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FINANCE, HEALTH CARE AND THE CORRUPTION OF US POLITICS

by Dean Baker

The interest groups that would be most directly affected by health care reform were substantial contributors to the Democratic Party in 2008 election. This had an impact on the course of the debate, limiting the depth and scope of the reform. The problem of comparatively very high costs and of relatively low service quality has hardly been solved. If anything else will prove impossible, the United States can just directly allowe Medicare beneficiaries to buy into the health care systems of other countries. This would not only lead to substantial savings for the Medicare program, it would also likely lead to lower health care costs in the United States as a whole. If a substantial portion of the population aged more than 65 goes elsewhere for their care then it would lead to a sizable reduction in demand, which would be expected to lower health care prices.

I gruppi di interesse che sarebbero stati maggiormente danneggiati dalla riforma sanitaria di Obama, sono stati finanziatori cospicui della campagna elettorale democratica del 2008. Ciò ha avuto un impatto sul dibattito, limitando la profondità e la portata della riforma. Il problema degli alti costi e della qualità relativamente bassa dei servizi è stato a malapena intaccato. In mancanza di altri rimedi, gli USA potrebbero semplicemente consentire ai fruitori di Medicare di acquistare servizi sanitari all'estero. Ciò condurrebbe non solo a grandi risparmi per Medicare, ma anche a costi ridotti per gli USA in genere. Se una porzione notevole di ultrasessantacinquenni facesse questa scelta, la riduzione di domanda non potrebbe che avere questa conseguenza.

In 2010 the US Congress approved legislation that will reform both the financial and health care system. Together these sectors comprise more than a quarter of the US economy. These were both big bills that provided some important victories to progressives. Nonetheless, the celebration around both bills was limited. However much they constitute gains, both are also notable for what they did not achieve.

In the case of the financial reform bill, Congress did not opt to break up the 6 large "too-big-to-fail" banks: banks that are sufficiently important to the US economy that the government could not allow them to simply fail. The bill also did little to rein in the sort of speculative activity that is taking up an increasing portion of the resources of the financial sector and the economy as a whole.

The major victory of the health care bill is that it will substantially reduce the number of people without health care insurance when its provisions are fully implemented in 2014. The bill would require community rating so that insurers could not charge people different rates based on their health status. It would also provide substantial subsidies so that low and moderate-income families will be able to afford health care insurance.

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However, the bill did not get US health care costs on a sustainable path. Currently the United States spends more than twice as much per person as other wealthy countries. This is in spite of the fact that the United States generally ranks at or near the bottom by most outcome measures. The gap between cost in the United States and other countries is projected to get even larger in future years. President Obama's health care reform does little to address this problem. Health care costs are still on a path that will both pose large problems for the private sector and lead to huge deficits in the public sector.

In both cases the power of the affected industries placed serious limits on the ability to get reforms through Congress. Corporations and the wealthy have always had excessive influence in US politics, however this influence has grown substantially in the last three decades. This has been in large part attributable to the increased cost of political campaigns. Members of Congress and presidential candidates now need to raise vast sums of money to have a serious chance of winning an election.

In addition, there are few alternatives to corporate support. Labor has historically provided an important offset to corporate influence. While it still plays this role, the sharp decline in union membership over the last three decades makes labor a less effective counterweight to the influence of corporations and the wealthy.

This essay briefly outlines the growing importance of finance in politics. It then examines how the need to appease the affected industries limited the extent of reform in the case of finance and health care. It also includes some thoughts about potential ways to circumvent the role of finance in politics.

1. The growing role of poney in politics

It is a fairly simple matter to document the growing importance of money in US politics. In 1984 the average race for a Senate seat cost $ 4,3 million. By 2008, this figure had risen to $ 6,1 million, a 43,7 percent increase (all numbers in 2005 dollars). The increase in the cost of a race for the House of Representatives was even larger. Rising by 149 percent from $ 390,000 in 1984 to $ 970,000 in 2008[1]. Of course these costs are averages for all races. The vast majority of seats are not seriously contested in any given year, so the average cost in a heavily contested race will be far higher.

