A post-covid economy for health: from the great reset to build back differently

A return to a business as usual economy would be a fatal mistake argues **Ronald Labonté**

The global economy was still struggling with the fallout of the 2008 financial crisis when the covid-19 pandemic hit, collapsing supply chains and depressing economic activities worldwide. Almost immediately there was talk of the need for a "great reset" or to "build back better," hinting that any economic recovery to pre-pandemic normality should not simply default to business as usual. The pre-pandemic economy was already creating massive wealth inequalities, accelerating climate change, and fomenting mass migrations of people fleeing poverty, drought, or conflict.

Are any of the policy playbooks arising from the economic chaos of the pandemic sufficient to ensure equity in people's access to the resources needed for health? Or are more radical measures needed to improve health equity globally while ensuring ecosystem sustainability? Are such measures even compatible with capitalism, however reformed this centuries' old system may become?

The great reset: tinkering on the margins

One set of ideas for a post-covid-19 economy is described by the World Economic Forum as the great reset (https://www.weforum.org/great-reset/). One of the initiative's proposals is to direct a small amount of the vast wealth held by private investors to businesses whose activities align with the sustainable development goals. Examples include green energy initiatives or companies pledging to hire more women executives,[1] as well as investments in health and education. Investors are told they can make a profit and still "help save the world."[1]

The concept of green, socially responsible, and ethical investing is not new, but it has enjoyed a recent surge in portfolios. While an attractive plan on the surface, it does not address why private investors have accumulated such huge amounts of wealth. Moreover, a recent study found that over 70% of these portfolios are non-compliant with global climate change targets[2] and so will do little to reduce deaths from "heat domes" or fossil fuel pollution. The profit they generate, however, will increase wealth inequalities, indirectly worsening health inequities,[3] since such investing is mostly a prerogative of those who are already rich.

A related argument advanced by the World Economic Forum's founder, Klaus Schwab, is stakeholder capitalism. Corporations' roles are (or should be) to serve not only their shareholders but also their "employees, customers, suppliers, local communities, and society at large."[4] There is little to fault the ethos that everyone should benefit from economic activities. In practice, however, critics worry that this stakeholder model would be little more than a mask covering up the structurally entrenched value maximising behaviours of transnational corporations and wealthy individuals.[5] The economy would reset as it was pre-pandemic, with little change in how its underlying reliance on constant growth and capital accumulation was imperilling global health.[6]

Build back better?

Several of the world's advanced economies have taken slightly bolder steps in their post-pandemic plans to "build back better," the slogan adopted by the Biden administration's \$3.5tn 10 year budget proposal for the US.[7] Originally proposed as a more ambitious (and costly) "green new deal" with hefty government investments in climate change and environmental, health, and social protection spending,[8] the plan was subsequently scaled back to \$1.75tn to appease conservatives and those with links to fossil fuel.[9] Even that amount has yet to be affirmed by that country's "flawed democracy," with extreme social polarisation and low levels of trust in institutions and political parties.[10] If it is implemented, however, some consider that it will signal a "transformative shift"[11] that provides an advocacy base for more radical environmental measures. Similar arguments apply to the EU's next generation recovery fund and European green deal, which also face challenges from some right wing nationalist member states.[12]

Central to both plans is promoting a circular economy in which there is a continuous recirculation of post-consumer materials so that there is "no such thing as waste."[13] This reduces the overall ecological footprint of economic activity, protecting land and water resources essential to people's health. By reducing pollution it also minimises health risks, especially for those in low income countries, where much of the world's toxic waste eventually winds up. Governments could encourage a shift to a circular economy by making it a condition in procurement contracts, which account for a sizeable 12% of global gross domestic product (GDP).[14] Health enhancing social obligations could also be attached to such contracts—for example, gender equity, compliance with human rights obligations, or alignment with the SDGs.

Both plans, and other versions proposed by several other countries, are likely to improve health outcomes, at least in the short term and for those countries with the tax and fiscal space to invest in them. But they face three implementation obstacles. The first is concern over governments' pandemic inflated debt. Fiscal hawks are again calling for austerity measures similar to those imposed after the 2008 financial crisis and which led to underfunded public health systems ill prepared for a pandemic.[33] The second is opposition by transnational corporations and wealthy individuals to

KEY MESSAGES

- As the global pandemic recedes, "greening" economic growth and improved employment and social protection measures remain central to a more health equitable future
- Proposed reforms such as harnessing private capital for social impact investments or a stakeholder model of capitalism are likely to be insufficient
- More far reaching change is needed with governments shaping markets to ensure that economic activities achieve urgent social and environmental goals
- A transformative shift to degrowth would avoid unsustainable and inequitable consumption of finite ecological resources and ensure human survival

tax increases needed to pay for government pandemic economic rescue packages, even though many of them benefited. The third is political willingness to reject the neoliberal model of capitalism that has dominated the past 40 years. Under this model governments' role in the economy has been largely confined to bailing out market failures.

Build back differently: mission economies

Mariana Mazzucato, an internationally influential economist, argues that these barriers could be overcome if governments took on more forceful leadership in mobilising public and private partners to achieve important economic, social, and environmental goal oriented "missions."[15] Rather than responding to market failures, governments should use regulations and tax policies to shape markets towards democratically decided social and environmental outcomes, especially when companies benefit from government spending and infrastructure. Mazzucato chairs the World Health Organization's recently established Council on the Economics of Health for All. The council's first mission policy brief outlined a different approach to health innovation from the flawed government responses to covid-19 vaccines that led to gross inequities in access[16] and pharmaceutical profiteering.[17] In the case of vaccines, governments could (and should) have required technology sharing by companies as a condition of the public financing that supported vaccine research and manufacture.

