

# Liberty

# Cash and Burn

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## Skirting the Surveillance State

*by Andrew Ferguson*

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*by Randal O'Toole*

## Mr. President, Lay Down That Bible!

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*"A day, an hour, of virtuous liberty is worth a whole eternity of bondage." — Cato*

# How We Got Well

*by John Goodman*

Welcome to the healthcare of tomorrow.

Welcome to Future World, where the average income is \$100,000 a year and people need only a 20-hour work week to earn it. Since the present day, medical science has progressed even faster than income. There are bionic limbs; gene-specific therapies to cure cancer, heart disease and other ailments; cell regeneration; antiaging drugs; and all manner of other improvements that could — if fully used — extend life spans to 125 years.

The problem is that taking full advantage of all these technologies would exhaust the entire gross domestic product. Insuring against all contingencies would require a premium equal to 100% of average income.

So how does Future World deal with this problem?

Years earlier, the residents of Future World found a solution that works very well. It turns out that no one wanted to spend all of his or her income on healthcare. So no one did. But people differed in what health outcomes they most preferred. Some placed a high value on maximizing years of life. Others were willing to trade shorter life spans for superior health outcomes while they were alive. Some rejected the idea of bionic limbs. For religious reasons, some rejected organ transplants. So Future World began allowing people to purchase both directly and through insurance whatever health services they chose. As it turned out, almost everyone chose something different.

(Interestingly, very few people in Future World buy the type of insurance that pays for largely futile care at the end of life, the way Medicare does today; though some people pay large sums on such care out of their own pockets.)

There are basically two categories of third-party insurance in Future World. Based on a 20th-century proposal by John Cochrane, people initially buy a policy covering a set of risky events for a healthy person, and a second plan that covers changes in health status. If a person gets cancer, for example, the first plan pays for immediate treatment. The second plan allows the insured to pay the higher premiums that will be charged in future years to cancer survivors (preexisting condition premiums) if they shop for another insurance policy.

Unlike President Obama's early-21st-century vision of a market in which an individual's insurance premiums are *never* based on health status and expected costs, in Future World premiums are *always* based on health status and expected costs. And people insure in a way that allows them

to pay high premiums if their health conditions take a turn for the worse. In Obama's world, insurers have an incentive to attract the healthy and avoid the sick, prior to enrollment, and after enrollment to overprovide to the healthy (because they are profitable) and underprovide to the sick (because they are unprofitable). In Future World, by contrast, the unhealthy are just as attractive to health plans as the sick — if not more attractive.

People also self-insure in Future World by making deposits to Health Savings Accounts. Unlike today's HSAs, these are after-tax (Roth-type) accounts with no limit on contributions. Although the accounts are completely flexible (they can wrap around any third-party plan), people mainly use them for primary care, preventive care, diagnostic tests, palliative care, and chronic care.

Very early, Future World deregulated the market for health services, encouraging providers to compete for patients on the basis of price and quality. Such competition quickly led to price and quality transparency (posted prices and easily available data on quality). This means the prices people pay tend to reflect real resource costs — a big difference from the former system, in which no one ever faced a real price for anything in healthcare. The process was further aided by converting health insurance to the casualty model, similar to the kind of insurance most people have on their homes and automobiles. After a diagnosis of a condition, insurers make an appropriate sum of money available to the patient to cover the cost of care. But patients control the money and make buying decisions, even for very expensive procedures.

To prevent people from becoming complete free riders, consuming all their income and then relying on the generosity of their neighbors if they get sick, residents of Future World are encouraged to obtain a minimum amount of health insurance through the tax system. For the first \$10,000 of insurance they buy, they receive a dollar-for-dollar tax credit — a system first proposed by John Goodman and Gerald Musgrave back in the 20th century. (The credit varies a bit by age, and there are lower amounts for young children covered by their taxpayer parents.) Everyone is still free to forego insurance; but if he does so, his tax bill will be higher. Since this is an offer one cannot afford to refuse, there are hardly any people

who are completely uninsured in Future World. The few who remain so are expected to pay their medical bills when they get sick. If they lack the ability to do so after exhausting their own resources, doctors and hospitals can draw on a fund that uses as its seed money the extra taxes paid by the uninsured. But this type of care is rationed care, and it is truly charity care, in the sense that the uninsured patient is not *entitled* to any particular kind of medical service.

Future World healthcare has three features that are often considered abhorrent in our own era:

1. Almost all rationing decisions are made by patients, based on their own preferences and their own financial resources.
2. Health insurers are completely free to price and manage risk in competition with one another.
3. The marketplace allocates healthcare resources almost everywhere.

One way to describe Future World is to say that it gets the economics right. People choose what they want. And they pay for what they get. So Future World satisfies the economists' desire to maximize utility, produce efficiently, avoid waste, and so forth. However, Future World faces a continuing moral dilemma.

Each day there are deaths in Future World that could have been prevented if only the appropriate technology had been applied. In a sense, there are also many unmet medical needs — needs that are considered too expensive to fulfill. Question: Is allowing this state of affairs morally permissible?

People in Future World have answered yes, for three reasons: (1) They cannot save every life or treat every need, because they don't have the resources to do so, (2) Those who failed to purchase life-saving technology or failed to insure for it, did so because they valued other uses of those dollars (other consumption) that had to be forgone by those who chose to purchase more insurance instead. Reversing those decisions after the fact for those who experienced bad luck seemed unfair. (3) Choosing to save some and not others also seemed arbitrary and unfair.

