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## Comments on the Special Session on SARS\*

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**Jeffrey D. Sachs:** We were privileged to have been presented with an excellent set of papers on an extensive and difficult set of issues. Factoring in the effects of SARS is difficult and complex, and I congratulate all the authors on their efforts to do so. It is unusual, and worthwhile, for economists to analyze an event like this so quickly. We need to continue to think about these issues and update the analysis done so well here today. I would ask the authors to keep their research up to date and meet in forthcoming months with other economists, policymakers, and public health officials (including those at the World Health Organization [WHO]) to keep us all informed. In my comments, I have no particular answers to the dilemma faced by policymakers in the region, but I want to help focus the questions.

So far, it seems that the SARS outbreak has resulted in relatively few deaths, deeply tragic as they are. But the disease's effects on China's economy are startling and still unknown. SARS is not the only disease to have these effects. There are 1 million cases of AIDS in China and 5 million cases in India, far more than the number of SARS cases in 2003, and they also deserve attention. The SARS outbreak is neither the first nor last of these epidemic diseases. It resulted in a breakthrough in professional and public awareness of epidemic diseases. Health economics has traditionally had little understanding of epidemic diseases. For instance, the conventional approach to the economics of malaria and the economics of AIDS has been to

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\* These comments were transcribed from an informal speech delivered by Jeffrey Sachs on 11 May 2003 at the Asian Economic Panel meeting in Tokyo, after the first phase of the Special Session on SARS.

estimate the cost of the disease as the number of affected people multiplied by the average cost of treating (or burying) an affected person. This is a horrendous and narrow approach.

There are 500 million cases of malaria a year, and 90 percent of these cases are in Africa. Each year, 3 million people die of malaria. In the past 30 years, malaria has had as much public attention as SARS has had in the past 2 months. Malaria has not been in the news because it is not a risk to rich countries such as the United States and Europe. The effects of malaria on Africa's economy extend much further than the cost of treatment. Malaria isolates economies and societies: it blocks foreign direct investment, migration, tourism, and export promotion. These factors are typically not taken into account by public health economists. If we do take them into account, the accumulated cost of malaria is about a third of the gross national product of Africa. It amounts to 1 percent of economic growth lost each year.

Last year I was at a conference on macroeconomics and health with the Health Minister of China. I gave a speech on how disease can disrupt an economy. We have more evidence of this now. And that minister is now a *former* minister because he did not provide truthful data when he should have. The effects of SARS (and other serious diseases) are potentially devastating. SARS came to an economy with a largely nonexistent health care system. The Chinese government has severely underinvested in public health, and the SARS tragedy reminds us that such investment is essential.

The papers presented at this meeting trace out the effects of SARS. The problem we face in this task is that we do not know what the effects and transmission process of the disease will be in the long term. Panic is one part of these effects. So too are the negative impacts on exports, foreign direct investment, public investment, services, production, fiscal positions, the exchange rate, and the stock market. Each disease has its own characteristics, but they have a broad set of related effects on the economy.

This crisis has taught us some strong lessons regarding what we do with health care systems. We have to understand disease ecology. SARS is a zoonosis, that is, a transfer of disease across species, in this case from human–animal contact. Zoonosis can occur with swine, as in the case of influenza, or with birds and rats. SARS originated in Guangdong, and it is most likely that close contact between humans and farm animals facilitated variations and mutations of the virus concerned, the coronavirus. China needs to focus on, and control, the situations that foster the transmission of disease between people and animals.

Climate has an impact on the transmission of disease. Warmer temperatures typically increase the transmission of malaria, because heat supports the life cycle of the parasite and its transfer mechanism. This is not the case for SARS, because the coronavirus decomposes more quickly at higher temperatures. If the transmission of the coronavirus had not been stopped by the end of summer in the Northern Hemisphere, then it would have been more likely to reappear the following autumn and winter, just as the so-called Spanish influenza did in 1918–19.

Population density and networks also affect the transmission of the SARS virus. The spread of SARS to Toronto from Hong Kong was a result of Toronto's being part of a trade network with Asia. So too was the more aggressive spread of SARS from China to Hong Kong, Singapore, and Taiwan.

It is clear that China does not have a well-functioning health care system, not only in terms of technology, but also with respect to epidemiological and diagnostic analysis, therapeutic treatment, hospital treatment, and disease transmission in hospitals. The report of sick patients being transferred between hospital wards to avoid WHO staff is deeply disturbing. China lacks skills in epidemiological analysis and needs international help for this across the whole country.

AIDS is as pernicious as SARS; indeed, it is more so. As I mentioned earlier, there are 1 million cases of AIDS in China. AIDS takes longer to kill. If there is no information (or condoms), then it spreads. China is inviting a mass epidemic with AIDS. Like SARS, it is also a catastrophe.

The SARS issue in China also raises general governance issues. In the first instance, it requires global responses. China's delay in dealing openly with its problems with SARS meant that the disease spread to Hong Kong and elsewhere in China. China's lack of transparency affects others as well as itself. So too does its food handling practices and food processing. Food handling in Guangdong is not sanitary, and food workers may have been part of the transmission mechanism of the disease. Finally, during a crisis all governments must balance information disclosure and the management of public panic. In this case, hiding information delayed treatment and increased panic. Complete transparency is better than attempting to hide serious outbreaks of potentially fatal diseases.

The truth is, we have no clear idea what the effects of SARS will be in the final analysis. But we do have a range of estimates of the effects and they seem reasonable. Given fairly optimistic assumptions about the spread of the disease, economic growth in China in 2003 is likely to be a percentage point or so lower than would be

expected without the SARS outbreak.<sup>1</sup> This is plausible, but it is not hard to imagine different scenarios if the disease reappears and turns out to be more difficult to control. This needs to be monitored, and the people who shared their work on this issue today are well qualified to do so.

In terms of policy recommendations, the most striking one is that China needs to invest in public health. It should have done so with AIDS. It has to do so now with SARS. Public health is not only about spending more on health and hospitals, it is also about investment in epidemiological analysis, disease surveillance, and disease prevention and management. Access to basic health services should be free. China needs its own Center for Disease Control (CDC). In fact, all countries need these types of arrangements. A Chinese CDC would be able to investigate more intensively the sources and spread of disease. If zoonosis is involved, a CDC could help by focusing on improving sanitary conditions and food handling. This could have big payoffs for disease and crisis prevention in China and the rest of the world. The sooner the formation of such centers is accomplished, the cheaper and more rapid will be the treatment and resolution of the problem.

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<sup>1</sup> In the months after this speech was delivered, the SARS outbreak was successfully curbed, and China's economic growth in 2003 turned out to be robust (9.1 percent, as estimated by the Economist Intelligence Unit).