

# ***PERSONALLY SPEAKING***

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**“HOPE AND CHANGE”  
CRONY CAPITALISM OR CRYPTO-SOCIALISM?  
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*Permission to quote is granted when the source is acknowledged.*

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For many Barack Obama’s “hope and change” is nothing more than the logical extension of and improvement upon Franklin Roosevelt’s New Deal that gave Americans Social Security and unemployment insurance and Lyndon Johnson’s Great Society that ushered in Medicare and Medicaid. For others “hope and change” stood Bill Clinton’s “the era of big government is over” on its head, and dismantled Ronald Reagan’s “government is the problem.” “Hope and change” means that big government is back because big government is the solution to our problems.

How have the architects of “hope and change” been able to pull this off? Answer: by the time-honored practices of (a) taking care of their constituents and (b) persuading them that someone else is paying the bill.

Notice, for instance, that the American Taxpayer Relief Act (ATRA, aka the fiscal-cliff bill) extends for one year benefits for these constituent groups and others: deduction for certain expenses of elementary and secondary school teachers; tax credit for qualified railroad maintenance expenditures; accelerated depreciation for motorsports entertainment complexes; the authority for issuing New York Liberty Zone bonds; tax credit for producing electricity from Indian coal production facilities; one more year of emergency unemployment insurance payments and Medicare physician payment rates. More than 45 of the benefits and special considerations specified in ATRA were extended for one year only, assuring that the constituent groups involved will have to turn to Washington once more for relief. They are becoming, in other words, the willing wards of the state.

At the same time, this new law requires only those with incomes above \$400,000 – \$450,000 for couples filing jointly – to pay more taxes.

Many describe the American economic system as crony capitalism suggesting that it somehow is preserving the key characteristic of a capitalism system – private individual decision-making. However, it is much more accurate to refer to the American economy as

**crypto-socialism because slowly and increasingly the system is based on economic decision-making that is centered in the federal government. Notice, for example, how for years the federal government has mandated motor vehicle fuel standards, workplace safety, the minimum wage, selective agricultural price supports, and restricted offshore drilling on the East Coast and the West Coast. And other practices too numerous to name.**

**New crypto-socialist initiatives are undertaken silently so as to not alarm the parties who might object. Consider, for example, that ATRA has quietly extended the control of the federal government by reauthorizing the Secretary of Health and Human Services to contract with a consensus-based entity to develop health care performance standards; requiring the Secretary to make reductions in Medicare payments for renal dialysis services and for multiple therapy services to the same patient on the same day; and establishing the Commission on Long-Term Care to develop a plan for a system to ensure the availability of long-term services for individuals in need. So, the fiscal-cliff bill that was sold to the American people as necessary to protect the middle class from higher taxes (Title I) was used to close certain loopholes in Obamacare that needed fixing (Title VI).**

**Consider how Washington politicians routinely assure us that we simply need to trust them to do whatever is necessary to fix our problems, even when they cannot or will not discuss the details of the remedies they propose. Famously, for example, former House Speaker Nancy Pelosi's said the following on the occasion of the passage of Obamacare: "we have to pass the bill so that you can find out what is in it." Consider Congressman Barney Frank's remarks on the broad rule-making authority granted to the federal government by the Dodd-Frank financial regulatory legislation: "you've got to have flexibility there to update the rules as things evolve."**

**The underlying premise of crypto-socialism is that private individuals are not capable of managing their own affairs, that it is necessary for the public authority to intervene and assume control, and that whenever control doesn't work – consider gun control – more government control is needed. Crypto-socialism is made possible by the deliberate intimidation of and attack upon private organizations that represent, support, and defend the freedom of private individuals to control the decisions that impact their lives. Notice how the National Rifle Association comes under attack for gun violence even as hundreds of young men are slaughtering one another on the streets of Chicago in spite of the city's strict gun control laws. Notice how the Secretary of Health and Human Services has mandated that private employers must provide preventive birth-control services including abortifacients to their employees even when those employers have serious reservations based on their religious convictions and freedom of conscience. Notice how the Justice Department attacks states with laws that require photo identification in order to vote, condemning those efforts as voter suppression. Notice how the White House is trying to circumvent the will of the Congress in re-setting the public debt limit by executive order.**

More than 60 years ago Joseph Schumpeter's *Capitalism, Socialism, and Democracy* sounded a warning about this gradual march into socialism. "All that we mean by the March into Socialism is ... the migration of people's economic affairs from the private into the public sphere."

This migration has been triggered not by the election of an openly socialist political party that would nationalize certain critical industries as happened years ago in England or a violent revolution as in Cuba. It has been happening gradually and will continue as long as private organizations are marginalized and demonized and no longer are able or willing to meet the needs of private individuals and their families. To accomplish their ultimate purposes, some crypto-socialists do not hesitate to deliberately weaken or discredit private organizations and groups that otherwise intermediate between an all powerful central government and much weaker private individuals and families. Take note as to how the federal government seized control of student loans from the private banking sector on grounds that the fees charged by private banks amounted to an unnecessary burden on student borrowers. And how it has opposed school voucher programs that give parents more control over school choice, and forced bondholders to take a much larger haircut in the federal auto bailout than they would have in a routine bankruptcy proceeding.

We would be more hopeful of arresting and reversing crypto-socialism had we not already rejected Bill Clinton and Ronald Reagan on the role of government in our lives. Even so, crypto-socialism has one internal flaw that in the end may bring it down. As more Americans demand and get more benefits from their government, those Americans who pay the bills will find new ways to hide their incomes and stop paying the bill, and international lenders will decide to stop buying the debt of a federal government that has lost control over its fiscal affairs.

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