



## Fiscal Cliff Is Just a Speed Bump on the Road to a Real Crisis

By: Daniel J. Mitchell – December 4<sup>th</sup>, 2012

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I'm very concerned about both the fiscal cliff and its possible replacements. It will be bad news if we get an automatic tax hike on January 1, and it will be bad news if that tax increase is replaced by an even more odious plan concocted by the White House.

But the cliff is not our biggest fiscal problem.

Here's some of what I wrote for today's New York Post about the fiscal cliff, along with a warning that we have a much bigger problem down the road.

*...it's a fight that has important implications, particularly since some of the tax increases will have a significantly harmful impact on incentives to work, save, invest and create jobs. In a competitive global economy, for instance, it is bizarrely self-destructive to increase the double taxation of dividends and capital gains. ...This is all bad news, but it is not a crisis. If we go over the cliff, it simply means the economy will grow a bit slower and politicians will spend a bit more money. And the sequester actually would be (modest) good news, since it means the burden of government spending would be "only" \$2 trillion higher 10 years from now, rather than \$2.1 trillion higher. And even if Obama prevails in the fight, that simply means that we get a different mix of tax hikes and spending rises at a faster rate. Sure, that's bad for the economy, but it's not the end of the world. The real crisis is the ticking time bomb of entitlement programs and the welfare state. This bomb won't explode this year or next year. It may not even explode for another 20 years. But at some point America will experience a Greek-style fiscal collapse if these programs are not reformed.*