

**Yankee Steve's Column**  
**for the week of July 23, 2009**

Dear Readers,

Mort Zuckerman is a billionaire investor whose opinions on most subjects are worth noting. He shows in his article (following my column) that welfare-ism is what motivates the left and not the creation of jobs. We have always known that Obama plans on paying back those who got him elected, and that he has been willing to use the stimulus package as a cover for his social programs. Zuckerman has confirmed this again.

Yankee Steve

**Socialized Medicine: A Time Bomb**

Have you ever lived in a country with socialized medicine? I have, and it was shoddy.

I presented myself to a local doctor with a simple case of psoriasis. You know what that is. It is a condition that results from an unequal distribution of protein. This in turn creates unsightly scales, itchy patches on your skin.

The first doctor didn't have clue about my medical condition. The second and the third were just as inept. Six months passed. You may have heard of "the heartbreak of psoriasis." I experienced the heartbreak of socialized medicine! By the time an Indian specialist diagnosed me (it took him less than 30 seconds) I resembled the patriarch Job in the Old Testament scraping himself with a broken piece of potsherd.

The mention of broken potsherds brings to mind a seldom used custom in ancient Greece. The Greek word for potsherd was *ostraka*. When it was feared that a politician or military leader was acquiring too much power, and that he represented in himself a threat to freedom and democracy, Athenians were allowed to write his or anyone's name on a piece of ostraka and place it on to a pile. If a name appeared often enough the politician was sent out of the city to live elsewhere; hence the word "ostracism." If the name appeared too many times his exile could last up to ten years. So dear reader, if you could write the name of someone on a piece of potsherd, who would it be? I would start with Obama. Running a close second would be Rep. Henry Waxman [D-CA] whose ideas are not just inane and a little silly, they are insane. The voters of California must do something about this man.

Socialized medicine will reduce the quality of health care in America. That will be a sad day because our health services are by far and away the best in the world. If a woman gets breast cancer in France or England or anywhere for that matter, she stands a much better chance of

dying from the disease than if she were treated in the U.S. So there Michael Moore, your 2007 film *Sicko*, which exalted the Cuban medical system above our own, amounted to a pile of lies!

We can be sure of one thing, those in Congress who are calling for a one-pay system like in the U.S.S.R., will not hang their pants in the same treatment rooms along with the rest of us. These flaming hypocrites will avail themselves of private care which will exist alongside the public system just as it does in England, which has passed from boasting about its health care system to making excuses for it. To the consternation of Senator Diane Feinstein, House Speaker Nancy Pelosi is the richest woman in government. Do not think for a moment that this outspoken Socialist will not follow the example of rich Socialists like that of Prime Minister Gordon Brown. She will have the best care while we are forced to get by on the kind of care I experienced in the United Kingdom, the one reserved for peons.

### **Who Pays?**

How will the government pay for health care? It will not pay for it; the citizens will pay for health care in the same way they pay for everything else. This means that if an employer does not want to participate in the program being rammed through Congress at this time he will have no choice. He will have to comply. It is that simple. When the administration of President Barack Obama speaks, you had better listen.

Typically there are three ways to pay for socialized medicine. There is the direct-service approach in which the state operates all the medical facilities. This means that the state employs those who staff these facilities. A second way of paying for health care is to require the patient who receives care to pay the bill and then to wait for the government to reimburse him. In the third system, called the service-benefit method, the government makes a direct payment to those who own or operate health facilities. **Then there is the Obama way which on the surface looks almost American, but don't be fooled. It as far from American as the Volga River is from the Mississippi.**

If Obama had his way, and if as he says he could “start health care from scratch”, he would opt for a one-pay system like the one used in the former Soviet Union. This is why he has allowed to the table [July 16, 2009] those who advocate a one-pay system even though their presence there smells of Socialism. No doubt he will feel very much at home with them.

Obama thinks that we should all have health insurance. But who will pay your premiums if you cannot afford to pay them? Why it is simple, the government will pay your premiums using money it has collected from those who have some money leftover after they paid for their own premiums. Now if the government has to pay for your premiums it will also feel entitled to regulate the insurance industry in a way that it has never been regulated.

After all the government will not allow itself to be ripped off will it? This is much more important than we might have suspected. This will be just one more nail in the coffin of the Free

Market system. What begins with the regulation of insurances premiums will not stop there. Good-bye laissez-faire economics it was nice knowing you! We began to see your departure with the appearance of Medicare and Medicaid. At that time doctors were told by the government what prices they could charge. The fallout from this was disastrous. To make up the short fall these same doctors had to overcharge those who had no insurance.

Socialized medicine is the tip of the iceberg. It could bring about the end of the private sector altogether. GM or General Motors will be Government Motors, or hasn't that happened already?

### **Stealth Socialism**

Where did the idea of socialized medicine come from, and who has pushed this idea the most?

Before answering, we should review what socialized medicine is.

