

Two fiscal questions

By [Steve Thorngate](#)

November 20, 2012

[Wonkblog](#) has taken to using “austerity crisis” in place of “fiscal cliff.” They’re right: “fiscal” is not very specific, while “cliff” suggests a problem that happens all at once.

The reality is a crisis that unfolds over time. And it’s caused not by our fiscal policy in general but by something very specific: a severe austerity package actively imposed by Congress the last couple times it kicked the can down the road.

And as we saw then, there are really two questions at hand: *when* to reduce the deficit and *how*. The latter is a relatively straightforward partisan standoff. The former has become rhetorically rather bizarre.

The other day, *Morning Edition* talked to the Republican mayor of Mesa, Arizona and the Democratic mayor of Charleston, South Carolina. Isn’t it amazing, suggested host Steve Inskeep, that these two agree we shouldn’t go over the cliff [sic]?

Well, no. One thing that the campaign made pretty clear: whatever they say to the cameras, most everyone in Washington still holds that it’s good economics to aggressively reduce the deficit when and only when the economy’s in solid shape. Amid a shaky recovery, this is a really bad idea.

The president and his supporters emphasize this when they call for investment now and measures to ensure deficit reduction later. But the Republicans echo it as well every time they insist that the austerity crisis’s threatened defense cuts will kill jobs. They’re right! They’re also turning their “government doesn’t create jobs” mantra into nonsense.

“We are all Keynesians now,” Nixon ([might have](#)) said. But more recently, conservative reformers have called the consensus around this governmental push-and-pull into question, often by using the language of deficit reduction to argue for the (very different) goal of lower social spending. Yet many defend military jobs—not just with the usual national-security concerns but also with economic arguments about the foolishness of cutting government jobs in a bad economy.

So there remains a rough consensus about the sometimes importance of economic stimulus, the opposite of paying down the deficit. But it's an implicit, quiet consensus, because "stimulus" has become a dirty word. For the last several years, the GOP has endlessly mocked the idea as a big-government ploy. Now even the Democrats' dominant moderate faction avoids the word (though they hear it a lot from their left flank).

To recap: the thing everyone apparently agrees about is also too controversial to talk about directly.

Instead, the debate is exactly what it's long been. How should we reduce the deficit? The official options: higher tax rates for the richest 2 percent, fewer/lower tax breaks, domestic spending cuts. The fiscal cliff's already-passed policies aside, deep cuts to [our bloated defense spending](#) are essentially off the table. So are higher taxes on, say, those with six-figure incomes, a much larger group that [Obama persists in calling "middle class."](#)

So sure, talk about the things that are in dispute and on the table. Duke it out and show us a grand bargain. Some criteria for its relative grandness:

- Tax rates on the wealthy need to go up. They don't spend most of their money, so modestly higher rates on them (even now) won't hurt the economy. And Obama ran on this and won.
- While I'd like to see the social safety net exempted from spending cuts altogether, that's not going to happen. But a bargain that relies disproportionately on cutting services for low-income people is not so grand. They didn't cause our economic problems, and they shouldn't be expected to make the biggest sacrifices now.
- *Entitlement* spending isn't skyrocketing; *health-care* spending is. Medicare is, of course, both. But it's getting more expensive because *all health care is*. Bringing those costs down is about making health care cheaper—as Obamacare begins to do—and politicians shouldn't get away with using rising Medicare costs as a reason to insist that a deal include deep cuts on the benefits side.
- Speaking of entitlements, while Obama has signaled his intention to protect Social Security—and rightly so, since it's a successful and solvent

program—he may have to accept some reforms to get to yes. But there's [more than one way to do this](#), and piling the sacrifice on those who can least afford it is the wrong way.

Some fear that Obama will give too much away, or that GOP hardliners will prevent their leaders from conceding much. I'm a bit more hopeful that the threat of the fiscal cliff's policies will force a better deal.

In any case, each time a lawmaker claims that the government can't create jobs, or that stimulus is a joke, or that the deficit is the most immediate fiscal crisis we're facing, remember: if they really believed this, why evade the fiscal cliff at all?