



RSS Feeds | Reason.com | Reason.tv

SEARCH REASON

[Home](#)[About Reason](#)[Experts](#)[Policy Areas](#)[Policy Studies](#)[Press Room](#)[Publications](#)[Support Reason](#)

## EMAIL UPDATES

Get **weekly updates**  
from Reason.

First Name

Last Name

Email

## TODAY'S TOP TOPICS

[Gridlock and Growth:  
The Effect of Traffic  
Congestion on  
Regional Economic  
Performance](#)[The Future of Too Big  
to Fail and Bailouts](#)[Annual Privatization  
Report 2009](#)Free Minds  
and  
Free Markets

...are NOT FREE

reason  
Free Minds and Free MarketsBrought to you  
by your support[Click to donate now!](#)SUBSCRIBE  
TO REASON  
MAGAZINE  
[click here](#)The  
Drew Carey Project  
reason.tv

## Out of Control Policy Blog

## Medical Innovation in Obama Land?



Shikha Dalmia

November 23, 2009, 2:43pm

Undoubtedly, one of the biggest casualties of ObamaCare will be medical innovations. A recent Cato Institute **study** found that America leads the world in innovations in basic sciences, diagnostics, and therapeutics. In fact, the US has contributed more than any other country, and in some cases, more than all countries combined, in these areas.

Why? Because, as this [reason.tv video](#) notes, America is the only country in the West that has resisted (more or less) the urge to tamper with the profit motive by imposing price controls on drug and device makers. Secure in the knowledge that they will have a market for their billions of dollars in investments, these companies have developed all kinds of life-saving technologies from cholesterol-busting drugs to MRIs from which the entire world benefits.

But here is the issue for policy wonks: Are these innovations "efficient," meaning reflective of the true choices of consumers? Our tax code gives employers a huge tax break when they offer generous health coverage to their workers. This arguably causes Americans to over-consume all kinds of medical services because they have little incentive to ask if the marginal benefit that, say, a particular drug or diagnostic procedure will deliver is worth its marginal cost.

This over-consumption to some extent has made America the font of new medical innovations. But the problem is that this comes with an opportunity cost. The needs in an economy always exceed the resources available to satisfy them. Hence, when government policies force people to over-consume in one area, they inevitably draw resources from some other area where, in fact, consumers, left to their own devices, might prefer to spend their money. So, who knows, if not prompted by bad government policies to divert their wages to health care, Americans might prefer to spend them on dining out, traveling or reading. Who knows to what extent the innovativeness of the American health care sector has been purchased by depressing innovations in the food, travel and publishing sectors?

The only way to fix this problem is by removing the tax subsidies from health care and leveling the playing field across industries. Instead, ObamaCare will raise the health care subsidies and then try and prevent over-consumption of medical services by rationing care.

The result will be total economic uncertainty that drives out both medical innovations and delivers inferior care without producing any gains in any other sector of the economy.

This is how developing countries turned into economic basket-cases. Welcome to Obama Land.

[ShareThis](#)[Print This](#)[« When will ObamaCare go into... | Main | Housing Keeping Us Down? »](#)

## RECENT POSTS

[GDP Growth Revised Down to 2.8 Percent](#)  
(11/24)[23 Percent of Mortgages Are "Upside Down"](#)  
(11/24)[On Aviation, Secretary LaHood Should Look to Plans From the Clinton Era](#) (11/24)[Banning Laptops In Cockpits Would Be More Congressional Meddling](#) (11/24)[Aim Your Travel Frustrations at Washington](#)  
(11/24)

## AUTHORS

[Adrian Moore](#)[Robert Poole](#)[Shikha Dalmia](#)[Leonard Gilroy](#)[Anthony Randazzo](#)[Lisa Snell](#)[Sam Staley](#)[Adam Summers](#)[Steven Titch](#)[Shirley Ybarra](#)

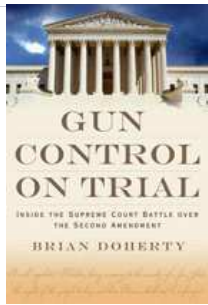
## TOPICS

[Economics, Bailouts, Stimulus](#)[Education](#)[Energy](#)[Environment](#)[Government Reform](#)[Health Care](#)[Housing, Land Use, Urban Growth](#)[Immigration](#)[Privatization](#)[Telecommunications](#)[Transportation](#)[More Topics](#)

## OUT OF CONTROL POLICY ARCHIVES

11.22.09-11.28.09

[About Reason Foundation](#)[Media Contact](#)



©2009 The Reason Foundation. All rights reserved.  
3415 S. Sepulveda Blvd. Suite 400 Los Angeles, CA 90034 (310) 391-2245  
Please email [feedback@reason.org](mailto:feedback@reason.org) if you have questions about this Web site.

