

Shield, for example, figures it saved subscribers \$6 billion in 1984. And in May it announced unprecedented refunds of nearly \$750 million because a sharp drop in hospital use had saved so much money.

Incredibly, some people persist in blathering the old saw that the medical market isn't like any other market. Vita Ostrander, for example, president of the 19-million member American Association of Retired Persons, got up before a conference on the future of Medicare this summer to criticize the Reagan administration's efforts to control Medicare costs by encouraging more competition in the medical market. "The health care marketplace," she charged, "resists the normal forces of supply and demand."

Maybe Ostrander can be excused. Economist Lester Thurow really ought to be ashamed of himself. In a piece written for the *New England Journal of Medicine* and picked up by *Harper's* recently, Thurow had to ignore the evidence of the last few years in order to allege that "insurance companies actually have an interest in increasing health-care spending, since they make money... by taking a management fee that is usually a percentage of total expenditures."

Apparently, the insurance companies are acting against their interests these days. As an economist, Thurow ought to know that doesn't fly as an explanation of anyone's behavior in the marketplace. But then, one has to wonder about his economic learning—in the same article, arguing against greater reliance on market mechanisms, he made this ludicrous statement: "Since the richest 20 percent of all U.S. households have 11 times as much income as the poorest 20 percent, any efficient market mechanism will give 11 times as much medical care to the top 20 percent as it gives to the bottom 20 percent." Do the top 20 percent also consume 11 times as much food as the poorest, drink 11 times as much water, buy 11 times as many cars? Of course not. This is an elementary economic principle that any Econ 101 student grasps in a flash.

So what does explain the fact that insurance companies for a long time *didn't* do anything about spiraling costs but now they are hopping to it? For one thing, world competition in all markets is forcing employers and, increasingly, even unions to look carefully at all costs, and health care accounts for a large chunk of employee benefits. So employers, the major purchasers of private

health insurance, have goosed the insurance companies.

**A**nother plausible factor—no doubt not to the liking of Lester Thurow and his fellow liberals—is offered by Clark Havighurst, a specialist in health-care legal issues, in his contribution to a new book from the American Enterprise Institute, *Incentives Vs. Controls in Health Policy*. It's actually government getting out of the picture that's done a lot to spur insurance companies to act, Havighurst suggests.

When a major cost-containment measure pushed by the Carter administration was defeated in 1979, he explains, employers and insurers alike began to give up on a long-held assumption that the government would sooner or later take regulatory action to get the situation under control. Then along came the Reagan administration, with reforms

aimed at controlling the costs of its own programs, Medicare and Medicaid. The result, he notes, is that "both governments and private payers [began] for the first time to act as prudent buyers rather than as passive intermediaries."

There's still a lot of "price stickiness" afflicting the health-care market. As contributors to the AEI volume make clear, there's a lot of stepping aside that government could do to help competition make an even bigger difference to consumers than it has in the last few years. And if the opinion makers would just start bringing people up to speed on what's actually going on these days in the medical marketplace, the public could cure itself of the high-cost-therefore-government-action syndrome. Which would be great for the health of the body politic, given everything we already know about the bracing effects of competition—even on health care. □

Bill Kauffman

## Burning Flags

**N**ot long ago the television news dutifully broadcast the rantings and ravings of some wild-eyed Third World pistol-wavers as they burned an American flag. This scene, whether played out in Teheran or Berkeley or Beirut, never fails to produce in me the desired effect—rage and Rambo fantasies. My blood pressure eventually returned to normal, as it always does, and I sat down to read a *Wall Street Journal* article about Salvador Laurel, the odds-on favorite to succeed Philippine dictator Ferdinand Marcos in the scheduled 1987 elections.

The *Journal* reported Laurel's obsequious efforts to ingratiate himself with American politicians. For instance, last year he anointed congressman and professional junketeer Rep. Stephen Solarz (D-N.Y.) as an honorary son of Batangas Province after the honorable solon speared "a tiny 10-centavo coin with a native dagger." Laurel recently took his traveling toady show on the road for a one-week run in our nation's capital, where he met with State Department pinstripers and Capitol Hill muckamucks.

