The background of the entire image is a stylized American flag with stars in the upper left and stripes below. Numerous one hundred dollar bills are shown falling from the top, scattered across the scene. The bills are slightly blurred, suggesting motion.

THE OBAMA FISCAL CLIFF

**How he got us here and why
higher taxes and bigger government
are not the answer**



Grassfire Nation



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Printed in the United States of America

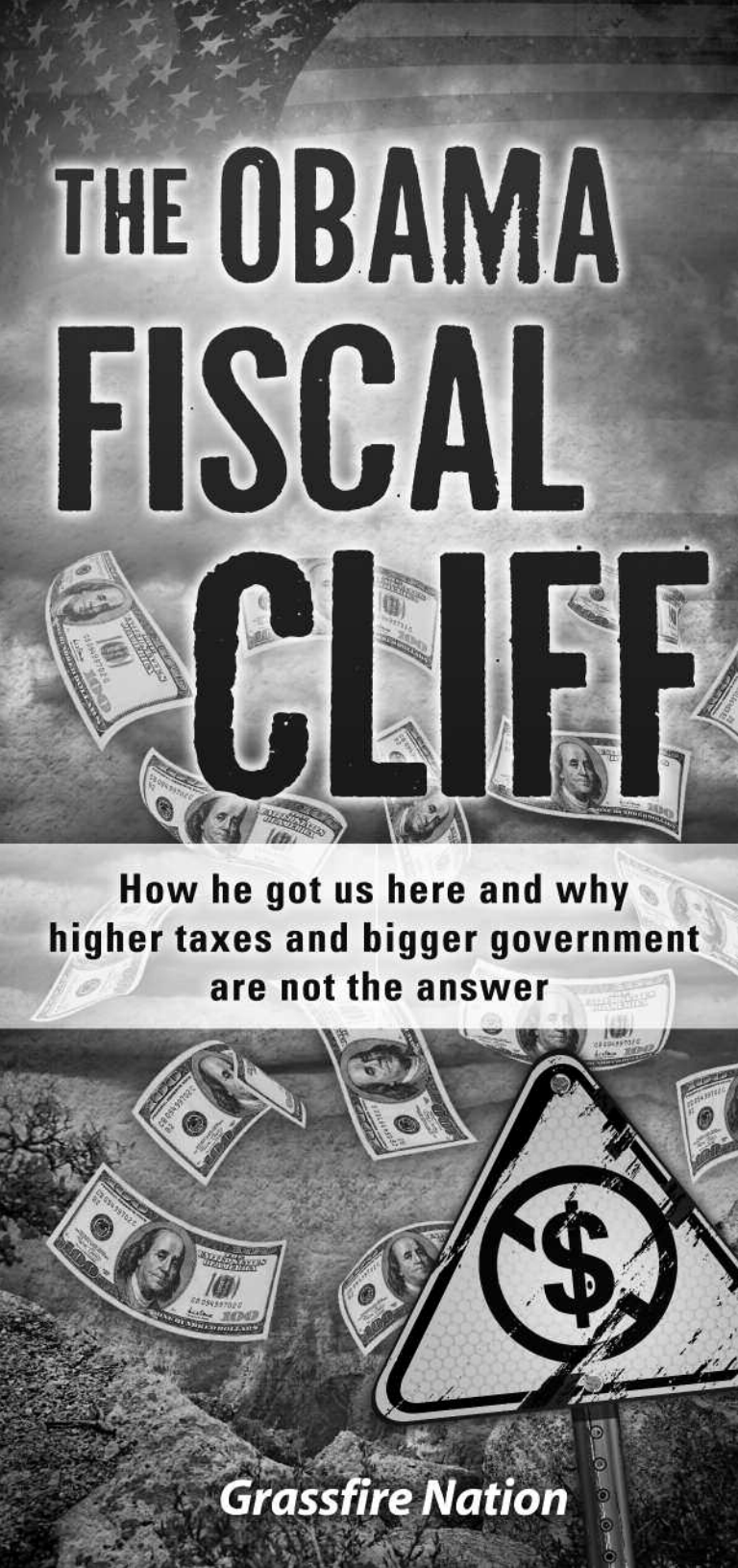
First Printing, 2012

ISBN 1-9391150-6-5

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About Grassfire Nation

Grassfire Nation, a division of Grassroots Action, Inc., is a million-strong network of grassroots conservatives dedicated to equipping you with the tools that give you a real impact on the key issues of our day. We also operate a social networking site (PatriotActionNetwork.com) and a patriot-sourced news website (LibertyNews.com).

The background of the entire image is a stylized American flag, with the stars in the upper left and stripes extending across the top and bottom. The text is overlaid on this background.

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The Obama Fiscal Cliff

He Pushed Us Here. Now He Wants Us To Jump

It is our nation's most predictable crisis. We've known for more than a year about the upcoming "fiscal cliff"—an economic shock wave created by President Obama and Congress that consists of \$600 billion in tax hikes and mandatory spending cuts that arrives January 2, 2013. It's a crisis that, unless fixed, will bring recession and throw millions out of work.

