



White House eyes scaled-back spending cuts

By Brian Hughes - November 17, 2012

While expiring tax cuts have been the focus of the debate over a looming "fiscal cliff," a separate controversy over drastic spending reductions ordered when Congress and the White House failed to reach a deal before raising the debt ceiling last summer has complicated efforts to avoid the financial calamity.

But the White House has quietly moved to unhitch the so-called sequester from the Bush tax cuts in an effort to fuel negotiations.

Administration officials and congressional leaders are working behind closed doors ahead of the Thanksgiving holiday to replace the extensive mandated spending cuts set for Jan. 1 with a limited series of immediate reductions.

Under a deal made between President Obama and Congress to raise the nation's borrowing capacity last year, leaders agreed to implement \$1.2 trillion in automatic, across-the-board spending cuts over the next decade if a broader deficit solution is not achieved. The new White House plan under discussion would push back more toxic proposals to 2013, administration officials confirmed.

Without a debt deal, spending cuts would coincide with a series of tax increases that would cost the average household \$3,500 next year, according to analysts.

Both Republican and Democratic lawmakers have called for replacements to the sequester -- just under different mechanisms -- and the initial White House plan is rooted in the assumption that there is more common ground on spending cuts than polarizing tax proposals.

"The sequester is a bad idea, period," said Douglas Holtz-Eakin, former director of the Congressional Budget Office. "The sequester has two problems: It would have broad economic impacts, particularly for those in the government contractor

community, and as a management matter, it's a nightmare. The real question is, what do you do instead?"

As for next year, the sequester would cut roughly \$55 billion in military spending and tens of billions of dollars more in domestic programs while leaving entitlement programs mostly unscathed.

Holtz-Eakin, who served under President George W. Bush, championed a House Republican proposal that would eliminate the sequester but not increase any taxes. Democrats have dismissed such a plan.

And some analysts scoffed at the idea of avoiding broader spending cuts, saying leaders would once again ignore the types of fiscal decisions needed to stem an endless tide of red ink.

"It absolutely would be punting," said Christopher Preble, vice president for defense and foreign policy studies at the Cato Institute. "You have to remember how we got here -- the rebellion in the House caucus that they would not mindlessly raise the debt ceiling -- the scale of the cuts to the Pentagon [under sequestration] is consistent with other post-war drawdowns."

The type of scaled-back spending deal being weighed by the White House is based on the assumption that Congress once again raises the debt ceiling.