In a typical election year, perhaps 11 of the 33 Senate races will be seriously contested. If 90 percent of the expenses is from these heavily contested races, it would translate into almost $ 17 million per campaign. In the case of the House, it would be unusual to have more than 15 percent of the seats actually contestable. Assuming 80 percent of the spending is in these hotly contested races would imply an average of $ 5,2 million spent in each contestable race. It is virtually impossible for a candidate to raise this sort of money without appealing to the wealthy and/or corporate interests, especially in a country that is largely apolitical, like United States[2].

Campaign contributions are needed not only for their direct impact on a campaign in terms of paying for staff, commercials and mailings and campaign events, they also are

[1] These data are taken from United States Census, *Statistical Abstract of the United States, 2010*, Table 414.

[2] There are examples of candidates in recent years, most notably Barack Obama in his 2008 presidential campaign, who raised large amounts of money from small contributors. While this was an interesting development, it is important to note that the contributions from smaller contributors accompanied a huge flow of contributions from large contributors. It was the latter that made him a serious candidate deemed worthy of substantial media attention.

taken by the media as a direct measure of the seriousness of a campaign. A candidate can get him or herself thrust into the spotlight by raising a large amount of money or putting up the money from their own fortune (an increasingly common trend). The media tend to report on candidates who have raised large amounts of money, while ignoring those who have not, even when the latter have substantial experience or political backing that may make them well qualified for office. In fact, some media outlets have even used campaign contributions, in addition to polling numbers, as a criterion for candidates' inclusion in public debates.

The failure to raise large amounts of money effectively excludes a person from being taken seriously as a candidate. It is certainly the case that money by itself does not guarantee success. There are plenty of candidates who lost races even though they heavily outspent their opponents. However, it would be very hard to find a candidate, especially a non-incumbent, who managed to win a race without spending somewhere close to the average for contested campaigns.

Money in campaigns can be viewed as the price of admission. If a candidate for a House seat cannot raise several million dollars she will simply not be treated seriously. The threshold for a Senate candidate is several times larger, with the amount varying by the size of the state. It would be difficult to envision a candidate running a serious race in California with less than $ 30 million.

The flip side of the rising importance of money has been the decline of any sort of grassroots rival to the influence of money. The two obvious alternatives in the United States had been the party organizations and the labor movement. Party organizations, often thriving on patronage, were important political forces in many major cities well into the second half of the twentieth century. These organizations could field large numbers of precinct workers who would go door to door in their neighborhoods, getting out the vote for their party's candidates. These sorts of machines were mostly urban based and had their origins in the surge of immigration at the end of the 19th Century. They evolved to incorporate the African American migration from the South in the post World War II era and to a lesser extent the influx of Latino immigrants in later years. In the latter part of the century, they were mostly Democratic.

However, the traditional party machines, which had been eroding in strength since before World War II, have mostly dissolved in the last three decades. The growth of the civil service has sharply reduced the number of jobs that could be awarded to political supporters. In addition, the cities themselves have changed, with the populations most firmly tied to the machines having died off or moved to the suburbs. Political parties today are primarily fundraising operations. The traditional precinct based organizations have largely disappeared (Judd, Swanstrom, 2009).

The other major grassroots political force has been the labor movement. However, unions have also been seriously weakened over the last three decades. In 1980, close to a quarter of the workforce belonged to a union (in the United States the overwhelming majority of workers who are covered by union contracts are members of unions). In 2009, this number had fallen to just 12,3 percent, roughly half of the 1980 share. The decline in union membership has been especially sharp in the private sector, with the share of workers belonging to unions declining from just under 30 percent in 1980 to just 7,2 percent in 2009.

