Publication: **Investor's Business Daily**; Date: 2009 Nov 11; Section: Issues & Insights; Page Number: A11

Perspective

President's Economic Team Knows Better And Should Be Allowed To Restore Sanity

By MIKE COSGROVE

Gold prices near $1,100 an ounce are a prelude to what is ahead if the Obama administration and Congress do not soon restore fiscal integrity.

Investors at the margin are slowly moving to purchase gold as well as oil. Concerns about an eventual U.S. sovereign debt downgrade are starting to make the rounds. As those concerns turn into fears one may see a collapse in the value of the dollar and a rush into gold, oil, other commodities and currencies of other countries.

A doubling in gold and oil prices over the next year and a return to recession is feasible and perhaps likely if the policy portfolio of this administration doesn't undergo a radical change.

Volcker, Romer and Summers: Silent as the dollar collapses, oil and gold surge, and growth-inhibiting policies such as higher taxes and cap-and-trade...

Unemployment is over 10% and may move higher. Unemployment hit 10.8% in December 1982.

Everyone knows what works to bring down unemployment — policies aimed at encouraging economic growth.

Instead of policies to encourage economic growth, the administration and Congress are pushing for large tax hikes on individual taxpayers and businesses in the packages of national health care and cap-and-trade.

There may be an additional 8% payroll tax on small businesses that do not provide health care and a tax on individuals who choose not to buy insurance. The proposed health care plans are recipes to force businesses out of business and push up the unemployment rate. There are already over 15 million people out of work.

The policy focus should be on reducing costs for businesses so they can become more competitive in this global economy and hire more workers. A lower-tax-rate environment would encourage more people to start businesses. The administration is pushing precisely the wrong policy prescription for the U.S. economy in this highly competitive global economy.

The federal deficit for the past fiscal year was $1.4 trillion, and OMB estimates the cumulative deficit at $9 trillion for the next 10 years. Everyone knows that is an understatement of the cumulative deficit with the current wrongheaded policy prescription.

Paul Volcker, an adviser to President Barack Obama, was Federal Reserve chairman in the 1980s as unemployment peaked. He knows and understands the policies needed to bring the unemployment rate down.

Silence from him.

Larry Summers was an adviser to President Bill Clinton during the 1990s, when the economy boomed. He knows that a smaller market share for federal government expenditures results in a bigger share for the private sector so the private sector can create more jobs.

Silence from him

Christina Romer, chair of the president's Council of Economic Advisers, clearly understands how harmful it is to even think about tax hikes on businesses and individuals when over 15 million people are out of work and many more are underemployed.

Silence from her.

The economic advisers all serve at the pleasure of the president, but pushing the exact opposite policies for an economy with high unemployment is quite a feat to stomach.

In particular for Summers as he seems to have a habit of saying what he thinks.

It could be that Dr. Summers decided to stick it out for the good of the economy knowing that if he leaves President Obama will find someone who encourages more federal spending and higher taxes.

Now that's a scary thought — Summers actually acting as a constraint on President Obama to rein in Obama's propensity to redistribute wealth, increase taxes and increase the market share of federal government outlays.

If the president wants to grow the economy and have a lower unemployment rate, he could make a public announcement that he is going to allow his three key economic advisers — Summers, Volcker and Romer — to develop a portfolio of economic policies to encourage economic growth and restore fiscal sanity.

If the Obama took that step, the dollar would strengthen and gold and oil prices would tumble.

• Cosgrove, principal at Econoclast, a Dallas-based capital markets firm, is a professor at the University of Dallas.