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The Obama Rosetta Stone

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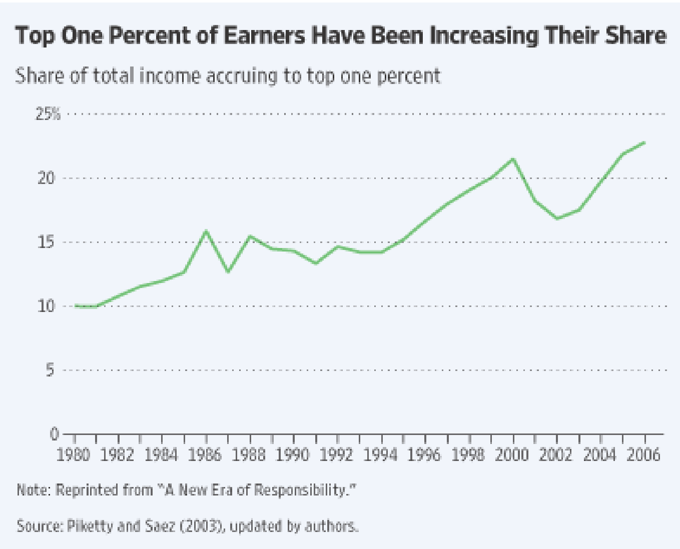
Barack Obama has written two famous, widely read books of autobiography -- "Dreams from My Father" and "The Audacity of Hope." Let me introduce his third, a book that will touch everyone's life: "A New Era of Responsibility: Renewing America's Promise. The President's Budget and Fiscal Preview" (Government Printing Office, 141 pages, $26; free on the Web). This is the U.S. budget for laymen, and it's a must read.

Turn immediately to page 11. There sits a chart called Figure 9. This is the Rosetta Stone to the presidential mind of Barack Obama. Memorize Figure 9, and you will never be confused. Not happy, perhaps, but not confused.



One finds many charts in a federal budget, most attributed to such deep mines of data as the Census Bureau or the Bureau of Labor Statistics. The one on page 11 is attributed to "Piketty and Saez."

Either you know instantly what "Piketty and Saez" means, or you don't. If you do, you spent the past two years working to get Barack Obama into the White House. If you don't, their posse has a six-week head start on you.

Thomas Piketty and Emmanuel Saez, French economists, are rock stars of the intellectual left. Their specialty is "earnings inequality" and "wealth concentration."

Messrs. Piketty and Saez have produced the most politically potent squiggle along an axis since Arthur Laffer drew his famous curve on a napkin in the mid-1970s. Laffer's was an economic argument for lowering tax rates for everyone. Piketty-Saez is a *moral* argument for raising taxes on the rich.

As described in Mr. Obama's budget, these two economists have shown that by the end of 2004, the top 1% of taxpayers "took home" more than 22% of total national income. This trend, Fig. 9 notes, began during the Reagan presidency, skyrocketed through the Clinton years, dipped after George Bush beat Al Gore, then marched upward. Widening its own definition of money-grubbers, the budget says the top 10% of households "held" 70% of total wealth.

Alan Reynolds of the Cato Institute criticized the Piketty-Saez study on these pages in October 2007. Whatever its merits, their "Top 1%" chart has become a totemic obsession in progressive policy circles.

Turn to page five of Mr. Obama's federal budget, and one may read these commentaries on the top 1% datum:

"While middle-class families have been playing by the rules, living up to their responsibilities as neighbors and citizens, those at the commanding heights of our economy have not."

"Prudent investments in education, clean energy, health care and infrastructure were sacrificed for huge tax cuts for the wealthy and well-connected."

"There's nothing wrong with making money, but there is something wrong when we allow the playing field to be tilted so far in the favor of so few. . . . It's a legacy of irresponsibility, and it is our duty to change it."

Mr. Obama made clear in the campaign his intention to raise taxes on this income class by letting the Bush tax cuts expire. What is becoming clearer as his presidency unfolds is that something deeper is underway here than merely using higher taxes to fund his policy goals in health, education and energy.

The "top 1%" isn't just going to pay for these policies. Many of them would assent to that. The rancorous language used to describe these taxpayers makes it clear that as a matter of public policy they will be made to "pay for" the fact of their wealth -- no matter how many of them worked honestly and honorably to produce it. No Democratic president in 60 years has been this explicit.

Complaints have emerged recently, on the right and left, that the $787 billion stimulus bill will produce less growth and jobs than planned because too much of it goes to social programs and transfer payments, or "weak" Keynesian stimulus. The administration's Romer-Bernstein study on the stimulus estimated by the end of next year it would increase jobs by 3.6 million and GDP by 3.7%.

One of the first technical examinations of the Romer-Bernstein projections has been released by Hoover Institution economists John Cogan and John Taylor, and German economists Tobias Cwik and Volker Wieland. They conclude that the growth and jobs stimulus will be only *one-sixth* what the administration predicts. In part, this is because people anticipate that the spending burst will have to be financed by higher taxes and so will spend less than anticipated.

New York's Mike Bloomberg, mayor of an economically damaged city, has noted the pointlessness of raising taxes on the rich when their wealth is plummeting, or of eliminating the charitable deduction for people who have less to give anyway.

True but irrelevant. Mayor Bloomberg should read the Obama budget chapter, "Inheriting a Legacy of Misplaced Priorities." The economy as most people understand it was a second-order concern of the stimulus strategy. The primary goal is a massive re-flowing of "wealth" from the top toward the bottom, to stop the moral failure they see in the budget's "Top One Percent of Earners" chart.

The White House says its goal is simple "fairness." That may be, as they understand fairness. But Figure 9 makes it clear that for the top earners, there will be blood. This presidency is going to be an act of retribution. In the words of the third book from Mr. Obama, "it is our duty to change it."

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