

# President Obama Has a Solution to a Problem Created by the ACA



President Obama has a solution to a problem created by the ACA. The ACA is better known as Obamacare. The problem in question is employers cutting employee hours to less than 30, thus exempting the employer from some of the ACA mandates to business. (It's safe to assume that most businesses will have at least a few full-time employees who will be subject to ACA requirements – at least if there are 50 or more employees.)

[The President's solution? Increase the minimum wage!](#) That's a great idea – instead of just getting hours cut, some of those employees will find themselves with their work hours reduced to zero. These are the [employees who lost their jobs du to the minimum wage hike.](#)

Mr. Obama is as [bad at economics](#) as he [is at math.](#)

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# The President Doesn't Want Anyone To Be Better At Math Than Him

By falling in line with other states, California is abandoning its push for all eighth-graders to take algebra.

Last month, the State Board of Education unanimously shifted away from a 15-year policy of expecting eighth-graders to take Algebra I. The state will allow them to take either Algebra I or an alternate course that includes some algebra. New state standardized tests will focus on the alternate course – the same one adopted by most states under the Common Core curriculum being rolled out across the nation.

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The change is controversial because success in Algebra I is the single best predictor of college graduation.

From the [February 4 San Jose Mercury-News](#):

Yes, you read that correctly. **President Obama and Education Secretary Arne Duncan have decided algebra is too tough for eighth-graders. Apparently the president doesn't want anyone to be better at math than him. And this is a ~~recommendation~~ requirement of their Common Core curriculum.** (If you really believe this is just a recommendation, you haven't spent much time trying to work with the federal government, specifically the department of education.)

## The President's Math

For those who don't remember President Obama's infamous

interview with Jay Leno, [here's a link to the transcript](#). And here's the relevant excerpt:

*Jay Leno, reading question from viewer: "When you help your daughters with their homework, is there a subject you struggle with?"*

President Obama: "Well, the math stuff I was fine with up until about seventh grade. But Malia is now a freshman in high school and – I'm pretty lost. You know, it's tough. Fortunately, they're great students on their own and if something doesn't work, I'll call over to the Department of Energy and see if they have a physicist to come over." "

But don't take my word for it. I know the link above goes to RealClearPolitics.com and many of you simply won't believe that source. For your edification, here's a link to a video of the full interview (hosted on my blog's server, don't worry about that):

## **The View From a University**

I am semi-retired from California State University, East Bay. Prospective students are "required" to know algebra to be admitted to any of the California State University campuses.

I can assure you that **some graduates of CSUEB cannot solve even the simplest algebra problem**. Why not? **The entire CSU funding system is based on enrollment. One more student means a few more dollars in a university's budget. One fewer student means fewer dollars.** Administrators in this system have every incentive to keep students on campus. Eventually those students graduate. If they can't do algebra, there are plenty of majors where they can still get a degree.

## **Who Needs Algebra**

Today **even manufacturing jobs require algebra**. Do a quick search on the string "manufacturing math" and you'll find

courses, online classes, tutorials, textbooks, and a host of other resources. [NPR recently ran a major story on this subject.](#) Can't do algebra? Practice this phrase: "You want fries with that?"

## Conclusion

The dumbing down of the U.S. population apparently will continue under the current administration. I weep for my country.

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# Nine Point Eight! Are You Convinced Yet?

by Tony Lima

December 3, 2010

"President Obama had scheduled a speech about the economy this morning, but instead he went to Afghanistan." [\[1\]](#) No wonder. If I was president I wouldn't want to be in the country today either.

Today the November labor market report was released. The, um, highlight was the unemployment rate: 9.8%. Corporate profits are soaring and the economy is growing, albeit slowly. So where are the jobs?

Let's review my earlier posts, specifically March 27. [\[2\]](#) There I analyzed the impact of the health care bill on the economy. My summary conclusion: the health care bill included tax increases of about \$32 billion. Excerpts are at the end of this post. Those tax increases have pretty much kicked in. (The exception is the increased tax revenue that will

supposedly be captured by requiring businesses to file 1099 forms for any firm or individual with whom it does more than \$600 per year in business.) What my earlier article didn't focus on was the uncertainty created by the health care bill and the financial reform bill.

Taken together, these two laws will require writing about 600 new rules. Many of these rules will impact the cost of employees. And businesses don't know what the rules will be. Small businesses, in particular, are flat-out scared – nervous about future unknown liabilities for employees, worried about the expiration of the Bush tax cuts, and generally just worried about the prospects for their futures. Would you hire new employees in this environment? When, at every turn, the president or a member of his staff demonize businesses? When decisions made in Washington, D.C. have a distinct “shoot from the hip first, ask questions later” flavor?

