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# *Commentary*

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FOX BEGINS BY ANNOUNCING his focus on changes in the assumptions and perceptions of social scientists, especially economists, about "health issues"; and he runs the course from Adam Smith to current participants in the disciplines. To determine those changes he needs to consider them in various connections and over time, and thus to deal with the problems and developments with which the social scientists were confronted. With this I have no quarrel. But when in the course of his review he misreads so much of the history with which I am acquainted, and when it leads him to conclusions that I regard as indefensible extrapolations from the ground he has covered, I do quarrel.

Witness Fox's inferences and conclusions—at various points in his paper—that *reform* of medical care has been largely or mainly an exercise in futility and that it is now the more improbable because it is not compatible with the comfort of academics engaged in the teaching and research of economics and of graduate students in economics. He envisions that we now have *relativism* in our future because economists and would-be economists are more comfortable with nullity on controversial social or economic policies. And this at a time when the steeply escalating costs of medical care are exacerbating the frightening inflation in the economy, when massive governmental interventions toward containment of medical care costs is a high-level national political proposal, and when alternative designs of a national health insurance are headline news. In this scene, Fox sees the nation's course to be greatly influenced if not de-

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termined by slowly evolving, philosophically impartial, economic research in the shades of academe. Is this the world in which the rest of us are living with respect to public policy applicable to health care and its economics?

Neither space nor time permits me to comment on all steps to which I would take exception in Fox's version of the history of health and medical care in the United States, or to cite major developments in the past half-century that do not fit within his account or his evaluations of either the perceptions of social scientists or the course of history. But I cannot avoid comment on some of his questionable analyses and must express my disagreement with his outlook for what is ahead.

## Fox on Chapin's Views of the Value of Life

With respect to early economic analysis applied to health issues, I was astonished by his quotation from Chapin's 1913 paper, "The Value of Human Life." If Fox read that paper he surely found that this distinguished early American health officer displayed "value" in economists' terms and that he accepted various versions of the social and economic value of human life. Chapin was *not* arguing that the return from the costs of more preventive medical care, etc., would be "unrealistic," as Fox says, but that it would not be *persuasive* to employers, taxpayers, etc., who would foresee *no monetary return to them*. Also, Fox's passage that "Chapin warned against overconfidence in the power of medical science" is technically correct but not in the context in which it is cited here; and so is his statement that Chapin studied economists' arguments in order to dispute them, because he didn't.

If Fox had better familiarity with the history of public health he would know that among Chapin's notable contributions were the demonstrations that many long-inherited sanitary and public health practices were ineffective and even wrongly founded, and that they should give way to others that were likely to be better. And that Chapin did *not* say, as Fox presents the quotation out of context, that the effectiveness of *most* preventive measures was "by no means certain"; he had good reason to challenge *some* that were being proposed at the time. The real point of the Chapin paper is in his last paragraph:

> Life and health are cherished by all. It needs no argument to prove that it is good to be well and that it is wise to spend money for health. . . . Is it not enough to urge expenditures for the preservation of health because the happiness of mankind will be promoted thereby?

This, to be sure, is not an economist's argument. But then, Chapin was not an economist; he was a physician and health officer dedicated to prevention of disease and improvement of health. And he had grounds and a right to argue *persuasively* for more to be spent for health, whether or not this reduced what would be available to spend for other goods or services, or whether or not—as is often the case in public health—improvement of health increases productivity and contributes to larger global amounts being available to spend, thus reducing the competition of multiple claimants for scarce resources.

This last is my main reason for singling out Fox's remarks on Chapin: To remind economists (and historians) of the cautions to be observed when applying rules of economic analysis to health and welfare problems.

An hour with Chapin's classic report, *Sources and Modes of Infection,* first published in 1910 (Boston: Wylie), would have prevented Fox's misunderstanding.

## Fox on the Committee on the Costs of Medical Care (CCMC)

Equally astonishing is Fox's review of the CCMC, beginning with his remark that "The weak connection between economics and medical care was apparent in the reports of research conducted for the Committee on the Costs of Medical Care in the early 1930s." This remark floats nearly totally in vacuo since he refers to only a few of the twenty-eight reports of the committee and to none of the many reports from its collaborating institutions.

