

POLITICAL ECONOMY OF HEALTH WITH REFERENCE TO PRIMARY HEALTH CARE

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Abstract

Politics and economics have dealt with resource allocation from time immemorial. However, the basis for resource allocation and sharing depend on the nature and type of politics and economics, which also depend on different value laden ideologies on which they are based. Two key types of political economies have emerged: collectivism which permits the sharing of social benefits; and free market or neoclassical political economy, which provides economic advantages to a section of society at the expense of or regardless of the suffering of the majority of the population. PHC was conceived with the experiences of these two political economies in mind. However, the current free market has reached unprecedented dimensions. It is not possible to implement and accommodate the values of PHC in this sort of political economy. Fortunately, it is predicted that this sort of social and economic order cannot last long, and that its end is at hand. There are many signs that show that it is not sustainable. Only in a socio-economic order where human welfare is the central focus and where the market plays a peripheral role will the principles of PHC be successfully implemented.

Introduction

Political economy is derived from two major disciplines – politics and economics. Politics deals with power, authority, public life, governance, the state and conflict resolution. Politics has been defined as all those activities and institutions that relate to the making of authoritative decisions for society.

Economics has been described as a way of thinking, provision of material goods, institutions of private property and contracts, or institutional reality of market economy (Todaro, 1992). Economics in its basic form deals with how resources and benefits are generated and distributed in society. Economists seek to understand the self-organising forces of market economy, how well they function and how Governments may intervene to improve its workings in specific situations.

Political economy goes beyond simple economics to include social and institutional processes through which economic and political elites choose to allocate resources for their own benefit and then to the wider population (Todaro, 1992). It deals with ways in which politics determines or influences economic activities. Or, how economic circumstances and institutions determine or influence political institutions and processes.

Primary Health Care (PHC) is the conceptual product of a specific political economy. It must be understood from the historical context of the global (but particularly European and American) political economy.

History of political economy

Political economy can be traced to hunter-gatherer period. Presumably that was after man began to distinguish himself from other primates. Because of the small population, and abundance of food and other resources (water, land etc), the simple life of hunting and fruit gathering was suitable. Men went hunting for game and brought home fresh meat. Women gathered fruits and vegetables.

About 10,000 BC came agricultural revolution, starting in Middle East. Man discovered that he could grow crops and rear animals. Therefore he could determine and control the type and amount of food he wanted. This led to abundance of food and certain social changes. Populations increased, people began to compete for land and society began to be more organized. Clans, tribes and kingdoms sprung up. Wars between different groups for land and other resources began.

For a very long time, up to the middle of the 19th century, economic activity everywhere including in Europe was regulated by a system of customary rights and obligations within a stratified social order. Access to economic resources was generally determined by accident of birth rather than by hard work or entrepreneurial acumen. This system is loosely identified as feudalism. Since the end of Dark Ages for 1000 years, feudalism was the social, political and economic order (Shutt H 1998).

During the feudal era, starting around 15th century, commerce started. There was increasing demand for risky, costly but lucrative trading expeditions to remoter parts of the world. By then money had come into existence and money lending for such commerce was common practice in Europe. But the church condemned charging interest on money lent. The church and conservative traditionalists resisted such exploitative tendencies. Technical advances in navigation pushed commerce during the feudal period into an era of capitalism.

Enormous accumulation of capital created property rights, led to technological breakthroughs, and created propertied class. This gave rise to the rationalization of values associated with wealth associated in Europe with the Calvinist religion and Philosopher Locke (Shutt H, 1998). This ideology endorsed the ownership of slaves in USA and, in England, the displacement, from vast agricultural lands, of people who, then, were forced into degradation and misery.

Theory of market economics

Meanwhile, observing the behaviour of people involved in trade, Adam Smith wrote his theories of economics. He was both a political philosopher and economist. He argued that people are driven by their own economic interest in the market place and are guided by an “invisible hand” to act in a manner that is ultimately most beneficial to society at large (Rice T, 1998). Adam Smith believed that it was not possible to coordinate all dealings and efforts of individual human beings. That, this could only be done by a free market, which was self-organizing. He argued that people depended on one another to solve their own self-interests, not to help others. But they could only solve their interests well in a market place, which produced an ordered behaviour guided by the “hidden hand”. And that total of productivity was highest in a market system.