Neither would I.

Excerpts from my March 27 post:

“So here we are 45 years later. The economy is in a deep recession. If we've learned one thing since John Maynard Keynes published *The General Theory of Employment, Interest, and Money* (1936) it's this: don't raise taxes during a recession.

Yet that's exactly what the recently-passed health care bill does. To support the accounting fiction that the government budget deficit will be reduced, many of the taxes and fees begin during the next two years. The majority of benefits don't kick in until 2014. Is this yet another instance of presidential ego trumping sound economic policy?

As of March 27, various corporations have announced they will recast their earnings to reflect the fact that healthcare prescription benefits offered under their employees' insurance plans will no longer be tax deductible. According to the Wall

Street Journal article cited in the footnote, "Mr. Zion of Credit Suisse estimated in a report this week that companies in the S&P 500 index will rack up a combined \$4.5 billion charge due to the change in the value of the tax asset." That's the equivalent of a \$4.5 billion tax increase.

Let's consider another small part of the new taxes. Beginning in 2012 there will be additional taxes imposed on individuals with wage income over \$200,000 (\$250,000 for married couples filing joint returns). There are two parts to these taxes. First, an additional tax of 0.9% will be levied on wages and salaries in excess of \$200,000 (\$250,000). Using IRS data for 2007 together with some educated guesses, total income above \$200,000 was about \$1,382,126,976,000. That implies a tax increase of about \$12,439,000,000.

The second tax extends Medicare taxes to cover "Modified Gross Income." Basically, modified gross income is wages and salaries plus interest. The phrase "exempt from taxes" refers to the exemption of non-employment income from Social Security and Medicare taxes. The purpose of this clause is to extend the 3.8% Medicare tax to cover *all* interest earned by anyone making over \$200,000 (\$250,000). ... For the year 2007, that total for households with income above \$200,000 was \$196,513,160,000. The total tax increase for that year would have been \$19,906,642,864. Call it \$20 billion, bringing the total tax increase to \$32 billion.

My conclusion is simply this: despite the fiscal stimulus (much of which still remains unspent), the U.S. economy will continue in recession through 2013. At best we can expect sluggish growth. The tax increases in the health care bill combined with the expiration of many of the Bush tax cuts in 2011 are two factors. But there's even more. Fiscal policy is as much about expectations as actual changes in tax rates and government spending. Right now businesses and individuals expect higher taxes to continue for the duration of the current administration. Therefore I expect the recession to

continue at least until November, 2012 and possibly even longer.”

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[\[1\]](#) Heard on NPR’s Morning Edition December 3, 2010.

[\[2\]](#)

<http://gonzoecon.com/2010/03/the-health-care-bill-disaster-for-the-economy/>

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# **Surprise! I Agree with President Obama and Prof. Krugman**

Tony Lima  
July 24, 2010

On Tuesday (July 20) President Obama met with British P.M. David Cameron. Mr. Cameron stated his intention to cut British government spending by 25 percent in the next three years. Mr. Obama responded that this is not the time to reduce fiscal stimulus. Mr. Cameron’s riposte was that the U.K. was in the same category as Greece when it came to the government budget deficit as a percentage of GDP.

I’ve argued elsewhere [\[1\]](#) that the U.S. fiscal stimulus package took way too long to start the actual spending. And in the same articles I noted that there’s a lot more to fiscal policy than government spending, taxes, and transfer payments. Indeed, it’s becoming apparent that the regulatory environment (current and expected future) has a potentially larger impact than any traditional fiscal policy tools. (Of course, all

economists know this. When you make something more costly, people and businesses will do less of it. And when you increase uncertainty about the future, people and businesses will postpone major decisions.)

But I have to agree with Mr. Obama and Dr. Krugman on one issue. This is no time to engage in contractionary fiscal policy. Cuts in government spending, cuts in transfer payments, or tax increases should all be off the table for the next six months.

