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State of the Union 2007: High Points and Low

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The expectations for this State of the Union were low. With the media focused almost exclusively on the latest setback in Iraq, Republicans in Congress distancing themselves from his new approach to win the war there, and his public approval reaching new lows, President Bush needed to deliver the most persuasive State of the Union of his presidency.

While it certainly was not his finest rhetorical moment, President Bush nevertheless delivered a forceful defense of the “Bush Doctrine,” his prescription for victory in the war on terrorism. He did this by elevating the discussion to the loftier plane of the worldwide war. He began by reminding Americans of something that the media conveniently ignores: that some aspects of the war on terrorism have gone very well indeed.

“Our success in this war,” Bush said, “is often measured by the things that did not happen.” And while we can never know with certainty the full extent of the attacks that have been prevented since September 11th, we do know that intelligence and law enforcement officials here and overseas have disrupted numerous terrorist plots. These victories include: an al-Qaeda plot to fly a hijacked airplane into the tallest building on the West Coast, a Southeast Asian terrorist cell that was grooming operatives for attacks inside the United States, an al-Qaeda cell developing anthrax for attacks in America, and, last August, a London plot to blow up passenger planes bound for America over the Atlantic Ocean.

Though he did not say so directly, the President wants the American people, even as they may negatively evaluate his conduct of the war in Iraq, to acknowledge something else: It is no coincidence that five years have gone by with no additional terrorist attacks on American soil.

Bush also deserves credit for elaborating on the true nature and goals of our enemy. Al-Qaeda subverts virtually every principle of civilization—including promising “paradise for the murder of the innocent”—to achieve its suicidal ideology. By killing and terrorizing Americans, its goal is to “force our country to retreat from the world and abandon the cause of liberty.” With America in retreat, al-Qaeda's leaders would then be free “to spread their totalitarian ideology.”

The pinnacle of the speech came when Bush reiterated what has come to be known as the “Bush Doctrine” and why he believes its success is essential to American security:

This war is more than a clash of arms—it is a decisive ideological struggle, and the security of our Nation is in the balance. To prevail, we must remove the conditions that

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inspire blind hatred, and drove 19 men to get onto airplanes and come to kill us. What every terrorist fears most is human freedom—societies where men and women make their own choices, answer to their own conscience, and live by their hopes instead of their resentments. Free people are not drawn to violent and malignant ideologies—and most will choose a better way when they are given a chance. So we advance our own security interests by helping moderates, reformers, and brave voices for democracy.

Anticipating the grueling congressional debates ahead, Bush faced his critics and defined the stakes in that debate in terms of America's security. "The great question of our day," he concluded, "is whether America will help men and women in the Middle East to build free societies and share in the rights of all humanity. And I say, for the sake of our own security...we must."

Two domestic initiatives stood out, one conservatives will rate positively and one that will inspire a near unanimous thumbs-down.

First, Bush wants to end the long practice providing massive tax benefits to those who obtain health insurance at their place of work—a subsidy estimated to exceed \$206 billion in 2006, one and a half times as large as the value of the home mortgage deduction—and next to no tax subsidies for those who purchase health coverage individually. He proposes to level the playing field through the creation of a standard tax deduction for the purchase of health coverage, to be set at \$7,500 for individuals and \$15,000 for families. Workers without health coverage would be able to purchase plans and deduct the cost up to the limits against their federal and state income taxes as well as their payroll taxes. Workers with employer-provided coverage that exceeds these limits would face a choice: either pay tax on the excess amount or ask their employer to reduce the cost of the plan and shift the difference to them in the form of higher wages.

Though fully 80 percent of workers stand to gain from this proposal (the cost of family coverage averages about \$11,000), liberals who believe that individual ownership of health coverage dooms the

prospects for government-run health care struck fast and furiously. "Under the guise of tax breaks," Representative Pete Stark (D-CA), the new chairman of the House Ways and Means Health subcommittee, warned, "the President is pursuing a policy designed to destroy the employer-based health care system through which 160 million people receive coverage." Senator Ted Kennedy (D-MA) also lambasted the President's plan. "I am concerned that taxing health benefits will undermine the good coverage that many Americans already have." Ironically, in their criticism, two of the leading liberals in Congress came to the defense of one of the most regressive provisions in the tax code.

Among conservatives, the President's plan threaded the needle, winning plaudits from conservative health and tax experts alike. The editors of *The National Review* summed up this synergy—the most successful effort at conservative "fusionism" in a long time—succinctly: "If enacted, it would be the boldest free-market health-care reform ever, and the biggest step toward tax reform in years."

While the prospects for this plan may appear slim given the new arrangement in Congress, Democrats have pledged to move legislation to reduce the ranks of the uninsured. Once that process unfolds, the President's plan or a similar one authored by Senator Mel Martinez (R-FL) could emerge as a viable alternative.

The other new presidential initiative—bestowing greater government subsidies on alternative sources of energy to achieve energy independence—received a more negative reception in conservative circles.

The President's proposal begins with a credible premise: America's dependence on foreign oil raises fundamental questions of national security. It "leaves us more vulnerable to hostile regimes, and to terrorists—who could cause huge disruptions of oil shipments...raise the price of oil...and do great harm to our economy." Indeed, "it is in our vital interest to diversify America's energy supply." And the way to secure that vital interest, he insisted, is through technology: "America is on the verge of technological breakthroughs that will enable us to live our lives less dependent on oil."

While the President made passing mention of the need to build more nuclear power plants and "step

up domestic oil production in environmentally sensitive ways,” he reserved his real passion for alternative forms of energy like clean coal, solar, wind, plug-in and hybrid vehicles, biodiesel fuel, and ethanol—this latter derived, as he put it, from things like wood chips, grasses, and agricultural wastes.

Specifically, he proposed quintupling the current target for renewable and alternative fuels by 2017—to 35 billion gallons. The President would also “reform and modernize” (not, in his words, “mandate”) fuel economy standards for cars, with the goal of conserving 8.5 billion gallons of gasoline by 2017.

It is hard to imagine any free market energy expert embracing this plan. But it need not have been so one-sided. For example, he could have proposed a *quid pro quo* for ethanol producers and corn growers, asking them to give up the 51-cent tax credit and other tax code inducements for ethanol in exchange for the expanded mandate. To spur competition and guard against possible shortages, America will have to end the 54-cent-per-gallon tariff and 2.5 percent duty imposed on most imports of foreign ethanol. And America will also

have to end all corn subsidies, which totaled \$9.4 billion in 2005.

Will the alternative fuels gambit work? Recent studies suggest not. According to David Pimentel of Cornell University and Tad Patzek of the University of California–Berkeley, the process of making ethanol from corn requires 29 percent more fossil energy than the ethanol fuel itself actually contains. Ethanol, they found, contains about 76,000 BTUs per gallon. But producing that ethanol from corn requires about 98,000 BTUs. In contrast, a gallon of gasoline contains about 116,000 BTUs per gallon. Making a gallon of gas—from drilling the well, to transportation, through refining—requires only 22,000 BTUs.

As Matthew Wald wrote in the current issue of *Scientific American*, absent major improvements in industrial processing, “ethanol will remain a cumbersome product with little net benefit, and the country will remain dependent on foreign oil.” This is the likely outcome of this flawed proposal.

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