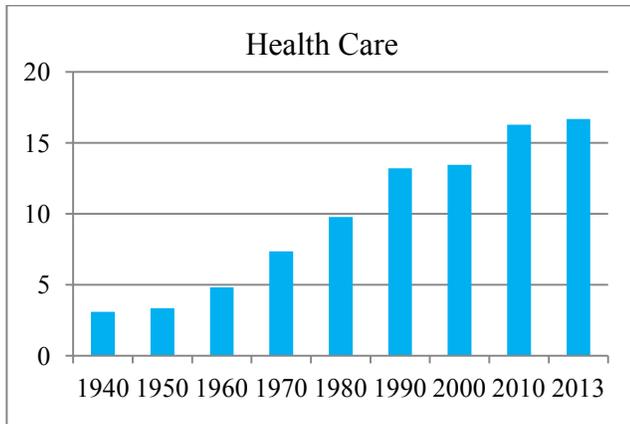


## WHY AMERICA CAN AFFORD *UNRATIONED* HEALTH CARE !

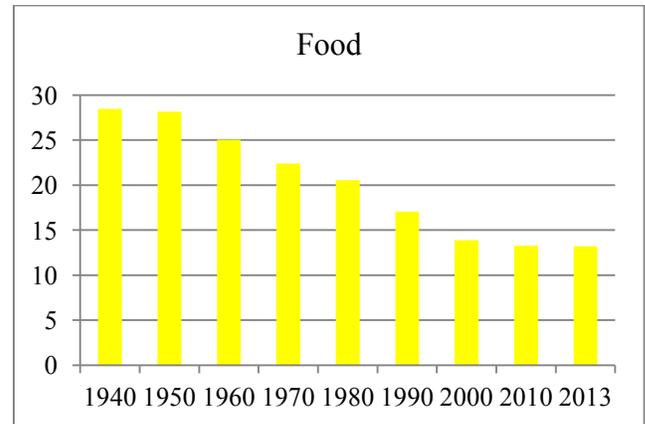
In 2013, spending on healthcare accounted for over 17% of the Gross Domestic Product. This trend alarms many, and the conventional wisdom is that health care cost increases must be reined in by major changes. Understandable as this widespread view is, *the conventional wisdom is wrong*. The problem with looking at the resources we devote to health care in isolation is that it misses both the fact that our economy is constantly growing and that due to productivity increases we need to devote fewer resources to other essentials like food, clothing and shelter. (See charts).

**Health Care as a % of Personal Consumption Expenditures**



Data like that shown in this chart scares most people about health care costs: they keep rising as a percentage of the average American's budget.

**Food as a % of Personal Consumption Expenditures**



What most of us don't realize is that increasing productivity means spending a smaller percentage on other necessities, freeing up resources that are used for health care. For example, while the average American certainly has a greater abundance of food now than in 1940, largely because of agricultural productivity increases, the percent of the average budget spent to get that food has steadily declined.

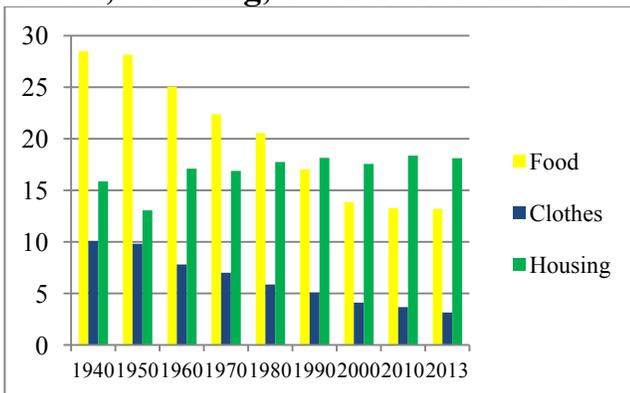
**-(OVER)-**

## Apparel Spending as a % of Personal Consumption Expenditures



Similarly, while the average American certainly has greater clothing choice along with ease of purchase now than in 1940, largely again because of productivity increases, the percent of the average budget spent to buy clothing and shoes has steadily declined.

## Food, Clothing, & Shelter Combined

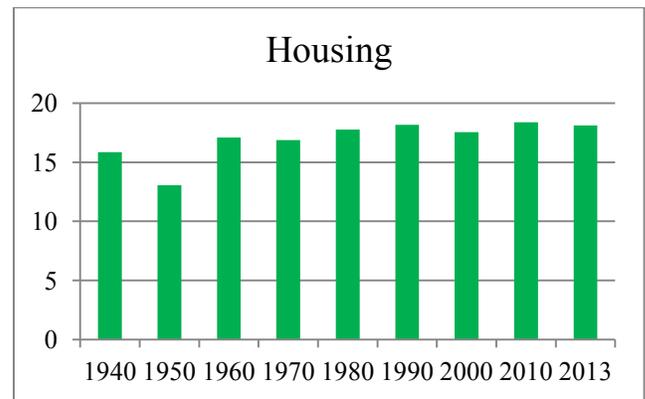


The portion of the family budget devoted to the three life essentials of food, clothing, and shelter has fallen steadily since 1940. What once took up over 54% of the family budget has dropped below 36%. This has enabled the freeing of resources for other things of importance to Americans families – such as health care.

**\*\*These charts are versions, derived from updated data, based on Figure 4.3 in Sherry Glied, Chronic Condition: Why Health Reform Fails (Cambridge MA & London: Harvard Univ. Press, 1997), p.103.**

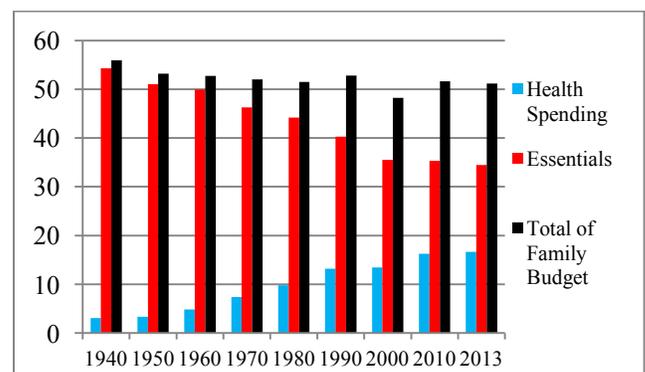
Data Source: (CEA 1991, 2013.) Available at <http://origin.www.gpoaccess.gov/eop/tables10.html>

## Housing as a % of Personal Consumption Expenditures



Finally, the third essential – shelter-- has tended to occupy the same amount of the family budget for well over a decade. Certainly, today's housing has far more space, rooms, bathrooms and other amenities than the housing of the 1940's for the same relative price. Despite the improvements in housing, it has remained roughly steady since 1960 as a percent of the average family budget.

## What We Spend on: 1. Health Care and 2. Food/Clothing/Shelter Combined



The chart shows that the decline in how much Americans spend on food, clothing, and shelter, on average has more than covered the increase in what we spend on health care. By adding together the percentage of personal consumption expenditures on food/clothing/shelter (red bar) and that on health care (blue bar) we get the black bar – which has consistently hovered around 50% from 1940 until today. In short, the rising productivity that has lowered the cost of the necessities has freed up the resources Americans have used to obtain more and better health care.