Socialized medicine is an all too powerful government saying that it has the right to force employers to go beyond paying a decent salary, one that has come about because employers and employees have agreed that an hour's worth of work is worth this amount of money. This is why if Obama-care is approved by the Congress; many small businesses will have to layoff workers in order to have the money to participate in the system he wants to put in place. Obama-care when the numbers are crunched proves as much as anything that Obama is an incompetent.

Socialized medicine is dictatorial. It is what I call "Paulsonism" after Henry Paulson the former Secretary of the Treasury who would have felt at home in Nazi Germany. In the most unconscionable way socialized medicine will deny employees and employers the right to take care of their own medical coverage as they have in the past.

So I ask again, where did the idea of socialized medicine come from, and who has pushed for it the most?

Socialized medicine stems from the idea that the government exists in order to take care of its citizens, and the people in Congress who sit on the left side of the aisle have pushed for its acceptance. They are leading us to a place where the right to choose to govern our own lives is being increasingly taken away from us. Never has the following quote been more appropriate than now - "Every time Congress meets we lose more of our freedoms."

That sage among men economist Ludwig von Mises [1881-1973] explains the way in which Socialism can insinuate itself so that one day we awake to discover that we are now living in a Socialist country. He concludes that, "**There are two different patterns for the realization of socialism.**"

The one pattern is Marxian or Russian in which all "**. . . economic enterprises are departments of the government just as the administration of the army and the navy or the postal system**

**. . . The whole nation forms one single labor army with compulsory service; the commander of this army is the chief of state.”**

The other pattern is German or the one that Obama is pushing for which is called *Zwangwirtschaft*. This pattern

. . . differs from the first one in that seemingly and nominally, maintains private ownership of the means of production, entrepreneurship, and market exchange. So-called entrepreneurs do the buying and selling, pay the workers, contract debts and pay interest and amortization. But they are no longer entrepreneurs. In Nazi Germany they were called shop managers or *Betriebsfuhrer*. The government tells these seeming entrepreneurs what and how to produce, at what prices and from whom to buy, at what prices and to whom to sell. The government decrees at what wages laborers should work and to whom and under what terms the capitalists should entrust their funds. Market exchange is but a sham. As all prices, wages, and interest rates are fixed by the authority, they are prices, wages, and interest rates in appearance only; . . . The authority, not the consumers, direct production . . . This is socialism, with the outward appearance of capitalism. Some labels of the capitalistic market economy are retained, but they signify here something entirely different from what they mean in the market economy.

## **Conclusion**

Well-meaning people want nothing more than that everyone has medical insurance, even if they refuse to pay for it, and even if they think that this amounts to an encroachment on their privacy. However, Winston Churchill [1874-1965] knew that Socialism, with all its giveaway programs, will eventually lead to the loss of our freedoms. Socialists reason that if the unwilling must be coerced, so that everyone in America can be insured, then so be it. Coercion to a Socialist is fair because it serves their noble ends. In the First Conservative Election broadcast, Churchill said,

No socialist government conducting the entire life and industry of the country could afford to allow free, sharp, or violently worded expressions of public discontent. They would have to fall back on some form of Gestapo, no doubt very humanely directed in the first instance.

And this would nip opinion in the bud; it would stop criticism as it reared its head, and it would gather all the power to the supreme party and the party leaders, rising like stately pinnacles above their vast bureaucracies of civil servants, no longer servants and no longer civil.

And where would the ordinary simple folk - the common people, as they like to call them in America - where would they be, once this mighty organism had got them in its grip?  
[June 4, 1945]

Ever Yours,

Steve Cakouros

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## The Economy Is Even Worse Than You Think

By [MORTIMER ZUCKERMAN](#)

The recent unemployment numbers have undermined confidence that we might be nearing the bottom of the recession. What we can see on the surface is disconcerting enough, but the inside numbers are just as bad.

The Bureau of Labor Statistics preliminary estimate for job losses for June is 467,000, which means 7.2 million people have lost their jobs since the start of the recession. The cumulative job losses over the last six months have been greater than for any other half year period since World War II, including the military demobilization after the war. The job losses are also now equal to the net job gains over the previous nine years, making this the only recession since the Great Depression to wipe out all job growth from the previous expansion.

Here are 10 reasons we are in even more trouble than the 9.5% unemployment rate indicates:



David Klein

- June's total assumed 185,000 people at work who probably were not. The government could not identify them; it made an assumption about trends. But many of the mythical jobs are in industries that have absolutely no job creation, e.g., finance. When the official numbers are adjusted over the next several months, June will look worse.

- More companies are asking employees to take unpaid leave. These people don't count on the unemployment roll.

- No fewer than 1.4 million people wanted or were available for work in the last 12 months but were not counted. Why? Because they hadn't searched for work in the four weeks preceding the survey.

- The number of workers taking part-time jobs due to the slack economy, a kind of stealth underemployment, has doubled in this recession to about nine million, or 5.8% of the work force. Add

those whose hours have been cut to those who cannot find a full-time job and the total unemployed rises to 16.5%, putting the number of involuntarily idle in the range of 25 million.

