



Obama “Compromise”: More Spending, Higher Taxes, Unlimited Debt

President Obama has hardened his views on “fiscal cliff” negotiations with congressional Republicans, with Treasury Secretary Timothy Geithner [telling](#) a closed-door session of congressional leaders that Obama is now demanding \$50 billion in more “stimulus” spending, \$1.6 trillion in higher taxes over 10 years, and presidential control over the national debt limit. Any other deal, Geithner counseled, would be vetoed and make inevitable the fiscal cliff’s automatic tax increases and spending cuts on January 1.



The neoconservative magazine the *Weekly Standard* [reported](#) that Senate Minority Leader Mitch McConnell (R-Ky.) laughed out loud when Geithner announced the White House’s demands. After the meeting, House Speaker John Boehner (R-Ohio) announced that negotiators had made “no substantive progress” in the negotiations. “I’ve got to tell you, I’m disappointed in where we are and what has happened in the last couple of weeks,” Boehner [told](#) reporters. “I came here the day after the election and made it clear Republicans would put revenue on the table.... But revenue is only on the table if there are serious spending cuts as part of this agreement. It’s the spending that is out of control.”

Boehner is correct that the White House has proposed no spending cuts to close the \$1.1 trillion per year spending gap in the federal budget. Obama would apply none of the tax increases to deficit reduction. Even columnists for the leftist *Los Angeles Times* have [acknowledged](#) that “letting the Bush-era cuts expire for the top 2% would save only about \$52 billion a year, which is well short of the \$4 trillion in savings over 10 years needed to stabilize the debt.” And that \$52 billion is just about the same amount of new “stimulus” spending Obama has demanded in the negotiations.

Obama has ramped up his grassroots campaign to pressure Republican congressmen to abandon their campaign promises not to raise taxes, focusing on the automatic tax increases on working people that would take place if a deal is not reached. On the WhiteHouse.gov [website](#), the Obama White House has launched a “What Does \$2000 Mean to You?” campaign which highlights the fact that middle-class families will face a \$2,000 or more annual tax increase if a deal is not brokered. “If Congress fails to act before the end of the year, every American family’s taxes will automatically go up.” And White House Press Secretary Jay Carney stressed that the elections should have decided whether taxes should be increased on the wealthy: “And it’s not like we didn’t have this discussion and debate for the past year ... the American people have spoken and the President has been very clear.” Of course, the voters also elected a majority of congressmen in the House who had pledged not to vote in any tax increases.

Most of the tax increase on the working class from the fiscal cliff would be a restoration of the Social Security and Medicare payroll taxes from 13.3 percent back up to the pre-2008 level of 15.3 percent, but these lowered payroll taxes have also led to huge deficits within the federal Social Security and Medicare programs. Long term, the tax cuts cannot remain in place as long as Social Security and



Written by [Thomas R. Eddlem](#) on November 30, 2012

Medicare are exclusively funded from payroll taxes and benefits remain the same. Even with the higher tax levels, Medicare costs would [deplete the so-called trust fund within a decade](#).

Meanwhile, in public the Obama administration has continued to stress the need for congressional approval of additional federal taxes in order to avoid the fiscal cliff, with White House Press Secretary Jay Carney [telling](#) reporters November 29: “In the summer of 2011, there was the possibility of reaching what was then called a grand bargain, and the obstacle that prevented that was, in the end, the refusal of Republicans to go along with the fundamental principle that a deficit reduction needed balance and it needed to include real, tangible revenues; that the wealthy ought to pay a little bit more.”

Asked about Republican claims that the White House has yet to include substantial spending cuts, Carney [countered](#): “The President has put forward, in September of 2011 with his proposal to the so-called super committee, in his budget in February of 2012, very specific spending cuts, including savings from health care entitlement programs.” But none of those was a real cut. Each “cut” — such as the ObamaCare proposal cited — included additional federal spending that more than compensated for any savings. President Obama’s 2013 budget proposal contained [no real spending cuts](#). Every year until 2017, Obama proposed increases in federal spending as well as federal tax revenue. From 2012 through 2017, Obama’s [budget](#) would increase spending by 20 percent and tax revenue by more than 30 percent.

John Boehner [indicated](#) that for their part, Republicans were willing to jettison their pledges not to vote to raise taxes. “To show we’re serious about reaching a bipartisan agreement, we have offered to accept some new revenues, provided the revenue comes from tax reform and is accompanied by significant spending cuts.” Of course, a House run by Republicans with a spine could by itself create a balanced budget during the current fiscal year. All spending — not spending cuts — must be approved by the House and Senate. All the House Republicans need to do to balance the budget — if they were serious about balancing the budget without tax increases — is to do nothing and not pass spending. If the House Republicans were to pass new spending this year that is \$1.1 trillion less than last year’s spending, the budget would be balanced and tax increases would be unnecessary. Moreover, there’s nothing the Democratic-dominated Senate and the White House could do about that strategy.

Of course, House Republicans are not even talking about throttling spending all by themselves.



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