

THE REAL RIGHT TO MEDICAL CARE VERSUS SOCIALIZED MEDICINE

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1. The Medical Crisis and the Need for Radical *Procapitalist* Reform

For decades the cost of medical care has risen relative to prices in general and relative to people's incomes. Today a semi-private hospital room typically costs \$1,000 to \$1,500 per day, exclusive of all medical procedures, such as X-rays, surgery, or even a visit by one's physician. Basic room charges of \$500 per day or more are routinely tripled just by the inclusion of normal hospital pharmacy and supplies charges (the cost of a Tylenol tablet can be as much as \$20). And typically the cost of the various medical procedures is commensurate. In such conditions, people who are not exceptionally wealthy, who lack extensive medical insurance, or who fear losing the insurance they do have if they become unemployed, must dread the financial consequences of any serious illness almost as much as the illness itself. At the same time, no end to the rise in medical costs is in sight. Thus it is no wonder that a great clamor has arisen in favor of reform—radical reform—that will put an end to a situation that bears the earmarks of financial lunacy.

Such a reform has been proposed by the Clinton administration. The essence of its plan is to control the rise in medical costs by a combination of controlling the various prices charged by the providers of medical care and the kinds and quantities of medical care that they can provide. In the plainest language, the Clinton administration's proposed solution to the problem of ever rising medical costs is price controls and rationing.

I will have a great deal to say in criticism of the Clinton administration's proposal later on. Here I want to stress that I do not believe that the most important or fundamental objective that must be accomplished in connection with the Clinton plan is to explain why it should be rejected. It certainly should be rejected. But the mere rejection of the administration's proposal will serve only to maintain the status quo. The status quo with respect to medical care does not deserve to be preserved. It *does* bear the earmarks of financial lunacy. It *does* call for reform—for radical reform. The question is, what *kind* of radical reform?

For over a century, virtually all proposals for economic or social reform have been based on the thoroughly mistaken philosophical and theoretical

foundations of Marxism, and have aimed at the ultimate achievement of a socialist society, in the belief that socialism represented the most rational and moral system of mankind's social organization. On the basis of this conviction, individual freedom was progressively restricted and the power of the state progressively enlarged. Individual freedom—laissez faire capitalism—was assumed to be a system of chaos and of the exploitation of the masses by the capitalists. The onslaught of the socialists (who in this country call themselves “liberals”)—the step-by-step achievement of their political agenda—encountered virtually no philosophical resistance. Not surprisingly, again and again, the “liberals” defeated their ill-equipped conservative adversaries, who at most could only delay their advance. The victories of the “liberals” were inevitable because it was a battle of men with the seeming vision of a better world that could be achieved by means of intelligent human effort based on a body of ideas (however mistaken those ideas were), against men who, while they valued the relatively free world they saw around them, had no significant philosophical or theoretical knowledge of how to defend it.

In the last few years, some of the most profound and fundamental changes in the political and intellectual history of mankind have taken place. The philosophy of socialism and the economic theory of Marxism have been recognized as a blatant failure almost everywhere, and have been abandoned by tens of millions of former supporters. All over the world, the cry is heard “no more socialism!” One socialist regime after another has recognized the chaos and tyranny of socialism and has become dedicated to the achievement of a capitalist society. Thus, the intellectual base and the driving force of American “liberalism” has largely disintegrated.

Considered against this backdrop, the Clinton administration's proposal for the government's takeover of medical care in the United States appears as a ludicrous anachronism. It reads like the work of twentieth-century Rip Van Winkles who have been sleeping since the 1930s and who have not had a chance to read the newspapers. In effect, America's politicians and intellectuals who support the proposal are still riding a train that more intelligent people the world over have recognized can take them nowhere but to hell and have therefore jumped off.

