

# The Washington Times

## POWELL: The unemployment president

*Obama joins tax hikers hall of shame*

By Jim Powell

-

The Washington Times

5:57 p.m., Wednesday, August 4, 2010

President [Obama](#) and Treasury Secretary [Timothy F. Geithner](#) have made it clear they want big tax hikes on job creators - successful investors and entrepreneurs - by letting the Bush tax cuts expire in 2011. This is despite the troubling persistence of unemployment greater than 9 percent.

Although letting the Bush tax cuts expire wouldn't rank as the worst tax hike in American history, it's obviously ill-timed. Together with other tax hikes that [Mr. Obama](#) has pushed through [Congress](#), plus still more tax hikes he would like to see enacted, he seems a good bet to become one of America's most notorious tax hikers. Higher taxes mean consumers would have less money to spend, and private sector job creators would have less money for hiring people.

[Mr. Obama's](#) chief rivals for dubious distinction are [Herbert Hoover](#) and [Franklin Delano Roosevelt](#). Their frenzied taxation made it more difficult for the private sector to recover from the Great Depression.

[Hoover](#) was responsible for two disastrous tax hikes. The first arose during the 1928 presidential election campaign when he let it be known that he would support higher tariffs for agricultural commodities. This sparked a mad scramble among lobbyists representing all sorts of businesses that wanted higher tariffs. By the time congressional hearings had concluded, there were nearly 20,000 pages of special-interest pleading. In June 1930, [Hoover](#) signed the Smoot-Hawley tariff that raised tariffs an average of 59 percent on more than 25,000 agricultural commodities and manufactured goods, forcing consumers to pay more for just about everything. The [U.S.](#) stock market plunged, and more than 60 countries retaliated by blocking American exports, further depressing the economy.

Concerned about budget deficits because of his increased spending, [Hoover](#) urged [Congress](#) to enact higher taxes, and the result was the Revenue Act of 1932, one of the biggest tax increases in American history. There were taxes on cars, gasoline, tires, electricity, telephone service, bank checks and much more. Investors were hit with stock transfer taxes. The post office hiked the cost of sending first-class mail by 50 percent. There were gift taxes with graduated rates up to 33 1/3 percent. The top personal income tax rate jumped from 25 percent to 63 percent. The corporate income tax went up, too. After strapping all these taxes on the backs of the American people, [Hoover](#) watched the economy hit rock bottom.

FDR increased taxes in 1933, 1934, 1935 and 1936. The frequent tax changes alone caused uncertainty that discouraged investors and job creators from taking entrepreneurial risks. FDR nearly doubled the federal tax on distilled liquor. He raised excise taxes on tobacco and gasoline. He added a 5 percent tax on corporate dividends (above what was already due via personal income taxes). FDR introduced a tax on millers who grind wheat into flour for bread - an indirect bread tax. He introduced Social Security payroll taxes that did nothing but drain funds from the private sector during the 1930s (there weren't any Social Security retirement checks until 1940). FDR added a tax on businesses when their profits exceeded 12 percent. He introduced a graduated tax of up to 60 percent on undistributed profits. FDR made the personal income tax more steeply progressive, raising Hoover's highest rate of 63 percent to 75 percent. Overall during the New Deal period (1933-1940), the amount of money taxed away from the private sector tripled.

Ironically, FDR's programs that were supposed to help the middle class and the poor were mainly paid for by the middle class and the poor. This was because the biggest single source of federal revenue during the New Deal period were excise taxes on beer, cigarettes, chewing gum, soda and other cheap pleasures enjoyed mainly by the middle class and the poor. To hear one of FDR's famous "Fireside Chats," people had to pay an excise tax for a radio and an excise tax on the electricity needed to turn it on. Until 1936, federal excise taxes yielded more revenue than the federal personal income tax and the federal corporate income tax combined. Not until 1942 - during World War II - did the federal personal income tax become the biggest source of federal revenue.

Now, amidst nagging unemployment, comes [Mr. Obama](#) with his myriad health care taxes and penalties, his proposed energy taxes and the expiration of the Bush tax cuts. He's especially anxious to whack job creators, including small business entrepreneurs whom he repeatedly reviles as "the rich." [Mr. Obama](#)'s claim is that higher taxes are needed to reduce the deficit, but the deficit wouldn't have been so big if he hadn't rammed through [Congress](#) the so-called "stimulus" bill that was primarily a super-size slush fund for the already obese government sector. The deficit would have been smaller, too, if [Mr. Obama](#) made the creation of private-sector jobs his top priority, rather than relentlessly pushing his government takeover of the health insurance business, the ultimate cost of which could run into the trillions. His evident strategy is to stiff private sector job creators, then - by extending unemployment benefits - to throw a bone to those who lost their jobs.

[Mr. Obama](#) wants to be your unemployment president.

*Jim Powell, a senior fellow at the Cato Institute, is the author of "FDR's Folly," "Wilson's War," "Bully Boy" (Crowd Forum), and other books.*

· **Ads by Google** 

[Unemployment](#)

[Income Tax Rates](#)

[Washington Times](#)

[Immigration Obama](#)

[President Obama](#)