However, resistance to the ideology of private property begun to rise especially among the disenfranchised masses. The resistance was deepened by the trade cycle of boom and bust. This is a phenomenon, unforeseen by Adam Smith, precipitated periodic deep recessions in capitalist economies. In France, the recession precipitated Napoleonic wars and other successive insurrections.

It was at this time that Marx and Engels published their Communist Manifesto. Fortunately, the revolutions were defeated and a new era was ushered in – the industrial revolution. This brought about relative wealth, and consolidated capitalist economic systems. The industrial revolution was based on the steam power, textiles, railways, iron and steel. In spite of the general prosperity, for the first time at the end of 19th century, the capitalist system brought about destitution or pauperisation from unemployment and

old age. And a social welfare system, which was publicly funded, made its first appearance.

However, communist systems of collective ownership and centralized planning was adopted by the Soviet Union. Using this approach, the Soviet Union was transformed from a backward society to an industrial world power. The two world wars and the economic and social upheavals in between the wars brought to focus four major lessons:

- 1) It is the inescapable responsibility of the state to maintain a minimum economic security for all its citizens (the League of Nations after WW I, and UN after WW II).
- 2) There is need for institutional international cooperation to stop destructive nationalism.
- 3) Through collectivist, quasi-socialist economic and social policy, high levels of economic growth and rapid transformation of a backward rural country to a developed and major world power could be achieved in USSR.
- 4) While the capitalist systems had created wealth and development in Western Europe and US, it had problems of depression and potential collapse since mid-19th century, the worst being the Great Depression in 1930s.

Political Economy after World War II

Based on these lessons, Western Europe adopted a mixed economy approach. This was championed by J M Keynes who elaborated and advocated for selective deployment of state’s fiscal and monetary policy to mitigate and reverse the negative business cycle. This approach led to phenomenal success in promoting prosperity and social stability in Western Europe. It was believed that there would be perpetual growth based on judicious state intervention in the market.

The economic boom slumber, characterized by steady economic growth and increasing prosperity in Western Europe was shattered by the oil crisis or oil shock in 1970s. The onset of the economic recession was the increase by producer countries cartel (Organization of Petroleum Exporting Countries [OPEC]) of crude oil price by fourfold by the end of 1973. This recession was also significantly precipitated by the saturation of consumer markets in OECD countries, and relatively scarce outlets for fixed investment for continued economic growth under the capitalist system.

This led to soaring inflation and price instability. Thus, a new strategy had to be adopted in 1980s in OECD countries to address two key objectives: price stability and balanced

budgets. It was contended that the Keynesian approach of state intervention would no longer work. Thus, a neo-orthodox or neo-classical strategy was adopted to control the growth of money supply. This was based on Professor Milton Friedman's (Nobel Prize Winner) doctrine. The essence of the monetarist (as Friemanite model came to be known as) doctrine was the notion that Governments should seek to control expansion of money supply in line with economic growth rate. This doctrine and the neo-classical market economics then gave way to the new world order of 1980s and beyond.

Conception of Primary Health Care

It was at the time of reorganizing the world political economic order at the end of 1970s that Primary Health Care concept was conceived. However, while the political economy was being propelled by the forces for greater economic growth and prosperity, PHC was being shaped by weaknesses of the global political economy. These weaknesses were the increasing poverty amidst prosperity; inequity between and within nations; and worsening social/health conditions of the poorer countries.

Thus, in 1977 at the Alma Ata Declaration (Resolution WHA 30.43) a Health For All (HFA) was proclaimed as

"attainment by all citizens of the world by the year 2000 of a level of health that will permit them to lead a socially and economically productive life".

(WHO 1997, Reflections at Midterm)

What the architects of PHC/HFA did not know was that the political and economic revolutions that started with hunter gathering would in 1980 take a dramatic turn, away from the ideals they were proposing. PHC would require an economy where:

- 1) There was central planning and control of economic factors. Or, where there was substantial state intervention to provide welfare.
- 2) Democracy was all-inclusive, and decentralized.
- 3) High, real community involvement in decisions
- 4) Profit-maximization was not the goal/the driving force for economic and political systems.
- 5) The human welfare was the ultimate goal/basis for economic and political systems.

