

## **Economics and Global Health**

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### **Introduction**

Economics primarily appears in global health programmes in the guise of Health Economics. Broadly speaking, Health Economics involves two distinct strands. One strand focuses on the application of core neoclassical economic theories of the firm, the consumer and the market to health- behaviour and other health issues. It suggests a role for government intervention only in the case of specific market failures (for example externalities, asymmetric information, moral hazard, and public goods) that distort market outcomes. Health Economics also promotes economic evaluation techniques that are used to assess the cost-effectiveness of competing interventions. However, what is rarely made clear to global health students is that Health Economics, as a subfield of economics, applies only one version of economics (neoclassical economics), to health.

This chapter does not focus on traditional Health Economics – numerous textbooks exist that promote this way of thinking about the economics of health. Instead, this chapter discusses four alternative, non-neoclassical perspectives that are relevant to global health, namely Keynesian, political economy, feminist and ecological perspectives. We use the COVID-19 pandemic as lens through which to introduce these perspectives and highlight the insights that they provide for health inequalities and planetary health.

### **Keynesian economics and health**

While neoclassical economics promotes the notion of a perfectly functioning, free market and sees an only limited role for state intervention, Keynesian economics accords a more active role to the government in steering the economy – especially in times of crisis. Indeed, neoclassical economics had very little to say about either the causes of or solutions to the Global Financial Crisis (GFC) of 2007/08 and has been blamed by some economists for having caused

the crisis due to its attachment to free-market capitalism and deregulation of the financial sector (Skidelsky, 2010b).

While the GFC revealed the inherent flaws of unfettered capitalism and neoclassical economic theory championing it, the crisis which emerged in 2020 significantly exceeded the economic fallout of the GFC. What followed the declaration of the COVID-19 outbreak as a pandemic in March 2020 was a contraction of global economic output by 5.8 percent – compared to “only” 3.5 percent in the aftermath of the GFC (UNCTAD, 2021). Within just a few weeks, the health crisis turned into a full-blown economic and social crisis. Across the world, Governments imposed movement restrictions on their citizens, ordering them to work from home to curb the spread of the COVID-19 virus, and shut down factories. Furthermore, similar to the measures adopted in reaction to the GFC, yet much greater in volume, national Governments resorted once more to the “Keynesian toolbox”.

Returning to 2008, the neoclassical economist Robert Lucas, known as one of the harshest critics of Keynesian macroeconomics, made headlines in the midst of the GFC when he proclaimed that “everyone is a Keynesian in a foxhole” (Bello, 2017). Lucas’ statement made reference to the (non-neoclassical) economic theory behind the fiscal policy measures adopted by Governments in response to the GFC: **Keynesian economics**. Keynesian economics owes its name to the British economist John Maynard Keynes (1883-1946). Keynes – observing an increasing number of unemployed workers, fewer firms engaging in manufacturing activity and people buying fewer consumer goods during the years of the Great Depression of the 1930s – was of the view that the market would remain stuck in crisis without the government stimulating demand. He was sceptical of the prevalent assumption of the time that, if left alone, the market mechanism would self-correct and ensure that the supply of products is met by the required demand (Heilbroner, 2011). Keynes argued that, in a world characterised by uncertainty about what the future may bring, investors do not automatically re-invest their

savings but may want to wait for (pre-supposedly) better times (Keynes, 1936). Such lack of investment results in workers' disposable income and, consequently, their incentive to buy consumables decreasing (Chang, 2014). Reduced consumption pushes investments even further down and results in an additional loss of jobs, and so it continues. To put a halt to the downward spiral, Keynes advocated that governments should “manage” and intervene in the market by using public resources to boost the aggregate demand for goods and services and to create employment opportunities (Skidelsky, 2010a).

