

DECEPTION & MISDIRECTION

Seeing the Statix: Invisible and Omnipresent

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Seeing the Statix

Invisible and Omnipresent | Step by Step | Unlearning Entrenched Education | A Cure for Healthcare

Summary: *What is the biggest drawback to government's involvement in American life? Higher taxes? Onerous regulation? Barriers to innovation? While all of these inconveniences are the result of government, it is the loss of imagination that is most costly to those living in systems controlled by the state. Find out how regulatory capture and crony capitalism limit the possibilities that innovators can dream up for improving health, education, and transportation.*

In 1989, future Russian President Boris Yeltsin visited a supermarket outside of Houston, Texas. Having grown up in the Soviet Union, where state-run grocery stores were the norm, the American grocery store shocked him—the thousands of choices, the excellent produce, the ease of service. Unable to comprehend how all of it could be put together, he asked the manager whether he needed a special education to run the store. The normal American grocery store even provided choices that the most powerful people in the USSR lacked. “Even the Politburo doesn’t have this choice. Not even Mr. Gorbachev,” Yeltsin said.

Yeltsin brooded on his visit. The impossible seemed possible. After leaving the store, one biographer wrote that, “for a long time, on the plane to Miami, he sat motionless, his head in his hands. ‘What have they done to our poor people?’ he said after a long

silence.” In his autobiography, Yeltsin described the experience as “shattering.”

Yeltsin had a red pill moment in the store. The “red pill” of course refers to the 1999 science fiction film *The Matrix*, in which taking the red pill allows you to escape an artificial reality and experience the “real” world.

The statrix is the name I’ve given to the web of state-controlled (or state-preferred) services, mandates, tax breaks, subsidies, prohibitions, and other programs that exist all around us. But it’s not just that we’re surrounded by government mandates, services, and programs—which would be a banal observation—it’s that those government actions have reshaped the world in both obvious and subtle ways. Because of that reshaping, we tend to accept the world around us as inevitable, if not desirable. Our imaginations atrophy, and we resign ourselves to the cold, impersonal mundanities of government-provided and -controlled services.

Government programs sometimes enact good ideas. The primary harm of the statrix is not from the government pursuing (and sometimes achieving) better results. The statrix’s primary harm is entrenching institutions in a way that makes correction, evolution, and innovation difficult, if not impossible. Then, not only do those institutions become entrenched in our social and political worlds, but they become entrenched in our minds.

Yeltsin’s experience with American prosperity was not unique for visitors from the Soviet Union. From 1958 to 1988, approximately 50,000 Soviet citizens visited the U.S. through various programs. When they left America, many were profoundly shaken by the prosperity they witnessed. According to one State Department interpreter who would escort Russians around the country:

Their minds were blown by being here. They could not believe there could be such abundance and comfort. Many of them would even disparage things here. “Excess, who needs it,” they would say. However, you could see that they did not believe what they were saying. When they returned home, in their own minds and in the privacy of their own trusted little circle of family and friends, they would tell the truth to themselves or to others.

For those who hadn't seen or heard about the abundance in America, however, their world was created and defined by what they knew: state-run grocery stores. Yet, slowly, information about the prosperity of the West leaked into Soviet society. Imagination bloomed. Eventually, the Soviet state was no longer tenable, partly because its own people could envision something better.

Lack of imagination is the single biggest obstacle to creating a freer, more prosperous, and more dynamic society. People don't demand things they've never seen, and they certainly don't demand things they can't imagine. After all, we're born into a world that developed through a history in which we didn't participate. We adjust our lives to the ebbs and flows of that world with due deference to the powers that be and acceptance of things that are out of our control. People pay attention to the services and programs they like and depend on, but they tend not to ruminate on imaginative possibilities.

Which is unfortunate, because everything in the modern world was an "imaginative possibility" before it was created. Some unassuming things, like the modern grocery store, are incredible institutions that depend upon the unlikely confluence of international supply chains, wholesalers, and store managers to produce extraordinary things that we take for granted, such as being able to buy exotic tropical fruit on demand during the winter in Buffalo, New York. As the economist Walter Williams has said (I paraphrase), you don't tell your grocer when you're going to show up, what you're going to buy, or how much you're going to buy, but if he doesn't have it, you fire him.

