Health is economy: lessons from COVID-19

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ABSTRACT

"Health is economy" signifies that both health and economy are equally vital, the difference being only in the timing of intervention, and can be mutually reinforcing, or otherwise. Both should be addressed jointly and in a timely manner. The Philippines has not done well in this regard, resulting in the highest level of COVID-19 infections relative to population in this part of Asia and in an economy the slowest to recover from a deep recession. This can be explained by its COVID-response spending, the lowest among members of the Association of Southeast Asian Nations (ASEAN), to deal with the public-health-cum-economic crisis. This points to a lack of a sense of urgency or virtuous impatience underlying delayed policies and projects that could have made a significant difference in socioeconomic growth. Delays represent missed opportunities that cumulate over time to huge opportunity costs or forgone benefits. A further lesson from the pandemic is the private-sector-cum-civil-society's magnanimity that shone through, exemplifying the *bayanihan* spirit during the COVID outbreak, showing that public-private partnership could be made even more effective with better methodical coordination. This applies as well to public-private partnership projects (PPPs) that have considerable promise but whose performance to date leaves much room for improvement in terms of processing and implementation. PPPs ought to be deliberately mobilized as they can ease the heavy demands on government's fiscal capacity and greatly help move forward our country's long-run inclusive development.

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"Health is wealth," though a cliché, has scarcely been uttered during the coronavirus pandemic. This is not surprising as the idea has become second nature to individuals, while what we have is a public health crisis. 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 gainful jobs and goods needed for a healthy population.

No tradeoff

Contrary to the common view, there is essentially no tradeoff between health and the economy. One does not have priority in essence (*prioritas naturae*) over the other but only in timing or order (*prioritas ordinis*) of intervention. Given our country's inadequate social infrastructure and health system capacity, to begin with, these had to be attended to and fixed very early on and general quarantine imposed. If and when health infrastructure and capacity were sufficiently strengthened, say after two to three months, the lockdown could be gradually eased, making sure that safeguards and protocols continued to be strictly followed. This is 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. What these countries had was a sense of urgency that seemed lacking in our country.

A major 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 in and outside Metro Manila. In addition, we have taken for granted our health care workers (medical doctors, nurses, medical technologists, etc.) regarding their remuneration and working conditions, thereby inducing them to leave for greener pastures abroad. One study finds that a US$1 investment in health care 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 (Dash et al. 2020).

Bayanihan and public-private partnership

Our country's experience with the COVID-19 pandemic underscores that the government cannot do the work alone in terms of response, healing, and recovery. That is why *bayanihan* (meaning solidarity, empathy, cooperation, partnership) is so apt. The elements of solidarity and *malasakit* (meaning concern) came together with the spontaneous magnanimity of the private sector and civil society organizations' (CSOs). Project *Ugnayan Damayan* (meaning Connection for Sympathetic Help), a collective effort of Caritas Manila with businesses (about 270 firms) and CSOs, responded in about 48 hours to provide food, other consumables, and various health equipment and supplies. Subsequently, major firms made available quarantine facilities and testing centers. There has also been volunteerism of health care workers and other frontliners.

A whole-of-society—à la *bayanihan* spirit—undertaking shone through. However, better coordination between the public and private sectors is needed so that the whole impact of the collective effort is greater. Do not let a (perfect) crisis go to waste, as the saying goes.

In general, 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 arm's-length, partnerships and cooperation require higher trust between the public and private sectors. Likewise, the citizenry must be able to trust in the country's institutions. An obvious advantage of public-private partnerships is that it eases the heavy demands on the government's fiscal space.

COVID-19 response spending, deficits, and debts

The Philippines is 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 among members of the Association of Southeast Asian Nations (ASEAN). These can be attributed to differences in both health system capacity in place and government's COVID-response spending that also serves as economic stimulus. In regard to the former, the Philippines' health system appears to be the weakest in ASEAN, as reflected in the highest caseload despite the longest lockdown.

Comparative data on ASEAN (Asian Development Bank (ADB, January 2021) show that the Philippines has spent the lowest—a total of US$23.11 billion, equivalent to 6.28 percent of gross domestic product (GDP), and $213.74 per capita (Table 1). These numbers are at the bottom among the six ASEAN major economies. Vietnam, a relative latecomer with lower income per capita than the Philippines, spent $26.97 billion, 10.12% of GDP, and $279.57 per capita (pc). Correspondingly, Indonesia's numbers are $115.33B, 10.94%, and $426.54 pc; Thailand's $84.09B, 15.96 %, and $1,207.77 pc; and Malaysia's $80.78B, 22.72%, and 2,528.24 pc, let alone s*ui generis* Singapore.