The drop in unionization has been the result of several different factors. A major cause has been a sharp decline in employment in the sectors that had been traditional been union strongholds, most notably manufacturing. Trade and immigration policy have also played a role in declining unionization rates. In addition, in the period since President Reagan was elected in 1980, businesses have adopted much more aggressive anti-union policies, both against existing unions and to prevent workers from organizing new unions. The laws to protect workers' right to organize have always been weak and they have often gone altogether un-enforced during the last three decades.

Labor still provides an important source of support for the Democratic Party. It played an essential role in President Obama's victory in 2008 and in many close House and Senate races. However, the labor movement is a far less significant factor than it was in 1980. There are few, if any, candidates who can hope to win an election to the House or Senate with the support of labor, who do not also enjoy substantial support from business. In addition, the unions often find themselves in a position where their support can be taken for granted by the Democrats. While most business groups are happy to make deals with either or both political parties, at the national level, the Republican Party has shown little interest in courting the support of unions (the situation is somewhat different at the state level, where many Republicans in more heavily unionized states enjoy good relations with labor). This leaves the unions with little option but to support Democrats, even if they are not especially pro-labor (Wilcox, Larson, 2006)[3].

Lacking any major countervailing force to the influence of money in politics, candidates are forced to court those willing to make large contributions. This includes wealthy individuals who, as a group, would generally like to see their taxes cut. It also means that they have to court the support of major industry groups. To maintain this support the Democrats must be supportive of the industry's interests. This very much limits the range of policy options.

2. The debate over financial and health care reform

The Democrats entered the debates on financial reform and health care reform severely constrained by the need not to offend major interest groups. The financial industry had been an important source of campaign contributions for the Democrats all through the 90s and into the 2000s. Many major industry groups had given the overwhelming majority of their contributions to Republicans in recent decades. For example, in the 2000 election, the oil and gas industry gave 79,1 percent of their contributions to Republican candidates (Center for Responsive Politics, 2010). In that election the tobacco industry gave 83,7 percent of its contributions to Republicans.

By contrast, contributions from the financial industry have been much more evenly divided between the parties. In 2000, commercial banks gave 63,8 percent of their contributions to Republican candidates, while hedge funds gave 73,9 percent of their contributions in that year to Democratic candidates. In 2008, the Democrats managed to get 48,0 percent of the contributions from commercial banks, as well as 65 percent of the contributions from hedge funds.

The pharmaceutical and insurance industries had gone from being relatively evenly split in the early 90s to strongly Republican by the early 00s. While part of the reason for

[3] It is worth noting that there the Christian right has grown in the last three decades to be an important source of grassroots support for conservative candidates.

this change was the Republican takeover of Congress in 1994 (industry groups will always have a bias toward the party in power for obvious reasons), part of it was attributable to Republican support for a Medicare drug benefit that was very friendly to the pharmaceutical and insurance industries. By the 2008 election, the party split for these industries had become far more balanced. The percentage of insurance industry contributions that went to Republicans fell from 68,3 percent in 2000 to 55,5 percent in 2008. In the case of pharmaceuticals, the industry shifted from giving 69,0 percent of its contributions in 2000 to Republicans to giving 50,7 percent to Democrats in 2008. Health care professionals (largely doctors) gave 58,1 percent of their contributions to Republicans in 2000, but just 47,4 percent in 2008. In short, all of the interest groups that would be most directly affected by health care reform were substantial contributors to the Democratic Party in 2008. This fact almost certainly had a substantial impact on the course of the debate over health care reform.

In the case of financial reform, it was reasonable to expect that the reform might lead to major changes in the structure of the industry. After all, the abuses in the industry had been at the center of the growth of the housing bubble, the collapse of which gave the country its worst economic downturn since the Great Depression.

