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Commentary

Population health post-pandemic: critiquing the economic approach to recovery

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ABSTRACT

The COVID-19 pandemic has exposed that the economic crisis is inseparable from the health and inequalities crisis. This commentary identifies the key overarching economic decisions that governments will make that are likely have a larger impact on the health of nations than the direct impact of COVID-19 itself. We present these economic decisions to a health audience. The public health profession will need to develop opinions on these key economic decisions if we are to shape the environment that has such a large impact on the work we do.

COVID-19 arrived at a time that the UK, and indeed other countries, were experiencing increasing inequalities, stalling life expectancy and a climate crisis – the economic approaches taken to date were not addressing these challenges. In response to the economic impact of COVID-19, far-reaching economic decisions will made in the coming months and years that are likely have a larger impact on the health of nations than the direct impact of COVID-19 itself. Different approaches to economic recovery will serve our citizens' health and wellbeing in different ways. The public health community needs to be able to advocate for the economic approach that serves the population's health best.

1. We were vulnerable before COVID-19

For a significant proportion of the population the economic approach in many countries in the decades leading up to the pandemic increased their economic vulnerability to the lockdown. Since the 1990s there has been a systemic rise in insecure employment among OECD countries and an increase in in-work poverty in the UK and the EU. This financial vulnerability of households is illustrated by the 81% increase foodbank usage in the UK in the first two weeks of the pandemic as households with no savings experienced an immediate loss of income. Many European countries had adopted austerity measures following the 2008 financial crisis, reducing funding for their public services: in Germany public sector employment reduced; increases in the retirement age in France and the UK; reductions in public expenditure by 1.6% of GDP in Italy; 5% public sector pay reductions in Spain; reductions in per capita local authority spending in England, and so forth.

2. Far-reaching economic decisions

Economies will need to be built back as we emerge from the pandemic and in a way that addresses the climate emergency and inequalities. The extent of the policy response needed overshadows political cycles and ideological divides. We discuss four of the key choices facing economic policymakers. For each there is a continuum – the public health community need to decide on which point on the continuum serves our citizens' best.

2.1. What is the purpose of the economy?

What are we attempting to achieve? For whom? How should the economy be configured? For example, do we want to continue to prioritise economic growth on the basis that this may be the best way to provide higher tax revenues (so we can fund better public services and social security) and to increase average incomes? Alternatively, should we aim to design our economy to explicitly meet the key challenges of our time – improved health, greater equity and environmental sustainability? It is possible to pursue both growth and human flourishing, however, the current economic emphasis on growth is based on a extractive model in which growth in production and consumption is generally emphasised ahead of equitable distribution [1].

For many decades in most high-income countries the primary objective of economic policy has been economic growth, measured by GDP. However, GDP is an inexact measure of growth in that it includes both 'failure' spending - spending needed to undo or repair damage (e.g.

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treating problem substance use and responding to climate change impacts) and 'positive' spending (e.g. on education, the arts and technological innovation). It had been asserted that after society's basic needs were met that with continued growth we would then attend to issues of fairness and the needs of the planet, but this theory has not been supported by experience [2]. In addition, prioritising economic growth - based on the current extractive approach - is in tension with sustainability and equity. Nonetheless, the standard economic approach still centres on the growth imperative, it privileges extractive and speculative activities and maximising shareholder value. This profoundly undervalues the activities of the state, such as education and health care, which are frequently viewed as a burden as opposed to sources of value in contributing to human flourishing [1].

2.2. Public Debt and Money

Another key decision relates to the fear and (in)tolerance of public debt. Proponents of a Keynesian approach claim that increasing public spending, financed by increased debt, during periods of downturn is essential in ameliorating the adverse effects of recession or depression [3]. There are three main arguments put forward to challenge this approach. First, some argue that higher public debt raises interest rates and therefore 'crowds out' (i.e. impedes) private sector investment. Second, that higher public debt will lead to higher taxes in the future and that the population will save more now in anticipation of these higher taxes ("Ricardian Equivalence"). Last, some argue that higher levels of public debt are associated with lower growth rates.