Having adopted a Keynesian's logic, the policy response of governments to the global economy's freefall in the wake of the GFC was unprecedented. For instance, **fiscal policy measures** taken by the US Government included tax cuts and transfers to households, costing the taxpayer about 5.5 percent of the country's entire 2008 Gross Domestic Product (GDP) (OECD, 2009). Yet, the resources mobilised to stabilise the economy amidst the crisis prompted by COVID-19 far outweigh the money spent in response to the GFC. Within weeks of the on-set of the crisis, Governments around the world – including conservative and libertarian regimes such as in the UK and U.S. de-emphasized their *laissez-faire* philosophies. In the U.S., a (first) fiscal stimulus package of an estimated US\$ 2.3 trillion (around 11 percent of GDP) was adopted as early as June 2020 (International Monetary Fund, 2021). In a similar vein, also UK politicians became, once again, Keynesians.. The government introduced tax breaks for homeowners and entrepreneurs and a furlough scheme, providing financial support to companies facing difficulties paying their workers' salaries, worth close to GB£ 70 billion (Francis-Devine et al., 2021) In other words, contrary to the pro-austerity narrative, rooted in neo-classical economics, that dominated policymaking for over a decade, governments and central banks – committed to heavily intervene in the market in order to cushion the negative economic impact of the pandemic – found their “magic money tree” (BBC, 2018). This

demonstrates that, in times of crisis, even the most committed free-market proponents turn to Keynesian economics.

### **Applying a political economy lens to health**

Whilst Keynesian economics – in contrast to neoclassical economics – advocates for increased government expenditure and investment in times of crisis, political economy approaches go yet another step further and centre their analysis on the structural problems inherent to the capitalist economic system. Markedly, the COVID-19 pandemic has highlighted some of the systemic deficiencies of capitalism.

In May 2020, a Guardian headline read *Black people four times more likely to die from COVID-19, ONS finds* (The Guardian, 2020). Indeed, the Office for National Statistics reports that during the first wave of the COVID-19 pandemic, the rate of death in the UK of the ‘Black African group’ was 3.7 times higher compared to the “White British group” (ONS, 2020). During the second wave, the COVID-19 mortality rate of Black Africans remained high vis-a-vis White Britons but was exceeded by the “Bangladeshi group” with Bangladeshi men being 5 times more likely to die of COVID-19 than White British men (ONS, 2020). Similarly, research conducted in the U.S. highlights such health inequities, identifying higher infection and death rates among people of underrepresented ethnic and racial groups (Moore et al., 2020).

Whilst a neoclassical health economist may suggest that an individual will evaluate the cost and benefits associated with, for instance, leaving the safe environment of their own walls to go to work amidst a raging contagious disease, the reality of the on-going pandemic highlights the **structural drivers of injustice**. Remarkably, a majority of people in countries of the Global South or people in the Global North of a lower socio-economic class were left with no choice but to continue their work outside the household in order to secure their livelihoods. At the same time, international COVID-19 vaccine inequality means that in many parts of the world, people do not have access to life-saving vaccines (Tatar et al., 2021). Consequently, any

discussion that variance in outcome may be solely the result of genetic differences fell off the table swiftly. Instead, researchers and policymakers focused their attention on understanding how racial bias, disparate working and living conditions and inequitable social circumstances put disadvantaged groups at a higher risk of contracting and dying of COVID-19 (Milner et al., 2020, Yaya et al., 2020). For example, in the UK, people of African descent make up a considerable share of workers in the service industry and the ‘essential’ workforce (UNGA, 2020). They operate e.g., as bus drivers, delivery personnel or social carers and cannot do their (often low paid) face-to-face jobs from the safety of their homes, exposing themselves more regularly to the threat of COVID-19. Likewise, deprived persons and people of minority groups often intersect and are also more likely to live in poor-quality accommodation, which increases their risk of getting infected with COVID-19 (Whitehead et al., 2021). By and large, the pandemic exposed the prevalence of existing economic and social inequalities and the deficiencies of how the current capitalist world economy is organised (Stevano et al., 2021b). At the same time, the crisis continues to shine light on the multiple ways in which the economy and health are interconnected.

