

NEW YORK POST

THE SPENDING THREAT

By CHRIS EDWARDS

June 15, 2009 --

RISING unemployment, stagnant wages, falling housing prices . . . The US economy has overcome such crises time and again in the past. But President Obama and his allies in Congress are gearing up to wallop families and businesses with an array of new taxes to fund a host of spending plans. These won't just hit hard at average families -- they threaten to derail any economic recovery.

Democrats can't seem to constrain their spending impulses. Social Security and Medicare are going bankrupt from overspending, yet Washington refuses to trim costs. The budget deficit exploded to \$1.8 trillion this year as a result of financial bailouts and the stimulus package, yet Congress and the president continue to jack up annual appropriations as if the Treasury was flush with cash. And Democrats are aiming at a grand health-care "reform" that could cost taxpayers \$1.5 trillion over the next decade.

So hold on to your wallets, America. Those spending plans leave Democrats desperate to raise revenue, and they'll be coming after you from every angle in coming months.

Plans on the table will hit higher-income families with tax increases on capital gains and dividends, for example. Lower-income Americans already got hit by a tax hike on smokers back in February. Congress is also looking at boosting taxes on beer, wine and booze. Taxes on a six-pack of beer would jump from 33 cents to 81 cents, for example. Plus, Democrats have floated the idea of raising taxes on Coke, Pepsi and other popular drinks.

Obama is also pushing for a big tax hike on corporations, but the burden of that will also fall on working families. If you don't believe it, listen to Microsoft Corp. -- which has said that it will move jobs offshore if the corporate-tax increase goes through.

Obama is pushing some tax hikes under another name -- but they still mean just as much trouble for the economy. The president's budget anticipates a federal take of \$80 billion *a year* from anti-global-warming revenues: That is, average Americans would pay \$80 billion a more for heating, air conditioning, transportation and every other form of energy consumption -- a huge tax increase on every family.

Then there's Obama's health-care plan. To fund it, Democrats are considering limiting the tax exclusion for employer-provided health care, ending health-saving accounts and reducing what taxpayers can deduct for medical expenses. All those actions would raise income taxes for middle-class families, by hundreds or even thousands a year.

All the above may be just the opening round in coming tax battles. The nightmare scenario is that Congress continues running trillion-dollar deficits, and that ends up triggering another financial crisis. Not wanting to let a "serious crisis go to waste," in the words of Obama aide Rahm Emanuel, Democrats might swoop in and deliver the death blow to US taxpayers -- a European-style value-added tax.

How would you like to pay a 20 percent consumption tax on everything you buy, on top of all the other taxes you pay? That's the sad situation in Europe, and out-of-control federal spending could put us in the same boat.

Not that Americans *want* Euro-sized government. A recent Rasmussen poll asked: "Would you prefer a more active government with more services and higher taxes, or a smaller government with fewer services and lower taxes?" Fully 66 percent chose smaller government; just 25 percent wanted more active government.

So why do politicians keep driving taxes and spending higher? One reason is that most Republicans in Congress have abandoned spending restraint. Consider House Majority Leader John Boehner. He heckles Obama's spending as "one big down payment on a new American socialist experiment." But the president recently challenged him to find specific programs to cut, and the best Boehner and his team could do was a list of cuts worth less than 1 percent of the bloated federal budget. If Obama is a "socialist," then the House Republican leadership is 99 percent socialist.

Republican leaders have forgotten that the best defense against big-government Democrats is an aggressive offense. In the mid-'90s, the GOP proposed abolishing whole Cabinet departments and eliminating the deficit with spending cuts. That changed the terms of the debate, helping derail President Bill Clinton efforts to grow the government. With spending in check, the economy soared during his term.

Republicans don't have a congressional majority now, but they do have two-thirds of the public in favor of spending restraint. But Republicans in Congress have trouble restraining themselves. They jacked up deficits long before Obama came to office; many are champion pork-barrel spenders.

The GOP better get its act together fast -- because US prosperity is seriously threatened by the Democratic tax-and-spend machine. If the economy is ever to get back on track, the Republican challenge has to be more fundamental than "socialism minus 1 percent."

Chris Edwards is director of tax policy at the Cato Institute and author of "Global Tax Revolution."

[Home](#)

NEW YORK POST is a registered trademark of NYP Holdings, Inc. NYPOST.COM, NYPOSTONLINE.COM, and NEWYORKPOST.COM are trademarks of NYP Holdings, Inc.
Copyright 2009 NYP Holdings, Inc. All rights reserved.