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Alberto Batinti, Roger D. Congleton



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On the Codetermination of Tax-Financed Medical R&D and Healthcare Expenditures: Models and Evidence[‡]

Alberto Batinti[§] & Roger D. Congleton^{**}

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Abstract: This paper develops a model of voter choices over support for tax-financed healthcare R&D and healthcare and provides statistical evidence that is consistent with the theoretical analysis. Healthcare expenditures and the level of healthcare technology are not entirely independent phenomena, as often assumed in theoretical and empirical work. Voter interests imply that electoral support for subsidizing healthcare R&D is likely to exist in both private and public healthcare systems. These subsidies in turn tend to increase the rate of innovation and thereby long-run demand for and cost of healthcare through effects on the effectiveness and the menu of available healthcare treatments.

JEL codes: D72; H53; H55; O33; O38

Keywords: Welfare State, Public Healthcare Systems, R&D, Medical Insurance, Median Voter, Innovations in Healthcare

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[§] Assistant Professor of Public Economics and Administration Economics, Shanghai University of Finance and Economics.

^{**} Corresponding Author, BB&T Professor of Economics, West Virginia University, Morgantown WV (roger.congleton@mail.wvu.edu).

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