In contrast, while the philosophy of Marx and Engels is dying, the philosophy of Locke and Jefferson, and Adam Smith, that is, the philosophy of individual freedom and capitalism underlying the American Revolution—the philosophy which, ironically enough, was the original meaning of the word *liberalism*—has been reborn. It has been reborn first and foremost at the hands of Ayn Rand in political philosophy and of Ludwig von Mises in economic theory, both of whom have enormously strengthened it. This philosophy of individual freedom, of the inviolability of individual rights, of the benevolent functioning of an economic system based on private ownership of

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the means of production and the profit motive—of capitalism—calls for a radically new political agenda. It calls for a political agenda that progressively rolls back the interference of the state and progressively enlarges the freedom of the individual. This is now what political philosophy and economic theory at their highest levels of development recognize to be the essential means of solving social and economic problems. Movement in this direction—in the direction of individual freedom from government interference—is henceforth to be regarded as the standard of what is to be considered progress in the realm of political action.

It is on the basis of this newly resurgent, radically different political philosophy and economic theory—this philosophy and theory of individual rights and capitalism—that I explain the causes of the present crisis in medical care, criticize the Clinton plan, and present the appropriate solution and how to achieve it.

2. The Right to Medical Care and the Causes of the Medical Crisis

The causes of the present crisis in medical care, namely, its runaway cost, which the Clinton plan is intended to address, can all be subsumed under one essential heading: the government's violation and/or perversion of the individual's actual, rational right to medical care.

I use the concept of "rights" in the sense in which Ayn Rand uses it, and in which, at least implicitly, John Locke and the Founding Fathers of the United States used it. (See Ayn Rand's essay "Man's Rights," which appears in two of her books: *The Virtue of Selfishness* and *Capitalism: The Unknown Ideal*.) That is, not as an arbitrary, out-of-context assertion of claims to things or to obligations to be filled by others, but as pertaining to the actions an individual must take in order to live—as moral principles defining and sanctioning his freedom to take those actions. The only way that the individual's freedom, and thus his rights, can be violated is by means of the initiation of physical force against him—that is, by the use of guns and clubs against him, in the form of the government's threat to dispatch the police if he does not obey irrational laws. This is what stops him from taking the actions necessary to serve his life. Rights are a moral injunction to the whole rest of society—including, above all, its government—not to interfere with the individual's freedom to take the actions that serve his life. They exist on behalf of the individual and are directed against the rest of the world. They are the means of subordinating the whole of society to the requirements of the moral law of each and every individual serving his own life.

It should go without saying that in serving his own life, each and every individual is morally obliged to respect the right of others to be free from any initiation of physical force on his part. This is implicit in the right of each to be free from the initiation of physical force by the whole rest of the world. In

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exercising his own rights, therefore, the individual is not to violate the essential right of anyone else to be free from the initiation of physical force by him. This means that insofar as any individual's exercise of his rights entails the cooperation of other people, their cooperation must be obtained *voluntarily*. An individual has no right to exercise any alleged right that would entail the initiation of physical force against others and thus the violation of their rights. There is no right to violate anyone else's rights.

The exercise of man's right to life means simply that he has the right to take whatever actions are necessary to sustain and promote his life or further it in any way. For example, in the simple conditions that prevailed on the American frontier in the nineteenth century, he has the right to clear land, build a cabin, hunt game, grow crops, and so on. In the more complex conditions of life in modern society, in which he is surrounded by other people, insofar as his taking any such actions entails the cooperation of others—notably, the use of their labor or property to serve his life—his proper and necessary means of obtaining their cooperation is to trade for it. For all practical purposes, this means that he obtains the cooperation of others by selling his labor or goods for money and then using the money to buy the labor and goods of others. Buying and selling become an integral part of the exercise of one's rights in any modern society. Buying is the means whereby one enlists the intelligence and skills and the wealth and property of others in the service of one's life. Selling is the means whereby one provides others with the benefit of one's own intelligence and skills and wealth and property in the service of their life and thereby obtains the means of buying. Thus, in the conditions of life in a modern, division-of-labor society, *the right to free exchange, the right to the freedom of contract, becomes an essential aspect of the exercise of the right to life*. It is at the base of the exercise of the right to life under conditions in which individuals mutually cooperate, to mutual advantage, in promoting their lives. It is at the base of the exercise of the right to life that enjoys the overwhelming advantages of life in a division-of-labor society.

