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The Cato Institute Responds to President Obama's State-of-the-Union Address

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I've already [bragged that the Cato Institute is America's best think tank](#), highlighting the fact that we took the lead in battling against [Obama's faux stimulus](#) at a time when many were dispirited and reluctant to fight big government.

I'm biased, of course, so I'll understand if you discount what I say. But I hope you'll agree that my colleagues have put together an excellent video response to the President's state-of-the-union speech.



As part of my contribution to the video, beginning around 6:35, I debunk the President's class-warfare tax agenda by [citing IRS data from the 1980s to explain that higher tax rates don't necessarily mean higher tax revenue](#).

After a night's sleep, here are a few additional observations on the President's remarks.

- I was disappointed, but not surprised, that he repeated the economically foolish assertion that Warren Buffett pays a lower tax rate than his secretary.
- I also was not surprised that he didn't say much about jobs and the economy. These four charts show he doesn't have much to brag about.
- It was also noteworthy that he didn't spend much time talking about Obamacare, which suggests that White House pollsters understand that government-run healthcare isn't very popular.
- It was equally revealing that he didn't spend much time on the so-called income inequality issue. Redistribution was implicit in what he said, to be sure, but the Occupy-Wall-Street crowd is probably disappointed that he didn't explicitly embrace their agenda. More evidence that the pollsters played a big role in this speech.
- I'm definitely not surprised that he talked about eliminating Osama bin Laden. Kudos to the Commander-in-Chief.
- I was amazed that he had the gall to say "no bailouts," particularly given his support for TARP, the Dodd-Frank bailout bill, and the giveaway to GM and the auto unions. And if the GM bailout is supposed to be a success, I'd hate to see his definition of failure.
- And I was stunned that he could talk about the housing meltdown and mortgage crisis without mentioning the Federal Reserve, Fannie Mae, or Freddie Mac. Sort of like analyzing World War II and pretending Germany and Japan didn't exist.

Since most of the previous observations are critical, I want to stress that I'm not being partisan. I also was disappointed in the Republican response. Was the GOP smart to showcase a governor who was part of the big-spending Bush Administration? Especially one who has said nice things about the value-added tax?

I even was a bit disappointed in Governor Daniels' remarks. He focused a lot on means-testing for entitlements, but that's the wrong way of reforming the programs. Such policies impose higher implicit marginal tax rates on people who save and invest during their working years.

If we're going to reform entitlements, do it the right way.