

# CASCADE UPDATE

VOL. 6, No. 2

CASCADE POLICY INSTITUTE • PORTLAND, OREGON

SUMMER 1999

## Lessons for the OHP

*British health-care analyst warns of things to come, offers alternatives*

Cascade adjunct scholar Prof. John Spiers recently spent a month in the state studying the Oregon Health Plan (OHP). The former advisor to the Thatcher and Major governments in Great Britain concluded that there are many similarities between the ailing 51 year-old British health-care system and the OHP.

At a March 18 Cascade luncheon he suggested we look across the Atlantic Ocean to see where Oregon's experiment in socialized medicine is headed. His prescription for a better health care system includes more consumer choice, competition, and vouchers, in short, Medical Savings Accounts.

Dr. Spiers analysis sparked controversy and prompted the *Oregonian* to editorially defend the OHP. Below is a

***“We must decide whether we are to live by our personal moral compass, or by the command of those who claim to know our interests better than we know them ourselves.”***

— Professor John Spiers  
former advisor to the Thatcher and Major governments in Great Britain

commentary adapted from Spier's 8 page report, *Socialized Medicine in Great Britain: Lessons for the Oregon Health Plan*.

As a visitor from a country with national health care, permit me some observations about the Oregon Health Plan (OHP). Well intentioned as it is, the OHP mirrors the overall problems of American health care. It denies self-responsibility and marginalizes individual preference. It is the diametric opposite of a realistic,

fruitful and dynamic solution. The way forward, although politically difficult, is to engage consumers directly with cost and value.

There are many direct parallels between socialized medicine in Britain and the Oregon Health Plan. Both contain perverse incentives that drive up costs. By masking true cost, cost control becomes very difficult. Both assume that someone else can know our best interests better than we can, and that government planners have access to enough accurate information to make good choices for countless other individuals.

The British National Health Service (NHS), and now the OHP, are said to be a system of one size fits all. In fact, one size fits nobody. NHS is just the Oregon Health Plan writ large. In the UK and in

Oregon the poor are still in the position they always were — take what you can get, and you still can't get much.

Oregon politicians have no need to look into a crystal ball as they consider upcoming OHP budgets. They just need look at 51 years of the British NHS. The deficits and denials of the British state monopoly system are considerable. It has remained outside the modern, electronic, competitive, open economy. Instead, it asks people to lower their expectations — although in every other

industry people strive to seek willing customers and offer added value, innovation, and improvements in service.

British consumers, drip-fed for 50 years on free health-care, are not price-conscious. They believe health care is cheaper than it really is. So, too, do US consumers. The British results are grim. All health services are rationed by government. There are major shortages of staff, low morale, and a rising tide of patient complaints. Costs vary by a factor of six between hospitals for standard operations; there is se-

rious concern about self-regulated medical practice and its quality; government necessarily suppresses information to curtail the demand for choice.

Modern drugs are routinely denied British patients. For example, only 15% who could benefit from Interferon-beta for multiple sclerosis receive it. There is uneven delivery of combination therapy for AIDS, of Aricept for Alzheimer's, and of Metastvan for prostate cancer.

The NHS has failed in its own terms; it is neither free, nor equitable, not effective, nor efficient. It is, however, cheap — unless you happen to be one of the many who are denied service.

Oregonians can use incentives to change the situation for the better. You should develop ways for consumers to pay more routine health care costs themselves, thus lowering premiums for health insurance that could be reserved for catastrophic care. The savings can accumulate toward retirement, long-term care and other uses. The poor can receive vouchers to purchase such innovative



Professor John Spiers

# The Law

More than 800 laws were enacted by Oregon legislators during the 1995 session. Nearly 900 were put on the books in '97; this year, over 200 new laws have already been passed — with plenty of time left to surpass last year's total. (Remember, administrative rules and regulations accompany those laws.)

All this legislation begs the question: how many are good laws? Before answering, we need a definition of "good." Many think a law is good simply if a majority approves it. That faulty logic permitted prohibition and legalized slavery.

Allow me to offer a better yardstick. A law is good if it upholds an individual's right to life, liberty and property. Laws must leave individuals free to decide for themselves how to live their personal lives, how to run their businesses, what they may do with their money and prop-

erty. Laws must also protect individuals from force, fraud, and plunder.

Frederic Bastiat's seminal essay, *The Law*, first published in 1850, offers a thorough review of what law should and should not be, or do. He wrote, "It is not true that the function of law is to regulate our consciences, our ideas, our wills, our education, our opinions, our work, our trade, our talents, or our pleasures. The function of law is to protect the free exercise of these rights, and to prevent any person from interfering with the free exercise of these same rights by any other person." Cascade has given Bastiat's book to the nearly 500 high school students who have entered our Independence Essay Competitions.

