

# The State of Our Union

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The President of the United States will tomorrow inform the Congress on the State of our Union, as he is constitutionally mandated to do. The past 12 months have seen our country head down a dangerous course, and The Heritage Foundation can only hope that the President will use this time of reflection, coming on the heels of a stunning electoral loss, to change direction.

You must recognize, Mr. President, that the State of the Union is not good. You need a new approach and fresh domestic and foreign policies. Shifting tactics and stoking populism will be both cynical and condescending to the voters, who will see through this strategy. Mr. President, it's the policies you need to change, not the spin.

In 2008, you promised economic recovery and sound financing. You promised to keep our country safe. You also promised bipartisanship.

Instead, our nation is enduring high unemployment and slow growth, due to surging spending and government borrowing. Bailouts and a pork-ridden "stimulus" bill will not get our country back on track. High unemployment comes primarily from the lack of job creation, rather than job destruction. Our research shows that your administration's policies have created uncertainties that have hindered risk-taking by entrepreneurs.

And now, faced with difficulties, instead of changing course you are doubling down and promising increased regulation. The challenges you have faced in one year in office—tea parties, town halls, three tough electoral losses—should have made you rethink your policies. Americans have always preferred limited government over the expansionist kind, lower—not higher—taxes, rational policies, not punitive ones. Your advisors are misreading the public, and economic reality, if they think increased red tape and government control will cure any of our ills.

The *Index of Economic Freedom* that The Heritage Foundation publishes annually alongside *The Wall Street Journal* tells the story. This year, for the first time since

we started publication of the Index, the United States has fallen from the top tier “free category.” Yes, about half of this fall came because of decisions taken by your predecessor, but you have only gone ahead faster and bigger. And our Index, issued last week on the anniversary of your inauguration, does not even take account of the second half of your year in office.

Your signature health care reform initiative has been a colossal missed opportunity. It is now in free fall, while insurance and health costs continue to climb.

This was a year that should have been spent working on lowering the barriers to jobs creation. But expansionist policies have crowded out investment and are killing the great American job machine.

In foreign policy, your year in office has left the world a more troubled place. A president has to lead in the world as it is, not as he wishes it to be.

Just as creating jobs should get all your attention domestically, battling terrorism should be Job One in foreign policy. The massacre at Fort Hood and the attempted Christmas Day bombing should have been wake-up calls for Washington. Our country is not using all the tools in the tool kit to protect Americans from terrorism. Even worse, your Administration seems ambivalent over the fact that the legal authority for key investigative methods granted under the Patriot Act is about to expire.

Abroad, we simply don't know when Iran will obtain a nuclear weapon. You seem to have thrown all your chips with an entity that does not exist—the International Community—waiting for it to impose sanctions on Iran and turn the spotlight on its horrific human rights record. This fits with your view that the Berlin Wall fell because “the world came together as one,” but just like that was bad history, your view of the present is also borderline mythical.

So right now the world has an impression that America is distracted, unable, or unwilling to lead or vigorously defend its interests. That was painfully apparent in your Administration's decision to walk away from our missile defense commitments to Poland and the Czech Republic. The time for missile defense is now, not after a threat emerges.

Mr. President, several policy areas cry out for your attention.

Domestically, you need to show the American people the full long-term obligations of the government in your annual budget, just as the government forces private corporations to do. Bring transparency to Washington by showing the long-term debt picture on your budget.

Then you and the leaders of both parties should lay out the options for fixing the deficit crisis and conduct a national conversation on what action to take. Trust the people to help make decisions. And press Congress to put Medicare and Social Security on a 30-year budget, to give seniors certainty while forcing the tough decisions necessary to give our children a financial future.

Get the economy moving again. You need to give main street businesses and banks—our real job creators—some certainty by eliminating the threat of higher taxes, spiralling debt and suffocating regulation. Make the tax cuts on the books permanent, to encourage more saving and investment.

Urge Congress to reform the bankruptcy laws so that supposedly “too big to fail” companies can be restructured in an orderly way rather than bailed out or regulated to a slow death. Denationalize General Motors. And please, end the TARP bailout slush fund.

On health care, you can get real reform back on track by doing what you should have done on day one: genuinely reach across the aisle as you promised your voters last November. If you proceed in this manner, you will be able to move forward with bipartisan tax reforms that provide adequate tax relief for reasonable coverage for those who have coverage today, while extending help to those taxpayers who currently do not have coverage.

Rather than trying to pass a huge bill that runs everything from Washington, it is time to downsize the legislation drastically and to give states much greater freedom and encouragement to put into place innovative approaches that will work best for them. The solution for Massachusetts or Vermont will be different than that for Colorado or Texas.

States need to be able to negotiate major changes in statutory programs, like Medicaid, as part of a plan to increase coverage. It should be states that set up insurance exchanges, reinsurance pools or other ways to make affordable insurance available to everyone. And if Americans in one state want to buy health insurance from another state, nothing should stop them.

In foreign policy, please stop giving captured terrorists the same constitutional rights as Americans. We should be turning over captured terrorists to Military Commissions for trial after our intelligence services have interrogated them.

America should be strong in deed as well as words. That is not possible without a strong national defense. We must make an irrevocable commitment to recapitalizing the U.S. military, an effort that would require another \$50 billion a year in buying the new equipment and maintaining the capabilities our men and women under arms need to defend us.

We need a new vision. We need to keep Americans safe. And we need to reverse the decline of American leadership and influence in the world. Our freedom and security will be at stake unless we reverse the decline of American fortunes in the world.

Afghanistan is a war that must be won. Winning is more important than any deadline for withdrawal. Announce that the United States won't quit until the job is done.

Mr. President, let's recommit to expanding free trade and making America more competitive in the world. We need to make America the freest economy in the world, in order to have more economic growth, prosperity and jobs. You should recalibrate the top tax rate on U.S. corporate profits so that it is no higher than the average of the top rates that prevail in our 30 largest trading partners.

We also need to recommit ourselves to our friends and allies. You have not done a good job supporting our friends. Instead, we engage our enemies and get a clinched fist in return. We should re-dedicate ourselves to the proposition that America is a beacon of freedom for free peoples of the world, and that being true to that proposition means supporting free peoples, not coddling or giving comfort to dictators.

Be a war president 24-7-365. Commit yourself to helping, rather than hurting, our economy 24-7-365. Every moment of every day you should be working to defend the nation; protect our liberties; and promote American prosperity. Your resolve must not waver. Your commitment should not falter.

If you devote all your attention to letting our private sector create jobs at home and achieving victory overseas, we will enthusiastically support your efforts, and the State of the Union in 2011 will be far better.