

How Does Medical Expenditure Affect Economic Development?
Evidence from OECD countries

Kim, Do Yeon¹⁾· Jung, Hong Joo²⁾*· Kim, Bohyun³⁾

Abstract

This study considers medical expenditure as human capital and analyses the effect of medical expenditure and national healthcare system on economic development. Using unbalanced panel data of 26 OECD countries during the period of 1980 and 2008, we find that medical expenditure overall suggests a positive impact on economic development. Especially total medical expenditure, public health expenditure and current health expenditure reveal a positive influence while health capital formation cost implies a negative influence on economic growth. No statistically significant effect of private health insurance expenditure is found. The effect of national healthcare system is also examined. Both National Health Service and National Health Insurance groups indicate a positive effect on economic progress in respect of total medical expenditure and public health expenditure. On the other hand, current health expenditure and private health insurance expenditure positively affect the National Health Insurance countries but negatively the National Health Service countries.

Key Word : Medical Expenditure, Healthcare System, Dynamic Panel Data Model, Economic Development

1) Researcher, KB Research, KB Financial Group, South Korea

2) Professor, Department of International Trading, Sung Kyun Kwan University, South Korea

3) Researcher, Department of International Trading, Sung Kyun Kwan University, South Korea

*: Corresponding Author.