Experts expect fiscal deal before cliff

By Clark Brooks
Staff writer
cabrooks@greenvilleonline.com

Washington lawmakers spoke gravely Sunday of stalled negotiations and going off the fiscal cliff, but political experts say they expect a down payment on a budget deal before the end of the year, followed by more talks in 2013.

That's not the outcome anyone is hoping for, but it would avoid the fiscal cliff that awaits on Jan. 1, a combination of massive spending cuts and rate increases on most American taxpayers.

It won't eliminate the uncertainty that has slowed the economic recovery or restore the nation's confidence in Washington, and it might not even happen if lawmakers are unwilling to compromise on how to tax and what to cut.



Sen. Lindsey Graham

President Barack Obama took his case to the public last week with campaign-style speeches, pushing his plan to increase tax rates on family income above $250,000 from 35 percent to 39.6 percent, the rate during the Clinton administration. He said that would mean no increase for 98 percent of taxpayers.

Obama presented a proposal that included roughly $1.6 trillion in tax increases over the next decade. The plan also calls for $600 billion in savings from changes in mandatory spending programs, including Medicare, and $200 billion in spending on, among others, infrastructure and help for unemployed people and struggling homeowners.

"I think we're going over the cliff," U.S. Sen. Lindsey Graham said Sunday on CBS' "Face the Nation," adding, "I don't

See CLIFF, Page 6A

CLIFF

Continued from Page 1A

think they're serious about finding a deal."

Graham complained that the president's plan was short on cuts. Treasury Secretary Timothy Geithner said on "Fox News Sunday" that Democrats agreed to $1 trillion in spending cuts last year with no revenue increases, and if Republicans don't think the president's plan goes far enough, they should suggest which additional cuts they want.

John Simpkins, a professor at the Charleston School of Law, said that capping deductions won't raise sufficient revenue, which is why Obama is insisting on the upper income tax increases as well.

"Rates could be a sticking point, but then you go back to the inadequacy of capping deductions and closing loopholes," Simpkins told GreenvilleOnline.com.

"The fattest pieces of that are not likely to get touched, mortgage interest rates, charitable contributions, deductions for dependents, tax credits for dependents. So the revenue is not there and the president has been saying that all along."

Simpkins, a Democrat, believes that by the end of the month, the two sides will agree to freeze tax rates for the 98 percent, raise them on the top 2 percent, and deal with some of the looming cuts in defense and other spending.

"I think there is room for negotiation, at least in the near term, and then what will happen next year will be a wholesale revisiting of the tax structure and the tax rates," he said.

Graham was among the first Republicans to say he would agree to cap income tax deductions in violation of the no-tax pledge to Grover Norquist's Americans for Tax Reform that most Republicans in Congress have signed. But he told GreenvilleOnline.com that he would not vote for any bill that raises tax rates.

Obama has made it clear he will not sign legislation that does not include a rate increase on the top 2 percent.

Bob Inglis, former South Carolina District 4 U.S. Representative, said that Obama has the upper hand in these negotiations, and it's time for some lawmakers to decide which comes first, their country or their job.

"It comes down to whether you personally go off the cliff, or the country goes off the cliff," he told GreenvilleOnline.com.

Inglis, now executive director of the Energy and Enterprise Initiative, has faced that choice. Convinced that the country was on the verge of a depression to rival the economic crash of 1929, he voted for the TARP bank bailout in 2008, and then lost in a landslide to Trey Gowdy in the 2010 GOP primary. "I think you've got to protect the country's interest," he said.

Obama is in a position where he almost can't lose, Inglis said. The president won re-election using the rate increase on the top 2 percent as the centerpiece of his campaign. If lawmakers go over the cliff and all tax rates go up, Democrats can simply push their bill to reinstate the cuts for the 98 percent, Inglis said, which would be hard for Republicans to oppose.

So Inglis believes that if lawmakers don't do a short-term fix and push the harder work into next year, Republicans might go off the cliff and then approve that bill so they can still say they didn't vote to raise taxes.

"If you go over the cliff and jump down on a ledge just below the cliff and pass the tax cut in early January, then the question that one is voting on is will you reduce taxes on the following people," he said. "It's just a shade different, but it is a difference."

House Speaker John Boehner (R-Ohio) said on "Fox News Sunday," that enough revenue can be raised by capping deductions, though not nearly as much as the president is asking for. He said raising tax rates on highest earners would harm the economy.

While Boehner said there is "clearly a chance" of going over the fiscal cliff, he said he would do everything in his power to prevent that.

Being the party that's for spending cuts and against tax increases for the wealthy puts Republicans in a tough position politically, said Linda Abrams, a political science professor at Bob Jones University.

"Most Americans want the budget brought under control, but they really don't want anything cut," she said. "Raising taxes on the rich also plays well with most Americans." As a result, she said, the Democrats are in a command position.

"I think Obama is ready to compromise a little bit, but he's negotiating from a position of strength," she said. "He can call the shots. There are things that he won't compromise on, and he doesn't have to."

Chip Felkel, a longtime GOP consultant, said both sides run the risk of being blamed if lawmakers go off the cliff. "I think Republicans are going to have to come to the table and accept that there's got to be some raises in those (tax) rates and agree to some of those raises," he said. "But only if they can get the necessary cuts from the president."