Real simple

To win the election and, once in power, to create new jobs, Democrats need a big plan everyone can understand: Have the government pay the first $1,000 in healthcare costs for every man, woman and child.

By Thomas Geoghegan

July 27, 2004 | In this summer of our discontent with George W. Bush, here's the big question: Is John Kerry going to try to win for himself, or bring back the Democrats as the majority party? Democrats should try to learn more from Ronald Reagan than just smiling. They now know how to grit their teeth and out-grin the GOP (though, unlike Reagan, they keep some gray in their hair). But Kerry and others have failed to learn the other lesson: Give people an idea they can understand. Make it big, make it radical and, above all, make it simple.

It is very hard for the Democrats to forswear the cult of complexity. But they can't become the majority party if they continue to make everything too complicated. For example, I actually like Kerry's program on health. But I doubt anyone but the New York Times' Paul Krugman can explain it.

Labor law reform? Trade? Education? And these in a country where the people the Democrats want to vote for them don't even read a newspaper.

At times, John Edwards seems to get it. In his campaign for president, he put out one or two very big ideas, like one free year of college. Being a former trial lawyer, he knows in his gut he has to keep it simple.

And yet Democrats have a big, Reagan-like idea, their version of "Star Wars," something simple that everyone will understand: a single-payer national health insurance program like Canada's.

Democrats really have no choice. Aside from needing a simple idea like that to win the election, if they win they will face two big problems that could destroy a Kerry-Edwards administration. First, it seems that even in a boom, U.S. employers now cringe at adding jobs. (In June, the figures for new jobs dropped back again.) Second, boom or no boom, they cringe at coughing up to pay for health. So in the future, we will have fewer and fewer jobs, at least the kind that pay benefits -- jobs with bells and whistles. And as for health coverage, more of us will be underinsured or totally uninsured.

It is instructive to look at which countries around the world have solved this problem and which have not. In a way, the so-called free-market United States has much in common with the social-market Germany. Normally, these two countries are seen as opposite social models, but both of late have had to struggle to add jobs. America and Germany have the same labor market mess, in which employers have to pay for health, which can amount to 18 to 20 percent of the payroll. It's not just the huge absolute cost but the uncertainty as to what future costs will be -- even a little uncertainty can paralyze a boss who wants to hire.

But look at Canada to the north. Or Great Britain, Germany's rival. Neither has this problem: In Canada and Britain, it's not the employer but the state that pays. So it's not a big deal to add extra jobs. Or look at other countries that are close to the single-payer system, such as the Scandinavian nations and Australia. What might be called the "single-payer difference" is only going to grow larger. In years ahead, as new drugs appear, as we beg for our lives from the drug company gods, the cost of healthcare for one Fortune 500 company could dwarf what is spent for health in most of Africa. Put it this way: General Motors in the United States will tremble to add a job at the margin; General Motors in Canada will go blithely ahead.

Maybe the best single predictor of a country's ability to add new jobs is how close it comes to single payer. In Norway, Sweden and Finland, despite huge tax levels, it seems to be relatively easy to add jobs. In Australia, which has a mix of single-payer and employer-paid healthcare, the record on jobs is mixed -- it's better than in the United States, France and Germany, but not as good as in Canada, Britain, Finland and Sweden.

The difference is not a left vs. right split. It has to do with whether the state pays or the boss pays. In Europe, some social democracies, such as France and the Netherlands, where the employer pays, struggle to add jobs. Other social democracies, like those in Scandinavia, do not. It is ironic that of all countries, America and Germany, despite being rival social models, would end up in the same labor market mess. It's also ironic that Germany may be having trouble adding jobs not because it's too socialist but because, in rejecting a single-payer system, it's not socialist enough.

No doubt, at this point, some readers are spluttering: "But Germany's unemployment is far worse than America's." Is it? Yes and no.

Since it's more fun to be contrarian, I'll focus on the "no." (See the Wall Street Journal's editorials for the "yes.") No, it's not worse, at least if you're a college grad. The reason is that in Germany as in the United States, the employer has to pay for health insurance. Since in Germany employers have to pay for health for everybody, they might as well go upscale and do it for blue-chip human capital. The result is that in Germany, it's not people like you and me who go jobless -- it's the people with no skills. Because U.S. employers don't have to pay for every employee's health insurance, they invest in freelancers, part-timers and people with low skill levels. In fact, if you're a college grad, you'd be better off in Germany, at least in getting a true college-type job.

