

Letter to Lucy

February, 1981

Dear Lucy,

You've had quite a winter on Cape Cod, I hear; it's been cold here, too, but we haven't had as much snow. We'll all be glad to see the first crocus this spring, and we're looking forward to seeing you again in May.

The other day I was talking with my friendly neighbor about government affairs, inflation, taxes and, specifically, National Health Insurance. My friend is usually quite conservative; he surprised me by taking a positive position and favoring National Health Insurance. When I told him his stand seemed out-of-character, he defended his views essentially as follows:

I have two nephews who live in another state. They are both good boys and excellent mechanics. One young man works in a large service station and is paid \$5.50 an hour; with Saturday-overtime, he grosses \$286 a week, or nearly \$15,000 a year. Not bad for someone 23 years old. The older boy, 25, works in a U.S. automobile assembly plant and earns \$10 an hour. With Saturday-overtime, he makes \$520 a week, or over \$27,000 a year. That's a pretty good income for a lad who never went to college.

The big advantages the older boy has over his brother, though, are his so-called "fringe benefits." In addition to his excellent pay, he receives company-paid pension benefits, life insurance, medical and dental insurance, and free educational tuition for classes approved by the company. Of course, these are all tax free; he pays no taxes, nor does the company, since the law decrees the expense is a cost-of-doing-business. Common sense tells us these extras are part of my nephew's pay, but union pressure has so intimidated Congress that "fringe benefits" are not taxed at any level.

Like so many other frauds perpetrated by Congress, tax laws are designed to bestow benefits on some people while withholding them from others, in a typical semantic maneuver that exempts what is actually part of some people's income from any tax. No wonder "contempt of Congress" is practically universal in this country.

This older nephew of mine is, of course, forced to pay union dues; but in return he gets free dental and medical care paid for with dollars he's avoided paying taxes on as income. (Additionally, he gets all the other tax-free benefits, of course.) Just the medical and dental portion of the premiums paid for that insurance, auto manufacturers estimate, raises the price of every car he helps to assemble by \$300 or \$400. That's buried in the price of each new American car sold to the American public.

On the other hand, my younger nephew can, if he is alert to opportunity, sign up with Blue Cross/Blue Shield and buy coverage with dollars upon which he's already paid state and federal income taxes. This is how the United States treats its working poor. Among the working poor, this boy is relatively fortunate. He has a steady job, gets time-and-a-half for overtime, and can even establish a small pension fund with an I.R.A. (Of course, the amount he can contribute to his pension fund without paying a penalty is strictly limited by law.)

Many of the working poor (day-laborers, clerks in small stores and offices, hotel and motel employees on the bottom rung of the ladder, carwash attendants, etc.) earn considerably less money than my nephew and, if they want medical insurance, they too must pay for it with dollars on which they have paid taxes. For most of them, it's an expense they can't afford. It takes every dollar they can scrape together just to keep the rent and heat bills paid, and groceries on the pantry shelf.

Singling out the unionized auto workers as unique recipients of government largess (tax-free alternatives to wages) doesn't reflect fairly the whole picture. Practically everyone employed by a large corporation is similarly favored, as are those dynamic and productive members of our society, including public school teachers, working for local, state and federal governments. In Massachusetts, for instance, Chapter 32-B of the General Laws requires all political subdivisions to purchase group health insurance for their employees, and to pay at least 50% of the premiums. Many towns pay more than 50% of the premiums. The money to pay those premiums, of course, comes from real estate taxes imposed on residents who have already paid income taxes on a major portion of those real estate tax dollars.

It's worth noting that insuring this enormous segment of our population with ever-increasing schedules of benefits is a huge and lucrative business. In a letter to its stockholders, one large insurance brokerage firm (Marsh & McLennan) estimates the annual market to be three-hundred billion--that's right, billion--dollars. These are tax-free benefits to eligible employees. Talk about tax loopholes! This is a colossal breach in the tax dike.

If we were to assume (incorrectly) that the recipients of these tax-free benefits are all in the low 20%-tax-bracket, then \$60 billion in taxes is being avoided. This would pay one-third of the annual budget of the Department of Defense!

While I have no objection to workers in large industries (or government employees, for that matter) buying group insurance and benefitting from the economies of scale, that's not what we're looking at; we're seeing tax-free benefits made available to approximately 40% of the nation's work force. For that favored segment, national health insurance is already being provided.

In addition to that 40%, who else receives what is, for all practical purposes, national health insurance? We can safely say all welfare recipients have it. People collecting Social Security are partially covered. It's available to all federal government and military pensioners; all state and most local government pensioners are at least partially insured. Some disabled veterans are fully covered. Who is left? Who is left out? Only the working poor.

In this country, National Health Insurance is categorically labeled "socialized medicine", and is bitterly opposed by the medical professions. Never has their opposition been rationally explained, however; all that's offered are platitudinous generalities. Understanding their opposition is not possible, but I suspect their motives. "Socialized medicine" is presented as a subversive import from Europe.

My father used to tell about the introduction of National Health Insurance in the Old Country (Germany). It was called the *Kranken Kasse*, or Sick Chest (sick bank); it was established under the Kaiser. Of course, we all know what a wild-eyed radical the Kaiser was!

Currently, there's considerable discussion about National Health Insurance in this country. Vehement arguments are presented, but I've yet to hear just what such a program would cover. Would everyone be insured as well as autoworkers and other corporate and government employees and, if so, to what extent? Nobody knows.

One thing is certain: if Congress enacted National Health Insurance, we'd all benefit, not just the tax-avoiding free-loaders who, for all practical purposes, have National Health Insurance protection now. If our government does not enact protection that applies to everyone, the recipients of "fringe benefits" ought to be required to pay income taxes on those benefits.

Well, Lucy, I listened attentively to my friendly neighbor, and I was impressed with what he said. Since talking with him and hearing his views, I've given the subject a good deal of thought. I haven't yet found any flaws in his reasoning. He's opened my eyes to some glaring inequities in our system. How about you? Can you pick holes in his rationale?

Regards to all the working poor down on the Cape: my good friends and much-loved family members...

from your affectionate brother,

OLIVER