

V. OBAMANOMICS – “COURTING DISASTER”

“It’s the economy, stupid.” It was the successful mantra, along with “change,” that propelled Bill Clinton into the White House in 1992. Clinton promised to make the rich “pay their fair share,” and he promised a middle-class tax cut, just like Barack Obama. But once in office, taxes did go up, but that middle-class tax cut never materialized, and *everyone* got a chance to “pay their fair share.”

After eight taxing years of Bill and Hillary Clinton, the American people elected George W. Bush, who not only said he would cut taxes, he did cut taxes for everybody. But if Barack Obama wins the White House, hold on to your wallet. On the campaign trail Barack Obama talks openly about raising taxes.

- BARACK OBAMA SUPPORTS HIGHER TAXES

When it comes to his support for higher taxes, Obama’s voting record is crystal clear. Here is a sampling:

- ✗ Against repealing Bill Clinton’s tax hike on Social Security benefits.¹
- ✗ Against the Tax Relief Act of 2005 which extended lower tax rates on dividends and capital gains. The Act also included a patch to prevent millions of middle-class Americans from getting ensnared by the Alternative Minimum Tax, which would have added thousands of dollars to their tax burden.²
- ✗ Against repealing the “death tax.”³
- ✗ Against repealing the Alternative Minimum Tax.⁴
- ✗ Against an amendment to prevent the Bush tax cuts from expiring, effectively raising taxes on 28 million families.⁵

This March, Barack Obama supported a Democrat budget, which according to the *Associated Press* would “allow income tax rates to go up on individuals making as little as \$31,850 and couples earning \$63,700 or more.”⁶

What happened to making only the “rich pay their fair share”? That’s just what Obama says on the stump. But when he’s in Washington, Obama has actually voted to raise taxes across the board. Forget his rhetoric. His record clearly demonstrates he is a tax and spend liberal. But wait – there’s more!

¹ Senate Roll Call No. 74, 109th Congress, 1st Session

² Senate Roll Call No. 118, 109th Congress, 2nd Session

³ Senate Roll Call No. 109, 110th Congress, 1st Session

⁴ Senate Roll Call No. 108, 110th Congress, 1st Session

⁵ Senate Roll Call No. 107, 110th Congress, 1st Session

⁶ *Associated Press*, “Presidential Hopefuls To Vote On Budget,” Mar. 13, 2008, <http://www.time.com/time/politics/article/0,8599,1722003,00.html>

- OBAMA'S GLOBAL WELFARE TAX

Barack Obama is the main Senate sponsor of the Global Poverty Act. The bill is a socialist's dream and a conservative's worst nightmare. Obama wants to expand Lyndon Johnson's "Great Society" anti-poverty welfare programs across the globe, putting the burden of Third World poverty, often caused by corrupt socialist regimes, on the back of American taxpayers.

According to the Heritage Foundation, Obama's Global Poverty Act would be an additional tax equivalent to just under one percent of our gross domestic product (roughly \$100 billion a year) to fund a massive foreign aid program administered by the United Nations.⁷ If enacted, the bill would quadruple the amount of money we currently spend on foreign aid, potentially resulting in a \$2,500 tax hike for American taxpayers.⁸

- OBAMA'S SOLUTION = HIGHER TAXES

In addition to raising taxes to pay for more foreign aid, Obama's solution to fixing Social Security follows typical liberal "logic" and calls, of course, for higher taxes. And his plan would really slam small businesses hard. In order to "extend the life of the Social Security" system, Obama plans to hit incomes at \$250,000 and up with the current Social Security payroll tax.

Writing in the *Wall Street Journal*, Lawrence Lindsey noted that Obama's plan turns President Franklin Roosevelt's model "upside down" by "turning Social Security from a contributory pension scheme into just another welfare program." And the reason is simple: Social Security benefits are related to the amount of income taxed, currently capped at just over \$100,000. Above that, there is no return in benefits for any additional taxes paid. Under Obama's plan, the government would simply be confiscating income and giving it to someone else.

