

Top 10



TOP 10 WAYS THE OBAMA BUDGET DISPLACES PRIVATE ENTREPRENEURSHIP

By: Joseph Onorati

The President's 2010 [budget proposal](#) increases taxes and spending by magnitudes only matched previous to this year by war. The budget, according to the Congressional Budget Office (CBO) includes over [\\$3,550,000,000,000](#) to grow old programs and create new ones. As the budget expands the role of government it pushes entrepreneurs aside. We went through it and pulled out the Top 10 examples of what Obama wants the government to do that the private sector does just fine:

1. Obama's Budget Tries to Simulate the Market in Education Rather than Unleash Capitalism.

In a [recent speech](#), the president [clarified](#) some of his plans in the budget including merit pay for teachers and his support of [public charter schools](#). Both programs are excellent changes from the way the public school systems in states across this country have worked in the past. Merit pay and charters offer the right incentives to educators to work to provide parents with the best for their children.

However, if the president recognizes that choice is important to parents and incentives matter for educators, then he should favor a private school system. The market provides the most choices and the best incentives for students, parents, and teachers. Private schools must please their students by providing the type and level of education that students and their parents want. Each school would have to compete with every other school to provide the best possible service at the lowest possible cost, which will also provide parents with the most choices possible. The president favors charter schools and merit pay for both the freedom and the quality they provide, but getting government out of education will allow entrepreneurial school leaders and teachers to provide even more freedom and higher quality education at lower cost for all students at no expense to the taxpayer.

2. Obama's Budget Stifles Entrepreneurship in the Oil Industry with New and Higher Taxes

The [president's budget](#) contains at least *eight* different tax hikes on domestic oil production that could cost the industry more than \$80 billion over the next ten years. [Cap and trade](#) energy taxes could cost domestic oil producers \$274 billion—they'd be paying about 41 percent of the new tax. The budget also repeals the marginal well tax credit for heavy oil and low production wells from which 70 percent of all oil is derived. Repealing this credit will seriously harm small American oil producers. According to the [Center for American Progress](#), 271,000 oil and gas jobs annually would be destroyed with the new taxes and fees.

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From [removing tax breaks](#) to the implementation of [cap-and-trade](#), the budget is sure to reduce production and force American entrepreneurs that are working hard to supply the country with energy to close their doors for good.

Obama said during his democratic nomination speech, “I will set a clear goal as president: in ten years we will finally end our dependence on oil in the Middle East.” The only ways we are going to reduce dependence on Middle Eastern oil while simultaneously reducing American production through tax increases is either by high trade barriers to foreign oil—a tax by another name—or by heavily taxing the use of all oil—foreign and domestic. Both would cause significant harm to the American economy and American entrepreneurship.

High trade barriers [harm all American consumers](#) by driving up the price of oil. What we need is not higher tax and trade barriers, but lower taxes and less red tape so American entrepreneurs can compete internationally to produce oil at lower prices.

3. Obama’s Budget Plans to Simulate and Plan the Market in Transportation Rather than Allow it to Freely Function.

President Obama’s budget claims that it will make [surface transportation more efficient](#). The budget even introduces the possibility of “road pricing” to reduce congestion. Steps toward market-based reform for our nation’s road system are certainly a move in the right direction, but why should government bother when entrepreneurs could provide the same services at no cost to the taxpayer? Rather than have government attempt to simulate market prices for congestion, Congress and the president should instead seek out truly market solutions that would allow entrepreneurs to drive the countries surface transportation system toward profitability and efficiency under private ownership.

4. Obama’s Budget Wastefully Funds Socialized Water Production that Displaces Efficient Private Sector Solutions.

The Budget [includes \\$3.9 billion for clean water](#). It earmarks 1,700 pet water projects annually for funding. Government involvement in water quality treatment and production is unnecessary. The private sector has a proven track record of doing it more efficiently. What makes water different from any other good that we need to live? The private sector already produces food, shelter, and clothing. We do not need government to provide us with water.

Lawmakers in [Las Vegas are facing a water crisis](#) and a 10-year drought. The city is in a desert and its officials refuse to charge the actual cost of the water. Instead, the city taxes residents and then sells the water at lower-than-cost prices. Of course, when the marginal cost of using more water is virtually zero, people consume more which exacerbates the problem and drives taxes higher to pay for the subsidized water. The solution? Privatize control over water.



[Private water providers exist and work right now](#). If the President wants conservation, then water services should not be funded by any government. Instead they should be controlled by the private sector that will sell water at its true cost, plus a little profit, rather than forcing one taxpayer to subsidize another. People will use less when water is more expensive—probably by watering their lawns and washing their cars less often. The environmentalists that favor water conservation should agree with advocates of the free market on this issue. Entrepreneurs can provide water that everyone needs for life while also encouraging people to reduce waste through the use of a market system.

5. Obama’s Budget Funds Food Safety Despite its Failure.

The budget spends over \$1 billion on the [Food and Drug Administration \(FDA\)](#) to “prevent and control food borne illness.” Since [at least 1938](#), the FDA has been crowding out market solutions to food safety and has been [failing](#) at watching over American food. We repeatedly hear about the next tainted food the FDA let slip by—whether it’s bad peanut butter, sketch spinach, or dodgy tomatoes.

