Embracing Risk
The Changing Culture of Insurance and Responsibility

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Beyond Moral Hazard: Insurance as
Moral Opportunity

DEBORAH STONE

A basic dictum about insurance is that it does not change the probability of an adverse event—it can only mitigate the financial consequences of the event. However, a long and influential tradition of economic thought holds that insurance may indeed change the likelihood of adverse events through a phenomenon known as “moral hazard” (Baker 1996; Heimer 1985). According to the moral hazard argument, insurance actually increases the occurrence of adverse events through its incentives to people who have insurance. When people are insured (the argument goes), they are less careful to avoid or prevent accidents, diseases, thefts and other losses, and thus insurance indirectly increases the number of losses. Insurance also operates directly to increase adverse events by giving insured people an incentive to bring about the very harms and damages for which they are insured so they can collect financial proceeds. In this view, insurance works like a pawnshop; it enables people to get cash for their possessions.

In this essay, I turn both parts of the conventional wisdom upside down. I argue that insurance does change the likelihood of adverse events, but not through its influence on individual behavior. Rather, through its effects on political culture and collective political action, insurance increases the number and kinds of events that we consider adverse and worthy of collective responsibility. Insurance thus has an inherent expansionary dynamic: insurance tends to beget more insurance.

At first blush, this argument may seem to be just a variant of the moral hazard argument, so I want to make three important distinctions. First, the moral hazard argument holds that insurance creates individual incentives at least to be lax about avoiding harms and maybe even actively to cause
Beyond Moral Hazard

Moral hazard works through the individual psyche. By contrast, I argue that insurance creates social mechanisms that tend to increase what gets perceived as insurable and deserving of collective support. Both phenomena could be said to lead to an increasing reliance on insurance, but I argue that complex institutional and cultural forces, rather than simple rational calculations by individuals, are the engines driving this expansion.

Second, the moral hazard argument regards the kind of individual behavior it describes as immoral—hence the name. Insurance creates a temptation into evil, though evil runs the gamut from mere carelessness and indifference through intentional failure to prevent loss, all the way to deliberate and active destruction. In the literature of insurance and economics, moral hazard is sometimes treated as a matter of "bad character," and sometimes as a matter of rational decision-making in response to incentives, and presumably therefore morally neutral (Heimer 1985). However, even when economists describe moral hazard as a phenomenon of purely rational behavior, there is usually a pejorative undertone. After all, rational behavior is always self-interested, so even this form of moral hazard is motivated by greed, selfishness, and personal gain at the expense of others. In short, moral hazard describes immoral motives.

In contrast, I believe the act of participating in insurance can be and often is a highly moral choice, because following another long line of thought, insurance is a form of mutual aid and collective responsibility (Stone 1993). To participate in a risk-pooling scheme is to agree to tax yourself not only for your own benefit should you incur a loss, but also for the benefit of others who might suffer from loss when you do not. Insurance thus creates what might be called "moral opportunity," the opportunity to cooperate with and help others. The political mechanisms of insurance expansion I describe call forth moral motives—motives of charity, compassion, civic responsibility, and justice.

Third, the moral hazard argument is often used to denigrate the value of insurance as a social institution and to limit its development. The argument is a form of conservative, anti-reform, anti-redistributive thinking that economist Albert Hirschman (1991) dubbed "the perversity thesis." In this form of argument, opponents of a reform claim that although the reform is intended to ameliorate a social problem, it will in fact make the problem worse. Insurers, of course, promote the social value of insurance, but they too use the idea of moral hazard to justify limits on the amounts and conditions of coverage they offer, the kinds of people and risks they are willing to insure, and the amount of cross-subsidy they build into their pricing (Heimer 1985; Baker 1996). Many economists and policy analysts...
use the concept of moral hazard to argue against broad social provisions of insurance and any kind of assistance to the needy (Epstein 1997a, 1997b). The general lesson of moral hazard, as Tom Baker has shown (1996:238–46), is "less is more": less insurance and less social assistance mean more security, welfare, safety, productivity, well-being, and general social good.

By contrast, I see the expansionary effect of insurance as a social welfare gain rather than a loss. The social and political dynamic I describe fosters social policies that improve both the well-being of individual citizens and the democratic health of the polity. Insurance is one of the principal mechanisms by which modern societies define problems as amenable to human agency and collective action. It is not only an institution of repair, but also of social progress, and is a major way for communities to make life better for their individual members.

Much could be said about the empirical and normative validity of the moral hazard argument, but the purpose of this essay is not to analyze moral hazard. Instead, I ask why insurance, once introduced, has a tendency to expand in society. What mechanisms operate to enlarge the range of different kinds of losses that people believe ought to be brought under the umbrella of insurance? This essay explores six mechanisms underlying the expansionary dynamic I call the "moral opportunity" of insurance.

Insurance as a Forum for Discourse about Mutual Aid

Political institutions resolve conflicts and make policies, but they also play another more fundamental role. They shape public discourse about deep moral questions: What is justice? What is fairness? What causes bad or harmful events? What kinds of detriments are "natural"—what we call accidents of nature, God, or fate—and what kinds are humanly caused or at least humanly preventable?

Insurance is a social institution that particularly invites moral contemplation about suffering, compassion, and responsibility. In so doing, it enlarges the public conception of social responsibility. Insurance serves as an arena for this kind of reflection and deliberation because it is kept in the public consciousness by the private marketing activities of commercial insurers, the bargaining activities of unions and workplaces, and the public debates over social insurance. The basic premise of insurance is collective responsibility for harms that befall individuals, because insurance pools people's savings to pay for individuals' future losses (Jerry 1996:17). Thus whenever insurance is discussed, questions of allocating responsibility be-
Much of the collective nature of insurance is disguised, or at least not readily obvious to the policyholders, especially in private insurance (Stone 1994: 19). Unlike the fraternal organizations and mutual aid societies of the late nineteenth and early twentieth centuries, the modern insurance company is so huge that individuals rarely have any face-to-face contact with managers and virtually never have any contact with other policyholders. Much like transformations elsewhere in American civic life (Skocpol 1999), insurance organizations are no longer primarily membership associations where people actually interact and work toward common goals. They are instead highly centralized and professionally managed bureaucracies that provide no opportunity to get to know and cooperate with one’s fellow citizens.