This year's essay competition asked students to write about a law, ordinance, or regulation that should be repealed. In 1997, Cascade's Outrageous Law Contest asked for outdated, wasteful, humorous, or unenforceable legalities to remove. The response to both programs exceeded

our expectations; adults and students alike identified plenty of laws to repeal.

Instead of passing new laws, the 2001 legislature should devote itself to repealing bad ones. Local officials should lead the way and go after bad ordinances. We have a working definition of "good," and, thanks to our Independence Essay Competition and Outrageous Law Contest, Cascade can offer numerous suggestions as to what can be erased from the books. Let's get on with that task before we enact hundreds of new laws and ordinances.

Steve Buckstein  
President

Frederic Bastiat's *The Law* can be ordered from Cascade. It is also available at [www.LibertySearch.com](http://www.LibertySearch.com).

## Cascade Policy Institute

Steve Buckstein ..... President  
John A. Charles ... Environmental Policy Director  
Angela Eckhardt ..... Program Coordinator  
Julie Riggs ..... Director of Sponsor Services  
Hallie Shapiro ..... Executive Assistant  
Patrick Stephens ..... Director of Operations  
William Udy ..... Finance Director  
Kurt T. Weber ..... Program Director  
William B. Conerly ... Chairman, Board of Directors  
Paul R. Farago ..... Senior Advisor

## Cascade Update

Kurt T. Weber ..... Editor  
Angela Eckhardt ..... Assistant Editor  
Patrick Stephens ..... Designer

## Academic Advisors

Michael Bliziotis, M.D.  
Fred W. Decker, Ph.D.  
James Huffman, J.D.  
Richard Meinhard, Ph.D.  
Gerard Mildner, Ph.D.  
William Mitchell, Ph.D.  
Lon Peters, Ph.D.  
Randall Pozdena, Ph.D.  
Anthony Ruffolo, Ph.D.  
Jim Seagraves, Ph.D.  
Fred Thompson, Ph.D.  
Zenon X. Zygmunt, Ph.D.

*Cascade Update* is published quarterly by Cascade Policy Institute, Oregon's premier public policy research organization. Nothing in *Cascade Update* should be construed as an attempt to aid or hinder the passage of any legislation, or as an endorsement of any candidate.

Cascade Policy Institute  
813 SW Alder, Suite 450  
Portland, Oregon 97205  
(503) 242-0900 • fax 242-3822  
[Info@CascadePolicy.org](mailto:Info@CascadePolicy.org) • [www.CascadePolicy.org](http://www.CascadePolicy.org)

# Best wishes, Tracie!

The Cascade staff wishes all the best to former executive director Tracie Sharp and her family. They moved to San Francisco in April to pursue opportunities with their church.

For eight years, Tracie served as Cascade's executive director. She was a key factor in the Institute's growing influence in



Tracie Sharp

Oregon and around the country. She will continue to maintain close ties to Cascade and work in the free-market movement.

Tracie and her husband Bob hope to eventually return to Oregon to raise their family. Until then, her smile, drive, and thoughtfulness will be missed.

# Cascade is hiring

Cascade will have two staff positions open soon. If you or someone you know is interested in working for Cascade, please mail a cover letter and resumé to president Steve Buckstein, or e-mail to [jobs@CascadePolicy.org](mailto:jobs@CascadePolicy.org). All candidates must be computer literate (Microsoft office preferred) and committed to advancing free-market ideas.

## Executive Assistant/CSF Coordinator

This is a front office position for someone with good general office and receptionist skills. Duties include phone answering, word processing, mailroom. This person will work with senior Cascade staff, and with families and schools coordinating the Children's Scholarship Fund – Portland private scholarship program.

## Director of Operations/Publications Coordinator

Duties include managing our nine computer Windows 98 network and server, phone system with in-house voice mail, and Access database. This person will act as primary contact with printers, mail houses and other vendors. Light financial records and book-keeping duties. Must be competent with small office computer hardware, software and networks.

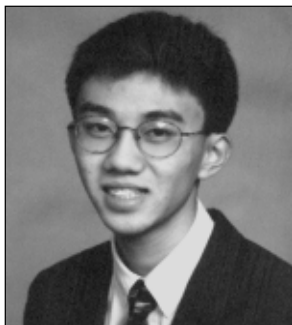
# Students advocate repeal of laws, ordinances

## Essay Competition sets new record for entries received!

The fifth annual Independence Essay Competition asked Oregon high school students to identify a bad law or ordinance and make a case for its repeal. They stepped up to the challenge: 170 entries were received, a new record.

