



ORIGINAL RESEARCH PAPER

Economics

HEALTH AND ECONOMIC DEVELOPMENT

KEY WORDS:

Dr. Jagdish Chauhan*

B.A. (Hons.), M.A., M. Phil. (Gold Medalist), Ph.D., Associate Professor, Department of Economics, Govt. Degree College, Bharali (Anjhbhoj), Sirmour, H.P. *Corresponding Author

ABSTRACT

Health in holistic sense refers not merely the absence of infirmity or disease but to the state of complete physical, mental, social and spiritual well-being of a person. Vibrant health needs proper nutrition and access to basic healthcare services that includes quality health care centres, hospitals, doctors and quality drugs duly supplemented by health insurance coverage. All the aspects of health are so closely interconnected in such a way that if one component is disturbed, the whole equilibrium of health is spoiled which in turn adversely affect the productivity of an individual in almost all dimensions of life. The present paper attempts to answer a basic question i.e. how to optimise the availability of Health Care Facilities to the society as a whole, given the budget constraints, at minimum or affordable prices. The thrust of the paper is on the optimisation of the health of population which ultimately results in the quality and longevity of life of human resources thereby leading to the positive external effects of the pace of economic development. There exists a dual link between health and economic development. Health is both- means as well as end of development. The paper concludes that better health of human resources promotes the chain of consumption and investment. If population of a nation is healthy, it leads to the better quality of human capital formation whose positive external effects are transmitted on the overall economic prosperity of a nation which in turn promotes the health sector thereby further optimising the health of the workforce of a country, which further reinforces the nation to achieve her newer heights of economic prosperity.

1. INTRODUCTION

Health has no generally accepted definition, but has a wide range of physical, mental and social characteristics. The breadth of such characteristics and their essentially subjective nature emphasizes the difficulties inherent in deriving an operational definition for this concept. All the aspects of health are so closely interconnected in such a way that if one component is disturbed, the whole equilibrium of health is spoiled which in turn adversely affect the productivity of an individual in almost all dimensions of life. Health in its comprehensive or holistic sense, refers to the state of complete physical, mental, social and spiritual well-being of a person. The WHO defines health as “a state of physical, mental and social well-being and not merely the absence of disease or infirmity” indicates a clear shift away from earlier narrow organic or functionally-based definitions of health to a more holistic view, it sees the health of an individual or community as being concerned not only with physical (and mental) status, but also with social and economic relationships. Health encompasses all components of welfare in terms of physical (organic and biological), mental and spiritual sides of life. It signifies happiness, satisfaction and social well-being required for harmonious living with surroundings. Health can therefore be regarded both as a means and as an end of development. The thrust of the present paper is on the optimisation of the health of population which ultimately results in the quality and longevity of life of human resources thereby leading to the positive external effects of the pace of economic development.

2. Relevance and Need of the study

It is widely recognized that the health status of the people of a country is as important as their economic status. Vast sections of the population in developing countries like India, who are poor and live in rural areas with severe infrastructural inadequacies, require special attention. Many of diseases they suffer from are concerned with the provision of safe drinking water and primary health care services. The crucial responsibility of the government is therefore to provide the weaker sections of the population with basic primary health services. While this is a fundamental necessity, facilities for specialized health care also need to be established in easily accessible locations accessible locations through public-private funding in which the government is to take a lead. The

more well to do sections of the population require health services of a different kind because of their relatively higher affordability by relatively a faster growing class of high income earners in the cities. The nature of political and administrative set-up- whether state-dominated socialistic form or the market oriented capitalistic form will, to a larger extent, determine the nature and extent of public-private mix in health care services.

The technological advancement in the field of medical and health care sector in the recent past makes the issue of economics of healthcare more dynamic in nature especially a market led economy. When new diagnostic procedures and treatments become available in the market, they are usually expensive and beyond the outreach of a larger sections of the society. They remain unaffordable, even for the relatively better-off sections of the population, without some form of subsidy or the insurance coverage. “It is unquestionable that avoiding or alleviating illnesses, and developing and maintaining our physical and mental abilities are something that on an individual and social level are considered an essential part of human welfare”.

