

Congressman Scott Garrett (R-NJ), Chairman

May 4, 2011

## Reid Proposes “Deficit Targets”



HOW IT WORKS IN WASHINGTON

Senate Majority Leader Harry Reid recently suggested that deficit targets be attached to a debt ceiling increase. As Senator Reid states: “You would just have a law that says we have to do it... There are all kinds of triggering mechanisms.”

The proposal is similar to a previous attempt by Congress to set deficit targets. In 1987, Congress set deficit targets that were meant to gradually reduce the deficit from \$150 billion in 1987 to balance by 1993. Instead of balance, the federal government actually ran a \$255 billion deficit in 1993. Total deficit spending over the period was \$870 billion above the deficit targets.

Of equal concern, one envisioned “triggering mechanism” would be automatic tax increases, which would destroy jobs and place an unaffordable burden on the budgets of American families and businesses. Americans should not be forced to endure higher taxes just because Washington cannot balance its books. Furthermore, automatic tax increases would be unconstitutional, since the higher tax would not be enacted by first the House, then the full Congress, as required by the U.S. Constitution.

## Some Context on the Debt Limit Debate

- If the President’s budget policies are followed, net interest payments will increase from \$196 billion last year to \$931 billion in 2021.
- PIMCO, a management company with \$1.2 trillion in assets, has dumped all holdings in U.S. debt in its Total Return Fund, citing concerns that our entitlement obligations are unaffordable.
- As of February 28, 2011, China held 12% of the debt held by the public. In all, foreign entities held 47% of the debt held by the public.
- On April 18<sup>th</sup> of this year, the S&P revised its outlook on the United States credit rating from stable to negative. According to the S&P: “We believe there is a material risk that U.S. policymakers might not reach an agreement on how to address medium- and long-term budgetary challenges by 2013; if an agreement is not reached and meaningful implementation is not begun by then, this would in our view render the U.S. fiscal profile meaningfully weaker than that of peer 'AAA' sovereigns.” This is the first time the outlook has negative since the Pearl Harbor attack in 1941.

## Obamacare Creates Implicit Marginal Tax Rates in Excess of 100%

### Quote of the Week:

*“I am for doing good to the poor, but I differ in opinion of the means. I think the best way of doing good to the poor, is not making them easy in poverty, but leading or driving them out of it.”*

Daniel Kessler, a senior fellow at the Hoover Institution, points out in a recent Wall Street Journal [article](#) that Obamacare creates some startling disincentives to work. A key feature of the health care law is that it creates subsidies to buy the types of insurance allowed under the bill’s health care exchanges. Families between 134% and 400% of the poverty line are eligible for these subsidies. A family of four earning \$96,699 a year would be eligible for a subsidy of \$14,799. A family earning \$96,700 would receive subsidies of \$0. By earning one extra dollar, the family could be made worse off by \$14,798, in addition to the increased tax burdens under Obamacare.

Daniel Kessler sums up the issue as follows: “The only fix is to drastically reduce or eliminate the premium subsidies. As the 2012 elections approach, voters will have to decide: For middle-income families, should economic success be determined by work and savings, or by participation in a government program?”

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# The Washington Times

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## Admit it, Obamanomics has failed

Forecasts predict no economic improvement in 2011



The only thing dropping faster than President Obama's poll numbers is America's economic future. Only one in five believe the country is headed in the right direction, according to a Rasmussen Reports survey released Thursday. More than half of those responding to Gallup's queries believe we are either in a recession or depression. The grim mood reflects growing disenchantment with administration policies that have sucked the life out of the economy.

Reports piled up yesterday casting further doubt on the prospects for recovery. Just as many people stood in line last week to file an initial jobless

claim as did so the same time last year. The dollar finds itself in a free fall against other currencies and gold. The measure of the growth in the country's productive output fell to 1.8 percent in the first quarter of this year. The Federal Reserve is not hopeful. Chairman Ben S. Bernanke dialed back real gross-domestic-product growth expectations for the rest of the year from 3.4 percent to 3.1 percent. Thanks primarily to sky-high gasoline and energy prices, the Fed's best guess is that consumer prices will rise 2.1 percent, up from the Fed's inflation prediction of 1.3 percent made in January.

None of these developments are accidental in an administration that has actively sought to raise energy prices. "Somehow we have to figure out how to boost the price of gasoline to the levels in Europe," Steven Chu told the Wall Street Journal in an interview less than six months before he became Mr. Obama's energy secretary. Mission accomplished, Mr. Chu. There's nothing like stopping drilling to constrict supply and drive prices up. "Under my plan of a cap-and-trade system, electricity rates would necessarily skyrocket," candidate Barack Obama said in 2008.

These sound like cold calculations, and Mr. Obama was anything but warm in his response to a windmill factory employee concerned that his large family was hit hard by the cost of gas. "You may have a big family, but it's probably not that big," Mr. Obama said. After the man informed the president he had 10 children, Mr. Obama's giggling, condescending response was, "Well, you definitely need a hybrid van then."

Mr. Chu and Mr. Obama embrace pricey petrol because they think it will send the masses running to take municipal buses, light rail and other government-controlled forms of transportation. Or, better yet, they'll buy a Chevy Volt or a "hybrid van" from Government Motors. Obamanomics has never been about prosperity; it's always been about control. Consider that the stimulus showered billions on worthless green energy projects, especially those pushed by the likes of General Electric, one of Mr. Obama's top campaign donors. Bailouts of automotive companies were engineered to give unions unprecedented control over the manufacturing process. Each decision focused not on increasing the country's wealth but the country's dependence.

In his 27 months in the Oval Office, Mr. Obama has written \$3,677,533,458,800 in checks against a bank account that contains no money. It's time to stop pretending that extracting money from private-sector entrepreneurs to spread around among political cronies will do any good. It's time for Mr. Obama to side with the vast majority of Americans who are demanding a change in direction.