THE WALL STREET JOURNAL

# The Antidote for Socialism

*We'll have to wait for 2012, because this administration won't administer it.*

By Pete Du Pont
July 27, 2011

Last year I wrote that the enactment of ObamaCare meant "the Europeanization of America is coming to pass, for individual choice and opportunity are being replaced by statism." That law is transferring 17% of our national economy from the marketplace to full control and regulation by the federal government.

And that is just part of the problem. Over the past three years, our nation's economy has become more and more like some of the fragile and overextended statist European economies. The federal debt held by the public as a share of GDP was 40.3% in 2008, 53.5% in 2009, and 62.2% in 2010, and it is estimated at 72% this fiscal year. Everyone can agree that we must change our policies before it is too late, so that we do not end up like Greece or Italy.

But things are looking bleak. While Standard & Poor's and Moody's threaten our nation's credit ratings over our level of debt, one smaller ratings agency has already lowered it. Egan-Jones Ratings Co. downgraded the U.S sovereign debt from triple-A to double-A plus, understanding that the lack of spending control is an essential challenge to our economy in the future. S&P's and Moody's may eventually come to similar conclusions.

All of which suggests it may be too late already. Earlier this month Dan Henninger quoted Robert Lucas, a Nobel laureate in economics, who speculated that "by imitating European policies on labor markets, welfare and taxes," the U.S. has "chosen a new, lower GDP trend." These policies look much like Europe over the past few decades--or America in the 1930s.

As Mr. Lucas points out, in the first 70 years of the 20th century European and American economic growth increased together. But starting in the 1970s, Europe's growth lagged due to larger welfare-state costs and much higher taxes. The Obama administration has put America on a similar trajectory.

How do we get America away from European-style socialism? We can all agree that the debt ceiling needs to be raised, for we cannot default and there is not enough we can immediately cut to stay under the current limit

We can also agree that it would be harmful to the economy to focus on increased tax revenues to try and dig us out of the economic hole. Raising tax rates in a counterproductive attempt to raise more revenues would depress economic growth and hurt any chance of a significant increase in jobs, especially since the new taxes would fall on employers who are just beginning to feel the costs of ObamaCare, not to mention a bevy of other new and threatened regulations.

Republicans in the House hoped the debt ceiling negotiation process would have been a chance to reset the trajectory of huge increases in government spending. But it is not likely to happen, for the president will not move enough to fix our worsening financial position. That means the 2012 election is the most likely opportunity to change America's fiscal policies.

So the public policy results of the next election must be business and individual tax reform—lower rates on a flatter and broader base, repeal of ObamaCare, and reform of entitlement programs (slowly raising the Social Security retirement age, adding in block grants to the states for their own Medicaid rules, etc.). Add in the elimination of farm and "green" subsidies like ethanol, continue banning earmarks, and get federal spending down to 20 percent of GDP.

None of these policy changes will be possible with President Obama in the White House or Democrats in control of the Senate. America needs new political leadership to get our economy back on track, leadership in the hands of those willing to actually make the basic decisions needed. We need the kind of leaders who made America great in the last century so that it can remain successful in this one.