

Does Barack Obama Support Socialized Medicine?

by Michael F. Cannon

No. 108

October 7, 2008

Executive Summary

Democratic presidential nominee Sen. Barack Obama (IL) has proposed an ambitious plan to restructure America's health care sector. Rather than engage in a detailed critique of Obama's health care plan, many critics prefer to label it "socialized medicine." Is that a fair description of the Obama plan and similar plans? Over the past year, prominent media outlets and respectable think tanks have investigated that question and come to a unanimous answer: no.

Those investigations leave much to be desired. Indeed, they are little more than attempts to convince the public that policies generally considered socialist really aren't.

A reasonable definition of socialized medicine

is possible. *Socialized medicine exists to the extent that government controls medical resources and socializes the costs.* Notice that under this definition, it is irrelevant whether we describe medical resources (e.g., hospitals, employees) as "public" or "private." What matters—what determines real as opposed to nominal ownership—is who controls the resources. By that definition, America's health sector is already more than half socialized, and Obama's health care plan would socialize medicine even further.

Reasonable people can disagree over whether Obama's health plan would be good or bad. But to suggest that it is not a step toward socialized medicine is absurd.

*Michael F. Cannon is director of health policy studies at the Cato Institute (www.cato.org) and coauthor of *Healthy Competition: What's Holding Back Health Care and How to Free It*.*

Supporters of universal coverage have been hard at work trying to neutralize the epithet “socialized medicine.”

Introduction

Democratic presidential nominee Sen. Barack Obama (IL) has proposed an ambitious plan to reform America’s health care sector. According to his campaign website, “Obama will sign a universal health care plan into law by the end of his first term in office. His plan will provide affordable, quality health care coverage for every American.”¹

Obama proposes to accomplish those goals with a number of reforms. He would create a “National Health Insurance Exchange,” where Americans could choose among a number of private insurance plans, or opt for a new health plan run by the federal government and modeled on the Medicare program. Through the Exchange, Obama would have the federal government regulate the content and price of all health insurance plans offered in the United States. Obama would require employers to contribute to the cost of their employees’ health insurance or pay a tax. He would require all parents to obtain health insurance for their children. And he would expand existing government health insurance programs such as Medicaid and the State Children’s Health Insurance Program.²

Rather than engage in a detailed critique of Obama’s health-care plan,³ many critics prefer to label it “socialized medicine.”⁴ Is that a fair description of the Obama plan and similar plans?

Over the past year, prominent media outlets and respectable think tanks have investigated that question and come to a unanimous answer: no. Those investigations leave much to be desired.

The Bogeyman That Just Won’t Die

The phrase “socialized medicine” has been used to defame Harry Truman’s proposed national health insurance program (1945), Medicare (1965), Bill Clinton’s Health Security Act (1993), and proposals to expand the State

Children’s Health Insurance Program (2007). In the 2008 presidential campaign, it has been deployed against every Democratic candidate’s health care plan—as well as the Massachusetts reforms then-governor Mitt Romney (R) signed into law in 2006.⁵

To say that this epithet gets under the Left’s skin would be putting it mildly. For the past year, supporters of universal coverage have been hard at work trying to neutralize, in the words of Rutgers professor David Greenberg, the “talismanic power” of this “old slayer of reform proposals past,” and recast the phrase as a piece of “atavistic Cold War-era alarmism.”⁶

“‘Socialized medicine’ is the bogeyman that just won’t die,” wrote Yale political scientist Jacob Hacker in the *Washington Post*.⁷ In a study for the left-leaning Urban Institute, researchers Stan Dorn and John Holahan conclude, “It is a significant exaggeration to claim that proposals like [the] plans advanced by the leading Democratic presidential candidates represent steps toward socialized medicine.”⁸

In April 2008, the Urban Institute held a public forum titled “What Is Socialized Medicine and Is It Relevant to Health Care Reform?” where scholars dismissed claims that Obama’s and similar plans would move America toward socialized medicine.⁹ The *New York Times*, the Associated Press, and National Public Radio have all run ostensibly objective stories with the same purpose.¹⁰ Of those organizations, only the Associated Press bothered to solicit input from anyone who thinks such claims are valid.

