President Obama's budget kicks the hard choices further down the road

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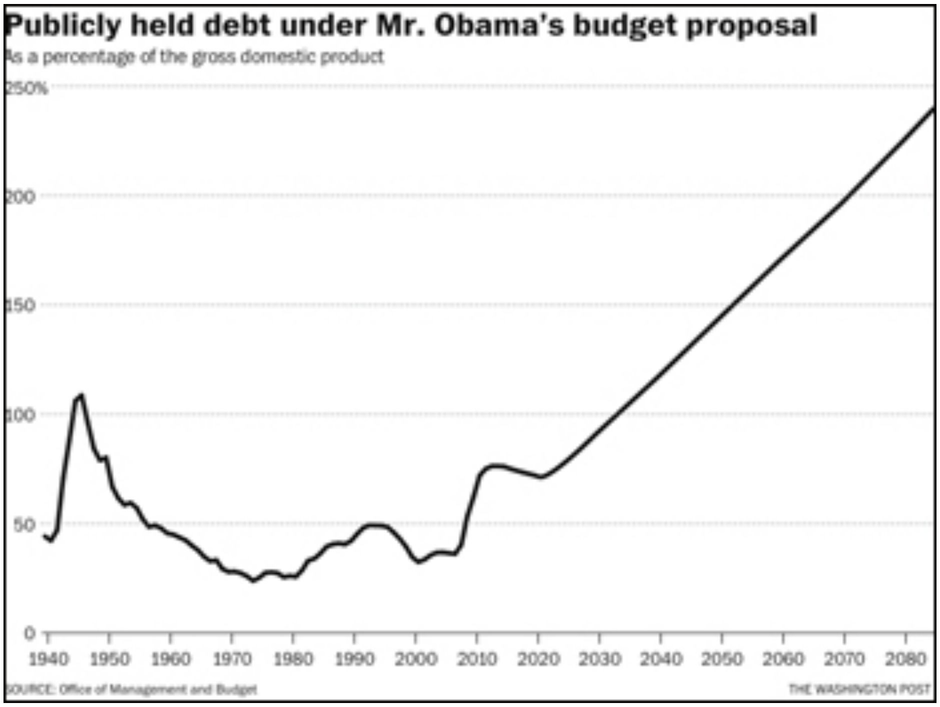

THE PRESIDENT PUNTED. Having been given the chance, the cover and the push by the fiscal commission he created to take bold steps to raise revenue and curb entitlement spending, President Obama, in his fiscal 2012 budget proposal, chose instead to duck. To duck, and to mask some of the ducking with the sort of budgetary gimmicks he once derided. "The fiscal realities we face require hard choices," the president said in his budget message. "A decade of deficits, compounded by the effects of the recession and the steps we had to take to break it, as well as the chronic failure to confront difficult decisions, has put us on an unsustainable course." His budget would keep the country on that course.

Granted, the budget outlines cuts in discretionary spending, ranging from military procurement to heating assistance for the poor. A five-year freeze in nonsecurity discretionary spending - two years longer than the three-year freeze proposed in last year's budget - would save $400 billion during that period compared to what would have been spent otherwise to keep up with inflation.

But as Mr. Obama noted in his State of the Union address, discretionary spending represents a small slice of government outlays, so cuts in discretionary spending are simultaneously onerous and insufficient to reach fiscal balance. The administration proclaimed that its budget would save $1.1 trillion, two-thirds of it from spending cuts. It neglected to point out that, even if all those savings were implemented, the debt would increase by another $7.2 trillion over the decade. And that's accepting the administration's optimistic projections. From 2013 to 2016, the administration estimates the economy will grow at an average rate of nearly 3.9 percent per year, while the Congressional Budget Office projects a growth rate of just 3.4 percent. That could make an enormous difference in the amount of revenue generated and, consequently, the size of deficits. By 2021, the national debt will equal 77 percent of the total economy, even given the administration's rosy forecast - and, as the administration's chart reprinted here shows, the debt will then really explode.

Administration officials applauded themselves for having the discipline to offset the cost of two expensive items: avoiding punishing cuts in Medicare reimbursement rates for physicians and making sure the alternative minimum tax (AMT) does not hit a growing share of middle-class taxpayers. Not so fast. The patches are temporary - two years in the case of the so-called "doc fix," three years for the AMT. Meantime, the administration uses up a decade's worth of financing to pay for them - with no whisper of how to address the problems in the long term.

And that's not the only gimmickry. The budget assumes that the full cost of the doc fix will be paid for, and therefore not add to the deficit, but fails to explain how. It includes a $328 billion magic asterisk for transportation funding, identified only as "bipartisan financing for Transportation Trust Fund." Higher gasoline taxes? Don't ask. Meanwhile, the administration recommends paying for the AMT fix by reducing the value of charitable tax deductions for those in the two highest tax brackets. A smart idea, and one that the administration also proposed in its two previous budgets, originally as a way to pay for health-care reform. If it was a nonstarter then, what's the basis for thinking its prospects are better now?

The larger problem with the budget is the administration's refusal to confront the hard choices that Mr. Obama is so fond of saying must be faced. The president's debt commission concluded that more tax revenue will be needed in coming years to finance the costs of an aging society. Mr. Obama repeated his call to do away with the Bush tax cuts for upper-income taxpayers in two years - but maintained his tired and irrational insistence that the rest of the tax cuts, enacted in far different fiscal circumstances, be preserved.

If Oklahoma Republican Sen. Tom Coburn could sign on to a deficit-reduction plan that included raising tax revenue, is it too much to ask for such bravery from Mr. Obama? And if Illinois Democratic Sen. Richard Durbin could sign on to a plan that included raising the Social Security retirement age, is it too much to ask for more from Mr. Obama than an airy set of "principles for reform"? Sadly, the answer appears to be yes.

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