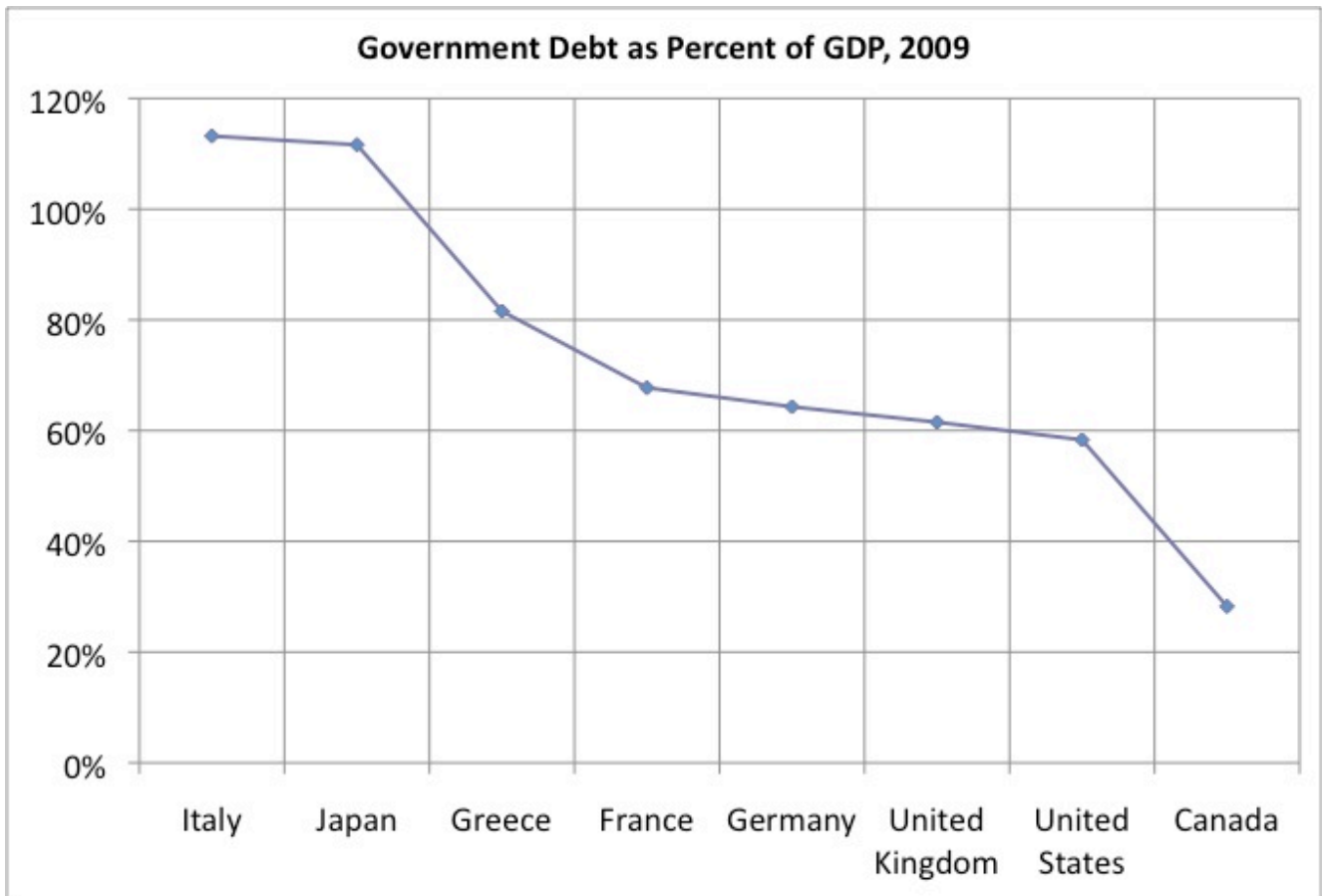
Of course, that's another reason for the sluggish U.S. recovery. Many of the Bush tax cuts expire at the end of this year. The Obama administration appears to have no desire to extend them. Anticipating tax increases on January 1, individuals and businesses are taking actions this year to avoid higher taxes next year.[\[2\]](#)

Back to the issue at hand. How do various countries stack up on government debt and the government budget deficit?

## **Debt as a Percentage of GDP**

Using data from the International Monetary Fund's World Outlook database,[\[3\]](#) we can find out the government debt as a percentage of GDP for many countries. One curious exception is Greece, a country of great interest lately. I approximated the government debt by adding up the Greek government budget deficits from 1980 – 2009. While I could have found more and/or better data, this is good enough for blogging. The graph below tells the tale.