In most of the modern Western world, people have experienced those marvelous grocery stores, so they don't have to imagine them. If the government tried to take them away, perhaps through a proposal to nationalize food distribution to solve the purported problem of "food deserts," people would fight to keep them—not out of any principled commitment to free markets and liberty, of course, but out of a desire to keep what works for them.

But what if the government got involved in the grocery business early on? Food, after all, is an essential part of our lives, and politicians often claim a mandate to guarantee important things, such as health care and education. If 100 years ago the government

created state-run grocery stores, how would they look? More importantly, would anyone demand non-state-run grocery stores? Likely not.

Are we like Boris Yeltsin? His story is understandable in the context of a controlled, autocratic society like the Soviet Union. It seems like it couldn't apply to us. Yet, when I first tried Uber, I felt a little like Yeltsin, flummoxed by the ease and convenience of something I'd never imagined before.

Why was I so surprised? How did we get to the point that the most normal and friendly transaction seemed like a subversive act?

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The Seven Steps of Creating the Statrix

There are seven steps in creating the statrix. They are not always followed in order, but they are usually present in one way or another in many government programs. They are:

- 1) **Concept:** A service is proposed, a tax break is suggested, or a law is suggested, usually to help the poor, fix a perceived market failure, or provide some other purported public benefit.
- 2) **Implementation:** The government has a unique ability to force people to comply with its mandates. Unlike voluntary transactions, the government can use force to create things no one wants; it can also use force to create things everybody wants. The

government can use force to change who pays taxes and how much, who is allowed to practice a profession, what businesses can exist, and so much more. The problem is that government officials often don't know what the people really want, or they don't care.

3) **Reorganization:** Government benefits, projects, and programs incentivize people to live their lives in different ways and even in different places. A tax break can change an entire business model. A metro or bus line can drastically alter property values and change where people live. A licensing regulation can affect what type of businesses and services are offered.

4) **Crowding Out:** It's very difficult to compete against the government. If a competitor, such as bus service, is getting a subsidy, then any competing transportation service that doesn't get the subsidy is at a disadvantage. The same is true for competing against subsidized public schools, trying to create alternative methods of delivering or paying for health care, creating different methods of unsubsidized agricultural production, and more.

5) **Collusion:** A lot of interested parties are created when the government takes over or heavily regulates an industry, service, or benefit. Some of them, like unionized metro workers or teachers, are direct beneficiaries of government services or programs. Others are more indirect beneficiaries—property owners and businesses near public transportation stops, businesses in the health care industry that depend upon a specific subsidy or government-authorized organizational structure, textbook publishers that depend on a centralized public-school model, housing construction companies that depend on tax breaks and other subsidies, the list goes on. All those groups collude—even if indirectly—to ensure that things don't change.

6) **Inadequacy:** There are a variety of reasons the government runs things inadequately. Often, the incentives are not there to do a good job, or they are so weak and attenuated from the point of service that they're inadequate to signal what *should* be done. Unionized workforces strive to protect employees, often at the expense of quality services. Unionization can reduce accountability for poor performance, as can other work-

er protections that help ensure government employees are rarely fired. In the 2017 Federal Employee Viewpoint Survey, only 31 percent of employees believed that “steps are taken to deal with a poor performer who cannot or will not improve.”

7) **Prohibition:** Finally, after the government has implemented something with force, reorganized the world, crowded-out the competition, colluded with the stakeholders, and failed to run it adequately, it starts prohibiting competitors. This has been seen recently in cities that prohibit or limit ride-sharing services to prop up taxicab cartels. But cities have been prohibiting alternate methods of transportation for decades. Jitney cabs were privately driven hybrid bus/taxis that became incredibly popular in the 1910s and 20s, only to be quickly prohibited.

Alternate methods of schooling that don't meet regulators' standards are prohibited, as are many methods of providing medical care. In some countries, such as Germany, homeschooling is illegal, and many Canadian provinces put severe restrictions on privately provided medical care. If alternatives haven't been fully eliminated by crowding-out competitors and reorganizing business models around government programs, prohibition can make them totally disappear, thus completing the statrix.

Having given an overview of the process of creating the statrix, the rest of the article will focus on two case studies that will better illustrate the concept. The statrix, however, is everywhere, and it is by no means limited to the two areas I'll focus on: public education and health care. Public education and health care, however, are particularly good examples because government involvement has been so longstanding and substantial that people cannot imagine alternatives. In both sectors, the steps of the statrix yielded a predictable outcome: ossified, convoluted, and frustrating services where innovation is rare and satisfaction is even rarer. Many people are unable to imagine alternatives, however, so they begrudgingly accept the world as it is.