Nevertheless, several factors highlight the collective, mutual-aid aspects of insurance and promote conversation about the contours of moral responsibility in a community. Private insurers market their policies chiefly by trying to induce a sense of vulnerability in their target audiences. Therefore, much insurance advertising purports or alludes to some kind of terrible harm that can befall people. For example, Blue Cross/Blue Shield ran a series of advertisements for health insurance with the theme of “What if?” One ad in the series pictures the face of a middle-aged woman, surrounded by smaller images of problems, as if she were imagining each of them in a cartoon bubble. Each image has a “What if?” caption, such as “What if I need a new heart?” or “What if I get sick when I’m away on business?” (Blue Cross/Blue Shield 1996b). Another ad in the same series pictures a man, presumably an executive, asking “What if I want low premiums?” and “What if our welder needs prenatal care?” (Blue Cross/Blue Shield 1996a). An Equitable advertisement for life insurance aimed at healthy older people pictures a couple standing on a beach, dressed for rugged weather. The caption reads: “We can finally be relaxed about life. But can you ever be relaxed about money?” (Equitable 1996). One Allstate advertisement pictures a lone house struck by a giant lightning bolt (Allstate 1997); another features an ambulance speeding down a highway late at night, with the caption, “Who’s picking your kid up after the prom?” (Allstate 1999). An AIG advertisement for commercial insurance pictures a disheveled, worried man behind bars; the large caption reads, “Your foreign export manager is in a foreign jail. No one knows where. Or Why! . . . Who Insures You?” (AIG 1999b). This advertisement is one of a series, all featuring a story in which a business experiences some unanticipated trouble.
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another ad of the series, a construction worker is lying on the ground holding his head. The text reads: “On time. On budget. Then the crane collapsed. Who Insures You?” (AIG 1999a).

This kind of advertising that highlights vulnerability has several subtexts. It is designed to make people feel they need help even if they are perfectly fine. It tells people that even when we think we are self-sufficient, strong, and successful, we are vulnerable to severe harms and losses, and we need to line up help while we still can.

Another implicit but very important message of these advertisements is that insurance is a helping institution—it will be there when you need it, and it is a reliable and effective place to turn for help (Baker 1994). For example, the text of the AIG ad with the executive in prison reads: “You sent him halfway around the world to mine opportunity. He’s a valuable employee. He’s in trouble. What should you do? Do you know the laws? The culture? … We have people who bring a local understanding to your business, who grasp the intricacies of a foreign culture, who can negotiate foreign law” (AIG 1999b). Indeed, many insurance advertisements explicitly portray their company’s main purpose as helping people. In 1993, CIGNA adopted the motto “a business of caring” (CIGNA 1993). Some advertisements for its property and casualty, international, and personal lines feature the word Help in large print over photographs of people giving help.

An advertisement for long-term care insurance suggests that the company is like a warm, nurturing grandmother. It pictures a classic grandmotherly woman in a printed house dress, sitting at her kitchen table, peering out over her reading glasses and stirring a cup of tea. The text alongside reads, “If you think she was overprotective, you should see our long-term care insurance” (CIGNA 1993). An advertisement for Prudential Insurance Company tells overwhelmed young parents that the company can help them get through parenthood (Prudential 1994).

Still another message of insurance marketing is that it is legitimate to need and get help in many situations and that insurance is a form of help that does not rob you of your dignity and independence. That message is explicit in an advertisement of Lincoln Financial Group showing a young man kayaking in the wilderness: “I have a mother. I have a father. I even have a big brother. I don’t need someone else looking out for me. I need someone who can help me look out for myself” (Lincoln Financial Group 1999). An ad for The Hartford shows a young woman in a wheelchair, dressed in hiking gear. She has just wheeled across a wooden bridge over a river rapids, and is holding her arms outstretched, embracing the joy of the outdoors. The text reads: “Careers happen. Accidents happen. Second careers happen.
Life happens, and goes on to say the company offers programs to “help you take on what life has to offer” and to “help people get back to work again” (Hartford 1997).

This last message is particularly important, since so much of American political culture valorizes independence and self-sufficiency and teaches that needing and accepting help is shameful (Fraser and Gordon 1994). Insurance, even private insurance for businesses and for professional, well-off classes, legitimates the very idea of help and mutual interdependence. The insurance industry’s need to expand their markets is, subtly, a strong cultural force inculcating the value of mutual aid.

Insurance’s legitimization of mutual aid and dependence is not unambiguous, however. Most insurance marketing is aimed at elites: those at the upper end of the income and status scales are encouraged to lean on others through insurance, while the poor are told that needing and getting assistance is shameful and degrading (McCuskey 2001). Moreover, insurance legitimates the idea of help in part because we construct it as “self-help,” distinct from welfare and other means-tested assistance, which we construct as “handouts” and “dependence” (Fraser and Gordon 1994). For example, many insurers market life insurance by appealing to a professional man’s or woman’s obligation to provide for his or her family. A long-running advertisement series by Massachusetts Mutual Life Insurance Company (“MassMutual”) typically lists three poignant promises the parent makes to his or her child—for example, “A promise never to say, ‘Chris, I mean Bobby, I mean Tim.’ A promise matching sailor suits will never come near your closet. A promise to be there for you. And you. And you” (MassMutual 1992a). The tag line of these ads is “MassMutual—We help you keep your promises.” One message of such advertisements is that each person is no longer responsible for the economic well-being of his or her own nuclear family. Nothing in these promises, or in most life insurance advertising, suggests that one is responsible for the well-being of one’s friends and neighbors, much less one’s larger social community or those less fortunate.

Yet even the family-responsibility theme so prevalent in life insurance advertising promotes a message of altruism. Solomon Huebner, perhaps the leading and most influential scholar of life insurance in the first half of the twentieth century, framed life insurance as an act of altruism and a moral obligation. “Failure of a head of family to insure his life . . . amounts to gambling . . . and the gamble is a particularly mean one since in case of loss, the dependent family and not the gambler must suffer the consequences” (Huebner [1915] 1935:15). “Emphasis should be laid on the ‘crime of not insuring,’ and the finger of scorn should be pointed at any man who, although
he has provided well while he was alive, has not seen fit to discount the uncertain future for the benefit of a dependent household" (id. at 26, emphasis added). Huebner, in essence, reversed the moral hazard argument: the moral wrong of insurance consisted not in the temptation to bad behavior created by insurance, but rather in the temptation to avoid insurance and squander one's money on immediate pleasures.

