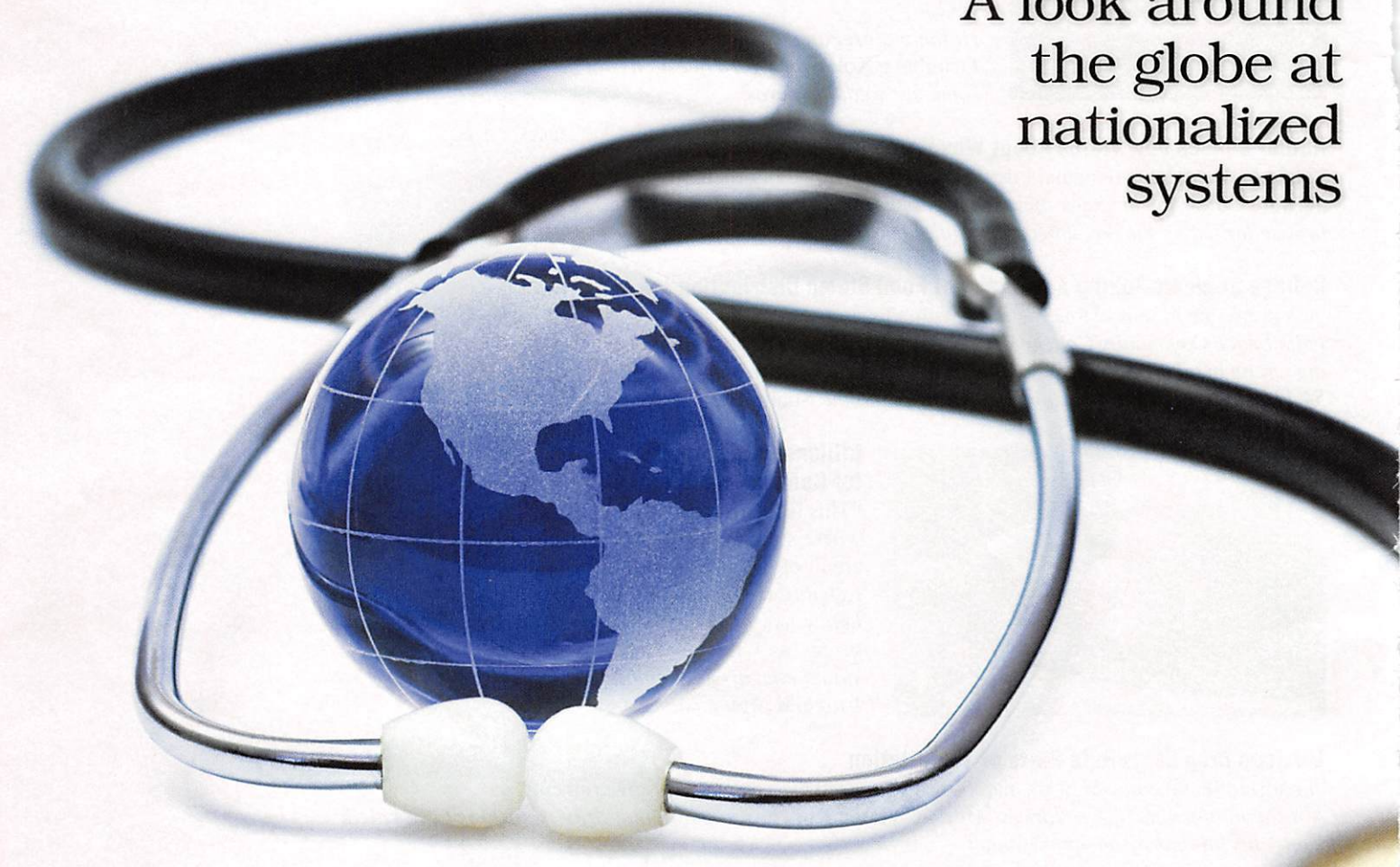
EXAMINING HEALTHCARE

A look around the globe at nationalized systems



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by Alex Newman

The American medical system is roundly acknowledged as being broken. Costs are increasing steadily, to the point where many middle-class Americans cannot afford health insurance. Wait times in emergency rooms are becoming multiple-hour exercises in patience. Illegal immigrants flock to this country to get free medical care while citizens who are between jobs often do without. Doctors who accept Medicare and Medicaid (about 15 percent don't accept Medicaid and 20 percent don't take new Medicaid patients) actually lose money because the government paperwork is time consuming and government reimbursements for care are low. The number of Medicaid recipients is burgeoning, and people with health insurance are picking up much of the tab for those without.

