ECONOMISTS ON ACADEMIC MEDICINE:

Elephants in a Porcelain Shop?

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In this paper the authors attempt to be delicate elephants in a porcelain shop. Two seemingly contradictory points are made:

1. There is no economic case for public subsidies toward GME.

2. Congress should not abolish the current subsidies toward GME.

The first argument rests on the theory that interns and residents are just a form of cheap labor that is, in fact, a contributor to the teaching hospital's profit. There is empirical evidence to support that theory.

The second argument rests on the observation that Congress may be reluctant to fund explicitly health care for uninsured, low-income Americans, but that it can easily be seduced by the leaders of academic medicine into funding such care through the backdoor, on the belief (whether truly believed or not) that GME actually detracts from the teaching hospital's bottom line and that teaching hospitals therefore should be reimbursed for that loss, because a medical education is a "public good."

It may be noted in passing that, on the criteria for "public goods" used by economists, a medical education is no more a public good than, say, graduate education in the law or in business. It is so because a medical education is essentially human capital fully owned by the individual physician who can dispose of that capital as he or she wishes – even to the point of deploying it solely for cosmetic plastic surgery that is in the nature of a private luxury good -- or on Wall Street.

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