In contemporary marketing, life insurance is still often portrayed as a way of meeting one's family obligations and even as a way of strengthening family ties. "Another way to say 'I love you' is with good insurance protection," declares one of the Metropolitan Life Insurance Company ads, showing Lucy (from Charles Schulz's Peanuts comic strip) knitting a pair of baby booties (Metropolitan 1998). Husbands and fathers, and more recently wives and mothers, are exhorted to provide for their loved ones if they should die. "Life insurance isn't for the people who die. It's for the people who live," explains an advertisement sponsored by the Life and Health Insurance Foundation for Education (Life and Health 1999). The MassMutual series mentioned above extols the role of "promises" in maintaining social cohesion (MassMutual 1992b). Each MassMutual ad, no matter what the specific family situation and promise it portrays, concludes: "Nothing binds us one to the other like a promise kept. Nothing divides us like a promise broken. At MassMutual we believe in keeping our promises. That way all the families and businesses that rely on us can keep theirs."

Thus private insurance marketing is a cultural force that legitimates social obligation and mutual aid. To be sure, it also weaves in a strong strand of individual responsibility and self-help (Lincoln Financial Group 1999). For example, a Prudential advertisement extols self-reliance with the motto "Be Your Own Rock" and a genial-looking man saying, "I worked long hours. I never turned down overtime. And I invested in the future. I want my children to remember me as the man who inspired them to stand on their own two feet" (Prudential 1996). Nevertheless, the subtexts of insurance advertising necessarily legitimate help, portray insurance as a helping institution, and teach the virtue of providing assistance to others. Thus, the Prudential ad, after encouraging the reader to "be your own rock," says that Prudential offers a variety of products that "can help you manage your life" (emphasis added).

Social insurance plays a similar role in legitimating collective responsibility and mutual aid, though there are big differences in how legitimation occurs and in the relative emphases on the themes of self-help and helping others. Importantly, American social policy is molded on an insurance model. As Jonathan Simon and others have argued, the replacement of tort
liability with insurance (workers compensation) as a regime for governing work accidents. The early twentieth century became the "blueprint for the governing of mature industrial society" (Simon 1997-98:524). According to some scholars, the American welfare state should really be known as an "insurance-opportunity state" (Marmor, Mashaw, and Harvey 1990) or a "security state" (Moss 1996:4) because its overwhelming mode of providing for citizens' well-being is through insurance programs rather than through means-tested assistance programs. As David Moss notes, workers' compensation, unemployment insurance, old age and disability insurance "have much more in common with deposit insurance and pension insurance" than they do with Aid to Families with Dependent Children, the archetypal welfare program. Insurance has a different purpose and targets a different population than welfare. The goal of insurance is to "offer security to individuals who have something to lose [e.g., a job, savings, earning potential] rather than assistance to the needy, who have little or nothing to lose" (id.).

One measure of the importance of insurance in social policy is the fact that public spending on social insurance is about two-and-a-half times spending on assistance (id. at 179). Another measure is that private insurance analogies were central to the design, promotion, and ultimate passage of New Deal social insurance (Cates 1983), and the imagery of personal contributions, individual accounts, and earned entitlements is crucial to the vigorous public support Social Security programs continue to enjoy in the face of strong efforts to scale them back. Through these analogies, social insurance, like private, is cast as "self-help," as providing for oneself and one's family by contributing to insurance while one is working (id. at 57). Even though beneficiaries' payments into the system rarely, if ever, cover the costs of their benefits, there is a widely sustained public belief that social insurance benefits are earned and are not "handouts."

Even while proponents of social insurance portray it as self-help, however, they, like the marketers of private insurance, inevitably rely on and appeal to notions of altruism, collective responsibility, and mutual aid. Just as early promoters of private life insurance had to overcome the stigma of insurance as gambling and the fear that insurance would tempt people into irresponsible dependence (Clark 2000; Zelizer 1979), early advocates of social insurance had to overcome the stigma of social insurance as the paternalistic invention of an autocratic state (Germany) and the fear that social insurance would undermine workers' initiative, effort, and productivity (Lubove 1968). Old-age pensions, warned Prudential Life Insurance Company's chief actuary, by removing the prospect of poverty in old age, would...
abolish "the most powerful incentive which makes for character and
growth in a democracy" and strike a blow at the "root of national life and
character" (Hoffman 1909:368, 389).

In promoting social insurance, the early advocates set forth two argu­
ments that continue to undergird social insurance today. First was the ar­
gument that industrial society creates risks that the individual cannot
possibly ameliorate or compensate for himself. If the individual cannot
mitigate these risks, then he cannot and should not be held responsible for
them (Eastman [1910] 1969). Isaac Rubinow, one of the leading Progressive
social insurance advocates, set forth this argument in his 1913 classic book,
*Social Insurance*: "For social insurance, when properly developed, is noth­
ing if not a well-defined effort of the organized state to come to the assis­
tance of the wage-earner and furnish him with something he individually
is quite unable to attain for himself." Social insurance, he said, represented
"a new concept of the state as an instrument of organized collective action
rather than of class oppression" (Rubinow [1913] 1969:501). The paternal­
istic and authoritarian state became the ethical and rational state.

Second was the argument that social insurance, properly structured, far
from inducing people to be lazy, careless, or dependent, could actually mo­
tivate them to be careful and enable them to work (Moss 1996:60-61). John
Commons, who might be considered the intellectual father of social insur­
ance, put it thus: "I wanted all employers to be compelled by law to pay ac­
cident compensation, as an inducement to accident prevention" (Commons
1934:141). These early proponents believed that individual workers did not
have the ability to prevent the common hazards of industrial economics—
work accidents and injuries, involuntary unemployment, and sickness—
but that employers did have it within their powers to prevent many of these
ills. As David Moss says, they reasoned that "an employer required to com­
pensate all workers who were injured on the job, fell sick, or were laid off
would take great pains to prevent the occurrence of such contingencies"
(Moss 1996:60-61).

