

# A Social Ethic in U.S. Healthcare: Support in the Writings of Adam Smith

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**Abstract**— *The United States has long relied on private markets to provide health insurance to a vast majority of its citizens. However rapidly escalating premium costs have priced many individuals and families out of the market for private insurance and have led many commentators to argue for enhanced governmental support in the form of public health insurance. Support for such a social ethic can be found in the writings of Adam Smith.*

## I. INTRODUCTION

The United States remains one of the few countries in the world where citizens do not have a recognized legal right to access healthcare. There are no constitutional or statutory requirements that guarantee U. S. citizens a right to receive health care services.

For most of its history, the vast majority of U.S. citizens have had to rely on the private market to purchase medical and health services. Traditionally, those with incomes above pre-determined levels have had to purchase private insurance in a commercial market, obtain health insurance for themselves and their families through employer-provided health insurance or run the risk of having to pay the cost of health care from their own pockets.

Two exceptions to the market-based approach are governmentally financed Medicare for those over 65 and physically disabled, and Medicaid for low income individuals and families with dependent children.

A further concern is the fact that while the U.S. spends the greatest percentage of GDP on healthcare of any nation in the world, it has far from the best clinical outcomes (Statista-com, 2017). The nation has consistently ranked low in comparison to other OECD nations on measures such as life expectancy and maternal and infant mortality (OECD, 2017).

In an attempt to increase insurance coverage for U.S. citizens the nation adopted the Patient Protection and Affordable Care Act in 2010. In addition to creating health insurance exchanges in an attempt to establish a more competitive market for private health insurance, the legislation also offered states an opportunity to expand Medicaid coverage to state residents with enhanced federal subsidies. The act also required all citizens to obtain health insurance coverage or pay a penalty to the federal government. That mandate was rescinded by subsequent federal legislation.

Along with the traditional reliance on private markets to supply needed health care services including health insurance to a majority of the population, there has been a great reluctance to expand public sector health services. In the mid-1960s, the U. S. government amended the Social Security Act to include the Medicare and Medicaid programs to provide health insurance for certain specific sectors of the national

population. But as a general rule, private markets supplied the vast majority of the care and financing of that care.

Consideration of “single payer” health insurance began to gain great prominence after Barack Obama’s election in 2008. While the Affordable Care Act enactment did expand private insurance options, the effort to expand Medicaid coverage was not as successful as originally intended. The U.S. Supreme Court had ruled that the federal government could not compel the states to participate in Medicaid expansion. As a result of that ruling, Medicaid expansion became an option for states to pursue. As of April, 2019, 14 of the 50 states had not yet opted to expand Medicaid (NCSL, April 3, 2019)

That reluctance to expand Medicaid coverage is emblematic of a larger issue in U.S. health policy. The long standing traditional opposition is based upon fear of increased taxation needed to support a more expansive public health care program. Opponents of public health insurance have argued that such expansion would give federal and state government a greater role in how health care services are provided. The opponents also argue that government financing of health care services constitutes “socialism,” yet the federal and state governments have been financing Medicare and Medicaid, two apparently popular programs, since 1965.

In the run-up to the 2020 U.S. Presidential election, two of the major party candidates advocated for Medicare-for-All, a plan to greatly expand public health insurance to cover all U. S. citizens at an estimated \$3.4 trillion in increased annual costs (The Economist, November 9-15, 2019, p.21).

The policy debate centers around the taxation plan needed to finance the projected increased annual costs. A somewhat more modest effort known as Public Option would allow U.S. citizens to purchase government sponsored health insurance coverage sold in competition with private health insurance. The increased costs for a Public Option is estimated at \$1.5 trillion over ten years (Wall Street Journal, November 26, 2019, P.A4). A Kaiser Family Foundation poll revealed that 65% of the U.S. population supports Public Option compared to 53% who would support Medicare for All (ibid).

## II. A SOCIAL ETHIC

Uwe Reinhardt was a pre-eminent health economist who taught at Princeton University until his death in 2017. He

studied the U.S. health care industry in depth for many years and wrote prolifically about the system and its shortcomings. In his last book, Priced Out, Reinhardt wrote that U. S. health policy lacked an appreciation of distributive social ethics and that discussions of health reform are “mainly in technical terms – usually economic ones – and let social ethics fall where they may.” (Reinhardt, 2019, p.XXIX)

Reinhardt previously addressed this issue in a 1997 article entitled “Wanted: A Clearly Articulated Social Ethic in American Health Care” published in the Journal of the American Medical Association. In that article, he wrote:

As a matter of national policy, and to the extent that a nation’s health system

can make it possible, should the child of a poor American family have the same

chance of avoiding preventable illness or of being cured from a given illness or

of being cured from a given illness as does the child of a rich American family? (ibid)

In a subsequent chapter of the same book, Reinhardt discusses two alternative views on the proper distributive ethic as exemplified in U.S. health care (Reinhardt, 2019, p.82) He characterizes the first as “health care as a social good” and the second as a “private consumption good.” He further indicates that the “social good” model is the predominant model in “Canada and virtually all European and Asian developed nations” (ibid).

