Good morning America, how are you?

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Recently I had the opportunity to speak on Australia's health care policies at a conference on "the social, economic and environmental consequences of the US Alliance".

Never missing an opportunity to expose the weaknesses in the Howard Government's health policies, I accepted. The Americanisation of our health policies is one of our government's more obvious economic failures. But the task of linking the destruction of Medicare to the US Alliance was challenging. Was I being asked to make a link where there is none? Is the "left" in Australia resorting to blaming the USA for our home-grown failures?

The answer isn't clear-cut. Americans have a long tradition of isolation from the rest of the world; they are as unaware of our health policies as they are of the sport of cricket. But America is powerful, not only militarily; its cultural and economic ideas and arrangements have swept over the globe. They are resisted only in a few powerful states which have earned the title "axis of evil" and in a host of poor countries that the world ignores. But why do independent countries like Australia rush to take on American practices?

Isolationism

It is easy to forget that for all its economic and military strength, America has a deep strain of isolationism in its history. Isolationism was formalised in the 1823 presidential statement known as the "Monroe doctrine", which essentially said to the rest of the world "you don't mess with us, and we won't mess with you".

We still see that isolationism in a media so parochial that it makes our tabloids and television networks look like models of global engagement, and we see it among the 93 percent of the American population who do not own a passport. We are seeing it in war-weariness – most Americans don't question the rights or wrongs of intervening in Iraq, but they are reacting to the small but constant string of flag-draped coffins returning home. Their military ventures in the Middle East have an isolationist aspect; they are about securing domestic interests (oil security, control over currency, protection from terrorism), rather than the much wider colonial ventures of the European powers in the nineteenth century. Nation-building is not on their agenda.

Isolationism will probably endure; indeed it may be strengthened as Americans come to see the costs of global overreach; the task of dispensing with a dime store thug in Iraq has stretched their economic and military capacity.

But isolationism should not be confused with tolerance or a passive acceptance of the rest of the world. American isolationism is manifest in a domestic incapacity to understand that there are forms of democracy other than America's model and forms of economic arrangement other than American style capitalism. For example, Americans have always had difficulty in

distinguishing between democratic socialism and Soviet totalitarianism. "You are either like us or you are our enemy". That is the paradox of American isolationism.

All the way

Americans don't send in gunboats to impose their health care or welfare systems on other countries. In fact, even in military campaigns, its allies are asked to provide the gunboats, as our naval engagement in the two Iraq conflict demonstrates.

Certainly there is pressure in the proposed US/Australia Free Trade Agreement for us to yield ground on the Pharmaceutical Benefits Scheme – a scheme which has allowed us to use the concentrated purchasing power of our government to negotiate low prices for prescription pharmaceuticals. The Americans are peeved that we exercise such power, when, in their own country, pharmaceutical firms have used their political clout to make sure that the government does not use similar powers when prescription pharmaceuticals come under its Medicare provisions.

It isn't America's fault, however, that we are hastening into a bilateral trade agreement, abandoning our long-held commitment to multilateralism. In the immediate postwar years, when, in relative terms, America was much stronger than it is now, Australia did not let American power detract from that commitment. H. V. Evatt was a champion of the United Nations, becoming its President in 1948. In the Bretton Woods Conference in 1944, Australia enthusiastically supported the institutions of economic multilateralism – the World Bank, the IMF, and later the General Agreement on Tariffs and Trade. (It is easy to forget the liberal origins of these institutions.)

As in other developed countries, our attachment to and dependence on America is home-grown. At times this has been functional. Our federal constitution owes a great deal to the American model, and John Curtin's "Look to America" speech in 1941 was a realistic assessment of Australia's situation at the time.

But when it comes to health policies, there is no sound reason to take on the American model – the world's most costly system and, among developed countries, the most inequitable system imaginable.

All the way on health care

At the core of America's dysfunctional health care system is their dependence on private health insurance.