Just as Solomon Huebner flipped the moral argument in life insurance,
casting as morally suspect the person who failed to buy insurance rather
than the one who did buy it, early social insurance advocates flipped the
moral argument as well. Opponents of social insurance (and of public char­
table aid more generally) typically depicted the poor and needy as "social
dependence" or "social parasites," and worried that the mere prospect of aid
would induce even the working poor into lazy reliance on aid, thus dragging
them down into pauperism. The advocates, instead, cast those who resisted
social insurance as the real social parasites: "[A] business which does not
make good, as far as indemnity in money can do it, the losses of human energy as well as of broken and worn out machinery, is parasitic and socially bankrupt," wrote Charles Henderson (1909:243-44), another leading figure of the social insurance movement.

One could trace similar themes in the discussion of most new forms of social and private insurance. The important point is that in promoting either private or social insurance, advocates frame it as a legitimate helping institution. Of course, marketing, promotion, and advocacy serve the direct purposes of those who conduct these activities, but indirectly they also serve as a kind of moral education of the citizenry.

Insurance as a Norm Giver

The existence of insurance as a fundamental and ubiquitous aspect of both commercial and personal life means that an organized system of help is also something people take for granted, even if they do not think terribly hard about or even understand the way insurance is organized. Social insurance programs—workers compensation, old age, survivors, and disability insurance—because they are government-run, have an obvious public character and appear transparently as communal forms of assistance. Private insurance, especially those segments that are marketed and organized as individual policies instead of group policies, may appear more as bilateral market contracts rather than any kind of community-sponsored aid system. But even the marketing of private insurance emphasizes to consumers that in buying insurance, they are buying the promise of help from a large organization with the fiscal capacity to remedy even huge losses (Baker 1994).

Perhaps the aspect of insurance that most strongly establishes a public expectation of community aid is liability or “third-party” insurance, that is, insurance that one party carries for the express purpose of paying for injuries and losses that he or she causes to others. In life insurance, most property insurance, or the old-age, medical care, and disability components of Social Security, people contribute to insurance in order to protect themselves and their families. In third-party coverage, they purchase insurance for the express benefit of strangers—anyone who might happen to be injured by the insured’s activities. Of course, liability coverage protects the insured person against financial loss from adverse tort judgments, and in that sense, third-party insurance is self-protection. But third-party insurance can also be seen as a way of organizing and ensuring responsibility to others. Liability in the absence of insurance would mean that many people would be unable to pay the full costs of damage awards against them, so that
their responsibility would be formal but hollow. Liability insurance, especially when it is mandatory, is thus a social mechanism for enforcing common-law obligations to others.

Workers compensation was the first such insurance, and it spread rapidly as a social innovation in the period from 1910 to 1920 (Witt 1998:1467). Workers compensation replaced an uncertain regime of tort liability for workplace accidents with a regime in which employers were made financially responsible for their employees' injuries and medical costs (Friedman and Ladinsky 1967:71). Crucially for my argument, workers compensation was, and often still is, justified as a moral obligation of one powerful and financially strong sector (employers) to help a less powerful and financially weaker sector (workers) through the intermediate institution of insurance (McCluskey 1998). Workers compensation set forth a model of social relations in which certain hazards of modernity were deemed to be beyond the control of individuals, while the activities in which these hazards occurred—in this case, factory work—were considered eminently beneficial to society. The solution was to establish a system of compulsory insurance by which the costs of losses could be spread among the larger society that benefited from the activities that produced the losses. At the same time, the people who suffered losses in the course of socially beneficial activities would be helped by the community they had served (Moss 1996).

This model of insurance as a system to underwrite the unavoidable costs of socially worthy activities and to share the losses had an enormous impact on American governance. Most notably, insurance came to be regarded as an alternative to other forms of regulating hazardous activities (Simon 1997-98:563-67).

Insurance is a form of what Foucauldian scholars call “discipline,” that is, a system of instilling norms, supervising behavior, and enforcing compliance with norms (Foucault 1995; Simon 1988). Those who view insurance through the lens of moral hazard do not see this disciplinary or regulatory power. Indeed, they see insurance as undermining individual self-restraint and even inciting people to destructive behavior. Thus, for example, in early debates about making liability insurance compulsory for automobile owners, opponents claimed that insurance simulated irresponsible behavior (Simon 1997-98:566). It would be an inducement to fraudulent claims and malingering, and worse, it would insulate drivers from the costs of their carelessness and thus give them “licenses to do harm with impunity.” Proponents of mandatory automobile liability insurance viewed the same situation through the lens of moral opportunity. Mandatory insurance, they believed, was a way of inculcating a sense of responsibility to-
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ward others, teaching the importance of careful driving, and compelling automobile owners to assume financial responsibility for the consequences of their driving (id. at 565–66, 584).

Even though the early proposal for mandatory automobile liability insurance failed on a national scale, most states now require car owners to carry liability insurance (Rice 1998:1134). Every time a person buys and registers a car, he or she has an encounter with a state agency that, by insisting on proof of insurance, teaches a moral lesson about mutual aid: you may not drive your car unless you participate in a system of helping people who might be injured by your car. At the same time, the car registrant absorbs another lesson: if you are injured by anyone else’s automobile, you have a right to expect help from that person through his or her insurance. These are potent lessons about interdependence and reciprocal obligation.

Because virtually every adult citizen participates in various forms of mandatory insurance, from automobile liability insurance to unemployment insurance, old-age pensions, and disability insurance, everyone is exposed to two of the moral assumptions of these programs: collective responsibility for the well-being of others and individual responsibility for the well-being of others. Not everyone accepts these norms—many would opt out of some mandatory insurance if they could, and many scholars and policymakers, believing that individuals should be responsible for themselves, think insurance should never be mandatory (Epstein 1997b; Skidmore 1999). Nevertheless, insurance is deeply embedded in the social ordering of modern society and citizens cannot escape its implicit moral lessons, no matter how much they chafe under mandatory participation.

**Insurance as a Standard Setter**

Insurance often pays for services to alleviate harms, rather than paying cash to compensate for losses. By funding services, it stimulates the development of harm-alleviating technologies and occupations that then become part of the societal standard of care. Once these technologies and services are part of the societal standard of care, they also may come to be seen as legitimate, if not morally essential, collective aid. Lack of the services necessary to provide the standard of care then becomes, in effect, an adverse event against which people believe they are, or ought to be, insured.

