

# Health Care Mythology

REVISED DRAFT

7/22/2009

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## **What We Know That Ain't So**

Will Rogers<sup>1</sup> famously said, “It isn't what we don't know that gives us trouble, it's what we know that ain't so.” So it is with the health care debate in this country. Quite a few “facts” offered to the public as truth are simply wrong and often intentionally misleading. It seems clear that no truly productive solution will emerge when these false facts represent our common starting point. So, this essay takes on the modest task of simply disabusing its readers of some untrue notions about health care.

I do not take on the harder task of prescribing how we should (and if we should) reform health care, though I offer a few thoughts. Important work must be done here by those who understand, far better than I, the details of health care provision. However, no details are necessary for this essay, and no animals (though perhaps some egos) were harmed in its creation. The fallacies I present are basic and it takes only a rational economic framework to expose them

There are large groups of people in this country who want socialized medicine and they sense that the stars are aligning, and now is their time to succeed. They rarely call it socialized medicine, but instead “single payer health care” or “universal coverage” or something that their public relations people have told them sounds better. Whatever they call it, they believe (or pretend to believe) a lot of wrong-headed things, and they must be stopped. Step one is understanding how and why they are wrong. Step two is kicking their asses back to Cuba where they can get in line with Michael Moore for their free gastric bypasses.

Finally, please read my standard disclosure (though it's more designed for something that might be construed as financial advice, it can't hurt) and my admission of non-originality.<sup>i,ii</sup>

## **Myth #1 Health Care Costs are Soaring**

No, they are not. The amount we spend on health care has indeed risen, in absolute terms, after inflation, and as a percentage of our incomes and GDP. That does not mean costs are soaring.

You cannot judge the “cost” of something by simply what you spend. You must also judge what you get. I'm reasonably certain the cost of 1950's level health care has dropped in real terms over the last 60 years (and you can probably have a barber from the year 1500 bleed you for almost nothing nowadays). Of course, with 1950's health care, lots of things will kill you that 2009 health care would prevent. Also, your quality of life, in many instances, would be far worse, but you will have a little bit more change in your pocket as the price will be lower. Want to take the deal? In fact, nobody in the US really wants 1950's health care (or even 1990's health care). They just want to pay 1950 prices for 2009 health care. They want the latest pills, techniques, therapies, general genius discoveries, and highly skilled labor that would make today's health care seem like science fiction a few years ago. But alas, successful science fiction is expensive.

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<sup>1</sup> A few commentators on my earlier drafts have pointed out that this quote is attributable to several different people, and it's far from clear it's really, or only, by Will Rogers. Interestingly these particular commentators went on to say that nothing I say has value because of this possible “oversight” of mine (while admitting that many others also attribute the quote to Rogers). The only possible response a gentle author like myself can have is that they can bite me.

In the case of health care, the fact that we spend so much more on it now is largely a positive. The negative part is if some, or a lot, of that spending is wasteful. Of course, that is mostly the government's fault and is not what advocates of government control want you to focus upon. We spend so much more on health care, even relative to other advances, mostly because it is worth so much more to us. Similarly, we spend so much more on computers, compact discs, HDTV, and those wonderful one shot espresso makers that make it like having a barista in your own home. Interestingly, we also spend a ton more on these other items now than we did in 1950 because none of these existed in 1950 (well, you could have hired a skilled Italian man to live with you and make you coffee twice a day, so I guess that existed and the price has in fact come down; my bad, analogy shot). OK, you get the point. Health care today is a combination of stuff that has existed for a while and a set of entirely new things that look like (and really are) miracles from the lens of even a few years ago. We spend more on health care because it's better. Say it with me again, slowly – this is a good thing, not a bad thing.

By the way, I do not mean that the amount we spend on health care in this country isn't higher than it needs to be. Myth #4 covers that.

In summary, if one more person cites soaring health care costs as an indictment of the free market, when it is in fact a staggering achievement of the free market, I'm going to rupture their appendix and send them to a queue in the UK to get it fixed. Last we'll see of them.<sup>2</sup>

## **Myth #2 The Canadian Drug Story**

Ah ... one of the holy myths of the "US health care sucks" crowd. This should be fun.

The general story is how you can buy many drugs in Canada cheaper than you can buy them in the US. This story is often, without specifically tying the logic together, taken as an obvious indictment of the US's (relatively) free market system. This is grossly misguided.

