

Costly Shibboleths

By Ben Johnson

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Barack Obama set out a few modest goals in his [address to both chambers of Congress](#) last night: cure cancer, reform Social Security and Medicare, destroy al-Qaeda, end our dependence on foreign oil, promise education to every American "from the day they are born" to the day they begin work, and "save our planet from the ravages of climate change." The few prescriptions for accomplishing these gargantuan tasks, free from details or pricetags, were plucked from a laundry list of the Left's favorite economic shibboleths. Large and small, few are in themselves disastrous, but taken together, they will likely forestall or deplete any economic recovery the nation may enjoy.

The programs and priorities enumerated, with a few shining exceptions, were almost uniformly ill-conceived, whether on the domestic or foreign front. However, the most notable errors were conceptual.

Redistributing Your Own Wealth?

In his broad spirited, non-judgmental analysis of "how we arrived at this moment," Obama huffed, "A surplus became an excuse to transfer wealth to the wealthy instead of an opportunity to invest in our future." His reference is to the Bush tax cuts, and the refrain is a familiar one from leftists, whether political or [academic](#). Even [sometime-Republican David Gergen](#) recently parroted the line Democrats used to such great effect in the 1980s. However, reality remains: tax cuts do not "redistribute" wealth: they merely force the government to take less of the income a taxpayer has *earned*. The assumption that tax cuts redistribute wealth -- to oneself? -- either views the economy as a zero-sum game where the more one person has, the less all others consequently have, or considers all funds the eminent domain of the federal government.

As [I noted in these pages](#), Obama spelled out his views clearly in a 2001 public radio interview ignored and misreported before the 2008 election, in which he endorses an "activist" executive branch carrying out redistributive "economic justice." Only such a view can justify Obama's calling tax cuts a "transfer" of wealth and welfare checks to those who have not earned them a "tax cut."

And therein is the second macroeconomic fallacy.

Bottoms-Up

Obama justified his bank bailout -- lamely stating, "I get it" -- in this way:

It's not about helping banks - it's about helping people. Because when credit is available again, that young family can finally buy a new home. And then some company will hire workers to build it. And then those workers will have money to spend, and if they can get a loan too, maybe they'll finally buy that car, or open their own business. Investors will return to the market, and American families will see their retirement secured once more. Slowly, but surely,

confidence will return, and our economy will recover.

In Obama's view, the economy heats up when consumers spend money, creating jobs for the industries who receive their cash. This is a demand-side model, simply another form of the discredited Keynesian theories that produced stagflation in the 1970s. Supply-side economics, which he classified as a transfer of wealth, improved the lot of everyone in the 1980s, and to a lesser extent helped pull the nation out of the post-9/11 recession.

The Keynesian, bottom-up view dismisses the profit motive of corporations, making the consumer the key economic player. Obama's economic plan follows suit. He boasted that because of his stimulus bill, "95 percent of the working households in America will receive a tax cut." As noted, that is impossible, as more than **40 percent of those families do not pay taxes**, thanks largely to the Bush tax cuts he dismisses. This unearned check from the government -- which tops out at a whopping \$400 per individual or \$800 per family -- will be divided into weekly allotments of \$13, or \$65 a month. By 2010, this drops to a piddling \$7.70 a week. And, the Associated Press **notes**, not everyone is invited to the party: "the credit is phased out for higher-income taxpayers, defined as individuals who have a modified adjusted gross income of between \$75,000 and \$95,000, and married couples filing jointly who make between \$150,000 and \$190,000." Both the Bush and Ford administrations issued concentrated, one-time rebate checks in **fruitless efforts** at demand-side stimulus. These funds totaled several hundred dollars. How Obama's funds will help people "buy that car, or open their own business" is open to debate. If they don't blow it on a Big Mac, they could always open a lemonade stand.

The Specifics

President Obama advocated a number of specific steps he believes will improve our economy. Among them is a proven job-killer: Cap-And-Trade. Imploring Congress to "save our planet from the ravages of climate change," he asked the Hill "to send me legislation that places a market-based cap on carbon pollution and drives the production of more renewable energy in America." This was a bad idea when John McCain advocated it, and it grows worse when proposed by a man who doesn't have Sarah Palin to talk him out of it. European nations have a decade-long history with cap-and-trade -- a system whereby each company is allowed to generate a given amount of CO₂, and may sell "excess pollution" to others -- and carbon emissions are **higher** than ten years ago. Meanwhile, the "cost" of additional emissions has **plummeted** in recent months. However, *The Washington Post* shows the Obama administration has other goals for the program: the Democrat is looking to this as a **source of federal revenue**.

His greatest source of revenue, however, will be you. He pledges he will raise taxes on only the wealthiest two percent of Americans, those making \$250,000 a year or more. But we heard this figure rhetorically cut into smaller and small increments, not from the Right as the president warned last night, but from Obama campaign officials when **unveiling** the proposal last fall. He likewise claims he will "close tax loopholes" exploited by the most successful corporations, as though they had no way of passing that cost on to consumers. This, coupled with the increased price of traditional energy (the kind Americans use) and an anti-business environment could harm this nation for years to come.