But this looming threat is also an opportunity for President Barack Obama. The fiscal chaos just ahead is a crisis our newly re-elected president does not want to let go to waste. It is his chance to, finally, harpoon the Great White Whale of tax "fairness" that up to now has eluded America's Captain Ahab who now strides the deck of our nation's foundering ship of state.

The wind is howling, the waves are high, the ship is taking on water, but instead of manning the pumps and heading for safe haven, Obama's stern gaze is riveted on his prize almost in range. The tax and spending crisis that arrives at year's end is his chance to run a metal shaft through the Bush tax cuts for the wealthy and increase taxes by more than \$1.6 trillion. At long last the gluttonous "One Percent" (or "two percent", or small business owners) will start to pay their "fair share" — even though these same people are responsible for most of the job creation that takes place in our nation. This is Obama's non-negotiable. That's why this is the Obama Fiscal Cliff.

"What I'm not going to do is to extend further a tax cut for folks who don't need it," the President announced in a post-election press conference.¹

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But in his effort to stoke class envy, Obama left unsaid the very relevant fact that the top one percent of earners in America already pay almost 37 percent of America's income taxes. Somehow that is not fair enough. He wants more.

As he put it, in one of his few unscripted moments caught on camera during the 2008 election, "when you spread the wealth around, it's good for everybody." But that's socialism and we've known for decades that it's a failed idea. The truth is that redistributing the wealth via punitive tax policy hurts the economy and is, in fact, bad for everybody because it diminishes incentives to work, produce, hire, and increase net wealth. All of which lowers tax revenue.

After four years of economic pain, more is ahead if Obama gets his way and hikes taxes on the wealthy. He is willing to pay the economic price. Our Alinsky-trained, ACORN-linked community-organizer-in-chief has a larger goal in mind. The man who spent almost two decades in the Chicago socialist universe is not done making good on his promise to "fundamentally transform" America. His strategy is more far-reaching and well on its way to completion.

The Obama Fiscal Cliff 101

But first, what is the "fiscal cliff" and how did we get so close to the edge?

This pre-planned crisis has its roots in December 2010, when a lame-duck Congress, its ranks chastened by the Tea Party uprising that turned House leadership over to Republicans, voted to extend the Bush tax cuts for two more years, letting them expire at the end of 2012. That

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spared Americans from a sharp across-the-board tax hike, which would have bumped the highest tax bracket from 35% to 39.6%. Obama went along with the tax-cut extension, part of a package that included the extension of unemployment benefits and a Social Security payroll tax reduction. Not to do so, he said, “would have been a blow to our economy, just as we’re climbing out of a devastating recession.”²

Eight months later, Congress punted on meaningful deficit reduction when it succumbed to Obama’s bullying tactics and agreed to raise the federal debt ceiling under a manufactured threat of economic doom. At the time it was clear to many Tea Party conservatives that a fiscal crisis was being manufactured by the left to force Congress to play on Obama’s terms. Obama was bluffing and he won.

How do we know he was bluffing? He admitted so in a closed-doors discussion with House GOP leaders. “Don’t call my bluff,” Obama told Eric Cantor, “I’m going to the American people with this.”³ Thus, Congress passed and Obama signed the Budget Control Act of 2011 which created an extra-constitutional House-Senate “super committee” charged with crafting a proposal to cut the deficit by \$1.2 trillion. That effort flopped in November 2011, triggering the Act’s “sequestration” provision, a series of automatic cuts scheduled to begin on January 2, 2013. The cuts total \$1.2 trillion over ten years and start with \$110 billion lopped off defense and non-defense discretionary spending in 2013.

Add to those cuts a \$500 billion package of new or higher taxes coming on the same day and you

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have what former economist Douglas Holtz-Eakins calls a “huge fiscal shock” that totals \$600 billion and equals the loss of two years of GDP growth. The package of tax hikes, which includes stiff new ObamaCare taxes, will cost \$3,800 per family⁴ and affect 90% of all taxpayers.⁵ The Obama Fiscal Cliff — a direct and intentional result of Obama’s policies and strategy of expanding government through artificial crisis (more on this later).

The cost to the nation, says the Congressional Budget Office, will be recession in the first half of 2013 and 9 percent unemployment for the year. Holtz-Eakins, a former CBO director, says the wreckage at the bottom of the fiscal cliff will be even worse. He expects “a loss of as many as 10 million jobs, a 6 percentage point drop in GDP, a 2 percentage point increase in unemployment, and 2.8 million more people unemployed.”⁶ In layman’s terms: Misery.

And, again, our elected leaders at both ends of Pennsylvania Avenue have known for over a year that a perfect storm of draconian tax hikes and mindless across-the-board automatic spending cuts were on the way. Of course, our leaders also knew that federal law requires Congress to pass a budget, but that has not been done since 2009. While the Republican-led House adopted a budget in 2011, the last time a spending plan passed in the Senate was April 9, 2009.

