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The HIV Anticipatory Saving Motive: An Empirical Analysis in South Africa

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Abstract

This paper studies the effect of the HIV/AIDS epidemic on saving behaviour. Two important characteristics of HIV result in opposing forces on savings: mortality increases, which reduces savings, and long-term illness risk increases, which enhances savings. We use a two period life-cycle model with uncertain lifetime including perceived HIV contamination risk to illustrate both the opposing effects of the HIV epidemic on individual savings and test the predictions of our model with data obtained from an economic experiment with real monetary incentives performed in South Africa. The empirical results show that increased mortality decreases the amount of savings and that having a high perception of HIV contamination risk increases savings. The latter effect confirms the HIV anticipatory saving hypothesis.