Here's what happens. We have a partially free market in the US where drug companies spend a ton to develop new wonder drugs, much of which is spent to satisfy regulatory requirements. The cost of this development is called a "fixed cost." Once it's developed it does not cost that much to make each pill. That's called a "variable cost." If people only paid the variable cost (or even a bit more) for each pill, the whole thing would not work. The drug company would never get back the massive fixed cost of creating the drug in the first place, and so no company would try to develop one. Thus, manufacturers have to, and do, charge more than the variable cost of making each pill.<sup>3</sup> Some look at this system and say to the drug companies "gee, it doesn't cost you much to make one more pill, so it's unfair that you charge much more than your cost." They are completely wrong and not looking at all the costs.

So, let's bring this back to our good natured friends to the North (good natured barring hockey when they'll kill you as soon as look at you<sup>4</sup>). They have socialized medicine and they bargain as the only Canadian buyer for drugs, paying well below normal costs. Drug companies that

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<sup>2</sup> Some say health care advances are really an achievement of the government as the government funds university research. Wow. What a clear case of the government muscling in, taking over, and then pointing to their taking over of Poland as a success. We Poles feel differently.

<sup>3</sup> By the way, that companies try to maximize profit is not something they or I should apologize for, it is beautiful and fair and the reason why great things are created.

<sup>4</sup> FYI, your author is a hockey nut.

spent the enormous fixed costs to create new miracles are charging a relatively high cost in the free and still largely competitive world (the US) to recoup their fixed cost and to make a profit. But socialist societies like Canada limit the price they are allowed to charge. The US-based company is then faced with a dilemma. What Canada will pay is not enough to ever have justified creating the miracle pill. But, once created, perhaps Canada is paying more than the variable cost of each pill. Thus, the company can make some money by also selling to Canada at a lower price; as it's still more than it costs them to make that last pill.<sup>5</sup>

However, this is an accident of Canada being a less-free country than the US, much smaller, and next door. If we all tried to be Canada, it's a non-working perpetual motion machine and no miracle pills ever get made because there will be nobody to pay the fixed costs. I'm a big fan of Canadians in general (particularly Wayne Gretzky and Mario Lemieux, who, if healthy, probably would have eclipsed Gretzky – but I digress), but when it comes to pharmaceuticals they are lucky hosers, subsidized by Americans. Drug companies in general sell their products to Canada at low prices, making a little profit, and reducing slightly the amount they need to charge us. This does create the silly illusion that the Canadian system is somehow better than ours because our own drugs are cheaper there. They are only cheaper to the extent we are subsidizing them by paying their portion of drug development costs and, unfortunately, we cannot subsidize ourselves (or we go blind).<sup>6,7</sup>

So, what is the purpose behind those who tell tales of cheap Canadian drugs? They seek to imply that our system is broken, and delivers only expensive drugs, when the socialist Canadian system delivers the goods for its people. Thus, they implicitly argue that we need to have socialism here. It's not complicated.

So, repeat after me. We could go with the Canadian system and have super cheap drugs, if only we can find a much bigger, more medically advanced, freer country right next to us to make miracle drugs for themselves, and then we insist that we pay them only a bit above their variable cost for our share, and then they in turn agree to let us be their parasite. Mexico, would you mind helping us out?

### **Myth #3 Socialized Medicine Works In Some Places**

This is a corollary to the “Canada as parasite” parable above. The funny part is socialized medicine has never been truly tested. Those touting socialism's success have never seen a world without a relatively (for now) free US to make or pay for their new drugs, surgical techniques, and other medical advancements for them. When (and I hope this doesn't happen) the US joins in the insanity of socialized medicine we will see that when you remove the brain from the body, the engine from a car, the candy from the stripper, it just does not work.

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<sup>5</sup> Canada's national healthcare does not cover all prescription drugs, just those prescribed in hospitals and drugs for poor people. But it imposes price controls and uses bulk purchase negotiations, and it recognizes less patent protection than US law. The net result is drug companies recover much less of their fixed costs per person in Canada than in the US. If the US imitated Canadian health policy, rewards for medical innovation would be much less.

<sup>6</sup> Truth be told this isn't about just Canada but any group that negotiates en masse for prices that cover variable not fixed costs. But the general point is still valid. The success of some groups at this does not mean it's a viable system for all, in fact it's impossible to be a viable system for all. We cannot all be free riders.

<sup>7</sup> The true subsidy of the US does not result only from US companies producing most of the drugs, but free people in the US paying full price for drugs produced the world over.

