

Next Stop, France

By comparison with what's to come, \$790 billion is small change.

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Last month Barack Obama became the new president of the United States, a president with a different set of beliefs and perspective about how our country should, function, change and--hopefully--prosper. The last president with such vision (although from a different perspective) was Ronald Reagan, who according to most scholarly surveys was one of the best presidents in America's history. So a look at what the Obama presidency is planning will help us understand where America is going.

According to last week's Newsweek cover story, "We Are All Socialists Now," the "America of 2009 is moving towards a modern European state"--whether we like it or not. A decade ago our national, state and local government spending was 34.3% of gross domestic product, while next year it will reach 39.9%, and America "will become even more French." So there will be "more government taxing and spending," and "more government intrusion in the economy will almost surely limit growth (as it has in Europe, where a big welfare state has caused chronic high unemployment)."

That conclusion should not surprise us, for more government involvement and decision-making in all aspects of our country's policies, organizations, businesses and local governments is the belief of the Obama presidency. Mr. Obama was the most liberal member of the Senate during his short time there, and, faithful to his beliefs, he has begun establishing the liberal policies he campaigned upon.

Mr. Obama campaigned promised to increase federal spending by \$303 billion a year, or 10%, but the recessionary emergency spending bill he signed last week will cost a minimum of \$790 billion over the next several years. It is the largest annual spending increase since World War II, an enormous deficit-spending bill that, as [The Wall Street Journal](#) pointed out, expands "the role of the federal government across the breadth of American business, health care, energy and welfare policy."

If the spending increases and tax reductions of the bill are extended over 10 years, the Congressional Budget Office estimates they will add \$1.7 trillion to the federal deficit. And since there are no sunset provisions to end the spending increases, we can be sure that any "cuts" in federal spending will be vigorously opposed. Simply put, a much bigger American government is on its way, and as a result a balanced budget will not be possible for the foreseeable future.

Tucked away in the bill are spending increases for some 120 federal programs, all popular with their constituencies but not helpful to our spending controls or economic growth. The additional \$749 million for farm subsidies--started by Franklin D. Roosevelt in 1933 and with us still, now averaging \$15 billion a year--is one example. the \$2 billion for housing redevelopment, available for government and a consortia of nonprofit Acorn-type entities, and \$50 million for nonprofit arts projects are others. With 10 dozen such spending increases in the bill, one might conclude that we are indeed turning into France.

There are also some significant changes in the bill that will substantively change American public policies. One is the change in the Clinton administration's welfare reform, an enormously successful program. The number of people on welfare in the country declined 66%, from 12.3 million in 1996 to 4.2 million 10 years later, bringing people who needed work into real jobs. But tucked away in the spending bill is a change that will both reduce work and increase welfare by paying states to increase their welfare caseloads.

Another is the first effort to return America to protectionism. The Buy American section of the bill says that construction and public-works projects funded by the stimulus must use only U.S.-produced goods, including iron and steel. This provision does not override existing international agreements, with European countries, Japan and others, that include free trade. But trade with countries such as China, India, Brazil and Russia will be seriously damaged. A bad idea, but not surprising, for you remember candidate Obama's promise to repeal or modify the North American Free Trade Agreement because "I don't think Nafta has been good for America--and I never have." In fact it has: In 2007, exports generated \$1.6 trillion, 12% of the country's GDP--but protectionism will be a part of the Obama administration's policies too. (Though he is postponing it in Canada for the moment.)

Other public policy changes that were a part of the presidential campaign are coming. First was the extension of the State Children's Health Insurance Program that the president signed early this month, enabling states to add four million more children to the seven million now eligible, at a cost of some \$30 billion. Mr. Obama said it was a "down-payment on my commitment to cover every single American" with health insurance. The CBO says this extension alone may persuade 2.4 million people to drop their current insurance coverage and join the government-funded plan.

Finally, there will certainly be a new negative energy policy. We haven't seen it yet, but under way is a plan to shut down coal-fired plants, build no new nuclear ones, and make sure no additional offshore oil drilling is allowed, all to be replaced by less efficient or inadequate power from wind, solar and biomass sources. All of this will likely be included in a new Boxer-Lieberman global warming bill that would regulate, tax and federalize America's energy-generation program.

Add all these ideas together and we see a president who is doing what he said he would do if elected, and a president who is determined to make America a socialist, welfare-state government that would be a very different America than any of us have seen in 70 years. President Reagan came to Washington and ushered in three decades of economic growth; Mr. Obama has now come to the White House. Aided by a very liberal Congress, he is about to usher in some very different economic policies.