

Obama: 'You Can't Have a Modern Industrial Economy' With Lower Taxes

By *Fred Lucas*

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If taxes consumed less of America's wealth, as some Republicans would like, it would not be possible to have a "modern industrial economy," President Obama said during a town hall event in Mountain View, Calif. on Monday.

A member of the audience asked whether he could pay more in taxes, adding that he had been helped by federal Pell grants and infrastructure and job training programs that allowed him to be successful.

"Right now, we've got the lowest tax rates we've had since the 1950s," Obama said during a lengthy reply.

"And some of the Republican proposals would take it back--as a percentage of GDP--back to where we were back in the 1920s," he added. "You can't have a modern industrial economy like that."

Michael Tanner, a senior fellow at the libertarian CATO Institute, said he could not see why Obama made the comparison with the situation in the 1950s, as the economy was doing well back then.

"He seems to be of the belief that economic growth comes from the government and therefore the government has to take more money to put it into economic growth and not leave it in the private sector," he told CNSNews.com.

Tanner said Obama was correct to say that tax revenue as a percentage of gross domestic product was lower than in the past. However, he pointed out that the Congressional Budget Office projects it to be higher than average by the end of the decade. Also, government spending is 25 percent – much higher than in the 1990s, when it was about 18 percent.

"If you look at it as a percentage of the economy that is being taken in taxes, we are at a low point right now, largely because of the recession," Tanner said. "CBO predicts we will be up well above the historic average by the end of the decade. Historically we take in a little over 18 percent. CBO says it will be around 20 percent by the end of the decade."

During Monday's forum, sponsored by the social networking site LinkedIn and held at the Computer History Museum, Obama said the even in the tough economic times, the wealthy have done disproportionately better than the middle class.

"The income of folks at the top has gone up exponentially over the last couple of decades, whereas the incomes and wages of the middle class have flatlined over the last 15 years," he said.

The president has proposed a \$1.5 trillion tax increase to both pay for his jobs plan and reduce the federal deficit.

He told the California audience that the proposed increase was not designed to punish success.

"We're not talking about going to punitive rates that would somehow inhibit you from wanting to be part of a startup or work hard to be successful," Obama said.

"We're talking about going back to the rates that existed as recently as in the 90s, when as I recall Silicon Valley was doing pretty good and well-to-do people were doing pretty well. And it turns out in fact that, during that period, the rich got richer. The middle class expanded," he continued.

"People rose out of poverty because everybody was doing well. So this is not an issue of, do we somehow try to punish those who've done well. That's the last thing we want to do. It's a question of how can we afford to continue to make the investments that are going to propel America forward."