



## Another speech from Obama, another huge disappointment

By Jason Pye February 13, 2013

---

Obama gives State of the Union

Last night during a joint session of Congress, President Barack Obama gave his fifth the State of the Union address where he laid out his agenda for the next year. As was anticipated, the speech carried over the Leftist themes of last month's inaugural address and was more aggressive in tone.

Despite recent GDP numbers showing that the economy contracted in the last quarter of 2012, President Obama started off the hour long speech by repeat a familiar line, explaining that “[t]ogether, we have cleared away the rubble of crisis, and can say with renewed confidence that the state of our union is stronger.”

After a couple of shots at Congress, President Obama spent a few minutes discussing the sequester, claiming that “both parties have worked together to reduce the deficit by more than \$2.5 trillion – mostly through spending cuts, but also by raising tax rates on the wealthiest 1 percent of Americans.” Obama claimed, “we are more than halfway towards the goal of \$4 trillion in deficit reduction that economists say we need to stabilize our finances.”

If only that were true. In Cato Institute's response to the State of the Union address, Michael Tanner explained, “Let's be absolutely clear — there have been no spending cuts under this President.”

In 2010, the first year that this President was responsible for the budget, the federal government spent \$3.4 trillion,” noted Tanner. “Last year, the federal government spent \$3.5 trillion, and for the first four of last year, we're spending at a fast pace than the first four months of last year.”

Moreover, a recent report from the Congressional Budget Office, shows that budget deficits are expected to rise by \$9.4 trillion over the 10 years and our national debt will hit 19.9 trillion (87% of GDP, excluding intragovernmental holdings). This sort of debt, as the CBO explained in the report, will "increase the risk of a fiscal crisis."

With the sequester looming, President Obama painted a gloomy scenario. "These sudden, harsh, arbitrary cuts would jeopardize our military readiness," President Obama claimed. "They'd devastate priorities like education, energy, and medical research. They would certainly slow our recovery, and cost us hundreds of thousands of jobs."

Keep in mind that the sequester, part of the Budget Control Act of 2011, was largely President Obama's idea. Despite his frequent attempts to blame Congress for these cuts, Politifact noted last year that "defense sequestration was an idea that came out of Obama's White House."

But blame game is ultimately pointless since President Obama and some neo-conservative members of Congress want to reverse these cuts. The sequester, which simply cuts the rate of increases under the budget, is barely even a good start. While President Obama and some members of Congress are trying to scare Americans with their rhetoric, these cuts will not harm our military readiness and they cuts to domestic programs are simply the beginning of deeper spending reforms will eventually have to take place since the United States finds itself in such a precarious fiscal bind.

President Obama also made a push for an increase in the minimum wage. "[L]et's declare that in the wealthiest nation on Earth, no one who works full-time should have to live in poverty, and raise the federal minimum wage to \$9.00 an hour," Obama said.

That may sound good, but ultimately raising the minimum wage has the opposite of the intended effect. The Employment Policies Institute explains that "for every 10 percent increase in the minimum wage, estimates show employment may fall as much as 6.6 percent for young black and Hispanic teens ages 16 to 19." They also point out that only 16.5% of minimum wage earners are raising a family. The overwhelming majority of minimum wage earners "are teenagers living with working parents, adults living alone, or dual-earner married couples."

This is basic economics, folks. Each employer budgets out hours for his employees with his bottomline in mind. If the cost of paying his employees goes up, that employer will react by reducing hours, laying off employees, and/or raising prices.

There is so much more to go over from President Obama's State of the Union address. We're not even getting into the foreign policy aspects, civil liberties, or his troubling executive order on cyber-security. As noted above, the Cato Institute has posted some commentary and responses from some of its scholars on many of the themes mentioned by President Obama. Make sure you check it out.