

[Good Morning, Suckers](#)

By [Peter Ferrara](#) on 2.16.11 @ 6:09AM

President Obama's budget released on Monday proposes to spend \$3.73 trillion for 2012. He can't say Bush made him do that. That proposed spending is an undeniable fact that reveals who he is, which he successfully hid from 53% of voters in 2008.

Campaigning in 2008 he promised voters that his plan involved a "net spending cut." That net spending cut translated into \$836 billion in increased spending this year from 2008, according to President Obama's own budget documents. That is a federal spending increase of nearly 30% since 2008. Either President Obama does not know what "net spending cut" means in English, or he bamboozled a lot of people in 2008.

Almost makes you want to take to the streets to demand resignations and honest elections. But that couldn't happen here. For one thing, you need a free and independent press to have true democratic elections.

Fool Me Once, Shame on You...

But President Obama keeps on trickin'. In his budget message and in his State of the Union, Obama celebrated what he calls a domestic spending freeze. Actually, the freeze applies only to non-security, domestic discretionary spending, which is 12% of the budget. He wants to freeze these programs now after he increased them by over 80% in his first two years. As *Investor's Business Daily* [said](#) yesterday, "Freezing spending at this elevated level is little more than numbers legerdemain, a kind of three-card Monte played on sucker taxpayers."

That freeze involves a total spending cut in 2012 of \$6 billion in 2012 from where spending would have been, out of a total proposed federal budget for the year of \$3,729 billion. That is a cut of 0.16%, which is actually not worth even talking about. Put it in the context of your family budget. Suppose you had take home pay of \$3,000 per month, and you were regularly falling short of enough to pay the mortgage. So you decide to get serious about controlling your spending. Your proportional equivalent of Obama's discretionary spending cut out of your own family budget would be \$4.83.

In contrast to Obama's \$6 billion cut for 2012, the House Republicans Monday committed to \$100 billion in cuts from Obama's budget for 2011. The Republican cuts for 2012 and beyond will come in Paul Ryan's House Republican budget due in April. Moreover, House Republicans already voted to approve trillions in future spending cuts, as scored by CBO, in approving the repeal of Obamacare. This is a fair comparison between the parties today on the budget and spending.

Indeed, as the *Wall Street Journal* reported yesterday, the total spending cuts in Obama's budget for the next three years come in at \$20 billion, out of total spending for those years of over \$11 trillion (\$11,000 billion). As the *Journal* observed, "Hosni Mubarak was more in touch with reality last Thursday night."

The budget deficit for this year, President Obama's third year in office, is now \$1.645 trillion (\$1,645 billion), as projected in Obama's own budget documents. This is the highest in world history, let alone U.S. history. That is due to federal spending this year equal to 25.3% of GDP, a quarter of our entire economy. That compares to federal spending of 20.7% of GDP in 2008, and 19.6% in 2007, the last budget year of the former Republican majority Congress.

President Obama's budget projects that this deficit will be cut in half by 2013. But in last year's budget, Obama projected that this year's deficit would be \$1.227 trillion, more than \$400 billion less than Obama says it will be today. On the basis of his impossible 2013 projection, President Obama is already running around the country expecting applause for his claim that he has made good on his campaign promise to reduce the deficit in half by the end of his first term, *while his actual deficit for this year of \$1.645 trillion is again the highest in world history!* The deficit for 2008, by the way, was \$458 billion.

Apart from defense spending cuts, President Obama's budget claims \$1.1 trillion in deficit reductions over 10 years. But \$700 billion of that is due to tax increases, discussed further below. Another \$1.26 trillion is phantom savings supposedly resulting from reductions in costs from "Overseas Contingency Operations." But were we really planning before this budget to spend \$136 billion in 2021 in Iraq and Afghanistan? Or \$882 billion from 2015 to 2021, over a trillion counting supposed debt service savings? Actually no, so these phantom "budget savings" are actually just another phony budget trick.

Even with these tax increases and phantom budget savings, the national debt held by the public will soar to \$19 trillion by 2021, more than triple that national debt total of \$5.8 trillion in 2008, again according to President Obama's own budget documents. Indeed, the national debt held by the public will have more than doubled from 2008 by next year, under President Obama's budget. This means President Obama will have accumulated in just one term more national debt than all previous Presidents combined, from George Washington to President Bush.

But that is not the whole picture. Gross federal debt includes the debt held by the Social Security and Medicare trust funds, real debt that will have to be paid to continue to pay promised Social Security and Medicare benefits. That Gross Federal Debt is projected to total \$26.346 trillion by 2021, which would be 106% of GDP that year, more than our entire economy that year.

This is why Andrew Sullivan wrote in the *Atlantic* yesterday, in a piece [entitled](#), "Obama to the Next Generation: Screw You, Suckers":

To all those under 30 who worked so hard to get this man elected, know this: He just screwed you over. He thinks you are fools. Either the U.S. will go into default because of Obama's cowardice, or you will be paying far far more for far far less because this President has no courage when it counts. He let you down. On the critical issue of America's fiscal crisis, he represents no hope and no change. Just the same old Washington politics he promised to end

This is what President Obama is proposing in his budget. Is he even listening to the American people? Does he seem to even care what we think? Or is he only interested in his extreme liberal-left agenda? This is what happens when you elect the most liberal member of the U.S. Senate to

be President, which Obama's media partisans assured us in 2008 was just an outdated label that no longer mattered. It is not a matter of cowardice, as Sullivan suggests. It is a matter of deliberate, chosen, left-wing extremism.