This process is most evident in health insurance. Simply by paying for medical care, insurance stimulates the development of medicine because it directs financial resources to that sector. Arguably, the modern hospital is a creature of health insurance (Starr 1982:290-334). But insurance also fosters medical innovation more directly: insofar as Medicare includes re-
imbursement for medical training and research as components of its payments for patients, it stimulates innovation. And insofar as any health insurance pays for patients to receive treatment through clinical research trials, it pays for innovation (Rosenblatt, Law, and Rosenbaum 1997:211-15, 534-41).

In-hospital births illustrate how insurance coverage creates a new standard of care that then becomes an object of political demand. Health insurance made in-hospital births possible for most women without health insurance; births would have moved to the hospital because most families could not have afforded the cost (Leavitt 1986). With the growth of maternity coverage, in-hospital births became standard medical practice. And indeed, births at home came to be regarded as dangerous and medically substandard. This coverage led women and their husbands and doctors to expect a few nights in the hospital following childbirth. When, in the 1990s, managed care plans restricted payments for overnight stays and “kicked mothers out” (as was the perception of many), there was such a public outcry that many states, and eventually Congress, legislated mandatory coverage of at least forty-eight hours in the hospital for new mothers in the Newborns’ and Mothers Health Protection Act of 1996 (Seaman 1997:499; Freudenheim 1996:Al).

Bone marrow transplants for women with breast cancer illustrate an even more complex set of political dynamics by which insurance can expand the public understanding and organizational practice surrounding a standard of care (Rosenblatt, Law, and Rosenbaum 1997:281-83). We might hypothesize a social process something like this: physicians and clinical researchers develop a new treatment protocol and begin to use it. The new treatment is still experimental and yet to be proven effective, but more and more doctors begin to offer it to their terminally ill patients, as it offers some hope. Some insurance companies and plans agree to cover the treatment for their policyholders, and others deny coverage. Through the positive coverage decisions of some insurers, the treatment becomes more common, stimulating greater demand for it. Patients whose insurers deny coverage sue their insurers (or their families sue after they die). Through reports in the media, the suits create public awareness of the treatment and the controversy, and adverse publicity for insurers. As more plaintiffs are successful, insurers become fearful of future litigation should they deny coverage for the treatment. They begin to cover the treatment for more and more patients. Gradually, the new treatment, still unproven in scientific studies, becomes standard practice.

A General Accounting Office (GAO) study of insurance coverage of bone
marrow transplants for breast cancer suggests that a scenario quite like the one just sketched does in fact operate. The GAO interviewed medical directors or other officials responsible for coverage decisions in twelve large, national health insurance companies. All said that they did not normally cover experimental or unproven treatments, that they believed bone marrow transplants for breast cancer were still unproven, but that they nonetheless covered this treatment. To explain this discrepancy, the insurers said the primary influence on their decisions to cover the treatment was the fact that the treatment was already widely used and there was suggestive evidence that it might also be beneficial to patients. The insurers also said the threat of litigation and the adverse publicity about their coverage policies were also very important factors in their decisions to cover the treatment (GAO 1996). One highly publicized suit, Fox v. Health Net of California, 29 Trials Digest 54 (Cal. Super. Ct., 1993), was particularly damaging and threatening to insurers, they said, because it focused on the insurer's economic self-interest as the reason for denial. The case also received wide publicity because the jury awarded an $89 million verdict to the plaintiff (GAO 1996).

The political dynamic for expanding insurance coverage often does not stop even once major insurers begin to cover the treatment. The publicity surrounding coverage denials, deaths, suits, and plaintiffs' victories stirs public outrage and fuels activist mobilization. Popular culture can vastly amplify widespread media coverage of insurance coverage controversies, as evidenced in John Grisham's 1995 novel The Rainmaker, the story of a young lawyer who helps a family fight their health insurer to cover a bone marrow transplant for their dying son. As happens frequently in health insurance, advocacy groups for a particular disease or treatment propose state legislation to require insurers to cover their disease or particular treatments. In the case of bone marrow transplants for breast cancer, by 1995 seven states had enacted such mandates (GAO 1996:11). Sometimes these state-level populist movements rise to the national level, where advocates seek federal legislation to universalize the benefits they have won in some states (Tumulty 1988:28-32, Morone 1999, Sotul and Feder 1999). The expansion of state-level mandates for forty-eight-hour maternity coverage to federal legislation exemplifies this phenomenon.

The expansionary dynamic has still another phase. Once insurance coverage for a new treatment becomes relatively standard, even though the treatment itself may still be unproven and may be highly aggressive and risky to the patient, the very existence of insurance coverage may "normalize" the treatment. Insurance coverage, particularly state mandates re-
quiring health insurers to cover a treatment, can subtly impose a moral pressure on people who have a disease or problem for which a treatment is covered. They might be pressured by their doctors, families, and friends to "try anything" as long as money is not an obstacle, to be "good patients," to use every available means to fight the disease, to stay in the battle until the end. Not accepting treatment that insurance would cover becomes defined as personal failure (Britt 1999:56–78).

Still another mechanism of enlarging the concept of insurable adverse events is far broader and more elusive than the redefinition of standards of care and well-being according to evolving technologies. Insurance and the remedial services it provides can change the cultural meaning of an entire social concept. For example, in thirty years of providing medical services for the elderly, a panel of the National Academy of Social Insurance wrote, "Medicare has helped to redefine the normal expectation of aging in America as a dignified, actively independent stage of life... rather than economically deprived dependency" (National Academy of Social Insurance 1999). By financing medical care as well as health services in nursing homes and private homes, Medicare essentially did away with the poor houses of yore (though some might say many nursing homes are the modern-day equivalent) (Rollins 1994; Vladeck 1980).

Home health services in particular have created an expectation that even people who need help with basic tasks of daily living—such as bathing, dressing, or eating—can aspire to remain in their own homes. Home health services were fostered by Medicare because they are cheaper than either nursing homes or hospitals (Szasz 1990:194–97). But in promoting these services and in denying hospital coverage, Medicare touted the advantages of remaining independent and staying in one's own home and community. These are goals to which most elderly people aspire anyway, being forced into a nursing home is often feared by the elderly as the worst possible fate. So when Congress tried to cut back home health benefits, as it did in the 1997 Balanced Budget Act, there is new political resistance and a heightened sense that going to a nursing home is an adverse event against which Medicare should insure.

