

# Chattanooga Times Free Press

## Fiscal cliff deal bad for all

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Rep. Nancy Pelosi, D-Cal., called the scheme to partially avert the fiscal cliff "a happy start to a new year."

If more unemployed Americans, higher taxes on the middle class and small businesses closing their doors from sea to shining sea are the kinds of things that make Rep. Pelosi grin with glee, then she certainly has plenty of reasons to be happy.

But for those of us who actually live in the real world, the plan is an absolute nightmare.

The 11th-hour compromise, concocted by Vice President Joe Biden and Senate Minority Leader Mitch McConnell, R-Ky., and blessed by President Barack Obama, included plenty of fiscal irresponsibility, economy-battering tax hikes and passing the buck.

The New Year's Day agreement postponed sequestration -- the automatic federal budget cuts scheduled to begin on Wednesday -- for two months and restructured looming tax increases. It also managed to do the unthinkable: Shafting almost every single American at the same time.

Consider just some of the bad aspects of the scheme to avoid the fiscal cliff:

- \* The deal implements \$10 in tax increases for every \$1 in spending cuts.
- \* The Social Security payroll tax rollback was allowed to expire, increasing taxes on a family making \$50,000 a year by about \$1,000.
- \* Under the agreement, 77 percent of American households will face higher federal taxes in 2013, according to the Tax Policy Center, a nonpartisan Washington research group.
- \* The plan spikes government spending by \$330 billion as a result of extended unemployment benefits, an increase in Medicare funding and extension of agriculture programs.
- \* The top tax rate will increase to 39.6 percent for entrepreneurs, investors, small business owners and other job creators earning more than \$400,000 (\$450,000 for married couples).
- \* The top tax on dividends and capital gains climbs from 15 percent to 20 percent (23.8 percent, including the Obamacare tax on investment income that took effect on Tuesday, according to the Cato Institute).
- \* The death tax -- which was 0 percent in 2010 -- is hiked from 35 percent to 40 percent for estates of over \$5 million.

In total, the agreement contains \$600 billion in tax hikes. To make matters worse, all of the new tax rates are "permanent," meaning that Congress would have to vote to change them. "This is a big deal," Business Insider website notes. "Almost every fiscal agreement reached by Congress since the Bush tax cuts of 2001 has been scheduled to phase out at a future date."

Not surprisingly, the accounting firm Ernst & Young found that this tax increase on job creators would cost hundreds of thousands of jobs. As a result, the plan -- with its punitive tax increase on high income earners -- is not only one of the most obvious and vile examples of class warfare enacted in American history, it also takes jobs from the unemployed and working poor.

So why would so many members of Congress vote in support of such a bad piece of legislation?

It seems part of the issue is confusion. According to the Heritage Foundation, the 157-page bill "passed both chambers of Congress within a 24-hour period on a holiday." Quite simply, most Members of Congress had no clue what was in the bill. Most of them didn't even know how bad the legislation would be for the American people.

The other part of the problem was the fear in Washington over sequestration -- the \$109 billion in automatic, across-the-board cuts to federal agencies and programs that would have occurred on Wednesday had a deal not passed.

In reality, the sequestration would be the best thing that ever happened to the bloated federal budget.

Dan Mitchell of the Cato Institute points out that almost all of the automatic "cuts" planned in the sequestration "are mostly just reductions in already-scheduled increases." Most of the actual budget reductions will come in the form of military spending and, according to Mitchell, even with the sequester, "the defense budget 10 years from now will be \$100 billion higher than it is today."

The sequester is just a drop in the bucket in terms of total federal spending -- 2.87 percent of our country's \$3.8 trillion budget -- but it represents an opportunity for a real victory.

Conservatives in Congress have already given up far too much by allowing such draconian tax increases to pass without getting any real spending cuts in return. Allowing sequestration to take place may be the Republican Party's last best hope to prove that there actually is a party in Congress that stands for smaller government and less spending.