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Drugged Up on Power

by Sheldon Richman

Congress, pushed by a president who clearly intends to get reelected partly by stealing the Democrats' ideas, is moving toward expanding Medicare to include prescription drugs. That may be good news for win-at-any-price Republicans, but it's bad news for sound medical care, and, more important, for individual liberty.

Here's the difference between a Democrat and a Republican. Democrats want government to do things directly, such as pay for the elderly's drugs with a check from Medicare. Republicans want to manipulate people into patronizing what appear to be private enterprises, such as giving the elderly subsidies, as the Senate bill would do, to buy drug coverage from insurance companies or to obtain that coverage and other medical services from managed-care organizations. (The plan would limit the alternatives to traditional Medicare to three low bidders per region.)

That's a Hobson's choice, much like the choice between socialism and fascism. Freedom and free enterprise are not on the table.

Well, so what? The elderly need help buying medicine, and surely a rich society like ours can afford it. Right?

Wrong. First, to say "society can afford it" is to gloss over the coercion at the heart of the system. Some people will be taxed to pay for other people's medicines. Where's the justice in that? I'm sure that most of the people who think that those who are taxed are able to pay and those who get the benefits need them would never suspect that they are parroting Marx's "From each according to his ability; to each according to his need." But there it is.

Second, would anyone think "we" can afford it if the price is the crippling of the pharmaceutical industry, which has provided myriad lifesaving drugs that often obviate the need for more costly surgery? That is what's at stake.

This is no overdramatization. Whether government (that is, the taxpayers) pays for drugs the Democratic way or the Republican way, a bureaucracy will gain the power to set the terms for the sale of medicine. When insurance companies and managed-care organizations are dependent on government checks, government officials can call the tune. The elderly vote in large numbers.

Thus the political dynamic will favor keeping drug prices artificially low. This will have at least two effects. Demand will be stimulated because the closer a price is to zero, the more the product will be consumed. Medicine is no different. Ignore the \$400 billion 10-year cost estimate being bandied about. That will turn out to be dramatically below the actual costs, just as Medicare's estimates were. (Medicare's original estimate of its 1990 hospital-insurance costs was \$9 billion. The actual figure was \$66 billion.) When the price of the program goes through the ceiling, we'll see a host of restrictions on what drugs the elderly can buy.

We'll also see price controls in an effort to rein in the budget. There is no more efficient way to destroy productive activity than with price controls. When government imposes prices below the market-clearing level, shortages result. What's more, the development of new drugs will be stultified. This will harm the American people, but it will help those who want the government to take over medical care. The so-called medical reforms of the past few decades, which have done nothing to improve things, have been based on an agenda: to set the stage for a nationalized medical system. Sen. Edward Kennedy (D.-Mass.) has made no secret of this. Regarding the Senate's prescription drug plan, Kennedy, who supports the plan, says, "We'll expand it over a period of time." You can bet the milk money on it.

While all this "reform" in the direction of socialism is going on, the legitimate way to bring down the cost of medicine goes neglected. You'd think the problems stem from an existing free market, but nothing could be more wrong. There's been no free market in medicine for many years. Dubious patent laws interfere with competition. The Food and Drug Administration grossly hikes the cost of developing new medicines. And government control through licensing and prescriptions cartelize the entire medical industry.

That system should be junked. But who in Washington likes to give up power?

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This article was originally published in July of 2003.