

## Chapter 8

# The Weight of the “Health War” on Economic Growth

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### ABSTRACT

*The work represents a reflection on how it is necessary to fill some gaps in the health system that have emerged, particularly with the pandemic. To overcome this health war, it is essential to focus on improving welfare and, therefore, the health system, which is one aspect of it. The crisis has highlighted how the economic recovery of a country is linked to an efficient health system and therefore to health policies, because making the health system modern means being able to guarantee social protection. All this leads the authors to reflect on the change in society, a need even more felt after the pandemic, as the global goal is the creation of a sustainable economic and social system. In this sense, it is important to analyze the policies undertaken in Italy and in Europe. Health warfare, like all wars, will bring about a change in economic and social systems, and create a modern society capable of guaranteeing human health, equity, and environmental protection. To achieve these changes, humans must focus on solidarity and ethics.*

### INTRODUCTION

There is a strong link between growth and health even if it has always been neglected both in economics and from a health point of view. However, it should be remembered that development economists have considered the link between health and human capital: an efficient health system capable of responding quickly to individual needs contributes to productivity growth; a society that has no health problems, that is well cared for will be able to work better, will not rarely be absent from work and will be more productive. Furthermore, if you do not have health problems, you are more stimulated to deepen your knowledge to have more benefits in the long term. All this implies more investments in human capital and, therefore, more positive externalities. Today the issue has become very topical, both due to the global economic crisis and the health crisis linked to the pandemic. The link between health and the

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economy was highlighted as early as 2013 by Robert Barro. Growth theories were presented in the 1960s thanks to the contributions of Solow (1956), Swan (1956), Cass (1965), and Koopmans (1965). They were models linked to the neoclassical approach. ‘idea that economies tend towards the steady state, that is to say at the same level of income, but grow in a heterogeneous way; where the level of GDP is low, the higher the growth rate of the country. intrinsically they are the same, but with a different starting capital, this implies a faster growth of poor economies. Barro starts from the neoclassical growth model, and introduces health as capital, since like education, perhaps even more, it has a weight on future growth; in this perspective, health is seen as capital. Surely after the pandemic this aspect has assumed an increasingly important role, a country that does not have health problems is growing more, however, it is not the sufficient condition to ward off health emergencies and, therefore, guarantee better health for all. To remove health inequalities, it is necessary to reduce all forms of income inequality, since if the social and economic conditions are low, the higher the mortality rate, as health problems are more easily encountered. Therefore, it can be said that the Pandemic has brought to light what had already been highlighted by the economic literature<sup>1</sup>, that is, there is an indirect relationship between inequality and health, which passes through three mechanisms. The first mechanism concerns the few investments in human capital: this implies that in countries where there are many inequalities there are few investments in education and, few possibilities of realizing social capital and, therefore, income inequalities are also created; moreover, between rich and poor there is a strong difference also in terms of social objectives and consequently, of social expenditure. The second mechanism examines social cooperation: countries with many inequalities invest little in social policies and there is little social solidarity. The third mechanism starts from the assumption that in countries with strong inequalities social relations are not very harmonious. It cannot be said with certainty, as studies do not confirm, that income inequality is the effect, and not the cause, of poor health. Certainly the countries with more inequalities have more social and health problems. Therefore, much attention must be paid to health expenditure, which is the second largest item of social expenditure after pensions. The weight it has today in industrialized countries, so much so as to consider reform processes, to ensure both financial sustainability and the welfare system. This work develops some reflections on the relationship between healthcare spending and financial sustainability, focusing on Italy, Europe and the international framework. Surely the pandemic has brought the health problem out of the epidemiological contest, making it enter an economic context.

The health system and its change has become, following the pandemic, the main theme of political and economic institutions; it will be the subject of reflections in this paper, the socio-health and social system will be considered, as it was marked by the health crisis linked to covid 19. Health expenditure is an important item in the public budget and which, due to demographic and social changes, requires changes to adapt to the welfare system. All these aspects will be considered in this paper.

## **Health Expenditure in Public Finance**

Health expenditure has an important weight on GDP. In this regard, it can be observed that almost all the countries considered in the study show, from 2010 to 2018, a reduction in the weight of health expenditure on GDP<sup>2</sup>. The countries that show a more marked variation are Sweden (+ 2.6%) and Ireland (-3.6%). It must also be said that from 2000 to 2010, all the countries<sup>3</sup> have a health expenditure that weighs more and more on the GDP. The phenomenon is explained by the increase in health care costs and this creates sustainability problems especially when economic growth is slow. For these reasons, countries try to monitor health and public spending; In fact, in the period 2010 - 2018 health expenditure is constant

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