Perhaps the only fair hearing the charge has received came during a presidential debate in 2007, when a journalist likened Sen. Hillary Clinton’s (D-NY) health care reform plan to socialized medicine.

“I have never advocated socialized medicine,” Clinton responded testily. When her interlocutor objected, “But that’s what universal medicine is,” Clinton turned the question back on him. “Do you think Medicare is socialized medicine?” she asked. “To a degree, it is,” he replied. “Well, then, you are in a small minority in America,” Clinton responded.¹¹

Actually, he’s not. A recent poll by Harris Interactive and the Harvard School of Public

Health found that a majority of responders—and fully 60 percent of those who claim to know what the phrase means—consider Medicare to be socialized medicine. Even larger majorities took the journalist’s side on whether Clinton supports socialized medicine (69 percent of those who claim to know the term’s meaning) and whether universal coverage equals socialized medicine (79 percent).¹²

That’s not necessarily bad news for supporters of socialized—er, universal coverage. Seventy percent of Democrats think socialized medicine would improve American health care, whereas 70 percent of Republicans say the opposite. Independents are evenly split. Nevertheless, supporters of universal coverage are scrambling to inoculate themselves against the charge that they are pushing “socialized medicine,” principally by attempting to narrow the term’s definition.

Defining Socialism Down

At the above-mentioned forum, Urban Institute president and former Congressional Budget Office director Robert Reischauer claimed, “Classic socialism involves government or collective ownership of the means and distribution of production. . . . Truly socialized medicine doesn’t exist anywhere in the world.”¹³ He’s right. But were we to define everything so narrowly, we would find that capitalism doesn’t exist anywhere in the world, either. Neither does democracy.

Others, such as Dorn and Holahan, suggest that medicine can’t be considered socialized if a country retains a large role for the private sector. They write, “Strictly speaking, socialized medicine involves government financing and direct provision of health care services, as with the traditional British system.” The Obama plan and other major Democratic plans cannot be considered socialized medicine because “none would overturn the dominant role of private insurance and private providers in America’s health care system.”¹⁴

But that’s not quite right, either. There is little functional difference between health care

system A, a public program through which the government taxes and spends your money on its health care priorities, and health care system B, a completely “private” system in which the government forces *you* to spend your money on identical priorities. In a paper for the left-wing Center for American Progress, University of Texas public affairs professor Jeanne Lambrew and colleagues write that the concept of socialized medicine “has been embraced, demonized, and misunderstood since the early 20th century in the United States.” Nevertheless, they acknowledge that a (nominally) private sector is no barrier to socialized medicine: “the government role in socialized medicine systems [can include] public financing of private insurance and providers.”¹⁵

Clinton, Dorn, and Holahan suggest that health care systems cannot be fairly described as socialized if they provide adequate access to care. In her exchange with the journalist, Clinton responded, “Medicare is a system that we fund through our paychecks. And yes, the government pays the bills. But no government bureaucrat tells you what doctor you have to go to or what hospital you have to go to.”¹⁶ Dorn and Holahan write that “strict limits on consumer choice, rationing, delays, and poor quality [are] all concerns traditionally associated with socialized medicine. These concerns, however, do not apply to the . . . plans advanced by leading Democratic candidates. . . .”¹⁷

Again, this notion does not sit well. Barriers to access occur when the government limits spending below what is required to meet patients’ demand for medical care. To say that socialized medicine only exists when there are access problems (e.g., waiting lists) is to make the rather curious argument that socialized medicine would disappear if the government wrote bigger checks.

The boldest attempt to narrow the definition of socialized medicine comes from University of North Carolina–Chapel Hill health policy professor Jonathan Oberlander. In a 2007 interview with National Public Radio, Oberlander wryly noted that the American Medical Association has used the term to describe most anything they do not like, including free-market innova-

To say that socialized medicine only exists when there are waiting lists is to argue that socialized medicine would disappear if the government wrote bigger checks.