Lindsey wrote that Obama's tax hike would effectively raise the federal marginal tax rate on a successful small business owner from 38% to 53%, making it "higher than what it was under Jimmy Carter or Richard Nixon."⁹

The same article provides an analysis of a small business owner with a taxable profit of \$500,000. After working through the details, Lindsey concludes, "Sen. Obama's plan would reduce an entrepreneur's after-tax profits by \$70,000."

⁷ Heritage Foundation, "Global Poverty Act: Wrong Track For U.S. Aid Policy," Apr. 1, 2008
<http://www.heritage.org/Research/ForeignAid/wm1878.cfm>

⁸ *Investors Business Daily*, "Obama's Global Tax," July 29, 2008
<http://www.investors.com/editorial/editorialcontent.asp?secid=1501&status=article&id=302222641317480>

⁹ *The Wall Street Journal*, "Obama Turns FRD Upside Down," June 20, 2008
http://www.online.wsj.com/article_print/SB121391705573990175.html

Faced with such losses, many businesses would respond with serious cost control measures, such as price hikes, wage reductions, cuts in employee benefits and even employee reductions. Clearly something has to be done to save Social Security, but Obama's job-killing tax hike on small businesses isn't the best solution.

In fact, Joseph Brusuelas, chief economist at Merk Investments, said that Obama's overall tax plan would be a "profound mistake" and his plan to hit small businesses and individuals with incomes at \$250,000 and above with such massive tax hikes would be "courting disaster" economically.¹⁰

- "SPREADING THE WEALTH"

In addition to "fixing" Social Security with higher taxes on successful businesses, Obama promises to provide "tax cuts" to 95% of middle class families, paid for by, of course, higher taxes on those who earn more. But according to Obama's plan, millions of taxpayers who currently do not pay income taxes would still get check from the government. That's not a tax cut – that's welfare!

But, oddly enough, according to the *Washington Times*, "The Obama campaign dismisses such criticism, arguing that even if many working taxpayers owe no income taxes, they pay Social Security payroll taxes out of their earnings."¹¹

So Obama's really paying for his new welfare plan by raiding Social Security payroll taxes, which means that his tax hikes on small businesses and successful families earning \$250,000 or more really won't be going to expend the life of Social Security after all. The money Obama's tax hikes take is in fact simply being redistributed. In the end, he's just "spreading the wealth around" – taking from those who produced that wealth and giving it to those Obama deems are more deserving than the ones who earned it.

But to "fix" that problem, Obama has proposed making the "wealthy" once again pay their "fair share" by repealing the Bush tax cuts. So, to be clear, Obama wants to add 12.5% in payroll taxes on incomes above \$250,000 and raise income tax rates from 33% to nearly 40%. It's that one-two punch of higher income taxes and additional payroll taxes that led Lawrence Lindsey and others to conclude that Obama's tax hikes would take us back to the "malaise days" of Jimmy Carter with tax rates of 50% or higher.

Obama's tax plan will hit small businesses the hardest, because while Obama makes a populist pitch for making the "wealthy pay their fair share," what he doesn't tell you is that most small businesses owners file their taxes not as corporations, but as individuals. The *Phoenix Business Journal* recently reported, "Barack Obama's plan to raise the top

¹⁰ *Yahoo! Finance*, "Obama 'Courting Disaster' With Tax Hike Plan," Aug. 28, 2008
<http://finance.yahoo.com/tech-ticker/article/50650/Obama-'Courting-Disaster'-with-Tax-Hike-Plan-Economist-Says?>

¹¹ *Washington Times*, "Obama Tax Cut Refunds Those Who Don't Pay," October 13, 2008
<http://www.washingtontimes.com/news/2008/oct/13/obama-tax-cut-refunds-those-who-dont-pay/?page=2>

two federal income tax rates would increase taxes on between 663,000 to 1.3 million small businesses that file taxes under personal income categories.”¹²

And because small businesses provide the overwhelmingly majority of new jobs in this country, Obama’s tax plan is a job killer and would indeed be “courting disaster” at a time when our economy can least afford it.

