



### THE FISCAL BLUFF

"The multiplication of public offices, increase of expense beyond income, growth and entailment of a public debt, are indications soliciting the employment of the pruning knife." --Thomas Jefferson (1821)

Have you heard about this "fiscal cliff" thing -- I mean have you heard ENOUGH about it?

Well, for 16 months I have dutifully avoided devoting any time and bandwidth to the tax increases and budget cuts scheduled for January 2, 2013, if Barack Hussein Obama fails to sign pre-emptive legislation. However, now that the dust has settled on Obama's landslide 50.9 percent re-election and the status-quo reseating of Republican House and Democrat Senate majorities, it's time to put Obama's Budget Control Act of 2011 (BCA) "deal" into proper Patriot perspective.

In August of 2011, Obama signed this agreement into law in order to get a debt ceiling increase of \$2.1 trillion. That in turn allowed him to borrow more money from the Red Chinese to fund his runaway [socialist entitlement programs](#) and bloated "[stimulus spending](#)" boondoggles -- and, moreover, it allowed him to avoid default and another downgrade of U.S. credit.

In return for more spending ability, Obama agreed to caps on discretionary spending growth to "save" \$950 billion over 10 years. House Minority Leader Nancy Pelosi and Senate Majority Leader Harry Reid refer to those caps as "cuts." He also agreed to establish a



Joint Select Committee on Deficit Reduction (a.k.a. "super committee") to implement another \$1.5 trillion in "savings." If, however, the super committee didn't come to an agreement by November of 2011, Obama's suggested sequestration trigger -- automatic cuts to the budget of \$1.2 trillion over the next decade -- would commence on January 2, 2013. (To view mandatory versus discretionary spending, [click here](#).)

Republicans passed the BCA hoping to slow down Obama's "Grecian Formula" economic plan -- his second-term strategy to [break the back of free enterprise](#), crushing it under the weight of mounting taxes, regulations and debt, and ultimately, "[fundamentally transforming the United States of America](#)" into a collectivist state under the irrevocable dominance of his [Socialist Democrat Party](#).

In his first term, Obama made significant progress toward that transformation. Much of his massive deficit spending was allocated for increased government employment. When Obama took office, federal, state and local government jobs were 33 percent of all employment. Government jobs now constitute 39 percent of all employment, and Obama wants to grow that number to more than 50 percent with additional "stimulus spending," irrevocably socializing the American economy.

Free enterprise, one of the foundational pillars of Liberty, is the nemesis of Obama's transformational plan, as implicit in his "you didn't build that" [condemnation of entrepreneurship](#) and his ridiculous assertion that "The private sector is doing fine," but we need more spending to create "public sector" jobs.

Though the super committee arrived at no agreement on budget cuts to stave off sequestration in January, the Republican House recently passed an extension of the Bush tax cuts, again. (It's the potential expiration

of those cuts that Fed Chairman Ben Bernanke warned would constitute a "massive fiscal cliff.")

However, Obama is holding the Bush tax breaks extension hostage, calling his class warfare "[tax the rich](#)" rhetoric "a balanced, responsible approach to deficit reduction" and using it as a smoke screen to obfuscate his real agenda -- avoiding the third rail of American politics, "entitlement reforms," and any substantive spending reductions.

Heeding the advice of his former chief of staff, Rahm Emanuel, Obama will not allow this fiscal crisis to "go to waste," assuring Republicans he will use his Leftmedia sponsored soap box to blame House Speaker John Boehner, et al., for the consequences of sequestration.

The Democrats insist, correctly, that tax increases and budget cuts will put the economy back into recession, if Republicans do not acquiesce to his demands. But it is Obama who has to contend with the consequences. Most Americans who aren't enslaved on [ObamaNation Plantations](#) understand how budgets work, and for a good illustration of what would happen if families handled finances like Obama, [Click Here](#).