That downturn did lead to enormous changes in the structure of the industry. The reforms implemented under President Roosevelt included deposit insurance, the creation of the Securities and Exchange Commission to oversee stock issuance and trading, and passage of the Glass-Steagall Act which required a strict separation between commercial banking and investment banking. These changes fundamentally restructured the industry. It would have been reasonable to expect changes of a comparable magnitude especially since the industry had been the beneficiary of a taxpayer bailout that prevented most of the largest firms from collapsing[4].

However, major restructuring never really appeared on the agenda of either the Obama administration or the congressional leadership. Such restructuring likely would have included a return of the separation of commercial and investment banking, the breaking up of the largest banks – so that they would not enjoy an implicit “too-big-to fail” guarantee from the government – and a tax on financial transactions that would discourage the sort of short-term speculation that has come to dominate financial activity at the major firms.

The financial industry used its enormous political power to ensure that these sorts of measures never came close to being approved. The bill that finally passed Congress did include some modest steps limiting the extent to which commercial banks could engage in speculative trading, but much of their impact is left to the discretion of regulators. In addition, there is substantial lead time before the changes have any effect, which could provide the industry an opportunity to weaken the restrictions further.

Even this limited success was to a large extent the result of a fluke set of events. Former Federal Reserve Board Chairman Paul Volcker committed himself to instituting a ban on speculative trading by the banks. As a result of his enormous stature in business circles – he is credited with ending the inflation of the 70s (Volcker enjoys less enthusiastic support in progressive circles for the recession caused by his inflation fighting policy) – Volcker was able to keep his proposed ban in the public debate, even though it was not included in the

[4] If not for special loans and guarantees granted by the Federal Reserve Board, Federal Deposit Insurance Corporation, and the Treasury Department, it is virtually certain that 4 of the 6 largest banks, Citigroup, Bank of America, Goldman Sachs, and Morgan Stanley, would have collapsed in the fall of 2008.

administration's original proposal nor in the original bills put forward by the Democratic leadership in either the House or Senate. After ignoring Volcker's proposed trading ban for months, the Obama administration suddenly embraced it after a surprise Republican victory in a Massachusetts Senate race. Had this upset not occurred, it is unlikely that any restrictions at all on bank trading would have been included in the bill.

The effort to require break-up of large banks never received close to majority support in either house of Congress. An amendment to the larger bill was put to a vote in the Senate and lost by a margin of 61-33. It lacked support from either the Obama administration or the Democratic leadership[5]. This amendment would have only affected the 6 largest banks. Even if it had passed, it would still have left the largest banks with a bigger share of the market than any bank held just two decades earlier, so this was hardly a radical restructuring of the industry. Nonetheless, the largest banks had no interest in seeing their expansion of recent decades reversed and they made sure that Congress did not seriously consider going this route.

The other piece of legislation that would seriously alter the structure of the financial industry is a financial transactions tax similar to the tax on stock trades imposed by the United Kingdom or the larger set of financial taxes that Japan had in place prior to the late 90s. Financial transactions taxes have long enjoyed considerable support from a wide range of economists. For example, Nobel Laureates Paul Krugman and Joseph Stiglitz have both spoken in favor of such a tax. Top Obama administration advisor had written in support of financial transactions tax before leaving academia in the early 90s. The basic argument is that such taxes can raise money while arguably making the financial industry more efficient by eliminating short-term financial transactions that have little or no economic value.

Financial transactions taxes can also raise an enormous amount of revenue. The tax in the UK raises almost 0,3 percent of GDP (the equivalent of $ 40 billion a year in the United States), even though it only applies to stock trades. The tax in Japan raised close to 0,8 percent of GDP (more than $ 120 billion a year in the United States). In a context where there is enough concern about the long-term deficit problem that politicians of both parties are considering cutting back the country's already stingy Social Security benefits, this sort of revenue from a tax that produces few economic distortions might seem quite attractive.

However, the Obama administration made clear to members of Congress that it would not support a financial transactions tax. While bills proposing a tax were introduced in both the House and Senate, these bills were never tied to the financial reform bill. Each has only received a handful of sponsors. Needless to say, the financial industry would be infuriated by a transactions tax. The revenue from such a tax would come almost dollar for dollar from the industry's revenue. It undoubtedly made its strong opposition known to the key actors in the administration in Congress, keeping the proposal from ever seriously being debated.