How did that happen?

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The Education Statrix

Every step in creating the statrix can be seen in the development of our public education system. I will elaborate more on this below, but to briefly offer a preview:

- **Concept:** Broad public schooling was championed as a way to produce more egalitarian outcomes and/or to fix the perceived lack of shared values in an increasingly diverse country.

- **Implementation:** The government used taxes, licensing, and compulsory attendance laws to create the new school system.
- **Reorganization:** Government schools not only reorganized where people live—because, in America at least, geography determines which school a child will attend—but government schools affected higher education and, consequently, our entire vocational topography.
- **Crowding Out:** Before the government began heavily funding and regulating education, there was a robust and thriving system of low-cost private schools that were mostly crowded out by government competition.
- **Collusion:** Teachers unions are the most prominent form of collusion in public education, but parents who depend upon publicly provided schools can also be an interest group that might resist reform.
- **Inadequacy:** The problems with American public schools are well known and oft-discussed, from the broad disparity in school quality to the persistently middling performance of American children in international assessments.
- **Prohibition:** Compulsory attendance laws, licensing of teachers, and heavy regulation of private schools are just some of the ways that public education maintains its status and dominance.

Public education is considered by many to be an essential function of the government. Without government-provided schools, many argue, we would have a highly inegalitarian society in which the children of the rich are educated at well-heeled schools such as Groton—a prestigious private school in Massachusetts that boasts Franklin D. Roosevelt as an alum—while the poor are left to fend for themselves, getting little or no education at all. After all, modern private schools are primarily for the rich, so where would poorer students get an education outside government-provided schools?

This view, however, simply takes the world as it is now, removes public schools, and holds everything else constant. But imagining a world without public education is not as simple as imagining, say, your street without street lights, or road signs, or missing a

few of the houses across the way. For over a century, state-funded, -licensed, and -provided education has reformed the world and influenced the set of options we can imagine.

To truly understand the effects of public education on our world, we need to look at history. No one alive, at least in America and throughout the Western world, can remember a time before governments began spending substantial amounts on public education. Like Boris Yeltsin in the produce aisle, to us, the concept of privately provided education is almost mystifying. Many people confidently assert that an effective and egalitarian system of private education is an impossible dream.

Education Before the Statix

There was never a specific moment in time when American state-funded education “began.” During the colonial period, some towns and communities contributed to education in a variety of ways, while others did nothing. Nowhere, however, was schooling either compulsory or fully tax-supported. Nevertheless, schools were common, as well as other sources of education such as churches, apprenticeships, and family instruction. The people demanded education for their children, and a network of private or mostly private schools was the result.

The late-18th and early-19th centuries were, of course, a very different time. Children were expected to work at very young ages, and families that had been farming for generations didn’t always see the benefit in having their children learn much more than the three Rs. Nevertheless, in the words of historian Carl E. Kaestle, “provincial America’s informal, unsystematic, local mode of schooling resulted in a relatively high level of elementary education and proved capable of expansion.”

Many rural schools were funded by both local governments and parental fees. Schoolmasters would charge quarterly fees and, according to Kaestle, the fees were “within the means of perhaps three-fourths of the population.” For the truly destitute, apprenticeships and church charity schools were available. New York had six charity schools in 1796, and Philadelphia had at least 12 by 1810.

And those private schools did an effective job of educating their pupils. Economist Albert Fishlow estimated that by 1840, before the emergence of a major movement for government-funded schools, more than 90 percent of white adults were literate (obviously, there were other barriers that hindered the education of African Americans and other people of color). As Fishlow writes, “popular education successfully preceded an extensive system of publicly supported and controlled schools.”

The movement for increased support for public schools arose in the 1830s and 1840s. Reformers were less concerned about how to better educate the people than how to mold uniform citizens. They didn’t call them “public schools,” they called them “common schools.” Common schools were, in the words of education historian Charles L. Glenn, a “deliberate effort to create in the entire youth of a nation common attitudes, loyalties, and values, and to do so under central direction by the state. In this agenda ‘moral education’ and shared national identity were of considerably more ultimate importance than teaching basic academic skills.”

