

COMMENTS ON DAVID BROOKS' ARTICLE – REPUBLICAN “FANATICISM” IN THE DEBT NEGOTIATIONS

Stephen L. Bakke – July 10, 2011

A Summary of the Brooks Article

David Brooks is a self described “conservative” who writes for the New York Times. A few days ago he wrote an article about Republican “fanatics” conducting the negotiations about the national debt limits. His article starts by acknowledging the Republicans’ success in setting the agenda about discussions surrounding the national debt. He acknowledges the Republicans’ (the “Rs”) effective negotiations by pointing to the announcement in the press that the Democrats (the “Ds”) have offered \$3 in spending cuts for every \$1 in revenue increases. He believes the Rs should “seize the opportunity” they have been given by the Ds. **The Rs’ continued insistence on certain issues led Brooks to refer to them as fanatics, abnormal, and immoral. He further accuses the Rs of changing American politics since gaining control of the House of Representatives.**

But First

I think it’s relevant to point out what then Senator Obama said in 2006 when the Senate was convening to debate and vote on an increase in the debt ceiling. He made this statement and then voted **AGAINST** the measure:

The fact that we are here today to debate raising America’s debt limit is a sign of leadership failure. It is a sign that the U.S. government can’t pay its own bills. It is a sign that we now depend on ongoing financial assistance from foreign countries to finance our government’s reckless fiscal policies Increasing America’s debt weakens us domestically and internationally. Leadership means that “the buck stops here.” Instead, Washington is shifting the burden of bad choices today onto the backs of our children and grandchildren. America has a debt problem and a failure of leadership. Americans deserve better.”

At the time, he reminded his questioner that this process is a difficult one, but that our Founders set up a system of checks and balances that was intended to make important legislation difficult to enact without major, sometimes contentious debate. **I’m not saying he was wrong – I’m just emphasizing how American politics is nothing if not hypocritical to the MAX!**

Is it the Rs’ Intransigence (that means “stubborn” in Yorba Linda) that is the problem?

Is the intransigence (fanaticism using Brooks’ terminology) limited to the Rs? It depends on which side of the argument you are on. The Rs’ have stood “athwart” any increase in tax rates

during a recession. Was that met in like kind with the Ds' equally adamant insistence on tax rate increases for "millionaires and billionaires." **BOTH the Rs and the Ds are guilty.**

I believe there was one realistic way **we could have been much farther ahead than we are** at this at this point. Recall that the debt problem has been threatening for about two years. Also recall that the budget Obama delivered early in 2011 was rejected unanimously even by the Democrat controlled Senate. It was then that the Republicans in the House submitted their budget (the "Ryan Plan") which passed the House – but not the Senate. **Wait! What happened to the Presidential BIPARTISAN Debt Commission? Obama promptly ignored their advice because it didn't suit his agenda. That report recommended cuts in spending and a broadened tax base. If he would have embraced it, I have no doubt we would have both a budget and an agreement on the debt limit. Mr. Brooks seems to have selective memory.**

Consider These As You Evaluate the Brooks Article and As You Judge the Rs Actions

Regarding the Ds' "offer":

- Brooks looks at this strong stand by the Rs as somehow transformational for our political system. I contend that the transformational moments surrounded the drafting, and cram-down, of the health care reform legislation. **Ds excluded Rs from any meaningful input for that legislation and, in fact, the vote was held without ANY representatives or staff having been given time to read the legislation. Do you remember when Obama met with the Rs about his health care "cramdown" and stated "Remember, we won (the election)."**
- After the recent talk of the "3 for 1" offer by the Ds, there still are no details of what they are proposing. Brooks would have the Rs blindly agree without understanding the facts, and they just aren't about to move without that. **Because politics is politics, there is good reason for suspicion about what hides in the details of the Ds' offer because Senate Budget Committee Chairman Kent Conrad (D-ND) has yet to produce anything on paper.**
- One example of "devil in the details" is the very recent call for heavy new stimulus spending. After last Friday's jobs report, many Ds have insisted on muddying the waters by insisting on more jobs stimulus as part of a debt ceiling agreement. If this is part of their thinking, the Rs need to know about it before expressing agreement. **If more stimulus is part of their "offer" that means the actual spending reductions occur much later in the 10 year time frame being discussed. That's called "back loading" and that's not acceptable.**
- Another example of "devil in the details" is the fact that the Ds have recently started using "tax expenditures" as a new euphemism in their vocabulary. But what does it mean? I understand that one example of "tax expenditure" is tax credits. Think about it; reducing a "tax expenditure" has nothing to do with spending, no matter what you call it – it's a "tax increase," pure and simple. Brooks uses the term "tax expenditures" in his article. **Thus, if details in the Ds' offer for reducing spending includes reducing "tax expenditures," the Rs simply want to know about it first.**
- Regarding the 3 for 1 offer, some Ds have recently referred (fondly) to the Reagan/O'Neil cooperation where the two sat down with a beverage, and made a "handshake" agreement for a similar 3 for 1 agreement. Voila! Cooperation works! However, truth be told, Reagan later said he much regretted that concession because what

he got was the exact opposite – there were tax increases for sure, but no significant spending reductions. **Maybe some of the “stubborn” Rs recall that “flip-flop” from recent history.**

