New bargaining positions

By Steve Thorngate
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As of right now, federal spending is scheduled to be cut by $1.2 trillion on January 1, 2013--the same day the Bush tax cuts (worth $3.8 trillion) are set to expire.

That's $5 trillion in deficit reduction, more if you count the reduced interest payments. Not that it'll happen. Some Republicans have been hard at work trying to gut the defense cuts included in the trigger mechanism set up as an (unsuccessful) incentive to make the anti-deficit Super Committee find some common ground. To their slight credit, GOP lawmakers have been pretty open about the fact that they have little intention of sticking with the agreement that was their side's idea in the first place. To their leadership's more significant credit, it looks as though House Speaker John Boehner, at least, intends to honor the deal.

But it's hard to imagine some of the *Democrats* allowing big defense cuts to go forward, either. And it's hard to imagine almost anyone in Congress letting taxes go up on middle-class Americans--in an election year.

As ineffectual as Congress is, there's one time you can count on it to rise above do-nothing-ness: when it's approaching the can it kicked down the road earlier. Our Nation's Leaders reliably get it together at least enough to haul off for another kick.

But the important story here is not the remote possibility that we'll get massive spending cuts and massive tax increases in one fell swoop. It's that the Democrats now have the leverage in the negotiations that come next. The White House has threatened to veto any bill eliminating the trigger's spending cuts or extending all the Bush tax cuts--and the Democrats, difficult as it can be to remember, still control the Senate. As Yglesias argues, this leverage could well lead to a much more progressive outcome on the budget front than has seemed possible in some time.

Obama wants to raise taxes on the rich, and rightly so. General political realities (and specific promises) prevent him from pushing for higher rates on some middle-class earners as well. We'll eventually need those too if we're going to make a serious difference on the revenue side.

What nobody wants, however, is to let taxes go up for everybody, all at once, amid a fragile economy. Realistically speaking, this won't happen. Technically speaking, it's already on the calendar--and that could be a real game-changer.