The situation is not expected to get better soon. Recent remarks by Federal Reserve Chairman Ben Bernanke are being cited by the National Center for Policy Analysis as proof that the healthcare situation in America will soon be "unsustainable." Bernanke said that healthcare spending will continue to be the largest

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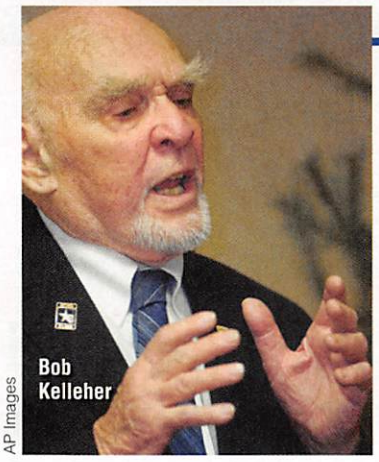


AP Images

Montana GOP Chooses Octogenarian for Senate Race

"I'm not going to have the quiet summer I thought I would."

A perennial candidate for office, 85-year-old **Bob Kelleher** *beat five others in the GOP primary to run against heavily-favored incumbent Democrat Max Baucus.*

Greeting Cards Available for Same-sex "Marriage"

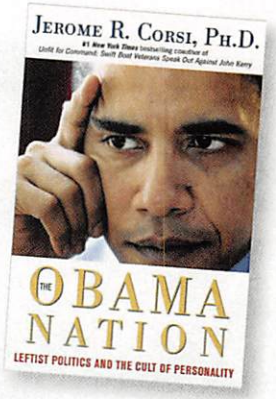
"It's our goal to be as relevant as possible to as many people as we can."

Hallmark greeting card company senior spokeswoman **Sarah Gronberg Kolell** *answered questions about the decision to market same-sex wedding cards.*

Author Minces Few Words About Why He Wrote *Obama Nation*

"The goal is to defeat Obama. I don't want Obama to be in office."

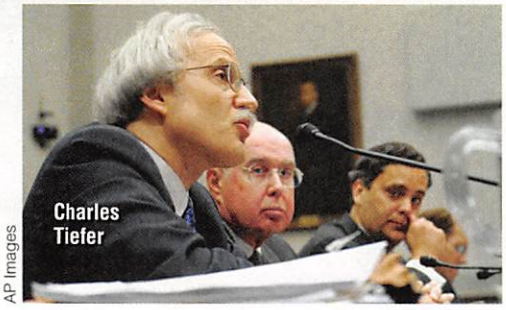
Jerome Corsi *saw his book rocket to Number One on the* New York Times *best-seller list on the day it became available.*



College Students Taking Advantage of Food Stamp Distribution

"It's pretty much impossible to get by without some help."

Palm Beach Community College student **John English** *evidently sees nothing wrong in taking advantage of this form of federal welfare and is one of 54,116 students in Florida doing so according to the* Miami Herald.



AP Images

Billions Being Spent for Contractors in Iraq War

"This is the first war that the United States has fought where so many of the people and resources involved aren't of the military but from contractors."

Keeping troop levels low is the main reason for the heavy use of contractors, according to law school professor **Charles Tiefer**, *a member of a congressional commission appointed to study the practice in Iraq and Afghanistan.*

Mexican Drug Lords Rule Parts of Their Nation

"I realized that the power of the narcos has surpassed the power of my government."

A resident of Culican in northwest Mexico, **Victor Rodriguez** *knows that drug traffickers have killed numerous law enforcement personnel.*

AP Images

Lottery Played to Excess

"No matter how much I get, I always spend it right back."

Though he does win a small amount occasionally, New York City resident **Ray Otero** *actually spends as much as $30,000 annually in hopes of winning "the big one."*

Impeachment Is Still His Option

"The President is capable of taking us into war, in October, on the eve of the election, to try to change the outcome of the election. We need to keep the ability to impeach at the ready in the event that this president continues to exercise a wanton approach toward the use of power, particularly the war power."