**The greatest trick
that supporters
of socialized
medicine ever
played was to
convince the
American people
we don't already
have it.**

tions like health maintenance organizations. Oberlander therefore concludes that the term “socialized medicine” has no meaning at all.¹⁸

We’ve seen this sort of tactic before. In a 1993 journal article titled “Defining Deviancy Down,” the late senator Daniel Patrick Moynihan (D-NY) argued that when deviant behavior grows beyond the amount that society can “afford to recognize,” society will cope by narrowing its definition of deviancy.¹⁹ Similarly, supporters of universal coverage are trying to convince the public that policies generally considered socialist really aren’t.

What Is Socialized Medicine?

Contrary to Oberlander’s claim—and the physician lobby’s naked opportunism—a reasonable definition is possible. *Socialized medicine exists to the extent that government controls medical resources and socializes the costs.* We might even award countries an extra red rose—the official symbol of the Socialist International²⁰—if they socialize the costs according to the Marxist principle of “from each according to his ability.”

Notice that under this definition, it is irrelevant whether we describe medical resources (e.g., hospitals, employees) as “public” or “private.” What matters—what determines real as opposed to nominal ownership—is who controls the resources. The particular decisions that government makes about those resources are likewise irrelevant. It matters not whether the government is stingy about medical spending (as in Canada’s Medicare system, the British National Health Service, or the U.S. Medicaid program) or obscenely lavish (as in the U.S. Medicare program). What matters is who decides.

By that definition, America’s health sector is already well more than half socialized. Government purchases 46 percent of all medical care.²¹ In a tip of the hat to Karl Marx, government finances that spending largely with tax rates that rise with one’s earnings. Oberlander and others posit that government ultimately controls about 60 percent of U.S.

health spending.²² According to Holahan, “all but 5 percent of the U.S. population that is insured receive government assistance” of one form or another.²³ In the Harris/Harvard poll, the public acknowledged the importance of who controls the money: 73 percent said that socialized medicine exists when “the government pays most of the cost of health care.”²⁴

Yet controlling the money that purchases medical services is only one among many ways that government controls America’s medical resources:

- **Medical personnel.** Federal and state governments rarely employ physicians. But state-level clinician licensing laws do control the number of physicians, who can hire them, where medical professionals can practice, and what tasks they may perform.²⁵ Those laws and the Medicare and Medicaid programs largely determine how and how much physicians and other clinicians will be paid.
- **Medical products.** Government doesn’t manufacture medical products, but it sets prices for most of them through the Medicare and Medicaid programs. The federal Food and Drug Administration controls whether, how, and to whom medical products may be marketed and sold.
- **Physical capital.** Most U.S. hospitals are privately owned. Through “certificate-of-need” laws, however, state governments frequently control who can open a hospital or invest in new equipment. Federal tax policy greatly influences hospitals’ corporate form (profit vs. nonprofit).
- **Health insurance.** Most Americans have private health insurance. Yet state and federal governments control what kind of health insurance we may purchase, how much we will purchase, where we may purchase it, and often the premiums we will pay.

The list goes on. Oberlander himself argues that few Americans understand the extent to which government already controls their health care.²⁶ To paraphrase Keyser Soze, the

greatest trick that supporters of socialized medicine ever played was to convince the American people we don't already have it.²⁷

The reasonable definition suggested here (socialized medicine exists to the extent that government controls medical resources and socializes the costs) allows for gradations of socialism and makes sense of the public's belief that Medicare and universal coverage constitute socialized medicine. Medicare gives government enormous control over the medical resources consumed by beneficiaries and nonbeneficiaries alike.²⁸ Universal coverage likewise requires extensive government controls, as markets will not provide health insurance to everyone. Harvard health economist David Cutler writes, "Universal coverage necessarily means a larger role for government than is the case now."²⁹

Conclusion

This definition also suggests that Obama's health care plan, and indeed all attempts at universal coverage, would socialize medicine even further. Though no rigorous projections have been done on the Obama plan, the Lewin Group estimates that a similar plan would enroll 40 million people in a new government insurance program, which would be akin to doubling the Medicare rolls. The Lewin Group projects that plan would increase federal spending by more than \$140 billion per year,³⁰ which some observers consider a vast underestimate.³¹ Further, Obama's proposed National Health Insurance Exchange would let government dictate who must purchase coverage, how much coverage they must purchase, and the premiums for every insurance policy in the nation.

