

5 March 2010

Today's Tabbloid

PERSONAL NEWS FOR Ign@limitedgovernmentnetwork.com

FISCALLY CONSERVATIVE BLOG FEEDS

Health Cost Projections to 2019: The Doc Fix Trick Again [Cato at Liberty]

MAR 04, 2010 03:59P.M.

By Alan Reynolds

Congressman Paul Ryan (R-WI) takes the President to task for cooking the books on projected health care costs, most egregiously with the “doc fix” — namely, assuming Medicare slashes physician payments by 21.3% this year and subsequently lets them fall continuously in real terms.

What nobody seems to have noticed is that the same phony “doc fix” taints the new “Health Spending Projections Through 2019” from Centers for Medicare and Medicaid Services (CMS).

Drew Altman, president and CEO of the Kaiser Family Foundation, tries to downplay the CMS forecast “that the public sector will start paying more than half of the nation’s health care bill starting in 2012, and that government spending will grow faster than private spending from 2009 to 2019 (an average of 7.0% per year vs. 5.2%).”

Worrying about such spending trends is a foolish “ideological battle over the role of government,” says Altman, because rapid increases in government health spending is “just the byproduct of economic and demographic trends” (recession and an aging population). “Is government health spending out of control?” he asks; answering “NO” in capital letters. “The report simply underscores the need to control health care costs in the public and the private sectors alike.”

On the contrary, the reason government health care spending is projected to *slow down* to 7% a year is, the CMS explains, “**due principally to the 21.3% reduction in physician payment rates** . . . mandated in current law.”

Putting aside such “doctored” projections, “health spending by public payers (\$1.2 trillion) is projected to have grown much faster in 2009 (**8.7 percent**) than that of private payers (3.0 percent).”

That was *not* because of high inflation in costs of medical goods and services (which should not differ much between government and private payers), but because the government has only in recent years been heavily subsidizing health insurance for the unemployed and drug insurance for seniors, and actively expanding the enrollment of Medicaid

programs which (being “free”) often lure people out of employer-sponsored plans.

What Congressional Democrats call “reform” is, in fact, much more of the same—more non-poor people getting Medicaid and other subsidies that are yanked away if you work too hard.


No, It's *Not* Health Inflation

Describing runaway entitlement spending as “health inflation” is terribly misleading (even when Rep. Ryan does it), because doing so confuses *rising prices* with *rising utilization* of medical goods and services by people who are *insulated* from actual costs by taxpayer-financed subsidies.

Government subsidies also raise costs to those using private insurance. The CMS notes that 2009’s 4.6% increase “private health insurance premium spending per employee . . . resulted in part from an increase in the proportion of high-cost claims—*many of whom have temporary COBRA coverage*” [emphasis added], which is 65% financed by taxpayers.

By contrast, health inflation *per se* is projected to be 2.8% this year — comparable to other labor-intensive service industries and also down from 3.2% in 2009 and 3% in 2008. Moreover, “out-of-pocket spending is projected to have grown *2.1 percent* in 2009, down from 2.8% in 2008.”

What about all the uninformed media fuss about health insurance companies supposedly “asking for” premium increases of “up to” 39%?

If President Obama really wanted to find out how quickly typical health insurance premiums have been increasing, he could have a staffer call the Bureau of Labor Statistics and ask for Table 3A of the “Consumer Price Index Detailed Report Tables Annual Averages 2009.” It turns out the consumer price index for health insurance premiums **fell** by 3.2% in 2009. 

FISCALLY CONSERVATIVE BLOG FEEDS


Thursday Links [Cato at Liberty]

MAR 04, 2010 03:00P.M.

By Chris Moody

- Many European countries are working toward privatizing their government post offices. The United States should do the same.
- Analysis of the Chicago gun case: Supreme Court protects gun rights, fails to restore greater freedom.
- Are Supreme Court justices afraid of the plain language in the Constitution?
- A quick lesson on taxes.
- Six reasons to downsize the federal government.

Justices seemed afraid of the plain language of the Constitution.

- Podcast: "Privileges or Immunities' Has Meaning" featuring Clark Neily, senior attorney for the Institute for Justice. 

FISCALLY CONSERVATIVE BLOG FEEDS

Our Little Scholars [Cato at Liberty]

MAR 04, 2010 02:24P.M.