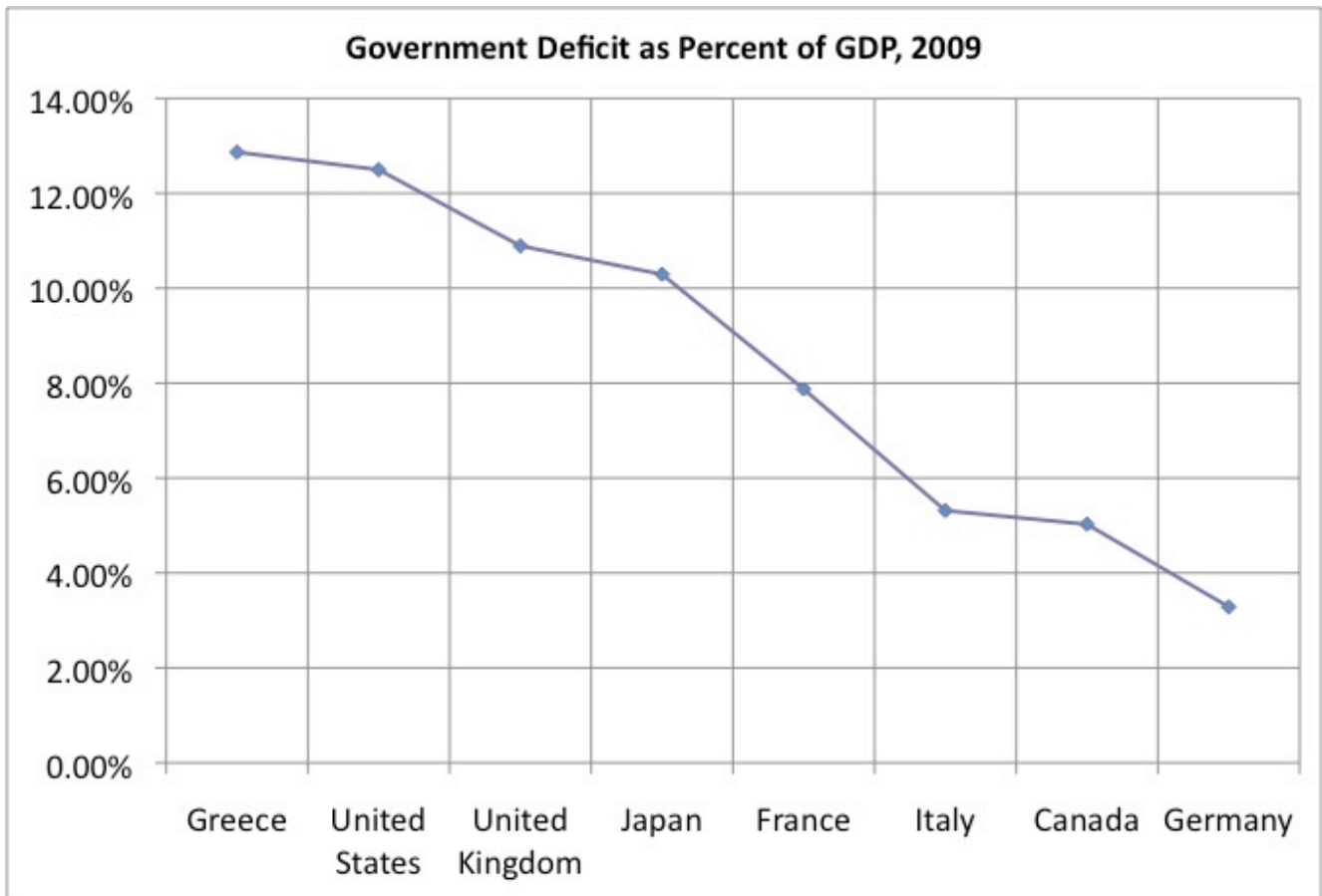


Government debt as a percentage of GDP, 2009

Mr. Cameron's remarks, however, explicitly used deficit as a percentage of GDP, not debt. And with good reason. It's clear that Italy, Japan, and Greece are in a different universe from the U.S. and the U.K. [\[4\]](#)

## Deficit as a Percentage of GDP

Looking instead at the government budget deficit relative to GDP we can see what Mr. Cameron is talking about:



Government Budget Deficit as a Percentage of GDP, 2009

Actually, Mr. Cameron is guilty of overstating the case somewhat. The U.K. government deficit is around 11 percent of GDP, significantly less than either Greece or the U.S.

## What Does It All Mean?

Let me repeat my original point: a recession is no time to worry about government budget deficits or the government debt. Mr. Cameron has stated that he wants to reduce the size of the British government by 25 percent in three years. Fine – but make it four years, not three, and postpone the start for a year.

Somewhere, John Maynard Keynes (a loyal British citizen) is spinning in his grave.

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[1] <http://gonzoecon.com/?p=116>, <http://gonzoecon.com/?p=90>,

<http://gonzoecon.com/?p=22>

[2] If you have any capital gains that are taxable, 2010 is the year to realize them. I've sold quite a bit of stock this year, in part because I expect to have to pay a lot more in capital gains taxes next year.

[3]

<http://www.imf.org/external/pubs/ft/weo/2010/01/weodata/download.aspx>. Accessed July 21, 2010.

[4] Remember, the figure for Greek government debt is almost certainly too low.