



Written by [Michael Tennant](#) on September 13, 2011

Obama Sends \$447 Billion Jobs Bill to Congress

As promised in his address to a joint session of Congress last week, President Barack Obama on Monday sent his proposed economic plan, the American Jobs Act, to Capitol Hill and urged legislators to “pass it immediately.” He maintained that the bill “could add a significant amount to our Gross Domestic Product, and could put people back to work all across the country” and that it would not “add a dime to the deficit.”



The bill hews closely to the outline provided in Obamas speech. On the tax side of things, it provides for payroll tax cuts for businesses, a continuation of the existing payroll tax cut for employees, a payroll tax holiday for employers who take on new employees or give existing employees raises, and tax credits for businesses that hire returning veterans and those who have been unemployed for at least six months. It also allows businesses to expense 100 percent of their capital investments in 2012.

Meanwhile, the legislation spends like the proverbial drunken sailor: \$35 billion for keeping teachers, police officers, and firefighters on state and local government payrolls; \$30 billion for modernizing public schools; \$50 billion for building and repairing highways, railroads, and other infrastructure; \$10 billion for establishing a National Infrastructure Bank; \$15 billion for rehabilitating homes, businesses, and communities; \$10 billion for expanding nationwide wireless Internet service; \$49 billion for extending unemployment insurance for another year and otherwise reforming the program; and \$5 billion for improving the employment of low-income youth and adults.

While fiscal conservatives would consider the tax cuts a good idea and an even better idea if they were made permanent they are certain to reduce federal revenue at the same time Obama is proposing to spend hundreds of billions of dollars more on thoroughly unconstitutional projects, many of which are



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likely to fail. (How much longer can Washington keep propping up bloated state and local payrolls? What are the odds that employment programs will actually reduce unemployment?) When lost revenue and spending are both taken into account, the administration estimates that the bill will end up putting the Treasury an additional \$447 billion in the hole. With the national debt already approaching \$15 trillion, this can hardly be considered a prudent proposal.

The President, recognizing the political peril of appearing to be spending beyond Washington's means, has therefore [proposed](#) raising taxes on the wealthy an easy target because there are relatively few of them to recoup the cost of his jobs bill. Now Obama isn't portraying his approach as tax *hikes* but as tax *reforms*, eliminating loopholes and deductions in the tax code to make it fairer. For instance, he suggests, according to the [Wall Street Journal](#), limiting itemized deductions for families with more than \$250,000 in yearly taxable income and individuals with more than \$200,000; reducing or eliminating some tax credits and allowances for oil and gas companies; taxing hedge fund managers carried interest earnings as regular income instead of capital gains; and requir[ing] corporate jet owners to depreciate them at the same rate as commercial airliners.

All these provisions would have the effect of raising taxes even if they aren't called tax increases, and Republicans thus quite properly oppose them. Michael Steel, spokesman for House Speaker John Boehner (R-Ohio), said, It would be fair to say this tax increase on job creators is the kind of proposal both parties have opposed in the past. Indeed, as Fox News [Chris Stirewalt](#) points out, Obama's tax-hike package already has failed in both Democratically controlled and divided Congresses, so there is no reason to expect it to succeed this time.

Obama seems never to have expected his tax increases to survive normal congressional procedures, and so he is proposing an alternative: Pass the entire jobs bill and then have the congressional super-committee, already tasked with finding \$1.5 trillion in savings over the next ten years, locate the money to cover the jobs bill as well. Failing that, Obama's proposed tax hikes would go into effect. In other words, says Stirewalt:

The proposal is that lawmakers pass Obama's plan, including the tax hikes, thereby binding the supercommittee to find cuts to offset the costs and prevent the tax increases from going into effect. Pass this bill today then pass a different plan after Thanksgiving thereby undoing half of the original bill, that you should still pass today

This, of course, is not going to happen. Neither conservative House Republicans nor moderate Senate Democrats have any interest in playing Pit and the Pendulum on a tax increase, especially when the escape route is being maintained by a dozen people who likely could not agree on where they should get sandwiches, let alone entitlement reform.

Obamas claim that his bill will not increase the deficit thus rests on highly iffy propositions, according to an [Associated Press Fact Check](#). It will only be paid for if a committee he cant control does his bidding, if Congress puts that into law and if leaders in the future the ones who will feel the fiscal pinch of his proposals don't roll it back.

Even if the President got exactly what he wants if his tax increases all passed and generated the amount of revenue he projects, thereby offsetting the costs of his tax cuts and spending initiatives he would merely be treading red ink, keeping the deficit at the same level it is now. As [Steve Chapman](#) of the *Chicago Tribune* observes, by doing that we wont make progress toward fiscal balance. Well just end up with more spending and higher taxes.



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Obama also intends to submit his own deficit-reduction plan to the super-committee on September 19; it supposedly will include spending cuts (or, rather, reductions in future spending increases) as well as tax hikes. Undoubtedly it will be just as much of a shell game as his jobs bill.

As bad as the extra debt incurred by Obamas plan might be, however, one could argue that it is worth it to get the economy rolling again. But the truth is that Obama's bill is, in the words of *U.S. News & World Reports* [Doug Heye](#), simply another round of government spending that [will do] nothing to fix the economy, not unlike Obama's first stimulus bill, which promised to reduce unemployment but had precisely the opposite effect.

Knowing this, the President has studiously avoided referring to his plan as a stimulus. Few have been fooled. President Barack Obama didn't use the S-word even once Thursday evening, the [Chicago Tribune](#) editorialized, but his American Jobs Act proposals to grow U.S. employment fully qualify as another stimulus package. Noting that three years of stimulus spending by two presidents has shown that the United States cannot spend its way back to prosperity, the paper concludes: This is the wrong time for a president to tell Americans, I'm from the government and Im here to spend.

Photo: President Barack Obama holds up his proposed American Jobs Act legislation while making a statement in the Rose Garden of the White House in Washington, Sept., 12, 2011.: AP Images



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