In an international context this has led to a situation where the leaders of several other major countries have gone to G-20 meetings (notably Germany and France) pushing for financial transactions taxes, only to have their efforts nixed by the Obama administration. The Obama administration has then used the lack of international coordination (which

[5] Senate Majority Leader Harry Reid voted for the amendment, but he had never previously expressed support for it. It is nearly universally believed that he cast this vote because he faces a tough Senate race and it will be beneficial to be seen opposing the interests of the big banks. There is little doubt that if the vote had been close he would have been on the other side.

is obviously not necessary given the experience of the UK) as a reason not to consider a tax in the United States. In short, its behavior is inconsistent with its public statements, suggesting that there are motives other than the publicly stated ones behind its opposition to a financial transactions tax.

3. Health care reform

The role of the money of industry groups is at least as evident in the case of health care reform. It is often difficult for people outside the United States to realize how incredibly inefficient the US system is. Per person health care expenses are more than twice the average for other wealthy countries, yet the United States actually does worse by most measures of outcomes, including life expectancy and infant mortality rates.

There are a number of readily identifiable sources of enormous waste. For example, the insurance industry's administrative expenses consume more than 15 percent of the money funneled through it. By comparison, the administrative costs of the government-run Medicare program are less than 2 percent of the money going through the system. This actually understates the true inefficiency of the US system since providers must hire staff to track the rules of a range of insurers, in order to ensure that they (or their patients) will be reimbursed for covered expenses. The cost of this additional staff in hospitals and doctors' offices has been estimated as being as high as 15 percent of covered spending. There are also huge unmeasured costs, as patients often have to spend many hours going back and forth with insurers to have their bills paid[6].

The United States also spends close to twice as much for prescription drugs as the average for other wealthy countries. This is due to the fact that drug companies are granted patent monopolies for their drugs and then allowed to exploit this monopoly without limit. In every other wealthy country, the government restricts the prices the industry is allowed to charge through price controls, negotiations, or some other mechanism. If the US paid the same for its drugs as the UK or Australia, it could save close to $ 150 billion a year, or 1 percent of GDP.

The third major source of waste in the US medical system is the high pay of doctors, and in particular medical specialists. Doctors in the United States earn an average of more than $ 200,000 a year, close to twice the average in other wealthy countries. Much of this gap stems from higher pay for the same types of doctors, but much of the gap also comes from greater use of specialists. In the United States, more than two-thirds of doctors are specialists. In other wealthy countries, only around one-third of doctors are specialists. This means that specialists are providing a considerable amount of care that would be provided by general practitioners in other countries. This greater expense might be reasonable if it were justified by better outcomes, but most research suggests that it is not.

There are some simple paths that could have been followed to get US health care costs more in line with the rest of the world. During the campaign, then Senator Obama embraced a plan put forward by Yale political scientist Jacob Hacker, which would have created a publicly-run system that competed alongside private insurers (Hacker, 2009). This plan could have used its enormous size to secure lower prices from drug companies

[6] For a first-hand account of the difficulties that a well-educated, well-insured patient had dealing with the insurance industry, see Jørgensen (2010).

and other providers. It also would have been more efficient, since it would not have to pay marketing costs, dividends, nor 7-figure paychecks to top-level executives.

In spite of the campaign commitment, the Obama administration never weighed in behind a public plan in the health care debate. While the House did pass a version of health care reform that included a public plan, the Senate did not. Part of the reason is that the rules of the Senate require a super-majority to get a bill to the floor for a vote. However, the Obama administration never placed a priority on included a public plan in the bill. Given the difficulty of getting a super-majority in the Senate, there was no way that this would have been possible without the full-fledged support of the Obama administration.