Congressman **Dennis Kucinich** *(D-Ohio) has introduced a measure to impeach George Bush and is not willing to withdraw it at this late stage of the Bush presidency.* ■

— Compiled by John F. McManus

QuickQuotes

component of overall consumer spending and is expected to keep rising. Also cited in the article by Ed Thomas was health economist Devon Herrick, who says medical spending and price increases are "rising exponentially more than national income or the rate of inflation." The problems seem so complex as to be insurmountable.

Call for Change

The discouraging disrepair of our medical system is prompting Americans to call for change — any change that might work to lower costs for that individual or improve service. According to Gallup polls conducted in 2007, about 94 percent of Americans favor giving small businesses tax breaks to buy their employees private insurance. Others support the creation of a "national healthcare system." Another popular proposal would limit the amount paid out in malpractice suits — 69 percent of Americans surveyed support that idea. In a press release about the polls entitled "Any Healthcare Reform Plan Will Do for Americans," the general sentiment seems to be that something must be done, but that there are no clear solutions.

Actually, because most of the proposed solutions — particularly the many variants of socialized medical care — have been tried somewhere in the world and found wanting, the true solution is becoming very clear: get government out of medical care. Such a statement probably sounds odd to many Americans, who have been led to believe that market failures and corporate and physician greed are the causes of our country's current healthcare woes. But few beliefs could be further from the truth.

It is a common misconception that the United States has a "free-market" system. As Dr. Jane Orient, the executive director of the Association of American Physicians and Surgeons (AAPS), pointed out in her January 8, 2007 article in TNA entitled "Fractured Healthcare": "Government already pays about half of all medical bills" and controls access to healthcare with over "100,000 pages of regulation." Add to that the fact that even routine doctor visits are often covered by health insurance (insurance that limits the doctors whom one may visit and the terms of access) and the idea that the United States has a free market — where consumers have choices and can choose their doctors and level of care — is laughable. The solutions become clear when one analyzes what has worked elsewhere in the world and what has not.

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Government Medicine

On the other side of the big pond, Europeans have been experimenting with varying degrees of socialized medicine for over a century. They have tried every idea to keep the socialist systems functioning, but they are failing. In fact, socialized medicine is failing everywhere. For instance, wait lists in non-European countries with socialized medical care, like Canada and New Zealand, have become so long that many patients die waiting for necessary care.

A 2004 article in the *New Zealand Herald* tells the story of one gastroenterologist with 458 patients on his waiting list, 180 of whom were still waiting on a definite time for treatment. According to the story, "The hospital was trying to deal with the most urgent cases first. Less urgent cases were being pushed further down the list." Deciding on patient priority was difficult, leaving the doctor in quite a bind. "In an ideal world I would see the patients and then decide what to do," he said.

Canada is facing similar problems. A short documentary film by Free Market

AP Images

Step by step: House Speaker Nancy Pelosi advocates adding an estimated 10 million children to the 6.6 million currently covered by SCHIP (State Children's Health Insurance Program). Through SCHIP and other federal programs, America's healthcare system is being nationalized incrementally.

Cure illustrates the consequences of government medicine. The film's segment entitled "Two Women" documents the medical stories of two patients — one woman needed an urgent surgery to save her bladder, and another patient "needed" a sex-change operation. The woman needing the bladder surgery was told she would have to wait more than three years for her operation. Also, she was told that, as a Canadian citizen, she would not be allowed to pay for the surgery out of her own pocket in order to move up the date of the surgery. During her interminable wait, she finally had to have her bladder removed to save her life. The other patient was well-received by the Ontario health minister who promised to cover the surgery before taking office. "I believe God wanted me to be a woman but the angel got the directions wrong," the "transsexual" person explained.

Similar stories abound in countries with socialized medicine because government bureaucrats pick and choose which types of surgeries and care will get funding.

Giant figures representing various professions including healthcare, and a sign declaring "Poor despite employment," mark a demonstration in Germany against planned reforms to the healthcare system. German doctors are poorly paid, and many are seeking employment abroad.

As the flaws become more apparent, and with governments rationing medical care, many people in socialized countries are demanding change — and they have been getting some change that works. In an article in the *Journal of Health Politics, Policy and Law*, Hans Maarse analyzed eight countries and their experiences with the increasing privatization of healthcare. "The growth of the public fraction in health care spending has come to an end since the 1980s, and in a few countries the private fraction even increased substantially," he noted. And according to the International Association of Health Policy, "For at least two decades European health care systems have experienced both structural adjustment and market-oriented reform policies. They are aimed at reducing costs and increase efficiency of health care financing and provision by employing privatisation and marketisation strategies."