Students from Grants Pass to Gresham, Bend to Baker City advocated repealing everything from mandatory seat-belt laws to curfew ordinances, diplomatic immunity to affirmative action laws. Competition for awards was strong; ultimately, the Review Committee selected two winners and two runners-up and distributed awards to them totaling \$3,500.

Michael Nguyen, a senior at Lincoln High School (Portland), was named a winner for his essay on anti-trust laws. He questioned, are the Sherman Anti-Trust Act of 1890 and the Clayton Anti-Trust Act of 1914 “necessary, or even beneficial, in today’s changing economy?” Mr. Nguyen concluded, “Anti-competitive



Michael Nguyen



Ursula Whitcher



Tanner Bushnell



Robyn Kintigh

the innocent, in their “desperate attempt to evade punishment.”

The Review Committee named Tanner Bushnell a runner-up for his essay on child protection laws. A senior at Philomath High School, Bushnell acknowledges the need to protect children from harm; however, he wrote, “Under present law, the state’s Child Protection Agency has almost unlimited power...Perhaps the most frightening thing of all is that the agency is able to exercise its power arbitrarily.”

Cottage Grove High School senior Robyn Kintigh garnered runner-up status for her essay dedicated to repealing minimum wage laws.

Among her points, Ms. Kintigh outlined the negative effects such laws have on employment opportunities, including those for teenagers. “In effect,” she wrote, “minimum wage laws accomplish close to the opposite of what they are intended to.”

practices violate the spirit of free enterprise, but at the same time, an overbearing, or even worse, unrestrained government, poses an equal if not greater, danger.”

West Linn High School senior Ursula Whitcher earned winner status for her essay on “substantial assistance,” the only exception to federal mandatory minimum sentences. Prosecutors encourage defendants to provide “substantial assistance” to investigate or prosecute other individuals in exchange for a possible reduction in prison time. Ms. Whitcher wrote, substantial assistance has created “a system of institutionalized blackmail;” it “encourages perjury” as the “the accused charge everyone they know,” including

**Cascade would like to express its gratitude to the following organizations for their support of the 1999 Independence Essay Competition: Constructive Management Foundation (Portland), James M. Bonavia Family Charitable Trust (Bend), Friesen Lumber Company (St. Helens), and the Samuel S. Johnson Foundation (Redmond).**

**Cascade wishes to thank the Review Committee members for their active role in judging the essays: Robert J. Caldwell, editorial page editor, *The Oregonian*; James L. Huffman, dean, Northwestern School of Law at Lewis & Clark College; Judge Diarmuid O’Sconnlain; U.S. Court of Appeals for the Ninth Circuit; David Reinhard, associate editor, *The Oregonian*; and Leslie Spencer, former associate editor, *Forbes* magazine.**

## Advisors panel grows stronger

### Prominent Oregon economist formalizes relationship with CPI

Cascade is pleased to announce that Randal Pozdena, Ph.D. has joined the Institute’s panel of Academic Advisors. “Randy has worked with us for many years,” notes Institute president Steve Buckstein. “We’re glad to formalize and strengthen that relationship.”

Dr. Pozdena is managing director of ECONorthwest Inc., an economics and fi-

nance consulting firm based in Portland, Eugene and Seattle. Pozdena also serves as chairman of the Oregon Investment Council, the asset management board for the Oregon Public Employees Retirement System. He was recently appointed to the Oregon Governor’s Council of Economic Advisors.

He is a former vice president and research

officer of the Federal Reserve Bank of San Francisco, and has taught economics and finance at the Graduate School of Business, University of California, Berkeley and the Graduate School of Administration, University of California, Irvine.

Among Pozdena’s Cascade publications are *The New Oregon Option: Opting Out of Social Security*, *Power to the Student: An Alternative to Higher Education Funding Increases*, and *Dedicated Funds Won’t Improve Education*.



Randall Pozdena, Ph.D.

# Competition proposals advance!

*Cascade program gives citizens a platform to improve Oregon government*

Elected officials continue to embrace ideas generated by Cascade's three *Better Government Competitions* (BGC). Below are a few of the most current successes.

