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**VIEWPOINT**

# An Atrocious Policy Mix For A Global Economy

By MIKE COSGROVE

Suppose you wanted to implement economic policies to increase employment, production, income and wealth in the U.S. How would you do that?

First, consider that the U.S. has a 20% market share of the $70 trillion growing global economic pie and that market share is declining every year.

Second, consider that emerging-market economies are rapidly increasing their contribution to the growing global pie as 1.5 billion to 2 billion people are moving up the economic ladder and into the middle class in China and India.

Companies are vying to provide products and services to those households over the next 20 years.

So the marginal source of global growth is in the emerging market economies over the next 20 years — not Japan or Western European countries where economic growth may average 1% a year.

U.S. economic growth might average 1.5% to 2% a year with the current mix of economic policies — not as bad as Japan or France but not much better.

For this global economy, the Obama economic policy portfolio is simply atrocious. U.S. companies are selling products and services to the global middle class — there's no question about that. The only question is where production and hiring are going to occur — inside the U.S. or outside the U.S.?

Answer: The Obama economic policy portfolio is shifting production and employment outside the U.S. as policies jack up costs for U.S. companies.

Unemployment is near 10%. American economic policy should be focused on helping companies be cost-competitive by creating a tax-friendly climate to encourage business formation, business expansion and capital formation in order to create U.S. jobs.

Instead, ObamaCare increases both annual costs and taxes on businesses and households which at the margin shifts production and employment outside the U.S. Tax rate increases in 2011 on capital and income also work to shift production and employment abroad.

The administration wants to regulate and tax business and households at every turn. President Obama's cap-and-trade tax proposal is another policy that would increase fossil fuel costs in the U.S. and shift production and employment out of the U.S. The proposed Dodd-Frank financial reform bill will increase costs and slow private- sector job growth.

Obamanomics may have had a chance of working in 1970, when the U.S. was in economic competition with high-cost economies in Western Europe. But his policy portfolio won't work in 2010 or at any point in the future. Emerging market economies adopted U.S. economic policies from the 1980s — deregulation and moving away from central planning and high costs to economies driven by competitive forces.

Obama is moving the U.S. economy in precisely the wrong direction when his policies have no chance of working. Global economic conditions won't allow it.

Unemployment will remain elevated for many years in the U.S. as global competitive conditions will simply not allow high-cost, high-tax and regulated economies to grow enough to create the necessary private-sector jobs to substantially reduce unemployment.

Even leaders of failed economies such as Spain and Japan can get some policy prescriptions right. Spain is reducing its entitlement costs. The economy remains uncompetitive but at least it's a start.

In Japan, Prime Minister Kan plans on reducing the corporate tax rate to 25%, which just happens to be China's rate.

That's a good start for Mr. Kan as it demonstrates he understands that Japanese companies need to be competitive. Kan wants the Japanese economy to grow faster. Under Obama the U.S. corporate tax rate remains at 35%.

Every single policy prescription that the president has signed or is promoting works to make the U.S., at the margin, a less-competitive climate for business formation and business expansion. This means slow private-sector job creation.

The president, his advisers and members of Congress are acting as if the U.S. is a static economy within a static global economy.

That approach only saps housing prices, stock prices, entrepreneurs, business formation and jobs growth.

Obama can easily change direction. He can announce that tax rates on income, capital gains and dividends will not increase in 2011.

At the same time, he can tell the American people that all unspent funds from his failed stimulus program will be pulled back and that salaries and benefits of all federal workers, including members of Congress, will be cut by 8%.

That would be a start and a signal to business and investors that the U.S. is headed back to the growth path.

• Cosgrove, principal at Econoclast, a Dallas-based capital markets firm, is a professor at the University of Dallas.