



Fiscal Cliff – Or Bankruptcy Cliff?

John Stossel isn't losing sleep over looming automatic spending cuts

By: JOHN STOSSEL – November 20th, 2012

Yikes, we're headed toward a fiscal cliff! It will crush the economy! Or so the media and politicians tell us.

The "cliff" is a series of tax increases and budget cuts that automatically go into effect Jan. 1 unless Congress acts.

Will Congress act?

It will! I see the future: The politicians will meet and fret and hold press conferences and predict disaster. Then they'll reach a deal.

It will just postpone the reckoning, but they'll congratulate themselves, and the media will move on.

America, however, continues to go broke.

"They're not going to admit that we're bankrupt, and they won't admit that we're on the verge of a major, major change in our society," says Rep. Ron Paul, R-Texas. "So they'll keep putting it aside, but then we'll eventually probably destroy the dollar."

The across-the-board cut, or "sequestration," was designed to be so distasteful that Congress would be moved to cut more deliberately. If it doesn't act, \$110 billion in projected spending will be automatically cut – half from domestic spending, half from the Pentagon.

"They assume that they made it so bad that they wouldn't accept it, but I don't think they did," said Paul. "They're not even ... talking about real cuts. They're talking about cuts in baseline budgeting."

Right, the old baseline budgeting trick.

“If they propose, let’s say, a \$10 billion increase for next year and cut it down to \$9 billion, they say they’re cutting 10 percent. But they’re not cutting anything, they’re only increasing it \$9 billion instead of \$10 billion. It’s done on purpose so that people get confused.”

Republican House Speaker John Boehner calls the fiscal cliff a “nightmare.”

But why? Trillion-dollar deficits are *more* terrible.

Cuts of \$110 billion would even be good for us because it would keep money in private hands, away from the bloated and freedom-killing bureaucracy.

“When government spending is about \$3.8 trillion, you’re going to cut \$100 billion? That’s a deck chair on the Titanic,” said Russ Roberts of the Hoover Institution. “If they’re actual cuts, I think that would be great. I’d cut 10, 20 percent across the board if I had my druthers. But across the board scares people because they think, ‘Let’s save the things that are really important and cut the things that are not so important.’ (But) that never works.”

It doesn’t work because every cent in the budget is absolutely crucial to someone.

Lately, the media are focused on the \$400 billion in tax increases that make up four-fifths of the fiscal cliff. We’re told that if the Bush-era tax rate cuts expire and the spending reductions kick in, catastrophe will follow.

“The tax increases sound scarier. But we have a *trillion*-dollar deficit!” Roberts pointed out. “So to me, the idea of raising taxes is probably a good idea. It says this spending that we’ve been doing is not a free lunch.”

I’m not convinced that giving politicians more money is ever a good idea.

And won’t the wealthy high-earners find a way around the higher rates? When rich people do that, much of their money goes to lawyers instead of consumer satisfaction.

The other thing that scares Washington are the automatic cuts to Pentagon spending. “These draconian cuts represent a threat to our national security,” say Republican Sens. John McCain of Arizona and Lindsey Graham of South Carolina.

“The Pentagon is hysterical about it,” notes Ben Friedman of the Cato Institute. “But it’s about 10 percent, which would bring us roughly back to where we were in defense spending in 2006 ... adjusted for inflation, not exactly a crisis year in the Pentagon. They’ve gotten very spoiled at the Pentagon. They had years of luxury.”

Automatic cuts might even be good, said Friedman.

“We need probably bigger cuts in the defense budget because we do too much. This will force us to make some choices. We try to be everything in the world ... pretending that every unstable country is a threat to us.”

I won’t lose sleep over automatic spending cuts. The “fiscal cliff” frightens me less than the bankruptcy cliff.