So, please, stop pointing to all those “successes” that even while living off the US still kill hard-working people who could afford their own health care while they stand in line for the government’s version (people’s cancers growing while waiting ten weeks for a routine scan, which these people could often afford on their own if allowed, is a human tragedy). Even the successes you gin up for them would not be possible without the last best hope of humankind (the US) on the front lines again making the miracles for the world.

Specifically, let’s also stop citing the Nordic countries as examples. The temporary success of (comparatively speaking) twelve herring-eating homogenous people is not an example that applies to anything outside of perhaps Minnesota, and they elected Stuart Smalley, so under any system they need serious free anti-psychotic medication immediately. Anyway, the Nordic country’s touted “success” is going to go the way of the Soviet Union’s plan to bury us, as their changing demographics (far more economic and social diversity and an aging population) change their culture and show the cracks in their utopian fantasy. As Milton Friedman (paraphrasing) said to a Swede bragging about how little poverty there was in his country "well, yes, I too have observed that among Swedes in America, there's also very little poverty."<sup>8</sup>

To put it simply, right now the US’s free system massively intellectually and financially subsidizes the world’s unfree (socialized) ones. That sucks. The only thing that would suck worse is joining them without anyone to subsidize us all.

#### **Myth #4 Socialized Medicine Is Better Because Their Cost/GDP For Health Care is Lower**

The favorite statistic of fans of socialized medicine is that in the US we spend more as a percentage of GDP on health care than in many countries with “universal coverage.” I do not argue with their statistics, but their logic is, as usual, way off. Warning, this list of why these cost/GDP numbers are misleading is long, here goes...

- Measuring cost/GDP is inaccurate as it leaves out most of the cost, the cost of lower GDP growth. As one would expect, countries with larger government sectors (including socialized medicine) generally seem to experience slower GDP growth. People are great at measuring costs that they easily can look up, but those are not all the costs!
- If I’m right about the US subsidizing the world of course their costs would be lower!
- Many of the countries we are being compared with come from, frankly, healthier cultures than ours. I do not think the government should be allowed to make, for instance, your health vs. fast food trade-off for you. If free Americans more often than others go for the Wendy’s Triple w/ Cheese like I do, our cost/GDP will be higher. Freedom sometimes ain’t sugar-free. By the way, if we change our system to socialism, but these habits persist, our costs will still be higher. So, here come the diet and exercise laws...
- I do agree the US system could be better. I mention this again at the end, but I do not think health care should be tax-free if provided by an employer. Being provided by

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<sup>8</sup> Note that doctors also get paid comparatively very little in these countries. This was a bait and switch on the current generation. It remains to be seen if it can be done again to the next generation, though one has to presume not. The best and brightest will choose other careers. Another reason why the future for the socialized medicine Nordic El Dorado is less bright than it's current reputation.

employers in the US leads to over-consumption (as it's pre-tax and the marginal cost of service is lower to the consumer), and worse, does indeed help lead to the fractious less efficient organization of insurance (and the famous, and real, "portability" problem). I certainly agree that this structure raises costs, but if you have a simple problem like this, you fix it, you do not say "hey, let's try communism."

- A large fraction of health care costs are sadly in the short period before death from long-term illness. If socialized societies ration these costs then their total cost/GDP could indeed be lower than in the US. But, I can not see disallowing free people from spending their own money on their last few months of life. If people have what economists would call a "taste" for this (in this case the word seems callous but it's accurate) then a free system could indeed voluntarily choose to spend more per GDP on health care. That is not a bad feature of the system. It's a wonderful feature of the system, as it allows someone who spent a lifetime saving for retirement to use a little bit of that to live a bit longer if it's their desire. Just because you (perhaps) do not agree with the choice does not mean you have a right to dictate to these people.
- As I mention again near the end, we also have a true cost problem in this country emanating from our insane tort system. Some argue that this is exaggerated as they measure the cost of the literal payouts to plaintiffs and say that while it is higher here than in other countries it is not enough to explain our cost differential. But, again, they only measure what they can see and fail to account for the massive cost of "defensive medicine" we force doctors to practice in anticipation of these tort lawyers. This indeed makes our cost/GDP spent on health care too high, but the solution is again not the gulag for us all, but perhaps only for half of the American Bar Association (ok, just cap their awards, that would be fine).
- I admit this is near a matter of religion for me, but do fans of socialized medicine really want to argue that if both were properly organized and not fettered with things like voracious ambulance chasers, that the government could deliver material goods and service, like health care and drugs, cheaper and more efficiently, for the same efficacy, as the private sector? Really? Wow, even writing this essay, I just didn't think anyone could really believe that... And, by the way, by "religion", all I mean is I'm really sure, it's fact not faith based!

