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Socialism and Medicine, Part 1

by William L. Anderson

If the financial popularity of Michael Moore’s latest “documentary,” called *Sicko*, is an indication of popular sentiment in this country, then the United States seems to be ready for what once was called *socialized medicine*, but today is better known as “single-payer medicine.” All of the candidates running for the Democratic nomination for president of the United States this year promised programs similar to what exists in countries such as Canada, France, and Great Britain. The Republicans are promising “socialism lite.” Both parties promise that the government will be paying much, much more.

Any discussion of medical care and its availability can stir emotions like nothing else. Any time I write on this subject in a public venue, I am assured of receiving strong hate mail from people who are convinced that I want only the rich to receive health care. Other people try to defend what exists in the United States today, which is not easily defended, at least not from a free-market point of view.

As I see it, the subject of medical care is extremely complex, not because of the nature of health care, but rather because of the vast number of government regulations and policies that already govern what currently exists. Government intervention into nearly every aspect of our lives is so common that people often lose sight of how things would operate *absent* the intervention. Furthermore, people seem to be convinced that government really is the answer when it comes to medical care.

Since the country seems to be barreling headlong to full government-run medical care, I find it necessary both to explain why such a system is and will continue to be disastrous, resulting in costly, substandard care, and to explain the virtues of something that no longer exists in this country: free-market health care. It does no good to criticize the former but ignore the latter, especially since most people are led to believe that the current system of intervention plus “private” employer-based health insurance somehow is free-market medicine. Nothing could be further from the truth, but since there are few people speaking up for free markets these days, we should not be surprised when people confuse a thoroughly interventionist market with free exchange.

In this article, I first will explain what exists in this country today and why the “horror stories” that Moore showcased in *Sicko* have occurred. I also will point out *how* we have come to the current situation and why government intervention is the reason. Second, I will examine socialist medical care, both the “single-

payer” socialism (such as that which exists in Canada) and the more “traditional” socialist model that exists in Great Britain, where the government owns the medical facilities and employs medical personnel.

Third, and last, I will explain how a free-market health-care system would operate and, more important, why it would provide the best care for people. Although the present political climate does not bode well for free-market anything, let alone something as government-controlled as medical care, nonetheless it is important that we understand why free markets are the best solution.

The world of *Sicko*

Earlier this week, I visited a local chiropractor to have treatment on my ailing back. My insurer covers chiropractic care, so I did not pay the doctor directly for services. In fact, the vast amount of medical care in the United States is paid by third parties, be they insurance companies or governments, and that is the root of the problematic situation that exists today in medical care.

Keep in mind that the “solution” that always is touted is the “third-party” system, but that the third party must be the central government and no one else. However, that arrangement simply transfers the problems that already exist; it does nothing to deal with the central problems in health care.

Third-party payers were not always dominant in medical care. Until the post–World War II era, medical services were pay-as-you-go affairs. Those who could not afford the best care depended on charity hospitals or doctors who were willing to stretch out the payment structure. In other words, people purchased medical care the way that they purchased most other goods: directly and in close relationships with those people who provided the services.

The first real break in that system came during World War II, when the government had strict wage-price controls. Employers making war goods (the only real game in town) were faced with chronic labor shortages, yet could not offer higher pay in order to attract workers. Thus, they turned to providing tax-free “benefits” such as health insurance.

I have talked to people who were involved in those early programs. For the most part, employers offered insurance plans to employees in order to provide protection from catastrophic illnesses or accidents. The idea at that time that an *insurance company* would pay for regular doctor visits and the like was seemingly far-fetched.

However, the social effects of the Great Depression and World War II would have an enormous impact on medical care in this country and elsewhere. First, following the war, Great Britain embarked upon an ambitious program of socialism, not only “nationalizing” the railroads and many businesses, but also creating the British National Health Service in which *all* medical care, from doctor visits to other medical procedures, would be provided free of charge to anyone living in Great Britain. Other Western European nations quickly followed, urged on by social reformers who said that socialization of medical care would serve as a powerful antidote to the lure of communism on the eastern side of the Iron Curtain.

Intellectuals in this country latched upon the medical socialism across the Atlantic Ocean and soon became a background political force that kept this issue in the public eye. At the same time, American labor

unions (and especially the United Auto Workers) were pushing the corporate welfare state as an American example, and health care was front and center.

Insurance plans that once were employer-paid and meant to ward off catastrophic illness expenses became a means by which employees had *all* of their medical expenses paid. Granted, only a minority of American workers had this privilege, but health insurance as a means of increasing de facto income without increasing tax liability became increasingly popular.

(As employers turned to benefit packages such as health insurance as a means for giving raises without placing employees into higher income-tax brackets, the Internal Revenue Service began to look more closely at health insurance as a source of new revenues. However, *every* time the IRS has tried to move in this direction, a public outcry has beaten back the agency. Even today, medical benefits are not taxable.)

Furthermore, the welfare state “ideal” was growing quickly, and in 1965 Congress passed a number of welfare measures as part of the Great Society package that Lyndon Johnson was demanding. Among the measures that passed was the Medicare Act, which made the government the “single payer” for health-care services for persons 65 and older.

At the time, I recall vividly that many doctors complained of “socialized medicine,” and predicted Medicare would doom their profession. However, in at least the short term, Medicare has been an income boon to physicians, who quickly found out that the government would pay almost anything doctors charged for their services. Thus, instead of the dreaded “socialized medicine,” doctors were given the Great Sugar Daddy, and the race was on.

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This article was originally published in the May 2008 edition of *Freedom Daily*.