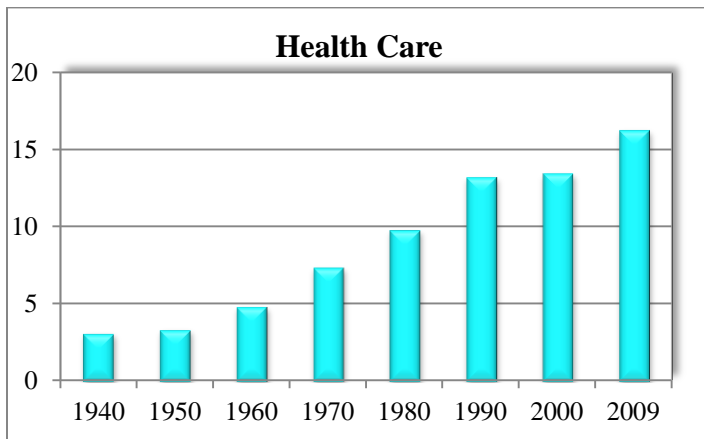




### WHY AMERICA CAN AFFORD UNRATIONED HEALTH CARE !

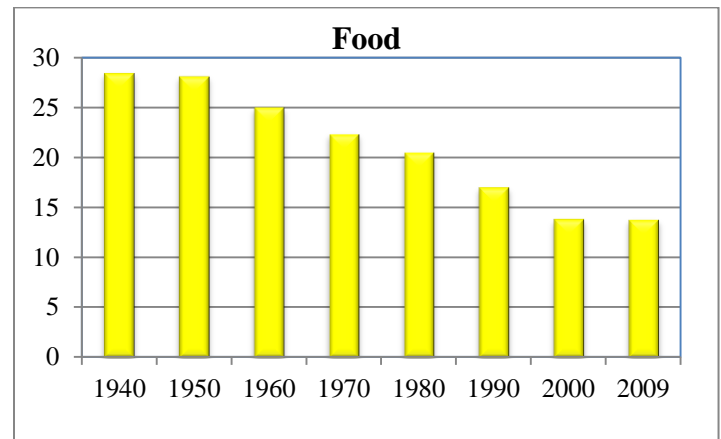
In 2009, spending on healthcare accounted for over 17% of the Gross Domestic Product, compared to only 6% in 1960. This trend alarms many, and the conventional wisdom is that health care cost increases must be reined in by major changes. Understandable as this widespread view is, *the conventional wisdom is wrong*. The problem with looking at the resources we devote to health care in isolation is that it misses the fact that our economy is constantly growing and that due to productivity increases we need to devote fewer resources to necessities like food, clothing and shelter, freeing up resources for health care.

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



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

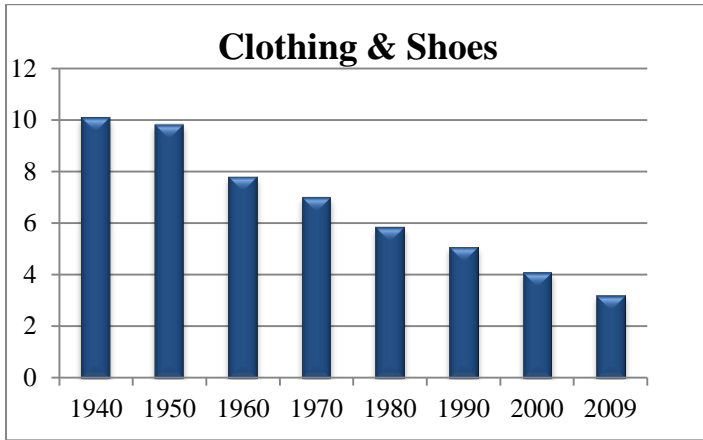
**Food as a % of Personal Consumption Expenditures**



During the same period, however, because of dramatic agricultural productivity increases, the percent of the average budget needed for food has steadily declined, even as our food's variety and abundance has increased.

