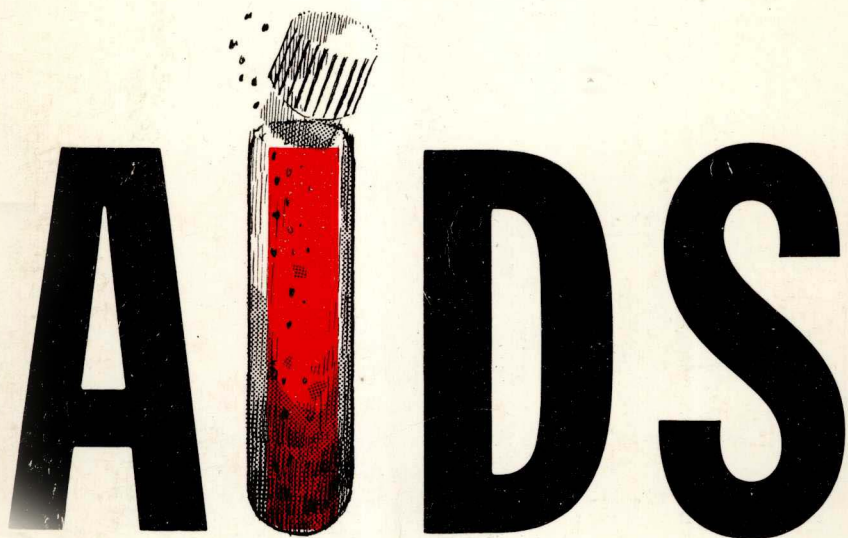


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The Economic Impact of AIDS

AIDS

Anne Aaron
Iben Browning

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FOREWORD

This timely book brings two sobering messages to the American people. The first is concerned with the possibility that the AIDS epidemic may very well become the "Black Plague" of the 21st century. The second is that the future economic costs of AIDS may be devastating to our society. The AIDS epidemic, in short, carries the potential for both health and economic disaster.

The authors destroy the commonly held myth that only homosexuals, prostitutes, and needle-using drug addicts are the main victims. They suggest that the AIDS epidemic is a time bomb ready to explode, since minorities living in inner-city ghettos and sexually-active teenagers are high risk candidates to become afflicted with the disease. The socio-economic implications of this finding are explosive, to say the least, since there is a potential for the AIDS epidemic to spread at a geometric rate at a time when no known medical cure exists.

Given these stark realities, the authors conclude that education to promote intelligent preventative measures is the cutting edge of the battle against AIDS. Time is of the essence.

The fundamental problem, however, lies in the attitudes of a society riddled with social stigmas, taboos, ignorance, inertia, scientific limits, lack of awareness and caring, and the fiscal mythologies of the Reagan legacy—all of which work against finding timely solutions to the problem and adequate care for the afflicted.

Having researched the stark realities of the health and economic implications of the AIDS epidemic, the authors conclude that this is a story with neither a beginning nor an ending. They conclude, further, that there lies a great distance between the *reality* of the problem and the *answers* which will prevent a human "meltdown" during the next several decades.

Insofar as public education is the main weapon for the prevention of AIDS in the near term, it is sensible to conclude that an ounce of prevention today is worth a pound of cure in a distant future.

The message of the book is clear, namely, that the critical moment has arrived when we all must become more deeply involved in a dialogue and the public policy programs currently addressing the AIDS epidemic.

Gerhard N. Rostvold, Ph.D.

PREFACE

AIDS was written for everyone who reads. Our particular emphases are on AIDS transmission and the impact AIDS will have on all of our economic lives. AIDS will hit employees and employers alike. AIDS will affect consumers and suppliers in ways never before seen. Laws will be changed. Government expenditures will shift due to the massive economic burdens created by AIDS.

And you never have to contract AIDS to have your life severely impacted by AIDS. Not only are we faced with supporting those dying from AIDS, but we are also going to face a significant decline in the real numbers of our most productive workers. Those dying of AIDS will be somewhere between 20-50 years old. The younger and older members of our population will be forced to support our nonworking youngest and oldest members.

To prevent AIDS from devastating all of us, some apparent issues must be addressed now. For instance, care for an AIDS patient can cost up to \$175,000, but in San Francisco costs have been brought down to about \$30,000 per year. In most future cases, society will have to share in the cost burden. Whether the state through welfare assumes the cost or someone's medical insurance covers treatment, you and I ultimately share the cost. In fact, because so many insurance companies also serve as investment companies for retirement plans, AIDS costs may affect you in ways that you have never considered.