The right to free exchange and the freedom of contract becomes an essential aspect of all rational rights to *things*. Rights to things exist only in the context of the freedom of exchange and the freedom of contract. To take some examples, an individual has no such thing as a right to a job as such. He has a right only to those jobs voluntarily offered by employers. His right to employment is violated not when he cannot find an employer who is willing to employ him, but when he *can* or *could* find such an employer and is prevented from doing so by the initiation of physical force. His right to employment is violated when, for example, an employer who would otherwise choose to employ him is prevented from doing so by the government's imposition of a racial or sexual quota which compels the employer to hire

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someone else instead. His right to employment is violated by the government's minimum wage laws and prounion legislation, which latter makes possible the imposition of artificially high wages for skilled and semiskilled labor. Every rise in wage rates above the free-market level serves to reduce the quantity of labor demanded below the supply available and thus to prevent people from being employed. The legislation that makes this possible thus represents a violation of the right to employment in the sense of the right to accept employment that employers would be willing voluntarily to offer.

Similarly, no one has the right to such a thing as a house as such. What one has is the right to buy a house, or to buy the things necessary to build it. One's right to a house is violated not when one cannot afford to buy or build a house, but when one *could* afford to buy or build a house if one were not forcibly prevented from doing so. The right to housing is violated by such things as zoning laws, arbitrary building codes, minimum-wage and prounion legislation, protective tariffs on the import of construction materials or construction equipment—by any initiation of physical force that artificially increases the cost and price of housing and thereby prevents people from obtaining housing who otherwise could have obtained it from willing providers.

In exactly the same way, the right to medical care does not mean a right to medical care as such, but to the medical care one can buy from willing providers. One's right to medical care is violated not when there is medical care that one cannot afford to buy, but when there is medical care that one *could* afford to buy if one were not prevented from doing so by the initiation of physical force. It is violated by medical licensing legislation and by every other form of legislation and regulation that artificially raises the cost of medical care and thereby prevents people from obtaining the medical care they otherwise could have obtained from willing providers. The precise nature of such legislation and regulation we shall see in detail, in due course.

This then is the concept of rights, and specifically of rights to things, that I uphold. One's rights to things are rights only to things one can obtain in free trade, with the voluntary consent of those who are to provide them. All such rights are predicated upon full respect for the persons and property of others. This is the concept of rights appropriate to rational human beings living in a civilized society. Henceforth, I shall refer to it as the *rational concept of rights*.

In sharpest contrast, the concept of rights held by the great majority of our contemporaries, especially the great majority of today's intellectuals, is a concept characteristic of savages, that is, of people who have not grasped the principle of causality and the fact that wealth must be produced, who believe instead that wealth appears as though by magic, and that they have a claim to it by the mere fact of needing it or wishing for it. This concept of rights I shall

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refer to as the *need-based or wish-based concept of rights*. It exists in full contradiction of the rational concept of rights and entails the complete violation of all rational rights. It is a concept of rights whose literal meaning is “I want it and therefore I’m entitled to take it.”

According to this concept, people do have rights to jobs, houses, and medical care as such, just by virtue of needing or desiring them. Since a job entails the payment of money by the employer to the employee, and typically the provision of the use of part of the employer’s premises to the employee, the notion of a right to a job as such—that is, with or without the employer’s consent—implies an alleged right to take an employer’s money against his will and to occupy his premises against his will, that is, an alleged right to trespass on his property and to rob him. Similarly, since a house, or any other material good, is a product of human labor, the right to a house as such implies a right to compel other people to build one a house, whether they wish to or not. It is tantamount to claiming a right to forced labor on their part. Finally, in exactly the same way, the alleged right to medical care as such implies an alleged right to force others to pay for one’s medical care against their will or to force the providers of medical care, such as doctors and hospitals, to provide it against their will. It thus implies an alleged right to medical care as a right to steal and enslave. All such alleged need-based or wish-based rights are a contradiction of genuine, rational rights, which exist precisely as a moral sanction of the individual’s freedom from such outrages.