So, all considered, we should indeed be measuring our cost/GDP, and within a free system attempting to keep it reasonable through reasonable policies (like rational tax and tort policies). But a dictatorial socialist system is unnecessary for this purpose. It's only necessary to enslave the population.

## **Myth #5 A Public Option Can Co-Exist with a Private Option**

This one has been the subject of some hot debate. Let's first define it. Part of the current administration's plan is to add a "public option" for health insurance. That is health insurance provided by the government (actually provided by you and your neighbors – this is a good thing to remember whenever you find yourselves thinking anything comes from the government; really, if you take away anything from this essay, take away this!). They claim this "public option" can co-exist fairly alongside private health insurance, increasing competition and keeping the private system "honest," and not deteriorate to a single payer (socialized medicine) system. They are not leveling with you, as in unguarded moments they admit that the single payer socialized system is what they really want. The *New York Times* disagrees with me, thinking the two can co-exist. But the *New York Times* still thinks Stalin was a pretty decent Joe.

Those advocating the "public option" say it's just there to keep private enterprise honest. They point out that private doctors prescribe more expensive procedures than ones employed by the government, and then use that as evidence that the private system has inefficiencies (to get as inefficient as the government they'd have to prescribe enough CAT scans to turn you into Spider-Man if conveniently bitten by an arachnid along the way). It makes me want to ask them, "but then don't we need that in every industry? Doesn't the already massive competition in health care keep things honest?" Of course, this leads to the uncomfortable conclusion that by their logic the government must be a major player in every industry. Ah, just when you think you have them, you remember, they have you! This is in fact what they desire. Don't throw them in the briar patch, remember, they are socialists! But, in our case they are mendacious socialists who know that if they are honest, the public will not allow them to achieve their massive imposition of state control on all aspects of life. So they are dismantling liberty piece by piece. Now, let's get back to the idea that the government can run a fair "private option", but not forget that there's nothing special about health care.

The government does not co-exist or compete fairly with private enterprise, anywhere. It does not play well with others. The regulator cannot be a competitor at the same time. It cannot compete fairly while it owns the armed forces and courts. Finally, it cannot be a fair competitor if when the "public option" screws up (can't pay its bills), the government implicitly or explicitly guarantees its debts. We have seen what happens in that case and don't need a re-run.

The first thing the government does is underprice the private system. You can easily be forgiven for thinking this is a good thing. Why not, cheaper is better, right? Wrong. They will underprice private enterprise by charging less to the purchaser of health insurance, not by actually creating it cheaper. Who makes up the difference? Well, you and your family do if you pay taxes, or your kids will pay taxes, or their kids will pay taxes. The government can always underprice competition, not through the old fashioned way of doing it better, they never do that, but by robbing Peter to pay for Paul. They are taking money from your left pocket and giving you a small portion of it back in your right pocket. They do it every day before breakfast, and take a victory lap for the small portion they return.

Second, the government ultimately always cheats when it's involved in "honest" competition. Try mailing a first class letter through Fed-Ex, or placing an off-track bet on your favorite horse with a bookie, or playing a lottery through a private company. Uh, you can't, so please stop trying, I don't want you to hurt yourself. Once the government discovers it cannot win, it

changes the rules. You see, the government has the power to legislate, steal, imprison, and even kill. Those are advantages most private firms do not have, save Google, and you did not hear that from me (we all know the Google guy with one eye-brow would crush your larynx for creating a competing search engine).

I have friends who say that I can't compare doctors to postal workers or truck drivers or bookies as doctors are tireless altruists (pretty damn arrogant no?). I respect the skills of doctors, but they are the kids in college who wanted good jobs with prestige and money, and worked damn hard to attain them, but barely a one was more altruistic than the average truck driver (ever have a doctor drive you from Cleveland to Spokane for nothing but your participation in a Captain and Tennille duet?) And anyway, those who want socialism want to enslave these altruist doctors while I want to free them, so I am not sure I need to argue this point.

