

Population Health and Economic Growth

David Bloom and David Canning

Good population health and a high level of income go hand in hand. Higher incomes allow better health through obvious mechanisms, such as improved nutrition, better access to safe water and sanitation, and increased ability to purchase more and better quality health care. But there is also an effect of health on income. We examine a number of mechanisms through which this effect can operate. The first is the role of health in labor productivity. Healthy workers lose less time from work due to ill health and are more productive when working. The second is the effect of health on education. Childhood health can have a direct effect on cognitive development and the ability to learn. In addition, because adult mortality and morbidity (sickness) can lower the prospective returns to investments in schooling, improving adult health can raise the incentives to invest in education. The third is the effect of health on savings. A longer prospective lifespan can increase the incentive to save for retirement, generating higher levels of saving and wealth. Healthy populations can also be an attractor for direct foreign investment and higher levels of accompanying trade and technology transfer. We examine the evidence for these mechanisms and conclude that there are potentially large effects of health on economic outcomes at both the individual and macroeconomic levels.

We also address several questions that raise pointed challenges to our view that population health has a large effect on economic outcomes. In particular, in the course of detailing how improved health has strengthened some economies, we investigate situations in Latin America, Asia, and Sub-Saharan Africa in which this has not been true. This investigation necessarily addresses the interaction of health with other factors relevant to development, including governance and openness.

We also address the allocation of resources within the health sector and the need to ensure that such resources are used effectively. Directing resources to sub-sectors within health whose strengthening does not significantly address a country's health needs will not have the economic benefits that might otherwise be expected. Similarly, even if resources are directed to potentially useful sub-sectors within the health arena, they will not bring the desired economic benefits if they are not used effectively.

Finally, we examine the extent to which better health can help address equity issues. Although there is debate as to whether greater economic equality spurs or slows economic growth, there is reasonably broad agreement on the inherent value of equality. To the extent that improvements in health among the poor, or in poor countries, serve to increase equality, they are important for that reason in itself. They may also be important in improving economic growth.

In the course of examining these topics, the paper will review theoretical and empirical literature concerning the overall and channel-by-channel links between improved health and economic growth at the level of national economies. The paper will endeavor to convey to practitioners up-to-date facts and state-of-the-art thinking on these issues and how this knowledge base might reasonably guide policy decisions.