Health is Economy

by Ernesto M. Pernia, PhD[1]

"Health is wealth," though a cliché, has scarcely been uttered during this coronavirus pandemic. Not surprising as it has become second nature to individuals, while what we have is a public health crisis. So more appropriate is "health is economy." Indeed, health and economy are intimately linked and interactive –- sound public health is good for the productivity and sustainability of the economy which, in turn, generates jobs and goods needed for a healthy population.

This suggests that, contrary to the common view, there is essentially no trade-off between health and the economy. One does not have priority in terms of its nature (*prioritas naturae*) over the other but only in timing or order (*prioritas ordinis*) of intervention. In the case of our country's inadequate social infrastructure and health system capacity, to begin with, these had to be fixed very early on and general quarantine imposed. If and when such infrastructure and capacity were sufficiently strengthened, say after three months, the quarantine could gradually be eased, making sure that the safeguards and protocols continued to be strictly followed. Not an impossibility as some of our Asian neighbors (e.g., Vietnam, Thailand, and Taiwan) were able to do it and have since been in better shape, health- and economy-wise.

One reason our health system capacity has been constrained to respond timely and effectively to the crisis is that we have severely underinvested in social infrastructure (hospitals and health centers) and supplies, not to mention connectivity, nationwide particularly outside Metro Manila. In addition, we have taken for granted our health personnel (medical doctors, nurses, etc.) as regards remuneration and working conditions, thereby inducing them to leave for greener pastures abroad. A study finds that a US$1 investment in health can result in $2 to $4 multiplier effect on the economy (fewer premature deaths, so larger work force, higher labor productivity and lower absenteeism) depending on a country's income level (McKinsey, July 8, 2020).

Our country's experience with the COVID-19 pandemic underscores that the government cannot do it alone in terms of response, healing, and recovery. That is why *Bayanihan* (meaning: solidarity, cooperation, partnership, empathy) is so apt. Project *Ugnayan Damayan*, a collective effort of Caritas Manila with businesses and CSOs, responded in 48 hours to provide food,

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consumable goods and various health equipment and supplies. Subsequently, quarantine facilities and testing centers were made available by major business firms.

The above highlights a whole-of-society undertaking. However, better coordination between the public and private sectors is needed so the whole impact of the collective effort is greater. In fact, for the country's development effort, synergistic public-private partnerships are called for – from development planning to formulating and implementing programs and projects. Efficient, effective and self-sustaining, yet arms-length, cooperation require higher trust between public and private sectors. Likewise, the citizenry's trust vis-à-vis these sectors is needed.

The Philippines is now known to have the highest level of COVID-19 infections relative to population in this part of Asia, and its economy the slowest to recover. These can be attributed to differences in both health system capacity and government COVID-response spending. As regards the former, the Philippines' appears to be the weakest in ASEAN, as reflected in the highest caseload despite the longest lockdown. Regarding the latter, comparative data (as of September 2020) from the Asian Development Bank (ADB) show that the Philippines has spent the lowest – a total of US$ 21.45 billion, equivalent to 5.83 percent of gross domestic product (GDP) and $201.11 per capita. These numbers are the lowest among the six ASEAN major economies. Vietnam, a relative latecomer with lower income per capita than the Philippines', spent $26.50 billion, 10.12% of GDP, and $277.40 per capita (pc). Correspondingly, Indonesia's numbers are $115.78B,10.94%, and $432.54 pc; Thailand's $84.09B, 15.96 %, and $1,211.20 pc; and Malaysia's $78.45B, 22.07%, and 2,488.18 pc.

ADB comparative data (2019) on the same countries' budget deficits and government debts relative to GDP reveal roughly similar numbers, with Indonesia having the lowest deficit (-1.84%) and debt (30.4%), Vietnam's -3.34% deficit and 42.9% debt, Thailand's -2.97% deficit and 41.1% debt, and Malaysia's -3.37% deficit and 57.2% debt. These compare with the Philippines' -3.33% budget deficit and 39.6% government debt.

It is instructive that credit ratings by S&P (August 2020), Fitch (September 2020), and Moody's (October 2020) range from BB for Vietnam, BBB for Indonesia, BBB+ for Thailand and the Philippines, and A- for Malaysia. Which suggest that despite sharply ramping up C0VID response spending, these other countries maintained their respectable credit ratings, implying that the ratings agencies may have adjusted their norms for assessment, given the devastating pandemic.

A policy implication is that the Philippines could also markedly ramp up its COVID response spending and still keep its credit rating, though the idea of a precautionary reserve in the event of another viral wave seems to also make sense. Increased spending should include investments to fortify the health system capacity, raise the remuneration of healthcare personnel, and build or improve social infrastructure, extending to the provinces. Spending in these areas of concern long overdue will help magnify the impact of economic stimulus, such as for physical infrastructure to include digital connectivity, social amelioration program and assistance for distressed SMSEs and unemployed workers. These areas are the concern of the Accelerated Recovery and Investments Stimulus for the Economy (ARISE) bill, which deserves passage.