

HEALTH AND ITS PART IN THE ECONOMY. MICROECONOMIC PERSPECTIVES.

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Abstract:

Health is the direct source of human welfare, the most prized possession of individuals and also, an essential instrument in economic development. The health state plays an important part in individual development, being closely linked to education. Relevant studies in this field render a correlation between the health and education level through the fact that better-educated individuals choose qualitative medical services for maintaining their health in optimal parameters.

In this paper, theoretical and practical aspects regarding the role of human capita from the perspective of health in economy are rendered.

Key words: health, economy, influential factors, education.

JEL classification: O01

Introduction

Samuel Johnson, in one of his quotes, says that health is much more valuable than money, because health offers the possibility of making money. The purpose of this paper is to start from this quote and to render, from a theoretical point of view, what truly means to be healthy, to have a health capital and how health positively influences both individual economy, as well as the one of a society. Also, this paper aims to approach the practical side of this subject through the description of some relevant results of specialty literature.

The right to health has been included in the Universal Declaration of Human Rights from December 10th 1948, which stipulates that: “Any human being has the right to a standard of living that ensures his personal wellbeing and the one of his family, including food, clothing, housing, medical care, as well as the necessary social services” (The UN, 1948, article No.25.1).

Both in the academic, as well as in the scientific circles, and also in the broad medical practice, the theme of “health” continues to represent an important subject, particularly from the point of view of the relationship that each human being has with its own health, fundamental to each individual.

The idea of seeing health as human capital has emerged a long time ago, the paper of Selma Mushkin (1962), “Health as an investment”, being considered one of the most important ones in this matter; subsequently, health, alongside education, is retrieved in numerous theoretical and empirical studies linked to the importance of human capital in society (Bloom, Canning and Sevilla, 2001; Feinstein, Sabates and Tashweka, 2006).

Health, according to the World Health Organization, is “that state of being completely fine from a mental, physical and social point of view and doesn’t consist just from the absence of disease or infirmity.” (WHO, 1946).

The health capital (the health supply) is a component of the human capital supply, meaning every person is born with a certain health capital (Mushkin - 1962, Becker - 1964 and Fuchs - 1966), which can be increased or diminished over the course of the individuals’ life, depending on their choices (Grossman, 1972). This can be performed through *the role of health production* developed by Grossman (1972), who argues that health is widely defined as included longevity and sickness-free days within one year, both being requested, as well as produced by consumers.

Thus, *the health request* has also emerged, in reference to the fact that one individual doesn’t request health services or assets, but an actual better health state (Grossman, 1972).

According to Ryff and Singer (1998), the World’s Health Organization definition (1946) refers to important steps undertaken towards interpreting health as a good state, rather than as a disease and, as such, wellbeing includes the mind, body and interconnections between them.

Ryff and Singer (1998) also claim that the evaluation of health should include both physical issues (mobility, pain, fatigue, sleep disorders, symptoms), mental (stress, depression, rage, anxiety), as well as social issues (marital, sexual dysfunctions). In most of the empirical studies, as Ferlander (2007) shows, *health* is indirectly defined as the absence of health problems.

Health can be influenced by various factors. *A determining factor of health* is the element that influences health, either positive or negative. According to literature, the factors that influence the health state of the population can be synthesized on 4 great groups, each, in turn, incorporating a series of related factors (Table No.1).

Table No.1: The influential agents of health

<i>Biological agents</i>	<i>Environmental agents</i>	<i>Behavioral agents</i>	<i>Health services</i>
<i>Heredity, physical and social environment agents</i>		<i>Preventive actions</i>	
<i>Demographic characteristics of the population</i>	<i>Physical agents</i>	<i>Curative and healing habits</i>	
	<i>Chemical agents</i>		
	<i>Social-cultural agents</i>		

Source: Processing based on specialty literature.

