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Reporting

# Blue Dogs Identifying Spending Cuts To Pay For Bush Tax Cuts For Wealthy

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Hoping to find a middle ground in the debate raging over what to do about expiring Bush tax cuts, Blue Dog Democrats have escalated their pitch to leadership that rates for the wealthy should be kept in place and paid for by spending cuts elsewhere.

Two members of House Democratic leadership told the Huffington Post that the self-identified fiscally conservative faction of the caucus has been crafting a proposal to temporarily keep all taxes at current rates while not relinquishing the party's major talking point that such an extension would blow a hole in the deficit.

"People are very imprecise with the way they are talking about it and reporting it," Rep. Chris Van Hollen (D-Md) said in an interview last week. "The Blue Dogs have not proposed a permanent tax increase for the wealthy, just a temporary plan... At the most what they have proposed is a one or two-year extension and most of them are in favor of a permanent extension for the middle class."

"They are working to identify offsets in the event that they are doing a one- or two-year extension [for the wealthy], which is totally different from the Republican plan."

In an interview with the Huffington Post on Thursday, Rep. James Clyburn (D-S.C) the House Majority Whip, confirmed that Blue Dogs are working on a plan to identify specific cuts in government spending as a means of paying for a temporary extension for tax cuts for the wealthy.

"That is where the friction is in our caucus," said the South Carolina Democrat. "We have got people who say, 'OK we are for doing this, but let's pay for it.' We have other people saying, 'don't pay for it.' We have others saying, 'I can't be for tax cuts for the upper two percent beyond the \$250,000 because it will be a \$700 billion hole blown in the deficit.' So this is not just about granting tax cuts. This is about doing it in a responsible way."

Clyburn did not address how much support the Blue Dog proposal has within the caucus. But the fact that the party has punted the issue until after the November elections suggests that there are enough members skittish on letting the top tax cut rates expire so as to give Blue Dogs a serious opening to make their pitch. "That is what we are trying to decide whether or not we can do [this proposal]," said Clyburn.

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Should the Blue Dog approach ultimately win out, it would resemble yet another indication of the group's disproportionate power within the caucus. As it stands, far more members of the Democratic Party favor allowing the Bush tax cuts for the wealthy to expire at the end of this year. But with united Republican support for a full extension of all tax cuts -- without offsets to pay for them -- the votes may not be there for such a plan.

A middle-ground proposal of a temporary extension, paid for by slashing spending elsewhere, would seem like a plausible political compromise. But it makes for highly debatable and dubious policy. Even progressive-minded economists argue that extending the Bush tax cuts for the wealthy without paying for them would be preferable from an stimulative standpoint.

"Not only is it socially offensive but it is economically illiterate," said Rob Shapiro, a prominent Democratic economist and former Clinton administration official. "If the point of extending the tax cuts for the wealthy is to not weaken demand in an already fragile economy, then you certainly wouldn't offset it with cuts which would weaken demand in that fragile economy more than withholding the tax cuts would.

"Republicans have argued that you shouldn't raise taxes during a weak economy. Well the fact is you shouldn't cut spending in a weak economy either. It would have a more powerful effect because the spending all goes out there, whereas a significant share of the tax cuts for the wealthy is saved and not spent."

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