Federal Reserve Chairman Ben Bernanke, who is credited with coining the term “fiscal cliff,” told the House Financial Services Committee last February that “a massive fiscal cliff of large spending cuts and tax increases” was coming on January 1, 2013 and expressed the hope that

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Congress would find a way to achieve the same deficit reduction “without having it all happen at one date.”⁷

Multiple Fiscal Cliffs Loom

But wait, there’s more. Like the nor’easter that arrived after hurricane Sandy, another budget storm will blow into Washington shortly after the fiscal cliff deadline has passed. Soon, possibly in January, lawmakers will be forced to either raise the limit on federal debt, now set at \$16.39 trillion, or make hard choices to cut spending and keep federal debt below the limit.

America’s three major credit rating agencies will be watching all this with interest. Standard and Poor’s downgraded the U.S. in August 2011 from its prized triple-A rating after Congress and the President failed to agree on meaningful tax and spending reforms. Fitch, Moody’s, and Standard and Poor’s all told Reuters recently that failure to adequately address the pending budget impasse and tame spending this time around will likely lead to a downgrade.

“If no budget deal is reached in the early part of next year and the debt trajectory just continues to rise ... then we’d be looking at a downgrade of a notch to Aa1,” Bart Oosterveld, Managing Director at Moody’s agency told Reuters.⁸ That may force the federal government to pay more to borrow and prompt some lenders to rethink the purchase of U.S. debt.

Any upward movement for interest rates could be catastrophic to America’s fiscal health. The U.S. spent almost \$360 billion⁹ last year just to service the debt, but that preposterously large number

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could explode if interest rates rise as market conditions improve or if lenders retreat because Congress and the President fail to inch their way back to fiscal sanity. Whatever happens over the next several months, interest payments on the federal debt pose an enormous threat to America's fiscal future. Investment author Peter Schiff calls this the true fiscal cliff and projects back-breaking annual interest payments of \$1 trillion or more if total debt continues on its current trajectory to \$20 trillion and interest rates rise to the historic level of around five percent.¹⁰

But *that* fiscal cliff is in the future. Here is what you'll find in the unprecedented avalanche of tax hikes descending on us in January unless Congress acts in time.

- **Income tax rates** will go up for all wage earners as the Bush tax cuts expire. Even some low-income earners will find themselves back on the rolls paying taxes at 15 percent. Those at the upper end of the scale could face a marginal rate that exceeds 50 percent when new federal and state tax bites are added together (the new top rate of 39.5% plus the 3.8% Medicare tax imposed by ObamaCare, plus state income taxes that can reach 10%). That's a huge disincentive to do more, earn more, and hire more.
- **The marriage penalty** will return, making it more costly to be married because the tax paid by a husband and wife who both work and file one return will be greater than if they were unmarried and filing separately.
- **The alternative minimum tax** will hit as

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many as 50 million people unless Congress approves a “patch” to index the tax for inflation and limit its scope to 3 or 4 million households.

- **The capital gains rate** will jump to 20%, with a 3.8% ObamaCare investment income tax added for households making more than \$250,000.
- **Dividend income** will be taxed as ordinary income and go from 15% to a top rate of 39.5%. This tax increase does not just hit the wealthy, but some retirees as well since 63% of people with dividend income are over 50. ¹¹
- **The estate tax** soars to 55% while the exemption shrinks from \$5 million down to \$1 million. That makes 97 percent of American farms and ranches subject to the death tax and will mean a tax bill for estates of more than \$1 million of \$550,000 or more. That’s a tax bill the children of many farmers or ranchers will be unable to pay. ¹²
- **The 2% payroll tax cut** expires, returning the rate to 6.2%.

Add to these taxes the ObamaCare taxes that take effect on January 1, 2013, with more to follow in 2014. By themselves alone, these taxes are economically toxic and have already led to layoffs.

- **Investment income surtax** of 3.8% for households earning at least \$250,000. This brings the new capital gains tax to 23.8% and the dividend tax to 43.4%.
- **Medicare Payroll Tax** which adds .9% for

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those making more than \$250,000

- **2.3% excise tax on medical device manufacturers.** That may not sound like much, but it doubles the industry tax bill and imposes “one of the highest effective tax rates faced by any industry in the world,” according to the medical device industry. Job losses are projected to be between 14,500 and 47,000. One medical device manufacturer announced in November it was cutting 1,170 jobs because of the tax.¹³

A Crisis With One Goal: Higher Taxes

It’s safe to say that neither Democrats nor Republicans want *all* of these taxes to bite our ailing economy come January. Both want to get off the fiscal cliff—and get home by Christmas—they just disagree profoundly on how to do it.

It’s all about taxes.

The President and his party insist on jacking up taxes on America’s most productive citizens. Speaker John Boehner and his House and Senate GOP colleagues refuse (for now) to extract more from America’s wealthiest citizens.

