



From my perspective

## Let us ration more rationally<sup>☆</sup>

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### 1. Introduction

The famous Macmillan Encyclopedia of the Social Sciences, 1937, handled rationing under “military economics.” Rationing is generally seen as an emergency or crisis tool, and most of the literature has dealt with it that way. Under the pressure of World War II, the United States had food rationing, principally of meat and some other commodities. We also had automotive fuel rationing. That worked quite well because of the pressure of national defense and a general aura of patriotic duty. Food rationing even continued in the United Kingdom during the immediate postwar period. Undoubtedly, during World War II, there was a secondary market, perhaps involving barter or actual cash, for rationing coupons but the system worked overwhelmingly well nevertheless. Even the presence of black markets was not significantly disruptive.

In society, however, as we move from goods to a service economy, services become a more important part of our well-being, economy, and needs. We have relatively little experience in rationing services. Consider that as we become more prosperous, the tendency to seek recreation moves more of us into situations of intrinsically limited capacity. Many facilities cannot be expanded. A growing number of people want to climb Mount Everest. We can't build another Everest and can't improve the pathway; that would be self-defeating. And we can't create a new route up.

The purpose of this paper is to call to mind situations where the traditional economic approaches fail to meet our needs and where the issues parallel those which economists associate with rationing. One of the reasons for this dissonance between social issues and economic conceptualization is that the world has radically changed in the last several decades, since the time at which traditional economics was born. Economics fundamentally has to do with the allocation of limited resources—specifically land, labor, and capital—with allocation done by price and willingness to pay. One sees the awkwardness of the old categories today when intellectual capital is shoehorned into the old framework. We also have examples of extensive professional literature around the economics of housing, healthcare, and education. These are all ill-fitting topics in terms of traditional economics' essential feature of willingness to pay. Traditional economics is not capable of dealing with

services since they do not really fall in the land–labor–capital triad. Hence, the patchwork of concepts in the three services areas just noted.

Consider a different kind of problem that economists should be able to but cannot effectively deal with, that is, light rights. One of my neighbors planted now enormously high bushy trees which shade a portion of my property adjacent to my house, making it a dark, dank, and unattractive strip because it gets no sunlight. It is not a big deal personally but it does highlight the larger question of light rights, something that economics never had to deal with in the past. Consequently, this issue tends to be treated in legal terms, which are even more of a mare's nest of confusion, uncertainty, and dissatisfaction.

Even the most prominent of contemporary economists tend to celebrate price rationing and describe its effects in enthusiastic detail. Thomas Sowell, a well-known general purpose savant, in his book, *Basic Economics: A Citizens Guide to the Economy*, writes “In short, prices force people to share, whether or not they are aware of sharing. Prices perform this function both in normal times and in emergency times. While sharply higher prices may be resented during emergencies, their functions are even more urgently needed at such times” (p. 19). Lester Thurow and Robert Heilbroner are even more exuberant in their enthusiasm for price rationing in their 1998 book *Economics Explained*, they write “There is no question that the market is one of the most important social inventions in human history” (p. 150). After finishing their exposition of price rationing as derivative of and intrinsic to the market system, they do mention that there are occasionally situations which call for alternative policies.

Why do economists take such a narrow, unimaginative, and uncreative view of the problems of rationing and the possibilities for alternative forms of rationing? I believe it is because their profession's skills are not in the social context and consequences of economic policy, much less in exploring the future, but are in developing mathematical models, which explain the past and hopefully have some influence on the present. Their commitment to quantification and model building is a powerful distraction from attention to the more vague, uncertain, difficult to quantify social issues and personal problems that alternative economic policies create or relieve. In other words, to a large extent, they are simply out of it, that is, out of communication with and understanding of ordinary people in life's situations. The macroeconomists are in even worse shape than the microeconomists because the latter do deal with what one might call household economics, which includes the economics of running and managing a business. In any case, economics is not one of the helping professions. Help is an alien concept in economic thinking and conceptualization.

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In the discussion below, a central concept is that the allocation of things we all need or value should be done on a fair basis. Fairness, in terms of economists' thinking, is a narrow concept, since it goes back to a conflict between efficiency and fairness. This author does not see "fairness" by any means as being equivalent to "equal." For the economists, fairness disappears, absorbed in efficiency, which one can assess and measure by willingness to pay.

Utility functions in economics are measured primarily by the willingness to pay. To show the failure of the concept, compare intellectuals with plumbers. Plumbers are employed by someone who expresses a willingness to pay for their services. Hence, there is competition to some extent for those services, to establish a fair price. On the other hand, the Einsteins and the hundreds of thousands, if not millions, of their institutionally supported equivalents in the United States are not in a comparable position. The role of the Einsteins of the world is more like that of kept women, where an institution which has separated itself from the market process pays money, in often quite lavish amounts, to people to perform some function which the sponsor would like to have performed, but for which it has no objective metric. To argue that this is a measure of willingness to pay is beside the point because there is no comparison between pay to the plumber for direct benefits and the pay to the kept woman or to an Einstein where there is no definable pay off.

