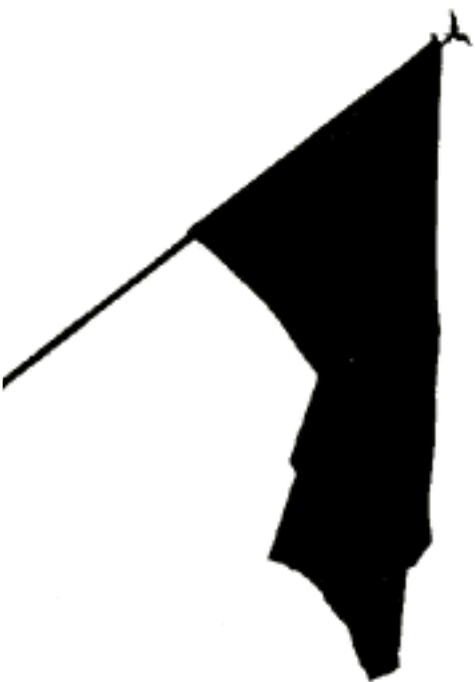


This Market Anarchy Series was created to republish and showcase historical articles from our tradition that highlight our relation to the revolutionary left and explain Market Anarchist theory in general terms.



*...what we always meant by socialism wasn't something you forced on people, it was people organizing themselves as they pleased into co-ops, collectives, communes, unions.... And if socialism really is better, more efficient than capitalism, then it can bloody well **compete** with capitalism. So we decided, forget all the statist shit and the violence: the best place for socialism is the closest to a free market you can get!*

Mutualists believe that most of the present inequalities come not from the results of market forces but from the perversion of these forces. A market is, after all, only a system of voluntary exchange. The state has stepped in and

granted preferential treatment to certain individuals and groups. This created the vast inequalities we see. Even if the market were to give rise to certain problems, these could be offset by voluntary associations such as guilds, trade unions, community groups and co-operatives.

Agorism is revolutionary market anarchism. In a market anarchist society, the positive functions of law and security will be provided by market institutions, not political institutions. Agorists recognize, therefore, that those institutions can not develop through political reform. Instead, they will come about as a result of market processes. As government is banditry, revolution culminates in the suppression of government by market providers of security and law. Market demand for such service providers is what will lead to their emergence. Development of that demand will come from economic growth in the sector of the economy that explicitly shuns state involvement (and therefore can not turn to the state in its role as monopoly provider of security and law). That sector of the economy is the counter-economy — black and grey markets.

#4



MARKET ANARCHY

Mutual Aid

**Medical Insurance that Worked
— Until Government "Fixed" It**

by Roderick T Long

Bibliography

- David T. Beito. "The 'Lodge Practice Evil' Reconsidered: Medical Care Through Fraternal Societies, 1900-1930." (unpublished)
- David T. Beito. "Mutual Aid for Social Welfare: The Case of American Fraternal Societies." *Critical Review*, Vol. 4, no. 4 (Fall 1990).
- David Green. *Reinventing Civil Society: The Rediscovery of Welfare Without Politics*. Institute of Economic Affairs, London, 1993.
- David Green. *Working Class Patients and the Medical Establishment: Self-Help in Britain from the Mid-Nineteenth Century to 1948*. St. Martin's Press, New York, 1985.
- David Green & Lawrence Cromwell. *Mutual Aid or Welfare State: Australia's Friendly Societies*. Allen & Unwin, Sydney, 1984.
- P. Gosden. *The Friendly Societies in England, 1815-1875*. Manchester University Press, Manchester, 1961.
- P. Gosden. *Self-Help: Voluntary Associations in the 19th Century*. Batsford Press, London, 1973.
- Albert Loan. "Institutional Bases of the Spontaneous Order: Surety and Assurance." *Humane Studies Review*, Vol. 7, no. 1, 1991/92.
- Leslie Siddeley. "The Rise and Fall of Fraternal Insurance Organizations." *Humane Studies Review*, Vol. 7, no. 2, 1992.
- S. David Young. *The Rule of Experts: Occupational Licensing in America*. Cato Institute, Washington, 1987.

"Medical Insurance that Worked — Until Government 'Fixed' It" was published in the Winter 1993-94 issue of *Formulations* formerly a publication of the Free Nation Foundation, now published by the Libertarian Nation Foundation.

Roderick T Long is a professor of philosophy at Auburn University, a vocal Market Anarchist, the founder and president of the Molinari Institute and a Senior Scholar at the Austrian School Ludwig von Mises Institute.

anti-copyright



**Alliance of the
Libertarian Left**

agorism.info
mutualist.org
all-left.net

made the requirements for medical licensure far more strict than they had previously been. Their reason, they claimed, was to raise the quality of medical care. But the result was that the number of physicians fell, competition dwindled, and medical fees rose; the vast pool of physicians bidding for lodge practice contracts had been abolished. As with any market good, artificial restrictions on supply created higher prices — a particular hardship for the working-class members of fraternal societies.

