Investor's Business Daily; Date: 2011 August 10; Section: Issues & Insights; Page Number: A13

Obama Can Still Get Economy On Growth Path

By MIKE COSGROVE

The set of economic policies that President Obama chose can't produce economic growth or jobs since his policies are designed to do the opposite — increase costs and the tax burden and provide a more equal share of a slow-growing and high-unemployment economy to those not working.

The U.S. is part of a global economy, 19% of global gross domestic product, according to the IMF. The U.S. share was much higher in past decades. Obama needed to select a set of economic policies to enhance U.S. economic and job growth within the global economy; instead he chose the opposite.

The U.S. may be able to generate only 2% growth over the next few years, approximately the pace of growth in Western Europe. And at 2% average growth, it doesn't take much of a shock to push the U.S. economy into a recession.

America, like Japan, could be in store for a lengthy period of subpar economic growth punctuated by recessions and falling equity prices. It could have been different.

The president chose to ignore the U.S. competitive position in the global economy, in particular the economic leadership role that past U.S. presidents provided. The Obama economic policy menu may have worked in the 1950s when America was in competition with war-ravaged Western European countries and Japan.

But by the 1960s President Kennedy understood the importance of American economic growth and demonstrated American economic leadership with his pro-growth tax policy. President Reagan likewise understood the importance of rapid U.S. economic growth as he implemented additional Kennedy pro-growth tax polices.

President Clinton continued the push to make America competitive through NAFTA, illustrating American economic leadership on trade to the rest of the globe. President Bush strayed off the path in some respects, but he did implement pro-growth tax policy.

Somehow Obama failed to grasp the economic leadership role America has demonstrated the past 50 years and instead chose economic policies that are designed for allocation of the economic pie, not growth, and that have failed in Western Europe and Japan.

Granted, Obama won his economic leadership role during a deep and painful recession, but he still had an array of economic policy options available when he took office.

Choices at that time could be broadly summarized in two categories: 1) pro-growth, market-oriented solutions; 2) anti-economic growth, nonmarket federal government programs and regulations.

Obama of course picked the second option.

The policy selections he chose were out of the economic mainstream to enhance U.S. economic and job growth, considering what everyone knew about the global economy going back to Kennedy.

Assuredly Obama was dealt a bad hand on the economy, but he could have used it as an advantage. He had a unique opportunity to produce economic growth, reform entitlements and demonstrate his economic leadership with the type of solutions that many other developed countries could emulate to solve their problems.

To the detriment of the U.S. standard of living, the president chose policies that had failed to produce economic and job growth in Western European countries and in Japan.

His policies have led to huge federal deficits and outstanding sovereign debt resulting in a debt downgrade along with high unemployment. And he wasted an opportunity to reform entitlements.

Obama's economic anti-growth policy choices included:

• ObamaCare, which increases costs for businesses with 50 or more employees, thus acting as an incentive to hold the number of workers hired to less than 50.

• A $789 billion economic recovery package designed to create jobs. That completely failed in its objectives. Unemployment is currently 9.1%, with 25 million people unemployed, underemployed or having given up looking for work.

• The Dodd-Frank Act and Environmental Protection Agency, both implement anti-growth regulatory constraints on American business.

Could Obama reverse U.S. economic trends at this stage? Yes. He can repeal what he can of his policies and follow many of the suggestions for reforming the tax code and slowing the growth of federal outlays that were outlined by Obama's own deficit commission, the Bowles-Simpson plan.

That would be a good start.

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