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Conservative Conundrum

by Sheldon Richman

Conservatives become more inscrutable every day. They spend half their time praising the federal government for its miracles in Iraq (and, if they get their way, in Iran) and the other half of their time ridiculing the Democrats for thinking that the same federal government can provide medical insurance for everyone.

Sean Hannity, the hottest conservative property these days on radio and cable television, did just this one evening in May on his Fox television program. First, he raved about the government's efficacy in Iraq; then he bashed the Democrats for thinking that the government, "which never gets anything right," can become everyone's health insurer.

Which is it, conservatives?

There are excellent reasons for rejecting any attempt by the government to take over health insurance. Politicians will begin by making grand promises, but they will end up creating shortages and shoddy medical services and imposing restrictions on people seeking those services. Just examine the various plans being floated by the would-be Democratic presidential candidates. Sen. John Kerry, for example, promises to cut costs while extending coverage to nearly everyone. When you hear a politician talk about cutting the costs of a service provided in the private sector, run in the other direction. It means price controls, and nothing is more devastating and disruptive than price controls. Moreover, nothing better shows a politician's ignorance of basic economics.

The price system is essential for coordinating supply and demand. It is what helps prevent unfulfilled demand and unwanted supply. Prices are signals to entrepreneurs that carry vital information about what people want and what resources are available. Socialist economies cannot function because they either abolish prices or so badly distort them that they cannot perform their role.

Government control of prices is a policy deliberately aimed at distorting those signals. Unsurprisingly, they wreak havoc in any market. Where there are price ceilings, there are

shortages and shoddy goods and services. Remember that, when you hear a candidate promise to control the costs of medical services and insurance.

Another problem with these proposals is that they misconstrue the purpose for insurance. Were it not for the daffy tax code, people would use medical insurance only to prevent being wiped out financially by a catastrophic illness or injury. Using insurance for every routine doctor visit is like using auto insurance for oil changes. It's not worth it — unless you can get someone else to pay the premiums. That's what medical insurance is designed to do today. (People still pay the premiums; they're just well hidden.)

So the conservatives are correct. It is futile for government to try to make medical care widely available. Free markets are the best route to that destination. (Too bad President Bush does not know this.) Then why do conservatives think the government can do something more complex, such as turning Iraq into a modern, enlightened polity? They seem to think the American military can work magic. It can't.

Societies are so complex that no one can plan them, not even the brilliant civilian and military minds that run the U.S. government. If the Iraqis are going to have society in which individual rights (including property rights) are respected, in which the rule of law prevails, and in which power is strictly limited, they are going to have to discover those things for themselves. Liberalism (in the original pro-freedom sense) cannot be force-fed. Attempting it will only breed resentment and resistance. The U.S. government is already seen as an occupier in Iraq. This will only get worse.

The conservatives don't get it. Years ago the quintessential conservative columnist, George Will, pointed out a conundrum: if conservatives say that government is incompetent when it comes to controlling prices and wages, who will believe them when they say that the government can do things such as overthrow Castro? (This was written when Saddam Hussein was still a U.S. ally.)

We can turn that question around: if conservatives insist that the government can build a nation in Iraq, who will believe them when they say the government can't run the health-care system?

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