- I wish it weren't so, but large spending cuts can't be accomplished from discretionary spending – e.g. foreign aid, education, energy department, etc. Recall that the three major entitlements—Social Security, Medicare, and Medicaid— account for 43 percent of federal spending, or 10.3 percent of GDP. And if you add other entitlement programs, interest, and defense, there isn't enough left to make an impact. **It's clear to me that any solution MUST somehow include dealing with the “big three” – and in a big way!**
- While Brooks and others are touting the solution only “hinted at” by the Ds, the offer was followed by conflicting comments from House Minority Leader Nancy Pelosi who said, in effect, “hands off” Social Security. And it's clear that she and others don't want Social Security, Medicare or Medicaid to be placed “on the table” for the debt limit discussions. **Isn't this clear and dramatic conflict, between Obama/Brooks and Pelosi) reason enough for the Rs to be skeptical? I think so.**



- As to whether the debt limit discussions shouldn't be about anything but the debt limit, how can you not talk about these other things? The national debt is the result of revenue and spending policies. And the debt limit itself is intended to be a limiting factor on how much of a deficit we can create. **Separating tax and spending issues from the current negotiations would be irresponsible!**
- So, which promise is the actual negotiating position facing the Rs – the un-detailed promises from the administration and some congressmen, or the contradicting demands made by powerful leaders like Pelosi? **The Ds can't have it both ways – and the Rs want to know who they are bargaining with and what the real offer is. That seems reasonable.**

Regarding the issue of raising taxes – why don't the Rs simply admit they are just protecting the wealthiest among us – those who can really solve the problem?

- It is the expressed goal of the Ds to make a contribution to the “issue at hand” by raising more revenue. So far, I and most (not all) conservatives are “with the program.” It is also the contention by the Ds that the way to make revenue a major contributor to the solution is to increase the taxes on the “greedy millionaires and billionaires” among us. **That's where the Ds' case breaks down. More details to follow!**
- In recent years, the top 50% of earners paid almost all federal income taxes. Here's a proportionate portrayal:

Top 50% of income earners are shown in **RED** – all others in **BLUE**



The corollary of this is that almost 50% of Americans pay NO federal income tax. And be assured that this does not reflect just a bunch of rich people avoiding taxes. This is due to the lower income filers falling below the level of income required to pay tax. **So what should we do? The top 50% can't possibly pay MORE than 100%!**

- Of course the prior example is absurd (but not inaccurate). OK, so the “most fortunate among us” pay a lot of taxes - almost the entire current tax base. Why not just expand the base – i.e. let the wealthiest still pay almost all of the taxes, but make the total tax collections much larger! **Won't that work? No! Read on!**
- A simple analysis clearly shows the absurdity of the idea that the “rich” are the real solution – even if significantly increasing the total tax base. If Congress imposed a 100 percent tax, taking ALL earnings above \$250,000 per year, it would yield the princely sum of \$1.4 trillion. That would keep the government running for 141 days, but there's a problem because there are 224 more days left in the year (and it's even 1 day worse for a “leap year”). **That scenario just wouldn't work!!**
- How about taking more corporate profits to fill the gap? Fortune 500 companies earn nearly \$400 billion in profits. Taking ALL corporate profits would keep the government running for another 40 days, but that along with confiscating all income above \$250,000 would only get us to the end of June. **Congress must search elsewhere.**
- As I wrote in an earlier report, according to Forbes 400, America has 400 billionaires with a combined net worth of \$1.3 trillion. Congress could confiscate their stocks and bonds, and force them to sell their businesses, yachts, airplanes, mansions and jewelry. **The problem is that after fleecing the rich of their income and net worth, and the Fortune 500 corporations of their profits, it would only get us to mid-August. And we still wouldn't have put a dent in the national debt! And a major portion of our venture/investment capital is GONE!**
- Whether we like it or not, increasing the tax rates for the highest incomes isn't an ideal way to increase revenue. Yes! The richest CAN afford to pay more. BUT THEY AREN'T STUPID! They move their money from taxable investments to tax shelters and non-taxable investments. So what? **Those funds are put into conservative capital preservation assets that DON'T CREATE GROWTH AND JOBS!**
- And how about capital gains taxes? The vast majority of middle income persons holds equity securities, either directly or indirectly, and pays capital gains taxes. **It can be**

easily demonstrated that taxes on capital formation (capital gains taxes) reduces capital formation, and aggressive taxes on income reduces the incentive to work and invest – the cornerstones of our type of economy.

- If these “rich folks” get a tax break, what do they do with it? No they are NOT burying it – they are investing it! Our rich are “savers, investors, and job creators.” Call it greed if you like, and **SOME MAY NOT LIKE IT, BUT THIS IS A DEMONSTRABLE FACT!**



Do the Rs Totally Reject Revenue Increases?

Absolutely not! What they reject is “tax hikes” only on a small group of wealthy Americans, while pretending this makes a significant difference to the problem. As I discussed earlier, it does NOT! The Rs have made it clear that ultimately income tax reform can and should be part of the solution. It’s clear the “rich” can’t solve the problem (I wish they could). And let’s be honest, removing wealth from the richest citizens also, almost dollar for dollar, reduces a major source of investment capital – and that’s bad, particularly in a recession. **In order for taxes to make a meaningful contribution, the tax base needs to be broadened – plain and simple – and that’s hard for the Ds to sell to their base – and it can’t get done in the short time we have to act to agree on a debt limit.**

Is it any wonder the Rs hold firmly to the proposition that the “greedy millionaires and billionaires” are a NOT a major part of the solution? No it’s not! Even if one doesn’t totally agree with them on their approach, we all should be assured the Rs believe they are right, and they must be respected for that – not vilified! And NOT referred to as fanatic, abnormal, or immoral! David Brooks is, sadly, taking a very lazy and shallow look at this debate (in my ‘umble opinion, of course).