well-functioning markets to generate resources and spur innovation; and temperate states to correct externalities without practising tyranny.

This framework of innovation and coordination emerged not by design but through a long process of competitive emulation and adaptation – persuading diverse interests to work together and devising social rules that worked with, not against, human motivations. It is this complex, messy, but ultimately effective institutional ecosystem that explains the dramatic decline in epidemic risk over the past 700 years. For economists and policymakers today, the lesson is clear. Confronting grand challenges like pandemics or climate change requires us to think beyond single-point solutions. Instead, we must cultivate the diverse and balanced institutional framework that enables human populations to tackle the economic and social, as well as the scientific, challenges of interacting with nature.

About the author

Sheilagh Ogilvie is the Chichele Professor of Economic History at All Souls College, Oxford, and a Fellow of the British Academy. Her research explores the lives of ordinary people in the past and tries to explain how poor economies get richer and improve human well-being. She has published on institutions and economic development, guilds, state capacity, communities, human capital, demography, finance, and social capital. She currently holds a Leverhulme Major Research Fellowship to research 900 years of European serfdom.

Further reading

Ogilvie, S. (2025). Controlling contagion: Epidemics and institutions from the Black Death to Covid. Princeton University Press, Princeton.

https://press.princeton.edu/books/hardcover/9780691255569/ controlling-contagion