

December 19, 2012

## RSC Members to Introduce Averting the Fiscal Cliff Act

Several RSC Members plan to introduce the Averting the Fiscal Cliff Act today. The Averting the Fiscal Cliff Act would repackage two bills previously passed by the House this year, H.R. 8 and H.R. 5652, dealing with the fiscal cliff. H.R. 8, the Job Protection and Recession Prevention Act, passed the House on a bipartisan basis on August 1<sup>st</sup>; H.R. 5652, the Sequester Replacement Reconciliation Act passed the House on May 10<sup>th</sup>. The Averting the Fiscal Cliff Act would permanently extend the 2001 and 2003 tax rates for all Americans, extend the death tax and small business expensing at current levels for one year, and patch the Alternative Minimum Tax through 2013. The Act would suspend the sequester for one year, replacing those cuts with a reduction to the Budget Control Act's FY 2013 discretionary spending cap and multiple mandatory spending reforms reported by House Committees earlier this year in accordance with reconciliation instructions. Some highlighted savings include three Obamacare programs totaling \$27 billion over 10 years, Medicaid reforms saving \$23 billion, eliminating the Dodd-Frank bailout fund saving \$22 billion, and federal pension benefit reform saving \$80 billion. For more information or to cosponsor, please contact Natalee Binkholder with Rep. Mulvaney or Cyrus Artz with the RSC.

## Speaker Boehner Proposes "Plan B" to Avoid Fiscal Cliff

On Tuesday, December 18, Speaker Boehner announced a new proposal, or "Plan B," for consideration by the House. The plan would permanently extend current tax rates for all Americans making less than \$1 million, the current death tax rate (35% with an exemption of \$5 million), and increased small business expensing. It would permanently patch the Alternative Minimum Tax and provide for permanent parity of capital gains and dividends (20% top rate assumed for high earners). "Plan B" would not include any reductions in spending, suspension of the sequester, or increase to the debt limit. The Speaker's proposal is expected to come to the House floor before the end of this week, although the exact day and legislative vehicle are as yet unknown.

## President Presents New Offer for "Fiscal Cliff" Grand Bargain

On Monday evening, December 17, the President presented Speaker Boehner with a new offer for a grand bargain resolving the "fiscal cliff." As reported, the President proposed \$1.2 trillion in revenue increases, including an increase on income tax rates for those families and small businesses making \$400,000 or more and an increase from 15% to 20% on capital gains and dividend income and capped deductions for the same higher earners. It does not include an extension of the 2% payroll tax cut. The proposal would increase the death tax to 45% with an exemption on \$3.5 million in assets, but would raise revenue through adoption of chained CPI. Chained CPI is a new inflation measure which would be used to calculate the annual inflation adjustment for income tax brackets; it is expected to grow approximately .25% more slowly annually, placing taxpayers in higher brackets sooner than would occur if the traditional CPI-U measure was used. The offer would include savings of \$922 billion, including \$122 billion from application of chained CPI to entitlement benefits and \$800 billion in spending reductions. \$400 billion of the spending reductions would come from federal health programs; \$200 billion from other mandatory programs; \$100 million from defense spending; and \$100 billion from domestic discretionary spending. The President demands a two-year increase in the debt limit, increased infrastructure spending, and extension of expanded unemployment benefits. The offer includes \$290 billion in savings from reduced interest costs, a permanent patch of the AMT and extension of other tax provisions, and a permanent "doc fix."

### Quote of the Week:

*"We are spending money on things we don't need and we are paying more than we need to pay and that is completely unacceptable."*

**--President Obama,  
March 4<sup>th</sup>, 2009**

## CBO Reports Nearly \$300 Billion Deficit for First Two Months of FY 2013

[CBO has reported](#) that the deficit for October and November 2012 was \$292 billion, an increase of \$57 billion over the same two months in FY 2012. CBO has estimated that the timing of payments may explain at least some of this increase. However, CBO has also determined that even after adjusting for shifted payments spending has increased by 4% on average over the last fiscal year. Spending on Social Security rose by 7%, Medicare by 8%, and Medicaid by 9%.



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## **“Forward” to the Past**

**By: Thomas Sowell**

The political slogan “Forward” served Barack Obama well during this year’s election campaign. It said that he was for going forward, while Republicans were for “going back to the failed policies that got us into this mess in the first place.”

It was great political rhetoric and great political theater. Moreover, the Republicans did virtually nothing to challenge its shaky assumptions, though a few hard facts could have made those assumptions collapse like a house of cards.

More is involved than this year’s political battles. The word “forward” has been a political battle cry on the left for more than a century. It has been almost as widely used as the Left’s other favorite word, “equality,” which goes back more than two centuries.

The seductive notion of economic equality has appealed to many people. The pilgrims started out with the idea of equal sharing. The colony of Georgia began with very similar ideas. In the Midwest, Britain’s Robert Owen — who coined the term “socialism” — set up colonies based on communal living and economic equality.

What these idealistic experiments all had in common was that they failed.

They learned the hard way that people would not do as much for the common good as they would do for their own good. The Pilgrims nearly starved learning that lesson. But they learned it. Land that had been common property was turned into private property, which produced a lot more food.

Similar experiments were tried on a larger scale in other countries around the world. In the biggest of these experiments — the Soviet Union under Stalin and Communist China under Mao — people literally starved to death by the millions.

In the Soviet Union, at least six million people starved to death in the 1930s, in a country with some of the most fertile land on the continent of Europe, a country that had once been a major exporter of food. In China, tens of millions of people starved to death under Mao.

Despite what the Left seems to believe, private-property rights do not exist simply for the sake of people who own property. Americans who do not own a single acre of land have abundant food available because land is still private property in the United States, even though the Left is doing its best to restrict property rights in both the countryside and in the cities.

The other big feature of the egalitarian Left is promotion of a huge inequality of power, while deploring economic inequality.

It is no coincidence that those who are going ballistic over the economic inequality between the top 1 or 2 percent and the rest of us are promoting a far more dangerous concentration of political power in Washington — where far less than 1 percent of the population increasingly tells 300 million Americans what they can and cannot do, on everything from their light bulbs and toilets to their medical care.

This movement in the direction of central planning, under the name of “forward,” is in fact going back to a system that has failed in countries around the world — under both democratic and dictatorial governments and among peoples of virtually every race, color, creed, and nationality.

It is one thing when conservative leaders like Ronald Reagan in America and Margaret Thatcher in Britain declared central planning a failure. But what really puts the nails in the coffin is that, before the end of the 20th century, both socialist and communist governments around the world began abandoning central planning.

India and China are the biggest examples. In both countries, cutbacks on government control of the economy were followed by dramatically increased economic-growth rates, lifting millions of people out of poverty in both countries.

The ultimate irony is that the most recent international survey of free markets found the world’s freest market to be in Hong Kong — in a country still ruled by Communists! But the Chinese Communists have at least learned, the hard way, a lesson that Barack Obama seems oblivious to.

We are going “forward” to a repeatedly failed past following a charismatic leader, after a 20th century in which charismatic leaders led countries into unprecedented catastrophes.