

These Economic Numbers “Hope” For “Change” (*SB News-Press*)

(May 25, 2013) Five years into the mantra of “hope and change,” it’s obvious Mr. Obama simply hopes something good eventually happens to the U.S. economy – not to mention his Benghazi, IRS, Associated Press, Obamacare, and HHS-Sebelius scandals – even as his fiscal policies change government and the American private sector, perhaps irreversibly. His legacy is proving to be a litany of really bad numbers. The more infamous list follows, with definitions in parentheses. \$837 billion (failed stimulus). \$900 billion (2009 cost-estimate of Obamacare). 14 percent (true unemployment). 202-456-1117 (his White House bedroom phone that advisors apparently misplaced the evening of 09-11-12). \$1.76 trillion (2011 revised cost of Obamacare). 20 (AP phone records his Justice Dept. hacked). 15,000 (new IRS agents being hired to enforce Obamacare and collect penalty taxes). \$2.6 trillion (2013 re-revised cost of Obamacare). 37 (number of times the House has approved the repeal of Obamacare). \$7.25 trillion (new federal debt added in 5 years). 414-0 (House vote against his 2012 budget). 99-0 (Senate vote against the same). 107 percent (\$17.25 trillion federal debt compared to the U.S. domestic economy).

Other interesting numbers: 11 percent (Easter basketball shoot-around where the President made just 2 out of 22 attempts). 123 (days he’s played golf since taking office). 44 (percent who approve of his handling of the economy – [*Washington Post*, May 22] – except that 53 percent in that same poll disapprove, with 41 percent at “strongly” disapprove. The most baffling number? 15,250 (the Dow Jones, because there’s little economic news to support that).

For the last four years, many write to say they like the detailed numbers in my monthly articles and my books, but others have been very upset with reading those same depressing facts about the president's failed policies. They hope the numbers will change, or hope I'll change what I write. But our U.S. economy really needs change. So here's a simple example based on a nice round number of 1,000 – in the same proportions as our nation's financial mess. U.S. gross domestic product (GDP) was \$1,000 when Barack Obama took office, it's now worth \$1,127 – that's average annual growth of only 1.85 percent (compounded quarterly). Had it grown by the previous 30-year average of 3.5 percent annually, today it would be worth \$1,254 and higher by 11.3 percent.

In 2008, that \$1,000 economy generated \$176 in federal tax revenue. But this year, the IRS will collect only \$183 in taxes on our \$1,127 economy. In 2008, Bush spent the proportionate equivalent of \$200 compared to \$1,000 GDP (20 percent) – with a deficit of \$24 (15 percent more than taxes collected). Today, Obama will spend \$254 – nearly 24 percent of GDP – a deficit of \$71 (39 percent more than revenues).

Total federal debt in 2008 was the equivalent of \$695 compared to that \$1,000 economy (69.5 percent). However, debt is now a proportionate \$1,206 – up 73 percent in only five years – on our \$1,127 economy (107 percent of GDP). Next year it will be pushing 110 percent, and in Obama's last year in office (2016) it will increase to over 120 percent.

Now consider this. Had the president's policies worked and we now had that stronger \$1,254 GDP, federal revenue this year would be \$221 –

over one-fifth higher. Even if the president spent at his current levels, his deficit would be the same as the Bush 15 percent. And here's the real concern. If Obama's plan had produced 3.5 percent growth with those smaller deficits, it would have translated to 60 percent less debt added every year. Do that for five years and the federal debt today would be 25 percent lower (90 percent of GDP).

The reality is that higher tax rates and more complicated tax laws cause companies and individuals to look for creative strategies to legally avoid paying increased taxes. So while Mr. Obama is raising tax rates, the IRS actually collects less tax revenue compared to the size of the economy. During the 1980s and 1990s, federal tax revenue was around 18 percent of GDP – even 20.5 percent in 2000. But since Obama took office, it has fallen to under 16 percent. And one more look at our \$1,000 example shows in 2008, mandatory federal spending on Social Security, Medicare, and Medicaid was \$80, but today it's \$112 (over 42 percent of the budget) and will grow to \$135 by 2016 (46 percent of the budget). This trend is completely unsustainable.

So what does this all mean for Americans? As GDP growth stays low with higher tax rates and increased federal spending (runaway entitlements), government tax revenue doesn't keep pace and trillion-dollar deficits remain the norm – adding every year to the debt. The Fed continues to buy \$85 billion of Treasury debt each month with virtual manufactured dollars – over \$1 trillion each year!! – but how long can it continue to hold interest rates artificially low? When rates return to true market levels, interest on Treasury debt will consume another 20 percent of federal spending. This combined economic uncertainty about taxes, deficits, debt, and interest rates keeps businesses from making long-term capital investments in expansion and new venture development, and that stifles job creation.

I can only hope that readers will understand the common sense, logical change desperately needed is: reduce taxes and get GDP growth to 4 percent, job creation to 350,000 per month the next 3 years (unemployment drops to 5 percent), and gasoline back to \$2.00 a gallon. But there's no hope for that kind of true economic recovery as long as the tax code and rates continue to increase, federal entitlement spending keeps growing without reform, and Obamacare is fully implemented in 2014. This massive new federal bureaucracy and taxes will result in inefficient healthcare services and higher costs nationwide – yet another financial burden on an already weak economy – while record-setting government spending expands, piling up continued huge deficits and escalating federal debt. And yet the President continues to do nothing, even as this numerology continues to define his 8-year legacy (infamy).