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EDITORIAL

The Obama Budget

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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.

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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.

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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.

The same cannot be said for the plan put forward by Republicans last week. It would amputate some of government's most vital functions for the next seven months of fiscal year 2011. (They haven't even gotten to next year yet, never mind the more distant future.)

Real deficit reduction will require grappling with rising health care costs and an aging population, which means reforms in Medicare, Medicaid and Social Security, as well as tax increases to bring revenues in line with obligations.

Mr. Obama's budget does not directly address those big issues, but doing so would require a negotiating partner, and Mr. Obama, at present, does not have one among the Republican leaders in Congress. His latest budget is a good starting point for a discussion — and a budget deal — but only if Republicans are willing participants in the process.

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