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For Obama, a Deal of Questionable Assumptions
By LAWRENCE HAAS

President Obama's hope for positive pay-offs from his deal with Republicans to temporarily extend tax cuts and unemployment benefits rests on questionable political and fiscal assumptions.

Regarding his political assumptions, Obama says the polls show the American people support his position to not permanently extend the Bush tax cuts for Americans making more than \$250,000 a year. He also says that a (presumably) stronger economy and lower unemployment in 2012 will give Republicans less leverage to hold middle- and lower-income tax cuts and jobless benefits hostage.

Going forward, he says that he will not agree to a permanent extension of the high-end tax cuts because they are unjustified on economic or social grounds and, at a cost of \$700 billion over 10 years, we can't afford them – and that he welcomes a public fight over them with Republicans in 2012.

But, the politics of permanent tax cuts may get harder, not easier, for the President. He'll face a far more Republican Congress after January, and Republicans already seem oblivious to the polls about high-end tax cuts that Obama cites. Why they'll be more fearful of bucking public opinion in 2012 – especially after their successful 2010 mid-term elections in which they almost uniformly called for making all of the tax cuts permanent – does not seem obvious.

Facing his own re-election, Obama would seem even more susceptible to hostage-taking on the middle- and lower-income tax cuts than he was this year. If he wasn't willing to go to the mat over high-end tax cuts this year, with a friendlier Congress and two years away from his own electoral fight, why should anyone think he'll do so with so much more at stake for him politically in two years?

Regarding his questionable fiscal assumptions about the steps needed to rein in soaring deficits and debt, the President continues to remind Americans that, while opposing permanence for the high-end tax cuts as unaffordable, he remains committed to making Bush's tax cuts permanent for the 98 percent of American households that earn up to \$250,000 a year.

Guess what? If extending the high-end tax cuts is unaffordable at \$700 billion over the next decade, extending the rest of the tax cuts at nearly \$3 trillion over the next decade is even more unaffordable. So, even in the unlikely event that he won the political fight in 2012 over high-end tax cuts, he'd lose the fight to rein in deficits and debt by signing on to permanence for all the others.

The path to deficit reduction is through “shared sacrifice,” an approach through which the vast majority of Americans contribute by receiving fewer benefits on the spending side, paying higher taxes, or both.

Politically, that was the model for the landmark deficit-reduction deals of 1990 and 1993, in particular, as well as others. Fiscally, you can’t get from the soaring deficits and debt that we face to a sustainable budget by exempting 98 percent of American households from paying higher taxes.

The latest evidence comes from the President’s own National Commission on Fiscal Responsibility and Reform as well as the Bipartisan Policy Center’s Debt Reduction Task Force, both of which drafted broad plans to reduce deficits and debt to sustainable levels and, within them, included broad-based tax increases.

Indeed, budget experts have been trying to concoct scenarios under which the President, once he decides to get serious about long-term deficit reduction, can artfully back away from his misguided pledge.

By continuing to promise, as he has done in recent days, that he won’t raise the taxes of anyone earning up to \$250,000 a year, Obama is violating what’s known as the “first rule of holes: when you’re in one, stop digging.”

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