



Position paper

Modern Monetary Theory and healthcare in Australia

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In Australia, as in all high-income nations, COVID-19 has driven unprecedented levels of government spending in response to the health and economic impacts of the pandemic. Many are concerned at the large public sector deficits that have resulted. Yet orthodox economic thinking on public spending and deficits is being strongly challenged by Modern Monetary Theory (MMT), which offers a quite different description of key economic processes and challenge.

Developed in the mid-1990s, acceptance of many of the key arguments underpinning MMT has grown rapidly in recent years. MMT indicates that excessive worry about public expenditure and government deficits is misplaced for nations whose governments – like Australia’s – are monetary sovereigns, in control of their own money supply. Such a government can never ‘run out of money’. Instead, MMT suggests that the economic constraints we should be concerned about involve the availability and productivity of *real* resources, and the *inflation* that may arise when these resources are scarce – labour and skills, materials, infrastructure, natural resources, land and the environment.

MMT offers important new insights on and opportunities for improving health and healthcare systems. MMT allows quite different approaches to achieving full employment in decent jobs for all, and an increased focus on using taxation to limit production and consumption that harms health and societal well-being – both of which could transform population health. It shows clearly that traditional deficit-reducing austerity measures – reducing public health and social welfare spending – are counter-productive, unnecessary and damaging to health.

Applying a MMT lens to health and healthcare also allows us to see more clearly those complex problems which *cannot* simply be solved by more spending, and demands that we plan and invest more skilfully to meet these challenges as a society.

Harnessing these insights, an economic and fiscal policy based upon MMT would support well-planned but ambitious investments and improvements to transform and realign Australian healthcare to meet the needs of Australian over coming decades. Such transformational investments might include the following:



- The introduction of universal dental healthcare access under the Medicare Benefits Schedule.
- A post-pandemic healthcare recovery program, that combines dealing with backlogs in planned care with investment in re-modelling the healthcare system to deal better with the changing burden of chronic disease in the population.
- The introduction of guaranteed access to an adequately funded, high quality, public option for aged care able to care for all who need it, transforming wages and standards in this critical sector.
- Urgent but sustained investment in domestic skills, education, research and development, design, and manufacturing capacity in essential pharmaceuticals, vaccines, medical devices and supplies, to build resilience and security of supply in the future for Australia and our wider region.
- Investment in the development and roll-out of more advanced health technologies and innovations, to increase the productivity of the healthcare sector.
- A recalibration of the balance between universal public care and the role of the private system.
- Sustained investment in the renewal of Australian healthcare's physical infrastructure, to equip the sector to play its part in achieving net zero greenhouse gas emissions and to make it resilient against the future impacts of climate change and extreme weather events.





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