

 **FISCAL CLIFF! TAX THE RICH!**
AND NOW, NO SPENDING CUTS PROPOSED!
(How does Obama get away with it?)

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The discussion of fiscal problems – spending, taxes, debt, deficit – is now on the front burner. And part of this discussion is the old issue of “taxing the rich” as a gesture of “fairness”. The increase proposed by the Democrats would comprehend dramatic rate increases on all types of income, with the largest impact on dividends and capital gains.

Where are the Republicans? **Tax changes, with real revenue increases coming from the rich have always been on the table for Republicans, but they have always been in the form of “tax reforms.”** These reforms would go a long way to eliminating deductions and other “advantages” that create winners and losers from the highly political tax laws and regulations. The fact that the Republicans’ willingness to raise revenue is finally dawning on the media is wrongly interpreted as a new willingness to compromise. It’s not new as I have written about **several times** over the last couple years. They’ve wanted to do that for many months, but AS USUAL, they are very bad at telling their story.

But the Democrats don’t want tax reform, even though credible estimates show that the revenue raised by the Republican reforms would be in the same magnitude as from Obama’s rate increases! I should add that **neither increase is significant in relation to the deficit** problems we face.

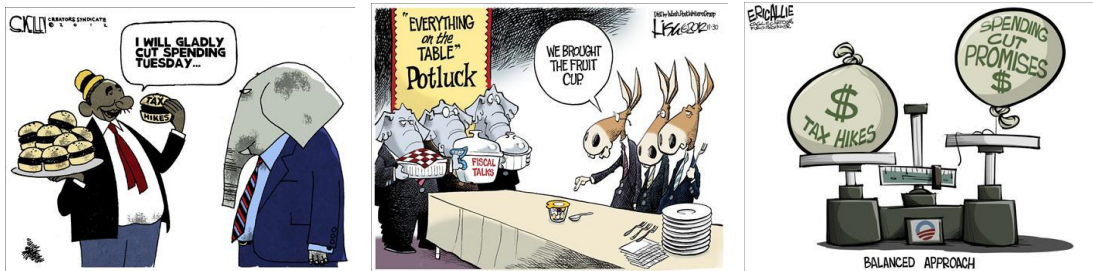
We Now Have Obama’s Proposal – A Slap (or two or four) in the Face!

I once made up a variation of a common term – I call it “disingenuousity.” That’s describes the Democrats’ actions recently in the “fiscal cliff” debate. Prior to and during the campaign, Obama always referred to a “fair and balanced” approach to fiscal recovery. He referred to taxing the rich and bold spending cuts (how harmless that now seems). He even acknowledged entitlement reform as important in the end product. Now, post election, everything has changed – dramatically! What’s that word again? – “disingenuousity” seems to fit! Consider Obama’ first and apparently final offer:

- Obama's offer in "fiscal cliff" negotiations includes **ONLY** tax increases! They amount to \$1.6 T over 10 years. There's mention of \$400B in cost cutting except that it merely refers to saving dollars from Medicare cuts. They provide for tens of billions **MORE** in stimulus spending! Remember! The debt is \$16 T, for gosh sakes!!!



- Remember that Medicare was the source of \$500 B "savings" for ObamaCare, and that was a fraud because they spent it elsewhere. Is Medicare their "bank"? More savings from "waste, fraud, and abuse"? Isn't that called **balancing the budget on the backs of old folks**? It would be if Republicans proposed it. They don't even know if savings are available – wishful thinking perhaps?
- I understand from their proposal that the tens of the billions more of stimulus will exceed the spending cuts. Their spending proposal actually **ADDS to the deficit. Disingenuity!**
- **Entitlements, including the big three – Social Security, Medicare and Medicaid – must be addressed if our debt and deficit problems are to be improved! And Obama has specifically stated that this fiscal cliff negotiation will include no entitlement discussion.** (Watch for my report about Senator Dick Durbin's **IDIOTIC** comments about Social Security.)
- And finally, Obama wants Congress to **PERMANENTLY relinquish their authority relative to raising (or not) the debt limit.** That alone tells us where Obama's heart is! **Good grief!**



Is Obama Serious About Deficit and Debt Reduction? Apparently Not!

Please follow my logic:

- The Democrats' tax increase would put only a **small dent** in the overall debt level – 10% on the **high side**.
- That fact means that spending cuts must make any real difference.
- All indications are that the major **entitlement programs are off the table** for consideration.
- Consider Democratic Majority Whip Senator Durbin's comments about entitlements – to wit, Social Security

is fully funded, and M & M just need tweaking – paraphrased but accurate!



- Since “the big three” are the major drivers of the budget, **it is mathematically impossible to reduce the deficit without dealing with entitlements in a big way.** Therefore **there must be no real interest by the Democrats in doing so.** There is no other explanation!

The Senate Republicans Responded Today with a Proposal!

Great! I’m glad they did! We will be reading about that for a few days. But I want to throw my hat in the ring. What might I have done! **JUST FOR FUN!**

In my opinion, Obama has painted himself into a corner by coming out with his **obviously un-serious proposal.** A good negotiating proposal should provide a kernel of interest for the other side. He provided none! That puts him in a corner. We now have an opportunity to show leadership and pragmatism at the same time. The Senate Republicans did, and here is my “hat in the ring.”

I would frame an offer something like this:

- Propose tax reform that deals with eliminating most deductions and even moderating rates.
- Stipulate up front that a minimum of \$800 B in new revenue would be raised from the wealthiest taxpayers, over ten years, or the proposal would have to be adjusted to achieve that goal. Obviously CBO would have to evaluate this proposal.
- Agree to raise rates on the wealthiest taxpayers by a small amount in order to achieve \$1 T in revenue enhancement over the ten year period.
- In the short term, leave current rates in place except for a **SMALL** percentage increase for all incomes over \$1 M. **This is just a temporary concession to get them to the table.**
- Taxes on investment income would be left unchanged i.e. dividends and capital gains.
- Reluctantly agree to extend the payroll tax reductions for an additional year.
- Leave estate tax rates permanently unchanged, but require increasing the tax exempt level.
- Propose specific intentions for Social Security which could include some combination of: resuming former, higher payroll tax rates; slowly and gradually extend the age of full benefits beyond the current age of 65 (e.g. to 69 – partial benefits would still be available earlier); introduce needs testing to limit increases to the wealthy. And on and on.
- Regarding M & M, we all know the task is very difficult and will take some time. Some very capable “think tanks” have been independently developing expertise in this area and have excellent frameworks developed for legislative consideration. I refer to NCPA and The Heritage Foundation in particular. Of course, those are conservative organizations, but the liberal ones tend to downplay the need for any changes whatsoever
- A Republican “framework” for M & M could be formulated which would be adequate to move the conversations to the debate level in 2013.

Then I would say “That’s it!”

SOON: Another slap in the face! Senator Durbin’s idiotic comments about Social Security!