Table 1: Comparative COVID response spending, ASEAN

	US $ (Billion)	% of GDP	$ per capita
Indonesia	115.33	10.94*	426.54
Malaysia	80.78	22.72	2,528.24
Philippines	**23.11**	**6.28**	**213.74**
Singapore	89.14	26.20*	15,629.10
Thailand	84.09	15.96	1,207.77
Vietnam	26.97	10.12*	279.57

Source: Asian Development Bank (Jan. 2021).
* September 2020

Data on the same countries' budget deficits and government debts relative to GDP reveal roughly similar numbers, with Thailand having a slight surplus (0.37%) and debt (42.3%), Indonesia's 5.01% deficit and 37.1% debt, Vietnam's 6.02% deficit and 48.5% debt, and Malaysia's 6.97% deficit and 61.0% debt (table 2) (Asian Development Bank 2020). These compare with the Philippines' 6.77% budget deficit and 51.2% government debt (table 2) (Asian Development Bank 2020).

Table 2: Comparative deficit and debt, ASEAN

	Budget Deficit as % of GDP	Gov't Debt as % of GDP
Indonesia	-5.01	37.1
Malaysia	-6.97	61.0
Philippines	-6.77	51.2
Singapore	-5.74	147.0
Thailand	0.37	42.3
Vietnam	-6.02	48.5

Source: Asian Development Bank (Sep. 2020)

Credit ratings by Fitch (Jan. 2021), Moody's (Jan. 2021), and S&P (Dec. 2020), ranging from Ba3 for Vietnam, Baa2 for Indonesia, Baa2 for the Philippines, Baa1 for Thailand, A3 for Malaysia, and AAA for Singapore have been steady (table 3) since the third quarter of 2020 (Asian Development Bank 2021). This is instructive.

Table 3: Comparative credit ratings, ASEAN

	Credit Ratings		
	Fitch (Jan 2021)	**Moody's (Jan 2021)**	**S&P (Dec 2020)**
Indonesia	BBB	Baa2	BBB
Malaysia	BBB+	A3	Foreign currency: A- Local currency: A
Philippines	BBB	Baa2	BBB+
Singapore	AAA	Aaa	AAA
Thailand	BBB+	Baa1	Foreign currency: BBB+ Local currency: A-
Vietnam	BB	Ba3	BB

Source: Asian Development Bank (Jan. 2021)

Despite sharply ramping up their C0VID response spending in 2020 and early 2021, the five countries besides the Philippines maintained their respectable credit ratings based on 2019 and 2020 deficits and debts. This implies that the ratings agencies have adjusted their assessment norms, given the devastating pandemic.

A policy implication is that the Philippines could also have more boldly ramped up (instead of in small increments over time) its COVID response spending and still kept its credit ratings. Increased spending should include investments to fortify the health system capacity, raise the remuneration of health care personnel, and build or improve social infrastructure extending to the provinces. Spending in these areas of concern long overdue would magnify the impact of other economic stimulus measures, such as physical infrastructure spending to include digital connectivity, social amelioration programs, and assistance to distressed Micro, Small, and Medium Enterprises (MSMEs) and unemployed workers. In fact, most if not all of these areas were the concern of the "Accelerated Recovery and Investments Stimulus for the Economy" (ARISE) bill, which deserved early passage.

Virtuous impatience

Our country's lack of a sense of urgency, or "virtuous impatience," compares badly with our ASEAN neighbors (Pernia 2020). Indeed, many would agree that virtuous impatience is a scarce commodity in our country.

We Filipinos are known to be good people—and indeed we are—caring, empathetic, and helpful, as eloquently articulated in the *bayanihan* spirit. Likewise, we are forbearing, tolerant, patient, and uncomplaining—which we tend to overdo, often to our undoing. Thus our kind of patience often puts our country in a vicious circle, setting it back rather than sustainably moving it forward, which would be more possible with virtuous impatience.

Delayed policies and projects

We can point to a few examples of protracted processing, lagged implementation, and hence inefficacy of policies. While there have been some tangible improvements under the current administration, delays seem to persist, leaving ample room for improvement. For instance, the long-awaited and much-vaunted RA 11032, or the Ease of Doing Business and Efficient Government Service Delivery Act (May 28, 2018)—that replaced the Anti-Red Tape Act of 2007—has yet to make a palpable dent in cutting red tape which has, among other factors, hobbled our country's economic performance. Important economic bills such as amendments to the Public Service Act, Foreign Investment Act, and Retail Trade Liberalization have long been sitting unacted in Congress. The Social Amelioration Program distribution dragged on too long such that *Bayanihan* 2 funds, for example, got carried over into 2021, with only 69% of the target population estimated to have received their shares in 2020. Even the process of budgeting, obligation, disbursement, and actual spending entails too many lags.

