

CHAPTER 22

CAN THE FREE MARKET CURE US?

Questions: What is the free market? How does it relate to health care? Can the free market eliminate waste, increase quality, and reduce health care costs? Can it solve the problems created by Phase I in the socialization process?...

You are a shopper, and that makes you a key part of the free market. You clip coupons, watch advertisements, and head out to shop for the best value for your hard-earned dollar. You consider brands, sizes, quantities, quality and price. Then you make a purchase. That is the free market in action. Your spending choices are restrained by the limits of your income and assets, or your credit rating.

The free market works best when there are multiple choices of the same or similar products. These products compete with each other for your dollar. To be a successful shopper, you need ample, good information to know the price, quality, and whether the purchase will meet your needs and fit your budget.

FREE MARKETS MEAN CHOICES

Consider how you shop for a car. You have many choices. You can buy a compact, intermediate, or full size. It might be red, green, blue, or almost any color. There are scores of options from which to choose – DVDs, heated seats, power windows, and more. There are dozens of brand names, and each offer several models – sedans, convertibles, two-doors, four-doors, SUVs, pick-ups, mini-vans. The free market gives you many choices so you can buy exactly what you want.

If the government controlled the automobile industry as some think it should

control health care, you would have one choice of a car and it would be a model designed to fit everyone. Although you would not pay for it out of your pocket (instead, by taxes), and you would not know its cost, you would be forced to own the car the government chose for you. The government model would be the one that politicians thought to be the most cost-effective, to try to hold taxes down. It would get you to where the government felt you ought to go, but if you are not happy with it, you would have no other choice but to complain to your elected representative...

BREAKING UP MONOPOLIES

The federal government protects competition and encourages the free market by breaking up corporate monopolies. The AT&T breakup clearly demonstrates this principle.

Before 1974, consumers, in effect, had one choice for phone service: American Telephone & Telegraph (AT&T), through one of its wholly owned subsidiaries. There were also hundreds of small, independent local phone companies in operation, but AT&T was the Big Gorilla that dominated the business....

Without competition, the AT&T monopoly had no need to improve quality or create new products and services.

Nowhere are the benefits of competition more dramatic than with long distance rates. Long distance service today can be purchased at rates as low as three cents a minute. Some long distance providers charge a flat monthly fee for unlimited long distance calling. Many cell phone users pay nothing extra for long distance calls....

HOW THE FREE MARKET REDUCES HEALTH CARE COST

You might wonder if the free market can actually deliver high quality health care

at a reduced cost. Lasik surgery helps us see a clear picture of how this happens. Lasik surgery has helped tens of thousands of people throw away their glasses and see better than they have since childhood.

“In 1991 the first LASIK procedure was performed in the U.S.” Those earlier Lasik surgeries were offered by a handful of clinics and often cost as much as \$10,000 per eye. As it became popular and was heavily promoted, more doctors offered the procedure, medical equipment prices fell, and the price of Lasik surgery dropped dramatically.

Today, “LasikPlus reported its average price per procedure in the fourth quarter of 2004 as \$1,351” an eye. Some Lasik providers advertise prices less than \$600 or even \$300 an eye....