Instead of growing government through job-killing taxes, Boehner wants to stimulate the economy through tax and entitlement reform. That means weeding out “special interest loopholes and deductions” and restructuring entitlement programs, which now suck up 62 percent of all government spending and are, as Boehner said, “the root of the whole problem.”

Boehner said in a November speech that tax

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reform will juice the economy and bring in more tax revenue, just as it did in 1986 when a tax reform law tapped what former Reagan Cabinet member George Schultz recently called a “gusher” of money into federal coffers.

“The question we should be asking,” Boehner said, “is not ‘which taxes should I raise to get more revenue,’ but rather: ‘which reforms can we agree on that will get our economy moving again?’”¹⁴

That’s not the president’s approach.

“If we’re serious about reducing the deficit, we have to combine spending cuts with revenue — and that means asking the wealthiest Americans to pay a little more in taxes.”¹⁵

What he has in mind is \$1.6 trillion more in taxes, with 80 percent of that coming from wealthy Americans. It’s part of his plan to cut \$4.2 trillion over the next ten years and to do so in what he calls a “balanced” fashion in which there are \$2 in spending cuts for every \$1 in new taxes.

But those are funny numbers.

The bipartisan Committee for a Responsible Federal Budget took a look at an earlier version of Obama’s proposal when it was first made in September 2011. They rubbed their eyes and concluded that the total savings were, in fact, less than \$2 trillion. The revised number comes in part because Obama’s spreadsheet claimed savings of \$1.2 trillion in *money not spent in the future* to fight in Afghanistan and Iraq, something the CRFB called a “gimmick.”

American Enterprise Institute scholar James Pethokoukis broke down the actual \$2 trillion or so

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in proposed savings and arrived at a very different ratio of taxes to spending cuts:

Of the supposed savings, then, \$1.6 trillion comes from tax hikes and \$577 billion comes from spending cuts, not counting saved interest. So 73% of the savings comes from taxes, 27% from spending cuts. That's \$3 of tax hikes for every \$1 of spending cuts.¹⁶

Not so balanced after all. And not so effective in generating revenue. Obama's tax-heavy proposal repeats the mistake made in Europe, Pethokoukis says, where austerity measures weighted toward more taxes have failed to rev flailing economies.

Plus, even if Obama's plan to raise taxes on households earning over \$250,000 were to succeed at collecting \$1.6 trillion over ten years, it would do little to pay off the debt which Obama's own budget projects will balloon to \$25 trillion by 2022.

Despite his rhetoric Obama is simply not serious about reducing the deficit. When Office of Management and Budget Director Jeffrey Zients appeared before the House Budget Committee to talk about the president's fiscal year 2013 budget plan, he refused to give a direct answer when asked by what year the Obama proposal would lead to a balanced budget.¹⁷ For a simple reason, writes David Limbaugh. "Because the true answer would be: 'President Obama's budget will never balance.'"¹⁸

Treasury Secretary Timothy Geithner acknowledged that Obama's plan does not balance the budget in testimony before the Senate Budget Committee. "Even if Congress were to enact [Obama's fiscal year 2013] budget," Geithner said,

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“we would still be left with—in the outer decades as millions of Americans retire—what are still unsustainable commitments in Medicare and Medicaid.”¹⁹ He had no plan.

With Taxes: Less is More

A much better alternative to soaking the rich is growing the economy by dropping rates—and keeping them low. President Obama is a skeptic but lowering rates has worked fiscal wonders before under both Democratic and Republican administrations.

President John F. Kennedy lowered tax rates across the board, dropping the top rate from 90% down to 70%. A flood of tax revenue followed, with receipts growing from \$94 billion in 1961 to \$153 billion in 1963.

In sharp contrast to today’s Democratic drumbeat for more taxes, Kennedy believed in lowering rates to spur economic growth. “Our true choice is not between tax reduction, on the one hand, and the avoidance of large Federal deficits on the other,” he said in 1962. When it comes to taxes and revenue, this Democratic president understood a simple truth: Less is more:

It is increasingly clear that no matter what party is in power ... an economy hampered by restrictive tax rates will never produce enough revenue to balance our budget just as it will never produce enough jobs or enough profits.... In short, it is a paradoxical truth that tax rates are too high today and tax revenues are too low and the soundest way to raise the revenues in the long run is to cut the rates now.²⁰

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Ronald Reagan followed Kennedy's advice and the nation reaped a bonanza of economic growth that helped win the Cold War. He lowered tax rates and tax revenues exploded by 99.4% during the 1980s.²¹ In the process, the wealthy wound up paying a lot more. Tax revenue from people making more than \$200,000 jumped five times between 1980 when the top rate was 70% and 1988 when it was 28%. In dollars, the difference into the Treasury was \$19 billion versus nearly \$100 billion.²²

And George W. Bush, he upon whom Obama has heaped endless blame for the economic ditch we're in, laid the groundwork for soaring tax revenue with his across-the-board tax cuts on personal income, dividends, and capital gains. After the Bush cuts were put in place, tax receipts grew by a record \$785 billion from 2003-2007. That gave us declining deficits, which shrank from \$413 billion in 2004 down to \$163 billion in 2007.²³

