

# **Asia's Economic Promise in the Face of HIV/AIDS**

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“Economics is extremely useful as a form of employment for economists”

--John Kenneth Galbraith

## Three Main Messages

- Potentially staggering macroeconomic effects
- More likely scenario: sizable economic impacts on vulnerable population groups
- Vital to act now

Potentially staggering impacts  
on income per capita

# How health improvements cause economic improvements

- Health affects income via:
  - Labor productivity
  - Education
  - Savings and capital accumulation
  - Dependency burden

# The effect of health improvements

Health status is a clearcut and robust predictor of economic growth

- 10-year difference in life expectancy translates into annual growth of income per capita that is 0.6 to 1.0 percentage points faster
- Health improvements may have accounted for as much as one half of East Asia's economic miracle

## Findings So Far – Asia

- Prevalence is still relatively low, so there is no imminent danger of economic catastrophe.
- But an unchecked epidemic could have serious consequences:
  - An epidemic of African severity could reduce the growth rate of income per capita in Asia by 3 percentage points from 2000-2025.
  - In the absence of behavioral change, cumulative AIDS deaths in Thailand would have been 10 million by 2015.
  - Thailand's per capita GDP in 2015 would have been \$1,272 lower than its projected \$8,500 (-15%).

The likely scenario:  
large impacts on vulnerable groups

## The Poor Are Most at Risk

- DHS findings in Cambodia and Vietnam show that poorer and less educated women:
  - Are more likely to be sexually active at young ages
  - Have less knowledge of preventive benefits of condoms
  - Use condoms less frequently
  - Are less likely to have been tested for AIDS
  - Are less likely to know where to get tested
  - Have much weaker knowledge of causes of HIV infection and of prevention methods

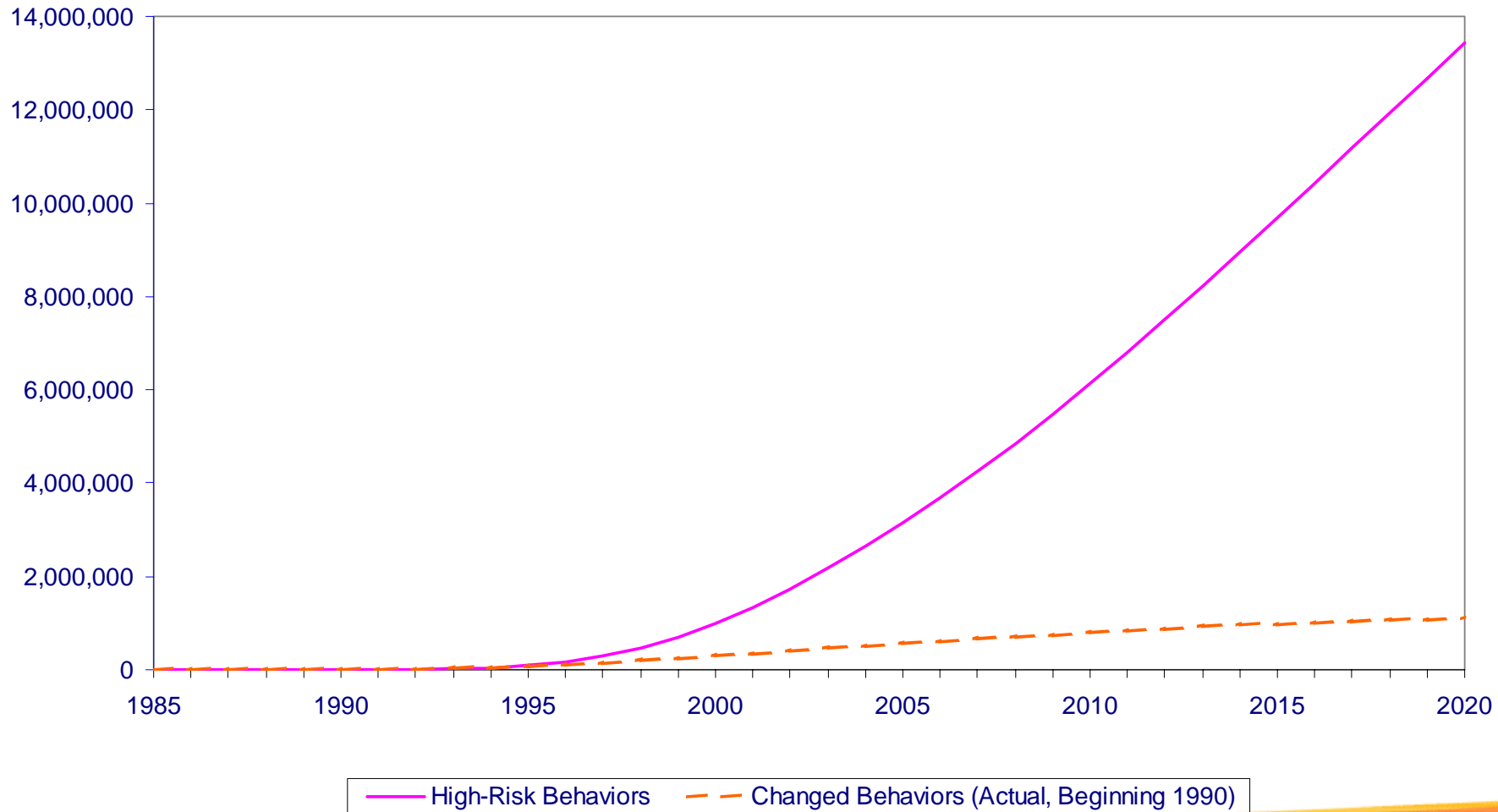
Act now

# The Case of Thailand

- Prime Minister as head of National AIDS Committee
- Nearly 100% condom use in brothels
- Expanded treatment for STDs
- Extensive media campaign
- Primary school education
- Public spending on HIV/AIDS increased sharply during the 1990s

# Reducing cumulative AIDS deaths

(Source: The Thai Working Group on HIV/AIDS Projection)



# Rate of Return on Thailand's Investment

- **Benefits of spending on HIV accrue from:**
  - **Medical costs averted (by public and private sectors)**
  - **Income losses averted**
- **Estimated return on HIV spending:**
  - **If benefits include only averted medical expenditures: 12-33%**
  - **If averted income losses and medical expenditures are included: 37-55%**
- **World Bank criterion for acceptable rate of return: 10%**

“Delay always breeds danger....”

-- Miguel de Cervantes