Obama's Tax Increase Recession

All of the above projections of federal deficits and debt depend on comprehensive proposed tax increases supposedly raising federal tax revenues by nearly half as a percent of GDP from 14.4% in 2011 to 20% in 2021. Indeed, President Obama's budget projects that actual federal tax revenues in nominal dollars will increase by nearly 50% in just two years, from \$2.174 trillion this year to \$3 trillion in 2013.

Yet, by 2021 the federal deficit would still be \$774 billion under President Obama's own projections, even with federal revenues well above their long-term historical average since World War II of 18% of GDP. That shows that the deficit problem is not a matter of insufficient revenue, but of runaway spending.

Under President Obama's budget plan, the top tax rates for every federal tax would be raised for singles making over \$200,000 per year, or couples making over \$250,000 per year. President Obama calls them "the rich." But the English translation of that term, what it actually means in practice, is the nation's employers and investors.

Their income tax rates would be increased by nearly 20%, counting the phase-out of deductions and exemptions. Their capital gains and dividends taxes would be raised by nearly 60%, counting the Obamacare tax increases. Their Medicare payroll tax rate would be increased by more than 60%. The death tax rate would increase by nearly 30%.

This would begin in 2013 with the elimination of the Bush tax cuts for those President Obama believes earn too much to be treated equally. The Obamacare tax increases also become effective that year. On top of that, President Obama's budget proposes to add further tax increases limiting and phasing out deductions for these excessive earners for mortgage interest, charitable contributions, property taxes, sales taxes, state and local income taxes, medical expenses, and employee business expenses, for an additional \$321 billion tax increase.

In 2007, before President Obama was even elected, the top 1% of income earners already paid more in federal income taxes than the bottom 95% combined. Yet, President Obama thinks all of these tax increases on top income earners are justified on grounds of "fairness." That would be the same notion of fairness practiced by the Somali pirates.

Similarly, American business already pays virtually the highest corporate tax rates in the industrialized world. Yet President Obama's budget proposes to raise taxes on American business even further. He proposes to double tax the overseas earnings of American companies, raising \$129 billion, impose \$120 billion in new taxes on American energy companies, add \$33 billion in new taxes on banks, raise unemployment payroll taxes, adopt tax increases for health insurance and life insurance companies, and others.

In his State of the Union, in his budget message, and in his address to the Chamber of Commerce, President Obama repeatedly called for policies that would make America the best place in the world to do business. Is America going to be that with these sweeping, draconian, across the board tax increases?

Such tax increases on those already paying far too much are not going to raise nearly the additional revenue projected. Indeed, over the last 40 years, every time the capital gains tax rate has been raised, revenues have declined. When the dividends tax rate was cut under President Bush, dividends paid, and consequently taxes paid, soared. Raising the rate back up would have the opposite effect.

In fact, if inflation roars up this year as appears to be happening, the Fed will eventually have to reverse its over-expansionary policies to forestall it from galloping into double digits and beyond. If the recessionary impact of that joins with the suicidal impact of these across the board rate increases in 2013, the chances of another recession then will be over 100%. If that happens, revenues will collapse rather than increase, and the deficit will soar over \$2 trillion, ultimately reducing Americans to eating Greek salad, assuming they can afford the olives and feta cheese.

The Tea Party versus the Democrat Party

President Obama and the Democrats are so confident we will now see a replay of 1995, expecting America to recoil at the prospect of Republican budget cuts, and punish them politically. This is based on a gross misreading of what happened in 1995, and even grosser misreading of today's new political climate.

The giddy overconfident Democrat attitude was reflected by Barney Frank yesterday comparing the Tea Party to a meeting between the white rabbit and the Mad Hatter. That shows that what is emerging is precisely open political warfare between the Democratic Party and the Tea Party, let alone the Republican Party.

It was the Tea Party that demanded that Republicans make good on their \$100 billion in spending cuts for *this year's 2011 budget*. Now that they are complying, we have precisely Barney Frank's mirthful union between John Boehner, Eric Cantor, the white rabbit and the Mad Hatter. One thing that Barney Frank and most commentators are missing is that the House Republicans have the legal power to impose that \$100 billion in spending cuts in the 2011 budget, without the Senate or the President.

Those cuts are all in discretionary federal spending. There is no legal authorization for such spending after the current Continuing Resolution runs out on March 4. What the House Republicans do not authorize in such spending has no legal authorization, regardless of what the Senate or President Obama have to say about it. Once the House passes a Continuing Resolution with that \$100 billion in lower spending, all the Senate or President Obama can do is refuse to pass any CR, and let the government shut down.

If they shut down the government in this political environment because the Republicans refuse to spend as much as the Democrats want, it is they who will pay the grievous political price. They

will then have fully united the Republican Party with the Tea Party and fiscally conservative independents, and that at least 60% of the electorate will crush the Big Government Democrats. Barney Frank's district may prefer the policies of Venezuela or Cuba, but the rest of America will not follow them.

Even in 1995, Bill Clinton was able to rescue his political standing over the government shutdown because he caved in to Newt Gingrich on the substance. That is where the budget surpluses of the late 1990s came from. This is a whole new Tea Party world today, and the budget policies of Barney Frank, Barack Obama, and the Tooth Fairy are no longer remotely politically viable.