



Written by on January 26, 2010

Obama's State of the Union — And the Economy

Although the likelihood that President Obama will embrace a free-market solution to fixing the economy anytime soon must be reckoned similar to the probability of an asteroid strike on the White House, the President's upcoming State of the Union address will allegedly throw at least a sop in the direction of greater economic freedom — soaked in the usual Big Government broth.

According to sources, the President is preparing to propose raising the child tax credit to 35 percent of qualifying expenses (from the current 20 percent), and also to increase the retirement savings tax credit, for families earning under \$85,000 a year. All of this is good news for those of us in the newly depauperate class, but the President's other proposals are much less encouraging. Additional proposals include federally mandated caps on student loan payments, a new requirement that companies not offering retirement plans offer their employees direct-deposit retirement accounts, and an additional \$1.6 billion to be spent on subsidized child care.



As the failure of the Bush and Obama stimulus programs and numerous bailouts of Big Business becomes more and more apparent, the President and his advisors continue to cast about for a solution — any solution at all — except the only one that will truly work: cutting government spending and returning to some semblance of a free-market economy. It was, after all, the massive scaling back of government spending and economic regimentation at the end of the Second World War — not feckless New Deal socialism — that finally allowed America to climb out of a decade and a half of economic doldrums.

Indeed, the realization is dawning ever more forcefully on that portion of official Washington not named Ron Paul that the economy is in a more precarious state than ever, thanks to trillions in new debt, a cratering real estate sector, and a stubbornly high unemployment rate that will not diminish anytime soon. Even the vaunted stock market, which has surged 70 percent since March, is looking unsustainable. As reported by Dan Froomkin of the Huffington Post and the NiemannWatchdog.com, the impact of this economic collapse is difficult to understate. For one thing, the middle class may never be the same again: in the words of Harvard professor Elizabeth Warren, quoted in Froomkin's piece, "tens of millions of once-secure middle class families now live paycheck to paycheck, watching as their debts pile up and worrying about whether a pink slip or a bad diagnosis will send them hurtling over an



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economic cliff."

Moreover, Froomkin points out:

The recovery, such as it is, has been largely fueled by government money — not just the stimulus, but also the bailouts, targeted programs such as the homebuyers tax credit and "cash for clunkers," and emergency spending on such things as extended unemployment insurance. What happens, however, when those stop? And none are designed to go on forever.

Add to these concerns the possibility that the economy will dip back into recession because of an absence of, well, any meaningful incentives for growth, and the likelihood that, sometime soon, the stock markets will return to some semblance of sanity, and we have the makings of a depression that may go on a very, very long time yet.

Yet aside from a little tinkering with the tax code, President Obama has little to offer except more of the same: increases in government spending and regulation, running up still more debts to sustain the one sector that simply refuses to contract: the public sector.

So half a kudo for the President's willingness to ease the tax burden on the middle class. Would that he had the wisdom to reduce the burden of government correspondingly.

Photo of President Obama speaking on the economy at the Brookings Institution: AP Images



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