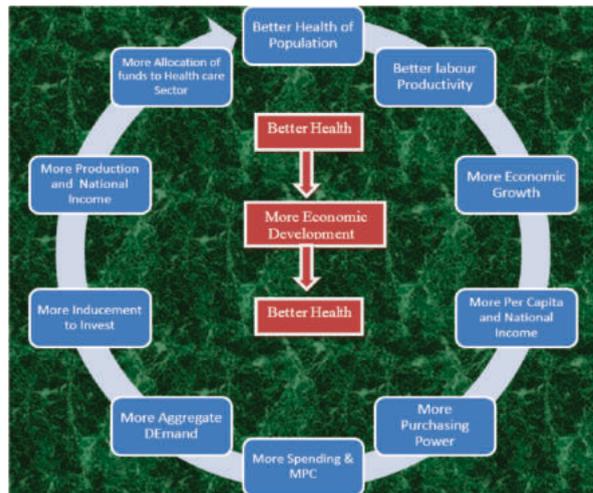
Health economics, therefore, invites a sober attraction in this regard as it is concerned with issues related to efficiency, effectiveness, value and behavior in the production and consumption of health and healthcare. “**Health economics**” can be defined as the application of Economic theories, tools and concepts of economics as a discipline to the topics of health and health care. Since health economics is concerned with issues related to the allocation of scarce resources to improve health, this includes both resource allocations within the economy to the health sector and within the health care system to different activities and individuals. The economics of health lays emphasis on the establishment of a policy framework by which health care providing infrastructure is so developed that an effective balance is maintained between basic health services and specialized health care services by an efficient public and private co-existence. Such a policy environment particularly ensures the concern of equity so that the facilities of health care do not exclude the weaker sections of the population.

The Economics of Health, besides deals with the issue of health planning, its economic dimensions in terms of demand

and supply factors, interaction of the insurance sector with the health care market, and the principles underlying the public-private co-existence etc. Further, the Economics of Health Care studies the relationship between the health and development in a two way process. The better health of human resources of a country promotes the chain of consumption and investment. If population of a nation is healthy, it leads to the better quality of human capital formation whose positive external effects are transmitted on the overall economic prosperity of a nation which in turn promotes the health sector thereby further optimising the health of the workforce of a country, which further reinforces the nation to achieve her newer heights of economic prosperity. The study of **Economics of Health** therefore acquires a vital importance as it studies the dual linkage between the **Health of Population** and the way it affects the comprehensive and multi-dimensional process of **Economic Development with Human Face** and vice versa. The study necessitates that the health issues of the population need to be addressed at the priority basis so as to improve the quality of human capital formation, which via generating positive externality further promotes the economic prosperity of a nation which in turn will further promote the health care sector.

3. Health and Economic Prosperity: Linkage and Impact

It is apparent that the relationship between health and development is a two way process. While health people in a country promotes the development of the economy by contributing productivity, the economic development, on the other hand, promotes better income earning avenues, which in turn, generate demand for better services including the health care services. The present section deals with the essential linkage between the two sets of processes and the impact they make on each other. There is a duality of linkage between the health and development. Just as healthy human capital of a country creates wider positive external effects that further promote the multi-dimensional process of economic growth and development. The Development, on the other hand, connotes a wider understanding. It is a multi-dimensional process encompassing many aspects of human welfare at the centre of which is the health of the people. The quality of labour in the form of human capital clearly contributes significantly to economic growth. Health is a crucial aspect of human capital, and therefore a critical ingredient of economic growth. "Healthier workers are physically and mentally more energetic and robust. They are more productive and earn higher wages. They are also less likely to be absent from work because of absence of illness (or illness in their family). Illness and disability reduce hourly wages substantially, with the effect especially strong in developing countries, where a higher proportion of the work force is engaged in manual labor than in industrial countries".



Linkage between Health and Economic Development
When people are healthy, they are more productive. Higher