Sidebar: As for the Demos' assertion that the economy is no longer in recession, I suggest they take that up with the 23 million unemployed or underemployed Americans, those who have simply given up looking for work, and the tens of millions more who are working, but haven't received pay increases in years to keep up with inflation.

So what are Obama's positions on debt and taxation?

You already know that Obama is a disingenuous socialist charlatan, whose constituencies overlook his colossal character flaws in return for redistributed wealth. They like it when he gives them other people's money, but in the inimitable words of former UK Prime Minister Margaret Thatcher, "Socialist governments ... always run out of other people's money. They then start to nationalize everything."

On the record, regarding the bloating national debt, in 2006 then-Senator Obama wagged that Clintonesque finger at President Bush, declaring: "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. ... 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. I therefore intend to oppose the effort to increase America's debt limit."

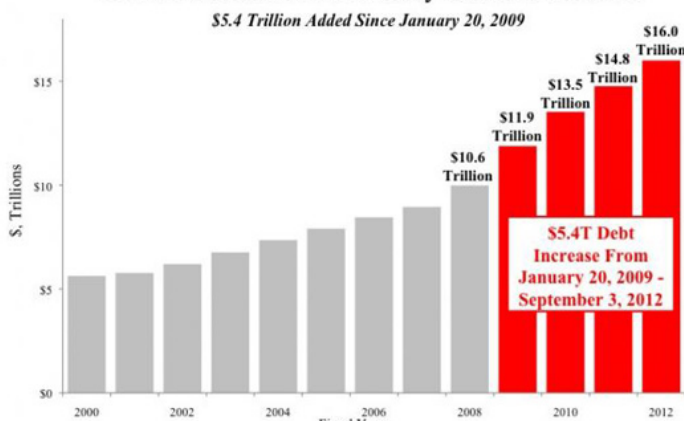
Obama was against raising the debt ceiling and "shifting the burden of bad choices today onto the backs of our children and grandchildren" before he was for it.

In 2008, then-candidate Obama criticized Bush for adding \$4 trillion to the national debt, which most Republicans and Democrats did in an effort to avoid collapse of the U.S. banking system. Obama insisted, "The problem is, is that the way Bush has done it over the last eight years is to take out a credit card from the Bank of China in the name of our children, driving up our national debt from \$5 trillion dollars for the first 42 presidents -- number 43 added \$4 trillion dollars by his lonesome, so that we now have over \$9 trillion dollars of debt that we are going to have to pay back - - \$30,000 for every man, woman and child. ... That's irresponsible. It's unpatriotic."

Obama was against "taking out a credit card from the Bank of China" before he was for it.

### Gross Federal Debt Officially Hits \$16 Trillion

*\$5.4 Trillion Added Since January 20, 2009*



Nominal dollars. Source: Senate Budget Committee Ranking Member Jeff Sessions' Republican staff calculation of data from the Treasury Department and the President's FY13 Midsession Review.

Obama would later conclude, "This rising debt is a hidden domestic enemy," and "interest payments are a significant tax on all Americans -- a debt tax that Washington doesn't want to talk about."

Indeed it is.

Now that Obama has added \$5 trillion to our national debt in his *first* term, and is now bidding to double that, one might fairly deduce, "*That's* irresponsible. It's unpatriotic."

On raising taxes, in 2009 Obama declared, "The last thing you want to do is raise taxes in the middle of a recession, because that would just suck up, take more demand out of the economy and put businesses in a further hole. ... You don't raise taxes in a recession. We haven't raised taxes in a recession."

Obama was against "raising taxes in the middle of a recession" before he was for it.

On limiting deductions like charitable giving to raise revenues, he insisted, "There's very little evidence that this has a significant impact on charitable giving. I'll tell you what has a significant impact on charitable giving, is a financial crisis and an economy that's contracting. And so the most important thing that I can do for charitable giving is to fix the economy, to get banks lending again, to get businesses opening their doors again, to get people back to work again."