The failure to push for a public plan may have been due to a calculated judgment that it would have been impossible to obtain the necessary votes, or alternatively it could have been attributable to a deal that was reportedly made with the insurance industry. A public plan would be a direct threat to the industry's profits, reducing both its market share and per patient profits. As it stands, the final package could provide a boost to industry profits, since it forces people to buy insurance, although it does impose new controls on what the industry can charge.

By contrast, there is little doubt that the pharmaceutical industry will be a winner from the health care plan. The Obama administration also crafted a deal with the pharmaceutical industry. The industry agreed to accept somewhat lower prices on drugs purchased through the Medicare program. In exchange, there were no new restrictions placed on the prices it could charge other customers. With the bill increasing the number of people with access to care, this should mean higher profits for the pharmaceutical industry.

There was never any serious discussion of measures that would reduce doctors' compensation directly. The Medicare program has a schedule of cuts to doctors' compensation that is supposed to be implemented to restrain costs in the program, however Congress has routinely voted to put off the cuts implied by this schedule. This is partly due to the power of the doctors' lobby and partly due to the fear that Medicare beneficiaries will be unable to get doctors if their compensation is far below market levels. Of course a large public plan, coupled with Medicare, would comprise a large enough share of the market so that few doctors would be able to opt out of the system. But there was little serious discussion in Congress or by the administration of going this route.

The result of the failure to confront the powerful interest groups in the health care sector is that little was done to address a cost structure that is unsustainable. The reform bill will extend insurance coverage to 20 million people who had been uninsured, but it does not fix the health care system. As a result, the country can expect that health care costs will continue to be a drag on growth and to impose serious budget problems in future decades.

One of the ironies of the reform bill's passage is that many analysts are arguing that more serious reform is now not possible, as evidenced by the weakness of the bill that passed Congress. Given budget projections showing large deficits two or three decades out, they insist that we have no choice but to cut public sector health care programs like Medicare. If this logic prevails, then the health care bill may actually be a step backward from universal coverage rather than a step forward.

4. Ways forward

There is no easy or foolproof mechanism for overcoming the enormous power of money in the US political process. However, an important step in this direction would be to stop accepting the right's framing of major public policy issues. According to the right, the key battle is between conservatives who believe in individual freedom and market and progressives who want the government to over-ride market outcomes for their conception of the public good.

This dichotomy, with conservatives supporting the market and progressives siding with more government, does not reflect reality and therefore is likely to lead to bad policy outcomes. It also is horrible politics from the standpoint of progressives. There are probably few places in the world where people look to government bureaucrats as their natural allies, but this is certainly not the case in the United States. If the choice is between a market outcome and one dictated by a government bureaucrat, then the vast majority of the public in the United States will take the market outcome.

Of course this is not really how the issues break down and progressives should never let them be framed this way. In the case of finance, the industry never wanted "deregulation" in the sense of the removal of government involvement in the industry. No one was pushing for an end to deposit insurance, access to central bank lending, or the protection of "too-big-to-fail."

When the financial crisis was at its peak in September-October of 2008, there were no free market bankers yelling to leave things to the market. They all wanted as much money as the government would give them, with as few strings as possible. This has nothing to do with the free market; this is about using the government to redistribute income upward. It is true that when the financial markets are more settled they want a smaller regulatory role for the government, but this is essentially just saying that they want insurance without restrictions and without paying for it. A homeowner almost never needs her fire insurance, except in the rare event of a fire. In other times, homeowners don't want their insurer telling them they need a sprinkler system, that they can't have a fireplace or smoke in bed.

It is wrong and politically absurd to allow the financial industry to appear as proponents of the market and deregulation. That would be a principled position. The financial industry does not have a principled position in this debate. They just want the taxpayers to give them insurance without making them pay for it.

