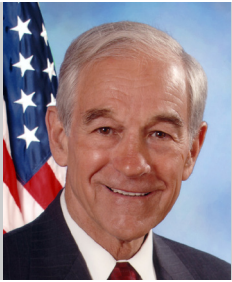


DAILY RECKONING

**Obamacare:  
The Best Way  
to Kill Free Market Health Care**



RON PAUL

# Obamacare: The Best Way to Kill Free Market Health Care

Dear *Daily Reckoning* Reader

Lately, many have characterized this administration as socialist, or having strong socialist leanings. I differ with this characterization. This is not to say Mr. Obama believes in free markets by any means. On the contrary, he has done and said much that demonstrates his fundamental misunderstanding of and hostility toward the truly free market.

But a closer, honest examination of his policies and actions in office reveals that, much like the previous administration, he is very much a corporatist. This in many ways can be more insidious and worse than being an outright socialist.

Socialism is a system where the government directly owns and manages businesses. Corporatism is a system where businesses are nominally in private hands, but are in fact controlled by the government. In a corporatist state, government officials often act in collusion with their favored business interests to design policies that give those interests a monopoly position, to the detriment of both competitors and consumers.

A careful examination of the policies pursued by the Obama administration and his allies in Congress shows that their agenda is corporatist. For example, the health care bill does not establish a Canadian-style government-run single-payer health care system. Instead, it relies on mandates forcing every American to purchase private health insurance or pay a fine. It also includes subsidies for low-income Americans and government-run health care “exchanges.”

Contrary to the claims of the proponents of the health care bill, large insurance and pharmaceutical companies were enthusiastic supporters of many provisions of this legislation because they knew in the end their bottom lines would be enriched by Obamacare.

To call the president a corporatist is not to soft-pedal criticism of his administration. It is merely a more accurate description of the president’s agenda.

## Obama the Corporatist

When he is called a socialist, the president and his defenders can easily deflect that charge by pointing out that the historical meaning of socialism is government ownership of industry; under the president’s policies, industry remains in nominally private hands. Using the more accurate term — corporatism — forces the president to defend his policies that increase government control of private industries and expand de facto subsidies to big businesses.

This also promotes the understanding that though the current system may not be pure socialism, neither is it free market since government controls the private sector through taxes, regulations and subsidies, and has done so for decades.

Using precise terms can prevent future statisticians from successfully blaming the inevitable failure of their programs on the remnants of the free market that are still allowed to exist. We must not allow the disastrous results of corporatism to be ascribed incorrectly to free market capitalism or used as a justification for more government expansion. Most importantly, we must learn what freedom really is and educate others on how infringements on our economic liberties caused our economic woes in the first place.

## Government is the Problem. It Cannot Be the Solution.

The fundamental problem with health care costs in America is that the doctor-patient relationship has been profoundly altered by third-party interference. Third parties, either government agencies themselves or nominally private insurance companies virtually forced upon us by government policies, have not only destroyed doctor-patient confidentiality. They also inescapably drive up costs because basic market disciplines — supply and demand, price sensitivity and profit signals — are destroyed.

Obamacare, via its insurance mandate, is more of the same misdiagnosis.

Gabriel Vidal, chief operating officer of a U.S.

hospital system, sees this problem squarely in his daily work. As he explains, Obamacare will only make matters worse because it fails to recognize that “costs are out of control because they do not reflect prices created by the voluntary exchange between patients and providers... like every well-functioning industry.”

Instead, “health costs reflect the distortions that government regulators have introduced through reimbursement mechanisms created by command-and-control bureaucracies at federal and state levels,” he continues. “But it is theoretically and practically impossible for a bureaucrat — no matter how accurate the cost data, how well-intentioned and how sophisticated his computer program — to come up with the correct and just price.”

Absent such pricing information, our system increasingly resembles socialist systems with centralized price setting, shortages, rationing, apathy and declining quality of care. As the situation deteriorates, fewer bright young people want to practice medicine and fewer foreign doctors seek to immigrate.

The problem is acute and worsening. Obamacare’s third-party insurance mandate is only the first step toward what the political left really wants: a single-payer government health care system.

## Obsessed With the “System”

Meanwhile, conservatives seem resigned to a third-party insurance system and therefore fail to present a viable alternative to the American people. They continue to speak in terms of saving the health care “system,” when in fact what America needs is a rejection of all government systems in favor of free market mechanisms.