To summarize, much of insurance, private and social, now provides services instead of or in addition to income to alleviate the consequences of adverse events. The perceived entitlements are to services, not cash; or to put it another way, the absence of services becomes perceived as the adverse event against which people think they are insured. These services also become part of the general social expectation about what ought to be insured. Thus insurance for services expands cultural perceptions of the basic stan-
dard of care and well-being and the professional standard of care. These expanded standards effectively expand the definition of perceived adverse events.

Insurance as an Instrument of Social Reform

Because insurance is constructed by its advocates (including insurers themselves) as a source of help for people in trouble, people turn to it when they need help. Susan Daniels says that while she was Associate Commissioner of Disability, she was always asked why so many people come to the Social Security Administration's disability programs looking for disability benefits. "Because we have money and they don't," she always quipped (1995). That is the story of insurance. It is, or at least appears to be, pots of money waiting to be spent on people who need it.

Of course, people seeking help from insurance must prove that they and their specific troubles are covered. Insurers have a strong interest in minimizing their claims payments, and so every claim becomes something of a contest between the two sides (Baker 1994). Insurance policies are virtually the national metaphor for fine-print specificity and trick exclusions in contractual relationships. Yet even though the cards seem to be stacked in favor of insurers, the contests between claimants and their insurers are two-sided, and claimants often win.

Claimants' power comes in no small part from the leverage of ambiguity: insurance contracts are written in words, and words can never cover every possible situation. Like all legal contests, disputes over coverage become a matter of interpretation and persuasion. People who stand to benefit from an expanded interpretation use grievances, administrative channels, lawsuits and appeals, and legislative politics to get their situations read or written into a verbal formula. Ultimately, these contests are conducted like other political contests—people organize, form alliances, draw new groups into the contest, and try to mobilize elite and popular support for their side (Schattschneider 1960). They use existing rules and programs as an entering wedge, and try to expand their turf, their power, their resources incrementally.

Workers compensation illustrates these mechanisms of expansion well. State workers compensation programs were founded on the image of industrial accidents and injuries. The dominant image was a physical injury caused by a one-time, sudden, discrete event in the workplace. From the beginning, however, some advocates thought occupational diseases should be included, and eventually the definition of a compensable injury was broadened to include more diffuse physiological and mental illnesses that might...
occur gradually over decades. Hence workers' compensation came to include diseases caused by toxic exposures, injuries caused by cumulative, repetitive motions, and mental diseases or stress disorders. Through a variety of political actions, including union-sponsored research and advocacy, individual and class-action suits, advocacy of the scientific community, and in some cases employer and insurer efforts to end tort liability for occupational disease, these new kinds of harms were incorporated within workers' compensation as legitimate adverse events for which workers deserved and would receive collective assistance (McCluskey 1998:767-87).

The evolution of workers' compensation presents a very different picture of insurance expansion than the moral hazard framework would suggest. In the moral hazard model, insurance growth is driven by individuals who are, in turn, induced by the possibility of material assistance to become needy (in the workers' compensation example, they get careless on the job) or to see themselves (illegitimately) as deserving help they do not really need (McCluskey 1998:742-44). In the moral opportunity model, insurance growth is driven by collective political action, and comes about through coalitions of beneficiaries and advocates who change the cultural understanding of a problem and use judicial and legislative channels to restructure the rules of insurance.

Claimants and potential claimants are not the only interests who stand to gain from insurance expansion, and not the only political actors who seek its expansion. "Career altruists," people whose jobs are centrally about helping other people (doctors, nurses, other health workers, many plaintiffs' lawyers, many scientists and social scientists, social activists), regard insurance plans and programs as potential tools for helping their clients. Many of these people devote some of their energies to helping make their clients eligible for the collective aid available in insurance pools. And they do so by using their professional skills to demonstrate how new problems fit within the old rubrics of insurance. Those whose careers are dedicated to helping others will turn, as people in trouble themselves do, to the best available source of help, and that is frequently insurance. Only in the narrowest sense could these helping professions be said to act in their own self-interest as they try to expand insurance coverage. Expanded coverage may help them get paid for the services they provide or the jobs they do, but the essence of their work is helping others.

In sum, because insurance is culturally constructed as a helping institution, people who need help and people who are professional helpers look to insurance as a source of help. In asking for insurance to cover their losses, people in trouble are in essence asking a collectivity to make good on its
promises. And in fighting for insurance coverage on behalf of clients or groups of citizens, advocates and reformers are seeking to enlarge the sphere of collective moral responsibility for the well-being of individual members of their community.

Insurance as a Political Mobilizer

Insurance coverage for new services and technologies stimulates development of occupations and industries based on those technologies. These occupations and industries then acquire a vested interest in preserving and expanding insurance coverage for the services and products they provide. Again, health insurance provides a good example. Congress, when it decided to expand Medicare coverage for home health care after 1980, created a new demand for home care and essentially capitalized the industry (Szasz 1990:194). Congress deliberately encouraged home care expansion as a way to stem Medicare’s expenditures on hospital and nursing home care. In the 1980 Omnibus Budget Reconciliation Act, two changes stimulated the home care industry. First, the Act liberalized eligibility requirements for home care services and expanded the number of visits Medicare would cover. These changes in effect boosted market demand for home care. Second, the Act changed agency certification requirements to make it easier for proprietary (for-profit) home care agencies to provide services for Medicare clients. The number of Medicare-certified agencies almost doubled between 1980 and 1985, and predictably Medicare’s home health expenditures more than tripled in the same period (from $662 million to $2,233 million) (id. at 196). By 1995, Medicare had become the source of payment for almost half of all home care services, and Medicaid for another quarter (National Association for Home Care 1997:4).

By the mid-1990s, home health care had become the new “cost crisis” in health (Kennedy and Moon 1997). But when, in 1997, the federal government tried to cut back home health expenditures, two obstacles arose: first, an industry of home health agencies with well-developed trade and lobbying organizations, and second, a public expectation that ongoing home health care for chronic problems is necessary to a decent standard of living. Both of these obstacles to retrenchment are creatures of the social insurance program itself.