Moreover, many good infrastructure projects take too long to process, start construction, get completed, and become usable as progammed. Examples include a number of airport and railway projects. Most recently, our failure to secure early acquisition of the COVID-19 vaccines toward their timely rollout makes our country again the habitual laggard in progressive Asia. The problem with lags due the to lack of a sense of urgency is obvious. It results in missed opportunities or opportunity costs, which over time cumulate to huge amounts—a subject worthy of quantitative research vis-à-vis other Asian countries.

Science, technology, and innovation (STI)—indispensable in Industry 4.0—has long been taken for granted by the government, with the STI budget stuck at around 0.15% of GDP over the last two decades. This compares with Vietnam's and Indonesia's at more than double, while Thailand's and Malaysia's hew closer to 1.0% of GDP, which is the UNESCO norm. Hence the Philippines' record on scientific publications or patents per million population is at the bottom among ASEAN major economies, suggesting the urgent need to invest boldly in STI (Concepcion, GP et al. 2017).

What virtuous impatience can do

Virtuous impatience could have served, and can still serve, our country well in this ongoing coronavirus pandemic. Note how our Asian neighbors—Vietnam, Thailand, Malaysia, Singapore, Taiwan, and South Korea—dealt with COVID-19 with urgent action and proportionate response.

One who visits Southeast and East Asia, especially if over time, can easily notice their sense of urgency, as evinced by their dynamic progress. Sense of urgency is intimately linked to efficiency in the way things get done speedily—or in less time for a given cost—whether one is talking about project completion or policy outcomes. This also implies that output-oriented and time-bound work leaves little latitude or opportunity for corruption. The consequence is that physical and social infrastructures are significantly improved, human capital is enhanced, while legislative bills are passed and implemented faster with beneficial effects. Thus sense of urgency is synonymous with virtuous impatience as it results in a virtuous circle of sustained economic growth. As well, it is morally right as it can result in many more people—particularly the needy, marginalized and forsaken—benefiting from faster and more inclusive development.

Thinking about how our ASEAN neighbors, which used to trail the Philippines, have overtaken our country one by one, while somewhat depressing, should motivate us to be virtuously impatient with the way progress, or lack of it, is felt by the majority. Malaysia passed the Philippines in the early 1980s, Thailand circa early 1990s, and Indonesia in the early 2010s. And Vietnam, which has consistently been growing faster than the Philippines, and in fact the only ASEAN economy that expanded by 2.9 percent in 2020, has already overtaken the Philippines which contracted 9.5 percent.

We have to step up and stop the bleeding with a culture of virtuous impatience that can underpin positive changes—such as better social and physical infrastructures, human capital development, and swifter passage of key bills, not to mention less graft—which could make our country catch up sooner rather than later.

Conclusion

"Health is economy"—synonymous with "life is livelihood" —means that both health and economy are in essence equally vital, with the difference only in the timing of intervention, and can be mutually reinforcing, or otherwise. That both are dealt with together and in a timely fashion is crucial. Unfortunately we did not do well in this regard, resulting in the highest COVID caseload in the region and with the slowest economic recovery from a deep slump. This is attributable to the country's COVID-related spending, the lowest among ASEAN members, to come to grips with the public-health-cum-economic crisis.

This seems clearly to bespeak a lack of a sense of urgency or virtuous impatience, which also underlies several delayed policies and projects that could have made a significant difference in economic development. It implies that delays represent missed opportunities aggregating over time to huge opportunity costs or forgone benefits.

Further, the business-sector's-cum-CSOs'magnanimity that shone through à la the *bayanihan* spirit in the early stages of the COVID-19 outbreak showed that public-private partnerships could be made even more effective with better methodical coordination. This applies as well to public-private partnership projects (PPPs) with considerable promise but whose performance to date leaves much to be desired in terms of processing and implementation. PPPs ought to be deliberately mobilized as they can ease the pressure on the government's fisc and greatly help advance our country's long-run inclusive development.

ACKNOWLEDGMENT

Thanks are due to Dr. Jesus Felipe, Advisor, Economic Research and Regional Cooperation, Asian Development Bank, for providing me the data in the Association of Southeast Asian Nations comparative tables.

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