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Obama's mandate to himself, forward to the fiscal cliff and getting away with it

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America now teeters at going over a fiscal cliff that would lead to the highest tax hikes in history, force devastating cuts to our national security and push the country back into recession. President Obama wants everyone to believe that his re-election victory was a mandate to raise taxes, but he is actually trying to full fill a mandate to himself. No matter the repercussions of what happens by Tuesday, he will most likely get away with absolving any responsibility of taking us to the brink.

The mandate for anyone who won the presidential election last November was to lead in measures that result in creating jobs, increasing economic growth, reducing the debt and keeping us safe. It does not mean that President Obama should do what *he*wants even if it does not achieve those goals. He persistently repeats that taxes have to be increased on whom he decides to be 'rich' under the guise that it will increase revenues and lower the deficit. He offers no growth strategy that has proven to succeed.

His own words points to his true far left ideological goals. During a primary debate in 2008, ABC's Charles Gibson asked Mr. Obama if he would raise the capital gains tax even if he knew that cutting it would generate more revenue for the government. He responded that raising the tax even if doing so would lower revenue might be warranted out of *'fairness'*. The President's approach to governing is still what *he* thinks is 'fair', no matter the consequences, thus he is trying to full fill his own ideological mandate to himself.

There is absolutely NO credible excuse why America is put into this fiscal cliff situation at this time. If President Obama were really serious about averting the fiscal cliff, he would have done HIS job months ago before the election. He has not been challenged about this in any of the media interviews he has had. Don't expect it to happen anytime soon.

Earlier this year the GOP led House passed a budget and bills to prevent the fiscal cliff including extended all tax cuts especially for the middle class, also to ensure economic certainty for investment and employment, reforms to make entitlement sustainable, avoid the sequester of cuts on national security and to reduce the debt. The Senate led by Democrat Harry Reid refused to take them up for debate or amendments, which could have fostered a deal back then. The Senate has not passed a budget in nearly four years as required by the constitution, so Harry Reid has not done his job either. The President never singles out the Senate on their dereliction of duty. This was one of the reasons for my previous article: '**A Do Nothing Senate, Why Democrats Should Lose Control of the Senate.**'

Meanwhile President Obama was busy campaigning for reelection to a job he craved to keep, but was delinquent to carry out its main responsibility, that is to actually lead.

Still, President Obama yesterday in an interview by David Gregory on NBC's Meet The Press erroneously asserted that Republicans had not done anything to avert the fiscal cliff and that,

"they're behaving that their only priority is making sure that tax breaks for the wealthiest Americans are protected. That seems to be their only overriding, unifying theme."

This is the false taking point that he hopes to be regurgitated by his media allies and accepted and amplified by low information voters, including many who are perpetually infatuated in him. He is even further trying to shamelessly corral his media allies to divert blame to the GOP and not Democrats by saying,

"The only thing I would caution against, David, is I think this notion of, "Well, both sides are just kind of unwilling to cooperate." And that's just not true. I mean if you look at the facts, what you have is a situation here where the Democratic Party, warts and all, and certainly me, warts and all, have consistently done our best to try to put country first.
And to try to work with everybody involved to make sure that we've got an economy [that] grows. Make sure that it works for everybody. Make sure that we're keeping the country safe. And does the Democratic Party still have some knee-jerk ideological positions and are there some folks in the Democratic Party who sometimes aren't reasonable? Of course. That's true of every political party.
But generally if you look at how I've tried to govern over the last four years and how I'll continue to try to govern, I'm not driven by some ideological agenda. I am a pretty practical

guy. And I just want to make sure that things work. And one of the nice things about never having another election again, I will never campaign again, is I think you can rest assured that all I care about is making sure that I leave behind an America that is stronger, more prosperous, more stable, more secure than it was when I came into office."

These words are no match to the facts of the actions of the President and Harry Reid's led Senate. If President Obama was willing to cooperate, he would not have told John Boehner that " he gets nothing" in return of a deal for agreeing to increase taxes by $800 billion. If the President and Harry Reid had done their best, warts and all, we would not be dealing with this now. If they had done their best, the Senate would have allowed bills on the fiscal cliff and those pertaining to jobs passed by the House to come to its floor, and would have passed the budgets as required. If this is the best the President and Harry Reid can do, maybe they should be doing something else other than handling the taxpayer's money. If this is their best, overseeing the highest increase in national debt ever over a four-year period with only anemic growth to show for it, why should they be entrusted with more of other peoples' money? Fairness, that's because President Obama thinks so. By the president putting the country's national security at risk (despite warnings from Defense Secretary Leon Panetta about the effects the sequester on National Defense would have), cannot be accepted as doing ones best as Commander in Chief.