Your family members, friends, fellow workers, employees, and even enemies need to know and protect themselves, too, as you will soon learn. But it may surprise you to learn that it is not just contact with the AIDS virus from which you need to protect yourself and others. The AIDS virus will so profoundly affect everyone's social and economic lives that we had better start some protective measures in those areas now.

We further need to say something about the "style" of this book. Each author wrote separate Parts. Aaron wrote "Part I: Economic Survival and AIDS." Browning wrote "Part II: The Science of AIDS." Each author supports what the other wrote.

However, when you read AIDS, you will discover that our syntax and styles of writing are different. You may further notice that one of us tends to be more socially liberal and the other more socially conservative. (Both of us are fiscally conservative.) We have made no attempt to force our opinions to agree.

Our separate analyses of available AIDS data led us to agree on the contents of this book. We believe that liberals and conservatives alike will also agree, though none of us will be pleased by the consequences of AIDS.

There is no doubt that healthy-mindedness is inadequate as a philosophical doctrine, because the evil facts which it positively refuses to account for are a genuine portion of reality; and they may after all be the best key to life's significance, and possibly the only openers of our eyes to the deepest levels of truth. (William James, 1958.)*

We have chosen to present "the evil facts." We ask our readers to exercise their own judgements.

Anne Aaron
Iben Browning

*William James, The Varieties of Religious Experience. (New York: Mentor, 1948), pp. 137-138.

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CONTENTS

FOREWORD.....	viii
PREFACE	x
ACKNOWLEDGEMENT.....	xii

PART I: ECONOMIC SURVIVAL AND AIDS

WORK	3
ALL GOODS AND SERVICES REQUIRE WORK.....	3
ALL GOODS AND SERVICES ARE LIMITED	4
Hidden Economic Impacts of AIDS.....	4
WORK IS LIMITED	8
Nutrition and AIDS.....	10
ALL BUDGETS ARE LIMITED: YOURS,	
BUSINESSES' AND GOVERNMENT'S	11
AIDS Costs	12
AIDS VIRUS - THE ENEMY	15
AFRICAN AIDS: Mirror for our Future AIDS	17
IMPACT OF AIDS ON THE FAMILY ECONOMY ..	19
Lack of Supportive Families	20
OUR BASIC ECONOMIC ASSUMPTIONS	21
All Economies Are Limited.....	21
Working People=Work=People's Supply	21
Work = Supply	23
No Work = No Supply, sooner or later	24
ALL ECONOMIES ARE LIMITED	25
Moving Families	26
Working Women	26
Breakup of Nuclear Families	27
Burying the Dead.....	27
High Cost of Dying of AIDS.....	28
No Home for Many	28
SUBTLE BUT VERY REAL IMPACT OF AIDS.....	29
Education and Art	29
Less of Everything	30
Measure of Humanity.....	30

