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Parsing the Health Reform Arguments

Some of the shibboleths we've heard in recent weeks don't make much sense.

By [GEORGE NEWMAN](#)

The health-care debate continues. We have now heard from nearly all the politicians, experts and interested parties: doctors, drug makers, hospitals, insurance companies, even constitutional lawyers (though not, significantly, from trial lawyers, who know full well "change" is not coming to their practices). Here is how one humble economist sees some of the main arguments, which I have paraphrased below:

- *"The American people overwhelmingly favor reform."*

If you ask whether people would be happier if somebody else paid their medical bills, they generally say yes. But surveys on consumers' satisfaction with their quality of care show overwhelming support for the continuation of the present arrangement. The best proof of this is the belated recognition by the proponents of health-care reform that they need to promise people that they can keep what they have now.

- *"The cost of health care rises two to three times as fast as inflation."*

That's like comparing the price of hamburger 30 years ago with the price of filet mignon today and calling the difference inflation. Or the price of a 19-inch, black-and-white TV 30 years ago with the price of a 50-inch HDTV today. The improvements in medical care are even more dramatic, leading to longer life, less pain, fewer exploratory surgeries and miracle drugs. Of course the research, the equipment and the training that produce these improvements don't come cheap.

- *"Health care represents a rising proportion of our income."*

That's not only true but perfectly natural. Quality health care is a discretionary, income-elastic expense -- i.e. the richer a society, the larger the proportion of income that is spent on it. (Poor societies have to spend income gains on food and other necessities.) Consider the alternatives. Would we feel better about ourselves if we skimmed on our family's health care and spent the money on liquor, gambling, night clubs or a third television set?

- *"Shifting funds from health care to education would make for a better society."*

These two services have a lot in common, including steadily rising cost. What is curious is that this rise in education costs is deemed by the liberal establishment smart and farsighted while the rise in health-care costs is a curse to be stopped at any cost. What is curiouser still is that in education, where they always advocate more "investment," past increases have gone hand-in-hand with demonstrably deteriorating outcomes. The rising cost in health care has been accompanied by clearly superior results. Thus we would shift dollars from where they do a lot of good to an area where they don't.

- *"Forty-five million people in the U.S. are uninsured."*

Even if this were true (many dispute it) should we risk destroying a system that works for the vast majority to help 15% of our population?

- *"The cost of treating the 45 million uninsured is shifted to the rest of us."*

So on Monday, Wednesday and Friday we are harangued about the 45 million people lacking medical care, and on Tuesday and Thursday we are told we already pay for that care. Left-wing reformers think that if they split the two arguments we are too stupid to notice the contradiction. Furthermore, if cost shifting is bad, wait for the Mother of all Cost Shifting when suppliers have to overcharge the private plans to compensate for the depressed prices forced on them by the public plan.

- *"A universal plan will reduce the cost of health care."*

Think a moment. Suppose you are in an apple market with 100 buyers and 100 sellers every day and apples sell for \$1 a pound. Suddenly one day 120 buyers show up. Will the price of the apples go up or down?

- *"U.S. companies are at a disadvantage against foreign competitors who don't have to pay their employees' health insurance."*

This would be true if the funds for health care in those countries fell from the sky. As it is, employees in those countries pay for their health care in much higher income taxes, sales or value-added taxes, gasoline taxes (think \$8 a gallon at the pump) and in many other ways, effectively reducing their take-home pay and living standards. And isn't it odd that the same people who want to lift this burden from businesses that provide health benefits also (again, on alternate days) want to impose this burden on the other firms that do not offer this benefit. What about the international competitiveness of these companies?

- *"If you like your current plan you can keep it."*

In other words, you can keep your current plan if it (and the company offering it) is still around. This is not a trivial qualification. Proponents have clearly learned from the HillaryCare debacle in the 1990s that radical transformation does not sell. What we have instead is what came to be dubbed "salami tactics" in postwar Eastern Europe where Communist leaders took away freedoms one at a time to minimize resistance and obscure the ultimate goal. If nothing else, a century of vain attempts to break the Post Office monopoly should teach us how welcoming Congress is to competition to one of its high-cost, inefficient wards.

- *"Congress will be strictly neutral between the public and private plans."*

Nonsense. Congress has a hundred ways to help its creation hide costs, from squeezing suppliers to hidden

subsidies (think Amtrak). And it has even more ways to bankrupt private plans. One way is to mandate ever more exotic and expensive coverage (think hair transplants or sex-change operations). Another is by limiting and averaging premiums and outlawing advertising. And if all else fails Congress can always resort to tax audits and public harassment of executives -- all in the name of "leveling the playing field." Then, in the end, the triumphal announcement: "The private system has failed."

- *"Decisions will still be made by doctors and patients and the system won't be politicized."*

Fat chance. Funding conflicts between mental health and gynecology will be based on which pressure group offers the richer bribe or appears more politically correct. The closing (or opening) of a hospital will be based not on need but which subcommittee chairman's district the hospital is in. Imagine the centralization of all medical research in the country in the brand new Robert Byrd Medical Center in Morgantown, W.Va. You get the idea.

- *"We need a public plan to keep the private plans honest."*

The 1,500 or so private plans don't produce enough competition? Making it 1,501 will do the trick? But then why stop there? Eating is even more important than health care, so shouldn't we have government-run supermarkets "to keep the private ones honest"? After all, supermarkets clearly put profits ahead of feeding people. And we can't run around naked, so we should have government-run clothing stores to keep the private ones honest. And shelter is just as important, so we should start public housing to keep private builders honest. Oops, we already have that. And that is exactly the point. Think of everything you know about public housing, the image the term conjures up in your mind. If you like public housing you will love public health care.

Mr. Newman is an economist and retired business executive.

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