

**Baumol, William J. The cost disease: why computers get cheaper and health care doesn't, by William J. Baumol with David de Ferranti et al. Yale, 2012. 249p
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About 50 years ago, economist Baumol coined the term "cost disease" (others subsequently labeled it eponymously the "Baumol effect"): the tendency of costs in certain sectors, mainly personal services, to rise disproportionately because productivity in these "handicraft" areas is stagnant. Baumol (New York Univ.) now applies his theory and its implications, for all practical purposes, to health care. (Education and other services are mentioned, but health care gets more than the lion's share of the treatment.) The good news, according to Baumol, is that progressive sectors churn enough purchasing power for people to be able to afford rising health care bills; the bad news is that he sees these other sectors, with sizable productivity gains and lower costs, as also making weaponry and environmental "bads" increasingly affordable, and thus posing significant threats to human welfare. This is a valuable, thought-provoking, and well-written volume. Yet one also has the feeling of something being not quite right. Readers and public policy officials would be better served had Baumol applied the "cost disease" to lawyers' and therapists' prices; not limited it to a sector with significant public financing; and eased up on the not-so-subtle ideological undertones. Ample notes and references. Summing Up: Highly recommended. All readership levels.