With Federal spending at about 24% of GDP and tax revenue at about 18% of GDP, no amount of tax increases will put the trajectory of our debt on a sustainable path. Spending would have to be reduced or managed more efficiently at the historic 18% to 19% range while having greater economic growth and thus tax revenue, usually achieved via lower rates. That is the real balanced approach the country needs.

The tax increases Mr. Obama desires on incomes of those making $250,000 and above including many small businesses who file as individuals, would only fund the government for a few days, if and only IF they increased revenues as he hopes. This tax increase is at the heart of why a fiscal cliff deal has not been achieved. No matter what income level gets hit with an increase in taxes. Taxes on dividends, capital gains and estate sale would increase under Obama. That does not include Obamacare taxes that are also kicking in. So much for a growth policy. Contrary to the President's lexicon, tax rate increases does not necessarily mean revenue increases. If this is was so, high tax states such as California, Illinois and New York would not be going bankrupt. If this was so, the socialist European model which President Obama is trying to replicate here would have been a resounding success in Greece and other European countries.

Democrats such as President Obama and Harry Reid have refused to entertain discussion of proposals offered by the Republicans on reforming the key drivers of our national debt, which are entitlements. Consequently the credit rating agencies are threatening to cut our credit ratings again.

It is ironic that after bashing the Bush tax cuts for years and throughout the election, President Obama now says that if we don't extend most of them the country will go into recession. President has laid false blame of high deficits on the Bush tax cuts. He has abdicated accountability of the Obama-Pelosi blowout of spending as a share of GDP .This blowout escalated the spending from the average 18% - 20% of GDP to 24%-25% levels last seen in the mid 1940s. Blaming the Bush tax cuts for the current high deficits and wiping out last decade's budget surpluses has been shown to be false by the analyses of comparing actual numbers with projections by the Congressional Budget Office (CBO) from 2001 to 2011.

As outlined in my previous article **' Failed No Growth Keynesian-Obamanomics vrs the Facts on Spending and Taxes,** In 2001 the CBO had predicted a surplus of $889 billion by 2011 which was based on the projected assumption that the late 1990s economic .com era growth and stock-market bubble (which had already peaked) would continue and generate record-high tax revenue. It did *not* take into consideration recessions, a terrorist attack like 9/11, wars or natural disasters and escalated government spending which really occurred within that 10yr period. The surplus never really existed the way many liberals and their friends in the media repeatedly like to claim. What they fail to and are reluctant to admit are actual numbers and not just projections. Despite the Bush tax cuts, the wars, and prescription drug program, in 2007 (before the housing crash of 08), the deficit was only $161 billion compared to today's over $1 trillion. It has been a over a $1 trillion since President Obama has been in office. The prescription drug program also cost over 30 percent less than anticipated. How many government programs actually cost less than projected?

In addition, the investment created by these tax cuts increased tax revenues $786 billion higher in 2007 than in 2003 before the tax cuts. It was the biggest four year tax revenue increase in U.S history rising by 44 percent and unemployment fell to 4.2 percent from 6.2 percent. The 'rich' actually paid more taxes and contributed to revenue under the Bush tax cuts. About two thirds of those tax cuts went to the middle class and not the 'rich'. A Wall Street Journal editorial 'Obama's Real Revenue Problem' outlines how the deficit and revenues are affected by big government spending and mediocre economic recovery.

The basis for President Obama and other liberal Democrats' argument has been talking points whose quest is not for the truth about reality but for advancing an agenda which fits their ideological vision and political narrative. They have even defined the 'rich' as individuals who make $200,000 per year or couples making $250,000 per year which includes small business people or job creators who file as individuals. He has repeatedly accused the 'rich' as not paying their fair share. It has been a major talking point of President Obama's class warfare and wealth redistribution repertoire of misleading statements. Class warfare is not a credible approach to economic policy but politicians' accountability and responsibility to effectively managing tax payers' money is. If President Obama is prepared to gain any political cover from his divisive class welfare rhetoric, he should be prepared to take accountability for any European style economic unrests that may occur.

According to Bureau of Economic Analysis of IRS figures the top 10% pay nearly 69% of the total income-tax burden. The total amount in dollars that the top 5% pays is more than the other 95% tax payers. The top 1% of taxpayers which includes those with salaries, dividends and capital gains who makes roughly above $380,000 per year paid 38% of taxes. According to IRS data if the income of Americans who make over $100,000 were taxed 100% it would not be enough to cover Mr. Obama's deficit for this year. The Tax Foundation recently noted that in 2009 the U.S collected a higher share of income and payroll taxes (45%) from the richest 10% of tax filers than any other nation. Compare that to socialist welfare states such as Sweden (27%), France (28%) and Germany (31%).

