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# The WHO's sick manifesto

## Trade combats inequality and improves health

*Philip Stevens*

THE World Health Organization (WHO) claimed in August that “social injustice is killing people on a grand scale” (CSDH, 2008). Its major report on the “social determinants of health” concluded that social and economic inequality is a major global driver of disease, and only massive government intervention and redistribution of wealth can improve the health of the poor (CSDH, 2008). But the side effects of this prescription may be worse than the disease.

The WHO report revolves around the idea that relative poverty—as opposed to absolute poverty—is an important determinant of health. This is based on an ongoing series of studies conducted on British civil servants in the 1980s and 1990s (the “Whitehall Studies”) that purport to show that people who are lower on the socio-economic ladder suffer more stress and therefore more disease than their wealthier counterparts. These studies also suggest that the poor are more likely to have worse diets, suffer the stress of greater job insecurity, and so on.

In response, the WHO's report argues that good health can only be achieved if inequality is abolished. As such, it recommends a host of policies intended to iron out inequality, a small sample of which includes increasing taxes on the rich; universal government-owned health and education; greater government control of urban development, businesses, and the sale of food and alcohol; stringent employment regulations; mandatory “living” wages; beefed up government welfare; and an end to global free trade.

Many of their recommendations are aimed squarely at developing countries.

The comrades in the old USSR would have been delighted with this sweeping manifesto. Those inhabiting the real world, however, should be far more skeptical.

First, the doom-laden picture of global inequality is not as bad as the authors suggest. Thanks to the economic globalization much derided by the report, the number of poor people in the world has declined by 375 mil-

lion (1996). Without economic growth, there will be no money for the clean water and electricity that is crucial to good health in the poorest parts of the world.

Many of the WHO's recommendations seem to be specifically designed to undermine economic growth and increase unemployment. For example, a plethora of international evidence (see Stevens, 2005) strongly correlates high levels of taxation with economic decline and unemployment, yet the WHO

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lion people since 1981, even while the total world population increased by 1.6 billion during the same period (Dollar, 2005). The rate of economic growth in poor countries is now outstripping that of rich countries for the first time since the 1960s (figure 1), and global disparities in health and education are rapidly improving (Dollar, 2005; Kenny, 2005).

Second, the WHO's insistence that economic growth is not necessarily good for overall health is wrong. The evidence, not to mention common sense, shows that economic growth is causatively associated with improved health, largely because it enables people to afford better living conditions, sanitation, and health technologies.

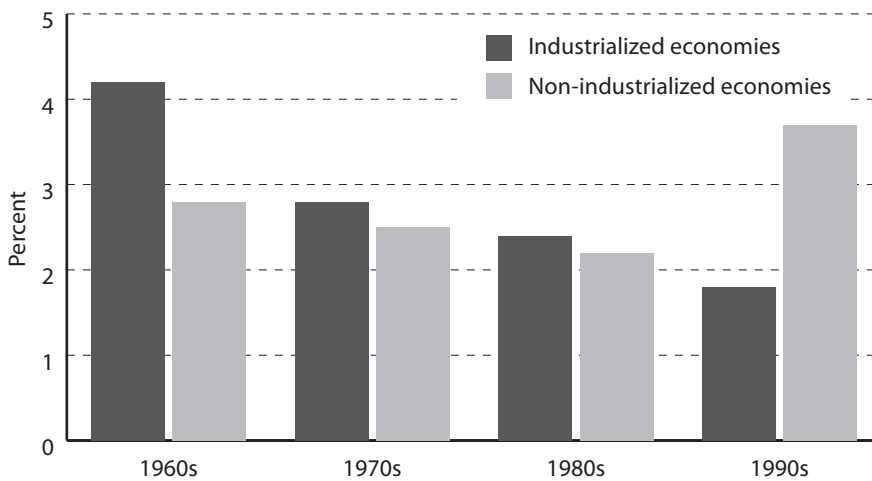
One study shows that if rates of economic growth in less developed countries had been only 1.5% better in the 1980s, at least 500,000 infant deaths could have been prevented (Pritchett and Summer,

1996). Without economic growth, there will be no money for the clean water and electricity that is crucial to good health in the poorest parts of the world.

maintains that this is key to tackling inequality. In reality, the only equality high taxation brings is equality of impoverishment, as individuals and businesses pack up shop and leave for other more attractive jurisdictions.

The report also claims that generous unemployment benefits and strict employment regulations will reduce the likelihood of job losses, and cushion those unfortunate enough to become unemployed. But where this has been tried, it has caused high levels of structural unemployment. Government regulations that make it difficult to fire employees make it less likely that companies will hire in the first place. This makes it especially difficult for the inexperienced young workers to find jobs, as has happened in Germany, Sweden, and France (Görg, 2002).

Countries that have the lowest unemployment—such as the United States

**Figure 1: Growth rate of per-capita GDP, 1960s to 1990s**

Source: Adapted from Dollar (2005).

and Australia—also have the most flexible labour markets, combined with welfare states that incentivize work rather than indolence (Stevens, 2005).

