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Obama asked for market healthcare. Here it is.

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With healthcare still hogging the political headlines, the Cato Institute's Michael F. Cannon decided it was time to take a step back from the issue, not forward.

Cannon is director of health policy studies at the libertarian think tank.

His policy paper released Wednesday (October 21) entitled "Yes, Mr. President: A Free Market Can Fix Health Care" is a direct response to a challenge made by President Obama to come up with a better healthcare plan than the one being debated by Congress.

The paper begins with Cannon taking his step back to March 29 and quoting the president himself: "If there is a way of getting this done where we're driving down costs and people are getting health insurance at an affordable rate, and have choice of doctor, have flexibility in terms of their plans, and we could do that entirely through the market, I'd be happy to do it that way."

Cannon then lists and expands on four key proposals to accomplish the president's goal:

> Create a voucher system for Medicare recipients
> Give workers control over their health care dollars
> Break up state monopolies on insurance and clinician licensing.
> Reform Medicaid and the State Children's Health Insurance Program the way welfare was reformed in 1996.

If that isn't convincing enough for the president, perhaps he will listen to a pair of fellow Nobel Prize winners.

Iain Murray, Director of Projects and Analysis and Senior Fellow in Energy, Science and Technology at the libertarian-oriented Competitive Enterprise Institute, and Roger Abbott, a CEI Research Associate, review the work of the Nobel economists in their article Nobel Lessons, published in today's (October 23) Washington Examiner.

Elinor Ostrom and Oliver Williamson were announced earlier this month as joint recipients of the economics Nobel for their work in the field of "economic governance" which, contrary to its initial impression, is governance without government, which they describe with the libertarianesque phrase, "voluntary self-regulation."

While not specifically about healthcare, all the requirements are present in answering President Obama's challenge to deliver healthcare "entirely through the market."

The writers begin by explaining, "In traditional economic theory, the market allows resources to be allocated optimally by coordinating the actions of self-interested individuals through the power of price signals." But in circumstances where some other mechanism or institution is needed, politicians inevitably decide on government intervention through regulation or outright ownership. They then show how Ostrom and Williamson explain how other forms of non-market governance have worked so well over the centuries, such as “self-regulation” via formal or informal agreements among private parties.

The CEI colleagues note that "Politicians’ pretense of knowledge and failure to understand the ability and willingness of stakeholders to cooperate help to account for the proliferation of damaging regulations across the economy."

With the ongoing economic downturn and potential massive expenditures looming in the areas of healthcare and cap-and-trade, any alternative to government intrusion should be welcome news for everyone as well as for the president.