We should not forget that the “fiscal cliff” currently causing such frenzy is basically the expiration of the Bush-era temporary tax cuts, the Cheshire-cat grin of fiscal policy of one of America’s worst presidents. The end of these tax breaks would not lead to draconian tax rates. They would lead to the tax rates that America lived with and prospered with in the 1990s.

And what if worse comes to worse, and we go over the fiscal cliff? Taxes would rise on all brackets, not just the top. Disaster? No. We’d actually start funding government again.

So why do we say that we are at a so-called “cliff”? Because preserving the Bush-era tax cuts for the lower 98 percent of families was the Faustian bargain that Obama made with populism in order to be elected in 2008 and re-elected in 2012. He would not have won the election in 2008 without promising to keep taxes low for the middle class. He would not have won re-election this month without making the same promise. He and his political advisers were right.

I have no quarrel with that political diagnosis. I have no quarrel with the president trying to maintain the Bush tax cuts for the bottom 98 percent. He has campaigned on that, continuously, for the past five years. I understand why he did it.

And compared with his opponents, Obama wins hands down on substance. Ending tax breaks at the top is vastly better than the Republican position of slashing tax rates for everybody, a sheer fiscal delusion.

All the same, this is no cliff. The budget deficit is $1.1 trillion, 7 percent of national income. It has topped $1 trillion for the past four years, and should not have done so. We are hemorrhaging debt. We need to pay for government, and repealing the Bush-era tax cuts would help to close the gap. The repeal at the top, as Obama recommends, would raise around $100 billion per year, or 0.7 percent of GDP. The repeal for all (“going over the cliff”) would raise around $400 billion per year, or 2.5 percent of GDP. It wouldn’t close the deficit by itself, but it would help. (We would still need other taxes: ending the Cayman Island corporate loopholes, limiting some deductions of high-end households, taxing carbon dioxide emissions, taxing mega-wealth, and taxing financial transactions.)

Trust in politics is important, so Obama should stick with his plan: raise the rates at the top, extend the cuts for the rest. Yes, he’ll have to come up with other kinds of revenues if he does that. But what if John Boehner and Company—a leadership group further removed from reality than any other in modern times—hold firm and reject this policy? Then Obama should let all of the rates expire, as is of course within his power.

Obama should then immediately re-submit legislation calling for cuts for the bottom 98 percent again to stick with his plan. This would preserve the president’s good faith with the American people. The Senate would quickly pass the plan. The Republicans in the House could then block it, out of sheer spite, or sign on. They’d most probably cave, just as Newt Gingrich did in 1995. But if not, the country would be better off, not worse off. Obama would finally have some revenues to pay for basic government services without spilling more than a trillion in new debts each year.
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