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SovietCare Looks Good to Investors

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President Trump's temper may yet free the country from Obamacare.

Maybe I'm just getting carried away by the spirit of American Dream week, but if Trump actually follows through with a threat he tweeted over the weekend, we could see the hastening of Obamacare's collapse. It's just too bad it won't take the health insurance industry down with it.

Actually, I don't think industry, with its connotation of private enterprise and exertion, is any longer the right word. The late great Joseph Rago of the *Wall Street Journal* foresaw that Obamacare would "convert insurers into government contractors in the business of fulfilling political demands." Rago was arguing (against *PolitiFact*) that Obamacare did indeed represent a de facto "government takeover of health care," even if it wasn't overt nationalization.

Rago was right in one sense, but considering the way the health insurance industry shaped Obamacare and attached itself to our wallets, not to mention its ability to thwart reforms, it's just as valid to regard Obamacare as an industry takeover of government to force products on an unreceptive market.

This goes beyond crony capitalism. We've had a form of crony capitalism here ever since WWII, when the government created tax incentives for employer-provided health insurance, which had the unfortunate side effect of insulating the industry from the demands of customer service. (Or has anyone ever heard of an HR department switching health plans because an employee was unhappy?)

The more accurate description for our system now comes from the far left: state-monopoly capitalism. A Hungarian Soviet economist named Eugen Varga described such a union of business monopoly and state power as having the purpose "of redistributing the national income through the state to the benefit of monopoly capital."

Under President Obama, the executive branch did exactly that sort of redistribution by abusing its power in order to guarantee the profitability of the "Big Five" health insurers who form something of a jigsaw monopoly. Far from bringing about competition, Obamacare grants these insurers tremendous leverage. If they hollered about abandoning a market, the administration would jump to provide subsidies.

There are three dubious subsidies the Obama administration arranged in order to shore up the profitability of the industry: a “cost-sharing” mechanism ruled illegal by the courts but currently under appeal, which the Trump administration could drop; a diversion of Treasury funds for a “reinsurance” payment to insurers that two government agencies have found to be illegal; and a failed “risk corridor” meant to share the earnings of the most successful insurers with the least, which generated a slew of lawsuits when it turned out there wouldn’t be nearly enough winners to subsidize the losers.

These workarounds could total \$170 billion or more over a decade, according to one tally. These are the bailouts that Trump threatened Saturday, tweeting, “If a new HealthCare Bill is not approved quickly, BAILOUTS for Insurance Companies and BAILOUTS for Members of Congress will end very soon!”

Josh Blackman of the Cato Institute recently recounted all the illegal maneuvers the last administration took to spare Congress the pain of paying for health insurance through its own system, a process so absurd it ended with the both House and Senate certifying they were small businesses that employed just 45 people. Blackman argues that Trump ought to cut off the illegal subsidies for Congress and its staff to bring it back to the table.

I think he ought to do it just for the schadenfreude value, as it’s unlikely the Senate will be at all eager to revisit the failures of the last two weeks. The Republican senators from Ohio, West Virginia, Maine, and Tennessee who voted against a straight repeal of Obamacare all know their constituents are having too much fun getting high on cheap opioids — and who wants to be a buzzkill?

Also, as Robert VerBruggen noted of an earlier version of Obamacare repeal, it “was incredibly risky, given that it was basically a time bomb stamped with the GOP logo.” That goes for any Republican attempt to reform the failing program; it would be easy for Democrats to blame the eventual collapse on the GOP’s tinkering. They can try to blame Trump for reversing Obama’s workarounds, but good luck explaining to voters why it’s so outrageous that he might abide by a court’s interpretation of the law.

For all their moaning and lawsuits, the insurers are doing great, with the big companies enjoying record profits and market capitalizations. Part of that is because we all have to buy more expensive insurance now, part of it is their new Medicaid contracts, and part of it is the industry’s ability to write its demands into law. It’s practically illegal for some of them to lose money. But overall, it’s because investors see a much bigger picture than this reimbursement or that workaround.

They see what Lenin recognized in “state-controlled capitalist production, combining the colossal power of capitalism with the colossal power of the state into a single mechanism and bringing tens of millions of people within the single organization.” Lenin denounced the “trusts, syndicates, and cartels” who had introduced the system as “rapacious” and “predatory,” but investors nowadays would see those characteristics as features. Lenin, building off Marx, saw state-monopoly capitalism as part of the final historical stage of capitalism, after which only revolution, not evolution, was possible.

However, it's the Leninists and neo-Trotskyites of the '70s who had it right. The old disputants could finally agree on something — the Soviet Union under and after Nikita Khrushchev didn't represent authentic communism. The proper term for the new system, they argued, was “state monopoly capitalism.”

“State monopoly capitalism,” said the murderous Enver Hoxha, “means the subordination of the state apparatus to monopolies, the establishment of their complete domination in the economic, political and social life of the country. In this way the state intervenes directly in the economy in the interest of the financial oligarchy, in order to ensure the maximum profit for the class in power through the exploitation of all the working people, as well as to strangle the revolution and the peoples' liberation struggles.”

All the dogma aside, the description is accurate, or at least threatens to be.

Lenin was wrong about a revolution necessarily separating capitalism from communism. It turns out there's a thin border between the U.S. and Soviet systems, and it's porous.