The Barr Code

Deficit reduction plan flops

6:00 am November 17, 2010, by Bob Barr

In the New Testament, Jesus taught that those of the earthly kingdom would be cast into the darkness accompanied by "weeping and gnashing of teeth." Judging by the hue and cry that accompanied the recent release of the draft proposals issued by the co-chairmen of the presidential Commission on Fiscal Responsibility and Reform, many in the nation's capitol on both sides of the aisle believe themselves already cast out of the kingdom.

The Commission was set up earlier this year by President Obama, and has conducted its fiscal analysis of the spendthrift ways of Washington under the bipartisan leadership of former Republican Sen. Alan Simpson and former Clinton budget director Erskin Bowles. Their draft "Co-Chair's Proposal" was released on November 10th and hit liberal and conservative groups alike with the proverbial two by four. The resulting weeping and gnashing of teeth arose because the proposal on the surface cuts into programs long-sacred to both sides. It would in fact reduce the deficit by $4 trillion over the next decade.

In reality, however, the proposal is hardly the catastrophe many of its critics bewail. British Prime Minister David Cameron has in fact proposed a much tougher schedule of spending cuts than have Messrs. Simpson and Bowles. The Simpson-Bowles report relies far too heavily on tax increases to achieve deficit reduction, and is far too light on spending cuts.

The recommendations propose cuts to domestic spending, returning to 2008 levels; and not excepting defense spending. However, it then slides far too easily into the tax-hike realm. For example, the report calls for eliminating many popular tax credits and deductions in an effort to broaden the tax base, increasing the federal gas tax 15 cents, and upping the wage cap on taxable income for Social Security. The co-chairs propose a three-tier income tax and a reduced corporate income tax rate.

Even with lower tax rates and a broadened base, according to Americans for Tax Reform, the net effect is a tax hike of $961 billion over the next 10 years. ATR also points out that the recommendations calls for an automatic tax increase – not automatic spending cuts — when the federal budget is not balanced.

Dan Mitchell, a senior fellow at the Cato Institute, pointed out that the report offers some unexplained spending cuts, but increases the tax burden and fails to balance the budget. Mitchell's colleague, Chris Edwards, agrees; calling the spending cuts "timid," and reminding us the "federal budget crisis is caused by overspending not undertaxing [sic]."

The report does contain some good news, in that entitlements are not spared the scalpel – recommending an increase in the retirement age for Social Security to 68 by 2050, and 69 by 2070; cost-of-living adjustments would be reduced as well. Proposed changes to Medicare would implement cost-sharing among patients, reducing payouts to health care providers, and enacting tort reform.

The co-chairmen are overly generous in passing off their recommendations on entitlements as "reform." As Chris Edwards notes, they simply fail to address the fundamental problems with these programs.

Predictably, of course, the recommendations were met with scorn by liberals, including Speaker Nancy Pelosi. "This proposal is simply unacceptable," she sniffed; and reiterated the formula that has been at the core of the Democratic Party's agenda for decades – never, ever enact, or even advocate cuts to Social Security or Medicare.

While the chairmen's recommendations have not been approved by the full commission, and the Congress is unlikely to act on them any time soon, they do provide at least a starting point for an honest debate with Americans. The danger lies in the fact that because both liberals and conservatives already are finding fault with this early draft, many will conclude the proposals have a great deal more merit that they deserves. In reality, the report misses the mark badly.

-by Bob Barr, The Barr Code