- The average work week for rank-and-file employees in the private sector, roughly 80% of the work force, slipped to 33 hours. That's 48 minutes a week less than before the recession began, the lowest level since the government began tracking such data 45 years ago. Full-time workers are being downgraded to part time as businesses slash labor costs to remain above water, and factories are operating at only 65% of capacity. If Americans were still clocking those extra 48 minutes a week now, the same aggregate amount of work would get done with 3.3 million fewer employees, which means that if it were not for the shorter work week the jobless rate would be 11.7%, not 9.5% (which far exceeds the 8% rate projected by the Obama administration).

- The average length of official unemployment increased to 24.5 weeks, the longest since government began tracking this data in 1948. The number of long-term unemployed (i.e., for 27 weeks or more) has now jumped to 4.4 million, an all-time high.

- The average worker saw no wage gains in June, with average compensation running flat at \$18.53 an hour.

- The goods producing sector is losing the most jobs -- 223,000 in the last report alone.

- The prospects for job creation are equally distressing. The likelihood is that when economic activity picks up, employers will first choose to increase hours for existing workers and bring part-time workers back to full time. Many unemployed workers looking for jobs once the recovery begins will discover that jobs as good as the ones they lost are almost impossible to find because many layoffs have been permanent. Instead of shrinking operations, companies have shut down whole business units or made sweeping structural changes in the way they conduct business. General Motors and Chrysler, closed hundreds of dealerships and reduced brands. Citigroup and Bank of America cut tens of thousands of positions and exited many parts of the world of finance.

Job losses may last well into 2010 to hit an unemployment peak close to 11%. That unemployment rate may be sustained for an extended period.

Can we find comfort in the fact that employment has long been considered a lagging indicator? It is conventionally seen as having limited predictive power since employment reflects decisions taken earlier in the business cycle. But today is different. Unemployment has doubled to 9.5% from 4.8% in only 16 months, a rate so fast it may influence future economic behavior and outlook.

How could this happen when Washington has thrown trillions of dollars into the pot, including the famous \$787 billion in stimulus spending that was supposed to yield \$1.50 in growth for every dollar spent? For a start, too much of the money went to transfer payments such as Medicaid, jobless benefits and the like that do nothing for jobs and growth. The spending that creates new jobs is new spending, particularly on infrastructure. It amounts to less than 10% of the stimulus package today.

About 40% of U.S. workers believe the recession will continue for another full year, and their pessimism is justified. As paychecks shrink and disappear, consumers are more hesitant to spend and won't lead the economy out of the doldrums quickly enough.

It may have made him unpopular in parts of the Obama administration, but Vice President Joe Biden was right when he said a week ago that the administration misread how bad the economy was and how effective the stimulus would be. It was supposed to be about jobs but it wasn't. The Recovery Act was a single piece of legislation but it included thousands of funding schemes for tens of thousands of projects, and those programs are stuck in the bureaucracy as the government releases the funds with typical inefficiency.

Another \$150 billion, which was allocated to state coffers to continue programs like Medicaid, did not add new jobs; hundreds of billions were set aside for tax cuts and for new benefits for the poor and the unemployed, and they did not add new jobs. Now state budgets are drowning in red ink as jobless claims and Medicaid bills climb.

Next year state budgets will have depleted their initial rescue dollars. Absent another rescue plan, they will have no choice but to slash spending, raise taxes, or both. State and local governments, representing about 15% of the economy, are beginning the worst contraction in postwar history amid a deficit of \$166 billion for fiscal 2010, according to the Center on Budget and Policy Priorities, and a gap of \$350 billion in fiscal 2011.

Households overburdened with historic levels of debt will also be saving more. The savings rate has already jumped to almost 7% of after-tax income from 0% in 2007, and it is still going up. Every dollar of saving comes out of consumption. Since consumer spending is the economy's main driver, we are going to have a weak consumer sector and many businesses simply won't have the means or the need to hire employees. After the 1990-91 recessions, consumers went out and bought houses, cars and other expensive goods. This time, the combination of a weak job picture and a severe credit crunch means that people won't be able to get the financing for big expenditures, and those who can borrow will be reluctant to do so. The paycheck has returned as the primary source of spending.

This process is nowhere near complete and, until it is, the economy will barely grow if it does at all, and it may well oscillate between sluggish growth and modest decline for the next several years until the rebalancing of excessive debt has been completed. Until then, the economy will be deprived of adequate profits and cash flow, and businesses will not start to hire nor race to make capital expenditures when they have vast idle capacity.

No wonder poll after poll shows a steady erosion of confidence in the stimulus. So what kind of second-act stimulus should we look for? Something that might have a real multiplier effect, not a congressional wish list of pet programs. It is critical that the Obama administration not play politics with the issue. The time to get ready for a serious infrastructure program is now. It's a shame Washington didn't get it right the first time.

Mr. Zuckerman is chairman and editor in chief of U.S. News & World Report.