By Neal McCluskey



As I mentioned a few days ago, today is the “Day of Action” in California — and, it turns out, elsewhere — when college students and just general protectors of public schooling are supposed to take to the streets and demand that taxpayers fork over not one less red cent to students and schools.

Ironically, the mindless, property-destroying, absurd goings-on that have surrounded past such demonstrations in Cali — and are already in evidence today — brilliantly illustrate one major reason we need to *cut* higher education subsidies, not increase them. Clearly, too many college students have both far too much time on their hands, and far too little self control, to justify spending hard-earned taxpayer dough on their “education.”

But at least the ostensible motivation behind recreational rioting in California has been slightly related to a principle — namely, the principle that taxpayers owe students stuff. That’s actually a better excuse for taking to the streets than what set off last night’s student riots in College Park, Maryland: a victory in a basketball game. (To be fair, University of Maryland students also riot after losses — they’re no fair weather fans!)

And to think — one of the reasons we’re supposed to support massive subsidies for students is that it serves the common good. Go figure. 

FISCALLY CONSERVATIVE BLOG FEEDS

Will Taxing Foreign Visitors Promote Tourism? [Cato at Liberty]

MAR 04, 2010 01:57P.M.

By Daniel Griswold

President Obama is taking a break today from promoting a more federalized health-care system to sign a bill creating a federalized tourist promotion campaign.


In a closed ceremony at the White House, the president signed the Travel Promotion Act. After gaining final passage by the Senate last week, the bill will raise an estimated \$200 million a year by imposing a \$10 tax on visitors to the United States from countries where they are not required to obtain a visa. The revenue will be used to create and fund a new agency, the Corporation for Travel Promotion, that would work with the U.S. tourism industry to promote the United States as a global travel destination.

I’m all for promoting tourism to the United States. Tourism is an important “service export” that generates more than \$100 billion a year in earnings from foreign travelers to the United States. But a new federal agency and a new tax on travel are not the right way to drum up more tourism business.

First, just on principle, promoting a particular industry should be the business of that industry, not the business of government. Americans also export billions of dollars worth of farm goods, semiconductors, machinery, aircraft, pharmaceuticals, and chemicals, along with financial, education, insurance, and other services. None of those industries deserves their own tax-financed promotion board either. If the payoff from promotion is so huge, the industry should be willing to bear its cost without the aid of the government.

More practically, it goes against basic economic logic to promote tourism to the United States by imposing new costs on tourists. Granted, \$10 is not a large amount, but the demand curve for tourism is downward sloping – as it is in every other market. A higher price will lead to less demand, not more. As a spokesman for the International Air Transport Association told ABC News:

It's absolutely counterintuitive. To us, we're saying we'd love to see more people visit the United States, but we're going to charge you more for the privilege of entering the country. We are in favor of increased tourism and visitation... but let's look at our priorities. We don't think that videos and billboards are necessarily a priority. Instead, we should be focusing on how to make customs and immigration easier for people.

As I argued in a previous post, the U.S. government should be doing more to keep dangerous people off flights to the United States instead of making it even more difficult for perfectly harmless tourists and business travelers to get on those same flights. 

FISCALLY CONSERVATIVE BLOG FEEDS

On CNBC's Kudlow Report Tonight [Larry Kudlow's Money Politic\$]

MAR 04, 2010 11:53A.M.



This evening at 7pm ET:

ECONOMY: THREATS FROM WASHINGTON; DOUBLE DIP? TRAINWRECK COMING?

- Don Luskin, CNBC Contributor; Trend Macro Chief Investment Officer
 - John Ryding, Chief Economist and founding partner at RDQ Economics

ONE-ON-ONE WITH ED YARDENI

*What's the next market move?
 Is a double-dip recession in store?
 Should Greece sell its family jewels?*

Ed Yardeni, Yardeni Research President will join us with his perspective.

HOW HIGH COULD U.S. TAX RATES GO?

- Arthur Laffer, Chairman, Laffer Investments; Fmr. Reagan Economic Advisor
 - Robert Reich, Fmr. Labor Secretary; Author, "Supercapitalism" CNBC Contributor' Univ. of CA., Berkeley, Prof. of Public Policy

RONALD REAGAN ON THE \$50 BILL?

- Rep. Patrick McHenry (R-NC) will discuss his bill.

Please join us. *The Kudlow Report*. 7pm ET. CNBC. 