Senate Bill 858 passed the Oregon State Senate and moved to the House. This bill would open markets throughout the state for taxis, limousines, jitneys and other for-hire transit companies. Contained in the bill are key deregulation elements from the 1996 winning BGC report *Open Portland's Taxi Market*. This winning proposal was instrumental in helping two new cab companies enter the Portland market in 1998 — the first in over 20 years!

House Bill 3600 recognizes that asset building is fundamental to economic self-sufficiency and establishes an individual development account (IDA) program for members of low-income households. Monies in these accounts could be used to purchase a house, pay for education or job training, or start a business. The bill passed the House and went to the Senate. David Foster, a state public employee, highlighted IDAs in his 1996 *Competition* report, *Personal Economic Security Accounts*.

*The Portland Water Abundance Plan*, a 1998 winning report by Jerry Yudelson, advocates conservation pricing and competitive contracting for water services. Yudelson's ideas captured the attention of Portland City Commissioners Dan Saltzman and Eric Sten, who, in February, co-sponsored a water pricing schedule adapted from the report. Cascade encourages them to adopt competitive contracting to increase efficiencies and drive down operating costs, as has occurred in Jersey City, Indianapolis, Atlanta and numerous other localities.

All BGC reports listed are available at [www.CascadePolicy.org](http://www.CascadePolicy.org), or by calling (503) 242-0900. Pending legislation can be reviewed at [www.leg.state.or.us](http://www.leg.state.or.us).

## Environmental policy director criss-crosses state and country

Environmental policy director John Charles is increasingly in demand to discuss market-based alternatives to Oregon's managed growth policies. His alternatives are gaining more adherents as he travels, talks, and writes.

Recent highlights for Charles include testifying before the Pennsylvania State Legislature, and presentations at the Wise Use Leadership Conference in Reno, Nevada, and at the Northwest Hazardous Waste Conference in Port Townsend, Washington.

In Oregon, Charles addressed the Corvallis Chamber of Commerce and Lane County Homebuilders Association. This month he will be discussing "The Dark Side of Growth Controls" in Bend (June 5), Portland (June 8), Salem (June 9), and Oregon City (June 20).

*"Thank you for the exquisite debunking you did of 'Smart Growth' as the keynote speaker at our Fourth Annual Conference....I've received telephone calls from Washington, DC, where the news of your speech here in Albany was noticed."*

— Carol W. LaGrasse, President

Property Rights Foundation of America, Stony Creek, New York

On September 13, Charles will join six national experts in Denver to debate the worthiness of a light rail system in the Mile High City. Charles, John Semmens of the Arizona Dept. of Transportation and Harvard University economics professor John Kain will argue against light rail; U.S. Congressman Earl Blumenauer will argue in support.

On September 23, Charles will lead an intensive seminar on privatized zoning, congestion pricing and deregulated transit at the Utah Association of Realtors annual conference in Sun Valley, Idaho.

The National Association of Industrial and Office Properties has scheduled a debate on growth management between Charles and Portland City Commissioner Charlie Hales at its annual conference in Seattle on October 7.

Charles has also been a prolific writer. Nationally distributed *American Venture* magazine published his *Creating the Zero-tax State* in April. The Mackinac Center (Michigan) will soon publish his private zoning article in *The Privatization Report*. And, the June issue of Oregon's *Brainstorm* magazine will carry Charles' article on reforming Oregon's land-use regulation system.

*Creating the Zero-tax State, Beyond Zoning: Land Use Controls in the Digital Economy, Stopping Sprawl: A Solution in Search of a Problem, and other reports by John A. Charles are available from Cascade.*

## Spiers

Continued from page 1

policies rather than be relegated to the mandates of the Oregon Health Plan. Such policies are called Medical Savings Accounts (MSA). They empower individuals by offering incentives for cost-conscious behavior. They encourage saving. MSAs are an elegantly simple market-based solution.

In health care, everything is ultimately rationed. The question is by whom and how. How we answer is the test of whether we are to live in a society of personal liberty and choice, or one of coercion, hierarchy and command. We must decide whether we are to live by our personal moral compass, or by the

For Spier's report *Socialized Medicine in Great Britain: Lessons for the Oregon Health Plan* contact Cascade or refer to [www.CascadePolicy.org](http://www.CascadePolicy.org). Other health care reports are also available from the Institute.

command of those who claim to know our interests better than we know them ourselves. I hope Oregonians decide to take personal control of their health care choices. They're too important to be left to the self-selected experts.

—  
*Dr. John Spiers is a professor in the Business School of The University of Glamorgan, UK, a Senior Research Fellow at The Institute of Economic Affairs in London, and an adjunct scholar to Cascade Policy Institute.*