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Why Progressives Are Losing
By LAWRENCE HAAS

Progressives are not just distraught but befuddled. They ask, as Vice President Joe Biden's former top economic advisor Jared Bernstein did on his blog, why are they losing the economic and fiscal fight. And why, in particular, are the two parties rushing to attach enormous spending cuts to debt limit legislation while paying little attention to the more immediate jobs crisis.

The answer is at least three-fold.

First, while progressives think we need more stimulus in the short term and more public investment and higher taxes (at least on the well-to-do) in the long run, people aren't buying it due to their own struggles.

Not only is unemployment high, but living standards have been stagnant for a decade for most Americans. Struggling to get ahead, they're angry that the taxes they sent to their government haven't produced better results for them. They don't believe tax hikes will stop with the wealthy, they don't think they can pay higher taxes, and they're skeptical that a bigger government will generate a better return on their investment than the current one.

Second, progressives aren't making a united case for a progressive agenda, so there's no reason for people to support one.

President Obama has bought the conservative line about the need to cut spending both now and in the future; the only issue is how deep. Over the last several months, he's acceded to more and more Republican demands for cuts, both to finish the 2011 appropriations bills and to raise the debt limit.

He talks about raising taxes on well-to-do households to soften the need for spending cuts, but he hasn't made it a bottom-line issue. He extended President George W. Bush's tax cuts for everyone at the end of 2010, violating his own pledge to let them expire for households earning more than \$250,000 a year. He also expressed support for Senate Majority Leader Harry Reid's, D-Nev., package for the debt limit even though it includes only spending cuts.

With no progressive leadership from Obama, Democrats are even more disunited than usual on their message. Some want more stimulus to boost jobs, some want higher taxes on the wealthy as part of deficit reduction, and some want to scrap both fights and position themselves where they think the voters now are – to the right.

Third, Republicans are, as usual, united behind a simple message that they echo with admirable discipline and apply to every situation.

Here it is. Problem: big government, big taxes, big spending. Solution: small government, small taxes, small spending.

At troubling times, Americans look for scapegoats and gravitate to simple solutions. Today, government is the scapegoat and the simple solution is to cut it. Republicans hammer their mantra relentlessly, while Democrats offer a muddled response that cedes much of the rhetorical turf to Republicans anyway.

Progressives are befuddled that they're losing. Frankly, I'm befuddled that they're befuddled.

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The Fiscal Debate Is Over, But Who Pays?
By LAWRENCE HAAS

Conventional wisdom suggests that, in the debt limit negotiations, the two parties are engaged in a titanic debate over the future direction of fiscal policy. Nonsense. The debate is over, and the Republicans have won.

Senate Majority Leader Harry Reid, D-Nev., made it official this morning when, in the *Washington Post's* overview of debt limit negotiations, he pledged to unveil a plan today to achieve \$2.7 trillion in budget savings solely through spending cuts. He's avoiding tax increases, he says, in hopes of generating GOP support for his plan.

Wow.

Democrats, who control the White House and Senate, have argued for many months that deficit reduction must include higher taxes at least for upper-income Americans. President Obama ran on a platform of not extending President Bush's tax cuts for those making more than \$250,000 and, even when he agreed to do so for two years at the end of 2010, he pledged not to do it again.

As recently as Friday, as he explained why his budget talks with House Speaker John Boehner, R-Ohio, had imploded, Obama made an impassioned plea for including higher revenues in a final plan so that policymakers do not have to cut so deeply into vital domestic programs.

In the private sector, deficit hawks of both parties have long called for a "balanced approach" of spending cuts and tax increases for the same reason – to soften the spending cuts. That's true of Obama's "Bowles-Simpson" commission, the Bipartisan Policy Center's "Rivlin-Domenici" commission, and many others in recent years that have included former budget officials and lawmakers of both parties.

With deficits and debt projected to skyrocket in the coming years, the key question is the one we always face when the red ink is rising, the same one we faced in the 1980s and early 1990s: who will pay?

Who should pay? In recent years, U.S. incomes have stagnated except for those at the top – the very same segment of Americans who have enjoyed the disproportionate share of benefits from Bush's tax cuts.

Nevertheless, Obama and Congress extended the Bush tax cuts in total at the end of 2010 and, by the way, gave another generous new tax break to those at the top by liberalizing the federal estate tax. During months of budget negotiations since then, Democrats have increased the size of domestic spending cuts that they would accept and reduced that of tax increases – all to get a budget deal.

Today, Reid gave away the revenue issue altogether, ceding the basic fiscal ground entirely to Republicans. No tax increases – not for billionaires or millionaires, and not for hedge fund managers who pay taxes at the lower capital gains rate.

Who will pay? Those who depend most heavily on key domestic programs. Now, the two sides will haggle only over the details of spending cuts.

Political scientists will marvel at how we got here.

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