In the Netherlands prior to 2006, government was heavily involved in medical services. According to Claire Daley and James Gubb in an article published by the CIVITAS Institute for the Study of Civil Society in 2007, "Recent reforms were introduced in response to a number of problems … a two-tier system of private health insurance for the rich and state coverage for the rest, inefficient and complex bureaucracy, lengthy waiting lists and a lack of patient-focus." In 2006, the Netherlands saw reforms that, although still socialized to the extent that it attempts to provide healthcare to everyone through the use of government subsidies, is all provided by private companies. In a 2007 *Wall Street Journal* article, Gautam Naik said: "The Netherlands is using competition and a small dose of regulation to pursue what many in the U.S. hunger to achieve: health insurance for everyone, coupled with a tighter lid on costs." And this has improved care and lowered costs because the system is less socialized and more competitive than before. According to Naik's article, "Waiting lists are shrinking, and private health insurers are coming up with innovative ways to care for the sick."

Policy analysts Wynand P.M.M. van de Ven and Frederik T. Schut in a 2008 article published in *Health Affairs* tell how the system operates: "Since 2006 all Dutch citizens have to buy standardized individual health insurance coverage from a private insurer. Consumers have an annual choice among insurers, and insurers can selectively contract or integrate with health care providers. Subsidies make health insurance affordable for everyone. A Risk Equalization Fund compensates insurers for enrollees with predictably high medical expenses. The reform is a work in progress. So far the emphasis has been on the health insurance market. The challenge is now to successfully reform the market for the provision of health care."

The Dutch government even set up a website "where consumers can compare all insurers with respect to price, services, consumer satisfaction, and supplemental insurance, and compare hospitals on dif-

ferent sets of performance indicators." Though the U.S. government has no constitutional authority to be involved in medical care, state governments could create similar websites to encourage competition amongst doctors and insurance companies to drive down costs. The current Dutch system is considered an improvement over the previous approach, but many still believe it could be much improved with further separation of medicine and state.

