

FINANCIAL POST

Why Obama's big government plans will hinder, not help, the middle class

Terence Corcoran | February 13, 2013

John W. Adkisson/Getty Images You don't have to be Ayn Rand to grasp the middle-class dream, which is that in a country like America — called “the greatest nation on earth” by Mr. Obama — the main idea is the freedom to get on with the business of life, not to stand around waiting for the government to arrive.

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Ah, the middle class. The great heart of America's 300 million people, the political centre of the nation, heartland of the country's future. In his State of the Union speech Tuesday night, Barack Obama placed the middle class at the political centre of his second term in office.

The President mentioned the middle class eight times in his speech, citing the need to foster, protect and nurture this ladder-climbing, growing, thriving sector of the U.S. population. Occasionally he sounded like he was channeling the radical capitalist writer Ayn Rand, who once said:

“A nation's productive and moral, and intellectual top is the middle class. It is a broad reservoir of energy, it is a country's motor and lifeblood, which feeds the rest. The common denominator of its members, on their various levels of ability, is: independence. The upper classes are merely a nation's past; the middle class is its future.”

As if picking up on this very idea, Mr. Obama announced his political theme. “It is our generation's task, then, to re-ignite the true engine of America's economic growth — a rising, thriving middle class.”

Unfortunately for America's middle class, the Obama agenda stumbles forward with a massive slate of interventions that will greatly expand the role of government in their lives but ultimately do little to enhance their prospects.

The Obama vision of a thriving middle class is of a people propped up by job-creation schemes, raised into prosperity by minimum-wage laws, made comfortable by more home-ownership subsidies, educated by more grants and loans, employed through tax breaks for industry, sent to kindergarten on federal funds, pensioned off by the state and kept in health care via government programs.

The whole Obama project distorts and misrepresents the core economic and social premises behind the idea of a dynamic middle class. You don't have to be Ayn Rand to grasp the middle-class dream, which is that in a country like America — called “the greatest nation on earth” by Mr. Obama — the main idea is the freedom to get on with the business of life, not to stand around waiting for the government to arrive.

Perhaps Mr. Obama truly misunderstands the idea behind a self-created middle class that builds its own future and creates the rich of tomorrow. Or maybe he truly believes that the middle class is the creation of activist government. Either way, the result will be the same. In Obama's America, the objective is to allow the government to get on with the business of governing, expanding the role of bureaucrats and wealth transfers.

In Mr. Obama's world view, the middle class is also one caught in a class war against the rich and big business, who make cameo appearances in the speech. “Corporate profits have skyrocketed to all time highs but for more than a decade wages and incomes have barely budged.” He strikes out at the “wealthiest and the most powerful” as if they were enemies of the middle class. There are “tax loopholes and deductions for the well-off” and a tax code that “ensures billionaires with high-powered accountants ... pay a lower tax rate than their hardworking secretaries.”

Even in raising the minimum wage, Mr. Obama could not resist baiting the rich. “Working folks shouldn't have to wait year after year for the minimum wage to rise to go up while CEO pay has never been higher.”

These stale and tired themes that predate the last U.S. election may not be enough to save Mr. Obama from a second term that could be marred by deep policy paralysis. What if the middle class doesn't buy his claims that more government is what they need?

Mr. Obama also faces Congressional battles that could hijack his agenda. His budget plans seem destined to falter. Stymied on energy and climate, he is now threatening extreme action. If Congress will not bring in climate-change programs “to protect future generations, then I will.”

That appears to be a threat to use the U.S. Environmental Protection Agency to impose carbon taxes and other regulations on U.S. industry. That’s a big threat, and may be more a sign of weakness than strength.

Another sign of political weakness is that Mr. Obama did not mention the Keystone XL pipeline from Canada, which is to be the target of mass demonstrations in Washington this weekend.

Just as Mr. Obama uses the middle class as his shield on social policy, he uses the idea of free trade as a front for inaction on trade. After four years in office, Mr. Obama has done nothing on free trade. The Cato Institute in Washington said Tuesday that the Obama administration pays lip service to trade liberalization but fails to deliver. “There have been the announcements, the platitudes, the task forces, and the interminable negotiations, but no new trade agreements. Not one.”

In his speech Tuesday, Mr. Obama announced trade talks with the European Union. These talks come on top of the Trans-Pacific Partnership talks, which are dragging on with no end in sight. So now the Obama administration has two major trade deals underway, but no fast-track authority to complete them and, according to the Cato Institute, no real trade specialists to negotiate them.

The next four years could turn out to be long ones for Mr. Obama — even longer if he does not have the middle class on his side.