The leaders of the common-school movement jumped to the head of a parade and pretended they were leading it. They convinced many municipalities and states to increase support for public schools. Yet, initially, rather than increasing the total number of children being educated, increased financial support for public schools simply crowded out private schools. For example, in Boston in 1826, before the common-school movement, 44.5 percent of children under 19 were in some school, with 32.6 percent in private school. By 1850, total school attendance had barely risen to 45.4 percent, but the percentage of students attending private schools had dropped to 12.2 percent. Because it is extremely difficult to compete against a subsidized competitor, government schools were crowding out private schools.

Local district schools became the target of common-school reformers who wanted larger school districts with more centralized supervision. By consolidating districts, creating systems for state regulation and supervision, and increasing funding, reformers hoped to not only do away with private schools, but also systematize and professionalize the process of educating children. Moreover, in a nation where immigration from Catholic countries, such as Ireland, was on the rise, common-school advocates thought independent private schools were inadequate for inculcating morality, discipline, patriotism, and cultural assimilation. Suspicion of Catholics, who were thought

to be beholden to a “foreign despot” (i.e., the Pope), was particularly rampant. Separating those children from their parents to properly Americanize them was one of the goals of the common-school movement.

Over the decades, common-school reforms were adopted throughout the country and low-cost, secular private schools were slowly crowded out. In New York City in 1829, 62 percent of students were in private schools. By 1850, it was 18 percent. In Salem, Massachusetts, the number dropped from 58 percent in 1827 to 24 percent in 1846. In Milwaukee, private attendance rates fell from 61 percent in 1845 to 46 percent just two years later. Such numbers delighted common-school reformers. In 1868, the Illinois superintendent celebrated that “the public schools are steadily weakening and decimating private schools, and that they will ultimately crowd them almost wholly from the field.”

Education After the Statix

While the common-school reformers pursued some ignominious ends, such as nationalism and the forced acculturation of immigrants, they had some good ideas. They helped introduce “grade school,” wherein children would be “graded” and ascend through the ranks. They worked to professionalize and educate teachers. They fought for better school buildings and equipment. We should recognize these as earnest policies designed to make schools better.

Perhaps the privately-run local schools in the 18th and 19th centuries were inadequately serving their students. And, while there was an extensive network of charity schools and other low-cost alternatives, the old system certainly left people behind. Reforms were likely needed, particularly as the world became more urbanized and succeeding in life began to require more than knowing the three Rs. But those reforms did not have to come from the slow takeover of education by the state. Those reforms could have just as easily come from entrepreneurs seeking to provide parents with a better product. What the common-school reformers sought, however, was centralization and systematization—the great McGuffin of all bureaucrats—and effective, low-cost, non-centralized private schools would not help them achieve their common-school dreams.

But the history of American public education at least shows that government-funded schools aren't *necessary* to the existence of schools, including schools for the poor and indigent. That, by itself, is an important fact that can help our imaginations break free from the straitjacket.

We can also look to developing countries around the world that have not yet instituted, or have only begun instituting, substantial government funding for education. That's what James Tooley, of the University of Newcastle upon Tyne, has done for over 20 years, traveling to the poorest parts of the world—the slums of Lagos, Nigeria; rural Chinese provinces; remote Ghanaian villages—to search for private schools. In every instance he has found them, often thriving despite substantial public funding for education. Public funding and oversight haven't yet entirely crowded out and eliminated private schools, but many are struggling.

In the poor shantytown of Makoko in Lagos, Tooley and his team found 32 private schools, none of which were recognized by the government, which educated around 70 percent of the school-age children. The large publicly funded schools in Makoko were viewed as inadequate for a variety of reasons, from lazy teachers, to large class sizes, to persistent teacher strikes. Yet the government still makes it difficult for the low-cost private schools: One proprietor complained that “we find it impossible to meet all their regulations; we can't possibly afford them all.”

Schools in those regions like Makoko charge modest fees, usually between 4 to 8 percent of the minimum income level for the region. In addition, like schools in early America, charitable and subsidized tuition for the poorest students is common. And the schools consistently outperform the public schools, not only in educational outcomes but in other forms of parental satisfaction.

Tooley's story, recounted in his remarkable book *The Beautiful Tree*, is one in which he constantly encounters state officials asserting that there are no private schools for the poor in their country. Private schools are for the rich, one Chinese official tells him, “our minorities don't value education, so they will not invest in schools, they don't care about their children.” Tooley's team found 586 private schools serving the poor in Gansu province, enrolling nearly 60,000 children.