His structural proposals would also make a lasting, negative impact.

From the Cradle to the Grave

His speech continually pivoted around the themes of green technology, health care reform, and education, often with a braggadocious air. "Already, we have done more to advance the cause of health care reform in the last 30 days than we have in the last decade." What did he mean? "When it was days old, this Congress passed a law to provide and protect health insurance for 11 million American children whose parents work full-time." This is his massive expansion of the SCHIP program, a **\$33 billion expansion** funded in part by a 60-cent-a-pack tax hike on cigarettes. Part of his "reform" **lifts President Bush's restrictions** limiting SCHIP to those making less than 250 percent of the federal poverty level, calling into question the intended scope and audience of the ever-expanding ranks of government insured.

Health care was not the only, nor even the most ominous, concern he promised to increase the federal hold over. He set a "goal of this administration to ensure that every child has access to a complete and competitive education - from the day they are born to the day they begin a career. Already, we have made an historic investment in education through the economic recovery plan. We have dramatically expanded early childhood education and will continue to improve its quality, because we know that the most formative learning comes in those first years of life." A little-noted **2008 Obama/Biden campaign pledge** vowed to "help states move toward voluntary, universal pre-school." leftist advocates tongues wagging. **Said** Cornelia Grumman, executive director of the First Five Years Fund, "Some people seem to think the Great Society is upon us again." The "stimulus" provided **\$2.1 billion** for Early Head Start, significantly less than the \$10 billion he promised but too costly for the likely results. As early as 1985, the programs implementers **confessed** there is no lasting difference between disadvantaged students who attend Head Start and those who do not. However, the Orwellian implications of creating a literal Nanny State -- the transformation of American social and family life, and the government's assumption of parenting prerogatives -- will have an enduring and malignant impact.

Joe Isuzu Redux

To detract from these structural challenges to American familial life, Obama included what were apparently moments of comic relief. "I'm proud that we passed the recovery plan free of earmarks," he deadpanned. As FrontPage Magazine columnist Alyssa Lappen **noted**, "more than 90 percent of the [stimulus] bill would channel taxpayer funds to 'special-interest earmarks,' state-level bailouts, and 'permanent spending' increases for what will in effect be social engineering by the federal government." Though Obama pledges the days of federally funded pet projects are behind him, the \$410 billion spending bill en route to his desk contains more than **9,000 earmarks**.

And even the Associated Press has shown, far from monitoring mortgage bailouts for responsible borrowers, Obama's administration has **promised to bail out bad actors** in the home loan crisis.

The Foreign Affairs Addendum

Rounding out his address, the commander-in-chief made only a passing reference to the two hot wars blazing on his watch. He vowed to explain his decision to send 17,000 new troops to Afghanistan but never did, and he issued another vague promise to end the war in Iraq promptly and responsibly.

Somewhat alarming was his treatment of national defense and homeland security. Like Bill Clinton before him, it appears he views the defense budget as a nest egg to be raided for "investment." He has promised cuts in Defense -- and that is one pledge we may rest assured he will keep. He similarly promised to "reform our defense budget so that we're not paying for Cold War-era weapons systems we don't use." Of course, we use hardly any of them. That's the point of having a deterrent force, another shibboleth of the Left.

Finally, Obama boasted that America was...finally...living up to its promises, dubbing this a recipe "to overcome extremism." "That is why I have ordered the closing of the detention center at Guantanamo Bay, and will seek swift and certain justice for captured terrorists," he said, "because living our values doesn't make us weaker, it makes us safer and it makes us stronger." However, the primary American value is the preservation and continuance of the United States of America. If American values conflict with the well-being of her citizens, and elevate the legal rights of its attackers to such a level that it inhibits anti-terrorism measures, then those values make us neither safer nor stronger but more susceptible. It was precisely the concern over legal rights that caused President Bill Clinton to refuse to take Osama bin Laden when offered him on a platter by the Sudanese government years before 9/11. A Center for Constitutional Rights-style series of jury trials for non-citizen terrorist combatants would likewise compromise our security.

A Few Good Things Remain

There were, however, a few pleasant surprises in the president's address. He talked about Medicare and Social Security reform (although by the former he meant adding recipients and hastening its impending insolvency, not putting it off). He vowed to eliminate subsidies for agribusinesses, although he has not yet offered legislation to this end. He promised to increase funds for preventative health care, which, although it **actually does nothing** to keep "our costs under control," it is a worthwhile expenditure. He mentioned "tax-free universal savings accounts for all Americans," which will either help shore up Social Security or add another old age entitlement to a crumbling system; we can hope the former.

He was at his best when he spoke directly to the American people and left politics aside. He stirred deep chords of -- I'm going to use the word -- responsibility when he demanded all students stay in school through graduation at the risk of "quitting on your country." And he reminded parents that education must begin at home, and they must read to their children and unplug the video games. In our time, these have become forgotten truths, as a generation of shiftless parents shift the blame for their children's lack of accomplishment onto their teachers.

As a personal pep talk, Obama's speech was a success. As a series of policy proposals, it was inept or disturbing.

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