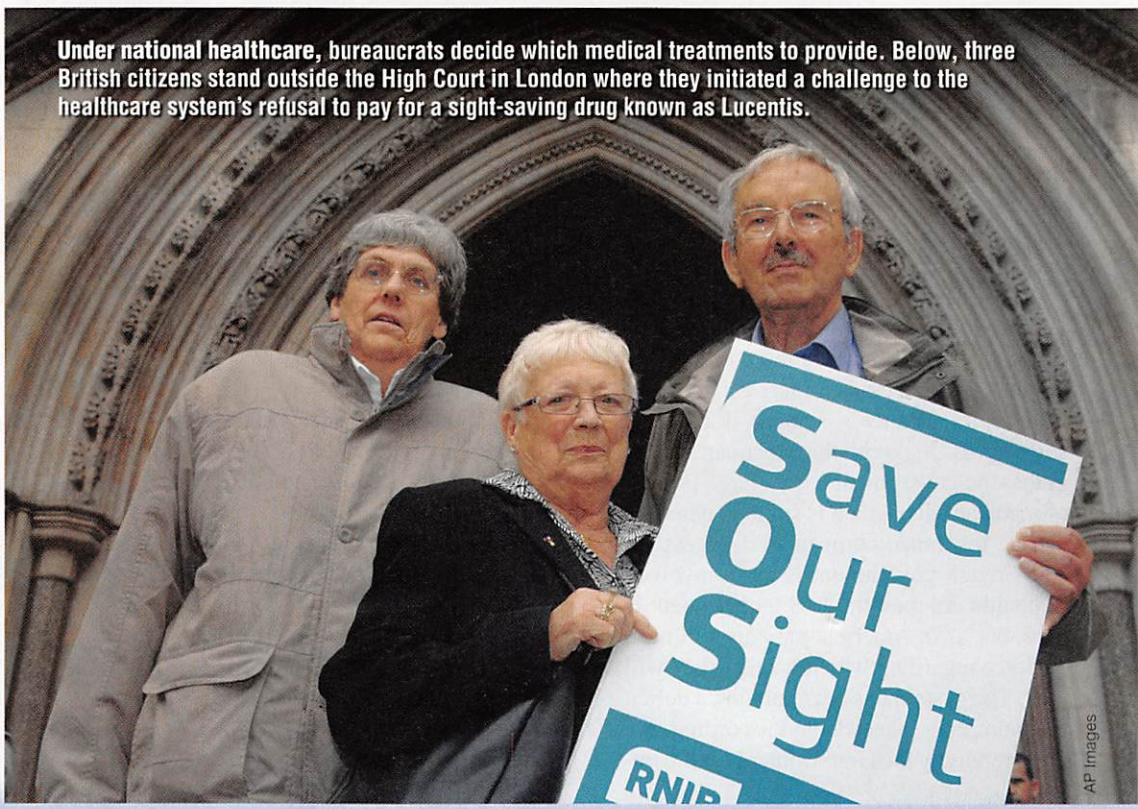
No Free Lunch

"But at least under universal healthcare, medical care is free!" argue many. But "free" is hardly an accurate description, and as the old saying goes, there is no such thing as a free lunch. Germany is another particularly good example to illustrate the failures of socialized medicine. In 2006, according to the Association of American Physicians and Surgeons, "'Free' medical care in Germany costs workers 14.2% of their paycheck. Since the 1970s, payroll taxes have doubled. Unemployment stands at 10.2%." In addition to the exploding costs and economic consequences of the system, the country that "pioneered" government healthcare is experiencing what is known as a "brain-drain." A *Wall Street Journal* article from 2006 entitled "Bismarck's Baby" explains that "German doctors work grueling hours and earn less than one-fourth as much as American doctors. The $56,000 salary for a 60-hour work week translates into wages that a cleaning woman wouldn't accept." Many German doctors are now moving abroad seeking better working conditions, making the problems worse. Referring to reforms made in October of 2006, an AAPS article describes the true results of the misguided salvage efforts "intended to fight exploding costs and red tape." According to the piece, entitled "National health insurance in trouble in Europe; doctors fleeing Germany," the effort "simply added a complex new scheme with a new layer of bureaucracy and a 0.5% hike in the payroll tax." Thousands of German doctors now work in America or other countries, and as the European Union continues to implement a common labor market, more will surely follow absent some serious reforms.

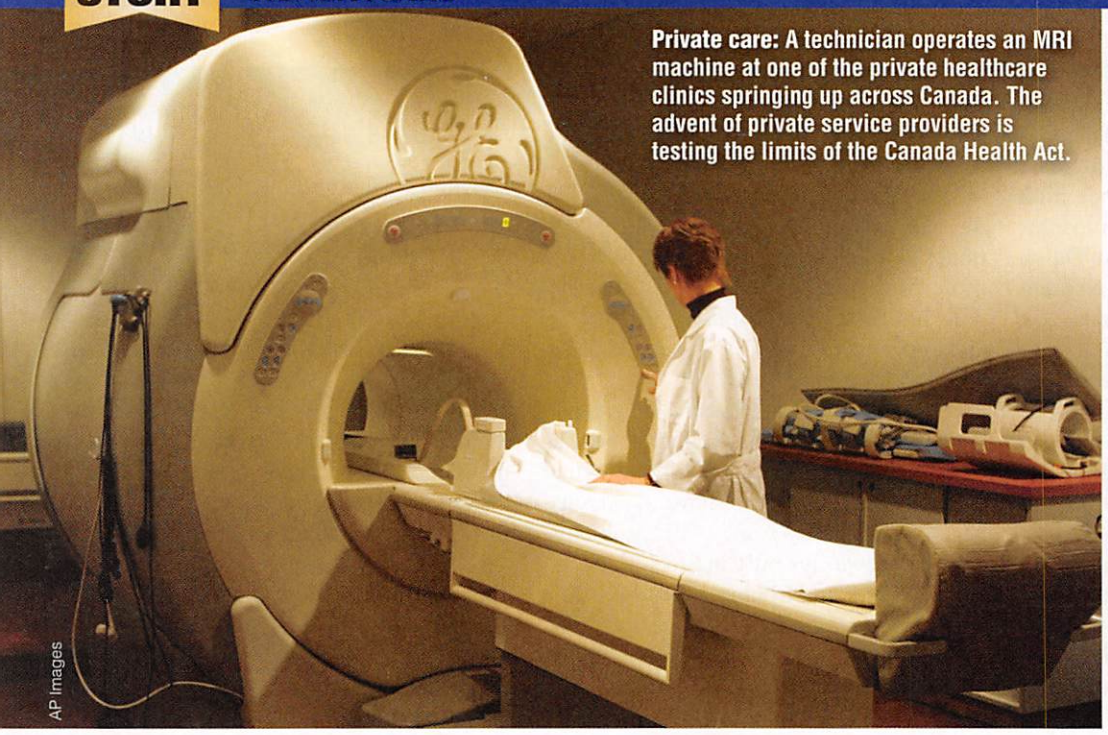
Socialized medicine has been tried and has failed because — as it has been shown time and time again — big government is inefficient and can never take the place of the market without horrific consequences.

