

PEER COMPETITOR

Written by Harvey M. Sapolsky

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HARVEY M. SAPOLSKY, JUN 16 2009

The American military keeps searching the horizon for a peer competitor, the challenger who has to be taken seriously. Is it China? What about an oil rich and resurgent Russia? Can we really trust those café-living Europeans?

The Peer Competitor is here and about to hobble our interventionist inclinations. In the 1950s health care was four percent of American GDP, about the same percentage that defense spending now holds. Defense then (Korean War time) was around 16 percent, its post-WWII peak. The two lines crossed in the 1970s with health consuming an increasing share of GDP and defense a declining share. Neither the Reagan Buildup nor the GWOT changed things much. Health care past the 16 percent mark around the Millennium. It is now at the 18 percent level and climbing.

The squeeze is on and surely to be made tighter by the massive health care reform that the Obama administration promises for this year. It is not apples and oranges. About half of America's health care costs appear on the federal government's budget, directly affecting revenues and expenditures. European nations plead poverty when it comes to funding their militaries in large part because of the squeeze of social (including health care) spending. They spend a smaller (though rising) share of their GDPs on health than does the US, but more of that spending is direct government expenditure.

Health reform is justified on the need for controlling spending, and includes a promise of this or that efficiency, regulatory, patient incentive change that will cover the increases in costs that will come from covering more of the uninsured (America relies heavily on employer provide health insurance. The poor and the elderly are covered by government programs. The uninsured are those who fall through the gaps, decide to forgo coverage, work for employers who do not provide coverage, and/or who are in the country illegally. They are not denied care, but must find it in emergency rooms and clinics.) For Democrats closing the gap and giving America a truly national health insurance system has been a goal whose fulfillment has eluded their best since the 1930s. With the Democrats controlling both the executive and legislative branches of government and feeling the Audacity of Hope, the stars seem aligned for Obama to be the one to deliver the holy of holist political promises.

Cost control is an illusion. You can't make the health care system efficient. For many illnesses we don't know what works and what doesn't. More coverage always means more demand (utilization) for care good, bad or indifferent. An aging population assures more expenditures. Americans are more religious than others (or say so), but are apparently uninterested in meeting their Maker. The demand for more medical research and technology is insatiable. Rationing is how costs are controlled. But Americans are unused to rationing (except for the uninsured). Try denying someone care (or really the promise of a cure, even an imagined one) and be prepared to be run over. The Health Maintenance Organizations were invented to do just that. Congress passed legislation encouraging their growth, but as soon as they attempted real cost control—rationing—laws were passed hobbling their ability to do so. Today HMOs are hated more than car salesmen, members of Congress, or George W. Bush.

Well if you can't become more efficient or can't limit access to care, you need more revenue. Perhaps we will raise taxes. Some, but not likely enough to cover rising health expenditures. Democrats promise to only tax the rich. But as all the rich Democrats know taxlaws have loopholes. (Rose Kennedy lived in Massachusetts but her estate didn't pay Massachusetts estate taxes when she died). Republicans have run for years on a tax cutting platform. The way to get

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revenue is to tax the Middle Class who are many and who are not as fleet of foot as the rich. But both Republicans and Democrats say constantly the Middle Class are the victims of everything, overtaxed and underloved.

The revenue exists in the form of defense expenditures which have double since 9/11. The billions needed for more health expenditures will come from less defense spending. Fewer aircraft and ships will be bought. Less training. Less willingness to deploy forces and make commitments. For those of us who want a more restrained foreign policy, health reform is our savior. Just as the Europeans have an excuse for not doing this or helping there, we will find them for claims on American forces. I believe that America should do less so others will do more. Bring on health reform—defense's really dangerous peer competitor.

About the author:

Harvey M. Sapolsky is Professor of Public Policy and Organization, Emeritus, at the Massachusetts Institute of Technology and former Director of the MIT Security Studies Program. He has been a visiting professor at the University of Michigan and the U.S. Military Academy at West Point. In the defense field he has served as a consultant or panel member for a number of government commissions and study groups. His most recent books are *US Defense Politics* written with Eugene Gholz and Caitlin Talmadge and *US Military Innovation Since the Cold War* edited with Benjamin Friedman and Brendan Green, both published by Routledge.