The WHO's rejection of free trade is even more baffling. Free trade has been demonstrated beyond doubt to be the biggest weapon against poverty. Since China recommenced international trade in the 1980s, 400 million people have been lifted out of poverty in that country alone (World Bank, 2004).

The real problem is that the poorest countries do not trade nearly enough: for example, as a result of high tariffs and other restrictions, African exports account for just 2% of global trade (Stevens, 2005). According to the United States Trade Representative, 70% of the world's trade barriers are imposed by governments in poor countries on people in other poor countries (Office of the United States Trade Representative, 2006).

Nevertheless, the WHO claims that trade creates inequality within countries and leads to people being forced to work in unsafe conditions in export-producing factories for subsistence wages. In response, the report advocates that devel-

oping countries orient their economies "towards the production of goods for the domestic market," and establish far higher labour standards for trade agreements, combined with capital controls.

What the WHO appears to be asking for is the resurrection of the discredited "import substitution industrialization" model, much loved by development "experts" following World War II, which caused economic and social chaos from Brazil to Ghana (Stevens, 2005).

As if to confirm its ideological bias, the WHO also neglects even to mention the burgeoning literature that explores the benefits for health that come from trade. In 2007, economists Anne Owen and Stephen Wu conducted a panel study of 219 countries, finding that increased openness to trade is associated with lower rates of infant mortality and higher life expectancies, especially in lower-income countries (Owen and Wu, 2007).

Much of this improvement may be due to "knowledge spillover"—countries that engage in international trade are more likely to take up new medical technologies, or assimilate knowledge about the causes of disease. Such coun-

tries are also likely to have respect for the institutions fundamental to sustainable economic growth, such as transferable property rights and a strong rule of law brokered by an independent judiciary (Gwartney and Lawson, 2004).

In the end, the whole inequality premise is a chimera. The WHO points out that certain Nordic countries have high social welfare transfer rates and low poverty rates, while the United States has low welfare transfer rates but high poverty. What it neglects to mention is that the absolute living standards of the bottom 10% of both the Nordic countries and the United States are comparable. But almost everyone else in the United States is better off than people in the Nordic countries (Stevens, 2005).

Let me make the point in the extreme. Hypothetically, even if we were to radically follow the misguided logic of socialist revolutionaries and get rid of every wealthy hedge fund prince and captain of industry, relative poverty would decline, but absolute poverty would remain. The logic of the social determinants of health doctrine is just as unsound: abolishing inequality à la WHO would cost millions of jobs and further entrench absolute poverty in developing countries.

Some people prefer an economic system in which individual ambition is restrained in the name of equality. That is a valid philosophical position. Others, by contrast, consider that a truly free society must allow individuals to pursue their economic objectives free from overbearing incursions by the state. This tension is a perpetual feature of functioning democracies.

But for both sides, it should be alarming that an intergovernmental organization such as WHO, with no mandate or expertise, is seeking to assert itself so widely upon areas of policy that should remain exclusively within the sovereignty of national governments since that is their area of responsibility—especially when that organization gets it so wrong.

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This article was adapted from *The Real Determinants of Health* by Philips Stevens (2005).

# Quebec's labour woes

## QC's labour market ranks 50th out of 60 in North America

Keith Godin & Milagros Palacios

WITH Labour Day celebrations now over, it is a good time for Quebecers to seriously ponder why labour market performance in *la belle province* is dismal compared to other Canadian provinces and US states. Over the last five years, Quebec performed poorly on a host of labour market measures, including private sector job creation, unemployment, and productivity. While there a number of external factors that impact labour markets, it is critical for the government of Quebec to focus on the characteristics and regulations of its labour market in order to improve the province's performance.

A recently released Fraser Institute study, *Measuring Labour Markets in Canada and the United States: 2008 Report*, assesses the performance of labour markets in North America, and examines the characteristics and regulations of the labour market that impact performance. Unfortunately, labour market performance has been dreadful in Quebec over the past five years (2003–2007). Quebec ranks 9th among the 10 provinces and 50th out of the Canadian provinces and US states (table 1). Contributing to its poor showing are the province's

high unemployment rate (56th out of 60), lengthy spells of unemployment (38th out of 60; measured as the percentage of the labour force experiencing unemployment for 27 weeks or longer), low private sector employment growth (30th out of 60), and dismal worker productivity (57th out of 60).

Of course, there are many explanations for Quebec's woeful labour market performance. External factors such as Canada's high dollar and declining manufacturing sector, which are beyond the control of the provincial government or the province's residents, certainly play a role. However, the provincial government's economically damaging policies are also having a significant impact on Quebec's performance. That is, Quebec does not have the right economic environment for individuals and businesses to succeed. While many policies are needed to create the right environment (i.e., competitive business taxes, low personal income taxes, optimally sized government, low level of regulation, etc.), ensuring that Quebec has the right labour market characteristics is critical.

Research shows that the split between private and public sector employment is an important characteristic of labour market performance as incentives, productivity, and performance of labour

**FURTHER READING:** *Measuring Labour Markets in Canada and the United States: 2008 Report* by Keith Godin, Milagros Palacios, and Niels Veldhuis Available at [www.fraserinstitute.org](http://www.fraserinstitute.org).