In America those who have well-paid and secure jobs have generous employer-funded health care programs. It is ironic, in fact, that the entrenchment of private health insurance in America was largely at the instigation of trade unions in the early postwar period. The old have Medicare, a taxation-funded program which is broadly similar to our own programs. And the poor – those who are unemployed, in precarious employment, in the unofficial labour force, in self-employment – drop out of the system. There is a poorly funded program, Medicaid, which provides states with a very basic capacity to look after the 40 million

uninsured or “indigent”, but Medicaid is parsimonious. If a media magnate suffers a heart attack on a golf course, there is no way he will get the same emergency treatment as a Medicaid patient.

America’s health care system is expensive, costing some 15 percent of GDP, compared with 7 to 9 percent in most other developed countries. We’re at about 9 percent of GDP, a proportion which has been rising strongly since the Howard Government decided to subsidize private health insurance. To put that difference into perspective, if Australia had America’s health care system, we would be spending another $40 billion a year on health care, or about $6000 a household, without any improvement in health outcomes. At its top clinics, America’s health care system is the best in the world, but most Americans would be far better served by Australia’s system.

In such a generously funded system there are plenty who have immersed their snouts into the funding trough. Pharmaceutical firms, hospital companies, lawyers, consultants in health care management, financiers, health insurers and liability insurers have all done very well out of America’s private health insurers. And, in turn, they have returned some of that largesse to their political patrons – pharmaceutical firms have been among the most generous donors to the Republican Party.

American experience has convinced the governments of most of the world’s democracies to centralize health care funding through single national insurance schemes, such as Australia’s Medicare. The two clearest savings are in administrative costs (our private health insurers impose a $700 million bureaucratic overhead health care), and, more important, the capacity of a single national insurer to keep guard on the trough of funds.

Here, however, we are heading rapidly to an American system – a system which may have served that country tolerably well fifty years ago, but which is quite dysfunctional now. (When I described our “reforms” to an American academic, he was so bemused that he asked if we were also going to adopt an American firearms policy.) Howard and his health ministers have assured the community that they will retain Medicare, but that does not mean they have any commitment to retaining a single national insurer. The Howard vision of health services has clear US characteristics. It’s a landscape with many gated communities and the occasional poorhouse.

Why, then, are we hastening to emulate a failed system?

There are three possible reasons.

First, many in the non-American world have been bedazzled by the glitter of the American Century, by American triumphalism following the fall of Soviet Communism, and by American military and economic strength. Those same people have been happy to overlook America’s weaknesses – poverty and inequality (so well described by Paul Street in the Spring edition of *D!ssent*[1]) which, in time, could tear the society apart, its brutal justice system, its extravagant energy use and dependence on imported oil, its fragile and decaying infrastructure, its poverty-struck schools, and its chronic trade imbalance. (If America weren’t so large it would be under the management of an IMF adjustment program.)

Second, there is the simple explanation of greed. To many economic élites, adoption of American practices has served self-interests. For example, outrageously high executive pay

has been justified on the basis of “globalisation”. (The word “globalisation” generally means “Americanisation”; it is used because “globalisation” implies inevitability, whereas use of the word “Americanisation” would imply some degree of choice and therefore moral responsibility.) In terms of public ideas this has occurred most strongly in English-speaking democracies; language, as the French and Japanese know, can form a first line of defence of local cultures and traditions.

Third, and most important, we are taking on an American view of welfare. America’s publicly-funded health care programs – Medicare and Medicaid – are clearly welfare measures. They are not universal; rather, they are part of a welfare system which many Australians may find alien, but which, by stealth, we are moving towards. As in welfare programs, America’s health care system is categorized into winners and losers.

Any Australian who has stood in a supermarket checkout queue in the USA learns some basic facts about the American welfare when the person at the checkout is paying in food stamps; she is one of America’s “indigent” – a welfare recipient, a loser. “Sorry, you’ll have to take that back to the shelf”, says the worker at the checkout “you’re not allowed chocolates on food stamps”. The poor are poor because of personal failure; such people cannot be trusted to spend their welfare money wisely.

