

## Michael Tanner: It's a debt deal, not a solution

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2011-08-03 06:52:16



The deal that President Obama and congressional leaders struck may well be the best deal that Republicans could get but it should not be considered a solution to our fiscal problems.

In the face of a \$1.1 trillion budget deficit, a \$14.3 trillion official debt, and a real indebtedness of more than \$120 trillion, the deal would reduce the baseline increase in planned spending initially by about \$1 trillion, or an average of roughly \$100 billion per year – less than the federal government will borrow this month. Moreover, the cuts are unspecific – apparently Congress still can't find actual programs to eliminate – raising the specter that it will employ the same budgetary gimmicks as the Continuing Resolution last May, that promised \$61 billion in cuts and delivered less than \$8 billion. Any cuts that do occur are simply reductions in baseline increases, not actual year-over-year reductions. And most cuts are pushed far out into the future when they may or may not materialize. The plan also creates a "supercommittee" to propose an additional \$1.2 trillion to 1.7 trillion in spending cuts or tax increases, but few Washington observers expect it to be able to reach an agreement that could actually pass Congress.

Of course, in theory, if that happens, there would be automatic cuts of about \$1.2 trillion, split equally between domestic programs and defense. However, those cuts would not go into effect until 2013, after the next election. Since the current Congress cannot bind future Congresses, it's entirely possible – even likely – that those cuts will be rewritten, reduced, or done away with altogether.

The net result of this deal is that – if every penny of the proposed cuts actually occurs – our official national debt will rise to about \$20 trillion by 2020. That it otherwise would have reached \$23 trillion is scant comfort. With our country careening toward a fiscal cliff, Congress has chosen to tap on the breaks, not change direction.

More troubling, the deal fails to deal with entitlement reform. It is Medicare, Medicaid and Social Security that are driving this country towards insolvency, but this plan does not include any structural reform of these programs.

Certainly, this deal could have been worse. There are no tax increases (yet). There are at least theoretical cuts in spending.

We've moved a long way from when President Obama proposed an increase in spending as part of his 2012 budget but no one should pretend that we've put our fiscal house in order.

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