

THE NEXUS BETWEEN HEALTH AND ECONOMIC GROWTH IN SELECTED ASIAN COUNTRIES

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ABSTRACT

This study has two objectives. The first objective is to analyse the typology of the relationship between economic growth and health while the second objective is to examine short-run and long-run causality between economic growth and health. Annual data from the World Bank were used and Asian countries having at least 24 years of continuous annual data were selected for the study. The result of typology shows that countries in Asia are proportionally distributed into four cycles (virtuous, vicious, health lopsided and economic growth lopsided cycles). Lower middle-income countries have the most dynamic cycles since they are distributed into all four cycles while the other countries are only distributed into two cycles. Moreover, the results of the Granger causality test generate three conclusions. First, causality between economic growth and health is more likely to occur in the long-run than in the short-run. Second, the direction of causality is dynamic, as indicated by the causality direction in the short-run and the long-run, which are not necessarily the same. Lastly, the direction of causality between economic growth and health vary between countries. The Asian countries tend to concentrate in the long-run causality running from economic growth to health rather than running from health to economic growth.

Keywords: Causality; GDP; Economic Growth; Life Expectancy; Health; Asia.

1. INTRODUCTION

The importance of health in human development has been recognized by many countries. This is indicated by the popularity of the Human Development Index (HDI). To date, health together with education and income, as a base for a composite index in HDI, has gained popularity compared to when the concept was first introduced by the United Nations Development Programme (UNDP) in 1990. The HDI is popular with governmental bodies as well as with opposition parties and non-governmental organizations. Thus, the political value of HDI cannot be avoided. For instance, a study in Organization for Economic Co-operation and Development

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