The conservative American commentator, Charles Murray, refers to “cycles of poverty” – poor people pass their dysfunctional values and behavioural traits on to their children. The cycle cannot be broken. This myth sits alongside another very American myth – that any kid can make it. (Orwell used the term “doublethink” to refer to one’s capacity to hold two contradictory beliefs at the same time.) The ideas that poverty may result from random misfortune, or from economic structural weaknesses, have little traction in America.

These myths are popular but strangely inappropriate.

They’re popular because they support a public idea that poverty is inevitable; therefore there’s no sense in spending too many taxation dollars in trying to alleviate it. Those who have “made it” don’t have to suffer pangs of conscience about paying low taxes, because all that extra welfare spending would achieve is a diminution of the work ethic.

They’re inappropriate, however, for most Americans, like most Australians, don’t have to look back too many generations to find the “indigent” among their ancestors – the economic refugees who came in leaky boats as rejects from the great wave of nineteenth century globalisation, or the unfortunate homesteaders and selectors who found that no amount of hard work could make a living from an unproductive plot of land.

These memories should sustain a level of decency in public policy – not because we are necessarily noble or decent people ourselves, but because we understand that fortunes can change quickly. That decency was what the French geographer and sociologist Albert Métin saw when he visited Australia in 1899 – a phenomenon he described as *Socialism sans doctrines*[2] – which was quite different to unbounded individualism Alexis de Tocqueville saw in his visit to America.

But these same memories are distractions to the “aspirational classes” – those who have been made paper millionaires by the real-estate boom, or have been able to buy some privilege to

set themselves apart from the hoi polloi, such as private schools for their children or private health insurance.

It is in the context of taking an American view of welfare that we can understand the Howard Government's policies on refugees – there is a risk that we may see our own ancestors among the boat people. And it is in that context that we can come to understand why the Howard Government is slowly dismantling Medicare and replacing it with an American-style system which is more about welfare than shared health care.

From universalism to welfare

The transformation, which started with Graham Richardson's proposals in 1993 (wisely blocked by Keating), has been to re-define health care as charity, rather than as a collective good. Those who can afford to should take the private insurance option, the gated community. If they are driven by a sense of mutual obligation to share their costs with all Australians, outside the gated community, then they are slugged a one percent tax surcharge for that privilege. In fact, on introducing the surcharge, the Federal Treasurer ruled out any preference for mutual obligation when he said it was a tax he hoped no one would pay. The message, as clear as Orwell could make it in *Animal Farm* with his "four legs good, two legs bad" metaphor, is "corporate dependence good, community interdependence bad."

The Howard Government's health care policies have been a monumental failure even by their own criteria. Contrary to Government claims, they have not relieved the burden on public hospitals. They have not added to the resources in the health care system; in fact, because they have attracted staff to move from the public to the private system, they have taken resources away from public hospitals. And they have has raised prices in the health care sector. Independent health economists have condemned the health insurance subsidies as irresponsible, wasteful and inequitable.[3]

But, just as the stated reasons for involvement in Iraq have shifted over time, so too do the stated reasons for the subsidy to the private health insurers – a subsidy which far exceeds any effective level ever granted to Australia's manufacturers in the heyday of tariff protection. The stated reasons now are and "maintenance of the private system" and "choice".

Almost fifty years after the death of Joseph McCarthy (of alcohol-induced cirrhosis), it is still fashionable to portray opponents of private insurance as anti private sector – as having some atavistic attachment to the heavy hand of central economic planning or a North Korean vision for the Australian economy. But no serious health economist suggests that we should abandon the private system. It is the private *funding* system – a parasitic financial intermediary – that health economists criticize. There are many ways to fund private hospitals and private medical practitioners without having to subsidize a set of bloated financial institutions.

When Howard introduced "lifetime community rating", membership of health insurance rose from 30 to 45 percent, and much more funding passed through private insurance, but less than 40 percent of that increased funding makes its way to private hospitals; the rest leaks out into administration, ancillary items such as gym clubs, medical gap payments, and upgraded insurance cover. John Kenneth Galbraith uses an apt metaphor to describe such indirect

subsidies: if you want to feed the chicken, feed the chicken; don't feed the horse in the hope that the chicken will pick up some of the horse droppings.

