

DiLorenzo note how Hayek argued that extensive government controls can produce "a psychological change, an alteration in the character of the people." Nobody can seriously argue that controls in America from Social Security to antitrust, from credit expansion to minimum wages, from affirmative action to so-called environmental protection, and so on are not extensive. It follows that government propaganda on behalf of these controls serves to undermine individual freedom and that citizens need to read books such as *Official Lies* to alert them to the danger.

What lies? Take the one that governments can dispel ignorance and educate people, including the young. The authors wonder about this contention in the face of the fact that the "free" public school in America is essentially a monopoly financed by compulsory taxation and secured by compulsory-attendance laws. Others laws reinforce that monopoly. The authors note, for example, that a Texas state law states that textbooks "shall not contain certain material which serves to undermine authority."

Professors Bennett and DiLorenzo see that virtually all textbooks in civics or American government throughout the land clothe government in almost saintly garb. Its servants are selfless, public-spirited bureaucrats and politicians whose only aim in life is to serve mankind in general and America in particular. They cite the widely used *American Government* by Mary Turner, Kenneth Switzer, and Charlotte Redden, who find Congress an "effective" branch of government whose hallmarks are diligence and sobriety.

In like manner Professors Bennett and DiLorenzo take on the green lobby in and out of the government, a lobby whose daily propaganda hammers out the message that the sky is falling, that ozone depletion, global warming, acid rain, overpopulation, toxic wastes, and the like will soon wipe out the human race apart from the spotted owl. They analyze some of the misstatements and misconceptions in reports like the Club of Rome's *Limits to Growth* and the Carter Administration's *Global 2000*. Employing

some of the analysis of economist Julian Simon, the authors say the nightmarish projections of *Global 2000*, now only seven years away, do not bear the stamp of objective science but are instead "the prejudiced opinions or even the hunches of a small number of government employees."

James Bennett and Thomas DiLorenzo deserve credit for cutting through the steady fog of misinformation and disinformation emanating from the nation's capital. Their readers will profit from their lively book on official deception. □

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### **Patient Power: Solving America's Health Care Crisis**

by John C. Goodman and  
Gerald L. Musgrave

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Washington, D.C. 20003 • 1992 • 672 pages  
\$16.95 paper

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**Reviewed by Ross Korves**

**F**or the past 50 years, public policy on health care in this country has led to the concentration of power in the hands of bureaucracies, both public and private. Consumers pay directly for only about 20 percent of the cost of care. Governments pay directly for 40 percent of the care received. Of those people who have private health care plans, over 90 percent have employer-based plans where individuals have little say in the choice of plans. Medicare and state government regulations delineate in minute detail how health care providers are to render care. The Food and Drug Administration has complete control over which drugs are allowed on the market and what conditions can be treated. The health care delivery system looks much like

the failed centrally planned economies of the old Soviet Union and Eastern Europe.

Many serious students of health care policy have concluded that the only ingredients necessary to solve the current health care problems are more government regulations, more government spending and less consumer choice. Two health care policy experts have arrived at a sharply different conclusion. John C. Goodman and Gerald L. Musgrave have clearly laid out the arguments for allowing individuals to make decisions about financing and receiving health care. *Patient Power: Solving America's Health Care Crisis* is an important book to read to navigate the maze from our current system of bureaucratic power to a system based on patient power.

At 672 pages, only the most dedicated soul would attempt to read the entire book. The 21 chapters are written so that each covers a specific topic and can stand alone. The book provides good background for how the current system developed with chapters like "How the Cost-Plus System Evolved" and "National Health Insurance in Other Countries." The route out of our mess can only be understood by looking at how we got into it. Other chapters like "Moving Toward the Ideal: An Agenda for Change" and "Privatizing Medicare with Medical IRAs" deal with the needed changes.

The authors use the first sentence in the preface to define the message, "The thesis of this book is simple: If we want to solve the nation's health care crisis, we must apply the same common-sense principles to medical care that we apply to other goods and services." More than 650 pages later in the conclusion, they are still stressing the same point, "The assumptions of the advocates of greater government control are false. Self-interested behavior is a normal and natural characteristic of human beings. Socialism does not work in health care any better than it does in any other market."

In a normal market system the pursuit of self-interest results in the needs of others being met at the same time. In the government-regulated health care market, the outcome is much different. "The result is a

marketplace in which the pursuit of self-interest often does not solve problems, but creates them instead."

