THE ORANGE COUNTY REGISTER

Published: Aug. 8, 2012 Updated: 12:28 p.m.

Michael Tanner: Obama, you're no Bill Clinton

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Lately President Obama has done everything except seduce an intern in his attempt to morph into Bill Clinton. In virtually every speech, he invokes Clinton's name, trying to link his policies with those of the popular former president. He has even called upon Clinton to place Obama's name in nomination at the Democratic National Convention.

But try as he may, Barack Obama is no Bill Clinton.

President Obama says that he wants to raise taxes back to the level they were under Clinton, but that's not quite true. Under President Obama's proposal, the top tax bracket would be raised to 39.6 percent. The president has also called for phasing out high-income taxpayers' itemized deductions, adding another 1.2 percentage points to the effective tax rate, bringing it to 40.8 percent. Add in the 2.9 percent Medicare tax and the top marginal rate would be 43.7 percent, roughly equal to what it was during the Clinton years. But Obamacare would increase the Medicare tax for high-wage earners to 3.8 percent, pushing the top marginal tax rate under the Obama plan to 44.6 percent, nearly a full point higher than it was under Clinton.

The same is true for capital gains taxes, interest and other investment income. President Obama, who once famously said he favored higher capital gains taxes even if they resulted in decreased revenue, would raise taxes on investment income from the current 15 percent to the 2002 level of 21.2 percent. But that number ignores the 3.8 percent Unearned Income Medicare Contribution (UIMC) tax on interest and capital gains that was imposed by Obamacare. Thus, President Obama would really raise taxes on investment income to 25 percent, much higher than they were under President Clinton.

Or look at it another way: During the eight years of the Clinton presidency, federal tax revenue averaged 19 percent of GDP. If President Obama gets all the tax hikes he wants, taxes would rise to at least 19.8 percent of GDP, and possibly higher.

We should also note that the economic climate was very different during the Clinton administration. Driven in part by the dot-com bubble, the economy was booming. One might argue that it would have been even better had Clinton not raised taxes, but the economy was still able to handle it. In contrast, our current economy is a mess, balancing on the edge of a double-dip recession, with unemployment stuck above 8 percent. That is why, in a moment of candor, even Clinton has argued against raising taxes now.

Perhaps an argument could be made for Clinton-era tax levels, though, if one also had Clinton-era spending levels. Under President Clinton, federal spending averaged 19.8 percent of GDP and actually hit a low of just 18.3 percent. In contrast, spending under President Obama over the past four years has averaged 24.4 percent of GDP. And going forward, the president's proposed budgets would never spend less than 22 percent of GDP.

As a result, at least some of the revenue from Clinton's tax hikes actually was used to reduce the national debt. President Obama's tax increases, on the other hand, would simply fund more federal spending.

It may well be true that President Clinton would never have shown such budget discipline in the absence of a Republican Congress, but the fact is that there was far more spending restraint during the Clinton years than under either of his successors. Indeed, if the post-Clinton budget had simply grown at the rate of inflation plus population, federal spending this year would be roughly $1 trillion less than it is today. Of course, some of the blame for the current level of spending belongs to President Bush, but President Obama has doubled down on Bush's profligacy, including by converting one-time Bush spending, such as TARP, into permanent spending.

In the end, President Obama would increase taxes more than Bill Clinton did, and cut spending a lot less.

President Clinton was also willing to consider reform of entitlement programs. Indeed, before the Lewinsky scandal forced Clinton to shore up his left flank to protect himself from impeachment, he was even receptive to the idea of allowing younger workers to privately invest a portion of their payroll taxes through personal accounts. Can anyone imagine President Obama, even for a moment, considering a similarly radical overhaul of Social Security or Medicare?

Of course, the signature accomplishment of the Clinton administration was welfare reform. This too may have been pushed on him by a Republican Congress, but President Clinton not only signed it, he embraced it. President Obama has not only increased total welfare spending by $193 billion since taking office, he has actively worked to dismantle the 1996 welfare reform act. His first stimulus bill included funding to help states pay for additional welfare recipients and eliminated many of the incentives that had encouraged states to reduce their welfare rolls. More recently, the Obama administration has announced plans to waive many of welfare reform's work requirements.

In fact, even rhetorically Obama and Clinton head in different directions. In the wake of the Republican victory in 1994, Clinton declared, "The era of big government is over." President Obama argues that "the danger of too much government is matched by the perils of too little."

Given the last twelve years, a little Clinton nostalgia is understandable. But Bill Clinton will not be on the ballot this fall. Barack Obama will be, and that is a big difference.