

## Obama Budget: What's Inside

Sam Stein: 04/05/2013



President Barack Obama's budget, which will be introduced on Wednesday, takes a political position that some of his base is bound to bemoan. Rather than present an outline of progressive priorities, the White House has chosen to stake claim to the middle ground, offering up a mix of modest tax hikes to go along with spending cuts and entitlement reforms that Democrats have long warned against.

The specifics are as follows:

The budget would reduce the deficit by \$1.8 trillion over ten years -- \$600 billion of this reduction would come from revenue raisers, and \$1.2 trillion would come from spending reductions and entitlement reforms;

- It would change the benefit structure of Social Security (chained-CPI);
- It would means test additional programs in Medicare;
- All told, it would include \$400 billion in health care savings (or cuts);
- It would cut \$200 billion from other areas, identified by The New York Times as "farm subsidies, federal employee retirement programs, the Postal Services and the unemployment compensation system;"
- It would pay for expanded access to pre-K (an Obama priority) by increasing the tobacco tax;
- It would set limits on tax-preferred retirement accounts for the wealthy, prohibiting individuals from putting more than \$3 million in IRAs and other tax-preferred retirement accounts;
- And it would stop people from collecting full disability benefits and unemployment benefits that cover the same period of time.

Looked at the proposal piece by piece, nothing is all that surprising. Obama has proposed these policies in various offers in the past. Most recently, they've been discussed as part of replacement options for the sequester.

But as a political tactic, this is a bit of a gamble for the administration. Instead of staking out a progressive plank and starting negotiations from there, the White House is trying to lay claim to the middle ground. Obama is helped here by the fact that the Senate has passed a Democratic-authored budget that is more progressive than theirs -- one that the president supported. But congressional Republicans will, almost assuredly, ignore that document and work off the White House's in order to re-define the "center."

The good news for progressives is that members of the administration are insisting that certain lines won't be crossed, chief among them being that the president won't accept entitlement reforms without Republicans agreeing to revenue. One senior administration official offered the following explanation as to why they started with a "compromise" offer:

While this is not the president's ideal deficit-reduction plan, and there are particular proposals in this plan -- like the CPI change -- that were key Republican requests and not the president's preferred approach. This is a compromise proposal built on common ground, and the president felt it was important to make it clear that the offer still stands. The president has made clear that he is willing to compromise and do tough things to reduce the deficit, but only in the context of a package like this one that has balance and includes revenues from the wealthiest Americans and that is designed to promote economic growth. That means that the things like CPI that Republican leaders have pushed hard for will only be accepted if congressional Republicans are willing to do more on revenues. This isn't about political horse-trading; it's about reducing the deficit in a balanced way that economists say is best for the economy and job creation. That's why the president's offer -- which will be reflected in his budget -- isn't a menu of options for them to choose from; it's a cohesive package that reflects the kind of compromise we should be able to reach.

UPDATE: 11:34 a.m. -- Predictably, Speaker John Boehner (R-Ohio) rejected Obama's offer out-of-hand, calling it unbalanced and suggesting that both sides simply pass the entitlement cuts that they now have both included in their respective budgets.

The president and I were not able to reach an agreement late last year because his offers never lived up to his rhetoric. Despite talk about so-called balance, the president's last offer was significantly skewed in favor of higher taxes and included only modest entitlement savings. He said he could go no further toward the middle, and that's why his last offer was rejected. In the end, the president got his tax hikes on the wealthy with no corresponding spending cuts. At some point, we need to solve our spending problem, and what the president has offered would leave us with a budget that never balances. In reality, he's moved in the wrong direction, routinely taking off the table entitlement reforms he's previously told me he could support.

When the president visited the Capitol last month, House Republicans stated a desire to find common ground and urged him not to make savings we agree upon conditional on another round of tax increases. If reports are accurate, the president has not heeded that call. If the president believes these modest entitlement savings are needed to help shore up these programs, there's no reason they should be held hostage for more tax hikes. That's no way to lead and move the country forward.

\*\*\*\*\*