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Obama Has No Budget Plan

He has a campaign agenda.

Even by the very low standards of Washington politics, President Obama's budget speech last week was a model of disingenuousness. In fact, to treat the president's speech as a budget proposal is probably unfair. It wasn't really a budget plan; it was a campaign speech — long on vitriol, platitudes, and promises, but short on detail. Even so, it's worth pointing out some of the bigger inaccuracies.

Obama just wants to tax “millionaires and billionaires.” Whenever the president talks about his plan to raise taxes, he sounds as if the only two people likely to be affected are Bill Gates and Warren Buffet. This speech was no different, with the president calling for tax hikes “only on the wealthiest Americans.” After all, the president notes, “Warren Buffett doesn't need another tax cut.” In reality, however, the president is calling for tax increases on households earning as little as \$250,000 per year. While that's certainly not poor, it's not Warren Buffett territory, either, especially in places such as New York and New Jersey, which have high costs of living. Moreover, Obama's tax increase would fall heavily on small businesses that file taxes under individual rates. In fact, nearly half of all small-business income would be hit by the proposed tax increase.

Obamacare saves money. The president says we don't really need to worry about Medicare's future liabilities, because his new health-care bill is already saving money in the program. If we need to save a little bit more, we can just double down on Obamacare's price controls, and everything will be fine. This sort of slides by the fact that even if every penny of Obamacare's potential savings was realized, Medicare would still face some \$45 trillion in future deficits. It also ignores the fact that Obamacare actually uses those theoretical savings to fund other aspects of his health-care bill. But even more important in this context, almost no one in Washington actually believes that those savings will occur. Medicare's own chief actuary warns that those savings “may be unrealistic.” And the Congressional Budget Office notes “it is unclear whether such a reduction in the growth rate of [Medicare] spending could be achieved.” In fact, this month CBO raised its estimate of Obamacare's ten-year cost.

Obama would cut domestic spending. In his speech the president implied that he would cut spending by \$750 billion over the next 12 years. While that's a pretty low bar — less than \$63 billion per year, roughly

1.5 percent of federal spending, or about what the federal government *borrow*s every eight days — there's more than a little smoke and mirrors in the president's plan. For example, the president includes lower interest payments from deficit reduction as a spending cut. Even more cynically, the president includes something called "reduced spending through the tax code." In other words, he counts tax hikes as spending cuts. The president claims that his plan includes \$3 in spending cuts for \$1 in tax hikes. Not quite. In fact, even Obama cheerleader Paul Krugman admits (happily) that the ratio is closer to one-to-one. As for the rest, the recent deal on the 2011 Continuing Resolution shows what the Washington establishment considers to be cuts. Of course, the president does promise that if Congress doesn't make spending cuts, he will appoint a commission (now there's an original idea!) with the power to propose more spending cuts or (surprise!) more tax increases.

Obama's plan balances the budget. While the president talked about the need to "live within our means," his budget plan doesn't actually enable us to do so. The president's plan does not actually balance the budget at any time over the next decade. In fact, it would add as much as \$9 trillion to the national debt over that period. In fairness, it should be acknowledged that we are in such a deep hole that Paul Ryan's plan doesn't actually get us to a balanced budget either. But, whereas Ryan would reduce the deficit by \$6.2 trillion over ten years, the president would cut it by only \$4 trillion over 12 years. That's a big difference. (And, by the way, when did we go from a ten-year budget window to a 12-year one?)

In the end, the president is right about one thing. This is a debate about values as much as budgets. The president wants more spending, a bigger government, and higher taxes. Paul Ryan proposes less spending, a smaller government, and lower taxes. That's a debate worth having. If only the president had been honest about that.

— *Michael Tanner is a senior fellow at the Cato Institute and author of [Leviathan on the Right: How Big-Government Conservatism Brought Down the Republican Revolution](#).*