Offline: A prescription for prosperity

Health is bad for you. That’s what many economists believe. A man called William Baumol may be largely to blame. In the 1960s, he invented the notion of a “cost disease” in modern societies. It was a powerful metaphor, one that has shaped the prejudices of many a Minister of Finance ever since. His central idea sounds convincing. Some industries are good at increasing their productivity. As a result, they earn more money to invest in the wages of their employees. These sectors of the economy deserve our praise. There are other sectors where increasing productivity is harder. An orchestra, for example (playing faster isn’t going to help much). Or ballet (dancing frenetically may subvert the aesthetics of the choreography). Or among health professionals.

In areas that depend on human beings interacting with one another, as medicine does, productivity gains are hard to achieve. But the salaries of those working in these productivity-poor sectors rise anyway. Why? Because, thanks to increases in salaries in productivity-enriching sectors, salaries also increase in productivity-poor sectors to keep pace with the rising expectations of employees. If wages stayed low in productivity-poor sectors, musicians, ballet dancers, and doctors might well abandon their calling and become traders in Goldman Sachs. The result of the Baumol effect is a disaster for society. The costs of a concert, ballet, or health service increase even though productivity stays stubbornly the same. What else could this be but a malignant “cost disease” on our collective welfare.

But what if Professor Baumol got his sums wrong? In an as yet unpublished World Bank paper led by Jean-Louis Arcand (Director of the Centre for Finance and Development at the Graduate Institute in Geneva), Baumol’s hypothesis is challenged. Contrary to a half-century of consensus among economists, investing in health—and specifically health employment—is good, not only for health but also for the economy. Arcand took a more global view than Baumol, who studied only nations in the Organisation for Economic Cooperation and Development. Including low-income and middle-income countries in Arcand’s calculations makes a profound difference. Investing in the health workforce is not a “cost disease” at all. On the contrary, investing in health workers improves the growth rate of economies. The effects of higher health employment are significantly greater than even the financial sector can achieve. This result is a discovery of Nobelesque proportions.

What is the point of this excursion into the minutiae of economic theory? Last week, Presidents François Hollande and Jacob Zuma launched the final report of their High-Level Commission on Health Employment and Economic Growth at the UN General Assembly in New York. The purpose of the Commission was to examine the economic case for investing in the health workforce. The result was an affirmation of the value of the health sector to wider society. Expanding the number of health workers, and transforming their education at the same time, has the potential to accelerate health equity and inclusive economic growth. Employing these additional health workers in national programmes to deliver universal health coverage can be a trigger for economic revival. It sounds easy, but of course it is not. Many countries are facing, in whole or in part, extreme fragility—humanitarian catastrophe, conflict, post-conflict, or natural disasters. In these settings the economy is likely to be devastated. Investing in more doctors, nurses, midwives, or community-based health workers will be no magic solution. Added to which, health workers don’t stay still. They often migrate. How does one encourage a doctor to stay and work in a difficult setting when moving country might be a far more attractive prospect? Gender equality, social protection, technology, financing, and better governance will also be critical determinants of success. The Expert Group to the Commission (which I chaired) recommended a “5-year action plan (2016–21) for an expanded, transformed, interdependent, and sustainable health workforce to accelerate inclusive economic growth and to ensure healthy lives, wellbeing, equity, and economic security for all”. Hollande and Zuma went further, demanding an even faster response. Despite challenges, the Commission on Health Employment and Economic Growth might be one of the most compelling opportunities in a generation to encourage Presidents and Prime Ministers, and perhaps most importantly their Ministers of Finance, to take health a great deal more seriously.

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