

By Rep. Steve King

The federal government is bloated, inefficient and spends too much of your hard-earned money. Not coincidentally, the federal government is also the largest employer in America. Now President-elect Barack Obama and Speaker Nancy Pelosi want more taxpayer dollars to pay for additional, unneeded government workers.

Over the past few weeks, Obama unveiled details of his much-discussed “stimulus package.” Initially, his plan would have created 600,000 new government jobs, potentially increasing the number of federal employees by as much as 33%. News of this increase in government workers reached skeptical taxpayers, and Obama has since backtracked and said the number will be lower. Obama also pledges to create millions of new private sector jobs, but how many will be taxpayer funded?

The American economy needs a shot in the arm, but the answer is not a legion of new government workers. New government jobs will only add to the waste, fraud and abuse coming out of Washington, D.C. and fail to provide a true economic stimulus.

Just as with the recent bailouts of the automotive and financial services industries, Obama is looking for a quick and highly visible fiscal fix. The Obama team would be well-served to examine a recent example of a similar economic philosophy that failed.

In the 1990’s, Japan faced problems similar to those currently ailing the American economy. A struggling stock market. Bank failures. Credit problems. Public cries for government handouts and bailouts. A ballooning national debt.

Japanese policymakers believed they could rescue their economy by creating new government jobs and through large infrastructure spending. Years and years of increased government spending, high taxes, slashed interest rates and bailouts only intensified Japan’s economic recession.

Economic plans like Japan’s from the 1990’s and the original New Deal in the 1930’s produce a sugar high that eventually wears off. The lesson learned from these economic calamities is that an increase in government jobs and federal spending does not lead to economic recovery.

Rather than follow this failed blueprint, the President-elect should look to cut taxes and reduce government spending to encourage business growth and positive, long-term economic performance. A national sales tax, like the FairTax, would grow the private sector and create new, good-paying jobs which would stimulate long-term growth in the American economy.

The FairTax offers American businesses and taxpayers a complete departure from the way we've been taxed in the past. Rather than taxing production, the FairTax taxes consumption.

Implementing the FairTax would immediately eliminate tax barriers that presently hurt American companies and favor production abroad over production here in America. Right now, when American companies export their products overseas, they must pay payroll taxes, embedded taxes and compliance costs to the IRS, and then compete directly with foreign manufacturers who do not pay these taxes. Our current income tax system puts American products at a disadvantage on the world market and makes American products more expensive than their competitors in foreign markets. With the FairTax, American producers will no longer be forced to pass on embedded costs to foreign customers.

The FairTax will give American producers an edge here at home as well. A tax structure that rewards foreign products over those made in America is one of the main reasons why the Big Three struggles to compete with foreign importers.

Under the FairTax, cars made in America will enjoy a 28% marketing advantage. A Ford that currently costs \$30,000 would sell to American consumers for \$30,390, a slightly higher price, but Americans would be pocketing their entire paycheck under the FairTax. The new price of the Ford would be set through competition after producers subtract 22% of the current price - the cost of complying with the current tax code – and then add in the FairTax's 23% embedded sales tax.

The price of a \$30,000 import, with none of that price accounting for compliance with our tax code, would rise to \$38,961 under the Fair Tax. As this example shows, the Big Three and other American manufacturers would not have to operate under a tax code inhibiting American production.

The American economy is hurting for real economic reform that produces

long-term results. The fiscal path chosen by President-elect Obama will determine whether the current recession is brief or elongated. Rather than turning to gimmicks like more government workers, the President-elect should pursue a simple but effective economic solution: the FairTax.