In a free market, most Americans would pay cash for basic services and maintain inexpensive high-deductible insurance for catastrophic injury or illnesses only. Health insurance would be decoupled from employment, which would unleash entrepreneurs who now fear quitting their jobs and losing their health insurance. Costs would plummet due to real competition among doctors, price sensitivity among patients and elimination of enormous paperwork costs. Doctors would be happier, spending their time treating patients, rather than managing their practices.

Our current model, based on employer-provided health insurance, did not arise based on market preferences. On the contrary, it makes no sense to couple health insurance with employment. But federal wage and price controls instituted during World War II left employers with no alternative to

attract workers in a tight labor market other than offering extra benefits such as health insurance and pensions.

Over time, these nonwage benefits became the norm, especially since employers could deduct the cost of health insurance premiums from their income taxes, while individuals could not. The perverse consequence is that employees lose both their paychecks and their health insurance when they lose their job.

As reliance on third-party health insurance grew, patients became detached from the true costs of their doctor visits. In the 1970s, the Nixon administration, along with the late Sen. Edward Kennedy, championed the cause of health maintenance organizations (HMOs). Congress accepted the faulty premise that HMOs would reduce costs through centralized management of patients, when, in fact, the opposite was true: More bureaucracy would only lead to higher costs, less accountability and worse patient care.

“Health maintenance” is the responsibility of each of us individually. We cannot continue to collectivize the costs of health care and expect things to get better.

## The Money Problem

There is one reality that even the proponents of this hostile takeover of health care by government cannot ignore — and that is money. The government simply does not have the money for a new, expansive, public health care plan.

The country is in a deep recession. The last thing we need is for government to increase and expand taxes to pay for another damaging, wasteful program.

Foreigners are becoming less enthusiastic about buying our debt, and creating another open-ended welfare program when we cannot pay for what is already in place will not help. Champions of socialized medicine want to tax the rich, tax businesses that already cannot afford to provide health plans to employees and tax people who don’t want to participate in the government’s scheme by buying an approved health care plan. Presumably, all these taxes are to induce compliance. This is not freedom, nor will it improve health care.

There are limits to how much government can tax before it kills the host. Even worse, when government attempts to subsidize prices, it has the net effect of inflating them instead. The economic reality is that you cannot distort natural market pressures without unintended consequences. Market forces would drive prices down. Government meddling

negates these pressures, adds regulatory compliance costs and layers of bureaucracy and, in the end, drives prices up.

The nonpartisan CBO estimates that the health care plan will cost over a trillion dollars over the next 10 years. But government crystal balls always massively underestimate costs. It is not hard to imagine the final cost being two or three times the estimates, even though the estimates are bad enough.

## Ignoring the “Why” of Socialized Medicine

It is still surreal that in a free country, we are talking only about how government should fix health care, rather than *why* government should fix health care. This should be between doctors and patients. But this has been the discussion since the '60s and the inception of Medicare and Medicaid, when government first began intervening to keep costs down and make sure everyone had access.

The result of Medicaid and Medicare price controls and regulatory burden has been to drive more doctors out of the system — making it more difficult for the poor and the elderly to receive quality care! Seemingly, there are no failed government programs, only underfunded ones. If we refuse to acknowledge common-sense economics, the prescription will always be the same: more government.

Make no mistake, government control and micromanagement of health care will hurt, not help, health care in this country. However, if for a moment, we allowed the assumption that it really would accomplish all they claim, paying for it would still plunge the country into poverty. This solves nothing. The government, like any household struggling with bills to pay, should

prioritize its budget.

If the administration is serious about supporting health care without contributing to our skyrocketing deficits, they should fulfill promises to reduce our overseas commitments and use some of those savings to take care of Americans at home, instead of killing foreigners abroad.

The leadership in Washington persists in a fantasy world of unlimited money to spend on unlimited programs and wars to garner unlimited control. But there is a fast-approaching limit to our ability to borrow, steal and print. Acknowledging this reality is not mean-spirited or cruel. On the contrary, it could be the only thing that saves us from complete and total economic meltdown.

Regards,

Dr. Ron Paul  
for *The Daily Reckoning*

*This essay is a compilation of Dr. Paul's writings during his time in Congress.*

**Ed. Note:** As both a Congressman and a physician, Dr. Ron Paul is in a unique position to critique the current state of the U.S. health care system.

But while Dr. Paul's assessment of the situation is incredibly accurate, it's only a part of what may happen when Obamacare goes into effect. **This new report**, shows you exactly what President Obama discreetly told healthcare officials behind closed doors... And why his words will soon give rise to a whole new health system.

Get the full facts on the future of the U.S. health care system now... and discover how you can safeguard and even *grow* your wealth in spite of it. **[View the full report, right here.](#)**