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Health is Economy: Some Lessons from COVID-19

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"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.

No real trade-off

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 essence (*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 attended to and 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

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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 it in terms of 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 due to fewer premature deaths so larger work force, higher labor productivity, and lower absenteeism. depending on a country's income level (Dash, Linzer, Remes et al., 2020).

Bayanihan and public-private partnership

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, compassion) is so apt. The elements of solidarity and *malasakit* came together with private sector's and civil society organizations' (CSOs) spontaneous magnanimity. Project *Ugnayan Damayan*, a collective effort of Caritas Manila with businesses (about 270 firms) and CSOs responded in 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 healthcare workers and other front liners.

The above highlights a whole-of-society (*Bayanihan* spirit) undertaking. However, better coordination between the public and private sectors is needed so the whole impact of the collective effort is greater. Do not let a [perfect] crisis go to waste, as the saying goes.

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, 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.

COVID-19 response spending, deficits and debts

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 among ASEAN states. These can be attributed to differences in both health system capacity in place and government's 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.

Comparative data on ASEAN from the Asian Development Bank (ADB, September 2020) 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 (Table 1). 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.

TABLE 1. COMPARATIVE COVID RESPONSE SPENDING, ASEAN

	US $ (Billion)	% of GDP	$ per capita
Indonesia	115.78	10.94	432.54
Malaysia	78.45	22.07	2,488.18
Philippines	**21.45**	**5.83**	**201.11**
Singapore	92.12	26.20	16,337.50
Thailand	84.09	15.96	1,211.20
Viet Nam	26.50	10.12	277.40

Source: Asian Development Bank, September 2020

ADB 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 (Table 2). These compare with the Philippines' -3.33% budget deficit and 39.6% government debt.

TABLE 2. COMPARATIVE DEFICIT AND DEBT, ASEAN

	Budget deficit as % of GDP (2019)*	Gov't debt as % of GDP (2019)
Indonesia	-1.84	30.4
Malaysia	-3.37	57.2
Philippines	-3.33	39.6
Singapore	0.67	111.8
Thailand	-2.97	41.1
Viet Nam	-3.34	42.9

Source: Asian Development Bank, 2019; *estimates

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, A- for Malaysia, and AAA for *sui generis* Singapore (Table 3). These suggest that despite sharply ramping up their C0VID response spending in 2020, the five countries (other than the Philippines) maintained their respectable credit ratings based on 2019 deficits and debts. Which implies that the ratings agencies may have adjusted their norms for assessment, given the devastating pandemic.

TABLE 3. COMPARATIVE CREDIT RATINGS, ASEAN

	Credit rating		
	Fitch (Sep 2020)	**Moody's (Oct 2020)**	**S&P (Aug 2020)**
Indonesia	BBB	Baa2	BBB
Malaysia	A-	A3	Foreign currency: A-
			Local currency: A
Philippines	BBB	Baa2	BBB+
Singapore	AAA	Aaa	AAA
Thailand	BBB+	Baa1	Foreign currency: BBB+
			Local currency: A-
Viet Nam	BB	Ba3	BB

Source: Asian Development Bank, 2020

Conclusion

A policy implication is that the Philippines could also markedly ramp up its COVID response spending and still keep its credit ratings, 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 magnify the impact of other economic stimulus, such as for physical infrastructure to include digital connectivity, social amelioration program and assistance for distressed SMSEs and unemployed workers. In fact, most if not all of these areas are the concern of the “Accelerated Recovery and Investments Stimulus for the Economy” (ARISE) bill, which deserves passage.

All told, “health is economy” means that both are in essence equally vital, with difference only in the timing of intervention, and can be mutually reinforcing. Further, public-private synergistic partnerships and cooperation, while easing the demands on the government’s fisc, would be salutary for our country’s long-run inclusive growth.

References

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