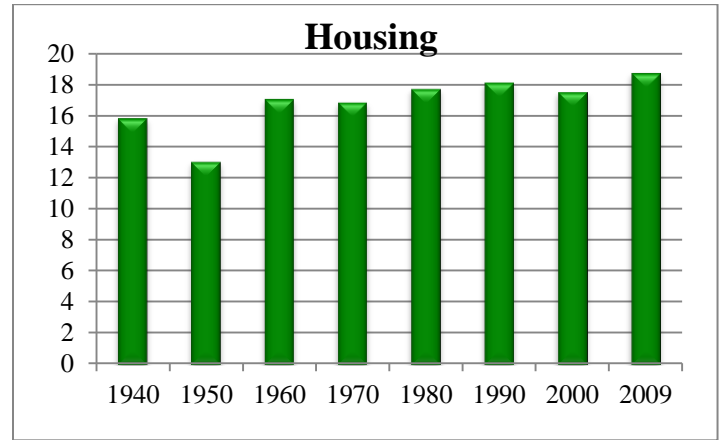
**-(OVER)-**

## Apparel Spending as a % of Personal Consumption Expenditures



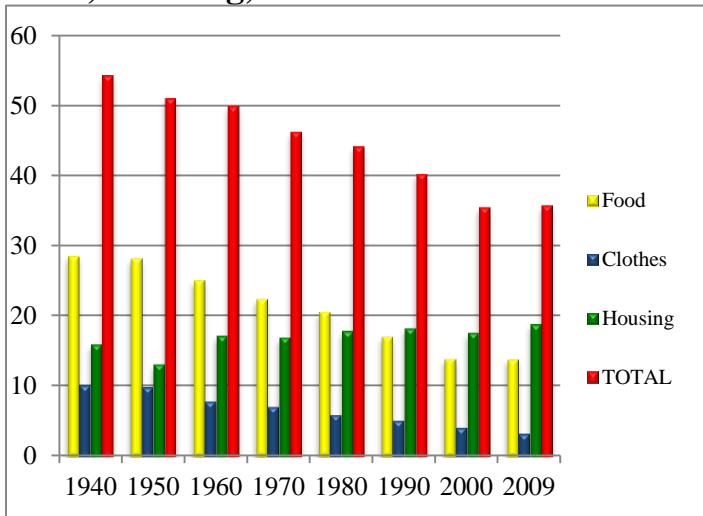
Similarly, while the average American has more clothes than in 1940, because of productivity increases, the percent of the average budget needed to buy clothing and shoes has steadily declined.

## Housing as a % of Personal Consumption Expenditures



Today's homes on average have far more floor space, rooms, bathrooms and other amenities than the typical housing of the 1960's, again because of productivity increases. Yet the proportion of the average budget needed has remained roughly the same since then.

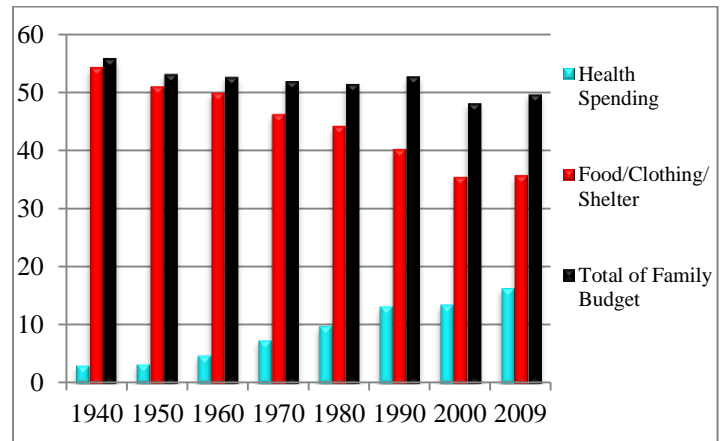
## Food, Clothing, & Shelter Combined



The portion of the family budget devoted to the three necessities of food, clothing, and shelter has fallen steadily since 1940. What then took up over 54% of the family budget now requires only 36% -- even as its quality and quantity has improved. This has freed of resources for other things of importance to Americans families -- such as health care.

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

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



The chart above shows that the decline in how much Americans on average have needed for food, clothing, and shelter, 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. **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**

Data Source (for all charts): (CEA 1991, 2010.) Available at <http://origin.www.gpoaccess.gov/eop/tables10.html>