

Despite Promises to Do So, **Government Cannot Reduce Healthcare Costs**

By Roy Minet (Rev. 07/18/17)

The Democrats told us Obamacare would reduce healthcare costs. The opposite happened. Republicans claim they can (some day) figure out how to do it. Ain't gonna happen. Why? Because it simply is not possible for government to reduce the true cost of anything. (Just one important exception will be explained later.)

To crystalize our understanding of this, we need to think briefly about the nature of government and the nature of free markets.

Government is nothing but pure force. We grant government a monopoly on the use of force for the specific and limited purpose of protecting us citizens and keeping us free; that is, securing our individual rights to life, liberty and property.

Laws are the mechanism government uses to wield force. Laws are enforced. Every law authorizes the government to use force on somebody under some conditions. Laws by their very nature necessarily restrict and reduce people's freedom.

Proper laws are used to deter and punish those who would forcibly infringe upon the life, liberty or property of others (murder, robbery, fraud, etc.). But laws which go beyond securing these basic rights just unnecessarily and improperly reduce liberty.

Any entity with a monopoly on the use of force is very dangerous indeed. It seems that they always have a strong tendency to grow beyond any limits placed upon them ("Power corrupts..."). The following quotation, widely attributed to George Washington, sums it up well: "Government is not reason; it is not eloquent; it is force. Like fire, it is a dangerous servant and a fearful master." Fully understanding all this, our founding fathers attempted to strictly limit government by means of our US Constitution.

When people are free – that is, their rights to life, liberty and property are secured and they are not otherwise restricted – a free market economy will arise. This is not an economic system created by force of government or anything else. It is exactly the opposite. It happens naturally when people voluntarily self-organize to best satisfy their wants through cooperative efforts.

At the heart of a free market is a thing called a "voluntary exchange." Two parties agree to swap one thing of value for another thing of value. Something simple, but almost magical, happens each time a voluntary exchange occurs: value or wealth is increased. Both parties to a voluntary exchange must come out ahead; otherwise the exchange would not take place. Both sides are guaranteed to profit, but only when the exchange is completely voluntary in all respects.

In a large economy, billions of voluntary exchanges happen every day. Competition among many buyers and sellers causes the price of each good and service to automatically seek the level which matches availability with consumption. This price system of resource allocation guarantees that all resources are allocated in the manner which maximizes the production of wealth and the satisfaction of people's wants. Competition drives quality up and costs down, assuring the lowest possible cost at popular quality levels. Freedom works best.

Some are bothered by the fact that a free market system does not guarantee equal wealth for everybody. They need to get over that. As long as force and fraud are prohibited, the only way to get rich is to do a really good job of satisfying other people's wants, thereby also increasing their wealth; so let's have more of that! Many, many alternatives have been tried to improve upon free markets, but none has been nearly as effective at increasing everyone's standard of living, including those on the bottom rungs of the ladder.

It should be clear why politicians simply cannot reduce the cost of anything below what a truly free market can provide. Their only tool is the blunt force of government. Force is inimical to the functioning of a free market and always makes things worse.

Space does not allow detailed debunking of the various schemes politicians dream up. Some may reduce costs for a small segment of the population by forcing other people to subsidize them, but the total cost must always increase. When politicians say things like, "We are going to bend the cost curve downward..." you can be sure that either they don't comprehend how things work or they are just trying to dupe voters.

On a brighter note, there is one major opportunity government does have to successfully reduce the real cost of something. That would be the huge, unconscionable, burdensome cost of government itself. Politicians should focus on making government much smaller and limiting it strictly to the few functions specifically authorized by the Constitution. Unfortunately, it appears that will never happen as long as we keep electing Democrats and Republicans.

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