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PARTIAL TRANSCRIPT:

KRUGMAN: So a single payer system is one in which everybody pays taxes. Typically if it's setup as something like Medicare for all, or something like the Canadian Medicare system, it would be a payroll tax. Everyone would pay in. Probably more or less in proportion to their income, and then everybody would receive this basic coverage. End of story.

Why don't we just do that?

Uh, well...because it would never pass. And it would never pass for - at least not this decade - for two reasons. One is how much of a tax increase would be required. It would require - even though our system is already more than half socialized - nonetheless, you'd have to take the large part of the rest and you'd have to find the revenue for it. Now we could tell people "look, this is not really a tax increase because it's replacing the premiums you are paying currently". But it would still be a huge number. And very, very difficult to pass through Congress any time soon. Even with, you know assuming that the Democrats decided they wanted it and had a majority in Congress, and the White House, they probably still would not be able to get it through.

Even more fundamental it would be saying to people who are currently satisfied with their insurance, "well, we are going to put you into a different system". And fear of the unknown is a really big factor. So, it has been done. Not too long ago Taiwan, just in one fell stroke, went to a single payer system. But it's very difficult to imagine that happening short of a much larger crisis than we currently have in the U.S. system.

So is there any way around that?

Well, there is a hoped for...thing. I'm calling it the Democratic plan, although much of it is already in the plan that Massachusetts has done. But not all of it. And theirs is underfunded, and I'm sure we'll hear more about that. The idea of these plans is that actually we retain private insurance, or at least allow people to keep private insurance, but we try to plug the holes in the system. We plug the holes first of all with community rating which is saying that insurance companies have to offer essentially the same coverage to everybody regardless of prior conditions, pre-existing conditions, regardless of [medical] history. So it has to be open. [Secondly,] provide subsidies to people with lower incomes so that they can afford insurance. Which have to be paid for with taxes.

I just want you to look at the comparison between what people pay. So in the case of if you're someone with high income you play the blue premiums plus the pink taxes on top of it. And if you're lower income you end up paying less premiums because part of it is covered by a public subsidy. And you end up paying just the blue rectangle. Here's a single payer system. They're actually basically the same. In terms of who pays for what, they are basically the same. It's a fairly...it's an indirect way of getting at single payer. I just found out that my colleague Uwe Reinhardt has used the same metaphor: it's a Rube Goldberg device. But it has the virtue that let's people keep the insurance companies they have, if they so choose. And it also takes less money. Now in reality it's the same amount of money or probably more. But it takes less tax revenue. What would otherwise be called taxes is called premiums.

The plans have two other elements. One is a mandate which says we have to have insurance. And that's becoming enormously contentious in this campaign, and I'll come back to that in a second. The second is - and this has been very important in the Democratic plans - public competition. That there would be one or possibly several publicly offered, government-offered plans that you could buy in to instead of getting insurance from a private insurance company. And the reason for this is to force competition. And also pretty openly: there is widespread belief based upon previous history within Medicare that on a fair, level playing field the public plans will win. That a system like this would over time devolve into single payer. But it would sneak up on it.

The purpose again, the insurance companies would understand this perfectly well. This is not to try and fool the insurance companies. The purpose is to make it easier in terms of tax revenue. And also to reassure people that they can keep the insurance they have. But they'll hear from their friends how good the public plan is and after 5 or 10 years it will be largely a single payer system.

END TRANSCRIPT