If [Underwriters Laboratories](#) can gain the reputation that it has as a reputable and trusted source for product compliance, then certainly a private solution to the FDA can be found. The free market can provide food safety and it is time that government got out of the way to let American entrepreneurs try it.

6. Obama’s Budget Will Cripple Private Broadband Internet by Placing Heavy Requirements on Service.

The President’s [campaign site claims](#), “As a country, we have ensured that every American has access to telephone service and electricity, regardless of economic status, and Obama will do likewise for broadband Internet access.” That means if someone builds a home in the middle of Death Valley (were it allowed) telephone and electric companies would have to provide service to that home—by law. Of course, that is extremely costly for those companies and would result in either greater cost to other electricity and phone users or taxpayers.

The budget is looking to require broadband internet service to such a house, too. The stimulus provided \$7.2 billion for it already and the President has [budgeted another \\$1.3 billion to the Department of Agriculture](#) to expand service. There is no law requiring access yet, but spending government money on it is a sure sign of its coming.

Entrepreneurs have already come up with many ways to provide low cost internet services to areas that would otherwise be too expensive to serve. [Satellite internet](#), for instance, can connect anywhere in the world. Some companies even have customers use their [cell phones as modems](#) to connect their computers to the internet. The market will provide broadband internet to everyone once it is possible to do so at a price people will pay. And even more entrepreneurs would be trying if they knew government would not get involved to force them to offer service to customers that would offer no profit.

Obama, however, does not think the market is offering this service fast enough and wants to tax people to speed it up. Those taxes will take money out of one part of the economy, destroying jobs and reducing investment, and be redistributed to areas the President favors rather than where market participants freely choose to put their dollars.



7. Obama’s Budget Wastes Taxes on Science, a Field in which the Private Sector Has a Proven Record of Success.

President Obama’s budget increases funding by 16 percent to the [National Science Foundation](#), the [Department of Energy](#)’s Office of Science, and the [Department of Commerce](#)’s National Institute of Standards and Technology. We all love technology, but private businesses and individual inventors will likely do a better job than government, especially for the price. Instead of raising taxes to pay for government research, the budget should instead cut funding, lower taxes, and leave that money for businesses and individuals to use as they see fit.

The President claims that government research will move the country ahead in the long run, but we are facing a recession in the short run. Only entrepreneurs can get us out—not more government spending.

8. The President Wants Government Rather than Entrepreneurs to Plan Local Energy Solutions.

The budget [sets aside money](#) in the [Department of Energy](#) for “innovative energy technologies.” Taxpayer dollars will be used to guarantee loans for new renewable energy products. While that may sound appealing to many, there are too many problems with government intervention in the market for “green energy.”

Setting aside the discussion about the damage government “guaranteeing” loans does through the credit market, the primary problem here is that government has [no way of telling whether or not a particular inventor will succeed or not](#). For government to involve itself here implies that government bureaucrats spending other people’s money can tell better what type of energy producers will perform better than can private investors spending their own money carefully in search of profit.

If there really is widespread interest in rural community “green energy” development, then certainly some investors will specialize in that area and probably already have. With the incentives provided by profit and loss, these investors will very carefully select only the technologies most likely to bring a healthy return. Government bureaucrats have to spend their budget in order to receive the same or more next year, so they cannot afford to act as cautiously; private lenders cannot afford to act so recklessly. While market actors will behave carefully with market driven incentives for their own personal interest, government bureaucrats will recklessly waste taxpayer dollars because they do not face real personal dollar losses if they finance the wrong people.

9. The Budget Wastes More Money on Failed Foreign Aid.

The president’s budget commits American taxpayers to [doubling foreign aid assistance to \\$50 billion](#). While helping the poor in other countries is an admirable goal, a transfer payment from our government to theirs is not the way to do it. Former [World Bank economist, William Easterly, comments](#), “Sixty years...and \$2.3 trillion later, the aid industry is still failing to reach the goal.”

As long as the governments in these countries maintain barriers to a functioning market economy, foreign aid will continue to fail to lift their people out of poverty. Once the barriers are removed—once private property is secured, contracts are guaranteed, sound money is available, and the tax and regulatory burden is no longer stifling, prosperity will be created by the people just as it was in every rich country.



As economist [Peter Bauer](#) first pointed out, the argument that there is a “vicious circle of poverty” keeping the poor poor does not stand up to the evidence—starting with the fact that every rich society was once a stone-age society.

10. The Budget Rewards the Postal Service for Failure.

In late January of this year, the Postmaster General testified before Congress. He claimed that the Postal Service was “in [an] acute financial crisis.” It loses money each year and continues to raise prices of stamps and other services. Of course, he also claimed that the Postal Service was vital to our economy, but that just is not true. The Postal Service exists now because it holds a government-granted monopoly over first class mail—in fact, it is illegal for anyone else to deliver first class mail.

Despite the persistence of at least three major carriers that could more efficiently deliver mail, Congress and the President continue to fund the failing Postal Service. Congress should lift the monopoly on first class mail and let it compete with private mail outlets.

Congress created the monopoly in 1851 when [Lysander Spooner](#) out-competed the Postal Service with lower rates and faster service. If the Service can not make money on its own while other private carriers can, then taxpayers certainly should not be robbed to fund it.