Still, Obama rejects so-called dynamic scoring, the idea championed by President Kennedy and demonstrated by three administrations over the last 50 years that lower rates spur economic activity and bring more revenue into the federal treasury. "What I will not do is to have a process that is vague, that says we're going to sort of, kind of, raise revenue through dynamic scoring or closing loopholes that have not been identified," Obama said November 15.²⁴

But if he's not interested in the historical evidence, he should fly out to Ogden, Utah, to visit the IRS processing center and see the mailbags filled with checks made out to the U.S. government. Despite sluggish growth of just 1-2%, tax revenue is up 6.4% for the last year, and total

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revenue climbed to \$2.45 trillion for fiscal year 2012, a number just shy of the 2007 peak. Personal income tax revenue has jumped 26%, or \$233 billion, in the last two years. “This revenue increase is occurring,” the *Wall Street Journal* observes, “under the Bush tax rates that he so desperately wants to raise in the name of getting what he says is merely ‘a little more in taxes.’”²⁵

Obama says he has a mandate to raise taxes on the rich. “The majority of Americans agree with my approach,” he claims. Well, not the majority, since he won with 51% of the vote, but 47% of voters said in exit polls that they want to raise taxes only on the wealthy.²⁶

But with or without a mandate Obama is determined to seek tax “fairness” not just during fiscal cliff talks but throughout his second term. He says voters “expect that folks at the top are doing their fair share as well, and that’s going to be my guiding principle during these negotiations but, more importantly, during the next four years of my administration.”²⁷

Captain Ahab is on the job.

But in this case, one could say that Moby Dick has already been rendered. Despite Obama’s obsession with tax fairness, the federal tax schedule is already highly progressive (i.e., higher incomes pay more taxes) with the top one percent of Americans paying 36.73% of all federal income taxes. But that’s not all, the top 5% pay 58.66%; the top 10% pay 70.47%; and the top half are responsible for 97.75% of all income tax payments to the federal government.²⁸ All this means that almost half, 48.47%, of Americans do not pay any federal income taxes.²⁹

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“Fairness” First

Obama’s focus on fairness, as he calls it, is so deep-seated that revenue is almost an afterthought. When ABC News’ Charlie Gibson asked Obama in 2008 why he would raise capital gains taxes since, as Gibson said, “History shows that when you drop the capital gains rate, the revenues go up,” Obama’s answer did not even address revenue. It was all about making the rich pay their share.

“I would look at raising the capital-gains tax *for purposes of fairness*,” Obama explained. “Part of what has happened is that those who are able to work the stock market and amass huge fortunes on capital gains are paying a lower tax rate than their secretaries. That’s not fair.”³⁰

Put simply, Obama wants to use the tax code to “spread the wealth.” It’s an abiding concern that not only leaked out in his famous interaction with Joe the Plumber, but was also enshrined in his first budget statement as president. In that document, Obama bemoaned America’s recent past, stating that, “For the better part of three decades, a disproportionate share of the Nation’s wealth has been accumulated by the very wealthy.” The time had come, Obama said, to “look at where the country has been and recognize that we need a break from a *troubled* past, that the problems we face demand that we begin charting a new path.”³¹

For Obama, economic inequality is a problem to be solved, not the natural consequence of our disparate gifts, and varying habits of thrift and industry. Thomas Jefferson may have said that “a wise and frugal government ... shall not take from the mouth of labor the bread it has earned,” but Obama wants to use federal policy to dispossess the

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haves and treat the have-nots.

Obama likes to advertise the fact that his plan to maneuver around the fiscal cliff leaves rates for the middle-class untouched. As he put it, “97% of all small businesses won’t see their taxes go up a single dime.”³² Sounds good, but bumping up taxes on the remaining 3% will bring widespread economic pain. That top 3% is a group of 1.2 million owners who account for 54% of all private sector jobs. Ratcheting up taxes on these successful entrepreneurs will put some of their 77.6 million workers at risk. Plus, the top 3% also pay 44% of business taxes and earn \$341 billion, or 91% of all profits earned by small businesses with workers. Raising taxes will make this gusher a trickle.

An Ernst and Young study reports that increasing taxes on the top two tiers of income will hammer the economy, reducing economic output by 1.3%, dropping wages by 1.8%, and costing 710,000 jobs.³³

“There is never a good time for the country to levy increased penalties on the rewards from harder work but surely this is not the time for it, when so many people are already hurting,” say tax reform advocate Grover Norquist and economist John Lott.³⁴ That’s a view to which Obama gave lip service two years ago when he agreed to keep the Bush tax cuts in place so as not to burden the economy “just as we’re climbing out of a devastating recession.” Now, fresh off his election and with economic growth at just 2 percent, he’s happy to tax America’s job creators even more as the fiscal cliff draws near.

Getting more revenue from taxpayers—whether through raising rates or eliminating “special interest

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loopholes” and deductions—should not even be up for discussion as Congress looks to solve the self-inflicted fiscal fiasco coming on January 2.

