

Obama = Reagan?

So far, it ain't even close.

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By Larry Kudlow

A week after Ronald Reagan's 100th birthday celebration, comparisons between presidents Obama and Reagan continue.

The conversation began when Obama praised Reagan in a *USA Today* op-ed. He commended Reagan's leadership, his confidence in and optimism for America, and his great ability to communicate his vision for the country. Reaganites like myself appreciate these sentiments.

But so far, the differences between the two presidents are still huge.

Begin with the economy. **Reagan and Obama both inherited deep and brutal recessions. But the first six recovery quarters look completely different for each president.**

So far, real GDP has averaged only 3 percent annually for Obama. Employment as defined by nonfarm payrolls has increased by a paltry 121,000.

On the other hand, going back to Reagan's first six recovery quarters, real GDP averaged 7.7 *percent* annually while nonfarm payrolls rose by 5.3 *million*.

No two situations are exactly alike. Reagan inherited massive double-digit inflation with 20 percent interest rates. Obama was left with a colossal financial meltdown. But Reagan's economic vision put private-sector free-enterprise at the center. Obama has chosen a massive expansion of government power.

These are *huge* differences. One succeeded, while thus far the other has not.

While Obama's first act was an \$800 billion government-spending package, one of Reagan's first decisions was a near \$50 billion domestic-spending cut (\$100 billion constant dollars today). Obama went for a nationalized health-care plan, energy cap-and-tax-and-trade, and pro-union card check. Reagan ended wage and price controls, deregulated all energy prices, terminated the Synthetic Fuels Corp., and fired the striking air-traffic controllers. Big differences.

Drawing from the work of Arthur Laffer and Robert Mundell, Reagan saw the economic-growth benefits of limited government, lower tax rates, and a dollar as good as gold. Gold prices *plunged* as Reagan and Paul Volcker worked to vanquish inflation. Ever-soaring inflation was the cruelest tax hike of all. But in the Reagan years the inflation rate dropped from near 13 percent to as low as 2 percent — a huge disinflation tax cut. Accompanied by lower marginal tax rates, the Reagan policies sparked a powerful recovery in business and jobs.

Reagan slashed tax rates across-the-board for individuals, investors, and businesses. At the margin, his reforms lowered the top personal rate from 70 percent to 28 percent. And he left a simple two-bracket tax code that cut thousands of pages of IRS rules and regulations.

And while the top individual tax rate was slashed under Reagan, individual income-tax revenues *increased* from roughly \$300 billion to \$450 billion. In other words, the Laffer curve worked. With surging economic growth, the incentives from lower tax rates actually raised tax revenues.

Mr. Obama, on the other hand, campaigned to raise tax rates on successful earners and investors. Along with the dozens of taxes legislated into Obamacare, these are all job stoppers.

Only after the 2010 election landslide did Mr. Obama finally agree to extend the 2003 Bush tax rates for a couple of years. But, he continues his pledge to hike those taxes again when the deal expires in 2012.

From his experience as a movie actor facing a 90 percent tax rate, Reagan always encouraged success. *Everyone's success*. And he came to believe that if it pays more after tax to work and invest, then people will do so.

Of course, Reagan increased the defense budget to defeat the Soviets. But during the seven fat years of growth — to use the late Robert Bartley's term — overall federal spending dropped from 23 percent of GDP to 21 percent. (Obama has taken the size of government to 25 percent of GDP.)

As for the budget deficit, Reagan left it around 3 percent of GDP — almost exactly where he inherited it.

Overall, Reagan's policies created 21 million new jobs as real GDP averaged 3.5 percent annually during the seven fat years of recovery. **The unemployment rate dropped to 5.3 percent from 10.7 percent.** The stock market rose nearly 200 percent. And household net worth expanded by \$8 trillion.

Quintessentially, Mr. Reagan was a private-sector, free-enterprise man. His policies of low tax rates, lighter regulation, domestic-spending limits, and low inflation rescued the country from the malaise of stagflation. Meanwhile, his military build-up, tough diplomacy, and "evil empire" battle cry defeated Soviet communism. Reagan was an optimist, but a tough-minded one. He believed in American exceptionalism. He also fervently believed in freedom.

Since last November's Tea Party election, Obama has read about Reagan, talked about Reagan, and very cautiously moved economic policy in the direction of Reagan. I am open-minded. Let's hope the current president stays on his new Reagan path.

But let's never forget: Ronald Reagan saved the country 30 years ago. He also saved our future. Hopefully Mr. Obama will learn from *that*.

