

THE IRISH TIMES

Republicans resisting tax increases

By: Simon Carswell – February 22, 2013

Republicans are resisting pressure from the White House to agree to tax increases as part of a deal to prevent \$85 billion (€64.5 billion) in spending cuts kicking in from March 1st, in the so-called “sequester”.

Federal agencies and industry groups are warning about longer waiting times for air travellers and the shipping of goods from overseas. The Pentagon has said most of its 800,000 civilian staff will have to go on unpaid leave if Congressional Republicans don't agree a deal to avert the automatic spending cuts.

Tax increases

House Republicans are digging in and opposing president Barack Obama's proposal to pass a mix of tax increases and spending cuts to avoid the sequester after conceding \$600 billion of tax increases in an 11th-hour deal to avert the last budgetary crisis to have gripped Congress at the end of last year.

That victory over Republicans securing higher income, capital gains and dividend taxes has made the party more entrenched in its opposition in Washington's latest budgetary battle, particularly given that the March 1st deadline doesn't include automatic tax rises that forced the hand of the GOP in the fiscal cliff negotiations.

Defence secretary Leon Panetta warned that cuts, starting with unpaid leave savings of about \$4-5 billion out of a total of \$46 billion in spending cuts earmarked at the Pentagon this year, would “put us on a path toward a hollow force,” weakening the US military.

Mr Obama is seeking to press Republicans into negotiations saying that “brutal” spending cuts would “eviscerate” job-creating investments and degrade emergency services.

The wrangling is over \$85 billion, which is less than a 10th of the \$900 billion US deficit expected this year.

“It goes to show how terrified of cutting spending both parties actually are, the Republicans included,” said budget analyst and former Republican staffer Tad DeHaven at the libertarian think tank, the Cato Institute.