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February 14, 2011

## The Obama Budget

On paper, President Obama's new \$3.7 trillion budget is encouraging. It makes a number of tough choices to cut the deficit by a projected \$1.1 trillion over 10 years, which is enough to prevent an uncontrolled explosion of debt in the next decade and, as a result, reduce the risk of a fiscal crisis.

The questions are whether its tough choices are also wise choices and whether it stands a chance in a Congress in which Republicans, who now dominate the House, are obsessed with making indiscriminate short-term cuts in programs they never liked anyway. The Republican cuts would eviscerate vital government functions while not having any lasting impact on the deficit.

What Mr. Obama's budget is most definitely not is a blueprint for dealing with the real long-term problems that feed the budget deficit: rising health care costs, an aging population and a refusal by lawmakers to face the inescapable need to raise taxes at some point. Rather, it defers those critical issues, in hopes, we assume, that both the economy and the political environment will improve in the future.

For the most part, Mr. Obama has managed to cut spending while preserving important government duties. That approach is in stark contrast to Congressional Republicans, who are determined to cut spending deeply, no matter the consequences.

A case in point: the Obama budget's main cut — \$400 billion over 10 years — is the result of a five-year freeze in nonsecurity discretionary programs, a slice of the budget that contains programs that are central to the quality of American lives, including education, environment and financial regulation.

But the cuts are not haphazard. The budget boosts education spending by 11 percent over one year and retains the current maximum level of college Pell grants — up to \$5,500 a year. To offset some of the costs, the budget would eliminate Pell grants for summer school and let interest accrue during school on federal loans for graduate students, rather than starting the interest meter after graduation.

Those are tough cutbacks, but, over all, the Pell grant program would continue to help close to nine million students. The Republican proposal would cut the Pell grant program by 15 percent this year and nearly half over the next two years.

The Obama budget also calls for spending on green energy programs — to be paid for, in part, by eliminating \$46 billion in tax breaks for oil, gas and coal companies over the next decade. Republicans are determined not to raise any taxes, even though investing for the future and taming the deficit are impossible without more money.

The budget would also increase transportation spending by \$242 billion over 10 years. It does not specifically call for an increased gas tax to cover the new costs, though it calls on Congress to come up with new revenues to offset the new spending. Republicans want to eliminate forward-looking programs like high-speed rail.

The budget is responsible in other ways. It would cap the value of itemized deductions for high-income taxpayers and use the savings to extend relief from the alternative minimum tax for three years so that the tax does not ensnare millions of middle- and upper-middle-income taxpayers for whom it was never intended. For nearly a decade, Congress has granted alternative minimum tax relief without paying for it.

House Republicans want to leave military spending out of their budget-cutting entirely, but Mr. Obama's budget reduces projected Pentagon spending by \$78 billion over five years. If anything, Mr. Obama could safely have proposed cutting deeper, as suggested by his own bipartisan deficit panel.

The bill for the military is way too high, above cold-war peak levels, when this country had a superpower adversary. There's a point where the next military spending dollar does not make our society more secure, and it's a point we long ago passed.

Mr. Obama's budget also includes a responsible way to head off steep cuts in what Medicare pays doctors. It would postpone the cuts for two years and offset that added cost with \$62 billion in other health care savings, like expanding the use of cheaper generic drugs.

But not all of Mr. Obama's cuts are acceptable. The president is proposing a reduction by nearly half in the program that provides assistance to low-income families to pay for home heating bills. Shared sacrifice need not involve the very neediest.

Ideally, budget cuts would not start until the economic recovery is more firmly entrenched. But the deficit is a pressing political problem. The Obama budget is balanced enough to start the process of deficit reduction, but not so draconian that it would derail the recovery.

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Today's debate: The federal budget

# Obama's spending plan ducks tough choices on the deficit

President Obama likes to talk about those "Sputnik moments" when the nation rises to difficult challenges like the one posed by the Soviet space program in the 1950s. On Monday, he had a chance to turn his federal budget proposal into his own such moment. He whiffed.

Obama and his aides boasted that the administration's spending plan would shave \$1.1 trillion off anticipated deficits over 10 years. For a Democratic president to propose cuts in programs with strong Democratic constituencies is a measure of how the national dialogue on spending has shifted. But, as it happens, \$1.1 trillion is the projected deficit for 2012 alone. Talk about insufficient.

OUR VIEW

## President pursues wait-and-see politics

If fiscal sanity is to be restored, Americans need to be told the hard facts — not just that the national debt is out of control and that deficits can't go on and on, but that getting the nation's finances in order will require going everywhere in the budget: domestic programs, defense spending and the big entitlement programs such as Social Security, Medicare and Medicaid that already consume three of every five dollars the government spends. If leaders are to be truly forthright, they'll also have to admit that revenue increases are needed to bring the nation's ability to pay for benefits in line with its appetite for devouring them.

Obama's own fiscal commission laid out exactly such a plan in December that drew a surprising number of bipartisan votes from the panel's braver politicians. But the president has acted as if the plan is radioactive, and on Monday he mostly ignored it.

Discussing their \$3.7 trillion spending plan for the next fiscal year, Obama and his budget director, Jacob Lew, said all the right things about wanting to engage

with both parties on fixing the long-term budget problem. But when that might occur — if ever — was vague. Lew defended the administration's wait-and-see approach, insisting that history shows that stepping out with a "dramatic plan" has never "actually moved the process forward."

Actually, serious deficit reduction doesn't happen without a president taking risks, whether it was the first President Bush dropping his "no new taxes" pledge in 1990 or President Clinton pushing a major deficit-reduction package in 1993. Both paid a terrible political price, but their courage helped lead to four years of balanced budgets, from 1998 to 2001.

It's becoming hard not to conclude that Obama doesn't much care about the debt threat or has decided to wait until after the 2012 elections. Either would be a shame, and economically risky.

If there's an upside here, it's that a critical mass of public opinion and political pressure, as reflected in the Tea Party movement, is building to support deficit reduction. So far, however, virtually all the debate in Congress has focused on the 13% of spending that goes to non-defense agencies and programs. It's as if the budget were an automobile with a leaky engine and a blown transmission — and

the Democrats and Republicans are arguing over the size of the cup holders.

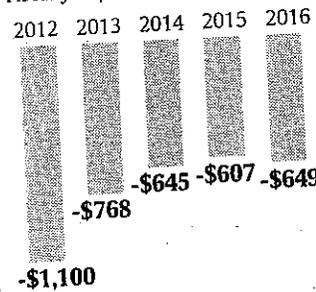
With a few exceptions, such as House Budget Committee Chairman Paul Ryan, congressional Republicans are pretending that slashing away at one tiny corner of the budget is all that has to be done, are insisting that taxes can never be raised for any reason — and are cynically preparing to savage Obama the instant he embraces the sort of unpopular steps needed to rein in the deficit.

It's understandable, then, that the president isn't eager to lead with his chin. But there are always tempting reasons to put political expedience ahead of tough choices. At some point, the shadowboxing has to stop.

### More red ink

President Obama's proposed budget would add \$3.8 trillion in debt over five years. (in billions)

Fiscal year/Estimated deficit



Source: Office of Management and Budget

By Veronica Salazar, USA TODAY

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