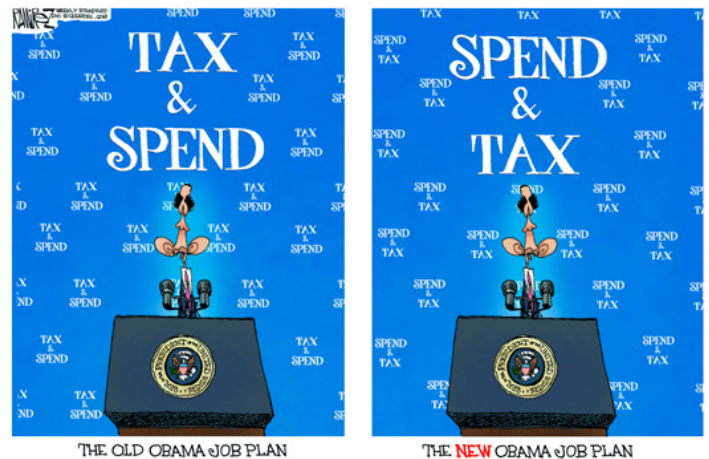
Obama was for "limiting charitable giving" deductions before he was against it.

So what is Obama's latest proposal?

He doubled his original \$800 billion tax increase -- mostly on the "two percent," which recently doubled from the "one percent of wealthiest Americans" he used to reference. That \$1.6 trillion is on top of the \$1 trillion ObamaCare tax hike already on the way for all Americans. Most of Obama's targeted "two percent" are not the rich and famous, but small business entrepreneurs operating S-Corps -- like *The Patriot Post* -- which employ 55 percent of all working Americans. (Did I mention that free enterprise is the nemesis of Obama's "transformational plan"?)

On top of his double-down on taxes, Obama is proposing more stimulus spending, and the real non-starter -- he wants to delay further talk of cuts until sometime in the future.

What a deal! He offered a fiscal bluff to avoid the fiscal cliff, but claims he is "not playing those games anymore."



Obama's bluff is so absurd that Harry Reid will not allow a Senate vote on it -- worried that anyone on the Left will pay a political price for supporting such nonsense.

Speaker John Boehner's response: "You can't be serious," which is precisely what I said of [Boehner's](#)



[counteroffer](#), minus a redacted modifier for the word "serious."

Of course, now that Boehner responded by offering major limitations on deductions (tantamount to a massive tax increase without calling it that), Obama has declined, saying, "If you eliminated charitable deductions, that means every ... not-for-profit agency across the country would suddenly find themselves on the verge of collapse."

There is no negotiation here. This is the behavior of a [dictatorial narcissist](#), not a statesman. As a friend in the Senate said to me privately just before the election, "Every meeting I have had with Obama, his approach is 'my way or highway.'"

Indeed, as I wrote in "[The Right Road Forward](#)" after the presidential election, "I can assure you that Obama will proceed as if he won every vote in America, not the razor-thin majority that reseated him."

So where do we go from here?

Let's start with a few words from [Ronald Reagan](#): "Government is not a solution to our problem, government is the problem. ... Government does not solve problems; it subsidizes them. Government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. If it stops moving, subsidize it. ... The problem is not that people are taxed too little, the problem is that government spends too much."

Republicans are considering a "Doomsday Plan" of some sort if talks fail. That's probably a euphemism for capitulation. Unfortunately, House and Senate Republicans are not led by the large class of "[Tea Party](#)" conservatives that arrived in 2010. They are still under the leadership of two men who have clearly contracted chronic cases of Potomac Fever after years of drinking Beltway Kool-Aid -- Sen. Mitch McConnell and Speaker John Boehner. There are Republicans in the Senate who have a spine, and Republicans in the House who are sober.

Here is my recommended doomsday plan.

Point the House bill to extend the Bush tax cuts toward Obama's fiscal bluff, put it in overdrive, set it on cruise control and leave town. The House has attempted in good faith to negotiate with Obama, much as a servant negotiates with his master, and with as much success.