– Larry Kudlow, NRO's Economics Editor, is host of CNBC's [The Kudlow Report](#) and author of the daily web blog, Kudlow's Money Politic\$.

Our notes; (not those of Larry Kudlow)

	Obama	Reagan
GDP in first 6 quarters of recovery -	3%	7.7%
Jobs created in first 6 quarters -	121,000	5.3 million
First government spending bill	\$873 billion increase	\$50 billion cut (100 today's \$)
Political Agenda		Inflation dropped from 13% to 2%
<ul style="list-style-type: none"> • National Healthcare • Cap & Trade • Stops almost all oil drilling • Union Card Check • Shows extreme dislike for business • Vows to raise taxes on Business & rich • Gave GM & Chry to union • Violate established bankruptcy law • Give bondholders & investors nothing • Unemployment at 9+% • Federal Spending 25.4% of GDP • Increased Federal Jobs to 2.2 mill. • Tax increases on many businesses • Took over financial industry • Tells Holder to investigate & prosecute CIA agents involved in enhanced interrogation even though investigations had already cleared them. • Tells Holder to investigate US Attorneys who found enhanced interrogation to be lawful. • Adds 34 Czars to run the government so he can bypass congressional approval. Robert Byrd, a fellow democrat, says it is unconstitutional. • Allows fish in California to shut down all farms by depriving them of water for irrigation. Loss of 26,000 farm jobs. • Forced NY Stock Exchange to sell itself to Germany. (New Regulations) Most operations will move to Germany. NY will no longer be the world fi center • Took over student loans. Allows government to dictate courses and compliance to government wishes. • Took over US Census from commerce. Allows manipulation of census. • Taking over internet to stop political adversaries through FCC mandates without a vote of Congress. • Demonizing Fox news to eliminate opposition. • Mark Lloyd, FCC Czar to enforce Fairness Act through Localism & licensing. Goal to eliminate all contrarian views and radio commentators who disagree with his socialist reforms. • Demonized TEA party movement • Took over a month to react to BP oil spill. • Directs EPA to enforce a cap and trade system through EPA mandate without a vote of Congress. 		<ul style="list-style-type: none"> Ended wage & price controls Deregulation of energy Terminated Synthetic Fuel corp Fired Traffic Controllers. Cut corporate & personal taxes Unemployment 10.3% to 5.7% From 23% down to 21% of GDP Reduced Federal Jobs

- Directs Labor Dept. to enforce a form of “Cardcheck” by mandate and regulation without a vote of Congress.
- Begins closing of NASA. Agrees to pay Russians to take American Astronauts to Space station \$63 million per ride. US cost was \$51 Million.
- 1st two years – talk partisanship and ignore republicans every attempt to participate in the democratic process. His normal response; “I won”.
- 1st two years – no transparency on legislation
- 1st two years – all legislation behind closed doors
- 1st two years – ignore all requests for meetings from opposition
- 1st two years – no bipartisan effort (talk it, don’t walk it)
- Obama embraces “Transnational Law”. Wants international law to take precedent over the constitution. Signs treaties without congressional consent which is unconstitutional. This includes law imposed by dictator nations and sharia law. [See article here.](#)
- National Health Care bill granted 223 exceptions to the benefit mandates.
- Four states given a pass on enforcement of Health Care Bill implementation which at present are FL, NJ, OH and TN. They said it was to allow those citizens to keep the coverage they have. Why do we need a waiver. Isn’t this what he promised?
- Reduces Medicare fees to Doctors and Hospitals by 30% in 3 years.
- Quietly reinstates funding for Medicare Advantage Plans for 2012 to buy votes from seniors. This means drastic cuts in 2013 after his reelection.
- His 2011 budget - tax increases to offset his spending (called investment) puts US in economic failure by 2015 without the Health Care Cost included. Government spending will be at 30% of GDP by 2018.
- Bill Ayers (the social terrorist) admits he wrote Obama’s book “Dreams from my Father” (with many distortions). [Click Here.](#)
- Cannot decide what action to take with Libya until the Arab nations, France & the U.K. force his hand. Plays golf and picks college hoop winners instead.
- Agrees to a 38billion cut. CBO determine it is only 323 million. As part of cut he agrees to cut salary to 4 czars. After signing he signs executive order to reinstate the pay for the czars. [Click Here.](#)
- Orders NLRB to tell Boeing they cannot relocate jobs from Washington to SC. This is after Boeing spent billions of dollars and 4 years setting up a plant to build their new airliner. SC is a right to work state and Washington is not. Union complained and the heavy dictatorial hand came down. [Click Here.](#)
- Finally does something good. Gives military go ahead to get Bin Ladin. Later, Leon Panetta becomes livid over the leaks of information regarding the killing. Some of the leaks show the President was not involved in the final order to get Bin Ladin. In fact the leaks show a very indecisive, unattached and scared of Public Opinion type of President. To try and cut off any bad publicity, both Gates and Panetta come out and say the President made a gutsy move. They are obviously concerned about the image of a President who is unable to make the call when US Security is on the line.