### III. MARKET FAILURE

The inability of private markets to adequately finance health services for the U.S. population is not a theme unique to Reinhardt. Arguments in favor of expanded government financing of health care surfaced in the Clinton administration health reform proposal in the early 1990s and became more prominent in the run-up to the Obama administration’s Patient Protection and Affordable Care Act which became law in 2010.

This shift away from private markets to enhanced government intervention finds support in the writings of Adam Smith, the prominent Scottish moral philosopher also recognized as the founder of modern economics.

The world financial crisis of 2007-2009 had profound effects on the global economy. Large financial institutions failed and some required government assistance to keep operating. Some credit markets seized up inducing panic in financial circles.

Some commentators have written that the financial crisis caused a wave of rethinking of the role of markets in advanced economics. Some of this work actually predates the crisis as noted by Jesse Norman in his 2018 book Adam Smith: Father of Economics:

Many of the best economists around the world have spent the last few decades

trying to think through the limitations of markets – imperfect information and

rationality, transaction costs, preferences, linkages and the rest – and to under-

stand how different markets, from housing to healthcare, actually work. (p.323)

Vernon Smith and Bart Wilson wrote of the often recognized apparent conflict between Smith’s thinking as exemplified in The Theory of Moral Sentiments and The Wealth of Nations, a concept referred to in the literature as The Adam Smith Problem. They write:

Smith’s first and lesser known work Sentiments is a deep and insightful study

in disinterested commerce that creates human social betterment and also

explains the origin of justice . . . Smith’s aim in Sentiments is to understand

how and why personal forms of other-regarding or moral action merge and

are sustained in our more intimate groupings and constitute the substance of

human sociability. (2019 p. 5-6)

In Ryan Patrick Hanley’s Our Great Purpose (2019) the author makes a strong claim in support of a social ethic as evidenced in Sentiments:

Now social scientific study of egoism and altruism has given rise to many

important insights, and I hardly want to minimize its import. Yet it’s

important to see that Smith is making a stronger claim here than what most

social scientists today wish to make. Smith’s key point here – his radical

point – isn’t simply that we have a natural altruistic interest in others. It’s

much stronger than that. What nature has in fact given us is an interest in

others that is so strong and so powerful that ‘their happiness’ is ‘necessary’

to us. (p. 16)

### IV. ADAM SMITH’S WRITINGS

A major influence in the development of the U.S. economic system was Smith’s theory of private markets as revealed in The Wealth of Nations (1776) published in the same year that the thirteen original U.S. colonies declared their independence from England. In that work, Smith criticized government intervention in the workings of the market, claiming that the interplay of supply and demand would provide superior results.

While Smith’s thinking remains fashionable in many sectors of the U.S. economy, many commentators have come to the conclusion that reliance upon the private market does not provide optimal solutions for the problems of access and cost of health care to the public. These realizations led to the enactment of Medicare and Medicaid in 1965 and the Patient Protection and Affordable Care Act in 2010.

Smith’s earlier work The Theory of Moral Sentiments (1759) does appear to provide support for arguments in favor of enhanced governmental support of financing for healthcare in the U.S. The expanded role of governmental support was

advocated by several candidates for the US Presidency in the 2020 elections.

The reader can find support for the notion of the social ethic in support of public financing of health services within the pages of Smith's earlier work. In Chapter V he writes:

And hence, it is, that to feel for others and little for ourselves,

that to restrain our selfish, and to indulge our benevolent

affections constitutes the perfection of human nature; and can

alone produce among mankind the harmony of sentiments and

passions in which consists their whole grace and propriety. (p.31)

Following on, he writes in Part VI, Section II,

Chapter II:

The love of our country seems, in ordinary cases, to involve in it two different principles; first, a certain respect and reverence for that constitution or form of government which is actually established; and secondly, an earnest desire to render the condition of our fellow-citizens as safe, respectable and happy as we can. He is not a citizen who is not disposed to respect the laws and to obey the civil magistrate; and he is certainly not a good citizen who does not wish to promote, by every means in his power, the welfare of the whole society of his fellow-citizen (p. 273).

In the Introduction to Section II of Part VII, he appears to bridge prominent themes of his two major works:

According to others, virtue consists in the judicious pursuit of our own

private interest and happiness or in the proper government and direction

of these selfish affections which aim solely at this end. In the opinion

of these authors, therefore, virtue consists in prudence.

Another set of authors make virtue consist in in those affections only

which aim at the happiness of others, not in those which aim at our own. According to them, therefore, disinterested benevolence is the only motive

which can stamp upon any action the character of Virtue (p. 317).

## V. CONCLUSION

The rapidly escalating costs of healthcare in the US, including those costs associated with health insurance premiums, have effectively forced many US citizens out of the private market for health care. Lack of insurance often means lack of access to health services ultimately resulting in poorer health status for individuals and families.

As evidenced in the 2020 US Presidential election campaigns, access to health services was a major concern for several candidates. Many have come to the realization that private markets are not the optimal solution for guaranteeing access for needed health services.

Most US citizens who know of Adam Smith are somewhat familiar with The Wealth of Nations and Smith's stringent advocacy of private markets. But in his earlier work The Theory of Moral Sentiments, he offers support for the notion of the "social ethic" which Reinhardt and others believe is necessary to improve access to health care in the US. Economists have long known that private markets can fail under certain circumstances. Given the overall importance of health services to a nation's population, market failure must lead to enhanced government intervention.

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