Reasonable people can disagree over whether Obama's health plan would be good or bad. But to suggest that it is not a step toward socialized medicine is absurd.

Public opinion belies that absurdity. The Harvard/Harris poll reports that, of those who claim to know what socialized medicine is, 57 percent believe Obama supports it.³²

Obama's supporters belie that absurdity. Some, including *New York Times* columnist Paul

Krugman, support the Obama plan *because* it would lead to socialized medicine. Krugman writes hopefully that the Obama plan (and other major Democratic plans) "could evolve into single-payer over time."³³ "Single-payer" is shorthand for a health care system, like Canada's, where the government pays all the bills. Even health policy analysts consider single-payer a form of socialized medicine.³⁴

Finally, Obama himself belies that absurdity. He has repeatedly signaled his support for a single-payer health care system. In 2003, Obama stated, "I happen to be a proponent of a single-payer, universal health care plan."³⁵ At a town hall meeting in August 2008, Obama responded to a question about the single-payer concept, "If I were designing a system from scratch, I would probably go ahead with a single-payer system." He then hinted that, once implemented, his reform plan could take Krugman and like-minded supporters where they ultimately want to go: "my attitude is let's build up the system we got . . . [and] we may . . . over time . . . decide that there are other ways for us to provide care more effectively."³⁶

Unfortunately, such absurdities often pass for impartial journalism and informed commentary at major media outlets and policy organizations, while one-sided events staged to arrive at foregone conclusions often pass for debate.

At the Urban Institute forum, Susan Dentzer, editor-in-chief of the journal *Health Affairs*, remarked, "The people who like socialized medicine don't call it that."³⁷ Indeed they don't, but they really can't blame others for doing so. There's more substance than smear to the charge.

Notes

1. Obama '08, "The Blueprint for Change: Barack Obama's Plan for America," <http://www.barackobama.com/pdf/ObamaBlueprintForChange.pdf>.

2. See Obama '08, "Barack Obama's Plan for a Healthy America: Lowering Health Care Costs and Ensuring Affordable, High-Quality Health Care for All," <http://www.barackobama.com/pdf/HealthPlanFull.pdf>.

Some, including Paul Krugman, support the Obama plan because it would lead to socialized medicine.