The phenomenon of vested interests might seem to be a close cousin to moral hazard in the sense that occupation groups and industries come to rely on insurance, just as individuals are said to rely on their insurance coverage in deciding how careful to be. The two phenomena—moral hazard and vested interests—differ in important respects, however. In economic the-
ory, moral hazard is a psychological construct that describes the way insurance affects individual thinking and behavior. Insurance is believed to encourage an insured person to behave in a way that creates a greater likelihood of loss and, eventually, of the person's making an insurance claim (Baker 1996; Heimer 1985). The pejorative overtones of moral hazard are clear: insurance (according to the theory) induces behavior that is less than virtuous; it brings out or encourages the weaker side of human character, notably a failure to act carefully and responsibly.

By contrast, the mechanism by which insurance creates vested interests is a social phenomenon. It concerns the way insurance affects group behavior and character. The effect of insurance on occupations and industries is mediated through markets rather than through the individual psyche. By paying for policyholders to receive goods and services, insurance effectively creates paying customers and economic demand. This demand in turn sustains growth of an occupation or industry; the industry's survival and people's jobs depend on the continued flow of insurance payments. There is nothing particularly moral or immoral about a firm's reliance on its customers or its sources of revenue. When an enterprise takes action to maintain its customers or to increase its sources of revenue, we do not think it is behaving "carelessly." On the contrary, it is acting carefully and judiciously.

Moreover, insofar as an industry's product or service is socially beneficial, the industry's political efforts to maintain or expand insurance coverage might well be seen as efforts to broaden the distribution of a socially valuable and worthwhile commodity. Of course, the moral assessment here is ambiguous, since the providers of insured goods and services obviously benefit directly from third-party revenue sources. Nevertheless, the fact that they get paid to provide socially beneficial goods and services does not obviate the contribution they make to collective well-being. It is in this sense that the phenomenon of vested interests in insurance exemplifies moral opportunity.

Insurance as Equalizer

Equality is one of the great rallying cries in American politics. It is perhaps the strongest and most effective way to cast political demands. Equality is not an objective criterion, but an interpretation of distributive justice that depends on particular definitions of what is being distributed and the identity of the relevant recipients (Stone 1997). Obviously, not all inequalities are remedied by insurance or by other political means. The inequalities that affect organized political constituencies are the most likely
to be remedied, and likewise, constituencies are often organized by leaders who define and publicize some version of inequality, making it politically visible and intolerable.

Equality thus sometimes functions as a “meta value” that directs insurance programs to remedy certain inequalities in the distribution of the other things insurance covers. Insurance coverage of mental illness illustrates how the drive to equalize serves as an expansive force in insurance. Mental health advocates have successfully invoked equality to improve coverage of mental illness by calling for “parity” between mental and physical illness, and by using the language and symbolism of discrimination and disparate treatment to characterize insurance coverage of mental disease (Gold 1997-98:771–82). Advocates for parity are united under the umbrella of equality in the Coalition for Fairness in Mental Illness Coverage, which includes the National Alliance for the Mentally Ill (a patient organization) as well as several provider organizations such as the American Psychiatric Association and the National Association of Psychiatric Health Systems. The coalition has won federal legislation that prohibits employer-sponsored plans from capping mental health benefits at lower levels than physical health benefits (Gold 1997-98:775–87).

Equality is the key symbolic resource in this movement. Like almost every current insurance movement, the coalition includes itself as part of the broader civil rights movement by analogizing its demands to those of the black struggle against racial discrimination. The Coalition for Fairness in Mental Illness Coverage has called mental illness “the last bastion of open discrimination in health insurance in this country” (Gold 1997-98:775–76). At a White House conference on mental illness in 1999, Tipper Gore implicitly joined mental illness to the civil rights movement when she characterized it as “the last great stigma of the 20th century,” and President Clinton tapped into the theme by exhorting, “It’s high time our health plans treat all Americans equally” (Scharfstein and Satel 1999:A18).

A similar strategy is being pursued by women’s health and reproductive rights advocates. They are calling for parity in insurance coverage of prescription contraceptives and publicizing the fact that most insurance plans that cover prescription drugs and devices do not cover contraceptives. These groups have also seized on some recent insurer decisions to cover Viagra (the anti-impotence drug for men) to exemplify the differential treatment of men’s and women’s sexual and reproductive medical needs (Kilborn 1998:A1). A state representative introduced a contraceptive parity bill in the Washington state legislature by asking, “Women pay for contraceptives and insurance companies pay for Viagra. What’s wrong with this pic-
Though federal legislation on this issue has stalled, many states are discussing legislation to require insurance plans to cover contraceptives if they cover other prescription drugs, and eleven states have passed such laws (Center for Reproductive Law and Policy 1999:2). "Parity" has become the insurance term-of-art for equality.

In addition to claiming equality in the coverage of similar kinds of losses, advocates might claim equal treatment of policyholders across different insurance plans. Advocates of broad federal regulation of managed care are using this strategy in the current congressional debates over what has come to be called a "Patient Bill of Rights." These (mostly Democratic) advocates criticize the Republican proposals for not granting the same protections to members of private insurance plans that they grant to members of employer-sponsored plans. Thus inequality among plans is another rallying cry for regulations that will liberalize and expand health insurance coverage (Mitchell 1999:Al).

Equality is also the major force for reform in property and casualty insurance. Under the banner of "redlining," homeowners' insurance, commercial insurance, and automobile insurance have all come under attack for their differential and disadvantageous treatment of low-income, inner-city communities and ethnic and racial minorities (Squires 1997). The term redlining comes from an old industry practice of drawing red lines on maps around geographic areas where the companies would not sell or write insurance. The term is now used metaphorically to mean any unfavorable treatment of applicants or policyholders on the basis of the economic, racial, or ethnic make-up of their neighborhood, and even more broadly to mean unfair discrimination on the basis of stereotypes. "Redlining" is now used as a pejorative epithet to describe insurer practices of charging higher rates to some policyholders than to others, refusing to insure some applicants altogether, or refusing to cover some kinds of losses. (Murray 1997-98:736, 743-56).