Meanwhile according to the same IRS data almost 50% of all filers pay no income tax at all and this portion of non-payers has grown from 18.5% in 1986. Most of those who don't pay income tax simply because the standard deductions for tax filers and dependents are large enough to negate taxable earnings. About 30% of the middle class who earn $33,542 and $59,386 are also exempt. Six out of 10 US households receive more from government than they pay in taxes.

Democrats still insist on that the 'rich' do not pay their fair share and should pay even more. Some Democrats are even pushing for a 70% marginal rate. Mr. Alan Reynolds a senior fellow at the Cato Institute recently pointed out – 'Why 70% Tax Rates Won't Work'. He referred to data from the U.S budget historical data which reveals that less revenue was brought in when the highest rate was 70% to 90% than when the highest rate was 28%.

Mr. Reynolds makes some important observations in his article such as: "Since the era of 70% tax rates, the U.S income tax system has become far more 'progressive'. Congressional

Budget Office estimates show that from 1979 to 2007 average income tax rates fell 110% to minus 0.4% from 4.1% for second-poorest quintile of taxpayers. Average tax rates fell 56% for the middle quintile and 39% for the fourth but only 8% at the top. Despite these massive tax cuts for the bottom 80%, overall federal revenues were the same at about 19% of the GDP in 2007 as they were in 1979 and individual tax revenues were nearly the same – 8.7% of GDP in 1979 versus 8.4% in 2007."

Mr. Reynolds further points out – " In short, reductions in top tax rates under Presidents Kennedy and Reagan and reductions in capital gains under Presidents Clinton and George W. Bush, not only 'paid or themselves' but also provided enough extra revenue to finance negative income taxes for the bottom 40% and a record-low income taxes at the middle class."

There are two other historical statistics which also show that lower tax rates generate higher revenue and growth as opposed to higher tax rates. Individual income taxes and overall federal tax revenue as a percentage of GDP have both remained relatively constant at 8% and about 18% respectively regardless of top rates on income of individual investors or small businesses. However lower rates have had a greater impact of raising real overall size of the GDP and thus revenue because those average rates of 8% and 18% of GDP have been a percentage of a larger overall number or of a bigger pie.

The class warfare rhetoric of increasing taxes for the 'rich' has no regard for the truth which historically shows what actually happens to the economy when taxes are raised on the 'rich' versus when it is lowered. Alan Reynolds again explains this principle in his WSJ article- 'Obama's Soak-the-Rich Tax Hikes Won't Work.' The President's interest in raising the highest individual tax rates to bring in revenue over 9% of GDP has been tried for over 60yrs and has always failed. In relation to individual tax revenues to GDP when the capital gains tax rate was lowered to 20% from 28% revenues grew to 10.8% in 1997 and 13% in 2000. The increased revenue in the latter part of President Clinton's term was mainly due to capital gains from lower capital tax rates during the stock market boom of that time. After 2003 Bush tax cuts when capital gains tax was reduced to 15% the real revenues from the top 400 individual taxpayers doubled to $14.5 billion in 2007 from $6.9 million in 2002. This illustrates that when capital gains rate went down in 1997 and 2003 the richest 400 Americans paid a lot more in taxes. The lower rates encouraged more individual investments and gains which led to more revenue from taxing many more gains at a low rate than from taxing fewer gains at a high rate. A growing economy leads to increased revenue from a larger tax base and lower unemployment.

Similar observations were made by Mr. W. Kurt Hauser in the WSJ article ‘There’s No Escaping Hauser’s Law which analyzed overall federal tax revenue as related to GDP. Dubbed the ‘Hauser’s Law’ which is based on a historical record on how the economy responds to changes in the tax code concludes that: “Under a tax increase, the denominator, GDP will rise less than forecast, while the numerator, tax revenues will advance less than anticipated. Therefore the quotient, the percentage of GDP collected in taxes, will remain the same.” Simply put, 19% of a larger a larger GDP (due to tax rate cuts) is more desirable and proven to happen for generating overall revenue than 19% of a smaller GDP when tax rates are higher. This again reinforces the point that a higher GDP means a lower un-employment rate.

Despite all the evidence of lower tax rates increasing revenues and stimulating economic growth, President Obama at any opportunity will call for higher taxes to finance his ever growing spending habits and control of capital so he can redistribute to his political ends. The fiscal cliff does not seem to be a priority. Again he is fulfilling a mandate to himself.

The President is not expected to spread the wealth around, but to enact policies which foster the creation of wealth and opportunity for one to succeed on their own merit. That is the real mandate of any president. The constant attempt by big government to grab, and control capital to risk other peoples’ money in the name of fairness, further deprives individuals of their freedom to risk their own money to enhance economic growth. The threats of higher taxes de-incentivize individuals from investing and hiring which leaves less tax revenues coming to the government so it can pay the national debt. As the edge of the cliff gets closer by the hour, President Obama will be more desperate to get away from being blamed, than preventing us from going over it.