In keeping with Fox's declared focus on social scientists, he first inspects the CCMC staff and concludes that its research, though called economics, had little in common with academic economics of the time. This, despite the fact that several held academic degrees (Ph.D.) in economics, and even taught at academic institutions.

But Fox is quite correct that the staff was not all economists and did include statisticians, public health personnel, physicians, a phar-

macist, etc. Should it have been all economists, in light of the reasons that brought the CCMC into existence between 1925 and 1927—to study the characteristics and dynamics of medical care toward the objectives of making medical care more readily and more effectively available? This was not an exercise in academic economics; it was a purposeful undertaking on a comprehensive scale to search out ways for the improvement of a basic social service.

Fox appears to criticize the CCMC staff because the members

> were anything but neutral about the social value of medical care. For most of them, medical science and technology were progressive and had a benevolent influence on society. This assumption permitted them to argue that reforms that made more medical care available to more people, with costs shared more equitably between individuals and society, were in the public interest.

Apparently, this was in conflict with what he regards (in the *early* pages of his paper) as contrary to the canons of respectable economics. (I will return to this point later.) And then he delivers himself of an *obiter dictum* that would be worthy of disciples of pure mathematics: "There is no necessary connection between research and reform, particularly in the period since the 1920s." Is it graven in tablets of stone?

Fox displays a confusion about our introduction of the concepts of *need, demand,* and *effective demand* for medical care. Surely, in studies of gaps between need and receipt of medical care, criteria other than *need* (as determined by medical judgment) and *demand* (as sensed, desired, or even implored by people) were required. We used availability, accessibility, utilization, etc. Fox's confusion appears to devolve from inaccuracy possibly in reading but certainly in quoting what we said:

> The need for medical care is compounded of two constantly changing factors: the science and art of medicine on the one hand; on the other, the changing expectancy of disease. . . .
>
> Need and Demand—It is perhaps unnecessary to point out that the need for medical care is not necessarily the same as the demand. The demand for medical care is conditioned largely by economic factors. . . . This report makes no attempt to measure the effective demand for medical care; a study now being completed . . . will give a comprehensive picture of the present utilization of medical services. . . .

> The real need for medical care is a medical not an economic concept. . . .
>
> From some points of view, medical care can be considered as an economic commodity. . . . But medical care is not merely an economic commodity, it is also a personal service involving individual relationships between a medical practitioner and a patient. . . .

Fox incorrectly concludes that we "later blurred this point, declaring that because health care is a 'personal service' it is not entirely an 'economic commodity.' " In my opinion this statement all but inverts what we intended to say.

Concentrating attention on the CCMC's staff, Fox ignores the committee itself except for an ad hominem quotation from its chairman, Dr. Ray Lyman Wilbur. Had he considered the committee he would have found it included not only well-known physicians and dentists, public health leaders, educators, etc., but also some leading persons of the day in economics and sociology. If he had read an introductory note which appeared in each of the twenty-six staff reports, he would have known that every member of the committee (including the economists and other social scientists among them) had opportunity to review, criticize, and comment upon every such report before it was approved for publication.

Perhaps the most singular characteristic of Fox's review of CCMC is that, having focused on the committee's staff, he then virtually left Hamlet out of his play—virtually, in light of only a citation to the committee's Final Report in his list of references and a two-sentence criticism of it excerpted from a personal statement by Walton Hamilton, an economist member of the committee. It escapes me how Fox could relate that criticism to "differences between the committee's staff and the economics profession" since Hamilton was writing about excessive indulgence in compromises toward member unanimity for the *committee's* recommendations.

Perhaps Fox's neglect of the committee's Final Report reflects that he does not think—as many do—that it greatly influenced the course of subsequent developments in medical care. But do I do him an injustice by inferring he thought it of no consequence what uses the committee made of its staff's twenty-six reports, or what influence the staff studies and reports had on the committee's majority and/or minority reports?