FISCALLY CONSERVATIVE BLOG FEEDS

Ray LaHood as Santa Claus [Cato at Liberty]

MAR 04, 2010 10:20A.M.

By Tad DeHaven

U.S. News & World Report's columnist Paul Bedard reports that Transportation secretary Ray LaHood told him that *it's fun playing Santa Claus to states and cities around the nation.*

So let's take a look at some recent examples of DOT gift-giving with federal taxpayers' money:

- DOT's Federal Highway Administration helped restore an old brewery in Petoski, Wisconsin with a \$450,000 gift. That should make taxpayers want to drink.
- DOT is sending \$116,000 to Calaveras County, California to restore a train that operated in the 1920s.
- Dolgeville, New York intends to use DOT stimulus money to repair sidewalks even though the village acknowledges that the new sidewalks will have to be torn up and replaced again due to impending water and sewage line upgrades. Keynes would be particularly proud of this one. Last year the city received a \$1

million gift from DOT for the “installation of period street lights, trees, accent pavers, street furniture and sidewalk improvements” on the city’s Main Street.


- Cascade County, Montana plans on spending \$75,000 of DOT money on the Montana Museum of Railroad History.
- The Michigan Department of Transportation plans on spending \$5 million in federal DOT money on a bunch of projects that are of unquestionable national importance: cobblestone streets in Grand Rapids; exhibits at the Detroit Science Center; rehabilitating the historic Quincy and Torch Lake Railroad Engine House in the Upper Peninsula; a bridge for bicyclists and pedestrians over the Clinton River in Utica and bike racks at several locations in Wayne, Oakland, and Macomb counties.
- Boone County Regional Airport in Arkansas plans on using \$50,000 in DOT money to market SeaPort Airlines. Fly, fly away taxpayer money.

These projects might be worthwhile, but they should be paid for by the local interests who can best judge their worth.

In his 1932 book, *Congress as Santa Claus*, constitutional scholar Charles Warren offered a prescient warning on the dangers of federal subsidization of state and local affairs:

The continuance of this practice of shifting to the National Government responsibility for payment for matters which formerly were dealt with by individual initiative, by community cooperation, by voluntary organizations, or by local or State governments – the continuance of this practice of making drafts on the National Treasury to carry out purposes not within the enumerated or implied powers of the National Government will inevitably have two results.

So far as these Government donations consist of direct appropriations for private or local interests, they will deaden and finally destroy the eagerness or willingness of State Governments and local communities to pay for their own needs. So far as they take the shape of the so-called Federal Aid laws for local projects to be matched by local appropriations, they will have ‘a tendency to induce excessive expenditures by State and municipal governments, with top-heavy bond issues and oppressive local taxation.’

I doubt in Warren’s worst nightmares could he have envisioned the examples of DOT spending above, let alone the existence of a \$90 billion federal Department of Transportation. 


FISCALLY CONSERVATIVE BLOG FEEDS

A Clash of Worldviews on Free Trade [Cato at Liberty]

MAR 04, 2010 10:05A.M.

By Daniel Griswold

If you want to witness the clash of two worldviews on trade, check out the online debate I’m having with Ian Fletcher of the U.S. Business and Industry Council. A self-described protectionist, Fletcher has written a new book with the unambiguous title, *Free Trade Doesn’t Work: What Should Replace it and Why*. In the opposite corner, I argue for eliminating barriers to trade, drawing on my own recent book, *Mad about Trade: Why Main Street America Should Embrace Globalization*.

The debate is being hosted by the International Economic Law and Policy Blog. We’ve already filed two 600-word posts each, with a third to come at the end of this week and concluding arguments early next week. 

FISCALLY CONSERVATIVE BLOG FEEDS

Senator Bunning Exposes Washington’s Fiscal Frauds [Cato at Liberty]

MAR 04, 2010 08:45A.M.

By Daniel J. Mitchell


President Obama and many other politicians in Washington are big fans of pay-as-you-go budgeting, which means they want any new spending or tax relief offset (or “paid for”) with tax increases or spending cuts from other parts of the budget. Or at least that’s what they claim. But when Senator Bunning took them at their word and blocked a \$10 billion spending bill because his colleagues were unwilling to make some tiny changes elsewhere, he was treated like a leper. Even his Republican colleagues largely disapproved of his actions (so much for having learned any lessons from the drubbings they took at the polls in 2006 and 2008). Attacked from all sides, Bunning eventually relented in exchange for an offset vote (which was defeated, of course). What makes this episode interesting is not the specific policies that were being considered. As I posted earlier this week, Bunning was not even trying to shrink the size of government. Indeed, his “offset” was actually a tax increase (getting rid of a special tax break for paper manufacturing).

