

An Empire of Taxation

The government role in Obama's budget looks like something last seen in 17th-century Europe.

[Wonder Land]

By DANIEL HENNINGER



The president's annual budget reminds the Beltway tribes of what they do—tax the country, distribute revenues to their allies, and euphemize it as a budget. With his 2015 budget, Barack Obama at last makes clear his presidency's reason for being: to establish an empire of taxation.

Commenting on Mr. Obama's nearly \$4 trillion budget, Jared Bernstein, a former policy adviser to Vice President Joe Biden, told the *New York Times*: "It's a visionary document and basically says, 'You're with me or you're not,' and we can have big philosophical arguments about the role of government."

He is right. For the Obama presidency that is what it has always been about: You're with me or you're not. The government role reflected in this budget looks less like a 21st-century American institution than a system last seen in 17th-century Europe, in which a leader defines national wealth by handing out dispensations, emoluments and punishments.

The administration's infliction of punishment deserves special note, most recently what the Obama Justice Department did this week to Standard & Poor's, the bond-rating agency.

S&P had been very public in saying the Justice Department's investigation of the company was political payback for its 2011 downgrade of the U.S.'s credit rating. This week S&P agreed to pay the government a mind-boggling settlement of \$1.5 billion, while pointedly withdrawing its charge of political retribution. What we have here is the creation of a political crime, heretofore unrecognized in the U.S., known as *lèse-majesté*, or insulting the majesty

of the sovereign.

House and Senate Republicans will submit their own budgets in coming weeks. News analysis of the Obama budget admits that its spending and tax priorities are a "utopian vision" (the *New York Times*). But it argues that congressional Republicans may eventually buy into a version of Mr. Obama's own private utopia because he's offering them spending they can't refuse on infrastructure and defense. The White House also calculates the Republicans are desperate to escape blame for Washington's "gridlock."

Maybe it's time for the Republicans to tell the Obama Democrats that if they want to own the issue of promising to bring the American people federal government goodness, they can have it. The Republicans should claim as their own what's left, which is to say the entire private sector.

In six years, the Obama Democrats have abandoned any belief in the idea that the private sector is the primary cause of American prosperity. Instead, they seem to see the private sector as a kind of tax sump-pump, a dumb machine whose only purpose is tax flow.

At the small end of the private economy, starting this year, employers with at least 50 full-time workers who fail to offer health care must pay an Orwellian-sounding ObamaCare tax called the Employer Shared Responsibility Payment. At the other, larger end, the Obama budget offers corporations with overseas profits a convoluted tax deal, whose payments will be dedicated, he says, to underwriting public infrastructure projects.

"Infrastructure" is supposedly the carrot with which Mr. Obama will attract Republican rabbits into his spending garden. But refusing to bite on Mr. Obama's carrots would be a good way for Republicans to re-establish credibility with American voters.

The most lasting contribution

of the conservative insurgency out in the country may be that it blew the whistle on Washington's bipartisan crony capitalism. Republicans should use infrastructure to join the whistleblowers.

Building infrastructure could indeed be a real public good, if the political process beneath it weren't so bad. Economists for the International Monetary Fund first blew the whistle on the downside of infrastructure spending in an important 1998 paper, "Roads to Nowhere: How Corruption in Public Investment Hurts Growth." Last spring the Public Administration Review similarly published a study, "The Impact of Public Officials' Corruption on the Size and Allocation of U.S. State Spending," notably spending on highways and construction.

Barack Obama chants "spending on infrastructure" as if it were the holy of holies. It's not, and most voters don't need IMF economists to tell them "infrastructure" is code for the campaign contributions that flow back to the politicians only after they spend someone's taxes on cement, bicycle paths and bullet trains.

That is the empire of taxation. It is an isolated system, based in Washington, which allocates what it exacts from the private sector. Sometimes it calls the allocations "spending choices." Other times they are purported to be benign decisions about who gets tax credits and who doesn't get tax credits.

Isolated systems can suffocate. The fourth-quarter growth number for 2014 came in below expectations, at 2.6%. That was of a piece with the historically weak economic growth of the Obama

Un impero di tassazione



presidency, which is the main cause of stagnant middle-class incomes.

The most disturbing number inside the fourth quarter's details was that business investment grew only 1.9%. Business investment is the heart and soul of the private sector that the Obama years have left behind. Republicans, the only alternative out there, need to rediscover it and reclaim it.

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