In the case of health care reform the principle should be that we need more of a role for the market, not less. The market can be used to attack all of the main sources of waste in the US system. Having a Hacker-type public insurance plan put in place in the United States would be a great step forward. However, if this is not politically possible, the United States can just directly take advantage of the more efficient health care systems in other countries. The mechanism through which this can be done is by allowing Medicare beneficiaries to buy into the health care systems of other countries.

Medicare beneficiaries are mostly over age 65 and retired (disabled workers also qualify for Medicare). Many of them have family or emotional ties that may cause it to be attractive to them to spend their retirement in another country. It should be a fairly straightforward matter for the US government to arrange a voucher system that would allow Medicare beneficiaries to buy into the health care systems of other countries, where the government and the beneficiaries spilt the savings (Baker, Rho, 2009).

These savings would already be quite large and are projected to grow rapidly. In two decades beneficiaries could in many cases be able to pocket more than $ 10,000 a year under such a system. This is even after allowing for the receiving countries to charge a premium above their average cost in order to ensure that they profit from the arrangement as well.

If a substantial number of Medicare beneficiaries ended up taking advantage of this sort of program it would not only lead to substantial savings for the Medicare program, it would also likely lead to lower health care costs in the United States as a whole. The over 65 population accounts for almost half of health care spending in the United States. If a substantial portion of this population goes elsewhere for their care then it would lead to a sizable reduction in demand, which would be expected to lower health care prices.

If more US citizens have direct contact with the much lower costs systems in other countries it is also likely to make the country more open to introducing reforms in the United States. The opposition to health care reform included scare stories about the impossibility of getting timely treatment in other countries. If people recognize first hand that this is not the case, it could play an important role in undermining this opposition.

A third way to reduce health care costs through increased use of the market is by ending the patent monopoly mechanism for supporting prescription drug research. This leads to enormous economic distortions, especially in the US where the absence of any price controls allows patent protected drugs to sell for prices that can tens of thousands percent above the competitive market price. Drugs that would sell in a free market for $ 4 a prescription can sell for many hundreds of dollars or even thousands of dollars.

It would be hugely more efficient to have this research paid for upfront (the US government already pays $ 30 billion a year to finance bio-medical research through the National Institutes of Health) and then allow new drugs to be sold at generic prices (Baker, 2004). This would also likely lead to better medicine, since such a system would hugely reduce the incentive to misrepresent research results and conceal negative findings. The potential savings from going this path are enormous. The United States currently spends close to 2 percent of GDP ($ 280 billion a year) on prescription drugs. This sum would be reduced by close to 90 percent if all drugs were sold without patent protection.

Finally, the US could remove the professional barriers that make it difficult for foreign trained doctors to practice medicine in the United States. The medical profession has used its power to construct elaborate licensing barriers to make it very difficult for foreign-trained physicians to legally practice medicine in the United States. This maintains their high salaries. If the United States instead sought to open up the global market for physicians' services with the same energy it has opened up the international market for manufactured goods, we would expect to see doctors' pay plummet, with corresponding reductions in health care costs.

In order to ensure that poorer countries are not harmed by a brain drain, it would be a simple matter to create a mechanism to compensate home countries for the doctors that practiced in the United States through a tax on their earnings. This money could be repatriated to the home countries so that they would be able to train 2-3 doctors for every doctor that practices in the United States, ensuring that they benefit from the situation as well.

5. Conclusion: can good policy and popular support beat money

Reframing the debates over financial and health care reform certainly cannot guarantee that progressives will be able to overcome the enormous advantage that the industry groups have due to their money. There is no doubt that affected industry and interest groups will use all their political power to fight the policies described above. However, in these cases, progressives can strip their opponents of the appealing ideological cover of the market. The issue is pure and simply one of using political power to protect a powerful interest group's economic interests.

If progressives cannot make the debates clearly one over protecting the privileges of the wealthy then they will almost certainly lose. If the debate is seen as one over abstract principles like the role of the government and market, then the public has not understood what is really at issue. Under such circumstances, progressive policy doesn't have a chance.

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