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Obama Can't Think Outside of the Tax-Hike Box

by Hadley Heath

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President Obama surely has never met a tax hike he didn't like.

Now that Rep. Paul Ryan has beaten him to the punch on a serious budget proposal (and a long-term strategy for paying off the debt), Obama is playing defense. He's always got his go-to gimmick for budget balancing, though, and that of course is: Increase taxes.

The Wall Street Journal reports:

In a speech Wednesday, Mr. Obama will propose cuts to entitlement programs, including Medicare and Medicaid, and changes to Social Security, a discussion he has largely left to Democrats and Republicans in Congress. He also will call for tax increases for people making over \$250,000 a year, a proposal contained in his 2012 budget, and changing parts of the tax code he thinks benefit the wealthy.

"Every corner of the federal government has to be looked at here," David Plouffe, a senior White House adviser, said Sunday in one of multiple television appearances. "Revenues are going to have to be part of this," he said, referring to tax increases.

Revenues are going to "have to" be a part of this? Is that the best the White House can do?

All of this comes just days after a near government shutdown over (guess what) the budget. The result of Friday's late night compromise? "The biggest spending cuts in history." I like David Boaz's take from the Britannica Blog:

Please. It's a cut of \$38 billion in a budget of \$3,819 billion. That's 1 percent. That's a rounding error in federal budgeting.

Have you ever seen people so self-congratulatory over such a minor accomplishment? Here's one graphic representation of the budget cuts-showing the House's original proposed cut of \$61 billion-compared to annual spending and the annual deficit. Here's another, depicting the \$61 billion cut in the context of the rapid growth of spending over the past decade. In fiscal year 2001, which ended in September 2001 but was mostly set in place before President Bush took office, the federal government spent \$1,863 billion. After seven years of Bush and a Republican

Congress, spending was more than a trillion dollars higher-\$2,983 billion in FY2008. Then the financial crisis, TARP, the stimulus, and the omnibus spending bill came along, and FY2011 spending is estimated at \$3,819 billion-\$836 billion more than just three years earlier, and \$1,956 billion more than when Bush took office a decade ago.

So this cut-not of \$61 billion but of \$38 billion-is a lot of money anywhere except Washington. In Washington, it's 1 percent of what the federal government will spend this year. It's less than 5 percent of the three-year spending *increase*. It's 10 percent of *this* year's spending increase, the increase from 2010 to 2011.

I think we have a lot more room to cut spending before we start to say that tax increases "have to" happen - tax increases that will only do further damage to the struggling private sector.