The existence of low-cost private schools for the poorest people in the world might surprise those raised in the education matrix. But what's happening in the developing world is what happened in the United States, and learning these stories can help rejuvenate imaginations that have been enervated by the education matrix. That's how we begin to entertain possibilities; new horizons of education not saddled by an ossified state-education system. The 19th-century model of education may have worked then, but the world has changed drastically. It's time for something new, but not one single thing—that would commit the same centralizing fallacy as the common-school reform-ers—but many things, a thousand flowers blooming.

Seeing the Statrix: A Cure for Healthcare?

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The Health Care Statrix

Unpacking America's health care statrix is a daunting and book-length task. In this section, I'll focus on just one prominent part of our system: health insurance. How did health insurance become the predominant way many Americans pay for health care, and how did so many of us come to rely on getting health insurance through our jobs?

There's a surprising answer to this story and it begins with the American Medical Association (AMA) which, starting in the late 1930s, decided health insurance was their preferred model of paying physicians. Using their political and regulatory clout, they made sure that health insurance, and eventually employer-provided health insurance, was supported and protected.

Here's the simplified story in terms of the steps of the statrix. The details will be more fully explained below:

- **Concept:** In the 1920s and 30s, the AMA was primarily concerned with establishing and preserving physician professionalism and autonomy, and it feared business models that were too commercialized.
- **Implementation:** Using both political power and control over the licensing of physicians, the AMA encouraged the insurance-payment model and pushed policies that influenced how insurance was provided.
- **Reorganization:** Insurance companies and doctors' practices slowly reorganized around the insurance model. Initially, insurance companies had been reluctant to get into health insurance due to fears of exorbitant costs. If insurers were supposed to pay for all health-care expenses, there would be little incentive for either doctors or patients to economize on care. After the insurance-model was established, costs did increase, and the companies initially passed the increases on to the purchaser. When the cost increases began to upset politicians and the public, insurance companies reorganized their businesses to contain costs through more physician and hospital oversight.
- **Crowding Out:** The AMA-backed insurance model didn't just crowd out competing payment structures, such as prepaid plans or mutual-aid societies, but in many cases those payment structures were also essentially prohibited via the AMA's control of medical licensing (this is related to step 7; the steps of the statrix are sometimes blurred).
- **Collusion:** After the insurance model grew and began to control large amounts of health-care spending, the AMA, insurance companies, drug manufacturers, and other organizations worked to ensure the model was "locked in."
- **Inadequacy:** The third-party payment insurance model proves to be particularly inadequate at controlling costs and delivering certain types of integrated care.

- **Prohibition:** Some states' insurance regulations prohibit many types of bare-bones, "catastrophic" health insurance plans, and under the Affordable Care Act (ACA) businesses that have 50 or more employees must offer their employees health insurance. Finally, also under the ACA, qualifying individuals must pay a fine (tax) for not having health insurance.

If anything, the health care statrix is more pronounced than the education statrix. Even with our system of government-funded schools, people are still aware that private schools exist and can offer an education as good or better than their government school counterparts. With health care, however, people don't see many free-market alternatives. We've come to accept that getting health care requires multiple phone calls and referrals, convoluted forms, fleeting visits from the doctor in which he briefly drops by the examination room, the lack of coherent or knowable prices, consistent billing errors, medical errors, and other headaches. Not having seen any free-market alternatives, people rarely demand them, just like Soviet citizens with grocery stores.

But it didn't have to be this way. Like the history of education, a little history of the health care system can give us a window into roads not traveled and possibilities lost.

Health Care Before the Statrix

Going to a doctor in the late decades of the 19th century or the early decades of the 20th century was not a fun experience. Of course, going to the doctor at any time is rarely fun, but before medicine began to broadly incorporate modern scientific breakthroughs, such as the germ theory of disease, doctors had little professional standing that differentiated them from other "healers," such as snake-oil salesmen and homeopaths. Starting in the last decades of the 19th century, however, the AMA began pushing state governments to establish or strengthen licensing regimes. On top of that, in the early decades of the 20th century, the AMA began extending its control of the profession to medical schools by determining which schools were qualified to have their graduates take the licensing exams.