This state of affairs was comfortably accepted for many years. Then, one day, it was challenged by a Princeton University ethicist. "There is no social solidarity here," he said. "This is laissez-faire individualism and it produces unacceptable outcomes. These decisions should be made collectively, not individually. Everyone should have identical insurance covering identical services. Any two individuals with the same health condition should have the same outcome."

He didn't deny the fact that he was calling for the rationing of healthcare. Nor did he deny that, with his principles in place, there would be many preventable deaths and many unmet needs. But, he said, "Society as a whole should decide who lives and who dies and which needs are met and unmet."

Initially, some found this argument persuasive. But when they investigated how his idea would work with majority voting, they discovered that no matter what insurance plan was proposed, a majority always preferred something different. Even if a plan could be found to satisfy a majority,



"... Or, in layman's terms, *Ay caramba!*"

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for Keats is intellectual as well as emotional, and she is happy just to be in the room with him while he works.

Fanny, too, is an artist, although her craft is the homely kind that often goes unnoticed and unappreciated. She is an accomplished fashion designer, her page a bolt of cloth and her pen a needle making neat little stitches across a seam. *Campion* reminds us that women's arts were just as beautiful and creative as the more manly pursuits of letters, paint, and marble, though they were never given the same honor and

recognition.

In this film, both the costumes and the cinematography are splendid works of art. Each scene is composed with careful attention to lighting, background, and color. Windows open wide to invite nature inside, blossoms float in the spring air, the camera lingers on the two lovers as they share quiet moments together. Yet one of the most stunning scenes is a somber view of the Spanish Steps in Rome, where Keats went to convalesce after contracting tuberculosis, and where he at last succumbed to

that disease.

At one point a light from the sky beams down on Fanny's bosom, a subtle reminder of Keats's poem "Bright Star." The speaker of that poem longs to be like the star shining "stedfast" upon his "fair love's ripening breast." The poem ends with his desire "to hear her tender-taken breath,/ And so live ever — or else swoon to death." Keats did swoon in death, but his poetry lives on, "a thing of beauty [that] is a joy forever." The film is a fitting tribute to the poetry, and to the life that made it. □

## Reflections, from page 36

here, claimed to have discovered it. As a result, this region is called the Marshall Islands. Likewise, there were thousands of people here when I "discovered" the region upon my arrival. But being much more modest than Captain Marshall, I've decided that I shall only rename my one tiny island as Jeffland.

— Jeff Wrobel

**Norman Jay Levitt, R.I.P.** — I want to take a moment to note with sadness the recent death of a remarkable man, Norman Jay Levitt (1943–2009).

Levitt was a brilliant mathematician. He received his doctorate from Princeton when he was 24, then stayed on there, doing first-rate work, especially in topology. Outside the world of mathematics he was known for his defense of science and its method against postmodernism and other trendy doctrines emanating from the academic world. He wrote for the *New York Review of Books* and especially for *Skeptic* magazine, a publication I never miss.

Now, people who defend science from the pseudoscientific and political attacks mounted by ordinary people are common enough. There is no end to exposes of such nonsense as ESP, flying saucers, creationism, numerology, and astrology. The *Skeptic Society*, of which I am a proud member, has done great work in this area.

But I am convinced that the silly beliefs held by ordinary

folk do nowhere near as much damage to society as the intellectual crap that is accepted by large numbers of academics, especially leftist ones. (And these days, there are hardly any other kinds of academics.) For example, outside of a few Latin American dystopias, where in the hell is Marxism still considered scientific economics? Only in certain departments of American universities.

This is where Levitt was so outstanding. An eminent academic and self-described leftist, he defended science from leftist academic attacks. This took unusual guts.

He wrote or co-wrote a number of books in this vein, such as "Higher Superstition: The Academic Left and its Quarrels with Science" (co-authored with biologist Paul Gross in 1994), "The Flight from Science and Reason" (1997), and "Prometheus Bedeviled: Science and the Contradictions of Contemporary Culture" (1999). It was in "Higher Superstition," in particular, that he took on postmodernist critiques of science. That book in turn inspired physicist Alan Sokal to write his brilliant parody of po-mo nonsense, "Transgressing the Boundaries: Towards a Transformative Hermeneutics of Quantum Gravity" (1996) in the journal *Social Text* — a send-up that did much to discredit postmodernist pretense.

Levitt was a rare combination of brilliance and intellectual honesty. His death is a great loss.

— Gary Jason

## How We Got Well, from page 44

large minorities would want something different, and no one could think of a good reason to deny the minorities what they wished. When pressed on whether there was any collective decision-making algorithm that could reliably improve on the system they already had, the ethicist couldn't produce one.

But the ethicist made another point, which was more troubling: "People who earn less than the average income are buying skimpier insurance packages and putting less into their health savings accounts because they cannot afford better."

"Wrong!" said a Stanford economist. "Poor people could spend more on healthcare, but they choose not to. We live in a prosperous society because people's incomes reflect their different contributions to national output. At different levels of income, people tend to place a different value on health services."

During the Obama administration, Congress had proposed

forcing individuals to purchase "middle-class" insurance, whether they wanted to or not. "That was a mistake," said the economist. "Someone earning \$25,000 in Future World (roughly the minimum wage) can earn \$50,000 by working 40 hours a week instead of 20 — in principle earning enough to insure for everything the healthcare system has to offer. At 60 hours a week he would have \$25,000 left over to buy all the consumption goods he currently buys."

He concluded by noting that in times past a 40-hour work week was considered normal, but many people worked 60 hours. If, today, people choose not to work additional hours to buy additional insurance, they are clearly revealing that they prefer leisure to insurance. "Who are we," he asked, "to tell them they are wrong and try to force them to make a different choice?" And having heard these arguments, the citizens of Future World decided to keep their system intact. □