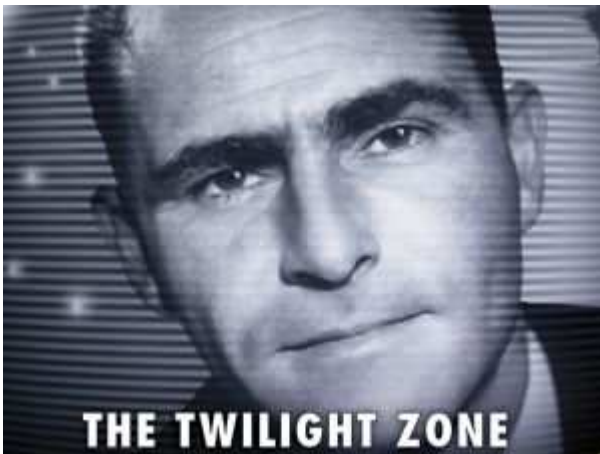


## Michael Tanner: Obama's in a fiscal Twilight Zone

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Rod Serling, "The Twilight Zone" television show.

Deconstructing one of President Obama's speeches can be a bit like taking a trip to an alternate universe. Take his remarks last week to the Associated Press, contrasting his budget vision with that of Paul Ryan and Republicans. All that was missing was a Rod Serling voice-over announcing, "You're traveling through another dimension, a dimension not only of sight and sound but of mind; a journey into a wondrous land whose boundaries are that of imagination."

For instance, the president denounces the Ryan budget as "thinly veiled Social Darwinism." One would think that Social Darwinism would mean actually cutting the budget. But in reality, Ryan's budget increases federal spending by more than \$1 trillion over the next 10 years.

Ryan does spend roughly \$352 billion less over 10 years on domestic discretionary spending than would the president. The president suggests that this means that children could no longer go to college, the weather service would be abolished, and roads and bridges would crumble into dust. In reality, the largest gap between the president's spending plans and Ryan's would occur in 2016, when Ryan would spend \$43 billion less on domestic discretionary programs than the president. That amounts to roughly 1.1 percent of projected total federal spending that year. Ryan would, in fact, slightly increase discretionary domestic spending from \$1.170 trillion in 2013 to \$1.212 trillion in 2022. Social Darwinism should be made of sterner stuff.

And, of course, what presidential speech would be complete without a denunciation of Ryan for wanting to "end Medicare as we know it." The president's rhetoric raises the specter of seniors being wheeled out of their hospital beds tomorrow morning. But Ryan has not proposed any changes to the program for current recipients. It is true, of course, that Ryan would restructure Medicare for those under age 55 to give recipients a choice between the traditional program and a voucher that would allow them to purchase private insurance. But, his plan, drafted together with Democratic senator Ron Wyden of Oregon, hardly slashed Medicare spending – in 2022, it would spend just \$21 billion less than the president's budget.

The president manages to leave out his own proposal for Medicare, which is to have an unelected 15-member board further reduce payments to physicians. Even Medicare's own actuaries warn that those cutbacks could lead to hospital closures and reductions in access to care or the quality of care.

Given that estimates of Medicare's unfunded liabilities run from a low of \$25 trillion to as much as \$90 trillion, the program is clearly going to have to change. The president may believe his changes are better than Ryan's, but to pretend that he would leave the program exactly as it is while Ryan would leave sick seniors in the streets to die is simply unstuck from reality.

All this is not to say that the president is not committed to deficit reduction – at least rhetorically. For instance, the president claims, "I've eliminated dozens of programs that weren't working." Well, maybe. But the total savings from those cuts amounts to less than \$100 million. That's million with an "M," out of a \$3.7 trillion budget. That's trillion with a "T."

Back here in the real world, President Obama's proposed budget never actually achieves balance. The closest he would get is in 2018, when he projects a deficit of only \$575 billion. After that, they begin rising again, reaching \$704 billion by 2022. Overall, the president's budget would add an additional \$6.7 trillion to the national debt over the next ten years. And, this is despite the president's call for \$1.5 trillion in tax hikes.

Of course, taxes are another area where the president has difficulty squaring rhetoric with reality. For example, the president continues to sell his proposed tax hikes as being about people like him or Warren Buffet paying a little bit more. In reality, his proposed tax increases fall on families and small businesses earning as little as \$250,000 per year. In fact, according to economists Kevin Hassett and Alan Viard, "fully 48 percent of the net income of sole proprietorships, partnerships, and S corporations" would be subject to the president's tax hike."

At the same time, the president latest big idea for deficit reduction is the so-called Buffett Rule, a new 30 percent minimum tax on the rich, based on the misleading claim that Warren Buffett pays a lower tax rate than his secretary. Actually, the Buffett Rule would raise less than \$3.2 billion per year on average according to the Congressional Budget Office, enough to pay for eight hours of federal spending. Alternatively, the revenue from the Buffett Rule could lower the budget for this month from \$196 billion to just \$193 billion. Obama truly is a deficit hawk.

Cue Mr. Serling: "We've moving into a land of both shadow and substance, of things and ideas. We've just crossed over into the Obama Zone."