

Power Line Blog: John Hinderaker, Scott Johnson, Paul Mirengoff

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DEFICIT REDUCTION -- MUST TAX INCREASES BE ON THE TABLE?

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A few days ago, In a [post about deficit reduction](#), I wrote: "If tax increases and reductions in the defense budget are on the table -- as I believe they will have to be -- then so too should [Obamacare] the enormously expensive new entitlement the Democrats created against the will of the American people." In response, a reader pointed me to [an analysis](#) by the Cato Institute's Center for Freedom and Prosperity Foundation.

According to that analysis, "it's simple to balance the budget without higher taxes," Indeed, the budget can be balanced without any dramatic spending cuts. All that's required is to "limit spending growth and allow revenues to catch up." Under a hard spending freeze at current levels, says the Center, citing CBO numbers, the budget would be balanced by 2016. And if spending growth is limited to 2 percent, the budget would be balanced by 2020. This is true even if the 2001 and 2003 tax cuts are extended.

I have no doubt that the budget can be balanced without raising taxes. And it may be that the budget can be balanced through the freeze the Center suggests.

However, it's still my view that to reach a deal that would achieve meaningful deficit reduction, tax increases will probably have to be on the table. For any deal struck in the next two years -- and quite likely thereafter -- will have to be negotiated with the Democrats.

In any event, the Center's video, presented by Dan Mitchell, is well worth watching.





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