Before leaving Fox and the CCMC, I would refer to two outgrowths from the CCMC studies to which he has apparently been in-

sensitive and which bear importantly on post-CCMC development of medical economics:

1. The CCMC staff reports and the committee's own report portrayed convincingly that the medical care market is not the pure market of the classical economist. Here the physician as provider is also consumer of medical care; and, with nearly exclusive knowledge of medical care need, service, and value, and with nearly total control of utilization and price, he creates relationships that are not those of conventional economic theory. The long-persisting failure of economists to appreciate these nonconventional relationships bears on the failure of economists—in which Fox shares in the early pages of his paper—to apply themselves productively and constructively to the economics of health and medical care.

2. The CCMC staff studies and the committee's deliberations led not only to understanding of the finances of medical care but also to recognition of the integral relations between the financing of the costs *and* the organization for availability, accessibility, and delivery of medical care. Thus the principal rational recommendations that emerged concerned the need for both group payment *and* group practice with regional organization. And these foreshadowed the principal issues that would plague the medical care scene to this day.

## Fox on the CCMC's Sequelae

Perhaps because he may not have had occasion to study most of the CCMC staff reports or the committee's Final Report, Fox fails to appreciate to what extent their sequelae have occupied health economics and health economists in the decades since the CCMC:

1. Much of the basic quantitative data for the health care industry and much of their interrelations were laid down by those CCMC reports, and—though many of the numbers have changed—the CCMC data are still many of the benchmark figures today.

2. An increasing number of medical economists have grasped the CCMC demonstration, and many of its implications, that the medical care market is not the pure or free market of classical economics and that *medical* economics therefore demands departures from some of the classical canons.

3. The finances of medical care are reflective of the composition of medical care providers, of the excessive development of specialization and the decline of the general practitioner, of the inherited structure of the industry and the inherited financing through fee-for-service.

4. The trend toward rising medical care costs to levels that price medical care beyond the reach of many persons and that become incompatible not only with the demands on spendable income but also with social policies on availability of and access to health services and medical care.

5. The need to deal with the variable and—to the individual and the family—the unbudgetable nature of medical care costs, so that the financing of medical care demands group practice as well as group payment (both of which were explicitly designed in the committee's Final Report nearly five decades ago and which have recently been rechristened "health maintenance organizations").

6. The obligations of society to strengthen the supports for the professional and technical education and training of the needed health care providers and to encourage their rational geographical distribution.

7. The opportunities for continuing studies of standards of quality of care and for continuing efforts to effect their applications.

8. In the absence of population-wide provisions for health services and medical care, the urgency to make special provisions for disadvantaged groups in the population.

9. The increasing emphasis on the need for more and better community-wide as well as personal preventive medicine, whether financed by public or private means.

Nor may Fox have appreciated that the *failure* to accept the voluntarism to which the CCMC bound its recommendations converted many of us of the CCMC and our successors to advocate medical care pluralism within the general framework of compulsory programs. And that this failure of voluntarism led quickly after the Final Report (October 1932) to the politically aborted effort to include health insurance within the Social Security Act of 1935, soon thereafter to the National Health Conference of 1938 and the Wagner Bill of 1939, and then to the long efforts mainly through the Wagner-Murray-Dingell bills to the eventual enactment of Medicare, a national health insurance for the aged, in 1965. In all of these

developments economists and other social scientists played significant roles.

Finally, I think Fox places undue emphasis on the content of economists' journals and books and he misreads the history of the period 1933–1979 in focusing on nonideological economic teaching and research. He treats it as something not only apart from but also even in conflict with economic study and research for policy formulation in both the public and the private sectors. To the contrary, evidence abounds that many health and medical economists have had concern for end results and have not been—and are not—content to be absorbed with only the dynamics of process. They have been and are playing significant roles in the design as well as in the testing of social policy for health care, alert to the particular characteristics of its market, while many of those economists who choose to eschew the hurly-burly of social policy design and implementation exercise their ingenuities with more esoteric concepts and with hypothetical economic models and econometrics. Thus the academic, as often as the applied, is—in a sense—the externality. This may strain Fox the historian, except for his caveat that the *current* scene is the preserve of the *future* historian.

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