Another country worth examining is Sweden. Sweden, commonly called the cradle of the welfare state, has been experiencing the same difficulties that other socialized countries have. A personal anecdote illustrates some of the problems. This writer was recently in Stockholm and was having some trouble sleeping. In the United States, melatonin, a natural sleep aid, is available for less than five dollars at the local GNC. But despite my pleas, pharmacy after pharmacy informed me that I would need a prescription to obtain the product. Okay, just call the doctor and set up an appointment — right? Wrong. Come to find out, most appointments take weeks to get, so I would have to go to the emergency room. Hmmm. After a few days, I just gave up.

Problems such as I experienced are endemic throughout the Swedish medical system. David Hogberg, Ph.D. discusses the reasons for market-based reforms taking place in Sweden in an article entitled "Sweden's Single-Payer Health System Provides a Warning to Other Nations": "Waiting lists for surgery and other procedures had long been a problem in Sweden. Like most government-run systems, the Swedish health care system was already plagued by declining productivity — a consequence of which included delays in care." The article continues, concerning the changes that Sweden has made: "Stockholm County encouraged doctors, nurses and private companies to take over the operation of primary health care centers. Over 60 percent of primary care centers were run privately by 2002. Costs declined, particularly for laboratory services, which dropped by 30 percent. Stockholm



Under national healthcare, bureaucrats decide which medical treatments to provide. Below, three British citizens stand outside the High Court in London where they initiated a challenge to the healthcare system's refusal to pay for a sight-saving drug known as Lucentis.



Private care: A technician operates an MRI machine at one of the private healthcare clinics springing up across Canada. The advent of private service providers is testing the limits of the Canada Health Act.

AP Images

also privatized one of its seven hospitals, St. George's. St. George's Hospital began running a profit in 1994, and 90 percent of patients were satisfied with the care they received there."

After watching Michael Moore's documentary *Sicko*, some viewers were left with the impression that France has a utopian medical system. Again, the facts state otherwise. "France's health care system is typical of those of most European countries: It is a state-oriented system that operates with little concern for the economic dynamic of supply and demand or efficient management," wrote Philippe Manière, the editor in chief for economic and scientific affairs at *Le Point* and a member of the Centre for the New Europe, a European think-tank. "As the client base of the system increases, without innovative policies to augment finances, curtail waste, and more effectively target services, a crisis is increasingly more imminent." France's system does have some similarities with the American system in that the government pays a large portion of medical bills, which is supplemented by private insurance companies if necessary. The French government is more involved in healthcare than the U.S. government is here, but as in America, patients still have a choice regarding which doctors they will visit. The system has been running a deficit for more than a decade and according to a 2004 report by the High Council for the Future of Health Insurance, an advisory body established by the French government, failure to make sweeping changes will result in an added deficit of 66 billion euros per year by 2020.

Absent actions to move toward more privatization of medical care, drastic measures are being taken by socialist countries to control costs. A 2001 article in the Belgian magazine *Knack* quoted a nurse as saying that due to budget cuts that resulted in fewer beds, "We drastically augment the level of morphine that we give to the very sick, or we inject them with pentothal." That is, they kill the patients, a practice known as "euthanasia." The nurse continued: "It is not good for the patient whose life is being terminated … nor for the new patient who now lies in the free bed and who puts his trust in us."

Not Worth Treating

In some nations there is also talk of limiting the care given to smokers, fat people, and others that the government decides are not worth treating. The rationale is that those individuals are responsible for their own healthcare problems and should therefore not be as high of a priority.

