EDITORIAL

Economic effect

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Editor-in-Chief

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I took economics 'O' level at secondary school. I passed, which was quite a surprise given that I had had to choose between it as a subject and English Literature, and I really rather wanted to do the latter. Ah well.

One of the lighter moments of the economics course was our introduction to 'economic effect', which I am sure nowadays has a much more sophisticated name such as Greenspan Theory or The Osbourne Tryptic. Back then it was simply a gift to adolescent boys who had a passion for undermining whatever authority threw at them. The gist of 'economic effect' was that you picked an issue, perhaps the cost of eggs going up, and postulated on the consequences. It might have been that the cost of food items that contained eggs also rose meaning that people would buy other products which in turn would have economic effects on diverse industries. The joy of the sequences for us was that by devising cunning sequences it was perfectly possible to prove that the price of eggs going up would result in the price of eggs going down. Hilariously funny.

Apart from providing me with some moments of nostalgia my point in mentioning it is that economic effects also have far reaching earth tremors in unexpected ways. A recent example is that on 28 February the Lord Chancellor, Liz Truss, announced a cut to the discount rate from 2.5% to -0.75%. I am perfectly prepared to accept that this news item might have passed you by in favour of other more apparently pressing matters but it may be of critical significance to your future in dentistry. I am also perfectly prepared to accept that you may well not know what the 'discount rate' referred to is. I didn't, if it makes you feel any less uncomfortable. I with 'O' level economics to my name.

It transpires that this is the benchmark rate on which personal claims are calculated when victims of life-changing injuries are awarded lump sum compensation payments.

The actual amount they receive is adjusted according to the interest they can expect to earn by investing it, essentially for the rest of their lives. In finalising the compensation amount, courts apply a calculation with the percentage linked in law to returns on the lowest risk investments, typically Index Linked Gilts. The fall in the value of these in recent years (the current rate has been in place since 2001) means that the decision, as well as seeing compensation payments rise, is also likely to have a significant impact on the insurance industry and a knock-on effect on public services with large personal injury liabilities – particularly the NHS.

But the potential damage, excuse me, economic effect, does not end there. The next consequence is that indemnity costs

worthwhile to continue to practise. Given that subscription rates charged by medical defence organisations have to reflect their best actuarial estimate of the likely liabilities which they face, rates and costs to dentists are likely to rise substantially.

The BDA have also raised concerns with the Review Body on Doctors' and Dentists' Remuneration (DDRB) on how significant increases in expenses could impact on coming reports. Henrik continued: 'GPs can expect to benefit from an indemnity support scheme and we believe GPs deserve the same treatment.'

Above all, this does illustrate how we as a profession are not in the least isolated from the wider world nor insulated from its general vagaries. Our livelihoods are intimately woven

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will also certainly need to rise to cover the new higher awards. Which in turn means that all of us in clinical practice will have to dig deeper to stay employed – no indemnity, no GDC retention, no livelihood. Not so much perhaps for full-time colleagues but for those who work part time the increase in indemnity charges may well be the last straw that breaks the camel's back. Could this in turn lead to risks of workforce shortages?

It has led the BDA's Chair of General Dental Practice, Henrik Overgaard-Nielsen, to speculate that 'rising indemnity costs will worsen the already growing retention issue we have in NHS dentistry with many part-time or older, more experienced dentists deciding that it is not financially

within the fabric of the prevailing economy and we ignore this at our peril. The same may be true further down the line of the consequences of Brexit, and again we would do well to pay close attention to the financial press to help us assess and prepare for changes and opportunities that may follow.

I wish I could pull off my schoolboy trick of turning the economic effects around so that the end point here, perhaps as a result of those awarded personal injury claims spending their extra money and expanding the economy, was a reversal and upward change in the discount rate but I am sorry to report that I cannot. Maybe I should have done English Literature after all. ■

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