Here's one eerie glimpse of America's future: Since March 200l, the employment rate for college grads has dropped at the same rate as that for high school grads. And once unemployed, a college grad now has a much harder time finding a new job, much less a good one. He or she is not just less likely to be employed, but more likely to be among the long-term jobless. In other words, America may wake up one day to find that for college grads, there is actually some "structural" unemployment. Such a thing would be simply inconceivable in Europe.

What's worse, I suspect the statistics understate the actual unemployment of college grads. With so many people in "sales" and "working from home," it's pretty hard to say who really has a job. Many people with college degrees can say, "I'm self-employed," or "I'm a salesman." For example, Willy Loman in "Death of a Salesman," delirious on his deathbed, would still have told the Labor Department, "Yes, I have a job."

More important, a huge percentage of college grads in America have settled for "non-college" jobs -- something many Europeans would find odd. About one out of five of these grads is doing the equivalent of selling ties at Macy's, according to the last big Labor Department study in the 1990s. Although some economists think that percentage will drop, the scarier thing is what we in America define as a "college" job. Ready?

Claims adjuster ... cop ... I'd add salesman, or car salesman, but probably only a college grad could put up with listening to all those self-help tapes from Kinko's.

In Germany no college grad would consider "cop" as being a college job, and none would end up selling ties at the equivalent of Macy's. Not one in five anyway. And German grads sure don't do much manual labor.

But over here? When I deal with the ironworkers or carpenters who come to see me as a labor lawyer, I now assume that some of them are college grads. A good friend of mine, a blue-collar worker in construction, has a J.D.

And they are the lucky ones. They could have "college" jobs as claims adjusters, and at least in this type of manual labor, they probably have health insurance. Under Bush, job growth, even for college grads, has predominantly been in industries that offer no health insurance. I have clients who have B.A.'s and are fathers but have no health insurance, or they have the kind with a deductible of $5,000 or more.

So why is it that college grads in Germany from time to time whine, "Oh, if only I were in New York or London, then I'd make some money." If only I were out of here I'd be Donald Trump. Sure. The great thing about being in Germany is that, unlike in America, one can fantasize this way about being an Ubermensch, or free-market Superman. As Americans, you and I know how far-fetched this is. You and I know, at this point in our lives, that we will never be, and never could have been, at the top of Lazard Freres. But in Germany, many people like us go on thinking, "Oh, I could have been a contender!"

But is employer-paid health really holding us back? In the United States, the situation is a bit more complicated than in other countries. It's best to think of the United States as a spectrum of health systems. At the highest level, in the top 10 percent, the incomes are so huge that healthcare costs a relative pittance. Those people might as well be living in Canada or Sweden. In the middle, i.e., where you and I are, it's like Germany or France -- the employer has to pay for health. But it's in the middle where, like Germany, America struggles to add jobs.

In the lower middle, i.e., among the poor (to be blunt), America has a system that from an employer's point of view is better than single payer -- no payer. New hires may have no choice but going out on the street to die. Think of our 44 million uninsured and millions more underinsured. If U.S. employers had to pay for their health, how many parking valets and maids would still have jobs? If we had employer healthcare like that in Germany or France, our unemployment rate might be much higher than theirs. Imagine the murder rate in Chicago, New York or Detroit if we had universal, employer-paid health insurance. And worse, who would be left to ring us up at Wal-Mart?

It's fine for Democrats like Kerry to rail about "outsourcing" jobs abroad. But what's killing college grads in this country is outsourcing at home -- into jobs that don't pay healthcare and that college grads don't want.

So what should Kerry do if he is elected? At first blush, what he proposes -- picking up the uninsured by expanding Medicaid and providing relief to employers if their premiums rise too high -- seems to make some sense. To employers, Kerry's promise is: "I'll insure you against the cost of health insurance." And to my shock, though the idea seems far too expensive, I find myself agreeing with what he wants to do.

Still, without a single-payer system, the Democrats get into a deeper trap. The more they try to shore up the employer-payer system, the worse it is for jobs. On the other hand, if they create a single-payer system that picks up the cost of healthcare only for the working poor, then they reinforce investment in the lowest-skill jobs. Without a full single-payer system, the more outsourcing there will be -- not just to overseas workers but to the working poor at home.

