EDITORIAL

Myths vs. Realities About Health Care Reform, Part 2

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As this is being written, the debate of the Senate version of the "health care reform" bill has just begun on the Senate floor. Two of the most common arguments that will be presented by proponents of the bill are that our economy will hopelessly crash if we don't "fix" health care, and that it eats up too much of our gross domestic product. It's worth examining both of these claims.

Let's start with the argument about health care taking up too much of the gross domestic product (GDP). In order to put this in its proper context, we need to go back in time a little to the 1970s. This was the period when many economists and sociologists were first touting America's "post-industrial" future. Although some were prescient enough to realize that there might be something fundamentally wrong with the picture, many praised the coming day when millions would move from industrial production jobs to new areas like information technology and - wait for it- health care. Yes, health care was to be one of the new job engines in our wonderful new economy. It is any wonder, then, that this sector has grown in relation to traditional "smokestack" industries? The real question is whether the problem is with too many people and dollars in the health care sector or too little in the industrial one. Anyone who is an actual frequent consumer of health care would probably argue that there are <u>not</u> too many doctors, nurses and medical technicians. Management types, perhaps. Misallocation of resources here and there, probably. But how will more government bureaucracy reduce that? Blaming our industrial malaise on the cost of health care takes our attention away from the very real need to consider the strategic implications of letting our industrial base go to seed. It is, in a word, a distraction from the debate that we should be having (but aren't) about whether postindustrialism is really as wonderful as its prophets once claimed.

As to the question of whether health care expenditures will crash the economy, a very similar argument was made at the time the Clinton Plan was presented in the early 1990s. The Clinton plan did not pass, and yet the late 1990s became a boom cycle for the economy. So much for emergencies. Our economy may indeed crash, but it will be the result of our squandering trillions on questionable wars, subsidies to ethereal financial institutions and eventual hyperinflation from borrowing too much money. Here again, health care is a distraction from the very real need to rein in the governmental beast as it consumes an increasingly obscene share of our nation's resources.

Just for the sake of argument, let's assume that the proponents of the new legislation win and that it somehow does succeed in causing a significant number of people to move out of health care related jobs to help create the miraculous savings induced by the new plan. Where will these people go? The ranks of the unemployed? Burger King? When we talk about shrinking a sector of the economy, we forget that everyone needs to be someplace. If not health care, where? And doing what exactly? In our current job market, this prospect isn't quite so palatable when one thinks things through.

On the other hand, if everyone working in the sector today continues to do so tomorrow, where are those savings coming from again? Like credit default swaps, this can be a little tricky. Medicare and Medicaid "save" by shifting costs to the rest of the marketplace. If we're all in on the game, who do we pass these costs to now?

The next time someone tells you that our country spends too much on health care, an appropriate question to ask would be "how, exactly, would you prefer that we spend that money?" And don't settle for anything less than a credible, realistic answer. There is indeed a problem here, but the relative size of the health care sector is a symptom of a larger economic problem, not the disease.

-to be continued in January