

All about Taxes

Democrats and the media have ignored the rest of the fiscal-cliff debate.

By: Michael Tanner - NOVEMBER 28, 2012

How many times have we heard that the only thing standing in the way of a grand bargain to reduce our growing national debt is Republican intransigence on taxes? If Republicans would only agree to dump Grover Norquist, Democrats will agree to cut spending and reform entitlements. Then, we can all join hands and sing Kumbaya as we usher in a new era of compromise and fiscal responsibility.

Except that now that Republicans have agreed to raise taxes, er, revenue, as part of an agreement to avoid the looming fiscal cliff, liberals appear to have decided that there really isn't a need to cut spending after all.

“Suddenly the clear and present danger to the American economy isn't that we'll fail to reduce the deficit enough; it is, instead, that we'll reduce the deficit too much,” warns Paul Krugman. All this worry about debt and deficits is “an entirely contrived crisis,” writes Robert Kuttner in the *Huffington Post*. After all, as the *New York Times* explains, “deficits are actually a good thing when the economy is deeply depressed, so deficit reduction should wait until the economy is stronger.” “So,” sums up Robert Reich, “can we please stop obsessing about future budget deficits? They're distracting our attention from what we should be obsessing about — jobs and growth.”

Congressional Democrats already appear to have successfully taken Social Security reform off the table. This, despite the fact that Social Security faces \$22 trillion in unfunded liabilities. Democrats may be willing to trim Medicare, but both Harry Reid and Dick Durbin are opposed to structural changes, such as raising the eligibility age. Of course, anything resembling Paul Ryan's premium-support plan is beyond even discussing. Democrats are more inclined to rely on the type of reforms contained in the Affordable Care Act. Yet the administration's own actuaries project that, even if all of the

ACA's reforms work exactly as hoped, Medicare will remain \$42 trillion in the red. And that's the best-case scenario.

Yet the media still seem obsessed with Republicans and taxes: Will they stick to the Taxpayer Protection Pledge or not? Will tax rates go up or will loopholes be closed? How much new revenue will Republicans agree to?

But there is a profound lack of curiosity when it comes to the other half of this supposed bargain. Remember that hypothetical deal of \$1 in tax increases to \$10 in spending cuts? Republicans are still being asked about it and criticized for rejecting it. But balancing the budget under that formula would require \$9 trillion in spending cuts over the next ten years. When was the last time the president or a Democratic congressman was asked whether or not they would agree to such a deal?

For that matter, it's worth noting that more than half of Democratic congressmen and eleven senators have signed a pledge to oppose any changes to Social Security or Medicare. If pledges are the root of all evil, couldn't we pause for just a moment in our attempts to run Grover Norquist out of town to work up the tiniest bit of outrage about this one?

In fact, many Democrats actually want to spend more, at least in the short term. The president's most recent budget calls for \$2.6 in increased spending between now and 2022. That's \$1 trillion more than the \$1.6 trillion that the president has called for in new taxes. Therefore, the tax hikes would not be used to reduce the deficit, but to finance new spending. And, according to news reports, the president has already floated the idea of still more stimulus spending as part of the fiscal-cliff talks.

That's not a "balanced approach." That's simply old-fashioned tax-and-spend politics.

The time may someday come to parse the exact meaning of the Taxpayer Protection Pledge. But for now, Republicans are simply negotiating with themselves and with the news media. Democrats haven't even come to the table.