I have said that the causes of the present crisis in medical care can all be subsumed under the heading of the government’s violation and/or perversion of the individual’s right to medical care. By this last, I mean its use of the alleged need-based right to medical care rather than the actual, rational right to medical care as the basis of various policies it has adopted over the years. Seen in this light, the origins of the present medical crisis go back all the way to the government’s establishment of various forms of medical licensing as early as the nineteenth century, and the subsequent increase in licensing requirements it has imposed in the course of this century.

The essential nature of medical licensing is forcibly to exclude from the market a more or less sizable number of individuals and organizations who otherwise would be willing providers of medical care. Such legislation violates the right to medical care by depriving the buyers of medical care of the services of these willing providers. It is both a violation of the freedom of competition of those providers and, by the same token, the bestowal of a monopoly privilege on those to whom the government grants licenses. It deprives the buyers of medical care of the benefit of the additional supply of medical care that would be provided by the excluded competitors and forces them to deal only with the government-protected medical monopolists. The inescapable effect of such legislation is to make medical care scarcer and

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more expensive. The principal victims of such legislation are necessarily those who can least afford any rise in prices, namely, the poor. (I will deal with the essential rationalization offered in favor of medical licensing later.)

Ironically, the main driving force behind medical licensing has always come from within the medical profession itself, many of whose members have sought the monopoly privileges that licensing bestows and thereby the artificial rise in their own incomes that it makes possible. There is nothing that should be surprising in this. It simply means that physicians have often acted in the same mean spirit as carpenters or plumbers who form coercive labor unions, farmers who seek government subsidies, or businessmen who seek protective tariffs. It is an expression of the mentality that underlies most government intervention into the economic system, namely, the mistaken belief that it is possible to serve one's self-interest by means of the initiation of physical force against others, coupled with a willingness to serve it by such means. Such a policy is irrational and ultimately self-destructive. Indeed, its self-destructiveness is illustrated precisely by the plight of today's physicians. For what is ironic in the fact that physicians have been the driving force behind medical licensing legislation is that, in effect, they first sent around to others precisely what has more recently been coming around to them, namely, the violation of individual rights in the field of medicine. The effects of medical licensing have played a major role in encouraging demands for socialized medicine and the threat to the rights of physicians that socialized medicine represents.

Medical licensing has played into the hands of the advocates of socialized medicine precisely by making medical care scarcer and more expensive, thereby reducing the amount of medical care obtained, particularly by the poor. Because the effect of medical licensing was greatly to increase the difficulties of poor people in obtaining medical care, socialized medicine was perceived as all the more necessary. It was a classic case of what von Mises describes as prior government intervention serving as the cause of problems used to justify later government intervention, this time against the beneficiaries of the prior intervention.

The essential goal of socialized medicine is that the individual should be relieved of financial responsibility for his and his family's medical care. Medical care should be provided to him without charge by the government, paid for out of taxes. To this extent, allegedly, his life will be worry free, because the government will take care of him. Medical care will simply come to him according to his need, paid for by others, presumably according to their ability. It should be obvious that such an arrangement entails the utter perversion of the right to medical care. The right to medical care ceases to be the individual's right to take the actions required to secure his medical care—namely, to buy it from willing providers. Instead it becomes an alleged

right to the fruits of others' labor and ability, with or without their consent, for that it is the only way it can be obtained if the individual himself is not to pay for it and yet is to have a right to it merely because he needs it. As I have shown, its existence is in direct contradiction of all actual rights, which center precisely on the individual's freedom from involuntary servitude.