The Spending Addiction

The problem is not that we’re taxed too little, but that we spend too much. We are awash in red ink with debt now more than \$16 trillion. That’s staggering enough, but the nation’s actual liabilities are much greater. Our “fiscal gap” is \$222 trillion. That stupendous number is the difference between the present value of all federal obligations and projected revenue. Among the concerns it takes into account is the coming demographic shock of 78 million baby boomers retiring and beginning to draw Social Security and access Medicare (assuming these programs remain available).³⁵

The tax burden on Americans has almost doubled in the last 47 years, growing from \$11,554 per household in 1965 to \$20,300 in 2012 in inflation-adjusted dollars. During the same period, federal spending per household has galloped ahead, jumping from \$11,900 in 1965 to \$30,015 in 2012.³⁶ In the last 20 years, federal spending has grown 71 percent faster than inflation.³⁷

The federal government spent \$3.6 trillion in fiscal year 2012, which is 22.9% of GDP. By comparison, the 40-year average for federal spending as a share of GDP is 21%.³⁸ The average from 1930 to 1970, a period that included World War II, was just 15.5%.³⁹ And the annual average federal take from the economy from 1787 to 1916 was less than 5%.⁴⁰

What has changed is entitlements. The explosion of spending since 1965 comes from

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Social Security, Medicare, Medicaid, the Children's Health Insurance Program (CHIP), and other mandatory financial obligations that put our nation's future in doubt. Despite this fiscal IED (improvised explosive device) on the road ahead, entitlements are barely addressed in the president's program to forestall fiscal chaos at year's end.

Entitlement spending is on autopilot and has grown by 110% over the last 20 years in inflation-adjusted dollars. It now makes up about 62% of the federal budget. The actual cost to taxpayers for entitlement spending has jumped from \$976 billion in 1992 to \$2.053 trillion in 2012.⁴¹ And the cost of entitlements is about to go much higher as baby boomers enter their retirement years and taxpayers begin to foot the \$2.6 trillion tab for ObamaCare.

The dramatic expansion of entitlement spending is accompanied by the erosion of traditional notions about self-reliance and independence that led earlier generations to look askance at being on the "dole." The new stigma-free stance was captured in an Obama campaign video celebrating government benefits in the life of a fictional woman named Julia whose entire existence was lived in dependence on a battery of government programs from infancy on. To see what really is happening to Julia through Obama and the Statists' cradle-to-grave policies, visit Julias-Reality.com.

"We have become a 'nation of takers,'" writes Nicholas Eberstadt. "The United States is at the verge of a symbolic threshold: the point at which more than half of all American households receive, and accept, transfer benefits from the government."⁴²

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In fact a *Wall Street Journal* analysis found that 49 percent of Americans resided in households that received at least one government benefit.⁴³ A record 46 million Americans are now on food stamps, with 14.7 million of that total added since January 2009.⁴⁴ Federal transfer payments in 2010 accounted for a staggering 18 percent of all personal income that year.⁴⁵

Reliance on the federal government has tripled since 1980, according to the Heritage Foundation's annual *Index of Dependence on Government*. Heritage reports that 67.3 million Americans rely on the federal government for shelter, food, health care, personal income, educational aid, or other help.⁴⁶

Advancing Socialism Through Crisis

But entitlement spending, which will consume all federal revenue by 2045, is a politically useful problem for Barack Obama. It is a pathway to what he seeks—a socialist America where citizens are even more dependent upon the state and income inequalities are largely eliminated. As the imminent fiscal cliff crisis unfolds, what Republicans in Congress and conservatives must not do is underestimate the guile, ambition, and agenda of Barack Obama. His nearly two decades spent as a community organizer deeply immersed in a socialist network eager to overthrow capitalism is a strong clue that he is bent on a profound reshaping of America. After all, that is what he promised us, announcing just before his 2008 election that we were “just five days away from fundamentally transforming the United States of America.”

Wayne Allyn Root, a classmate of Obama's at Columbia University, says Obama “is purposely

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overwhelming the U.S. economy to create systemic failure, economic crisis and social chaos — thereby destroying capitalism and our country from within.”⁴⁷

That’s saying a lot, but it doesn’t stretch credulity because the pursuit of “systemic failure” is a strategy openly advanced by leading socialist thinkers and widely followed within the socialist world in which Obama thrived for nearly two decades. Columbia University instructors Richard Cloward and Frances Fox Piven called in 1966 for recruiting more of the nation’s poor to sign up for welfare in order to create a fiscal crisis that would bring down the welfare system and force change that would lead, they hoped, to “a guaranteed annual income and thus an end to poverty.”⁴⁸ Their plan worked so well that New York City welfare lists were growing at a rate of 50 percent annually in the early 1970s and the financial capital of the world had to declare bankruptcy in 1975.⁴⁹

