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Five Fiscal Policies To Reclaim Economy

By [MIKE COSGROVE](#)

Americans need to reverse the fiscal and regulatory policies of this administration.

The U.S. economy generated 46 million net new jobs between 1980 and 2008, then fell into a major recession and financial crisis. President Obama, in response, decided to jettison the principles of limited government, freedom of choice, free enterprise and profits.

Instead there is federal government control, government spending and wealth-sharing. Obama's economic and regulatory policies paralyzed the U.S. economy, created nearly 10% unemployment, a high rate of underemployment and a heavy dose of government control.

Americans respond to incentives and disincentives. Higher costs of new regulations, the threat of higher tax rates embedded in the huge federal deficits and major increases in federal government control in this economy over the past 21 months have created major roadblocks for business creation, hiring and business expansion.

Those obstacles to growth need to be eliminated or reduced so the U.S. economy can follow the principles of economic growth, free enterprise, limited government and personal responsibility.

Policies necessary to reclaim those principles include:

1. Freeze federal outlays at their Office of Management and Budget-estimated level of \$3.83 trillion (2011) until outlays once again amount to 20% of economic activity, the historical average.

Congress can allocate \$3.83 trillion annually to those areas and programs it chooses, no more. That means Congress would need to cut or eliminate programs to increase spending on others. Members of Congress can make those decisions.

A good start for areas in which Congress could cut federal outlays is contained in the Center for American Progress report titled "A Thousand Cuts." It is a start as it enumerates program cuts of \$255 billion by 2015.

Expansion of federal debt has been careening out of control since 2008. Gross federal government debt outstanding compared to the size of the economy averaged 60% from 1980 to 2008. In 2008 the percentage had moved up to 71. For 2010 the IMF is estimating 93%.

This is federal debt held by the public plus that held by U.S. government agencies. U.S. taxpayers are on the hook for that debt whether it is held by the public or some government entity.

France, Germany and the U.K. have lower levels of outstanding debt to the size of their economies than the U.S. Granted the U.S. hasn't yet caught up to Italy's debt-load ratio, but the U.S. is gaining. Is Italy a country that Americans want to emulate?

The fix? Freeze federal outlays.

2. Repeal the Patient Protection and Affordable Care Act that President Obama signed on March 23.

ObamaCare, as it's better known, is a wealth-sharing policy that increases costs and taxes on the private sector. It is phased in over the next four years, but taxpayers and business people responded immediately to the higher costs and taxes as if it was already fully implemented. Its cost is a high rate of unemployment and underemployment as businesses remain afraid to hire and expand.

3. Enact a moratorium on all new regulations for the next four years.

It has been estimated that the annual cost of complying with federal regulations in the U.S. amounts to \$1.75 trillion annually. That does not count the federal burden of complying with the federal tax law. Businesses don't hire when they are being hit with a constant flow of new regulations.

4. Enact a four-year moratorium on federal tax increases.

That would take federal tax increases off the table and add certainty for American workers and businesses. Policy one, freezing Federal outlays and policy four, no federal tax increases, would send a message that the federal deficit will rapidly shrink so businesses could hire more workers.

A flat federal income-tax rate could be adopted as a way to generate more growth in the American economy, increase tax revenues and decrease the cost and size of the U.S. government. Former communist and communist-controlled economies have made the transition to a flat tax. The U.S. could too.

5. Entitlements such as Social Security and Medicare need to be tweaked to slow the future rate of increases implied in the programs.

Benefits for future generations of retirees should be indexed so their benefits are no greater in inflation-adjusted terms than those who are currently retired.

These five policies would again generate jobs, tax revenue, private-sector gains and create a federal government that works for the people. Enacting these policies would increase household

net worth as housing prices could stabilize and increase, and the nearly 100 million Americans who own stocks, either directly or indirectly, could experience an increase in wealth.

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