

most clear is that the regulation at issue here is specifically tailored to address a public-hazard problem.

My final point, and perhaps the most important, is that the statute specifically provided that Mr. Lucas, if he believed the line drawn pursuant to the legislative scheme was unfair, could present evidence to the coastal council and explain that the line on his property should be drawn at a different point. He never took advantage of that opportunity. He simply said, "I've been hurt and I am entitled to compensation." I believe the Supreme Court will disagree.

Epstein: According to Mr. Echeverria, it would be within the state's power to order everybody who has a home on those islands to dismantle it immediately so that there would be no flying roofs to hurt anybody else. The state could order the demolition of old construction as well as enjoin new construction. Moreover, the beach front is not the only area peculiarly exposed to the environmental and hurricane risks that we're talking about. What about Charleston? It's also exposed to those risks. Do we say, in effect, that in the name of environmental protection we must raze the entire city without compensation because somebody's house might fall on somebody else's?

This is not a question of environmental interaction. We now have a set of restrictions that promises to cause billions in private losses, and we've heard it said that we can stop houses from being knocked down by ordering them to be razed.

There is no sense of proportion or balance in Echeverria's position. An ounce of environmental angst is sufficient to allow draconian measures that forbid the very activities that enable people to use the environment constructively. This is a classic case of overclaiming, which occurs because the environmental lobby can go to the state legislature and say, "Let us have our way. You're not going to have to pay for this." And environmentalists can prove that the benefit is greater than the political cost. But that's the wrong test. From a social point of view, the right test is whether the benefit is greater than the cost inflicted on the property holders. ■

Book: To Solve Health Care Crisis, Give Consumers More Clout on Costs

In today's bureaucratically dominated health care system, the patient's major role is to sign the forms that authorize one large, impersonal organization to release funds to another. A new Cato Institute book, *Patient Power: Solving America's Health Care Crisis*, by medical economists John C. Goodman and Gerald L. Musgrave, proposes that consumers be restored to their natural role in the market for medical care.

Government, through Medicare and Medicaid, buys close to half the health care provided in America today, the authors write. Most of the other half is paid for by insurance companies, through policies purchased by third parties, because the tax laws encourage people to rely on first-dollar health coverage from their employers. Goodman and Musgrave explain that when health care appears to be free or very cheap, people buy more than they would if they were paying the full cost. The resulting casual attitude toward shopping for health care drives up prices, which drives up insurance premiums, which creates hardships for business and those without insurance. That spiral eventually harms all users of health care, but the process is so circuitous that people fail to see the connection with their buying habits.

Goodman and Musgrave's solution is to restore power and responsibility to individual consumers. If individuals are allowed to deduct the cost of insurance, they will have a stake in finding



Gerald Musgrave

the best insurance value. And insurers will compete vigorously to provide it. Most consumers will discover that high-deductible insurance is a far better buy than low-deductible policies because the cost of handling small claims exceeds the benefits. To cover routine medical expenses, Goodman and Musgrave propose that consumers be free to set up tax-free medical savings accounts. Since the money in those accounts would be the property of individuals, they would have an incentive to spend wisely on health care. The money not spent would accumulate tax-free interest and could be used for health care and other needs during retirement.

The authors also propose solutions to the problems related to cost containment, malpractice, preventive care, long-term care, mandated benefits, and organ transplants.

"Play or pay" government schemes and full-blown national health insurance would only aggravate the worst problems of the current system, the authors write. Goodman and Musgrave's message is that just as government planning failed so spectacularly in the communist world, so it will fail—indeed, already has failed—in America's health care system. They write that their proposals would result in a competitive and innovative system of private medical enterprise.

Patient Power is available from the Cato Institute for \$16.95 in paperback, \$29.95 in cloth. ■



John Goodman