Perhaps the best example of the destructive "public option" is our nation's schools. Here we clearly have a government provided "public option" competing with (and in fact dominating in size) private schooling. But, is it fair? Does it work well? Not by a long-shot. To send your kids to private school (i.e., a school that competes with the government) you need to first pay your taxes for the public schools. Absent vouchers or tax credits, the *bête noirs* of the "socialism in education" set, if you eschew the "public option" you have to pay for education twice. Double payment is not only unfair, but the quality of the public product without competition is inhuman and a catastrophe to a generation of children the Left weeps tears over, but actively works to destroy (after all, the Left needs future customers). That the schools provided by the government pale next to the private options, which themselves pale next to what we would have with a full private system (even if publicly funded) is beyond sad, but not the direct point here. The direct point is a "public option" cannot exist without cheating – in this case making you pay for it even if you don't use it (I'm pretty sure if a private company tried that it would be called stealing).

With a "public option" things inevitably would go the horrific way of our public schools. Instead of existing to please customers (patients and students, respectively) the "public option" in schools exists largely to benefit empowered stakeholders of the system (health administrators and unionized school employees, respectively), who will shamelessly pretend to give a darn about sick people and children. Watch the analogy play out if we go this route in health care. It will be like looking in a funhouse mirror and seeing a doctor where you used to see a teacher. All else will be the same.

Finally, let's worry a bit about the end game. We are not here yet, but in a world where the "public option" replaced all private options, would we still be allowed, if we had the resources, to pursue private medical alternatives? Some socialized countries say yes, some say no. Imagine the answer is "no" in this country, where freedom is valued more than anywhere else in the world. Imagine a person is to be prevented from spending their hard earned money on their, or their children's, health care, or a doctor was prevented from earning what he could in a parallel free system after all his training and work. If we get to this point, and I pray we do not, it's time to skip all the Constitution but the second amendment (while we still have it), as it won't be America anymore.

Let's again conclude by asking why they are lying here about the "public option"? Well, the President has said if starting from scratch he'd prefer socialized medicine (he calls it something different, but it isn't different). He also now insists that this "public option" is not intended to lead to fully socialized medicine, and accuses those who say it will lead there of, you guessed it, lying. Odd no? But it takes literally seconds to realize that this "public option" cannot co-exist

with the freedom to choose and thus will indeed lead to full-on socialization. Since the simplest answer is usually best, and the President has already declared his preference for a “single-payer” system, and since this “public option” leads there with near certainty, might I be forgiven for assuming he knows this and has a socialized medicine end-game in mind?

### **Myth #6 We Can Have Health Care Without Rationing**

Rationing has to occur. This sounds cold and cruel, but it is reality.  $A=A$ . If you have a material good or service, like health care, that is ever increasing in quality, and therefore cost, there is no way everyone on Earth can have the best at all times (actually the quality increases are not necessary for rationing to be needed, it just makes the example clearer). It’s going to be rationed by some means. The alternatives come down to the marketplace or the government. To choose between those alternatives you judge on morality and efficacy.

Everyone on both sides seems to hate the rationing word. People favoring free markets point to the explicit rationing that occurs in other countries with glee, while those favoring socialism point to the number of uninsured who get their health care through emergency rooms and the like (a form of rationing). Both sides are wrong to complain about rationing *per se*, that’s a fact of life. But there are differences.

It is an uncomfortable truth that tough choices will have to be made. There is no system that provides for unlimited wants with limited resources. Our choice is whether it should be rationed by free people making their own economic calculations or by a bureaucracy run by Congressional committee (whose members, like the Russian commissars, will, I guarantee you, still get the best health care the gulag hospitaligo can provide). Free people making their own choices only consume what they value above price, using funds they have earned or been given voluntarily. With socialized medicine health care is rationed by committees of politicians trying to get re-elected and increase their own power, and people consume as much of it as the commissars deem permissible. I do not find these tough alternatives to choose between.

By the way, nothing says that part of this rationing cannot include large amounts of charity, privately or even (and the libertarian in me quakes) publicly, but that still involves rationing. Sorry, we can’t suspend the laws of physics and arithmetic.

So, why do they lie about rationing, other than habit? Well, rationing isn’t pleasant news for those who don’t get that  $2+2$  will always equal 4. Telling optimistic innuendoes that your plan does not include rationing wins support.

### **Myth #7 Health Care is A Right**

Nope, it’s not. But we are at the nuclear bomb of the discussion. The one guaranteed to get me yelled at or perhaps picketed by a mob waving signs printed up with George Soros’s money. Those advocating socialized medicine love to scream “health care is a right.” They are loud, they are scary, but they are wrong about rights (as the 1980 kid in me resists the temptation to type “TO PARTY” – you had to be there).

