



Obamas Deficit Reduction Sham

The President has apparently given up on his attempt to cover his leftist views with a veneer of moderation. First he submitted a [jobs bill](#) to Congress that would spend almost half a trillion dollars at a time when the government is already borrowing over 40 percent of the money it disburses. Then he proposed paying for it with hefty tax hikes on the rich, promising to submit a more comprehensive deficit-reduction plan a week later. That [plan](#), released Monday, is essentially a rehash of his jobs bill's spending and tax hike proposals — things that would take effect immediately if they were to pass, though most of them have been previously rejected by Congress — combined with promised reductions in future spending that neither Obama nor the current Congress can guarantee will occur. The President claims it will reduce the deficit by \$3.2 billion over the next 10 years.



“It’s not a serious plan for deficit reduction, but a political move,” observed the *Atlantic’s* [Megan McArdle](#). “With his poll rankings falling, Obama has clearly decided that his hope lies in rallying his progressive base and making the GOP look bad, rather than actually passing a jobs bill.” Even the *New York Times* recognized this fact, noting that Obama was “setting up a politically charged choice for anti-tax Republicans” by threatening to veto any plan that does not include tax increases on the wealthy.

Obama’s plan calls for nearly \$1.6 trillion in tax increases, mostly on corporations and those earning over \$250,000 a year. The George W. Bush tax cuts for upper-income taxpayers would be allowed to expire at the end of 2012, and other deductions and loopholes would be eliminated. (“This won’t be tax simplification, however, since this package has been cooked up partly to offset proposed new credits cluttering the tax code for people who earn an Obama-approved amount of money and do what he says,” argues the *American Spectator’s* W. James Antle, III.) Then there’s the “Buffett Rule,” which will supposedly prevent millionaires from paying less in taxes than their employees but is, as Antle points out, “effectively another alternative minimum tax” that will “eventually [grow] to ensnare middle-class taxpayers — as did the original alternative minimum tax, also billed as targeting the super-rich.”

Moreover, that \$1.6 trillion estimate assumes that the rich are simply going to stand idly by and allow Uncle Sam to rob them blind. In fact, says Antle, “the rich have far greater control of the timing and composition of their income than the rest of us do” and “will find perfectly legal ways not to pay these taxes. And when they don’t, the administration can continue clamoring for the closing of more loopholes and chase after the capital from which the rich do earn most of their income. But capital is important for job and wage growth for the non-rich.”



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The Buffett Rule, too, is based on faulty assumptions — in this case, about how many millionaires really pay less than their employees and how much revenue would be raised by hiking their taxes — according to an [ABC News Fact Check](#).

On top of that, about half the gains Obama says the government will realize from raising taxes come from allowing the Bush tax cuts for the wealthy to expire. But that assertion is predicated on a newly invented budget baseline, as the [Washington Post](#) explained in an article on the many dubious claims in Obama's plan:

In his previous budgets, [Obama] has measured his policies against a baseline that assumes a continuation of tax cuts for the middle class enacted under President George W. Bush; those cuts are scheduled to expire next year. Because Obama wants to extend the middle-class tax cuts, the assumption permits him to do so without appearing to make annual budget deficits worse.

This month, however, the White House began using a new baseline that assumes continuation of all the Bush-era tax cuts, including those for high earners as well as for the middle class. This approach, as one senior GOP aide put it, allows Obama to claim “fictitious savings” of \$866 billion over the next decade by letting the tax cuts expire for high earners.

On the savings side of things, Obama is asking for \$580 billion in cuts to entitlements, primarily Medicare and Medicaid, and other programs. These cuts, however, “seem mostly to be the work of Medicare’s Independent Payment Advisory Board (IPAB), an unproven entity soon to bring its magical rationing powers and King Solomon-like decision-making to health care near you,” Antle remarks. McArdle avers that the proposed cuts “don’t seem particularly well structured: layering more cuts on top of the cuts which haven’t taken place yet seems like a recipe for large unintended consequences.” (Speaking of unintended consequences, ObamaCare, seemingly inadvertently, would have made as many as three million early retirees [eligible for Medicaid](#) by excluding Social Security benefits from the eligibility calculations, an oversight Obama’s plan [aims to correct](#).)

The President’s proposal would also reduce farm subsidies, force federal employees to contribute more toward their own benefit costs, and allow the Postal Service to eliminate Saturday deliveries.

In addition, it should be noted that many of the so-called cuts are not spending reductions but increases in fees and premiums — tax hikes by other means.

The attentive reader will note that the tax increases and spending reductions described thus far total about \$2.1 trillion, yet Obama claims that his plan will reduce deficits by \$3.2 trillion. Where does the other \$1.1 trillion come from?

Not surprisingly, it’s yet another gimmick. The President counts savings from troop withdrawals from Iraq and Afghanistan as reductions in future spending. But, says the *Post*, “because Obama has no intention of continuing war spending at last year’s elevated levels, that \$1.1 trillion would never have been spent” in the first place. Then again, with the Obama administration’s practically [begging](#) the Iraqis to allow U.S. troops to remain in their country after the end of the year, [negotiating](#) a deal to keep U.S. forces in Afghanistan until 2024, continuing its war in Libya, and making threatening noises toward Iran, taxpayers may be lucky to get away with spending “only” \$1.1 trillion on wars over the next decade.

In short, Obama’s deficit-reduction plan is nothing of the sort. It’s good, old-fashioned Democrat class warfare paired with unlikely future savings. And most of the alleged savings, the Concord Coalition’s Robert Bixby told the *Post*, are “obtained by choosing the most convenient baseline assumption,” not by



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actually cutting real spending. It may be good politics, but it is very bad economics.

Fortunately, says McArdle, “the president has produced a plan that is not designed to pass the House” but to give him the opportunity to say he stood up for the little guy while Republicans sided with the rich. Republicans should stick to their guns and let Obama pose. Political posturing is much kinder to taxpayers’ pocketbooks than passing his plan would be.

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