productivity ensures two important processes which are fundamental to economic growth: better purchasing power signifying better propensity to consume and propensity to save. Savings in turn promote investment and capital formation. In an economy, where this chain of consumption and investment is weak, the process of development gets retarded. Such economies tend to be characterised by features of underdevelopment such as high infant and child mortality rates, lack of infrastructure e.g. non-availability of safe drinking water, poor sanitation, low level of education marked by high proportion of illiterates. Therefore for rectifying this situation, the country needs to invest in priority social sectors like health and education as health and educated workforce is an essential input to economic growth with welfare. Healthcare must be viewed as a right, a basic food which is necessary for survival. But because of its rising cost, the government's role becomes imperative. Investing on health care services and research creates positive external effects on variety of ways. "If one person vaccinates herself against a disease, she is less likely to catch it. But because she is less likely to catch it, she is less likely to become a carrier and infect other people. Thus, getting vaccinated conveys a positive externality. If getting vaccinated has some cost, either in money, time, or risk of adverse side effects, too few people will choose to get themselves vaccinated because they will likely ignore the positive externalities when weighing the costs and benefits. The government may remedy this problem by subsidizing the development, manufacture, and distribution of vaccines or by requiring vaccination. When a physician figures out a new way to treat an ailment, that information enters society's pool of medical knowledge. The benefit to other physicians and patients is a positive externality. Without government intervention, there will be too little research".

However, till the last quarter of the 20th century, there had been a widely believed hypothesis that the benefits of growth will percolate to all layers of the economy so called the Trickle-Down Hypothesis. But the experience and evidences have shown that this does not always happen without the focussed attention of planning required for ensuring the welfare of the weaker sections of the population. Investment in health services therefore assumes critical importance in this context. Therefore, development must be seen and pursued comprehensively in terms of the Human Development Index (HDI) which is based on three related aspects but with wider and extended connotations viz. Longevity: measured by life expectancy at birth; Knowledge: measured by the weighted average of adult literacy; and the Standard of Living: measured by per capita real income adjusted for the purchasing power parity.

Health and development are thus closely interrelated with a potential to influence each other strongly. In recognition to this fact, health has been accorded a distinct status in the measurement of the level of development of an economy. Health contributes to the process of human capital formation making a major contribution to raising the productivity of labour. Due to these strong backward and forward linkages, investment in health increases the returns on other investment in human capital such as in education by contributing to one's learning abilities which is positively reflected in terms of increased productive years of life. Better health, therefore, promotes the chain of consumption and investment. Thus, if population and workforce of a country are healthy, it leads to the better quality of human capital formation whose positive external effects are transmitted on the overall economic development of a nation which in turn promotes the health sector thereby further optimising the health of the workforce of a country.

Now, comes the issues impacting Health and Development. **Poverty and malnutrition** are the leading causes of high maternal and child mortality rates in the developing

countries. If improved health status is ensured through proper nutritional and health care, the rate of return on education is also improved. Better health implies that fewer resources are required to be devoted for curative health care. Resources thus spared can be utilised for the other line of development. Therefore massive funding and policy initiatives are required, which besides focusing on improvement in consumption/nutritional levels can be centred around the major diseases. Further, the focus of policy initiatives needs to be centred more on the rural areas. But again to meet this high cost challenge, the required resources with the modern governments are not sufficient mainly because of the continuous declining share of State in the wake of Liberalisation. Along with the issue of **limited resources**, the two other issues confronting the task of effective health delivery are **inequity and inefficiency**. While the former refers to the problem of rural health systems not having enough staff and resources dedicated to women and children, the latter refers to the anomaly on account of non-integration of vertical programmes for specific diseases with general health care system.

Now the challenge is how to deal with the limited resources. One way of meeting the required resources is by tapping on the internal means i.e. by raising the expenditure on health as a proportion of GDP. While the high income countries are spending more than 5 percent of their GDP on health, some developing countries including India spend less than 1 percent. "At 1.02 percent of its gross domestic product (GDP)—a figure which remained almost unchanged in nine years since 2009—India's public health expenditure is amongst the lowest in the world, lower than most low-income countries which spend 1.4 percent of their GDP on healthcare, according to the National Health Profile, 2018". The issue of inequity concerns the poorest section of the population receiving a very low share of total public health spending especially the basic health care. It is the primary health care services which are mostly needed by the poorest. Thus public investment in health should be more on providing the basic health services needed by the poor especially in the rural areas. Besides, unless the performance of the efficiency of the health system improves, even extra resources generated could be wasted. Therefore, instead of rationing the healthcare by limiting the overall budget for health sector, the funds should be diverted to specific illness and diseases. The focus should be more on the disease eradication, similar to the Smallpox and malaria eradication campaign of 1960s.