This is more philosophy than economics, and I’m not a philosopher. But, luckily it doesn’t take a superb philosopher to understand that health care simply is not a “right” in the sense we normally

use that word. Listing rights generally involves enumerating things you may do without interference (the right to free speech) or may not be done to you without your permission (illegal search and seizure, loud boy-band music in public spaces). They are protections, not gifts of material goods. Material goods and services must be taken from others, or provided by their labor, so if you believe you have an absolute right to them, and others don't choose to provide it to you, you then have a "right" to steal from them. But what about their far more fundamental right not to be robbed?

In fact, although it's not the primitive issue, the constant improvement in health care gives another good example of why the "right" to health care makes little sense. Did you have a right to chemotherapy in 1600 AD? You could have protested to Parliament all you wanted, but chemo just didn't exist. Then, did you have a right to it the moment some genius invented it? You did not pay for the research. You did not make the breakthrough. Where do you get the right? How did it come into existence for you the moment somebody else created these things? I'm pretty sure you cannot have rights to material goods that don't exist, and I am pretty certain that the moment some genius (or business, or even government) brings them into the world your "rights" do not improve. But strangely, many disagree.

Conundrums are easy to create. If a cure for all disease is discovered but it costs the GDP of Europe for each treatment, do we all have a right to it? Of course not. We can say we do, but it does not matter. We cannot have it (unless you agree with my forecast for Europe's GDP and wait 50 years). But the absolute "health care is a right" position leads to a clear yes (you know those people bussed in by ACORN and the SEIU carrying signs saying "health care is a right"? Ask them what they think about this issue; I dare you). The smarter crazies might argue that they only mean the right to a reasonable level of health care. But then we have government running and rationing health care, as Congressional committee decides what's "reasonable"? Health care is not a primitive right, but keep printing those signs.

So why do people scream health care is a "right" if it so obviously is not? If not a right it can still be willingly provided as charity by society. But those screaming "health care is a right" worry that this will not work out as well for them. In fact it would work out if all they cared about was good health care for all, and not power, but they do love that power.

Those seeking free health care could admit these are not rights but they simply want other people's stuff, and be honest supplicants, or open thieves. However, they believe that guilt and the false moral high ground work better for them. Do not cede that ground. They are beggars with the government's guns behind them. They are beggars you may, or may not, choose to help. I personally have chosen to help many (those with my views are painted as non-humanitarians but we believe our ideas will make everyone better off and many of us are willing to help). But that is your and my choice, not their right. When they ask you to help, please consider it, and do what your conscience and abilities suggest and allow. When they try to take it as their right, they are thieves, tell them "no."

Finally, while again we may choose to provide a minimum standard of health care to our neediest, we should not be ashamed that better health care, like all material goods, comes with success. Capitalism is simply what happens when you mix freedom and economics. Capitalism says if you achieve and build more, you can spend more and have more. You can have a bigger TV, a bigger house, a hotter spouse, and shinier teeth for your pets (or a hotter pet and shinier

teeth for your spouse). How on Earth did the notion that it's "unfair" to spend the money you earned on your own health care, probably the most important thing to you, come about? Well, I know how it came about. It has been pushed by a far left academia, political candidates who don't have a clue about economics beyond cashing a lobbyist's check, trade union organizers pining for a workers revolution that just never came but now they're trying to steal on the sly (but God forbid a secret ballot), and a biased media who just thinks they are smarter, better and kinder people than everyone else because they enjoy making snotty sarcastic comments about Republicans (and where is Jon Stewart going to get his health care under the new system anyway?).

But I digress again.

Ironically of course, as in all things, the profits made on allowing people to spend differentiated amounts of their own money on health care would fund so much better health care for all it's sickening (pun intended). Think of the newly invented drugs and other advances that shortly would be cheap enough for everyone if companies were actually fully free to profit on them. It would be too long of an economics lesson to explain to my beret-wearing friends of Che that profits are a good thing, and that companies cannot charge whatever they want forever, as the essence of capitalism is not love of the corporation but love of competition. But, while I admit it looks dark now, everyone would do well to study up on those things as signs are beginning to emerge that they are going to be making a comeback soon.

Finally, to reiterate, calling something a "right" and holding up signs screaming you have that right just does not make it so. I once picketed NASA for a whole summer with a sign that said "Faster Than Light Travel Is A Right" and "FTL NOW!!" (it was actually a whole back and forth chant that went "when do we want FTL!!", with the sing-song response, "now!!", etc., but it was just me and didn't work too well). Alas, those twisted fascist bastards ignored me and we still have not visited the Crab Nebula.