The other argument, "choice", is the last refuge of scoundrels. People may want choice of practitioner or choice of hospital, but why choice of health insurance fund – when all are offering essentially the same product, with very little price differentiation, in the same highly-regulated market? MBF, HCF, Medibank Private – it's all much the same.

The rhetoric of "choice" is underwritten by an American myth of individualism. It is fashionable for critics of America to describe its capitalist system as individualistic, but, in reality, advanced capitalist economies impose a drab conformity which, below the superficial glitter of brand names, would be familiar to any East German, Pole or Russian. There is little choice other than to follow the corporate life; in fact, in the USA, the health insurance system imposes a high penalty on those who choose to exercise true individualism – to enter self-employment, to risk all by writing novels or composing music, to work for a social cause. If such individuals can get private insurance at all, it will be at a very high price – not at the price that can be negotiated by large corporations.

An overlay on these specific developments is an intrinsic devaluation of the public sector. We may see that as an American development; indeed the Republican Governments of recent years see little merit in any form of public enterprise – other than the exercise of military power.

But it hasn't always been so. Abraham Lincoln (a Republican) made an eloquent statement on the role of government when he said *"The legitimate object of government is to do for a community of people, whatever they need to have done, but cannot do at all, or cannot so well do for themselves, in their separate and individual capacities"*. Carved on the plinth of Washington's Internal Revenue Service building is Oliver Wendell Holmes' statement, *"Taxes are the price we pay for a civilized society"*.

Lincoln's words have been forgotten, however. The doctrine of the Howard Government is one of "private sector primacy". If the private sector can carry out a function, then it should do so, even if it is less efficient, more wasteful, and less just. Lincoln's phrase "or cannot do so well for themselves" has been abandoned. That is why the Howard Government doesn't care if private health insurance is wasteful or if we are losing opportunities by under-investing in public health. If the only source of value is the private sector, then any reduction in government activity is intrinsically desirable. There is a widespread belief that the Howard Government is economically responsible, but there is nothing economically responsible about wrecking a low cost, efficient health care system.

It's our responsibility

America offers the world many models and ideals, but of late we have picked the wrong ones – and we have picked the wrong politicians. We cannot blame Bush or even the Florida Electoral Commission for our poor political choices.

It is easy to find a scapegoat in a country over the waters, particularly when it is led, or misled, by a bellicose, crony capitalist and incompetent government. But perhaps we need to look closer to home for the source of our problems. Like Pogo, we may find the enemy is us.

I confess to a certain bias. I have lived and studied in America, and find it difficult to engage with the anti-American "left". I believe that the "left" in Australia could do a great deal, closer to home, to expose the incompetence, dishonesty and duplicity of the Howard Government. It could also do more to shake the Labor Party out of its torpor.

Australia, a hundred years ago, was a world leader in policy innovation. In some cases this remote country of four million was *the* world leader. With confidence we introduced female franchise, the basic wage, state-owned banking, and an age pension. More recently we developed innovative health programs – particularly the PBS and Medicare. For much of the twentieth century, the rest of the world looked on Australia and the Scandinavian countries for ideas on policies which combined sound social and economic outcomes.

The challenge now is to re-gain that energy and confidence.

This paper draws on a presentation the author made at the Now We The People conference in Sydney, August 2003.

Footnotes

1. Paul Street "Deep poverty, deep deception: facts that matter beneath the imperial helicopters" *D!ssent* # 12 Spring 2003.

2. Russell Ward (translator) Albert Métin *Socialism Without Doctrine* (Southwood Press, Sydney, 1977).

3. For an analysis of the economic failures of private health insurance, see a paper "Funding health care – taxes, insurance or markets?" I delivered at the June 2003 Health Insurance Summit. That paper, available at http://resources.dmt.canberra.edu.au/imcauley/confs/hcconf.pdf contains many references to the work of Australian health economists critical of the Government's policy of subsidising private insurance.