If the United States moves to universal healthcare, the same thing will likely happen here because socialist systems are so inefficient that they must ration services in some way to save money. In the near-term on the healthcare front, U.S. citizens can look forward to ever-increasing government babysitting in our lives, especially where food is concerned. California has become the first state to ban transfats — though many cities had already gone this route — and the Los Angeles City Council put a moratorium on the building of new fast-food restaurants in South Los Angeles because of high levels of obesity there.

Letting government make life and death decisions for every individual is dangerous and contrary to the principles of freedom upon which the United States was founded. But if current trends continue, Americans may soon find themselves stuck without healthcare or waiting in DMV-like lines to beg for treatment. "The system" just might not be able to afford your care. When government intervention causes costs for the "free" or subsidized healthcare to skyrocket, the only way to keep the "system" afloat will be through rationing. For Americans used to having choices if they can afford them, and who don't believe such constraints could be put in place here, rationing could come as a big surprise. Socialized medicine has been tried and has failed because — as it has been shown time and time again — big government is inefficient and can never take the place of the market without horrific consequences. ■

For more information about national healthcare, see "Correction, Please!" on page 41.

Swedish Welfare

AP Images

Sweden's strong cultural values have temporarily propped up its celebrated welfare state, but this support is growing steadily weaker due to the nation's socialist policies.

by Nima Sanandaji

Sweden is a prime example demonstrating that tax-and-spend welfare policies can work, correct? One hears enough about Sweden's near-miraculous feat of succeeding despite its high taxes and generous welfare benefits that one seldom questions whether Sweden's experiment in socialism has actually succeeded, but wonders instead how it has done so. The answer is that it has not succeeded — in the long term. Nor was it even possible to do so, since economic principles are inviolate.

Sweden is now having to face coming to grips with "the long term." The reason that the welfare state could work marginally well in the short term but not the long term is manifold, but one important reason is the long-term effect economic policies have on people's values. Norms associated with work and responsibility may support welfare states for a time, but those norms are eventually eroded by the welfare states they prop up, leading to the states' downfall. Sweden, often viewed as a role model for welfare societies, offers a good example of this phenomenon.

Nima Sanandaji is the president of the Swedish free-market think-tank Captus.

Swedish Economic History

Foreign intellectuals often view Sweden as a nation where high taxes and generous government handouts have been successfully instituted and maintained in a growing economy. This is, however, built upon a biased view of Swedish economic history. During the end of the 19th century, the Swedish economy was transformed through a series of free-market reforms that enabled the nation to experience rapid growth. The once-impoverished country had become one of the most affluent in the world by the middle of the 20th century.

Although the Social Democratic (socialist) Party had gained influence in Sweden, for a long time policymakers relied on growth- and work-friendly policies. In the '50s, for example, Sweden still had lower taxes than the United States. It was not until the '60s that the Social Democrats radicalized and attempted to shift the Swedish economy toward socialism. Then, as could be expected, government interference in the economy, high taxes, and generous handouts slowly, but surely, reduced the competitiveness of the nation's economy. Sweden would go from being one of the richest nations in the world to a mediocre industrialized country in terms of wealth. The country became poorer as a result of the tax-and-spend policies, but it did not face immediate catastrophe. The competitiveness and relative wealth of the country remained fairly strong until

Norms associated with work and responsibility may support welfare states for a time, but those norms are eventually eroded by the welfare states they prop up, leading to the states' downfall.

a welfare mentality had time to take hold of the Swedes.

How did the change to socialism also change the Swedish people and their value systems? At the end of the 19th century, Sweden was a nation dominated by small farmers who, contrary to many other countries at the time, often owned their own property. Swedes were quite poor, yet had very strong, justice-centered principles and work-related norms reflecting hard work as a value. Society was dominated by a strong Protestant work ethic.

This ethic, linked to their deeply held religious beliefs, motivated generations of Swedes to work hard to support themselves and their families and those truly in need. The work ethic was ingrained in the culture, and Swedes willingly accepted hard work as one's role in society.

