Two sides of the same “fiscal cliff” coin

One side

This was in “one of those forwarded” emails we received yesterday. The content is “understandable” and it speaks to another understandable message: the editorial in the January 4, 2013 *Intelligencer Journal* (Lancaster, PA). Those folks in government (and those of us who sent them there) have got a serious spending problem.

The fiscal cliff explained in plain English

“You all have been hearing about the Fiscal Cliff, unless you are living under a rock. Here is a great Plain English explanation”

Lesson # 1:

- U.S. Tax revenue: $2,170,000,000,000
- Fed budget: $3,820,000,000,000
- New debt: $1,650,000,000,000
- National debt: $14,271,000,000,000
- Recent budget cuts: $38,500,000,000

Now, let's remove 8 zeros and pretend it's a household budget:

- Annual family income: $21,700
- Money the family spent: $38,200
- New debt on the credit card: $16,500
- Balance owing on the credit card: $142,710
- Total budget cuts so far: $3.85

Lesson # 2:

Here's another way to look at the Debt Ceiling:

Let's say, you come home from work and find there has been a sewer backup in your neighborhood and your home has sewage all the way up to your ceilings.

What do you think you should do - raise the ceilings, or remove the crap?

The other side – next page

Minimal payment

In our view- Intelligencer Journal editorial, January 4, 2013

Those with credit card bills know that paying the minimum doesn't do much to reduce your total debt Neither does the fiscal cliff agreement.

That's why President Barack Obama's New Year's day announcement that the nation had averted going over the fiscal cliff had a bit of a hollow ring.

Yes, it avoided sequestration -- cuts that would have had a significant impact on necessary social programs as well as military spending. And Congress' willingness to permanently hike taxes on the wealthiest 2 percent of Americans from 37 percent to 39.6 percent sent an important message that the wealthiest among us must carry a bigger burden.

The agreement also establishes the top tax rate for capital gains at 23.8 percent for couples earning more than $450,000 and individuals earning $400,000.

Those are steps in the right direction. Congress -- and congressional Republicans, in particular -- deserves credit for voting to raise taxes.

That said, the agreement does little to trim the national debt, which has ballooned to $16.4 trillion.

It kicked the debt-ceiling can two months further down the road and increased business anxieties, at least for the short term.

The $620 billion in additional revenue the administration estimates it will raise from the tax hike over the next decade will help ease the problem, but it falls well short of fixing it. In fact, the Congressional Budget Office notes that the $620 billion is smaller than any single year's deficit over that period of time. For example, the 2012 fiscal year deficit is $1.1 trillion.

An argument can be made that the debt problem is less severe in the short term -- that improving the jobs situation is more important at this time.

But additional steps need to be taken. Both parties and the White House must hammer out a bipartisan plan to increase revenue and to begin trimming spending on all fronts.

In a joint statement, former Sens. Alan Simpson and Erskine Bowles, who offered a plan to reduce the nation's long-term fiscal problems, said:

"Washington missed this magic moment to do something big to reduce the deficit, reform our tax code, and fix our entitlement programs. ... Even after taking the country to the brink of economic disaster, Washington still could not forge a common-sense bipartisan consensus on a plan that stabilizes the debt."

It seems clear that this stopgap agreement was the best Congress could do at this time.

The cliff has been averted, but the larger issue remains. It's time to work together to craft an overall plan that stabilizes the economy, reduces spending and gives the private sector the confidence it requires to begin hiring and move forward.