Again, one could look at many nonprofit organizations, many think tanks, and other such devices as fellowships, awards, Nobel prizes, and MacArthur grants as not reflecting a truly measurable utility function in terms comparable to the rest of the working society. We therefore need new tools to begin to assay and establish linkages among these disparate forms of employment. The point here is not to rail about subsidized scholars, but only to highlight a limitation on an allegedly universal economic concept.

## 2. Price rationing

Price rationing is an old favorite of economists. If you can afford the price, you get the product or the service. If you can't afford it, you don't get it. This is certainly reasonable with regard to owning a Mercedes or flying on the Concorde, but not to climbing Everest, or gaining access to the inner chambers of the Great Pyramids or to the environmentally fragile French caves holding prehistoric art. The fact that one can pay to get there and that one has the money to meet the limited temple access hardly seems a fair way to determine who gets in. What is missing in cases such as these is recognition that some people would benefit more from access than others. There usually is no provision for granting access on those grounds. At the extreme, prehistoric art historians and anthropologists have access, but what about that much broader range of people who have a deep-seated, privately cultivated knowledge of these subjects, who can be bounced by someone who happens to have four or five times more discretionary income? To take an environmental case, we have the situation of people ready to move in on our natural resources, which have a limited capacity of maintenance and recovery. Because they can afford the trip, they will make the trip, whether this is an attempt to climb Annapurna or to go into the fragile deserts of the far west, or even to overuse something as broadly available as the Appalachian Trail.

For these kinds of situations, rationing should not be by price or by convenience, but should be by qualifications. One can see, for example, if one is interested in rappelling down El Capitan, that not every Tom, Dick, and Harriet should be allowed to do it, in part because of the likelihood of accident and the associated support costs. Some sort of rationing scheme by competence is called for. With regard to broad classes of recreational assets one might have, let's say, a 10-point scale of competence for everyone from the novice level up. Accomplishment, training, or both would enable one to move incrementally up the scale, gradually giving access to these truly scarcer, more challenging or intrinsically limited resources.

For each level one would have to qualify, except for the lowest level, where qualification would be the mere desire to get started. That way, the associated certification of having accomplished a particular level a certain number of times under certain conditions (perhaps season of the year, weather, and so on) would then allow one to move up to the next level. It seems like an enormously cumbersome system to implement, and it would have been, as recently as a decade ago. But today, the universal availability of low-cost data collection, the extremely low-cost record keeping, and the ability to shift records from one site to another at near the speed of light eliminate that objection.

The limitation on price rationing is that it is undemocratic, unfair, and by no means necessarily beneficial to society as a whole. Price rationing is manipulable. Federal policy has steadily reduced the cost of airline travel and while we still have price rationing, has narrowed the gap by introducing competition and creating a pseudo-market in airfares.

## 3. Rationing healthcare

A good example of limited resource management is triage, well known and commonplace in the battlefield, but most visible to Americans as TV entertainment in such programs as "ER." The concept of triage is that with limited medical services available in a crisis situation, you divide the victims into three groups: those who cannot be saved (at most provide them with palliation); those who are the walking wounded and need no immediate assistance (leave them alone); and those who get most of the attention, where a marginal amount of assistance will shift the odds of recovery in their favor, perhaps with minimum permanent damage. A strikingly new social problem has arisen, which does not have to do so much with scarce resources, but has to do with ample resources inequitably distributed. A paramount example of that is healthcare, where—pick your number of choice—approximately 40 million Americans at any one time are without health insurance, which means they can be dropped into instantaneous crisis in the face of a substantial medical bill. Yet over 15% of the gross domestic product goes into the healthcare system. Something is out of whack. We do not have a term for the resolution of the problem, but it is more or less the conjugate of rationing. With traditional rationing we want to make scarce resources equitably available; with this conjugate we want to make ample resources equitably available. Let's take a look at some of these problems and opportunities.

While triage is highly successful in a medical crisis, healthcare rationing has been a failure in the United States because it does not deal with the total system. Hence, any actions on a subset of the system are likely to be disruptive and unbalanced. The present system provides no floor, no absolute minimum that every citizen can count on irrespective of his or her socioeconomic status. Consequently, some healthcare rationing occurs by the individual physician who makes decisions about what procedures to pursue. That is questionable in its fairness. We see the steady unfolding of scientifically grounded reports on the differential treatment of women, Blacks, and other minorities with regard to specific medical treatments and choices that are offered or made by physicians.

There is an extensive literature on healthcare rationing, most of which is framed around behavior of individual physicians and institutions concerning the differential care that they give to different groups. It is usually an informal process of decision making. It may be influenced by the policies of an HMO or hospital, or simply be the judgment of the individual physician. Most of the literature fails to be systemic in its investigations and tends to deal with symptoms, not causes, of the gross failure of the system. Ad hoc solutions deal with only a portion of overall healthcare. The nation desperately needs application of the concept mentioned earlier of universal equitable rationing of an ample resource, medical services, to provide everyone with a healthy minimum of services. The successes

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