Their approach is one with which Obama was almost certainly well acquainted. Author Stanley Kurtz notes that the Cloward-Piven strategy was adopted by ACORN, Project Vote, and other like-minded entities. “Not coincidentally,” Kurtz writes, “Obama would soon embark on a lifetime alliance with these very groups.”⁵⁰ Obama, as we show in *Team Obama*, helped fund ACORN, led its Project Vote, provided legal counsel, and trained its leaders.⁵¹

Peter Dreier, a 2008 Obama campaign adviser and an ACORN strategist, refined the Cloward-Piven approach in “The Case for Transitional Reform,” a 1979 essay published in the journal *Social Policy*. His plan calls for promoting

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unsustainable government spending growth that leads to fiscal crisis. Then, when austerity is imposed as a solution, the public grown used to monthly checks and other perks, will rise to overthrow its capitalist masters. By introducing “unmanageable strains into the capitalist system, strains that precipitate an economic and/or political crisis,” Dreier hoped to foster a “revolution of rising entitlements” that “cannot be abandoned without undermining the legitimacy of the capitalist class.” “Fiscal crisis” would then help steer public support for “socialist norms” as the solution.⁵²

Dreier’s broad approach to the Cloward-Piven “break the bank” strategy captured the imagination of the community organizing fraternity and became a guiding vision, as Kurtz explains:

In a sense, Dreier’s work helped to “regularize” the orchestrated crisis strategy of Cloward and Piven. No longer would it be necessary to specify a particular path by which a crisis would be provoked. A “transitional strategy” for socialism could simply be pegged to a general expansion of government guarantees beyond the system’s breaking point. Although it would be impossible to know where and when the next crisis would break out, the point was to keep pushing for unsustainable government largesse, while standing ready to take full advantage of the resulting crises to transform the system, bit by bit. This “reformist” stance replaced the premature revolutionary activism of the sixties and early seventies and allowed community organizers to connect their local and piecemeal efforts to a long-term socialist strategy. Barack Obama cut

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his teeth in a world in which this was the default political stance.⁵³

Mobilizing America Over The Cliff

But there's another element to Obama's strategy. It's not enough to just overwhelm the system through rising entitlements and four straight years of \$1 trillion-plus deficits. He also needs to mobilize public opinion, which is why Obama has made the current fiscal cliff crisis all about taxes for the "rich." By talking endlessly about the need for top earners to pay their "fair share," Obama is using this fiscal crisis and the power of envy to polarize the nation along class lines.

Our "movement" president has already enlisted the usual allies for this fight. In advance of meetings with congressional leaders on the fiscal cliff, he met with labor, liberal, and "civil rights" leaders, including Al Sharpton, in November to get out his message and garner support. "I am not going to budge," he reportedly told labor officials and liberal pooh-bahs at a Nov. 13 meeting at the White House. "I said in 2010 that I'm going to do this once, and I meant it."⁵⁴

America faces a spending problem of staggering proportions, but rather than targeting entitlements, Obama's class-envy rhetoric pits the haves against the have-nots. Obama's goal, says Kurtz, is to "polarize the country along class lines, with Republicans marked out as the aggressors."⁵⁵

Saul Alinsky, the social agitator in whose methods Obama was schooled into skilled practice, put it this way, "The organizer dedicated to changing the life of a particular community must first rub raw the resentments of the people of the

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community; fan the latent hostilities of many of the people to the point of overt oppression.”⁵⁶

That is our president’s M.O.

So, faced with a fiscal cliff just ahead, Obama’s mad pursuit of a tax increase on the “rich”—a policy option that will do little to defeat the deficit and fails to even touch the root of the problem, entitlements—is not without reason. It’s part of what former radical David Horowitz and co-author Liz Blaine call a “calculated strategy to promote long-held leftwing ambitions.” The goal is to “dismantle America’s private enterprise system and implement a socialist redistribution of wealth.”⁵⁷

Democrats also hope it is the pathway to permanent political power. No, we’re not saying that Obama will abrogate the 22nd amendment which limits presidents to two terms. But Democrats do stand to win big by being the “Santa Claus” party. The seductive appeal of something for nothing is a powerful way to win votes. That is one of the ideas, it turns out, behind the Cloward-Piven strategy. The authors closed their 1966 call for a run on taxpayers by exploding welfare rolls with this very common-sense conclusion:

And those seeking new ways to engage the Negro politically should remember that public resources have always been the fuel for low-income urban political organization. If organizers can deliver millions of dollars in cash benefits to the ghetto masses, it seems reasonable to expect that the masses will deliver their loyalties to their benefactors. At least, they have always done so in the past.⁵⁸

As comedian Paul Shanklin put it so aptly in

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his parody “Santa Claus is Coming To Town”

You better not work

You better not try

Get your hand out I’m telling you why

Baracka Claus is comin to town

What To Do?

So what should Tea Party conservatives do, faced with a president and party willing to pander and polarize to fundamentally transform American government? First, don’t lose heart. Speaker Boehner sounded almost all the right notes when he laid out the GOP approach to the upcoming fiscal cliff crisis. He’s a former small businessman and we hope he really meant it when he said that “raising taxes on job creators is no solution at all,” and pressed for both tax and entitlement reform to defuse the crisis. Republicans have the House and, if they’re firm and principled, can stop Obama’s campaign to raise taxes and hurt all of us.