Only Obama can sign legislation into law, or decline to do the same. If he fails to sign the tax extensions for all Americans, he will ultimately be responsible for the consequences. Likewise, he will be responsible for all the cuts mandated by sequestration.

Drop that House bill in Obama's lap and walk away.



The Jackass Caucus

Much of the political theater over taxes and debt is focused on the fact that our national debt now exceeds \$16 trillion -- more than 100 percent of GDP. But a couple trillion dollars in cuts to growth over 10 years isn't going to heal that fiscal hemorrhage.

Moreover -- pay attention class -- the real debt problem is not the \$16 trillion, it's "[off-book liabilities](#)" such as publicly issued Treasury debt, government employee pensions and retirement benefits, and unfunded liabilities including Medicare and Social Security. That debt now exceeds \$86.8 trillion, or more than five times GDP.

That is the debt which the [Romney-Ryan ticket](#) proposed to address, and would be addressing right now if Romney's Republican handlers had fully engaged [grassroots Americans](#).

To that end, the ever-erudite [Charles Krauthammer](#) advised, "Republicans must stop acting like supplicants. If Obama so loves those Clinton rates, Republicans should say: Then go over the cliff and have them all. If you want a Grand Bargain, then deal. Otherwise, strap on your parachute, Mr. President. We'll ride down together."

Likewise, Tucker Carlson and Neil Patel conclude, "Congress should leap off anyway. At a full run. Face first. Yes, it's a scary prospect. But not as scary as the alternatives."

Newt Gingrich, who has a bit of experience as a real House Leader, advised, "House Republicans [need to] get a grip. They are the majority. They're not the minority. They don't need to cave in to Obama; they don't need to form a 'Surrender Caucus.' So my number one bit of advice to the congressional Republicans is simple: Back out of all of this negotiating with Obama. The president is overwhelmingly dominant in the news media. [If] you start setting up the definition of success [as] finding an agreement with Obama, you just gave Obama the ability to say to you, 'Not good enough.'"

Obama will also have to deal with the consequences of cuts.

The Department of Defense is targeted for [49.5 percent of total cuts](#) next year -- though the DoD budget amounts to only 17 percent of spending. Ironically, defense spending is actually authorized by our Constitution, whereas entitlement spending and most other discretionary spending has no basis in [Rule of Law](#).

As for the probability that the economy will sink deeper into recession, on Obama's watch, we already have "[record spending on welfare](#)" -- households considered impoverished have grown to one in six and there are 48 million food stamp recipients, which is up 50 percent since Obama took office in 2009. Median household income declined by \$4,520 (8.2 percent) during his first term, and that's the *real* "Obama tax." And ObamaCare taxes and regulations are about to kick in.

Again, Mr. McConnell and Mr. Boehner -- round up your members, choose an alternate route to the Obama freeway, and leave town.

C.S. Lewis wrote, "The safest road to Hell is the gradual one -- the gentle slope, soft underfoot, without sudden turnings, without milestones, without signposts." Obama's road "Forward" is most assuredly a highway to Hell.

#### References and Resources:

If you want to earn your Ph.D. in Fiscal Cliffhanging, you can learn more from our colleagues at [Heritage Foundation](#).

Another of my colleagues, economist Thomas Sowell, in his "[Fiscal Cliff Notes](#)," separates fact from fiction. On Obama's faux rhetoric about the need for tax increases, he notes that as was the case when [Ronald Reagan](#) reduced tax rates, "tax revenues went up -- not down -- after tax rates were cut during the Bush administration, and the budget deficit declined, year after year, after the cut in tax rates." Obama, of course, keeps blaming these tax reductions for his runaway deficits and debt. (Indeed, this is the confusion of Obama's own [Council of Economic Advisers](#).)

See the [U.S. Debt Clock](#).