The Germans and the French, of course, have the same problem. And their barrier to creating a single-payer system is also the same: Too many people have a stake in the existing setup. In the United States, it is the whole conglomerate of health insurance interests, with their lobbying slush funds and TV ads. In Germany and France, it may be the simple fact that employers (and unions) like to staff up the bureaucracies of national "sickness funds."

While businesses in all three countries have every reason to go to single payer, they consist of people who in their real lives like the way things are. For that reason, I disagree with those who think that one day, over the rainbow, businesses in America will opt for single payer because it's so rational and is in their interest. Business people have outside lives as rich people, and rich people detest single payer. So even in Canada or the U.K., where single payer has been so good for business, I'd bet that if CEOs had a say, they'd vote to get rid of single payer; as rich people, they simply hate it.

So how do we get there? Well, here are three possibilities: 1) Against all odds, business will put in single payer. 2) Labor will come back, and labor will do it. 3) There will be a big depression, and thanks to an experiment in cloning, we will get FDR to come back and do it. But it's unclear whether even FDR could do it now. In 1935, the great reformer Sen. Robert Wagner actually proposed national health insurance, and it almost got through Congress, with no one paying much attention.

But back then, the cost was not heart-stopping. Back then, in 1935, DNA decoders James Watson and Francis Crick were still kids, and there were no antibiotic drugs. Now, every time we see a story about a breakthrough in stem cell research, it means the cost of moving to single payer is only going up.

So what is to be done? Here's my unsolicited advice to Kerry: First, the Democrats have no way out. If they really want our country to stop struggling to add jobs as health costs go up, then, somehow, they have to move to single payer. They have to remove that payroll add-on for each job of 18 to 20 percent, which could rise to 30 percent if medical breakthroughs keep coming.

The Democrats have to stop pretending there is some other fix. There isn't. Even the German left has begun to realize it has to move to single payer. Although I love Kerry's current plan, the most it could do is stop the cost for employers from reaching the skies. In the long run, we have to move the cost, all of it, onto the federal government.

Second, the Democrats have to creep up on this. Yes, I'd like to shoot Niagara and leap over to the Canadian system. Yes, single payer is not so outlandish, even in cost. Even now, the federal government is already three-fifths of the way to paying for the equivalent of single payer if you add up the costs of Medicare, Medicaid, all the other aid to hospitals, the National Institutes of Health and the subsidies to drug companies that sell cheap to those damn socialist countries but turn around and gouge us here. And why not add in the health component of the budget for the Department of Veterans Affairs?

We can afford it, but we can't get it. Why? The vested interests are too powerful. People out there rattle easily; they don't understand it.

So Democrats should start with something very simple that does not attack the vested interests too directly and that the people who vote for Kerry will understand: Pay for the deductibles -- the first $l,000 per year for every man, woman and child, insured or not.

Wouldn't that be expensive? You bet. But so is Kerry's current plan. Wouldn't employers and insurers just raise the deductibles? There are ways to discourage this; for instance, one could institute penalties. But, in a way, I hope that this is what employers and insurers try to do. If they raised deductibles, it would clear out more territory for an even larger guarantee. The government would just raise the $1,000 to $1,500. In 10 years, it might be up to $2,000. In other words, if insurers kept raising the deductibles, they'd end up liquidating themselves.

And people would not be worse off. Indeed, what people need more than coverage for their big bills, which are devastating but largely uncollectible, is the freedom to see a doctor before they get too sick. The real problem is the little bills: not the $25,000 for a hospital stay but the $1,000 deductible that could have prevented it. For we live in a country in which half of families have practically nothing in savings -- a few thousand dollars, often less. So Mom or Dad holds off on a visit to the doctor's or a blood work-up until the situation becomes catastrophic.

Isn't it time people really got something back for their taxes? FDR, if we ever do get him back, would tell us: We can't get any big change past these dreadful Republicans unless everybody in the country can see it, understand it and think, Hey, I would benefit. Or unless we take a tip from some Germans, who are trying to figure out a similar way, step by step, to move over to single payer. They would call it "citizen insurance." Democrats should do the same.

The hard truth is that we won't cure our employers of their paralytic fear of hiring until we figure out a way to move to single payer.

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About the writer
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