In contrast to neoclassical health economics, concerns of equity and social justice are at the heart of **political economy approaches to understanding health**. Political economists are critical of asymmetric power relations (such as between business owners and workers, landowner and tenants, etc.), which characterise contemporary capitalism, and see unjust working, living and environmental conditions as the root cause of inequitable health outcomes (Birn et al., 2017). Up until today, the German philosopher **Karl Marx** (1818-1883) remains one of the world’s most famous political economists, having inspired a generation of Marxist political economists. Their focus of interest includes to understand how value is generated and distributed – what determines the worth of a good or service, and who benefits from the production of value. Adopting a **Marxist political economy** lens could help us answer some

of the important questions that COVID-19 has brought to the fore, such as the working conditions that forced some workers to continue to expose themselves to the risk of contracting COVID-19 due to insecure working conditions in the gig economy. This also includes the question as to whether the salaries, which essential workers such as nurses, garbage collectors or grocery vendors have received during the COVID-19 pandemic, truly reflect the actual value to society they continue to create – by saving our lives, keeping our streets clean and providing us with food.

### **Feminist approaches to economics and health**

Alongside the inequalities highlighted by political economy approaches, feminist economists have highlighted the gendered dimensions of COVID-19. Indeed, the pandemic has drawn attention to the many issues that feminist economists have been working on for decades. One crucial aspect of this relates to the **distribution of unpaid labour within the household**, which was affected by lockdowns and related control measures introduced in the wake of the pandemic. Evidence from across the globe suggests that increased caring responsibilities that resulted from school closures and reduced access to health facilities have been unevenly distributed, with women assuming more of this additional labour than men (Kabeer et al., 2021). This has exacerbated already existing gendered inequalities in work within the home. Neoclassical economists have previously attempted to explain the gendered division of labour through the lens of comparative advantage, arguing that the unequal division of labour within the household is utility maximising and reflects an optimal distribution of labour that assumes women have accumulated more domestic human capital than men (Becker, 1981). However, feminist economists emphasise that the roots of these inequalities are due to a range of factors, including the artificial distinction made between “paid” and “unpaid” work and how gendered conceptualisations of the economy undervalue the importance of labour within the home. Perspectives such as **social reproduction** reject these dualisms, instead focusing on an analysis

of how all labour that contributes to the reproduction of human life is organised, and the dynamics of this social process (Stevano et al., 2021c).

Inequalities in the distribution of labour within the household also reflect embedded labour market inequalities, such as the gender pay-gap, which shape unequal intra-household power relations and potential bargaining power. The COVID-19 pandemic has had a significant impact on the labour market and associated outcomes. Firstly, women are often over-represented in sectors that have been temporarily shut down or severely impacted in terms of activity, such as retail, hospitality and service sectors (Kabeer et al., 2021), leading to higher rates of unemployment and reduced incomes. Across the globe, in contexts where formal employment is not the norm, many informal activities engaged in by women have been significantly impacted by lockdowns and reduced demand in the local economy. Recessions in the Global North and depressed demand for consumer goods have also disrupted global supply chains in key industries, such as the garment industry, with firms from the Global North cancelling orders, confining many to unemployment (Stevano et al., 2021c). Secondly, women are also more present in frontline services such as care work or healthcare, having risked infection and experienced the pressures of responding to the pandemic (Kabeer et al., 2021). Global dimensions to women's participation in the labour market also reflect changes in access to domestic work, as (often migrant) domestic labourers lose access to employment or are confined to the homes in which they work (Kabeer et al., 2021). Moreover, feminist economists have been at pains to emphasise that these gendered inequalities are also shaped by class, race and a range of other dimensions (such as, for example in the case of COVID-19, how many children women have).

One potential way forward, derived from a feminist economics perspective, is a **care-led recovery** from COVID-19 (De Henau and Himmelweit, 2021). Given that the pandemic has enabled a reconsideration of what constitutes “essential” work (Stevano et al., 2021a), a care-

led recovery involves investing in the care sector to create more and better paid jobs. This will ultimately help to address gender inequality within the economy by relieving women of the burden of unpaid care within the home, acknowledging their work as valued and thus transforming “unpaid” work into “paid” work. Economists have calculated that investing in the care sector would, in comparison to the more traditional Keynesian response of investing in construction and physical infrastructure, create more jobs and reduce gender inequality (De Henau and Himmelweit, 2021).