- Allows Holder to continue investigation of CIA agents who used enhanced interrogation that led to Bin Laden.
- Refused federal aid to Texas for devastating wild fires because they are not in his pocket. Approves it for flooded states and states hit by hurricanes.
- Had EPA start investigation of a 3 inch lizard in west Texas for endangered species. Finding will shut down all oil drilling in west Texas.
- Constantly places blame for everything on someone else as if he is far removed from any decision making.
- Promises billions of dollars to Brazils state owned oil company, Petrobra, to do deep water drilling off their shores while continuing to deny drilling in the Gulf. George Sorors is a major preferred stock holder in Petrobra. Great way to hide a payoff.
- 05-2011. Obama issues executive order that only companies with Union employees can bid on government contracts.
- Tells America in a speech that more oil and gas has been produced in the past two years than in the history of the U.S. Records show this is not true. He also leaves out the fact that all of the oil and gas was produced due to efforts by the Bush administration. He fails to tell us that he has had Salazar cancel or deny 75% of all leases for oil and gas in his first two years in office.
- Makes a speech in Texas in May 2011 about immigration. Chooses to call illegal aliens “immigrants” and says the Republicans want to build a moat on the southern border and fill it with alligators. Why does he think this is Presidential?
- With Mubarek out as Egyptian leader, the Muslims begin killing Christians. They lived in peace under Mubarek. Hundreds have died, yet Obama says nothing. Worse, he sends representatives to meet with the Muslim brotherhood. (and he wonders why so many do not believe he is Christian.)
- Chooses to do nothing about \$4.00 a gallon gas prices. Gives a speech saying he is forming an investigation team to determine where to get more oil. How is this going to solve the problem?
- 5-22-2011 The Constitution under the “War Powers Act” requires the President to seek the approval of Congress after they have committed US forces to combat. The 60 day limit is reached and Obama ignores the Constitutional mandate (another thumb his nose at the Constitution). He says he does not intend to seek Congressional approval for sending forces into Libya. But nobody should expect this to matter to a president with a long record of disregarding legal and constitutional limits on presidential and federal power. Read more at the Washington Examiner: <http://washingtonexaminer.com/politics/2011/05/excited-power-obama-ignores-legal-restraints#ixzz1NHGICgIS> This is the act of a dictator. G. Bush always followed the Constitution.
- 5-18-2011 Obama directs IRS to go after political donors who happen to be Republican donors. [Click Here.](#)
- 5-18-2011 Obama gives a Middle East speech telling Israel they must go back to 1967 borders, obviously unaware it is an eight mile width, indefensible and not recognizing the significant political changes that have taken place over the

last 44 years. Netanyahu scolds him and tells him in no uncertain terms the absurdity of the statement. Obama gives another speech on 5-21-2011 to clarify his position. Another confused series of contradictions, but done with a flare of soaring words and conflicting innuendos. The American people support Israel, but it is very apparent for some time, our President does not.

- 5-21-2011 Joplin, MO is hit by a devastating tornado. 75% of the city is destroyed. Over 100 dead and many missing. Obama is on another vacation in Ireland. Next stop is the UK where his family can meet the newlyweds. He says he will be in Joplin when he returns on 5-27-2011. He will then tell the world how much he cares and how bad he feels.

Our note; George W. Bush's last budget deficit was \$458 billion. Obama has not presented any budget that was less than \$3.4 trillion dollars. His most recent budget released on 02-14-2011 is for another \$3.73 trillion. This budget is expected to raise government spending to 29% to 32% of the GDP in ten years. The interest alone on the debt will be 1.5 trillion per year. Three times the largest budget of George Bush. See Washington Post – <http://www.washingtonpost.com/wp-dyn/content/article/2011/02/16/AR2011021606897.html?hpid=topnews>

What do you think his goals are?