But this incident does expose the gross hypocrisy of the supposed deficit hawks in Washington. President Obama and the Democrats (and many Republicans) pretend they care about deficits, but their concerns magically disappear whenever there is a chance to buy votes by spending

other people's money. When tax cuts or tax increases are being debated, however, many of these same politicians piously declare their unwavering opposition to red ink (unless, of course, it's a special tax break for a contributor). But perhaps it's no surprise to discover that politicians think higher taxes are the solution to the over-spending problem in Washington.

What about the organizations that supposedly exist to fight deficits, such as the Concord Coalition and the Committee for a Responsible Federal Budget (they should be fighting spending instead, but let's set that issue aside). Folks from these groups often ask politicians to be courageous and make "tough choices." So I went to the Concord Coalition's homepage and was shocked, shocked to find nothing about Bunning's effort. I checked the blog and the press releases and found lots of tough rhetoric, but not one word of praise (or one word of any sort) for a Senator who tried to put the Concord Coalition's words into action. And what about the Committee for a Responsible Federal Budget? Same song, second verse. Not a mention of Bunning on the homepage, blog, or in the press releases.

Anybody care to make any predictions whether these groups will be similarly silent when President Obama's "Fiscal Responsibility Commission" unveils a big tax hike?

Mea Culpa: On another matter, I have to confess an error. I did an interview for NBC affiliate stations on the financial mess at the Postal Service. I haven't spent any time on that issue, so I quickly scanned some material from my Cato colleagues Chris Edwards and Tad Dehaven and saw that Congress had given an indirect bailout to the Postal Service by suspending \$4 billion of required pre-funding for retiree health benefits. I then went on the air and said that this was a taxpayer subsidy for the Postal Service's lavish pay and benefits. The Postal Service does have lavish pay and benefits, and the indirect bailout may lead to a direct infusion of taxpayer money at some point in the near future, but what I said I was wrong because no taxpayer money is currently being allocated (and I would have avoided the mistake if I paid closer attention to what Chris and Tad wrote). So, please, postal workers, don't go...um...postal on me. 

FISCALLY CONSERVATIVE BLOG FEEDS

Obama's HSA Gambit a Net Minus? [Cato at Liberty]

MAR 04, 2010 08:42A.M.

By Michael F. Cannon

President Obama evidently thinks that if he promises not to kill health savings accounts (HSAs), opponents will swoon for his government takeover of health care. If that doesn't do the trick, he should make clear that his health plan would not eliminate other things too, like the Defense Department and puppies.

Of course, that hollow gesture didn't win the president any Republican support. But it may have cost him some Democratic support — or at least frayed the nerves of a few House Democrats. According to *CongressDaily*:

Liberals, meanwhile, are fuming over an addition Obama made to his proposal to make the effort appear bipartisan and possibly switch the votes of moderate Democrats who opposed the House bill last year.

The Congressional Progressive Caucus co-chairman, Rep. **Raul Grijalva**, D-Ariz., said Wednesday he is disturbed and bitter about an addition he said goes against Democratic principles.

"I've been leaning 'no' for a long time. That hasn't changed," Grijalva said about voting for the healthcare overhaul the Senate passed in December and a package of changes that would move through a separate bill through reconciliation.

Obama indicated he might be open to a provision that would encourage the use of health savings accounts, a tax-exempt savings account that typically is used in conjunction with a high-deductible plan. The provision would allow the exchanges to offer high-deductible plans.

"For some of us, the bitterness about HSAs in and the public option completely out, I don't know how long that's going to linger," Grijalva said.

Which tends to confirm what HSA supporters have long feared: killing HSAs is the Left's game plan. 

FISCALLY CONSERVATIVE BLOG FEEDS

Scott Brown Challenges Obama on Reconciliation [Larry Kudlow's Money Politic\$]

MAR 04, 2010 08:09A.M.

Here's a clip of my interview with Sen. Scott Brown (R-MA) on last night's *Kudlow Report* where he responds to Democrats using reconciliation to pass health care.

