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Change for the Worse

Just as he promised, Obama has fundamentally transformed America.

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The Standard & Poor's downgrade of U.S. debt is the latest fruit of the Obama administration's big-government policies. Ask Americans how the country is doing, and the response is a vote of no confidence. In August 2009, 34% of likely voters said the country was headed in the right direction. A month ago that proportion had declined to 25%, and last week only 16% thought so. Rasmussen's mid-August poll found that 4% of adults rate the economy as good or excellent, and 66% think we are doing poorly.

Just before his election as president, Barack Obama declared that "we are five days from fundamentally transforming America." He has made good on that promise. Huge increases in federal spending—up 28% in just three years—were the beginning. Putting health care—17% of the American economy—under Washington's control was next. Government control of business is expanding too: 379 new government business rules were added in July alone, according to Sen. John Barrasso of Wyoming. Federal government debt held by the public rose from \$6 trillion (40% of GDP) in 2008 to \$9 trillion (62%) in 2010, The Congressional Budget Office says it could reach 200% by 2037, if the economy doesn't collapse first.

Mr. Obama's original budget for fiscal 2012 would have more than doubled the debt held by the public, from 2010's \$9 trillion to \$19 trillion in 2021. Politico reports that by the 2013 inauguration, the government will have taken on addition debt to the tune of "\$22,500 for every man, woman, and child in the nation" during Mr. Obama's tenure. Some 45 million Americans, or 1 in 7, receive food stamps, up from less than 30 million a few years ago. Finally, in the previous two years our annual economic growth after inflation has averaged only 1.3% annually, just about half our past 10-year average of 2.5%. In the first half of this year, it was running at an annual rate of 0.8%.

The White House says unemployment will decline to 8.25% this year, though it may well remain above 9%. Looking back at the past 50 years, no president has been re-elected when unemployment was higher than 7.2%.

One of the Obama administration's central (and most damaging) beliefs is that tax rates must be raised for what President Obama calls "millionaires and billionaires," which he defines to include individuals and small businesses making as little as \$200,000. Interestingly, Christina Romer, who was chairman of Mr. Obama's Council of Economic Advisors, has done some research on the impact of tax increases, and concluded that increasing taxes by 1% of GDP for deficit-reduction purposes leads to a 3% reduction in GDP.

Raising taxes on affluent taxpayers is not just bad economics, it's unfair. The Tax Foundation has pointed out that in 2009 taxpayers earning over \$200,000 paid half of all income taxes, even though they had earned just 25% of adjusted gross income. On the other hand, more than 58 million taxpayers, around 42% of tax filers, paid no income tax at all. Add in the money some of them receive in refundable child care tax credits, the Making Work Pay program and the Earned Income Tax Credit, and it is obvious that ratcheting up taxes on higher income taxpayers would just exacerbate this inequity.

Growing dissatisfaction, skyrocketing spending, a weak economy, and a real debate about tax hikes all suggest that the 2012 presidential election will be very different from the 2008 Obama victory. A recent Pew report finds that 41% of voters would like to see Obama re-elected, and 40% would prefer a Republican win in 2012. That one-point Obama lead was down from 11 points in May. The President's approval rating from January through June averaged 47%. Earlier this month, according to Gallup, it fell to 39%. Mr. Obama is unlikely to win re-election unless that number improves.

He faces three major challenges. The first is a rift with business leaders, who resent being scapegoated. They may work hard to raise campaign money for Mr. Obama's opponent. The second is the increasing disappointment of independent voters, who are rightly unhappy with higher spending, higher taxes, ObamaCare, a lack of progress on trade, increased restrictions on the energy supply, and the near-commandeering of the auto and banking industries, all of which amount to an effort to Europeanize America, just as European welfare states are facing their own crisis.

His latest challenge may well be from Texas Gov. Rick Perry's fresh presidential campaign speech: "The fact is, for nearly three years President Obama has been downgrading American jobs, he's been downgrading our standing in the world, he's been downgrading our financial stability, he's been downgrading our confidence and downgrading the hope for a better future for our children. That's a fact." Indeed it is, and it's a fact that bodes ill for the future of America.