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Obama's latest economic proposals are just like the earlier ones, only worse.

by Pete du Pont **September 30, 2011**

In the last few years, as promised, the Obama administration has fundamentally transformed America. Our country is now in serious decline. Income is lower, unemployment is higher, jobs are fewer, government is much larger. Federal spending is way up, and America's economic status is way down, as is the global view of our country and our economy. Hardly anyone sees any sign of economic recovery or improvement.

A look at long-term unemployment shows just how bad our economy is. Look at the Labor Department data on the number of Americans 16 and older unemployed for 52 weeks or more during the five most recent recessions:

1976: 750,000
1982: 1,600,000
1994: 1,200,000
2004: 1,100,000
2010: 4,300,000

Total government spending averaged about 19% of gross domestic product from 1996 to 2007 and rose to about 21% in 2008. In the three years of the Obama administration, it has soared to 25%.

The administration is focused on its increasing control of health care, propping up labor unions, increasing taxes, and expanding the scope and size of government. In the first 70 years of the 20th century, American and European economic growth increased together, but then the Europeans shifted toward socialism, and their growth lagged. But with America is rapidly moving toward the European model, we are starting to see its detrimental impact.

President Obama's recent spending and tax policy proposals would only make things worse. He wants to increase the federal deficit by increasing spending and providing some targeted, but short term, payroll tax cuts. At a time when we need to bring the federal deficit down, his plan would actually increase it by $447 billion over the next year or two. But Mr. Obama has promised this increase will be "paid for," and has proposed a series of permanent tax increases to do that.

But our economy is already facing significant increases in taxes. First will be the end of the Bush tax cuts in December 2012. And because of ObamaCare, starting in 2013 taxpayers making more than $200,000 will pay an additional 3.8% on investment and interest income, another substantial tax increase.

We face other increases as well. The new Obama proposals include reduced itemized deductions allowed for any individuals earning more than $200,000 a year ($250,000 for married couples). In addition to what lower mortgage deductions might mean for our economy, think of the inevitable impact on charitable giving. What a reduction in deductions for charitable giving implies is a government plan that takes some of the money that would go to charity and instead funnels it to federal government spending--a serious step backwards.

The president also has proposed what he calls the "Buffett rule." He hasn't specified how it would work, but its purpose is to make sure millionaires pay higher income taxes. It would likely increase taxes on investment income, but in our current poor economy the last thing our economy needs is higher taxes on business investment.

And tax rate increases often bring in reduced tax dollars. The Cato Institute's Alan Reynolds showed in his recent Wall Street Journal piece that the 28% tax rate on long-term capital gains brought in $36.9 billion a year from 1987 to 1997, while the current 15% rate in 2004 to 2007 brought in $96.8 billion per year. Which once again shows that lower tax rates can get higher government tax revenues.

Add in higher taxes on the oil industry ($40 billion), jet plane owners ($3 billion), and hedge fund managers with carried interest ($18 billion), and you can see the basic effort of the Obama administration against people and industries. Last December when the president extended the Bush tax cuts, he acknowledged that tax hikes both slow economic growth and deter job creation, something he seems to have forgotten.

The higher taxes on energy producers are particularly discouraging, given the importance of energy to our economic recovery and the administration's continued clampdown on energy production. In another measure that is counterproductive to economic growth, the Obama plan includes extending benefits for the long-term unemployed, even though studies show that long term employment benefits raise the unemployment rate from 0.5 to 1.5 percentage points.

President Obama has said that "everything in [his new] bill will be paid for--everything," and that it "will not add to the deficit." But it will be paid for in the future, and the president is saying we should add some more to the deficit now in return for promises of future spending.

All these programs do not look good for the future of America or its people, for as American Enterprise Institute's Director of economic policy Kevin Hassett said earlier this month, the Obama administration's position "throughout this recovery has been that the U.S. can have the highest corporate tax on earth, a big regulatory crackdown, and a vast expansion of labor-union power and still expect a positive jobs story because of cash-for-clunkers and green jobs. This jobs report indicates how much damage that view has done."

In the end, the newest Obama proposals are proof that his recent centrist posturing was just that, posturing. The new proposals are a continuation of the old Obama policies, policies that sadly have extended the recession, stifled economic growth, and will, for some years, have weakened America.