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American Jobbery Act

Politically Stimulating

Spending measures and their estimated cost in the House "jobs bill," in billions of dollars, 2010-2019

Medicare physician payments	$64.9
Unemployment insurance	47
Medicaid payments to states	24
Build America Bonds	24
Health care for unemployed	7.8
Payments to minority farmers	4.6
Welfare payments	2.8
Aid to localities	2.8
Disaster relief for farmers	1.5
Low income housing	1.1
Summer jobs	1.0
Small business loans	0.5

Source: Ways and Means Committee

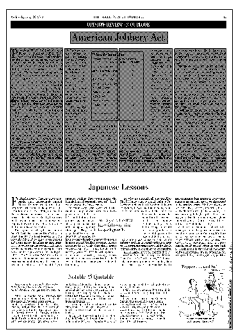
President Obama and Democrats in the U.S. Congress are publicly fretting about the dangers of spending and debt, which can mean only one thing: Another big spending "stimulus" bill is in the works. And sure enough, the House of Representatives plans to vote this week on $190 billion in new spending, $134 billion of which it won't even pretend to pay for.

Sander Levin, the new Ways and Means Chairman, calls this exercise the American Jobs and Closing Tax Loopholes Act. Mr. Levin has waited 28 years to ascend to this throne and this is the best he can do? "Jobs" were also the justification in February 2009 for the $862 billion stimulus that has managed to hold the U.S. jobless rate down to a mere 9.9%. Maybe Mr. Levin's spending can hold it down to even greater heights.

The nearby table gives a flavor of what's in this grab bag of political payoffs, corporate welfare and transfer payments. There's $24 billion to help states pay the exploding tab for Medicaid, the same program that ObamaCare expands by some 16 million new recipients. The bill also offers $1 billion for summer jobs for teens, whose jobless rate in the U.S. is 25.4%. Congress could do far more to create teen jobs if it merely suspended last year's minimum wage increase to $7.25 an hour, which priced millions of young workers out of the labor market. But that would be too rational.

The biggest item is $65 billion to prevent a 21% cut in Medicare physician reimbursements. Democrats promised this to the American Medical Association in return for its ObamaCare support, but they left the $65 billion out of the health-care law to make it look less expensive. Now they're pushing it through under separate cover when they assume the press corps won't notice.

The $47 billion to extend unemployment insurance to nearly two full years will bring the total spent on this program to $137



billion during this recession—five times more than in either of the prior two recessions. That's nearly as much as the federal corporate income tax raised in 2009.

The sages in Congress continue to claim that these payments for not working will lead to more work. Representative Jim McDermott recently declared on the House floor that jobless payments are "one of the most effective forms of economic stimulus" because "every unemployment dollar spent returns $1.64 of economic benefits." So let's lay off everybody, pay them for not working, and watch the economy really boom. Where do they teach this stuff?

This bill is also one of the most expensive corporate welfare giveaways in recent years with subsidies for municipal bond traders, cotton farmers, yarn producers, sheep growers, Hawaiian sugarcane cooperatives, motorsports businesses, renewable-energy firms, the steel lobby, and so on. Any industry that doesn't get a tax credit or other handout in this bill should fire its lobbyist.

All of this is "paid for," in the Beltway lingo, with a net tax increase on business of about $40 billion and at least $134 billion of new debt. There's a new 24 cent a barrel tax on oil companies, which would flow to consumers in higher gas prices, because Congress says the industry's profits are excessive.

U.S. multinational companies would pay a higher tax rate on their overseas income, which will not help them create more jobs back home. The better way to discourage job outsourcing is to cut the corporate income-tax rate, but Mr. Levin and his union allies will have none of that.

Managers of private-equity and venture-capital firms that provide the start-up and expansion funding to businesses would see their tax rate rise to as high as 35% from 15% today—a huge tax increase when businesses are starved for capital. And small, often family-owned Subchapter S companies that provide professional services would be required to subject more of their profits to the self-employment tax. These firms already pay up to 35% tax on these profits, so under the Democratic plan their tax rate could reach 50%.

Perhaps you're wondering what happened to the "pay as you go" budget rules that Mr. Obama announced to great media fanfare as recently as February. Democrats now say "paygo" doesn't apply because this spending qualifies as an "emergency." But while the new spending isn't paid for, Democrats are insisting that the bill's extension of the R&D tax credit and small business depreciation allowance must be offset by the tax increases.

Oh, and by the way, President Obama is unveiling a new line-item veto proposal this week to "rein in wasteful spending and hold Congress accountable," as Senator John Kerry put it Monday in a press release. If any of them were remotely serious, they'd start by line-item vetoing this entire bill.