As in health insurance politics, housing and community development advocates have used the imagery and legal tools of the civil rights movement to expand access to insurance. Coalitions for "fair housing" or "fair insurance" portray insurance classification decisions as "discriminatory," based on stereotypes rather than objective, empirical data. They use disparate impact analysis from Title VI jurisprudence to litigate insurance claims under the Fair Housing Act (Murray 1997-98:761). In Massachusetts, the first state to pass a law prohibiting redlining in homeowners insurance, the insurance statute reads like a grand civil rights declaration, prohibiting discrimination against every imaginable social category: "No
insurer licensed to write and engaged in the writing of homeowners insurance in this commonwealth... shall take into consideration when deciding whether to provide, renew, or cancel homeowners insurance the race, color, religious creed, national origin, sex, age, ancestry, sexual orientation, children, marital status, veteran status, the receipt of public assistance or disability of the applicant or insured" (id., citing H. B. 5649, 1996 Reg. Sess. §3 [Mass. 1996]).

Political demands for equality in insurance challenge the fundamental principle of actuarial fairness upon which most insurance operates (Stene 1993, 1990). The most basic principle of insurance is risk classification. Insurers assess and classify risks in order to price coverage as closely as possible to the risk presented by an applicant—in other words, they seek to collect revenues from each policyholder that will cover the costs of that person's probable losses. In political contests over insurance, insurers usually argue that their practices of charging differential rates or excluding certain categories of people and losses are simply reflections of economic reality (Treaster 1996:D1, D6). The people who appear to be discriminated against are treated differently because they pose objectively greater risks of loss (Murray 1997-98:738).

If we were to interpret this broad expansionary movement in insurance through the lens of moral hazard, we might say that groups seeking coverage of their problems or seeking coverage on equal terms with other groups are pursuing their self-interest and exemplifying the moral hazard problem. They would happily transfer their personal responsibilities to the collective society, and the very prospect of insurance induces them to shed personal responsibility and rely on outside help instead.

The lens of moral opportunity, however, focuses the same movement differently. Those seeking insurance expansion are making the quintessential democratic claim: they are asserting their membership in a community, their right to representation in its collective decisions, and their right to equal treatment vis-a-vis other citizens. The community of insureds is a group of people who share risks and who put some of their resources at the disposal of the community for the purpose of helping individual members who suffer losses. Groups and their advocates who make claims for inclusion are asking to have their problems recognized by one of the most important institutions for providing security. When they seek various kinds of mandates that require insurers to treat them and their problems in certain ways, they are in effect asking for a permanent seat at the table of community governance. They are unwilling to let insurers decide who should be included in the collective mutual aid system that insurance represents.
They use democratic political channels to open up insurance decisions to broader participation. In this view, security and its pursuit are genuine matters of civil rights.

**Conclusion**

Economics is the dominant paradigm for analyzing insurance. Within that paradigm, all social processes are understood to be the aggregate result of individuals' rational, self-interested, interest-maximizing behavior. Insurance is seen as an institution that modifies the incentives facing individuals, and offers them possibilities of gain (or loss alleviation) without their having to bear the full cost of their gains. This opportunity to gain without paying the full price is thought to create a temptation to immoral behavior, known as moral hazard. Moral hazard is, in this paradigm, an inescapable effect of insurance, and it means that insurance slowly, constantly, and inevitably creates more reliance on insurance and therefore ever more insurance.

Political science offers a very different interpretation of the steady long-term growth of insurance in modern industrial societies. Insurance is a social institution that helps define norms and values in political culture, and ultimately shapes how citizens think about issues of membership, community, responsibility, and moral obligation. Insurance influences how individuals behave, not so much by dangling incentives in front of them one by one, but rather by offering arenas for collective moral deliberation and political action. Insurance may also be regarded as a system of governance, and controversies over the design and operation of insurance plans as political struggles over the allocation of power and resources. Like any political authority, an insurance organization appears to citizens as an authority with the power and resources to improve or worsen their lives.

I have identified five broad political mechanisms by which insurance expands to cover more kinds of problems and more groups of people in more kinds of mutual aid arrangements. First, because it is a system of collective risk sharing, insurance invites public discussion of the appropriate boundaries of individual and social responsibility. Wherever it operates, whether in the private or public sector, insurance perpetuates itself and ensures its survival in part by defending the legitimacy of mutual aid. Second, insurance teaches citizens that they have an obligation to help others and the right to receive aid when they suffer certain kinds of losses. Third, insurance funds the development of helping technologies, services, and occupations, which in turn creates new and enlarged societal standards of well-being that alter public ideas about what adverse events ought to be insured
and what standards of life quality ought to be provided through insurance remedies. Fourth, insurance policies and regulations offer ambiguity as a political resource to three sets of political actors who all have stakes in the expansion of insurance: claimants who want help with new kinds of problems, career altruists who see insurance as a tool for helping their clients, and service providers who depend on insurance reimbursement for their revenues. Finally, because equality is an overarching value in American political culture, claims of inequality and discrimination are powerful political tools for groups seeking inclusion of themselves and their problems in insurance plans. American political culture almost defines inequality as an adverse event itself, something that must be remedied as soon as it is revealed.

A political paradigm enables a different normative interpretation of insurance expansion. In the moral hazard model, insurance leads the individual to engage in immoral behavior; in the moral opportunity model, insurance alters societal ideas about responsibility and obligation. If individuals begin to believe that getting help for their problems is legitimate, they do so out of changed cultural perceptions about the causes and possible remedies for their problems, not out of a character weakness or an insufficient determination to be self-reliant. And when individuals who share common problems join together to seek help from private or public insurance plans, they are acting not as a band of brigands, raiding the common wealth for their narrow gains, but are acting the role of virtuous citizens, using democratic means to make their voices heard and their needs understood.

That we have insurance for more and more needs and that we expand the scope of public responsibility for many kinds of losses does not signal a moral decline in the citizenry, as opponents of insurance claim. Insurance growth is a social response to the Enlightenment faith that much of what happens to humans is not a matter of fate and that many of our problems are within our control.

NOTES


1. For example, an ad for CIGNA Property and Casualty portrays a fireman covered with soot, and says “Fire Departments, Ambulances, Rescue Squads ... Do you ever wonder who protects them? (CIGNA 1997). An ad for CIGNA International shows apparently Asian men in hard hats crouched around some dangerous-looking industrial equipment, and says “Moving your business away from home opens a world of new opportunities . . . CIGNA can help you feel like you’re not so far from
n home" (CIGNA 1997b). Also, an ad for CIGNA Group Insurance shows a man snuggling twin little girls, one in each arm, saying "You never thought you'd have kids. Now you have two. . . . Keeping their future safe is what CIGNA Group Insurance is about." (CIGNA 1996).

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