



POLICY BRIEF

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Time for Healthcare Keynesianism

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Keynesianism, named after John Maynard Keynes, refers to the government policy of increasing spending and by natural consequence increasing income. The increase in income especially by the private sector enables it to spend more and enables others to receive income. The cycle of spending, income, and back and forth multiplies the economic activity which then accelerates economic growth.

Early in the 1930's, Germany was in stagnation. Germans understandably did not have confidence in its economy and expected worse economic conditions ahead. As people held spending, businesses did not generate income, lack of income resulted in the lack of confidence, and that self-fulfilled the prophesy of the people of the worsening economic conditions. Starting in 1933, Hitler began to reign in Germany and massively spent on military. The spending consequently increased income, and the virtuous cycle of spending, income, and back began.

This is not to say that Hitler did it for the economy, nor he did it because he knew Keynesianism. In fact, Keynes only wrote of Keynesianism in *The General Theory of Employment, Interest and Money* in 1936; to that, Joan Robinson allegedly once said that Hitler already implemented Keynesianism as Keynes wrote of it. Whether Hitler's Keynesianism worked is debatable, but nonetheless coincided with softening of economic struggles. It was implemented by way of spending on military buildup, and hence it was Military Keynesianism.

On the other side of the north Atlantic Ocean is the United States of America (USA) which in the 1930's was in midst of the Great Depression. Franklyn D. Roosevelt (FDR) with his traditional balanced budget strategy realized that more than 20 percent unemployment rate was worsening. Yielding to Keynesianism, he essentially tackled unemployment by transferring cash to the unemployed. The goal was for the unemployed to spend to generate income, income to generate confidence, confidence to generate spending, spending to generate employment, and so on. The fact that policy started with transferring money for the welfare of the unemployed made it Welfare Keynesianism. It is debatable that Welfare Keynesianism got the US out of poverty, although it reduced the economic suffering from the Great Depression.

But with the advent of World War II, when US' survival was at stake, the first and foremost mission became self-preservation. Heck with balanced budget. FDR borrowed and spent on military, hired millions to build the world's biggest military armament and personnel. The massive spending led to massive hiring and massive income to private households. With confidence in income (and by winning the war), all was well who spent well, and all was well who received income. The fact that it all started with military spending, it must be the most successful Military Keynesianism of the 20th century.

Keynesianism is not new to the Philippines. As the Philippines charged through the 2007-08 Global Financial Crisis, the government of Macapagal-Arroyo spent more to arrest the slowing economic activity albeit the spending was spread to the general economy making it a Generic Keynesianism. The *pantawid pamilyang Pilipino program* or 4Ps is perhaps a proof that policy continuity is possible in the Philippines within three presidents not allied to each other: Macapagal-Arroyo, Aquino and Duterte. To the extent that the basis of the spending is conditional thus “conditional cash transfer”, I propose to call it CCT Keynesianism.

With build-build-build, which is a form of Infrastructure Keynesianism, the economy was pacing at a growth of just over 6 percent. Then COVID-19 attacks the Philippines and the rest of the world. With President Duterte enforcing enhanced community quarantine in Luzon from March 17 to April 14 which may extend further in time and in space to the rest of the country, the World Bank projected the economic growth to decelerate to 3 percent at best and Secretary Pernia of the National Economic and Development Authority not ruling out a recession.

With lessons learnt from history, it is time for Keynesianism. But with a different kind of “enemy”, it is time for a new kind of Keynesianism.

One of the most successful approach thus far in the fight against COVID-19 is that of Korea which can be summed up to testing, testing and testing. In relation to that, the University of the Philippines, the Philippine Genome Center and the Department of Science and Technology was able to develop a SARS-CoV-2 PCR Detection Kit. Marrying Keynesianism, the success of testing in Korea and our ability to produce testing kits, it is time to spend and create jobs on producing tens of millions of such.

With our front liners short of personal protective equipment (PPE) and the presence of manufacturers able to produce such, it is time to spend and create jobs on producing tens of millions of PPEs. With growing evidence that wearing face masks whether feeling ill or otherwise is more effective in controlling the infection to the population, it is time to spend and create jobs on producing hundreds of millions of face masks for Filipinos and for us to export. These are just examples and there are more goods to produce to fight COVID-19. The macroeconomic policy is to implement Healthcare Keynesianism.

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