3. For a detailed critique of Obama's health care plan, see Michael D. Tanner, "A Fork in the Road: Obama, McCain, and Health Care," Cato Institute Briefing Paper no. 104, July 29, 2008, <http://www.cato.org/pubs/bp/bp104.pdf>.
4. Paul Steinhauser, "Giuliani Attacks Democratic Health Plans as 'Socialist,'" CNN.com, July 31, 2007, <http://www.cnn.com/2007/POLITICS/07/31/giuliani.democrats/index.html>.
5. Ibid., and Vin Suprynowicz, "Seizing Guns and Socializing Medicine—Romney's a Republican?" *Las Vegas Review-Journal*, August 26, 2007, <http://www.lvrj.com/opinion/9380526.html>.
6. David Greenberg, "Who's Afraid of Socialized Medicine? Two Dangerous Words that Kill Health-Care Reform," Slate.com, October 8, 2007, <http://www.slate.com/id/2175477/>.
7. Jacob S. Hacker, "Let's Try a Dose. We're Bound to Feel Better," *Washington Post*, March 23, 2008, p. B01, <http://www.washingtonpost.com/wp-dyn/content/article/2008/03/21/AR2008032102743.html>.
8. Stan Dorn and John Holahan, "Are We Heading toward Socialized Medicine?" Urban Institute, April 2008, p. 10, http://www.urban.org/UploadedPDF/411648_socialized_medicine.pdf.
9. "What Is Socialized Medicine and Is It Relevant to Health Care Reform?" Urban Institute forum, April 16, 2008, http://www.urban.org/Pressroom/other_events/socmed.cfm. For a transcript, see "What Is Socialized Medicine and Is It Relevant to Health Care Reform," kaiser network.org, April 16, 2008, http://kaisernetwork.org/health_cast/uploaded_files/041608_urban_socializedmed_transcript.pdf.
10. Michael Cooper and Julie Bosman, "Parsing McCain on the Democrats' Health Plans," *New York Times*, May 3, 2008, <http://www.nytimes.com/2008/05/03/us/politics/03check.html>; Kevin Freking, "Insurance Model Follows American Tradition," *Boston Globe*, May 12, 2008, http://www.boston.com/news/education/higher/articles/2008/05/12/insurance_model_follows_american_tradition/; Julie Rovner, "Socialized Medicine Belittled on Campaign Trail," NPR Morning Edition, December 6, 2007, <http://www.npr.org/templates/story/story.php?storyId=16962482>.
11. "Clinton Confronts Critic," CNN Video, August 9, 2007, <http://www.cnn.com/video/#/video/politics/2007/08/09/sot.clinton.medicare.cnn>; Patrick Healy, "A Testy Exchange on Health Care," The Caucus (NewYorkTimes.com), August 9, 2007, <http://thecaucus.blogs.nytimes.com/2007/08/09/a-testy-exchange-on-health-care/>.
12. Harvard School of Public Health and Harris Interactive, "Debating Health: Election 2008—Americans' Views on Socialized Medicine," http://www.hsph.harvard.edu/news/press-releases/files/Topline__Socialized_Med_Havard_Harris.pdf. These and all subsequent percentages are of those who claimed to know what socialized medicine means.
13. "What Is Socialized Medicine and Is It Relevant to Health Care Reform?"
14. Dorn and Holahan, p. 1.
15. Marla Bizzle, Denise Fraga, Laurie Seremetis, and Jeanne Lambrew, "The Specter of Socialized Medicine: What Is It and Is It Invading Our Country?" Center for American Progress, May 14, 2008, http://www.americanprogress.org/issues/2008/05/socialized_medicine.html.
16. "Clinton Confronts Critic."
17. Dorn and Holahan, p. 1.
18. Rovner.
19. Daniel Patrick Moynihan, "Defining Deviancy Down," *American Scholar* (Winter 1993), <http://www2.sunysuffolk.edu/formans/DefiningDeviancy.htm>.
20. See Socialist International website, <http://socialistinternational.org/>; or "Socialist International," Wikipedia.org, http://en.wikipedia.org/wiki/Socialist_International.
21. U.S. Centers for Medicare and Medicaid Services, "National Health Expenditure Projections 2007–2017," Table 3, p. 5, <http://www.cms.hhs.gov/NationalHealthExpData/Downloads/proj2007.pdf>.
22. Steffie Woolhandler and David U. Himmelstein, "Paying for National Health Insurance—And Not Getting It," *Health Affairs* 21, no. 4 (July/August 2002): 88–98, <http://content.healthaffairs.org/cgi/content/abstract/21/4/88>; Jonathan Oberlander, "Are Americans Closer than We Think to National Health Insurance?" *Health Affairs* 21, no. 4 (July/August 2002): 103–104, <http://content.healthaffairs.org/cgi/content/extract/21/4/103>.
23. "What Is Socialized Medicine and Is It Relevant to Health Care Reform?" p. 14.
24. Harvard School of Public Health and Harris Interactive.
25. See, for example, Shirley Svorny, "Medical Licensing: An Obstacle to Affordable, Quality Care," Cato Institute Policy Analysis no. 621, September 17, 2008..