The final death blow to lodge practice was struck by the fraternal societies themselves. The National Fraternal Congress — attempting, like the AMA, to reap the benefits of cartelization — lobbied for laws decreeing a legal minimum on the rates fraternal societies could charge. Unfortunately for the lobbyists, the lobbying effort was successful; the unintended consequence was that the minimum rates laws made the services of fraternal societies no longer competitive. Thus the National Fraternal Congress' lobbying efforts, rather than creating a formidable mutual-aid cartel, simply destroyed the fraternal societies' market niche — and with it the opportunity for low-cost health care for the working poor.

Why do we have a crisis in health care costs today? Because government "solved" the last one.

Medical Insurance that Worked — Until Government "Fixed" It

Today, we are constantly being told, the United States faces a health care crisis. Medical costs are too high, and health insurance is out of reach of the poor. The cause of this crisis is never made very clear, but the cure is obvious to nearly everybody: government must step in to solve the problem.

Eighty years ago, Americans were also told that their nation was facing a health care crisis. Then, however, the complaint was that medical costs were too low, and that health insurance was too accessible. But in that era, too, government stepped forward to solve the problem. And boy, did it solve it!

In the late 19th and early 20th centuries, one of the primary sources of health care and health insurance for the working poor in Britain, Australia, and the United States was the fraternal society. Fraternal societies (called "friendly societies" in Britain and Australia) were voluntary mutual-aid associations. Their descendants survive among us today in the form of the Shriners, Elks, Masons, and similar organizations, but these no longer play the central role in American life they formerly did. As recently as 1920, over one-quarter of all adult Americans were members of fraternal societies. (The figure was still higher in Britain and Australia.) Fraternal societies were particularly popular among blacks and immigrants. (Indeed, Teddy Roosevelt's famous attack on "hyphenated Americans" was motivated in part by hostility to the immigrants' fraternal societies; he and other Progressives sought to "Americanize" immigrants by making them dependent for support on the democratic state, rather than on their own independent ethnic communities.)



The principle behind the fraternal societies was simple. A group of working-class people would form an association (or join a local branch, or "lodge," of an existing association) and pay monthly fees into the association's treasury; individual members would then be able to draw on the pooled resources in time of need. The fraternal societies thus operated as a form of self-help insurance company.

Turn-of-the-century America offered a dizzying array of fraternal societies to choose from. Some catered to a particular ethnic or religious group; others did not. Many offered entertainment and social life to their members, or engaged in community service. Some "fraternal" societies were run entirely by and for women. The kinds of services from which members could choose often varied as well, though the most commonly offered were life insurance, disability insurance, and "lodge practice."

"Lodge practice" refers to an arrangement, reminiscent of today's HMOs, whereby a particular society or lodge would contract with a doctor to provide medical care to its members. The doctor received a regular salary on a retainer basis, rather than charging per item; members would pay a yearly fee and then call on the doctor's services as needed. If medical services were found unsatisfactory, the doctor would be penalized, and the contract might not be renewed. Lodge members reportedly enjoyed the degree of customer control this system afforded them. And the tendency to overuse the physician's services was kept in check by the fraternal society's own "self-policing"; lodge members who wanted to avoid future increases in premiums were motivated to make sure that their fellow members were not abusing the system.

Most remarkable was the low cost at which these medical services were provided. At the turn of the century, the average cost of "lodge practice" to an individual member was between one and two dollars a year. A day's

Most remarkable was the low cost at which these medical services were provided.

A day's wage would pay for a year's worth of medical care.

Yet licensed physicians, particularly those who did not come from "big name" medical schools, competed vigorously for lodge contracts, perhaps because of the security they offered; and this competition continued to keep costs low.

wage would pay for a year's worth of medical care. By contrast, the average cost of medical service on the regular market was between one and two dollars per visit. Yet licensed physicians, particularly those who did not come from "big name" medical schools, competed vigorously for lodge contracts, perhaps because of the security they offered; and this competition continued to keep costs low.

The response of the medical establishment, both in America and in Britain, was one of outrage; the institution of lodge practice was denounced in harsh language and apocalyptic tones. Such low fees, many doctors charged, were bankrupting the medical profession. Moreover, many saw it as a blow to the dignity of the profession that trained physicians should be eagerly bidding for the chance to serve as the hirelings of lower-class tradesmen. It was particularly detestable that such uneducated and socially inferior people should be permitted to set fees for the physicians' services, or to sit in judgment on professionals to determine whether their services had been satisfactory. The government, they demanded, must do something.

And so it did. In Britain, the state put an end to the "evil" of lodge practice by bringing health care under political control. Physicians' fees would now be determined by panels of trained professionals (i.e., the physicians themselves) rather than by ignorant patients. State-financed medical care edged out lodge practice; those who were being forced to pay taxes for "free" health care whether they wanted it or not had little incentive to pay extra for health care through the fraternal societies, rather than using the government care they had already paid for.

In America, it took longer for the nation's health care system to be socialized, so the medical establishment had to achieve its ends more indirectly; but the essential result was the same. Medical societies like the AMA imposed sanctions on doctors who dared to sign lodge practice contracts. This might have been less effective if such medical societies had not had access to government power; but in fact, thanks to governmental grants of privilege, they controlled the medical licensure procedure, thus ensuring that those in their disfavor would be denied the right to practice medicine.

Such licensure laws also offered the medical establishment a less overt way of combating lodge practice. It was during this period that the AMA