### **So, Why Are These Crazy Things Believed (Or, Pretended to Be Believed)?**

I forgive individuals (not that they need or want my forgiveness!). Lots of people are scared and misinformed by their politicians and the media or else they would understand the whitewash that is going on here and reject socialist "solutions" to a problem best solved for their families by freedom. In fact, eventually I think they will (if Congress and the President don't first intentionally jam through a bill they know cannot survive scrutiny by the American people). Now as to why the media and politicians say what they say, and propose what they propose, it is more complicated.

Actually the media is often just plain intellectually lazy, repeating tired leftist dogmas and looking down on anyone who believes in freedom as just a red state moron (trust me, they think that). How else do you explain free infomercials for Obama's socialized medicine without rebuttal? How else do you explain the failed *New York Times* front page that's less news and more editorial parody than Steven Colbert? Why the politicians do it is somewhat more complicated, and a bit more nefarious.

Some politicians may indeed just be idealistic dupes who actually want to help people but don't realize they will harm them. I have sympathy for these people but they still should not win the day. Some just want to feel important. But let's leave Ms. Pelosi out of this for now. Let's talk

about the smart ones who understand these issues. I do not think true confusion among the political and intellectual class is most of their problem. I do not think they believe for a second that socialized medicine will make people better off. How could they? I think most of the Congressmen for socialized medicine, Rahm Emanuel (and his boss), and the rest of the K-street gang are smarter than that. I think they understand that when the people's power grows, theirs shrinks, and vice versa.

Lots of politicians understand that the simple free system leaves them out in the cold. No power for them. No committees to sit on to decide people's lives. No lies to tell their constituents how they (the government) brought them the health care they so desperately need. No fat checks from lobbyists as the crony capitalists pay dearly to make the only profits possible under this system, those bestowed by the government. Libertarians are often accused wrongly of loving "big business," but we don't, particularly when corporate executives predictably turn themselves into crony capitalists who try to succeed by wheedling from the government. On the other hand the socialists love cronies of all sorts, ones who command large enterprises all the better. Liberals are far closer than libertarians to building and countenancing the all-powerful corporate state they claim to fear. Odd I know!

That an array of crony capitalists are lining up from Wal-Mart to hospitals to medical insurers (bringing back Harry and Louise - this time for socialism) hoping to cut the best deals for themselves before the iron curtain falls is sad. That they are being lauded by the administration as a sign its health care position is right is simply propaganda. Yep, when someone agrees to pay Al Capone protection, it's a clear sign Al Capone was right to begin with....

We further see this predicted abuse of power as the health care proposals are already filled with freebies to the President's friends – including exempting unions from onerous features. Gee, the same unions in whose favor he has re-written the bankruptcy rules and wants to exempt from the most American of ideas, the secret ballot. It's good to be a friend of "the most ethical administration ever."

For another example how this is about government power and the suppression of private liberty, and not about helping people, look no further than the fact that their proposed massive tax increase on the "rich" (which by leftist definition are never paying their "fair share" if they have enough left over to remain rich) is on pre-deduction income.<sup>9</sup> That means if you give all your money to charity you still owe Caesar his 5+ percent on money you did not keep and do not have, but gave away to a good cause. This might raise some revenue, but it is largely about the destruction of private charity. Barack and Harry and Charlie and Nancy and the other gang of four (yes our gang of four is much bigger than four) are about the people having to crawl on their knees to government (them) instead of anyone else, including private charity, not about helping people.

BTW, Congressman Rangel, the House's chief tax writer and current tax cheat investigatee, said lawmakers targeted high earners because it "causes the least amount of pain on the least amount

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<sup>9</sup> While not the subject of this essay, let's put another widespread myth to bed. "The rich only give to charity for the tax deduction." Please note, when the rich give substantial amounts to charity they end up with substantially less for themselves. The idea of the charitable deduction (which some libertarians may argue with as it subsidizes behavior the government finds "nice") is that if you do not keep the money you earned, but pass it on to a good cause, you do not also pay taxes on it. That seems pretty reasonable as you did not keep it. That many, even most, think this is somehow a giveaway to the rich is a statement on the sorry state of understanding, and the dangerous level of class-warfare we already have in this country.

of people.” So does, in the short-run, imprisoning the rich and harvesting their organs for better health care for everyone else. Charlie, any thoughts on where you stop? When is enough enough?