Goodman and Musgrave are not new to the health care policy debate. Goodman, president of the National Center for Policy Analysis in Dallas, Texas, has spent much of the past 20 years researching and writing about the failure of government-run health care plans and how markets could deal with health care delivery and financing problems. Over the past ten years, Goodman and Musgrave, the head of an economic consulting firm in Ann Arbor, Michigan, have collaborated on many studies that formed the basis for much of the book.

The key element of their reforms is equity in taxation by permitting all taxpayers to purchase a health care plan and have medical savings accounts to pay small medical bills out of pocket. "To give all people the same economic incentives to purchase health insurance, premiums paid by employers should be included in the gross wages of their employees, and all taxpayers should receive a tax credit equal to, say, 30 percent of the premium." The allowable health plan deduction or credit would be limited to a premium for no-frills, catastrophic health insurance.

The arguments for permitting auto assembly line workers and school teachers to control their health care decisions and financing are fairly easy to grasp. Goodman and Musgrave go beyond that by looking at how to privatize Medicare. They also propose to decentralize Medicaid, move the decision-making to the community level, and allow private charitable organizations to bid on providing services to low-income people.

Near the end of the book is a chapter on "The Politics of Medicine" which primarily describes the politics of medicine in countries that have government-run health care. For those readers who are not familiar with "public choice" economics, the first part of the chapter provides an excellent overview of why politicians from different parties often support the same public policies. Several additional readings are also suggested.

That chapter alone is worth the price of the book and has implications far beyond health care.

While Goodman and Musgrave have many proposals to reform health care policy, they never lose sight of the fact that markets are always evolving in ways that we cannot anticipate. "The most that politicians can do is change the rules of the game. Once the rules have been changed, the tedious process of replacing cost-plus institutions with market-based institutions can begin. But the process of change must itself be market-oriented—brought about by millions of people pursuing their own self-interest."

*Patient Power* is a powerful message that needs to be heard in the current policy debate on health care. □

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## What Has Government Done to Our Health Care?

by Terree P. Wasley

CATO Institute, Washington, DC • 1992  
163 pages • \$19.95 cloth; \$10.95 paper

Reviewed by Gerald Musgrave

**N**ever before has so much relevant information and clear explanation of health economics been condensed into such a thin volume. If every Congressman were to read this book on a flight home, America would have much less to fear from the Clinton administration.

Ms. Wasley's references are a virtual "Who's Who" in market approaches to health care. She includes a sprinkling of the usual villains, but uses them as strawmen or foils for her analysis. The book faithfully condenses the analyses and approaches being developed and used by the new market-oriented health economists. Under the old approach, markets are to be manipulated. That conventional wisdom is to prescribe

1950s-style social engineering masked by 1990s-style politically correct rhetoric of "Global Budgets" and the oxymoron of "Managed Competition." After reading this book, one would certainly know that free market, deregulatory approaches to health care financing have merit.

The book contains the best synopsis of the history of twentieth-century health care. Not one in 100 health economists knows that World War II price and wage controls are an important cause of today's problems. To dampen the problem caused by wage controls, in 1942 the War Labor Board ruled that fringe benefits in the form of health insurance would not be considered inflationary, and thus not controlled. Enrollment in group hospital insurance grew from less than seven million to about 26 million from 1942 to 1945 and marginal income tax rates rose from about four percent to 23 percent. Employers could launder wages through insurance companies. That is, the normal health expenses we all have could then be consumed with pre-tax dollars at a saving of 23 percent. Today, with total marginal tax rates being over 50 percent (federal, Social Security, Medicare, and state), it is not surprising that most of us obtain health care via employer-purchased "insurance" rather than our own personal and portable coverage for catastrophic situations, and why we don't self-insure for small bills. Many other historical issues are covered, but the treatment of this one is superb.

The book covers the slippery slide to nationalized health care. It is an interesting and thought provoking analysis. Ms. Wasley's thumbnail sketches of foreign systems should give any thoughtful person hesitation about grafting an alien approach to an American culture.

A final section introduces what is called "Health Care Based on Consumer Choice." No one blames farmers for hunger, or carpenters for homelessness, and the author does not blame health care suppliers for the other-than-utopian treatment of illness. She presents the major free market approaches to health care financing such as medisave accounts. She also offers deregulation, in-