

Still “On Your Own”

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Last week’s Monday Morning Outlook generated a lot of responses. We wrote about the [“on your own economy”](#) and argued that, in this world, there is no economic system that eliminates all risk from life. Even though some think free markets are scary and government can eliminate risk, our point was that private relationships – family, friends, business, and charity – do a better job than government over time.

Those who disagreed with us – the negative responses – seemingly missed the point. They dwelled on the relative quality of health care in the US and UK. We were barraged with claims of lower infant mortality rates in the UK and lower overall health care costs compared to the US.

We used the example of a woman who entered a hospital in the UK at 8:30 pm, had a baby at 10:30 pm and was sent home – on her own – at 3 am. This is not unusual for the National Health Service and is clearly done to save money. But, this could never happen in the US.

In 1996, Bill Clinton campaigned against “drive-by deliveries” and a new mandate was put in place to force insurance companies to pay for a minimum of 48 hours of maternity care. The argument was that private insurers were acting dangerously and putting mothers and babies at risk.

So, in the UK, costs are reduced by limiting maternity stays, while in the US costs are increased because of mandates to expand maternity stays. On this side of the Atlantic, it is safer to have longer maternity stays while on the other side of the Atlantic it is safer to have shorter stays. It’s all very confusing and convoluted and we get why some of our detractors thought we were being overly political.

We have no doubt that some health statistics are better in the UK than in the US. However, these statistics are not as

clear as many seem to think. For example, although it’s true that infant mortality is slightly lower in the UK than the US (5 children per 1,000, rather than 7), the UK had lower infant mortality than the US even before they adopted their government health system. In other words, the gap may be due to demographics, culture, or climate, not the quality of care. Moreover, the fertility rate is lower in the UK, which may skew toward lower-risk births.

It’s also true that the US spends a larger share of GDP on health care. But non-price rationing of health care hides costs. If a country makes people wait for hip replacements, for example, but those people, if allowed, would pay more for earlier treatment, then having to wait is part of the true cost of care. The US delivers care quickly and that cost is counted, while the cost of delay is non-monetary and not counted.

In addition, GDP per capita is about one-third higher in the US and we simply don’t know what share of that added income, if achieved, citizens of the UK would spend on health care.

We are not advocating for the status quo in health care. The tax deductibility of employer-paid health care costs, Medicare, and Medicaid have driven consumers’ out-of-pocket expenses down to about 10% of the total. Imagine if Americans bought food this way? Having 90% of costs paid for by someone else would cause consumers to spend much more than if it was their own money.

In the end, what we know is that life is inherently risky. No system (capitalism or socialism) can erase that risk. In the United Kingdom, resources for health care are limited. In bankruptcy, Greece has few resources to help anyone. Government is not a panacea. If we try to rely on government, we may still find ourselves on our own.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
4-16 / 7:30 am	Retail Sales – Mar	+0.3%	+0.3%	+0.8%	+1.1%
7:30 am	Retail Sales Ex-Auto - Mar	+0.6%	+0.9%	+0.8%	+0.9%
7:30 am	Empire State Mfg Index - Apr	18.0	17.2	6.6	20.2
9:00 am	Business Inventories - Feb	+0.6%	+0.5%	+0.6%	+0.7%
4-17 / 7:30 am	Housing Starts – Mar	0.705 Mil	0.705 Mil		0.698 Mil
8:15 am	Industrial Production - Mar	+0.3%	+0.3%		0.0%
8:15 am	Capacity Utilization - Mar	78.6%	78.6%		78.4%
4-19 / 7:30 am	Initial Claims - Apr 14	370K	372K		380K
9:00 am	Philly Fed Survey - Apr	12.0	10.3		12.5
9:00 am	Leading Indicators - Mar	+0.2%	+0.1%		+0.7%
9:00 am	Existing Home Sales - Mar	4.620 Mil	4.640 Mil		4.590 Mil