Campaigning in Ohio on October 12th, Obama was asked about his tax plan by a plumber, who said, “Do you believe in the American dream? I’m being taxed more and more for fulfilling the American dream.” Obama’s answer was very revealing. He told this plumber, “It’s not that I want to punish your success. I just want to make sure that everybody that is behind you, that they have a chance for success too. I think that when you spread the wealth around, it’s good for everybody.”¹³

“Spreading the wealth around” by taking it from those who earned it and giving it to those who didn’t in the interests of “fairness” is socialism. But Obama is committed to idea of “fairness” as an economic policy. Consider this exchange with *ABC*’s Charlie Gibson during the April 16th Democrat primary debate on the subject of raising capital gains taxes:

GIBSON: All right. You have, however, said you would favor an increase in the capital gains tax. As a matter of fact, you said on *CNBC*, and I quote, “I certainly would not go above what existed under Bill Clinton,” which was 28 percent. It’s now 15 percent. That’s almost a doubling, if you went to 28 percent. ...

OBAMA: Right.

GIBSON: And in each instance, when the rate dropped, revenues from the tax increased; the government took in more money. And in the 1980s, when the tax was increased to 28 percent, the revenues went down. So why raise it at all, especially given the fact that 100 million people in this country own stock and would be affected?

OBAMA: Well, Charlie, what I’ve said is that I would look at raising the capital gains tax for purposes of fairness.¹⁴

So, whether or not the policy is sound doesn’t matter. What matters is Barack Obama’s sense of “fairness.” Government will decide what’s “fair,” government will decide how much of your hard-earned income you get to keep, government will determine what your “needs” are.

¹² *Phoenix Business Journal*, “Obama Tax Hikes Could Hit 1.3 Million Small Businesses,” October 29, 2008
<http://www.bizjournals.com/phoenix/stories/2008/10/27/daily49.html>

¹³ *Fox News*, “Obama To Plumber: My Plan Will Spread The Wealth Around,” October 13, 2008
<http://elections.foxnews.com/2008/10/13/obama-plumber-plan-spread-wealth/>

¹⁴ *ABC News* Democratic Debate, April 16, 2008
<http://www.nytimes.com/2008/04/16/us/politics/16text-debate.html?pagewanted=print>

- “REDISTRIBUTIVE CHANGE”

More evidence of Obama’s socialist sympathies were discovered after the release of a 2001 radio interview in which Obama seems to lament the fact that the Supreme Court under Earl Warren did not go further in its civil rights rulings to include “redistribution of wealth.” According to Obama, the Supreme Court and the civil rights movement partially failed because they did not try to impose socialism on the country in the name of “economic justice.” Here is an excerpt of Obama’s 2001 interview:

“If you look at the victories and failures of the civil rights movement and its litigation strategy and the court, I think where it succeeded was to vest formal rights in previously dispossessed peoples so that I would now have the right to vote and I would now be able to sit at lunch counter and as long as I could pay for it I would be ok.

“But the Supreme Court never ventured into the issues of redistribution of wealth and the more basic issues of political and economic justice in this society. And to that extent, as radical as I think people tried to characterize the Warren Court, it wasn’t that radical. It didn’t break free from the essential constraints that were placed by the Founding Fathers and the Constitution...

“...One of the tragedies of the civil rights movement, was because the civil rights movement became so court focused, I think there was a tendency to lose track of the political and community organizing activities on the ground that are able to put together the actual coalitions of power through which you bring about redistributive change, and in some ways we still suffer from that.”¹⁵

So, let’s be clear about that – the civil rights movement failed because it was too focused on securing rights, rather than “spreading the wealth around” through politics and Big Government socialism. And that’s why Obama is running. He sees the civil rights movement not just in terms of securing equality of opportunity for all Americans, but as a political movement to force “redistributive change.”

Higher taxes and more spending. Global welfare and fairness. “Spreading the wealth,” and “redistributive change.” That’s Barack Obama’s plan. And when it comes to our economy, he’s “courting disaster.”

<p>Paid for by Campaign for Working Families and not authorized by any candidate or candidate’s committee. Phone: 703-671-8800 Fax: 703-671-8899 Web: www.cwfpac.com E-Mail: Info@cwfpac.com</p>

¹⁵ Fox News transcript Obama 2001 WBEZ interview, Oct. 27, 2008
http://www.foxnews.com/urgent_queue/#50041ecb,2008-10-27