



Written by [Wallis W. Wood](#) on November 16, 2012

## The Fiscal Cliff: The Battle Lines Have Been Drawn

The fiscal cliff draweth nigh. A lame-duck Congress and a triumphant President have six weeks to effect a deal that will keep the country from plunging over it. And right now, while both sides pay lip service to the idea of compromise, it looks like they'll play chicken right up to the edge.

Earlier this week, President Barack Obama met with a bunch of left-wing labor leaders and social activists — all of whom were happy to take credit for his election victory. Afterward, the President doubled his demands for higher taxes. Instead of the \$800 billion in additional tax increases that were on the table before the election, Obama now says he wants \$1.6 trillion in additional revenue over the next decade.

Anyone who hoped we'd see a milder, more moderate occupant of the White House this time around just got a very loud wake-up message: It's going to be war on the haves on behalf of the have-nots — and the bureaucrats who get to distribute the spoils, of course.

So, yes, we're facing some pretty serious problems. Meanwhile, although Obama likes to say that he's willing to compromise and that "all ideas are on the table," there are a couple that he says absolutely won't be considered. One is making significant cuts in spending on his favorite programs. The other is giving any sort of tax break to "millionaires and billionaires."

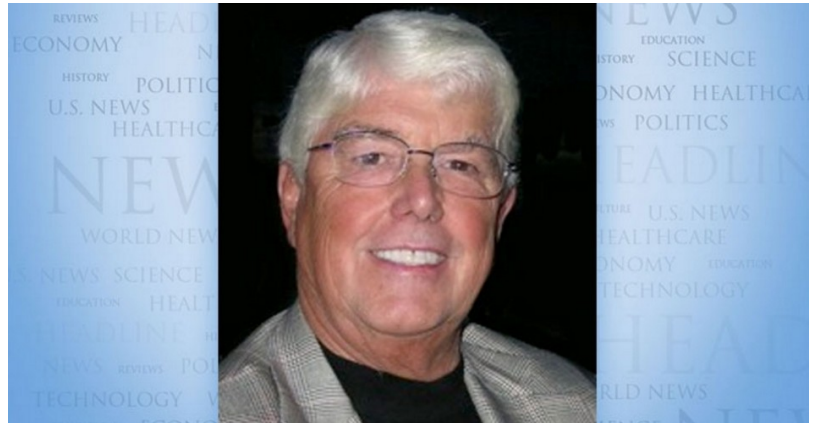
Meanwhile, a majority of members of the House of Representatives have made a promise to their constituents not to vote for *any* tax increase. Grover Norquist of Americans for Tax Reform, which created the no-tax pledge, reminds us that it has been signed by 271 members of the current Congress and 258 members of the one that will take office in January. The pledge promises that signers will "oppose any and all efforts to increase the marginal income tax rates for individuals and/or businesses."

And don't look at closing deductions as a way to raise revenue, either. Signers have also pledged to "oppose any net reduction or elimination of deductions and credits, unless matched dollar for dollar by further reducing tax rates."

House Speaker John Boehner hinted at the possibility of compromise when he said: "For the purposes of forging a bipartisan agreement that begins to solve the problem, we're willing to accept new revenue, under the right conditions."

Boehner didn't explain what those "right conditions" might be. But so far I haven't heard any proposal that will satisfy the tax-and-spenders on the left and the no-tax crowd on the right. From what I've heard, compromise looks a long way off.

Oh, and did I mention that we are also approaching the ceiling for the Federal debt? The Treasury can do a little check kiting for a while. But sooner or later, we will reach a point where we won't be able to





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add to the national debt. That's going to be a heck of a problem, since that borrowing provides the funds for about 30 percent of Federal spending.

So what should our fearless leaders do? Let's look at a few hard facts.

First, the Obama tax increases on the super-rich won't solve our deficit problems. In fact, they won't come anywhere close. The most generous estimates are that they will raise an additional \$60 billion to \$80 billion a year in revenue.

But the deficit has topped \$1 trillion a year for every year that Obama has been in office. Washington will need to raise 15 to 20 times that much revenue if our leaders are serious about balancing the budget.

Here's another example that should help bring some perspective to this discussion. It's been estimated that repairing all the damage caused by Hurricane Sandy will come to something like \$50 billion. That's a staggering amount of money, isn't it? The devastation we've seen on our TV screens (and many people have witnessed in person) has been incredible.

But consider this: Obama's deficits have amounted to 20 such hurricanes every year for the past four years.

That brings me to the second fact that the politicians in Washington — on both sides of the aisle — will have to face. This country doesn't have a revenue problem; it has a *spending* problem. When you add together taxes collected by all levels of government, the combined bite from Federal, State and local taxes comes to more than half of the money the more successful people among us earn. What sort of incentives will successful people have to try even harder and do even better if the government grab goes even higher?

The answer can be found somewhere between "very little" and "none."

But there's even more bad news waiting for us around the corner. What happens when the badly misnamed Patient Protection and Affordable Care Act, otherwise known as Obamacare, becomes fully operational over the next two years?

Well, for one, an awful lot of us will be paying more in taxes, thanks to various fees and add-ons the bill includes. That's bad enough. But even worse, a lot of full-time jobs in this country will vanish, as more and more companies replace them with part-time workers. Employers will not be required to provide health insurance for anyone working 30 hours a week or less. A lot of companies will prefer to hire four part-time workers to three full-time ones. Can you blame them?

A lot of these problems could be solved by a vibrant, growing economy that saw millions of new jobs being created — which also would mean billions more tax dollars being collected. It's happened several times in the past, under both Republicans (see Ronald Reagan) and Democrats (see Bill Clinton's second term).

What are the chances that an even more liberal Senate and a President who no longer has to worry about being re-elected will do the things necessary to get the economy growing again? I fear they are very, very small.

If I were a conservative legislator in Washington today, what would I do? I'd stick to the promises I made that got me there. I'd insist that our government needs to spend less and tax less, and I'd vote only for legislation that helps move the country in that direction.



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More freedom, not more government, will produce the prosperity we once enjoyed — and can enjoy again. But that's not what we're going to get from Washington anytime soon.

Better batten down the hatches, folks. I'm afraid we're in for a very rough ride.

Until next time, keep some powder dry.

***Chip Wood** was the first news editor of The Review of the News and also wrote for American Opinion, our two predecessor publications. He is now the geopolitical editor of Personal Liberty Digest, where his Straight Talk column appears weekly. This article first appeared in PersonalLiberty.com and has been reprinted with permission.*



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