For ambitious politicians scrambling to

succeed the ailing Marcos, the *Journal* noted, "politicking in America is nearly as important as campaigning back home." Not to worry, for Laurel passed his test with flying colors. A congressional aide's verdict: "Eighty percent of Congress can live with Laurel."

Eighty percent of Congress can live with Laurel. Think about that for a minute. Why on earth should a politician from an island chain half way around the globe come slouching, hat in hand, to seek the blessing of our elected officials in Washington (a city that is now presumably awash in mutilated Filipino dimes)? Shouldn't Laurel be concerned about winning favor with Joe and Josephine Doe on Main Street, Philippines? Aren't *they* the ones who are going to have to "live with Laurel"? Have our representatives suffered a case of collective geographic amnesia?

The answer, alas, is that Washington has "vital interests" in the Philippines. President McKinley seized this Pacific island chain from Spanish colonialists in 1898 and, though the US government finally granted the Philippines independence in 1946, Uncle Sam keeps a

## editorials

close watch on his former colony. Two large US military bases still grace the islands, and the US defense and intelligence communities take an active interest in the course of Filipino politics.

Salvador Laurel may be a fine man and a patriot. Perhaps he'll win the election and inaugurate an era of peace and freedom and good will toward all men in the Philippines. But I wish to hell that he didn't have to primp and prance before the likes of Stephen Solarz.

**W**hen American bureaucrats and statesmen see the world as a giant Risk board on which every move in every country affects our national interest and every dispute calls for American intervention and meddling, is it really so hard to understand why nationalistic foreigners burn our flag? To many Filipinos, the red, white, and blue doesn't stand for life, liberty, and the pursuit of happiness; instead, it's an ugly reminder of 85 years of American domination.

The innocent bystanders in all of this are the American people, most of whom don't give two hoots about Filipino pol-

itics. They wish the Filipino people well and would prefer to have peaceful relations with them, but they are quite willing to have the Philippine election decided in Manila, not on the Potomac. I sure haven't seen any Laurel for President posters on *my* block.

Not so long ago, America had a politician who understood these things. He realized that foreign interventions stirred up hatred and usually resulted in the loss of freedom for Americans, as well—via forced military service, repression of dissent, and increased government control of the economy. His name was Robert Taft; he was the leading Senate Republican in the 1940s and early 1950s; and he made the case as well as anyone ever has for minding our own business:

Frankly, the American people don't want to rule the world, and we are not equipped to do it. Such imperialism is wholly foreign to our ideals of democracy and freedom. It is not our manifest destiny or our national destiny. We may think we are better than other peoples, more competent to rule, but will they think so?

I don't think Robert Taft would feel much at home in Washington today.

## quotable quotes

■ Our salvation lies in self-help. It is time to approach the needs of the black underclass from a different perspective, one that is cognizant of the existing strengths within the black community; one that recognizes the abilities and ingenuity of individuals and groups in handling their own affairs; one that keeps government intervention to a minimum. Those experiencing the problem should play a primary role in designing solutions regardless of their educational backgrounds. Above all, the black community must disentangle itself from the welfare professionals whose objective is to maintain clients. Those who purport to serve the black poor must be held accountable and must offer measurable programs for improving the conditions of the underclass. We must never forget that our ultimate goal is economic independence and self-sufficiency.

—Robert L. Woodson  
*Washington Post, May 12, 1985*

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# brickbats

**A**sking Seattle jeweler Ben Benton if he's got the right time could be a dangerous question. The shopkeeper is ticked off because a city council land-use committee says he needs formal permission to move or sell the clock that's been in front of his family's store for more than six decades. The clock was designated a historic landmark, although no one ever consulted Benton about it. If he moves the clock without the approval of the local honchos, he could face a stiff fine. Benton opposes the clock's designation as a landmark because "it's like taking something without paying for it. The city would like to tell me what I can or cannot do with my own personal property." Maybe Benton should consult a calendar. The state has been doing that since Big Ben ticked his first tock.