4. CONCLUSION

In conclusion, it may be stated that the relationship between health and development is a two way process with the linkage and impact being influenced both ways. Basic health is a right like a basic food which is necessary for survival. Optimisation of the health of population, is therefore, important since it ultimately results in the quality and longevity of life of human resources thereby leading to the positive external effects of the pace of economic development. Better health of human resources promotes the chain of consumption and investment. Healthy population of a nation leads to the better quality of human capital formation whose positive external effects are transmitted on the overall economic prosperity of a nation which in turn promotes the health sector thereby further optimising the health of the workforce of a country, which further reinforces the nation to achieve her newer heights of economic prosperity. The demand for health care is both- a consumption good and investment good as well. The role of the government is very crucial in providing basic health care which should be duly supplemented by the private sector, to deal with concerns of insufficient resources and inequity.

REFERENCES

1. Andargie, Gashav, "Introduction to Health Economics : Lecture Notes for All Health Science Students, Ethiopia Public Health Training Initiative, 2008, p 63 at https://www.cartercenter.org/resources/pdfs/health/ephti/library/lecture_notes/health_science_students/LN_Intro_to_Health_Economics_f

inal.pdf
 2. Govt of Mexico, Investing in Health for Economic Development, Report by Mexican Commission on Macroeconomics and Health, Mexico, 2004, p12 at <https://www.who.int/macrohealth/action/sintesis15novingles.pdf?ua=1>
 3. Andargie, Gashav, Op.Cit, p 59
 4. Bloom, David E, et.al, "The Effect of Health on Economic Growth: Theory and Evidence", Working Paper 8587, National Bureau of Economic Research, Cambridge, 2001, p3 at <https://www.nber.org/papers/w8587.pdf>
 5. Economics of Health Care, p3 retrieved from https://scholar.harvard.edu/files/mankiw/files/economics_of_healthcare.pdf
 6. Yadavar, Sawagat, Firstpost, Sept. 7, 2019 at <https://www.firstpost.com/india/indias-per-capita-expenditure-on-healthcare-among-lowest-in-the-world-govt-spends-as-little-as-rs-3-per-day-on-each-citizen-4559761.html>
 7. Andargie, Gashav (2008), "Introduction to Health Economics : Lecture Notes for All Health Science Students, Ethiopia Public Health Training Initiative , at https://www.cartercenter.org/resources/pdfs/health/ephti/library/lecture_notes/health_science_students/LN_Intro_to_Health_Economics_final.pdf
 8. Bloom, David E., et.al, (2001), "The Effect of Health on Economic Growth: Theory and Evidence", Working Paper 8587, National Bureau of Economic Research, Cambridge, at <https://www.nber.org/papers/w8587.pdf>
 9. Economics of Health Care, retrieved from https://scholar.harvard.edu/files/mankiw/files/economics_of_healthcare.pdf
 10. Folland, Goodman & Stano (2013), The Economics of Health and Health Care, Pearson, New York.
 11. ----- (1997), The Economics of Health and Health Care, Prentice Hall, New Jersey.
 12. Govt of Mexico (2004), Investing in Health for Economic Development, Report by Mexican Commission on Macroeconomics and Health, Mexico, at <https://www.who.int/macrohealth/action/sintesis15novingles.pdf?ua=1>
 13. Pritchett, L., & Sumner, L., (1996), "Wealthier is Healthier". Journal of Human Resources, 31(4)
 14. Puri, V.K., & Misra, S.K., (2017), Economics of Development and Planning: Theory and Practice, Himalaya Publishing House, Mumbai.
 15. Wagstaff, A., (2002), "Inequalities in Health in Developing Countries: Swimming Against the Tide?", World Bank Policy Working Paper, 2795.
 16. World Health Organisation (2001), "Macroeconomics and Health: Investing in Health for Economic Development", Report of the Commission on Macroeconomics and Health, World Health Organisation, Geneva, 2001 at <http://www1.worldbank.org/publicsector/pe/PEAMMarch2005/CMHReport.pdf>
 17. World Health Organisation (2003), Social Determination of Health: Solid Facts, 2nd Edition, Geneva.
 18. Yadavar, Sawagat, (2019), Firstpost, Sept. 7, 2019 at <https://www.firstpost.com/india/indias-per-capita-expenditure-on-healthcare-among-lowest-in-the-world-govt-spends-as-little-as-rs-3-per-day-on-each-citizen-4559761.html>