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 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, as well as investments in health and education. Investors are told they can make a profit and still “help save the world.”

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 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 inequalities, 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.”

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. 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.

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. 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, the plan was subsequently scaled back to $1.75tn to appease conservatives and those with links to fossil fuel. 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. If it is implemented, however, some consider that it will signal a “transformational shift” 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.

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.” 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). 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. The second is opposition by transnational corporations and wealthy individuals to...
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 goals oriented “missions.” 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 and pharmaceutical profiteering. 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 currencies, and most are dependent on income countries to keep their pandemic economies afloat led to asset bubbles and structural global injustices. 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, 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.

More recently terms such as degrowth and postgrowth have entered the policy lexicon, 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. 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.” 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. The report contains detailed recommendations in support of its headline policies to achieve “a fair consumption space for all” (box 1).
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). Human and planetary health both suffer. Restoring the capitalism that preceded the pandemic, even if in a 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 abdicate 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. Whatever economic model emerges: the pre-covid-19 version of rapacious capitalism is well past being fit for (human) purpose.

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Box 1: The path to fair consumption for all
- 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

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