

IOM PRESENTATION

June 20, 2005

by
DAVID L. KASERMAN

TORCHMARK PROFESSOR OF ECONOMICS,
AUBURN UNIVERSITY

- 1 -

BEGIN BY ESTABLISHING PROPERTY RIGHTS.

A SHORTAGE IS, BY DEFINITION, AN ECONOMIC PHENOMENON.

A SHORTAGE IS DEFINED AS AN EXCESS OF QUANTITY DEMANDED OVER QUANTITY SUPPLIED AT A GIVEN PRICE.

THUS, IT INVOLVES THE CONCEPTS OF DEMAND AND SUPPLY, WHICH ARE DISTINCTLY ECONOMIC SUBJECTS.

EVERY ECONOMIST (BUT ONE?) WHO HAS STUDIED THE ORGAN SHORTAGE HAS REACHED THE SAME CONCLUSION:

THIS SHORTAGE IS CAUSED BY THE NATIONAL ORGAN TRANSPLANT ACT'S REQUIREMENT THAT ALL DONATIONS MUST OCCUR AT A PRICE OF ZERO.

THEREFORE, THE SHORTAGE CAN BE ELIMINATED BY REPEALING THAT REQUIREMENT, AT LEAST FOR CADAVERIC DONORS.

Adams
Barnett
Barney
Beard
Becker
Blair
Brams
Cohen
Kaserman
Reynolds

- 3 -

IT IS IMPORTANT TO NOTE WHAT IS NOT BEING PROPOSED:

-- PAYING LIVING DONORS

-- SELLING TO RECIPIENTS

NOTE: IF YOU ARE OPPOSED TO PAYING LIVING DONORS (EITHER LEGALLY OR ON THE BLACK MARKET), YOU SHOULD FAVOR THE USE OF FINANCIAL INCENTIVES FOR CADAVERIC DONORS.

IT APPEARS TO BE FEASIBLE TO RESOLVE THE SHORTAGE WITHIN THE CONSTRAINT PROVIDED BY QUALIFYING DEATHS.*

IT WILL, HOWEVER, REQUIRE SEVERAL YEARS.

A PROBLEM THAT HAS BEEN BUILDING FOR THIRTY YEARS CANNOT BE REPAIRED OVERNIGHT.

- *See David L. Kaserman, "On the Feasibility of Resolving the Organ Shortage," mimeo, Auburn University, 2005.

WHAT WILL NOT RESOLVE THE ORGAN SHORTAGE:

- ADDITIONAL SPENDING ON EDUCATION*
 - “BEST PRACTICES” APPROACH**
 - CONTINUED WISHFUL THINKING.***
-
- *See T. Randolph Beard, David L. Kaserman, and Richard P. Saba, “Limits to Altruism: Organ Supply and Educational Expenditures,” Contemporary Economic Policy, Vol. 22 (October 2004), pp. 433-441.
 - **See T. Randolph Beard, David L. Kaserman, and Richard P. Saba, “Inefficiency in Organ Procurement,” mimeo, Auburn University, 2004.
 - ***Economics has been defined as “an antidote for wishful thinking.”

ETHICS – I HAVE YET TO SEE A SINGLE
ETHICAL ARGUMENT AGAINST
CADAVERIC DONOR PAYMENTS THAT:

1. MAKES SENSE; AND
2. JUSTIFIES THE LOSS OF A SINGLE LIFE,
LET ALONE OVER 7,000 EACH YEAR.

ANSWERS TO THE COMMITTEE'S QUESTIONS

1. CURRENTLY AVAILABLE EVIDENCE:

A. OTHER MARKETS – I DO NOT KNOW OF A SINGLE EXCEPTION TO THE LAW OF SUPPLY.

B. A FRANK ADAMS, III, A.H. BARNETT, AND DAVID L. KASERMAN, "MARKETS FOR ORGANS: THE QUESTION OF SUPPLY," CONTEMPORARY ECONOMIC POLICY, VOL. 17 (APRIL 1999), PP. 147-155.

C. BLACK MARKET SALES

D. SPAIN (?)

E. TRIALS COULD BE CONDUCTED.

2. DISTRIBUTIONAL ISSUES:

A. LEVEL OF COMPENSATION CAN BE DETERMINED THROUGH TRIALS (PROBABLY BETWEEN \$1,000 AND \$5,000 PER DONOR).

B. MONEY CAN COME FROM SAVINGS REALIZED FROM TRANSPLANTING DIALYSIS PATIENTS. SAVINGS > COSTS.

C. NO SIGNIFICANT INCOME DISTRIBUTION ISSUES. LIKELY TO BE SLIGHTLY PROGRESSIVE.

POTENTIAL TRADEOFFS

- A. NO. SOME SLIGHT EFFECT MAY OCCUR, BUT THE ECONOMIC CONDITIONS THAT WOULD HAVE TO EXIST FOR A NET REDUCTION TO MATERIALIZE ARE EXTREMELY UNLIKELY TO BE PRESENT.*
- B. NO. IN-KIND PAYMENTS ARE WIDELY RECOGNIZED AS AN INEFFICIENT INSTRUMENT. BEST APPROACH IS TO OFFER POTENTIAL DONORS A MENU OF ALTERNATIVE MODES OF COMPENSATION (INCLUDING ALTRUISTIC, FREE DONATION).

*See David L. Kaserman and A.H. Barnett, The U.S. Organ Procurement System: A Prescription for Reform, The American Enterprise Institute, Washington DC., 2002, pp. 80-82

4. EXAMINING THE IMPACT

A. IMPACT ON DONORS WILL BE AN INCREASED RATE OF CONSENT.

B. THERE SHOULD BE NO IMPACT ON PHYSICIANS OR NURSES.

C. ORGAN PROCUREMENT TEAMS SHOULD FIND THEIR JOBS EASIER:

-- ADDITIONAL TOOL TO MOTIVATE SUPPLY (BUT NOT A SUBSTITUTE FOR COMPASSION)

-- AS PROCESS IS INSTITUTIONALIZED, FAMILIES WILL ROUTINELY COME FORWARD FOR EXPECTED DEATH BENEFIT.