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## Gregory L. Schneider: The Audacity of Hopelessness

From the Flint Hills Center for Public Policy:

The Audacity of Hopelessness

Gregory L. Schneider

President Barack Obama has had his way with business in his first hundred days in office. He is the only president in American history to fire a CEO of a private business, Rick Wagoner of General Motors. He called bondholders of Chrysler Corporation speculators after they refused a government-financed deal that would have paid them one-third or less of what they are owed; they would rather go through regular bankruptcy proceedings. Recently, out of fear of a nationalized health care system, private insurance trade associations and health care providers have pledged to the president that they will reduce \$2 trillion in health care costs over the next decade. It might be the audacity of hope for President Obama, but it's hopelessness for the private sector.

The health providers, according to the Wall Street Journal, said they would reduce costs by simplifying administrative costs, making hospitals more efficient, reducing hospitalizations, and improving health care information technology. This last cost reduction goal plays to the president's good graces, as it is a key component in what he believes will reduce health care costs. If the costs can be reduced then there may be no problem with the providers committing themselves to do so. But much depends on the other health care plan floating through Congress, the one that could force an end to private insurance-despite what supporters say-through the crowding out of the private market and its replacement with the public insurance Obama favors.

Why is the health care industry, which vehemently opposed Hillary Clinton's efforts to nationalize health coverage in 1993 and 1994, now supportive of the effort to do so? One thought is that it's better to be a player on the inside negotiating the terms of surrender rather than one on the outside being dictated the terms. The conventional wisdom among conservatives is that this represents "a craven gesture of submission," a kowtow to the American emperor as National Review editor Rich Lowry called it in his column.

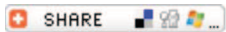
But look a little deeper as CATO Institute health care fellow Michael Cannon did on National Review Online (May 11, 2009) and there may be a different reason for why the health care industry caved and gave such promises to Obama. According to Cannon, "the basic math of universal coverage is this: it will cost a minimum of \$120 billion per year to cover the uninsured. Over ten years, it can easily cost \$2 trillion." The Congressional

Budget Office (CBO) has not recognized the assumed savings from health care reform which are a major component of the Obama argument-reform health care and costs will decrease.

“So it may be,” Cannon continues, “that the industry’s overture is actually an effort to cook the books by ganging up on the CBO: “See, you silly number-crunchers? Even the industry believes these reforms will reduce spending. What’s in it for the industry? Universal coverage gives them a huge revenue boost in the short term-and then every lobbyist at the White House will fight for those spending reductions over the long term. The industry isn’t negotiating its surrender-they’re negotiating the surrender of even more of our money.”

Every economic decision the Obama administration has made since it took office in January has resulted in the politicization of private business. Look at the auto companies; look at the banks and Wall Street firms. Want to get out of government managed programs, like the Troubled Asset Relief Program (TARP)? You have to prove your worthiness, jump through hoops and then the administration may let you out of the program. Or it may not. Better to enter bankruptcy and reject the federal dole than to suffer the full consequences of government bailouts.

That is a lesson I hope business learns quickly and begins to resist the trend toward socialized medicine (i.e., higher taxes, rationed care and a weakened health care system) on top of nationalized banks, auto companies and whatever else this administration has in store. That truly is the audacity of hopelessness. Gregory L. Schneider is a Senior Fellow with the Kansas-based Flint Hills Center for Public Policy. A complete bio on Dr. Schneider can be found at <http://www.flinthills.org/content/view/24/39/>, and he can be reached at [greg.schneider@flinthills.org](mailto:greg.schneider@flinthills.org). To learn more about the Flint Hills Center, please visit [www.flinthills.org](http://www.flinthills.org).



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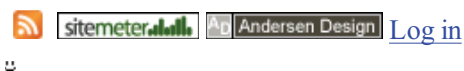
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