

## **Beware of the Big-Government Tipping Point**

Socialized health care fundamentally changes the relationship between citizens and state.

By Peter Wehner and Paul Ryan

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For most of our nation's history, our approach to economics has favored enterprise, self-reliance and the free market. While the American economy has never been entirely laissez-faire, we have historically cared more about equality of opportunity than equality of results. And while Americans have embraced elements of the New Deal, the Great Society and progressive taxation, we have traditionally viewed welfare as a way to help those in dire need, not as a way of life for the middle class. We have grasped, perhaps more than any other nation, that there is a long-run cost to dependency on the state, including an aversion to risk that eventually enervates the entrepreneurial spirit necessary for innovation and prosperity.

This outlook, once assumed, is now under attack due to a recent series of political and economic events.

The first is the unprecedented intervention by the federal government, in the form of a \$700 billion relief package intended for our financial institutions after the credit crisis last September. This was followed by extending billions of dollars of federal assistance to America's auto makers in order to prevent their imminent bankruptcy - the first emergency bailout that went to companies outside the financial sector. We understand why the federal government did this, and even supported legislation that, while hardly perfect, prevented an economic meltdown.

Nonetheless, the consequences of this undertaking are enormous. Not only has the size of the expenditures been staggering - there is talk of another stimulus package worth an estimated \$825 billion - but we are witnessing a fundamental transformation of government's relationship with the polity and the economy.

The last several months are a foreshadowing of a new era of government activism, rather than an unfortunate but necessary (and anomalous) emergency action. We will soon shift from a market-based economy to a political one in which the government picks winners and losers and extends its reach and power in unprecedented ways.

This shift is exemplified by the desire of President-elect Barack Obama and the Democratic Congress to push us toward government-run health care.

For all his talk of allowing consumers to select their own health-care coverage, Mr. Obama's proposal, as he laid it out in his campaign, will provide strong financial incentives for employers and individuals to sign up with a new, Medicare-style government plan for working-age people and their families. This plan will almost certainly use a price-control system similar to the one in place for Medicare, allowing it to charge artificially low premiums by paying fees well below private rates. These low premiums will serve as a magnet for enrollment and will devastate the private companies trying to compete in the health-insurance market. The result will be the

nationalization of the health-care sector, which today accounts for 16% of U.S. gross domestic product.

Nationalizing health care will be profoundly detrimental to the quality of American medicine. In the name of cost control, the government would make private investment in medical innovation far riskier, and thus delay the development of potentially lifesaving treatments.

It will also put America on a glide path toward European-style socialism. We need only look to Great Britain and elsewhere to see the effects of socialized health care on the broader economy. Once a large number of citizens get their health care from the state, it dramatically alters their attachment to government. Every time a tax cut is proposed, the guardians of the new medical-welfare state will argue that tax cuts would come at the expense of health care - an argument that would resonate with middle-class families entirely dependent on the government for access to doctors and hospitals.

Of course, this health-care plan is occurring against our particular fiscal backdrop: Without major reform, our federal entitlement programs will soon double the size of government. The result will be a crushing burden of debt and taxes.

In short, we may be approaching a tipping point for democratic capitalism.

While the scope of the challenge should not be underestimated, those of us worried about this fundamental reorientation of politics and economics have several things working in our favor. Among them is that a public accustomed to iTunes, Facebook, Google, eBay, Amazon and WebMD is not clamoring for centralized, bureaucratic government. The strong American instinct for individual initiative and entrepreneurship remains intact.

In addition, confidence in government - from Congress to those responsible for oversight of the financial system - is quite low.

Our sense is that at the moment, the public is not thinking in terms of "big government" or "small government." Instead, Americans want efficient government - one that is modern, responsive and adaptive. People want government to act as a fair referee, providing guardrails that allow individuals to rise without intrusively dictating individual decisions.

If conservatives hope to win converts to our cause, we need to understand this new moment and put forward an agenda that reforms key institutions in a way that advances individual freedom, without creating an unacceptable level of insecurity.

This is no easy task, and it must begin with providing a compelling alternative to what contemporary liberalism and Mr. Obama are about to offer. This especially includes health care, where we must start by recalling that our current health-insurance system was designed to meet the needs of a 20th century economy and World War II-era employment laws. It is hopelessly outdated, yet the Obama plan would make the system even more sclerotic.

The core of our message needs to be a commitment to creating a health-care plan that meets the demands of the modern economy. We need to convince concerned citizens that we can help the uninsured find coverage in the private sector and use market incentives to contain costs. The result will be a system that makes it possible for everyone to afford health insurance, including those with pre-existing conditions.

Tax credits, high-risk pools, insurance choice and regulatory reform can form the basis of a transformation from today's enormously costly and inefficient third-party system into one driven by ownership, choice and competition. And at the nucleus of this redesigned system will be the patient-doctor relationship.

If we hope to succeed in making our case, it will require a concerted education campaign that relies on hard data and facts, rigorous and accessible public arguments, and persuasive public advocates.

This is quite a tall order. But if we do not succeed in resisting greater state involvement in the economy - and health care is meant to be the beachhead of this effort - we will move from a limited welfare state into a full-blown one. This will reshape, in deep and enduring ways, our nation's historic sensibilities. It will lead here, as it has elsewhere, to passivity and dependence on the state. Such habits, once acquired, are hard to shake.

Between now and the end of this decade may be one of those rare moments in which among other things will turn decisively one way or the other. The stakes could hardly be higher for our way of life.

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