The council's second brief on health system financing goes further by invoking modern monetary theory. This posits that governments that have their own sovereign currency can never run out of money; they simply issue bonds to be held by their central banks.[18] Progressive and redistributive tax systems are still important, but modern monetary theory suggests that these are no longer the sole or even primary source of public financing for health, education, social protection, green growth, or climate mitigation programmes. As the economist Tim Jackson explains in an interview:

"That fundamental insight gives us the space that we need to create monetary and fiscal policies that are flexible, that are coordinated and that give government the space to manoeuvre as we navigate these huge environmental and social challenges that are facing us ... lifting the veil of the ideology that says the government cannot afford to spend in the well-being of its citizens."[19]

To the extent that WHO has normative influence on its member states and civil society actors, the council's support of alternative economic models could help governments resist calls for post-pandemic austerity.

There are limitations. Firstly, the trillions of new dollars created by high income countries to keep their pandemic economies afloat led to asset bubbles in financial markets and real estate. Historically, the bursting of such bubbles benefits those who are already wealthy and worsens health and living conditions for poor citizens.[6] Excess liquidity (money supply) also risks inflation, as is now being seen in rising food costs worldwide that will be hardest on the health of the poorest people.[20] Strong regulation of financial markets, targeted taxation to reduce inflation and speculative investing, and measures to restrain monopoly profiteering are all seen as companion policies in building an economy based on modern monetary theory.[34]

Secondly, few low and middle income countries have sovereign reserve currencies, and most are dependent on borrowing from international lenders. This makes them particularly vulnerable to inflation, interest rate increases, and volatility in global financial markets, which risks increasing debt burdens and new imposition of austerity programmes that compromise the health and wellbeing of hundreds of millions still living in poverty. Some tax and financial policies must be reformed at global scale to prevent capital flight and redistribute wealth if all countries are to have the resources needed to improve the health of their populations.

Finally, strengthening the state's role in disciplining the market's invisible (but inequitable) hand requires governments to be less beholden to business interests and more responsive to public interests.[15] Participatory forums and progressive social movement activism are essential in the clichéd but vital task of "holding governments to account." Challenging the class based power of elite groups requires political struggle, as seen in progressive protests in many countries worldwide, from Black Lives Matter to resurging activism throughout Latin America. Protecting the public space for such struggle is now especially urgent given the rise in autocratic regimes globally and the increased suppression of opposition civil society voices.[21]

Towards an eco-just degrowth

Building back better, even if adopting a more fulsome mission economy approach and revitalised participatory politics, inevitably bumps up against the limits of our planetary ecosystem and a capitalist economy predicated on a continuous upward spiral of growth, (over) production, and (excess) consumption.[6] Consider the investment shift to electric vehicles, which has countries competing to produce as many or more of these as are in the fossil fuelled fleet. Vehicle generated greenhouse gas emissions will fall, but environmental damage arising from automobile manufacturing (including new emissions) and the extraction of rare metals needed for batteries will increase,[22] along with the exploitative conditions associated with their mining.[23] Structured global injustices remain, with wealthy nations continuing to inequitably consume and exhaust most of the world's natural resources, just as they did with covid-19 vaccines.

To build back differently there has to be a major reduction in and redistribution of aggregate global consumption. This is not a new argument. A half century ago the Club of Rome published *Limits to Growth*,[25] foreshadowing how the aggressively marketed consumerism of wealthier countries was not environmentally sustainable. It was also patently unjust, resting on the centuries-old and ongoing exploitation of the natural and economic capital of poorer countries.[6,26]

More recently terms such as degrowth and postgrowth have entered the policy lexicon,[27] with calls for a democratically led downscaling of material based production and consumption worldwide. Many in poorer nations will still need to increase their level of consumption, while those in wealthier nations can make do with considerably less with no sacrifice to (and more likely improvements in) life quality, happiness, and health.[28] This planned reduction in rich world material and energy consumption would be accompanied by growth, globally, in other desperately needed areas: social care (a low resource, caring economy), green technologies, and environmentally restorative forms of "decent work."[29] An equitable reduction in consumption by humanity's wealthiest decile is essential to create space for growth in countries where livelihoods need to rise if people are to sustain good health and achieve reasonable life expectancies.

Fifty years on, the Club of Rome co-published an updated report, the *1.5-Degree Lifestyles*.[30] The report contains detailed recommendations in support of its headline policies to achieve "a fair consumption space for all" (box 1).

Box 1: The path to fair consumption for all[30]

- Redistribution of material resources between rich and poor countries, and rich and poor people within countries
- Rapid transition to more resource efficient economies (from circular to regenerative material flows)
- Shift to caring economies driven by shared services and with low to no carbon intensity

Restoring, reforming, or transforming capitalism

Our post-covid world confronts the twinned crises of gross undershoots in our social domain (inequalities in wealth as the stellar example) and overshoots in our ecosystem domain (extreme weather and climate being the most obvious ones).[31] Human and planetary health both suffer. Restoring the capitalism that preceded the pandemic, even if in stakeholder rather than shareholder form, will do little to alter this trajectory. Commitments to build back better offer some important reforms but remain too little, too late, and too prone to political capture but elite group interests.

Mission economies, if informed by a critical stance on power inequalities, afford more possibility for deeper reform without necessarily challenging the legitimacy of capitalism per se. However, they rest on the abilities of social movements and political actors to disrupt the recent rise in autocracy and to ensure more participatory governance models, from local to global scales.

A more transformative pivot would be to advance the radical degrowth policies of redistribution and avid de-consumerism. These policies draw inspiration from worker, produce, and consumer cooperatives that still do well in Europe, peasant movements worldwide, and the *buen vivir* commune based principles that pervade South American environmental activism.[32] Whatever economic model emerges: the pre-covid-19 version of rapacious capitalism is well past being fit for (human) purpose.

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