The AMA's goal was to establish and maintain the professional standing of doctors and to ensure that doctors preserved their autonomy. In the 1920s and 30s, the organization feared that medical care would be subsumed into the emerging corporate model,

and doctors would become dependent “organization men” who were at the mercy of a competitive marketplace. Thus, the AMA policed how doctors were paid.

There were many payment systems being tried at the time. Mutual-aid societies and fraternal orders pooled resources to contract physicians, who came to be known as “lodge doctors.” Businesses employed doctors to keep track of the health of their workers. Such practitioners of “industrial medicine,” an accepted specialty at the time, would oversee the work environment and provide on-site clinics. Henry J. Kaiser, the father of modern American shipbuilding, created a medical care system for his employees that employed doctors on a salaried rather than on a per-patient or per-service fee—a model still used by what would become Kaiser Permanente. Labor unions used dues to cover members’ medical bills or negotiate services with physicians and hospitals. Finally, doctors grouped together to form multispecialty clinics, such as the famed Mayo Clinic, and they were paid either by a form of insurance or by prepayment of dues. The prepayment model became popular due to its ability to combine many specialists together under one roof—no need to wander around town getting referrals—and for its ability to control costs.

To the AMA, all these models posed a threat to physician autonomy and professional standing. In these payment models, the organization saw the seeds of excessive bureaucratization, commercialization, and corporatization. Ironically enough, the AMA feared that large medical organizations made a government takeover easier, arguing that “insurance schemes in the hands of the profession at the outset, drift inevitably, as do all plans initiated by private groups, into bureaucratically administered compulsory insurance under government control.”

To enforce its policy preferences, the AMA utilized all the force at its disposal, that is, force it acquired by essentially controlling the government-imposed licensing system. Physicians who practiced under forbidden payment systems had their licenses and hospital-admitting privileges revoked. Doctors colluded to refuse to refer patients to group practices and insurance groups. The AMA also went to war against specific, widely known doctors, such as the Ross-Loos group in Los Angeles, California, by expelling them from the association and threatening those who worked for them.

Yet, the times they were a-changing. The 1935 Social Security Act showed the AMA that there was a real possibility for government-mandated and -funded insurance. In fact, FDR had rejected a proposal to include government-funded health care in the act out of a fear of AMA opposition. By 1938, however, more proposals for government-funded insurance had come out, and in July, the Department of Justice filed an antitrust suit against the AMA for its persecution of physicians associated with the Group Health Association, a prepaid group that served federal workers. The AMA saw the writing on the wall, and in an emergency session of its House of Delegates, the organization approved private insurance.

But the AMA was still fixated on a professional, anti-commercial, and autonomy-maximizing view of physicians. Therefore, it required that approved insurance plans finance individual doctors rather than groups; send indemnity payments to subscribers, not to doctors; pay for care on a fee-for-service basis; and allow for complete doctor autonomy. These four requirements created “an inherently inefficient structure that fragmented health care services and fueled cost increases,” in the words of historian Christy Ford Chapin in her book *Ensuring America’s Health: The Public Creation of the Corporate Health Care System*, which more completely documents this story.

The era of a health insurance-centered health care had begun. The employment-based health insurance model began to pick up steam in 1954 after Congress made employer contributions to employee health care plans tax-deductible. That tax break made employer-provided health insurance the most financially attractive way for patients to finance health-care expenditures. Over time, the government-preferred method crowded out the competing payment models.

Health Care After the Statix

In America’s health care statix, health insurance is nearly synonymous with health care. But health insurance is not health care, it’s a method of *paying* for health care. Only in a topsy-turvy, government-created artificial reality would such things be conflated, but that is another effect of the statix.

Via the actions of the AMA and other interest groups, as well as politicians reacting to their constituents' demands, we've created a health-care payment system that essentially guarantees rising costs and poor service. Imagine if we predominantly paid for groceries via a "grocery insurance" model, and we received grocery insurance through our jobs. He who pays the piper calls the tune, and grocery stores would understandably respond to the demands of the insurers more than the customers. And if the grocery-insurance model included a guarantee to pay for whatever groceries the customer chooses, as the fee-for-service model essentially does, then customers would buy only steak and lobster. Business practices (such as increased insurer oversight of grocery stores) and regulations would be put in place to constrain what customers can choose. Insurance companies would have to begin monitoring purchases to determine whether they were truly "necessary." People would begin fretting about out-of-control grocery costs.