**F**rom our oldies but goodies file: Two decades ago, Hoosier state prudes found that the Kingsmen's drunken rock and roll classic "Louie, Louie" contained (shudder! gasp!) dirty lyrics, but only if you play the 45 rpm record at 33 $\frac{1}{3}$  rpm. A righteous teenager brought this shocking news to the attention of the Indiana Broadcasters Association. That stalwart group asked radio stations to stop playing the song. Of course, no one questioned how someone listening to the radio could slow down the song. Not content with censorship at the local level, Indiana officials also complained to the Federal Communications Commission. But an FCC spokesman admitted that the agency couldn't find any dirty words. "As a matter of fact, we found the record to be unintelligible at any speed we played it."

**T**he fun is over for the Bergen County, New Jersey, Fun Bus line. Officials voted to suspend the service, intended to transport residents to county parks, when it was discovered that the bus had been running almost empty for as long as three summers. The bus line costs the county \$245 a day and runs from June 24 through the end of the summer. The bus picked up its first passenger of the season on July 18. "I would give that old lady \$30 a week and tell her to take a cab," quipped one freeholder.



**R**est in peace. Julian Dewey Hursey, Jr., has been arrested five times for napping in his pickup truck near the Daytona Beach, Florida, boardwalk. A local ordinance bans sleeping in public between 11:00 P.M. and 6:00 A.M. But Circuit Court Judge Robert Miller ruled that Hursey has the right to sleep wherever he parks the truck, so long as it's parked legally.

**P**hiladelphia judge Alexander Macones dismissed murder charges against three men, including two who had been extradited from other states, because a prosecutor wasn't on time for a hearing. After lunch, the eminent jurist also dismissed murder charges against a Philadelphia man who police said confessed to a killing after being found covered with blood. Assistant District Attorney Roger King was in another courtroom down the hall when Macones turned the alleged murderers loose. "I made sure courtroom personnel told the judge I was busy with another case," says King. But when defense attorneys protested King's absence at the hearing, Macones dropped the charges. "How many bites of the apple does Mr. King want?" the robbed idiot mumbled as he turned loose the three altar boys.

**H**ow many state workers are there in Massachusetts? It's anybody's guess. The exact figure is rather elusive, ranging from 75,000 to 95,500, depending on who's doing the counting. The question isn't just for trivia buffs. A 1 percent variance in the payroll estimates can mean as much as a \$50 million difference in state costs. Surely, someone must know the exact number. "That's something we've always wondered ourselves," says Daryl Delano, chief of economic analysis and information for the US Department of Labor's Boston office. "There are many, many different payrolls around the state and no one has the ultimate responsibility for pulling that information together." Is it any wonder residents call it Tax-achusetts?

**A**ustrian playwright Thomas Bernhard thinks his play is being censored by Salzburg officials. The script calls for 800 flies to sit on a dunghill on the stage. A health official ruled that the flies pose a health risk to the audience. The play could go ahead only if the theater guarantees that all 800 flies would be caught alive after each performance. Everyone's a critic.

—Mark Edward Crane

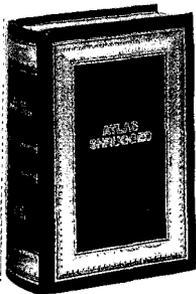
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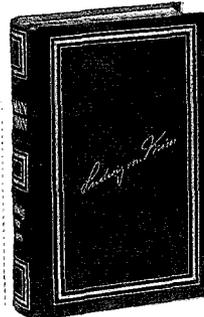
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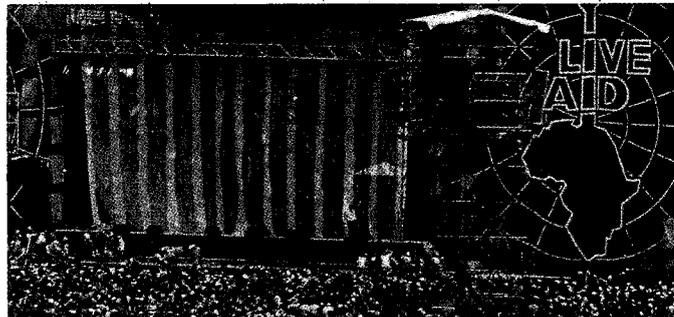
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## Rock Concerts Set Records for Private Charity

**T**his is your Woodstock," the middle-aged folksinger Joan Baez chided the 160,000 Live Aid fans assembled in Philadelphia and London in mid-July. An estimated 1.5 billion tele-



vision viewers around the world got their chance, too.