But any resolve by House GOP members could crumble in the face of the Obama Fiscal Cliff, especially if the voice of Tea Party conservatives is not heard. That’s because the RINOs and so-called conservatives from inside the beltway are blaming Mitt Romney’s defeat on... the Tea Party and even claiming that the Tea Party supports the Obama Fiscal Cliff tax increases.

They say the lesson from the 2012 Elections is that conservatives must compromise on principle. They tell us a demographic “time bomb” of minorities voters necessitates that we accept amnesty as our reality. As far as the Obama Fiscal Cliff, GOP insiders like Bill Kristol are already

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posturing for a tax increase “compromise.” Kristol said, “I just don’t think it’s economically as a matter of policy important enough” to fight the Obama Fiscal Cliff tax increases and then went on to say he speaks on behalf of the Tea Party: “A lot of Tea Party guys don’t care that much if a few millionaires pay a couple percent more in taxes.”

That is why it is vitally important for every Tea Party conservative to make their voice heard in Washington. The president wants to make this all about taxes on the rich and he is getting help from the RINOs and inside-the-belway so-called conservatives who are blaming *us* for the failed Romney race and the economic crisis.

In making our voice heard, three key points must be made by Tea Party conservatives:

- 1. This is the Obama Fiscal Cliff.** The imminent “crisis” is a creation of Obama and the left with one goal in mind: force America to accept higher taxes and more statist solutions. While we conservatives have been warning of America’s fiscal crisis for more than three decades, Obama and the Left are using their manufactured “Cliff” to make tax increases the only “solution.” We must expose this current crisis as a creation of Team Obama. A good first step is to always call this the “Obama Fiscal Cliff.”
- 2. We as Tea Party citizens must reject any and all tax increases as a solution.** Reject the efforts of those like Bill Kristol to imply that Tea Party conservatives stand ready to accept the Obama tax hikes — or any tax hikes — as a solution to the Obama Fiscal Cliff. The left wants to increase taxes because their goal is

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always to increase government power and control. They now have their “crisis” which justifies their solution. As Tea Party citizens, we must draw a line against any and all tax increases because the real problem is our spending and government addiction — and distance ourselves from any alleged leader who pretends to speak for the Tea Party while conceding to higher taxes. Which leads us to point three...

- 3. This was and is all about America’s spending addiction.** We must focus every discussion on the horrible spending record of Obama and his friends in Congress. They created this crisis by spending us into unprecedented deficits and that is the problem. This case is not difficult to make at a time when the nation is \$16 trillion in debt, fresh off four straight years of \$1 trillion deficits, and facing a “fiscal gap” of \$222 trillion. Plus, the federal budget is marbled with thick ribbons of fat, many of which were identified by Sen. Tom Coburn, in his 2011 report, “Back in Black,” which identified ways to cut \$9 trillion from the federal budget over ten years. “If you cannot find waste in any part of the federal budget, whether health care programs, defense spending, or even the tax code,” the report states, “it can only be for one reason—you have not looked.”⁵⁹

Tell Washington that unless we mend our ways, stop spending, and fix entitlements, the only thing we or future generations will be entitled to will be debt and a lower standard of living.

Treasury Secretary Timothy Geithner said he’d

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like to see the legal limit on the federal debt eliminated entirely, and “The sooner the better.”⁶⁰ In other words, no spending limit at all on Uncle Sam’s credit card. That kind of free-and-easy approach to taxpayer money would have likely prompted George Washington, a man who struggled with a severe temper, to erupt in white-hot anger. Washington said in his Farewell Address that we should “cherish public credit” and “use it as sparingly as possible ... avoiding ... the accumulation of debt” and “not ungenerously throwing upon posterity the burden which we ourselves ought to bear.”⁶¹

Well, we’re doing everything our first president said not to do and it’s time that we, like him, erupt in anger at America’s bullet train to bankruptcy that, if anything, is only picking up speed.

Your voice needs to be heard. Call, write, email, and go to Grassfire.com to find out what Tea Party citizens are doing to let their voice be heard because the very future of our nation is at stake.

Like Captain Ahab and with supreme focus, Obama is leading America on a personal crusade to impose an envy-based, anti-enterprise vision for America centered on class warfare and taxing the “rich.” We know the end of the story: our ship of state will sink like every bloated, statist government in history. Once again, Tea Party citizens are the last guardians of our nation’s fiscal sanity. Let’s reject Obama’s plan and make this truly his cliff and not ours.

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THE OBAMA FISCAL CLIFF

**How he got us here and why higher taxes
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After years of teetering toward an economic collapse brought on by runaway government spending and deficits, everyone now agrees: America faces a “fiscal cliff.”

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866-GRASSFIRE • www.grassfire.com
Printed in USA

ISBN 19391150-6-5



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