When the Swedish welfare state slowly started to rise in the first half of the 20th century and then grow rapidly during the second half, socialism did not compromise the fabric of society as much as in other countries (though compromise it did) — and Sweden became famous as a system where socialism and capitalism worked together fairly well. Sweden benefited from the fact that it had a tradition of effective public service (less bureaucracy than other nations) and, most significantly, had citizens who were imprinted with strong norms not to cheat the system.

As Professor Assar Lindbeck, perhaps the most important Swedish economist, has written, traditional Swedish welfare could rely on a society where individuals shared strong values relating to not overusing the generous welfare system. Welfare programs, however, created a situation much different from what had existed in previous generations. Suddenly, it became quite possible to live a comfortable life relying on government handouts, or even surpass one's living standard by supplementing employment with the combination of handouts and black-market work. And so slowly, over the coming generations, Swedes have adopted their norms to the circumstances.

Societal Norms

The researcher Friedrich Heinemann has recently shown that throughout the world people's norms — their acceptance of personal responsibility, their work ethic, and their honesty — have deteriorated as a consequence of welfare policies. He examined global surveys of values, where people around the world were asked if it can ever be right to use welfare services that one is not entitled to (amongst other questions). The number of respondents who believe that it might be right to abuse welfare systems has increased in many nations during the past decades, particularly in societies with excessive welfare policies.

In the case of Sweden, Heinemann's research shows that the population still had strong norms during the '80s. In a survey conducted between 1981-84, 82 percent of Swedes polled responded that it could never be right to take advantage of public services one is not legally entitled to. However, when the survey was repeated in 1999-2004, only 55 percent of those polled held the same view. According to this measuring stick (not abusing public systems), Sweden had gone from possessing one of the strongest societal norms to possessing the one of the weakest.

There are, of course, many other signs of the deteriorating norms in the Swedish system. In the '70s, some 10 percent of the adult population was not working for

Thousands of welfare recipients rioted in downtown Stockholm in 1996 to protest cuts in Swedish government handouts.

AP Images

one reason or the other, relying instead on taxpayers for their living. Today, this figure has doubled. Many Swedes are being supported by social security, sick leave, etc. An astonishing number of Swedes are on sick leave, given that we are talking of one of the healthiest people on the planet. This increase in out-of-work people is readily explained by the new norms that arose hand in hand with the welfare state. A survey in 2002 showed that 62 percent of Swedes believe that it might be acceptable to report to sick leave even though one is not too sick to work. This attitude is in particular shared with the young, whilst older Swedes to a larger degree are clinging to the strong norms of the past.

In Sweden today, socialism remains strong, and even after some very-much-needed tax cuts were implemented both by center-left and center-right governments, average Swedes pay close to three-fifths of their incomes in taxes. Why are such high taxes accepted? One answer is that the taxes and the benefits are much more evenly distributed in Sweden compared to the United States. In Sweden, one pays high taxes even if one's income is low, and one receives quite a lot of handouts even if one's income is relatively high. Some of the money you earn goes to government bureaucracy and redistribution, but some is transferred back to you. The situation is clearly different from the United States where many low-income Americans do not pay any significant amounts in taxes whilst more successful individuals are taxed heavily.

But clearly the social democratic system doesn't really work well nowadays. People are increasingly going around the system, for example paying for private healthcare in foreign countries since the accessibility to Swedish public healthcare is low (although the quality is good). Sweden is a complex country. Many free-market reforms have taken place during the past few decades to salvage the social democratic system, including school vouchers and partially privatized social security. Taxes have been cut, but remain high as it proves much more difficult reducing than expanding government once people have become dependent on public spending.

In the years to come, Sweden — and the rest of the European welfare systems — must face the challenge of dealing with people's adaptation to welfare systems. For the lesson from history is that government-provided welfare can only function when supported by very strong norms relating to work and responsibility — and even then only until the system subverts the norms supporting it. Over time, more and more people will choose government assistance as an alternative to work, hide their income from the state, and overuse generous public systems. When the cultural norms are strong and are firmly rooted in religious principles, it takes time, generations in fact, until people change their values to adjust to new economic circumstances. But when it happens, it is difficult to go back and reverse the norms.

Heinemann's research is worthwhile reading not only for policymakers in European welfare nations, but also in the United States, where work is still highly valued, but where political elites are constantly calling for national healthcare and (in general) expansion of the welfare state. ■

Virtue is a choice. Make it a habit.

Virtue • the moral excellence evident in my life as I consistently do what is right