Well, no, Joan—not exactly. The 1969 concert in the sleepy burg of Bethel, New York, was a three-day orgy of Aquarian love and bad acid trips, memorable chiefly for that transcendent moment when guitarist Pete Townshend of The Who threw radical pest Abbie Hoffman off the stage. When Woodstock was over, a nice small town had been destroyed.

The Live Aid production, by contrast, lasted one peaceful day and netted \$40 million to help feed starving people in Africa. Not that the children of the '80s don't have their share of troublemakers—although some people find them in the oddest guises. The *Los Angeles Times* fretted that "despite the gospel of charity being preached from the stage, the spirit of free enterprise" reared its ugly head, and Philadelphia's finest confiscated truckloads of pret-

zels, kielbasa, and t-shirts being sold by unlicensed vendors.

All the media blather surrounding Live Aid's "cultural significance" has obscured its real lesson—that private charity is possible on a massive scale, particularly when business gets into the act. Live Aid had four corporate sponsors—Eastman Kodak, Pepsi, Chevrolet, and

AT&T—each of which donated \$750,000 to the event. In return, the corporations received lots of commercial time and, more importantly, some priceless image polishing. As Pepsi vice-president John Costello told the *Wall Street Journal*, "Live Aid demonstrates that you can quickly develop marketing events that are good for companies, artists, and the cause."

And it looks as though Live Aid is just the beginning. Michael Mitchell, who coordinated the affair, is planning a 12-hour Christmas "mega-event" to benefit children's charities. Mitchell is confident that corporations will embrace charity as the wave of the future. "This family of man trip is no hype," he told the *Journal*. "It's the ultimate way to do business."

He's on to something. Corporations reap good will, organizers make a few bucks, fans and performers enjoy an afternoon of good music, and

tens of millions of dollars are sent to malnourished individuals half way 'round the world. In one year, three African famine relief projects conceived and run by rock musicians—Band Aid, USA for Africa, and Live Aid—have raised more than \$70 million. Those who despair for the future of the human race should take note.

## Treating Heroin Addicts in a Different Vein

**A**s the trend toward privatization catches on, entrepreneurs are finding ways to provide services traditionally confined to the monopolistic domain of the government. Seattle's two major methadone clinics, which try to get addicts off heroin by substituting the less-damaging methadone, now face a new competitor: the Federal Way Clinic, the state's first for-profit methadone clinic.

"In less than seven months," the *Seattle Times* reported recently, "the Federal Way Clinic has become the state's largest methadone center." The clinic currently has about 430 clients, "twice what the clinic's founders estimated they would need to break even. They forecast a 10-15 percent profit margin in the not-too-distant future."

How does for-profit methadone treatment compare? Not surprisingly, the private clinic has chosen not to impose on its clients many of the rules that the state-subsidized clinics are obliged or choose to follow. (It does meet federal regulations governing such centers.) The

goal is still for clients to work toward a drug-free life, but more responsibility falls on the clients themselves to decide when it's time to quit.

Counseling is available but not required (as it is in Seattle's other two clinics). Douglas Anglin, a psychology professor at UCLA who has studied the effectiveness of various methadone treatments in rehabilitating users, states that "rehabilitation, which is the most expensive part of methadone maintenance, has never been shown to produce any overall change for addicts as a group."

Critics claim that the private center lures users by simply dangling more methadone in front of them. But Anglin found that higher dosages and liberal rules are actually *more* effective than the restrictive dosages and tight rules favored by state-supported clinics. Furthermore, Bill Quick, chief of Washington state's Office of Drug Abuse Prevention, has monitored Federal Way Clinic and concluded that the program is well controlled. "We haven't found any evidence of inappropriate treatment, or inappropriate prescriptions of medication," he told the *Seattle Times*.

Clients like it better, too. Many have transferred from state clinics to Federal Way and now pay \$130 a month for methadone they had previously been getting for free. As one client explained the switch, he gets "respect" at the private center that was missing at the government-subsidized clinic. And the for-profit center is open all day, not just in the morning.

The Federal Way Clinic is not an isolated case. Owner Galen Rogers and his partner run 13 other for-profit metha-