The health state plays an important part in individual development, it being closely linked to education. Relevant studies in this field render a correlation between the health and education level, through the fact that highly educated individuals choose more qualitative medical services to the purpose of maintaining an optimum health (Feinstein and others, 2006, Cutler and Lleras-Muney, 2006; Fonseca and Zheng, 2011). Selma Mushkin (1962) has evaluated the relative contribution of changes in the quality of individuals on the economic progress, thus clarifying the similarities and differences

between health and education. Bloom and Canning (2000, 2003) quote Schultz (1962), in regards to his judgment that the level of population' qualification is the decisive manufacture agent, underlying the necessity of investing in education and health.

In a microeconomic approach, Schultz (2002) assesses that a good state of health is a necessary requisite for school attendance, as a child must be healthy in order to endure the rigors regarding the learning process.

Health improves productivity of workers through side effects, and namely, physical and mental skills.

If all the other matters are equal, it is assuming that healthy workers work better and more than the ones less gifted with good health.

Grossman (1972) has established a model of health production, as a mold of human capital, and further investigating the relationship between education and various health results and behaviors (Grossmann, 2000), the association between education and health state is a positive one. This link between education and health can be partially explained through the fact that incomes have increased in the individuals with a higher level of education (Grossman and Kaestner, 1997). Thus, the individuals with higher education are more effective producers of health, consequently, with the same amount of resources, they can obtain better health. Also, education plays an important role in making decisions regarding health care through the fact that they choose to consume more fruit and vegetables and avoid tobacco use. In practice, we can safely say that individuals with higher education have access to information and have the ability of processing them with the aim of improving their health condition.

Even if health has played a relatively minor part in traditional models of economic growth, in a great amount of economic studies, the links between health and income at an individual level have been analyzed (Acemoglu and Johnson, 2007; Barro and Lee, 2004; Günther and Fink, 2013). A proper condition of the workforce has beneficial effects on the scheme of cost reduction with medical services, being also able of contributing to the diminish of the poverty incidence rank, through a better integration on the labor market.

Microeconomic studies have shown that there is a relationship between health and income. Focusing more on individuals than on nations, these studies include various methodological approaches regarding health, income measurement possibilities and of their determiners. John Strauss and Duncan Thomas (1998) show that there is a causal impact of health on productivity, employment, as well as on income.

Another vision of the relationship regarding health and increment is the one exposed in the study performed by John Strauss and Duncan Thomas (1998) „*Health, Nutrition, and Economic Development*”, which confirms that the dimension (stature) of the adult is powerful and positively linked to his wage. The adult's dimensions depend on the dietary regimen held during childhood. And adult with a weaker constitution is less productive than the ones that were properly nourished in their childhood.

Aghion, Howitt and Murtin (2011), in „The Relationship Between Health and Growth: When Lucas Meets Nelson - Phelps”, suggest that health should count at a certain extent in the economic growth process, through the following means:

- Individuals with a higher life expectancy are susceptible to save more money that, through the accumulated capital, lead to GDP increase (Zhang and Lee, 2003);

- Individuals with a higher life expectancy are susceptible in investing more in education, which, in its turn, should influence economic growth.
- Healthy individuals are usually, more productive, they adapt easier to new technologies and to innovation.

The World Health Organization (WHO, 1999) has described the link between health and gross domestic product by schematically transposing it according to Image No.1:

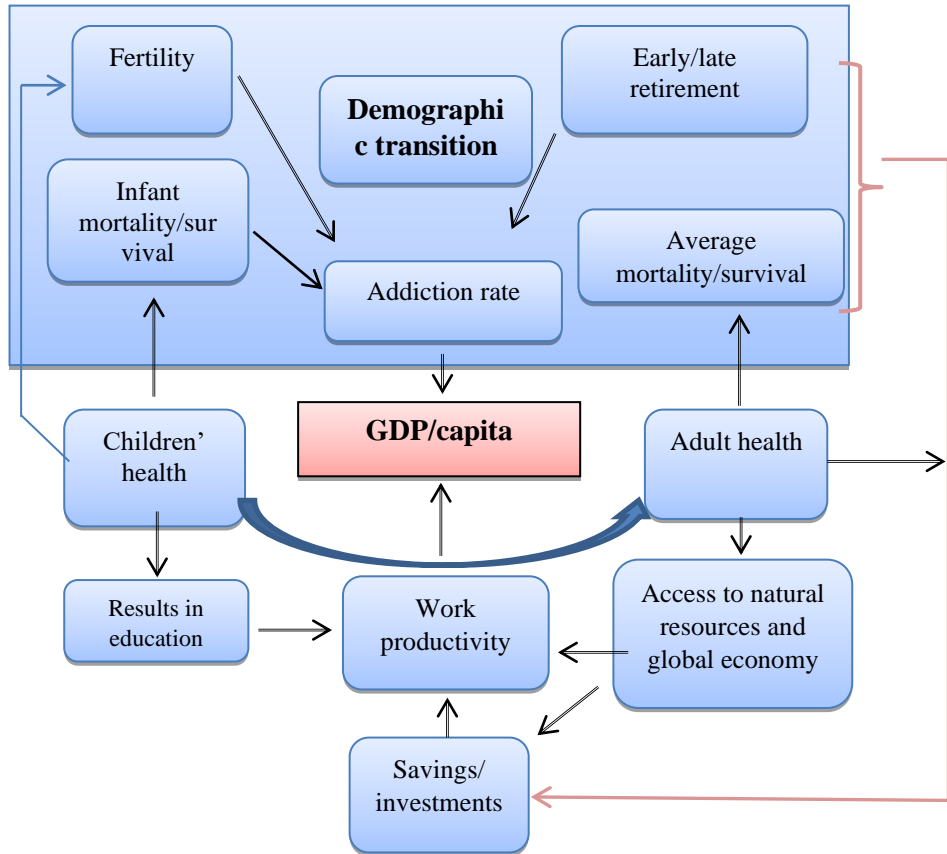


Image No. 1: Relationship between health – economic growth
 Source: Adaptation after WHO, 1999, page No.9

As it can be noticed, the health of the adult depend on the child's health, work productivity being directly influenced. Thus said, child health improvement implies their mortality rate diminishing. Also, adults' health implies a reduction of middle age mortality and early retirement reduction. This improves demographic transition through reducing the addiction rate in economy and increases the final income per capita. Furthermore, the improved health of the adults means a longer period of time in the work

field, this implying higher savings and respectively, improving the savings-investment report.

Improving technology in the health department, in institutions and infrastructure have contributed more in general health earnings than in the increment of national incomes (Bloom and Fink, 2013). A great part of the economic literature regarding health studies the manners of improving health care service provision.

The economic theory also highlights the important relationship between *human capital* and *the social one*, the latter playing a significant part in innovation. Among the ones that have defined social capital, we can see Portes (1998), Fischer (2005), Coleman (1998), Manski (2000) and Kadushin (2004). In James Coleman's view, (1998), in the paper „Social capital in the creation of human capital 1998”, social capital represents a functional concept that allows both individuals, as well as institutions to act so as to achieve their goals (Coleman, 1998).

The source of generating new knowledge is the intellectual activity of the individual. Innovation depends on two conditions, respectively on the intellectual potential of the individual and of his capacities of generating new ideas to use productively.

Conclusion:

The health of individuals fundamentally affects their quality of life and decisively contributes to their economic results. Next to education, as human capital components, health has a major role in economic growth, in developing society in its whole. Theoretical and empirical economic research regarding the impact of social, economic and environmental factors on health are inscribed in the problematic of specialists from various domains concerns, of political decision makers, of business men, of the man in general, through its particular potential implications on all the aspects of human activity. Also, as any investment, the one in health too leads to multiple benefits.

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