



Written by [Raven Clabough](#) on November 27, 2012

Fiscal Cliff Talks Continue in Congress

While the U.S. economy is en route to go over the fiscal cliff on January 1, Congress has made little headway in the process of reaching a [solution](#), though there were indications of [compromise](#) over the weekend. Unless some compromise is reached, the American people will experience an onslaught of tax increases and spending cuts that the Congressional Budget Office says will set the economy on a downward spiral.



The [fiscal cliff](#) refers to the terms of the Budget Control Act of 2011 that are set to go into effect at the start of 2013, as a result of the deficit super-committee's inability to produce a deficit-cutting agreement last year. In the end, Congress came up with a plan that included nearly \$1 trillion in cuts to agency budgets over the course of a decade, and required automatic cuts, dubbed a "sequester," of an additional \$1 trillion.

The *Washington Times* explains, "Not only would taxes increase but 'deep, automatic cuts' would be applied to over 1,000 government programs — including Medicare and the defense budget."

According to the Congressional Budget Office, the scheduled changes will have a disastrous effect on the economy. The CBO released its analysis in its annual summer budget update, reporting, "The sharp increases in federal taxes and reductions in federal spending that are scheduled under current law to begin in calendar year 2013 are likely to interrupt the recent economic progress."

By the CBO's estimate, that fiscal tightening will probably lead to a recession in 2013 and to an unemployment rate that remains above eight percent through 2014.

Business Insider has [summed](#) up the changes expected to take place in 2013, at approximately the same time. They include the following:

- The [2001 and 2003 tax cuts](#) are set to expire.
- The [Alternative Minimum Tax \(AMT\)](#) will hit more people.
- [Payroll taxes](#) will increase by about \$120 billion in 2013 if the tax cuts expire.
- The [sequester](#) will slash defense spending.
- [Unemployment benefits](#) are set to run out, which could cut payments by about \$34 billion in CY [Calendar Year] 2013.
- [The debt limit](#) will also be reached again around the same time.
- There are other [miscellaneous issues](#) such as "doc fix" and "tax enders" that need to be resolved.

One day after President Obama was reelected to a second term, the Dow Jones industrial average [dropped](#) 313 points, a phenomenon that some analysts attributed to fears over the impending fiscal cliff.

Members of Congress have done their best to convince the American people that a compromise was not only possible, but in the works. But while a few indications seem to indicate progress, some analysts are



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uncomfortable with the small strides towards a deal.

“Unfortunately, for the last 10 days, with the House and Congress gone for the Thanksgiving recess ... much progress hasn’t been made,” Dick Durbin, the No. 2 Senate Democrat, told ABC’s *This Week* program.

However, Durbin added that Democrats may break from their traditional oppositions to things such as limiting Medicare benefits according to income.

“We can make meaningful reforms in Medicare and Medicaid without compromising the integrity of the program, making sure that the beneficiaries are not paying the price for it, except perhaps the high-income beneficiaries,” Durbin said.

But he has also stated that Democrats are unbending on extending entitlement reform to Social Security, a program that he contends requires just minor tweaks.

“Bring entitlement reform into the conversation. Social Security, set aside,” Durbin recommended.

President Obama has remained steadfast in his endeavor to raise income tax rates on the wealthiest Americans, a provision that Republicans are opposing because they say it would hurt job creation.

According to *The Hill*, “Many Republicans ... say that new revenues can come from patching loopholes and eliminating deductions, without the need to raise any tax rates.”

House Speaker John Boehner, for example, has said that he is willing to “accept new revenue, under the right conditions.”

But not all Republicans are maintaining their unwavering opposition to tax increases. Some, including Senator Lindsey Graham (S.C.), have indicated that they would be willing to go along with tax increases as long as they are accompanied by reforms to social spending programs.

The Hill reports,

More senior Republicans distanced themselves from conservative activist Grover Norquist’s anti-tax pledge this weekend in an apparent effort to signal their willingness to broker a deficit-reduction plan and move past the expiring tax rates and automatic spending cuts set to take effect next year.

The pledge, produced by the Americans for Tax Reform (ATR), commits lawmakers to “oppose any and all efforts to increase the marginal income tax rates for individuals and/or businesses ... and oppose any net reduction or elimination of deductions and credits, unless matched dollar for dollar by further reducing tax rates.” It was signed by the majority of Republican lawmakers, with just 16 House Republicans and six Republican Senators abstaining from signing.

But Graham has said that he would be willing to go back on his word. “I will violate the pledge — long story short — for the good of the country, only if Democrats will do entitlement reform,” he told *This Week*.

Durbin celebrated Graham’s concession. “Let me salute Lindsey Graham,” said Durbin, the No. 2-ranking Democrat in the Senate, also on ABC. “What he just said about revenue and taxes needed to be said on his side of the aisle.”

Similarly, Republican Senator Saxby Chambliss (Ga.) has said that he cares “more about the country” than maintaining the 20-year-old promise not to raise taxes. Republican Representative Peter King



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(N.Y.) told NBC's *Meet the Press* that he agreed with Chambliss, adding,

I think everything should be on the table. I myself am opposed to tax increases. The fact is the Speaker and the majority leader and the president are going to be in a room trying to find the best package. I'm not going to prejudge it. I'm just saying we should not be taking ironclad positions.

While appearing on *Fox News Sunday*, Senator John McCain (R-Ariz.) said that Republicans will be looking for similar concessions from Democrats in talks about the fiscal cliff.

"Obviously, we are going to have to look at entitlement reform," he said. "Entitlement reform is the only way we are going to really get the debt and deficit under control. And we've got to take it on."



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