In response to rising grocery-insurance costs, perhaps the government mandates that everyone must buy grocery insurance (as the Affordable Care Act essentially did in health care). That would, of course, be a serious misdiagnosis of the problem, which began when grocery insurance became the main method of paying for groceries, eventually reorganizing the entire grocery industry around that payment method. But that system can't be disturbed. There are too many special interests relying on the grocery-insurance model, and Americans have come to accept that grocery insurance is a reasonable way of paying for groceries. After all, they've never seen anything else.

Americans have such a difficult time imagining a world where health insurance is not the primary payment method that showing them even the smallest innovation in health care provision can be shocking. Take direct primary care, an old but increasingly popular model that resembles the prepayment structures that were popular before the AMA chose health insurance as its preferred model. Direct primary care physicians don't take insurance, Medicare, or Medicaid and, as a result, they're able to strip away the red tape that in many ways defines American medicine.

Dr. Ryan Neuhofel runs a direct primary care practice in Lawrence, Kansas. For a flat membership fee of \$35 (18 years old and younger), \$55 (19-69), or \$75 (70+) per month, or \$130 for a family of four, Dr. Neuhofel will take care of most basic health care needs. Members get yearly wellness checkups, clinic visits, flu shots, and routine labs and

tests. Dr. Neuhofel's patients also can freely call, email, or text him—something that seems like science fiction to those raised in the health care statrix. For an additional modest fee, Neuhofel also makes house calls.

Dr. Neuhofel's website, NeuCare.net, features transparent pricing for medical services. X-rays are \$40-\$60, and MRIs are \$450-\$600. In traditional American medical practices, pricing is not transparent because there is no single price for a given procedure. Everyone pays a different price, be it Medicare, private insurance, or out-of-pocket, and since the consumer isn't paying, physicians have no reason to be upfront about pricing.

For those who have been battered by the American medical system, looking at Dr. Neuhofel's website can seem like a hallucination. NeuCare offers a small glimpse into what's possible—a tiny peek outside of the health care statrix. The prepayment method was once a popular way of delivering care and constraining costs, but the AMA and friendly lawmakers almost drove it out of existence. Although direct primary care is growing, perhaps future interest groups and politicians will view the model as a threat and prohibit it. Then, those who experienced something resembling a free market in medicine will tell their children and grandchildren how there once was “for-profit” medicine—and it worked! The kids won't believe them, of course, because how could effective health care could be provided without the government?

Conclusion

The first time I stepped into an Uber, I looked furtively left and right, wondering if I was doing something wrong. But I got in, and I got out at my destination.

I was blown away.

How was that legal? Why didn't it exist before? Why have cabs been so unwilling to adopt this simple yet effective business model?

Then UberX rolled out, and I was soon zipping all over D.C., getting rides from total strangers. It was like the future, except traditional yellow cabs are fixtures in even our most imaginative sci-fi settings. *Blade Runner*, *Total Recall*, *The Fifth Element*—their

creators could imagine mind-binding technologies and trips to bizarre worlds, but they couldn't get out of the mindset that taxicabs are the past, present, and future.

This article is an attempt to explain why that is. Not only why it took so long to come up with ride-sharing apps like Uber, but why, if you're like me, you were amazed when you first tried them. It's about why we settle for a less dynamic, efficient, effective, and free world, and why it's so difficult for even our most forward-looking science fiction authors to think beyond traditional taxicabs.

Companies like Uber also showed us a path toward exposing antiquated government-controlled services. Free-market think tanks like my employer, the Cato Institute, could have devoted all their energy for the past 40 years to exposing and reforming taxicab cartels, and they would have done less than Uber did in six months. Most people don't read policy papers or pay attention to the statix that's around them, but show them a viable alternative and they'll demand it.

We can and should demand more from our government, but few people demand what they've never seen or believe is impossible. That's the primary harm of the statix: impoverishing our imaginations and leaving us with a constrained view of what's possible.

Yet there is reason for hope. Uber was just the first and most prominent example of our new interconnected world changing the state-created status quo. Uber showed people what was possible, and in turn they demanded it.

But there's still much to do. Many government-created and -protected industries need to be "disrupted," in the parlance of the times, and the new digital age gives entrepreneurs the tools to do it. Sometimes, we need break the world to remake it and show people what they've been missing. A simple trip to the grocery store can help change the world.

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