CONTENTS

v

OUR PRESENT ECONOMIC SITUATION

(Some Say It Is Better, We Do Not Agree) 32

Family Purchasing Power 33

National Economy and Family Budgets 34

INCREASING MEDICAL DEMANDS/DECREASING RESOURCES 35

AIDS IMPACT WILL NOT BE EQUAL 40

Major Metropolitan Areas Will Be Hit First 40

Specific Minorities Will Increase Their
AIDS Proportions 48

The Impact Will Be Astounding 53

A SPECIAL GROUP: RETIREES 53

Social Security 54

Present and Future Retirees 54

Lost Liquidity 56

Future Social Security Problems 58

Our Increasingly Older Population 58

Why People Are Not Saving Enough for
Retirement 60

Attitudes on Pensions and Retirement 62

Medicare 67

IMPACT OF AIDS ON BUSINESS

AND WORKERS 70

Public Fear of AIDS 72

Insurance Costs 76

Lost Productivity 83

Business and Occupations Affected by AIDS 85

Company AIDS Policies 88

Conclusion 93

PART II: THE SCIENCE OF AIDS

MAN 99

THE AFFLICTION 101

WHAT IS AIDS? 102

PHASE I 103

AIDS Antibodies Test	104
Unknown Transmission Modes	107
AIDS and the Young	110
PHASE II	111
PHASE III	115
The Complexity of the AIDS Virus	115
Humility Not Hubris.....	116
PHASE IV	118
CONCLUSIONS	119
THE HISTORY OF AID	120
DISCUSSION	128
Coping With AIDS	130
A Short History of Plagues.....	131
A Philosopher's Thoughts.....	133
Diagnostics	137
Other Efforts to Cope	139
AIDS Cases	140
More Evidence	141
CONCLUSIONS	142
APPENDICES	
(A) CORPORATE SECURITY & INVESTIGATIONS, INC. Designing a Corporate AIDS Policy	146
(B) CHEVRON, January 1986	153
(C) THE BANK OF AMERICA, October 1985.....	155
REFERENCES - PART I.....	159
REFERENCES - PART II.....	166
LIST OF TABLES - PART I	
TABLE I AIDS DEATHS (Death Graphs)	15
TABLE II SOURCES OF RETIREMENT INCOME 1962 AND 1984	55
TABLE III SOURCES OF 1984 AGGREGATE INCOME FOR THOSE AGED 65 AND OVER	56
TABLE IV WHY PEOPLE ARE PUTTING NO MONEY OR NOT ENOUGH MONEY ASIDE FOR RETIREMENT	61

CONTENTS

vii

TABLE V ADEQUACY OF STANDARD OF LIVING AMONG RETIREES	62
TABLE VI AMOUNT OF PLANNING FOR RETIREMENT	62
TABLE VII RETIREMENT PLANNING AND INCOME ADEQUACY	64
TABLE VIII AMOUNT OF PLANNING FOR RETIREMENT	64
TABLE IX ANY THOUGHT GIVEN TO AMOUNT OF MONEY REQUIRED AFTER RETIREMENT ..	65
TABLE X LOST PRODUCTIVITY	84
TABLE XI AMERICAN WAR DEAD	91
TABLE XII AIDS INFECTIONS IN THE UNITED STATES AND UNITED KINGDOM	95

LIST OF TABLES - PART II

TABLE A WEIGHT & LIFE SPANS OF VARIOUS ANIMALS AND MAN	99
TABLE I FATALITIES	102
TABLE II NAMES OF AIDS	104
TABLE III AIDS TRANSMISSION MODES	106
TABLE IV AIDS RELATED DISEASES	108
TABLE V KAPOSÍ'S SARCOMA	109
TABLE VI DEATH IN STATES....	113
TABLE VII POPULATION GROUPINGS	114
TABLE VIII NEW YORK AIDS DEATHS	125
TABLE IX AIDS TEST ON 306,061 MIL. RECRUITS ..	126
TABLE X WHITES, BLACKS, HISPANICS	128
TABLE XI TRANSMISSION PROBABILITY	128

LIST OF FIGURES - PART II

FIGURE 1 WEIGHTS & LIFE EXPECTANCY IN YRS ..	100
FIGURE 2 DEAD FROM AIDS	112

**PART I:
ECONOMIC SURVIVAL
AND AIDS**

WORK

Even if you are economically sophisticated, we ask you to read this initial section of our economic discussion. We thoroughly examined our economic assumptions regarding the effects AIDS will have on our economy. Then we simplified those assumptions to the very basics.

We begin Part II with what we regard as the most fundamental aspects of any and all economies. Although at first our discussion may not seem directly related to AIDS, we will refer to our underlying economic assumptions throughout Part II: Economic Survival and AIDS.

ALL GOODS AND SERVICES REQUIRE WORK

Most families in Western countries have not yet been perceptibly touched by the economic effects of AIDS. Some of us know a friend who had a family member or friend who had AIDS and died of AIDS. Some of us know someone with ARC. (The authors believe that the difference between AIDS and ARC is merely definitional. If a person has ARC, his disease will progress to the point of being defined as AIDS.) Anyone who reads or watches TV has read about, heard about, and/or seen people with AIDS.

But at this point, it all seems so remote, so impersonal. Nonetheless, AIDS costs are already affecting everyone's life and life style.

All goods and services are limited - because supply is limited - because work is limited. Every dollar directly or indirectly spent on AIDS affects supply. Every work hour used to support AIDS costs simply means that the work hour cannot be spent producing some other type of supply.

