

What Principle?

On what grounds do critics of consumption decide that we consume too much of any particular good? What principle (of ethics, religion, jurisprudence, or government) can tell us how much we *should* spend?

Americans devoted 2 percent of their national income to medical care in 1900, and 4 percent thirty years later. That share jumped to 13 percent by 1990. There was nothing very elusive about the reasons for this increase. The medical profession in this century learned to perform miracles. Suddenly, diseases known since the ancient Egyptians could be prevented, illnesses cured, pains blocked. Americans began to rely more on doctors, pharmacists, hospitals, and less on toughing it out, ancient nostrums, faith healers — and morticians.

The rise in health expenditures can also be traced to policies that blunt incentives to restrain such consumption. Forty years ago, Congress adapted the tax code to protect that holy relic of World War II's wage and price controls -- tax exemption for health insurance. Millions who profit from this policy collect some of their income in untaxed form, and therefore spend with less forethought. The result has been to intensify the blaze of health spending.

Two years ago, in an address to a joint session of Congress, President Clinton suggested a great change. "We're spending over 14 percent of our income on health care," he declared. "Canada's at ten; nobody else is over nine. We're competing with these people for the future." By reorganizing the American practice of medicine, he hoped to reduce the projected figure for the year 2000 by 2 percent — from 19 to 17 percent.

The president and Congress could indeed force such a change. But what high principle demands that Americans and Canadians spend the same share of their income for health care? Or any other item? Does it require us to spend the same share for personal travel, or recreation (for which we also spend more at present)? And will it require a further cut in the American health share if Canadians, as some are murmuring, decide to spend even less?

Since shares of the national income always add up to 100 percent, the administration

evidently wanted Americans to spend that 2 percent in projected health care savings on other items. Why? And for what? Would spending more for American cellular phones and motion pictures (then being hawked in France and Japan by a traveling U.S. ambassador) help? What if Americans bought just any other items in the hodgepodge that the market offers? How on earth could that switch help us in "competing with these people [Canada and other nations] for the future"?

For changing the share that workers spend for any item does not thereby reduce their employers' wage bill. Nor would employers learn to compete more efficiently in international markets because less money was spent for workers' health.

If the present tax exemption for wages that employers pay into Medicare (instead of directly to their workers) were discontinued, the nation would probably spend less on health care. Creating medical IRAs, which would give non-taxable rebates to families whose health expenditures are lower than their insurance plan allows for, might reduce unnecessary trips to the doctor and hospital. Both are matters for Congressional decision.

Our Congress is also free to allocate public funds to whatever causes or programs it chooses. These choices are the result of complex trade-offs between what pleases some voters (cutting the deficit; more money for peanut and irrigation projects) and what pleases others (maintaining subsidies for training medical specialists). Meanwhile, individual consumers should be free to decide how to use their own money, except as government taxes and laws preclude certain choices. What principle tells us how to end up with a truer, more scientific share of our income devoted to health care?

— Stanley Lebergott

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