26. Oberlander.
27. *The Usual Suspects*, Gramercy Pictures, 1995. ("The greatest trick the devil ever pulled was convincing the world he did not exist.") See also Charles Baudelaire "Le Joueur généreux," *Le Spleen de Paris; Petits Poèmes en Prose*, 1862. ("Mes chers frères, n'oubliez jamais . . . que la plus belle des ruses du diable est de vous persuader qu'il n'existe pas!")
28. See, for example, David A. Hyman, *Medicare Meets Mephistopheles* (Washington: Cato Institute, 2006).
29. David M. Cutler, *Your Money or Your Life: Strong Medicine for America's Healthcare System* (Oxford, UK: Oxford University Press, 2004), p. 116.
30. Cathy Schoen, Karen Davis, and Sara R. Collins, "Building Blocks for Reform: Achieving Universal Coverage with Private and Public Group Health Insurance," *Health Affairs* 27, no. 3 (May/June 2008): <http://content.healthaffairs.org/cgi/content/abstract/27/3/646>.
31. At a forum on that Obama-like plan, former Medicare administrator Gail Wilensky remarked, "I do not believe Lewin estimates for a moment." Alliance for Health Reform and Commonwealth Fund transcript, "Medicare as a Building Block for Health Reform: Should Americans Buy In?" June 6, 2008, p. 45, <http://www.allhealth.org/briefingmaterials/Transcript-1255.pdf>.
32. Harvard School of Public Health and Harris Interactive.
33. Paul Krugman, "Why Not Single-Payer?" *New York Times* blog, October 7, 2007, <http://krugman.blogs.nytimes.com/2007/10/07/why-not-single-payer/>.
34. See Harvard School of Public Health and Harris Interactive. Notwithstanding their highly tailored definition of socialized medicine, Dorn and Holahan admit that "single-payer plans can involve such a major expansion of the government's role that they would become the functional equivalent of socialized medicine." Dorn and Holahan, p. 10.
35. Physicians for a National Health Program, "Barack Obama on Single Payer in 2003," June 4, 2008, http://www.pnhp.org/news/2008/june/barack_obama_on_sing.php.
36. Amy Chozick, "Obama Touts Single-Payer System for Health Care," Washington Wire, *Wall Street Journal*, August 19, 2008, <http://blogs.wsj.com/washingtonwire/2008/08/19/obama-touts-single-payer-system/>.
37. "What Is Socialized Medicine and Is It Relevant to Health Care Reform?" p. 6.

OTHER STUDIES IN THE BRIEFING PAPERS SERIES

107. **Rails Won't Save America** by Randal O'Toole (October 7, 2008)
106. **Freddie Mac and Fannie Mae: An Exit Strategy for the Taxpayer** by Arnold Kling (September 8, 2008)
105. **FASB: Making Financial Statements Mysterious** by T. J. Rodgers (August 19, 2008)
104. **A Fork in the Road: Obama, McCain, and Health Care** by Michael Tanner (July 29, 2008)
103. **Asset Bubbles and Their Consequences** by Gerald P. O'Driscoll Jr. (May 20, 2008)
102. **The Klein Doctrine: The Rise of Disaster Polemics** by Johan Norberg (May 14, 2008)
101. **WHO's Fooling Who? The World Health Organization's Problematic Ranking of Health Care Systems** by Glen Whitman (February 28, 2008)
100. **Is the Gold Standard Still the Gold Standard among Monetary Systems?** by Lawrence H. White (February 8, 2008)
99. **Sinking SCHIP: A First Step toward Stopping the Growth of Government Health Programs** by Michael F. Cannon (September 13, 2007)
98. **Doublespeak and the War on Terrorism** by Timothy Lynch (September 6, 2006)
97. **No Miracle in Massachusetts: Why Governor Romney's Health Care Reform Won't Work** by Michael Tanner (June 6, 2006)
96. **Free Speech and the 527 Prohibition** by Stephen M. Hoer sting (April 3, 2006)
95. **Dispelling the Myths: The Truth about TABOR and Referendum C** by Michael J. New and Stephen Slivinski (October 24, 2005)
94. **The Security Pretext: An Examination of the Growth of Federal Police Agencies** by Melanie Scarborough (June 29, 2005)
93. **Keep the Cap: Why a Tax Increase Will Not Save Social Security** by Michael Tanner (June 8, 2005)

Published by the Cato Institute, Cato Institute Briefing Papers is a regular series evaluating government policies and offering proposals for reform. Nothing in Cato Institute Briefing Papers should be construed as necessarily reflecting the views of the Cato Institute or as an attempt to aid or hinder the passage of any bill before Congress.



Contact the Cato Institute for reprint permission. Additional copies of Cato Institute Briefing Papers are \$2.00 each (\$1.00 in bulk). To order, or for a complete listing of available studies, write the Cato Institute, 1000 Massachusetts Avenue, N.W., Washington, D.C. 20001. (202) 842-0200 FAX (202) 842-3490.