Finally, if the above is not enough, the rush to pass a huge expansion of government now, and limit debate and discussion, is indicative of a group that knows it is wrong, and if people have time to think they will refuse to go along, but is attempting an exercise of naked power, to impose dictatorship before the people wake up. Paraphrasing Mark Twain, a lie can travel halfway around the world while the truth is putting on its shoes. They are counting on this, and they don't want to give the truth time to be shod.

### **And In Conclusion**

At this point you might accuse me of offering only complaints about the Administration's plans, without constructive suggestions of my own. There is truth to that. But I make no apologies. If people believe crazy things it's first and foremost important to change that before progress can be made. But also, I think we're doing okay enough without radical changes, certainly not hastily panicked changes towards socialism, and also because I lack the expertise to recommend the detailed practical steps that would be productive (in contrast it requires much less expertise to see that the myths above are indeed lunacy).

I do understand people are frustrated at many aspects of the current system, and it is tempting to tear it all down and build something that looks shiny and new and perfect in the advertisement. Many of the complaints concern the complexity of getting insurance, treatment and reimbursement. I blame this mostly on excessive regulation, a complex employment-based insurance system strongly encouraged by tax law, and litigation for the benefit of trial lawyers rather than patients or anyone else. We do not need a single payer (socialized medicine) system to cut confusion and inefficiency. On the contrary we need unfettered competition and clear legal standards. Another major concern is provision of basic health care to the needy. This is an important issue, but not an expensive one in the scheme of things, and not one that should drive the trillion-dollar health care debate. You do not reorganize the entire housing industry and tax policy around the need for homeless shelters, you just build enough shelters and let the market take care of, and discipline, the people who can pay for their own housing. Finally there is the concern that health care costs make US workers too expensive to compete in global markets. As long as workers get full value for their health care dollars, it shouldn't matter whether companies pay in cash or in health benefits. The competitiveness issue is an important one, but health care costs versus wages versus taxes to pay for public health care is a minor detail in it. The main thing is not how it's divided up but total costs, and total value received by the worker. Costs are minimized, and value received maximized, by open competition. I recognize these are general prescriptions rather than specific health care reform proposals, but you don't have to be a weatherman to know which way the wind blows (are non-Leftists allowed to quote Dylan?).

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#### <sup>i</sup> AQR Disclosure

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Cliff's Additional Disclosure

This is Cliff speaking now. AQR's legal department would like me to add that I am criminally insane and barred by an order of rhetoric protection from speaking on AQR's behalf. Anyone trading on my advice, or a client, consultant, employee or Iraqi insurgent thinking he has been wronged by my attitudes or opinions can have a \$250 out-of-court settlement right now if you'll sign a waiver, otherwise we'll break you. Oh, and we lied about the \$250, but seriously, we will break you. Please note, nobody can predict where markets will go in the short-run and sometimes even the long-run. When I point out individual things in the marketplace that I think are strange, or wrong, it doesn't mean I have the perfect answer or can easily make money from it for my clients, for myself, or certainly for you reading this essay! Furthermore, if you read one guy's opinion and do anything based solely on that, you are an idiot. Next, as the legalese above alludes to, the actual funds and accounts AQR manages are run using models that may or may not agree with what I'm writing herein, particularly as our models will generally have a shorter time horizon than the things I'll be writing about. Listen to me at your own risk! If you choose to read what I write please only use it as one input for you to critically evaluate in your decision process.

Finally, my style is to write very aggressively and passionately about what I believe. So unless you are a libertarian/objectivist, small government and free market loving, socialist hating, value investing geek you probably won't agree with everything or anything I say. If you find the way I say it insulting, I'm sorry about the first few words you couldn't help reading, but if you read a moment past that (in this disclaimer or later), it is on you. I agree we need to censor things occasionally but only to protect children and madmen (and of course the children of madmen). If you believe in censoring anything else short of a nuclear secret you'd probably look good in hobnail boots and the crooked cross. Thanks for listening.

<sup>ii</sup> I don't claim any great originality here. Much, or even all, of what I'm saying has been said elsewhere. But, we're still losing, so it's worth repeating all this again with some new angles, a few new pieces of black humor, and perhaps a different font. In particular, and not even close to exhaustively, I can recommend recent pieces of Newman, Sowell, Stossell, Szasz, Will, and many by the Cato Institute that cover a lot of the same ground I attempt to re-take.