Money (particularly money without a concrete standard such as the old gold standard) is nothing more than a convenient way to transfer or exchange work. When we buy a suit, that may not be very obvious. After all, a suit hanging silently on a rack does not look too much like work. The money or credit card we use to purchase the suit does not look too much like work either. But our work, or someone's work, earned the money to buy the suit. Work produced the suit, distributed the suit, and sold the suit to the retailer who will now work and sell the suit to us.

A suit is a good example of forgotten work. If someone(s) did not gather the wool or cotton or polymerize complex esters, those would remain in nature. People then have to process those materials, make yarn, weave the yarn, dye the yarn somewhere along the way, invent a pattern, cut the yarn-now-fabric, sew the fabric—using buttons and

zippers that also require long work processes to develop—press the suit, sell the suit to a wholesaler who then sells it to a retailer who then sells the suit to you. And even in this description, we have failed to mention a lot about the work required to make and get a suit to a consumer.

Because we buy finished products and services, the work involved is often forgotten. It can be a 2 x 4, car part, or suit; each is a finished product. Some finished products such as a 2 x 4 may end up in another finished product, but that does not change the fact that work is requisite to produce any finished product. The information that we buy and the food service we receive in a restaurant are also finished work products.

We do not want to belabor the point. We hold that all goods and services require work. Money is only a convenient transfer mode for exchanging work. But we need to be mindful of that, for every dollar spent on AIDS anything will reduce the available dollars elsewhere.

ALL GOODS AND SERVICES ARE LIMITED ALL GOODS AND SERVICES REQUIRE WORK

Hidden Economic Impacts of AIDS

While a suit for sale in a store can remind us of forgotten work, all sorts of impacts on other work products may be hidden until we dig out information. AIDS is and will continue to have a tremendous influence on many types of work products.

For instance, you are probably seeing the last fashion wave promoting short skirts. As sexual mores change, those changes are reflected in fashion trends. Sexual standards are becoming more constrained, and that will show up in persons' clothing choices.

When thigh-high skirts drop to mid-calf, about 1/3 more fabric, 1/10 more thread, and 1/10 more labor are required. Due to the effect of AIDS on sexual standards, such fashion changes will occur. Business, in turn, will be affected. Increased material and labor costs will impact the economy. Those changes will affect every economic sector - family, business, and national productivity.

We have no way of knowing how much something like AIDS-caused fashion changes will influence other sectors of our economy. The effects will be both direct and indirect, however. For example, as people cover their skin more with clothing, will they perspire more? Will discretion lead to perspiration? If so, deodorant sales will increase. AIDS is impacting and will continue to impact our economy in many gen-

erally unrecognized ways. You can be sure, though, that the costs are, or will be, passed to all of us.

All investors, large or small, need to examine thoroughly any and all investment opportunities. Without examining all investment data with traditional analyses and then including the entirely new economic information about the impact of AIDS, investors will lose money, the fruits of their work.

When we examine possible business trends, we need to watch out for what we call economic seesaw investments. A seemingly obvious good investment may not turn out to be such a good investment at all when we look at further information and extrapolate from that information.

A drug company developing an inexpensive blood test that directly tests for the AIDS virus rather than the AIDS antibodies may be a good investment. Certainly, the drug company that develops the first cheap AIDS viral test will have a market edge. Stock values in such a company can soar.

If we only partially research that drug company, however, we can make some really poor investment decisions. The drug company that develops the first cheap, effective AIDS viral test will have an edge. Is the management and distribution system in place to keep up with demand and get the AIDS viral tests to using markets?

Let us assume that the drug company has (1) the first inexpensive, effective AIDS viral test, and (2) the management and distribution system in place. The possibly critical question has not been asked: (3) Is the drug company pouring all or much of its profits into its research and development department, trying to develop effective AIDS treatment and cure drugs?

If that is the case, the drug company is not a good stock investment. The drug company will only be trapped on the economic seesaw - great profits from AIDS viral tests/great losses from unsuccessful AIDS treatment and cure drug developments. The research and development costs will simply crash down so hard that those R & D costs will flip the profits off the high side of the company's economic seesaw.

Presently, "The Food and Drug Administration has given priority to more than 40 anti-AIDS drugs involved in more than 100 human studies in the USA. Corporate USA now sponsors most of the publicly known studies." "Potential reward: More than \$1 billion in sales." (Rebello, 1988)¹

The authors are convinced that there will be little profits connected to those research and development costs and AIDS drug sales. AIDS is and will continue to be like cancer: We have poured billions into