### **Ecological Economics and the environment – the importance of planetary health**

Another issue that economists have addressed in relation to COVID-19 is the environment. Whilst, traditionally, public health crises like COVID-19 have been viewed as an external shock by neoclassical economists, environmental concerns that include climate change, environmental destruction, intensive industrial production systems and loss of biodiversity have long been linked with the increased likelihood of global zoonotic pandemics (Barouki et al., 2021, Gibb et al., 2020, Caminade et al., 2019). Therefore, rather than being an external shock unrelated to economics, the pandemic is intimately linked with local and global economic processes that have both created the conditions for the initial transmission of COVID-19 to the human population and the global spread and degree of impact. Outbreaks like COVID-19 have long been predicted by scientists working in this field (Gruetzmacher et al., 2021). This has added further urgency to the need to reduce environmental destruction and halt climate change and engage with issues related to planetary health.

To date, neoclassical economists have focused on the role of the market as the most efficient mechanism through which to address the degradation of the environment, either by constructing market-based interventions such as the carbon permit trading scheme that aim to limit emissions, or through the lens of the market failure framework in which positive and negative externalities are corrected through taxes or subsidies (Groom and Talevi, 2020).



However, there is growing recognition that market forces, combined with a focus on individual actions, are simply not strong enough to deliver the necessary degree of economic and social change to enable the human population to live within its planetary boundaries (Raworth, 2018). Economists from outside the neo-classical tradition have forwarded a range of perspectives on the environmental crisis. For example, drawing on Keynesian ideas concerning the need for state direction and intervention, there have been many calls for a **Green New Deal** (Pettifor, 2019). Echoing the stimulus package put together to respond to the Great Depression of the 1930s, the Green New Deal would provide large-scale public investment to radically restructure and reorient the economy away from a continued reliance on fossil fuels towards an ecological and sustainable path. Government intervention and financing is viewed as necessary to promote the development of and transition to green technology and green jobs, to foster economic security and prosperity, and to soften the blow of what is viewed to be a “costly transition” (Pettifor, 2019).

Drawing on a similar critique of the economic system, other economists identify capitalism and its inbuilt need for endless economic growth as the primary cause of environmental destruction (Hickel, 2021, Kallis et al., 2012). The **Degrowth perspective** highlights the need for fundamental social and economic change, which would involve the reorientation of the economy towards human and planetary needs instead of the current imperative of limitless growth and corporate profits. This requires a significant reduction (hence the term Degrowth) of use of energy and resources by countries of the Global North as well as the redistribution of income and resources to the Global South where they are most needed. This approach is sceptical about the power of green technology to solve environmental issues, given that most new green technology (for example the production of electric cars and expansion of charging infrastructure) involves the use of a considerable amount of energy and resources – in a

situation in which more immediate action is needed to cut consumption and limit global warming.

## **Conclusion**

This chapter has introduced a range of economic perspectives and ideas that would not normally be covered in a traditional Health Economics module in a public or global health programme. In times of a challenging health crisis, which has deep social and economic implications, these perspectives offer alternative ways forward to neoclassical economics for understanding and addressing human and planetary health. In contrast to the world of perfect markets and rational individuals described by neoclassical economics, these perspectives shed light on social and economic inequalities, the limitations of the market as a force for social good, and the need to engage critically with capitalism as the dominant economic system.

## **Research Points and Reflective Exercises**

- 1) Look up some of the economic terms from one of the four different perspectives in the chapter. To what extent are these applicable to a global or public health issue that you are interested in?
- 2) Look at an online version of a well-respected national newspaper and think about how the ideas presented in this chapter relate to articles, opinion pieces and commentaries about health and the economy that are presented in that publication.

## **Further Resources and Reading**

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