

## Capitulation on tax cuts bodes ill for next round

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Would Sen. Barack Obama, Democrat of Illinois, applaud the tax package engineered by President Barack Obama?

Recall that presidential candidate Obama's commitment to let the Bush-era tax cuts for the *über*-wealthy expire was not some winsome campaign pledge. No, the plan was a central plank -- right up there with ending U.S. combat operations in Iraq -- of his 2008 presidential campaign.

This approach provided a basis for governing. The \$700 billion generated over 10 years from returning the rich to Clinton-era tax rates was a fiscally prudent means to fund education, job training, the environment, affordable housing, child nutrition, scientific and medical research, and other areas that suffered during the Bush era.

In fairness to the president, circumstances have changed since the senator was campaigning; not least, we entered a recession that absent forceful action (TARP, the stimulus bill) could very well have resulted in a catastrophic worldwide depression. Everything has a context.

Still, the president's easy capitulation on high-end tax cuts ranks at least as high as George H.W. Bush's reversal of his "no new taxes" pledge on any presidential flip-flop tracker of the past 50 years.

Did Obama give away too much too soon? Well, he certainly gave up a lot. And he did so in a manner that raises serious questions about his skill in negotiating with this class of Republican leaders.

The tax compromise, meanwhile, does provide some unwelcome clarity:

- Tax increases on the wealthy are off the table for at least two years (the length of the high-end Bush-era extensions).
- The \$700 billion-plus military budget remains largely sacrosanct, untouchable absent a concerted presidential effort to rein in the bloated Pentagon. Don't hold your breath.
- Spending on Medicare, Medicaid, Social Security and interest on the national debt -- the former three untouchable entitlements, the latter a matter of the full faith and credit of the Federal government -- will consume more than half the budget. Each represents an area, absent some sweeping statutory overhaul, outside the purview of either Congress or the president.
- With such huge chunks of the federal budget off-limits to budget cutters and tax increasers, Congress and the president are left to tangle over "domestic discretionary spending." This means that the non-entitlement programs that make up the so-called social safety net -- everything from housing vouchers for low-income renters, heating assistance for poor homeowners, school nutrition programs, and aid to veterans -- will be disproportionately targeted for cuts.
- Unfortunately, the White House has already shown its hand here, pledging to freeze non-military domestic discretionary spending for the next three years. Republicans, naturally enough, upped the ante, saying they want to return these programs to 2008 levels, which means cuts of about \$100 billion a year

in programs geared to help the poorest of the poor.

To those who see government spending priorities as a reflection of our shared values as a nation, as a means to promote the common good, the question now is: How much more ?compromise? can we stomach?

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