Influenced by those arguments, many European governments pursued policies of austerity following the 2008 financial crash and the Great Recession. Evidence suggests the austerity approach has not been an effective means of improving economic or social outcomes [4]. It also does not seem to be the case that higher public debt leads to slower economic growth [5].

Instead, it is increasingly clear that "deficits saved the world [economy]", in that increased deficits (which increase circulating money) reduced unemployment and provided an economic stimulus [6]. Some argue that public deficits are not only necessary in economic downturns, but can encourage private sector investment, and can increase the wealth of the private sector [7]. The reason is that, at the level of the whole economy, money has to be "spent into existence" – either by borrowing it or 'printing' it. Public deficits resulting from higher public expenditure, increases the income and wealth of the private sector (including households). Conversely, public surpluses - the opposite of public deficits - reduces private sector income and wealth. For example, periods of federal government budget surpluses in America were followed by recessions, as private sector disposable income declined [7]. Moreover, if a country issues its own currency, and its debt is mainly denominated in that currency, it cannot be bankrupted like a firm or an individual. It can, in fact, create money to discharge any debt. Indeed, in the UK in 2018, the proportion of public debt held by the Bank of England was around 20%. The only limiting factor, in principle, is inflation which remains at historically low levels.

Understanding public debt in this way is critical to appreciating the potential policy options for national governments to address health, poverty, unemployment, climate change and pandemics.

2.3. What is the role of the state?

There are two central issues concerning the nature of the state. Does public expenditure (e.g. on social security, health, education, etc.) create demand and value, or is it simply a burden? Second, to what extent should the state play a role in the ownership and running of organisations?

Public expenditure is important in the avoidance of deep recessions [8], such as the one associated with COVID-19. Only through increased public expenditure have families avoided destitution during the current pandemic. Social expenditure is also a pre-requisite for human flourishing through the provision of public and social goods such as education and healthcare.

Many of the arguments around capital ownership (e.g. state, municipally, privately or mutually owned) have centred on how different ownership models promote economic growth or deliver services efficiently. The debate would be more fruitful if it also explored how different ownership models achieve outcomes, such as adequate employment, equity, wellbeing and environmental sustainability. There is also the issue of economic democracy, which includes concepts such as the right to participate in economic life, rights to self-governance of one's own labour and rights to participate in decision-making processes in the economy. Participatory budgeting in governmental bodies and pluralistic planning procedures expand economic democracy beyond the workplace [9]. Evidence suggest that increased economic democracy may be associated with greater income equality [8].

2.4. Who does design our economy? And who should?

The economy is a system that is designed and managed – through institutions, laws, regulations and public policy. However, it is not clear that economic decision-making and economic power is in any way democratic. In the Anglo-American variant of capitalism, where there is more emphasis on deregulation, capital ownership confers a disproportionate influence on economic decisions [1] and with the concentration of capital ownership becoming more unequal undemocratic economic power is set to increase. Conversely, the Scandinavian variant of capitalism involves greater economic democracy and corporate hierarchies exert less influence on key economic decisions.

3. Conclusions

Large policy decisions will be taken in the coming months and years and the impact on health, for good or ill, of these decisions is likely to outstrip that from COVID-19 by orders of magnitude [10]. These decisions should be informed by a wider constituency than has traditionally been the case. The lockdown implemented in most countries surfaced many fundamental issues that struggled to get 'air-time' in the past – such as the primacy of protecting health and wellbeing, environmental impact of economic production, and the purpose of the economy. Now is the time to have an informed and inclusive debate about how we re-build and re-purpose our economies. Health professionals will need to become more economically literate if we are to effectively inform economic decisions that will affect the health of our nations for decades to come.

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Competing interests

The authors have no competing interests to declare.

Author contribution

Gerry McCartney conceived the idea of the paper, and was involved in the original draft, reviewing and editing; Debs Shipton wrote the mauscript and Robert McMaster was involved in the original draft, reviewing and editing.

Declaration of interests

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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