The first major direct step toward the establishment of socialized medicine in the United States came about in connection with World War II's price and wage controls. The price and wage control authorities typically refused to allow wage increases, just as they typically refused to allow price increases. In the case of wages, however, they made an important exception. They allowed employers to pay for medical insurance on behalf of their employees. Although the medical insurance constituted an additional labor cost to the employers and thus from their perspective was indistinguishable from a rise in wages, the price control authorities did not regard it as a wage increase and therefore allowed it. The income tax authorities also did not regard it as a wage increase and therefore did not tax it. The employees too did not regard it as an actual wage increase either. They regarded matters from what must be called the rather magical perspective of believing simply that their medical needs would be met and that they would not have to pay for it.

After World War II, in the remainder of the 1940s and in the early 1950s, coercive labor unions made employer-financed medical insurance a standard part of their contract demands. Even most nonunion employers were compelled to provide it, in order to avoid giving their employees a reason to unionize. Thus, by the end of the 1950s, employer-financed medical insurance had become the prevailing method of meeting medical expenses throughout the American economy. This is how the system of medical insurance we know today came into being.

Of course, not all medical insurance plans were or are exactly the same. Some require of the worker no out-of-pocket payment of any kind for medical expenses. Others have imposed some kind of relatively modest annual deductible, such as \$100 or \$200, which the worker has had to pay before payment by the insurance company begins. A common practice has also been that the employee pay some share of the medical expenses beyond the deductible, typically 20 percent of the amount of the expenses up to some rather modest maximum limit, such as, at present, \$5,000 (which means a maximum limit of \$1,000 as the employee's own additional contribution).

It cannot be stressed too strongly that this system of medical insurance contains essential features of socialized medicine. And that, as we shall see, is why our problems in connection with medical care have gotten progressively worse since World War II, as the present system of medical insurance was extended and people became more and more acclimated to it.

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A leading socialist feature of the system is that the typical wage earner has been led to regard medical care as essentially free, either completely free or virtually completely free, or, at most, 80 percent free after a modest deductible and then completely free after a relatively modest maximum limit on his own outlays. Thus, the psychology of the average American worker in relation to the cost of medical care has become the same as if he were living under communism. For all practical purposes, medical care comes to him simply according to his need for it. This situation is both based upon and reinforces the perverted notion of the right to medical care as a right divorced from considerations of what one has earned and can afford to pay and of the willingness of suppliers to satisfy one's need out of regard to their own financial self-interest. As I say, under the system of medical insurance of the last forty years or so, medical care appears to come to the average wage earner almost as though by magic, on virtually no other basis than that he needs it.

The present system also shares with socialism—with communism—the further, corollary feature that for all practical purposes the individual's burden (the actual financial cost of his treatment) is borne by a large group—a more or less giant collective. Thus, when an individual with medical insurance undergoes procedures with a cost of \$10,000, say, he personally may pay nothing at all or, at most, perhaps \$1,100 or \$1,200; the entire rest of the cost is spread over the group as a whole. And if the individual undergoes medical procedures with a cost that is twice as great or ten times as great, the cost to him, if anything at all, will still be no more than \$1,100 or \$1,200, and the much larger remaining total will be spread over the group as a whole.

This is a system of collectivism. For all practical purposes, it is the same as exists under communism or socialism. Although called medical insurance, it is actually a hybrid of insurance and collectivized medical costs. It is insurance only insofar as it provides for the meeting of extraordinary, catastrophic medical expenses. For the rest, it is a system simply of collectivized medical costs.

True, this system exists for the most part in an environment of privately owned business firms and is financed for the most part by those business firms. But when one recalls how the system was started and how it was spread, namely, by price-control officials and by coercive labor unions, and that throughout the years it has been deliberately supported by a discriminatory tax policy in its favor, one must characterize the system as imposed and maintained by the government, and not as a product of the competitive processes of a free market. Furthermore, as will become apparent later on, additional forms of government coercion serve to maintain the system by making it financially prohibitive for most people to step outside of it. Thus,