PHC could therefore only thrive well under a structuralist model of economic development. This entailed that the main objective was to transform under-developed economies to permit a self-sustained growth. The focus was on changing economic and social structures. This could not be achieved through international free trade, whose objectives were profit maximization for surplus capital in the Western world. In particular, the key policies were to:

- Block foreign competition.
- Promote an import substitution industry.
- Compensate for small markets.
- Break away from relying on the export of primary products.
- Expand domestic industrial sector
- Reform land for maximum productivity.
- Prevent negative actions of multinational corporations.
- Encourage investment by reducing interest rate.
- Subsidize credits to promote certain industries.

Political Economy from 1980 onwards

But the dominant political economy doctrine today is based on neo-classical/pro-market model. This approach criticizes the structuralist policies. It is concerned with:

- Market efficiency and maximization of economic welfare.
- Market liberalization (right prices)
- Trade liberalization (export oriented)
- Privatisation (reduce state expenditure and control)
- Private sector as a force for development
- Free trade

The approach advocates for governments role to be limited in the economy due to its:

- Ineffective planning and implementation.
- Price distortion.
- Prevention of private sector initiatives.
- Inefficient public enterprises.
- Rent seeking/corruption.

The future of global political economy

But the market economic system appears to be collapsing under its own weight. Stiglitz J (2002) the Winner of the Nobel Prize for Economics 2001, and others (e.g. Shutt, Harry 1998) predict that market capitalist system is no longer sustainable. That it will run its course over a few more decades and give way to another economic and political order.

In summary, analysts have reached these conclusions:

1. True free markets do not exist, because they are in fact supported by the state in the West as well as developing countries who are acting in the interest of rich multinationals.
2. Contrary to the optimism created by the economic system and globalisation, there has not been an appreciable general rise in prosperity, instead, poverty has spread around the world.
3. Unacceptable social and economic effects of bad economic systems can only be handled by Government intervention. Therefore the minimalist state policy is untenable.

4. Crippling economic policies have made more and more people worse off while making the West, but particularly multinationals, better off.

There are significant differences in the proposed way forward. Stiglitz says the globalisation is basically fine, only its management has been bad. He argues that the World Bank, IMF (International Monetary Fund) and WTO (World Trade Organization) are driven by the interests of multinational corporations. The best way forward according to Stiglitz is to reform these international financial institutions.

But others argue that the signs for the collapse of the neoclassical political economic system are at hand. These include:

- Trade cycle and market crashes.
- Inflation and public debts.
- Surplus of capital.
- Knowledge driven economic activities, which will not require human capital or large-scale investment.
- Weakening of states.
- Erosion of legality as a result of weak state, reliance on private corporations, and financial deregulation.
- Less prospects for economic growth recovery.

According to economists who see the eminent collapse of the neo-liberal economy, the biggest problems that must be addressed in re-establishing a fair economic system include: the ever-accumulating capital surpluses, public sector deficits and debt, and the huge gaps in the living standards between the rich and the poor.

The new world order that can embrace the goals and ideals of PHC will therefore need a new collectivism. According to Shutt H (1998) it will require:

- Mechanisms for the control of return on capital.
- State guaranteed financial stability.
- State ownership of critical/strategic enterprises.
- Public accountability of finances from taxes.

- That value is no longer needed on over-valued capital to be used to reduce public sector funding. It will require reduction of prices to consumers, adequate and equitable wage levels, and better social services.
- That democracy characteristics must change. For example, party manifestos must be drawn after full consultation of members; and commercial interests should not be allowed to dictate party financing; and the public should freely access information related to economic policy or investment.
- Media openness to include minority views.
- Positive international policy discrimination towards helping countries/regions, which are worse off (e.g. Russia and developing countries).

Conclusion

In other words, the next world order, when it inevitably comes, will be Government or public controlled, not driven uncontrollably by free trade or the free market. It will only be in such a publicly controlled global political economy that the ideals of PHC will be fulfilled.

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