

Op-Ed Columnist

Playing Taxes Hold 'Em

By PAUL KRUGMAN

Published: December 20, 2012

A few years back, there was a boom in poker television — shows in which you got to watch the betting and bluffing of expert card players. Since then, however, viewers seem to have lost interest. But I have a suggestion: Instead of featuring poker experts, why not have a show featuring poker incompetents — people who fold when they have a strong hand or don't know how to quit while they're ahead?

On second thought, that show already exists. It's called budget negotiations, and it's now in its second episode.

The first episode ran in 2011, as President Obama made his first attempt to cut a long-run fiscal deal — a so-called Grand Bargain — with John Boehner, the speaker of the House. Mr. Obama was holding a fairly weak hand, after a midterm election in which Democrats took a beating. Nonetheless, the concessions he offered were breathtaking: He was willing to accept huge spending cuts, not to mention a rise in the Medicare eligibility age, in return for a vague promise of higher revenue without any increase in tax rates.

This deal, if implemented, would have been a huge victory for Republicans, deeply damaging both programs dear to Democrats and the Democratic political brand. But it never happened. Why? Because Mr. Boehner and members of his party couldn't bring themselves to accept even a modest rise in taxes. And their intransigence saved Mr. Obama from himself.

Now the game is on again — but with Mr. Obama holding a far stronger hand. He and his party won a solid victory in this year's election. And the legislative clock is very much in their favor, too. All the Bush tax cuts are scheduled to expire at the end of the month.

A brief digression: I've become aware of a new effort by the G.O.P. to bully reporters into referring only to the "Bush-era" tax cuts, probably in the hope of dissociating those cuts, which they want to preserve, from a president voters now regard with disdain. But George W. Bush and his administration devised those cuts and rammed them through Congress, and it's deceptive to suggest otherwise.

Back to the poker game: The president doesn't hold all the cards — there are some things he and fellow Democrats want, like extended unemployment benefits and infrastructure spending, that they can't get without some Republican cooperation. But he is in a very strong position.

Yet earlier this week progressives suddenly had the sinking feeling that it was 2011 all over again, as the Obama administration made a budget offer that, while far better than the disastrous deal it was willing to make the last time around, still involved giving way on issues where it had promised to hold the line — perpetuating a substantial portion of the high-income Bush tax cuts, effectively

cutting Social Security benefits by changing the inflation adjustment.

And this was an offer, not a deal. Are we about to see another round of the president negotiating with himself, snatching policy and political defeat from the jaws of victory?

Well, probably not. Once again, the Republican crazies — the people who can't accept the idea of ever voting to raise taxes on the wealthy, never mind either fiscal or economic reality — have saved the day.

We don't know exactly why Mr. Boehner didn't respond to the president's offer with a real counteroffer and instead offered something ludicrous — a "Plan B" that, according to the nonpartisan Tax Policy Center, would actually raise taxes for a number of lower- and middle-income families, while cutting taxes for almost half of those in the top 1 percent. The effect, however, has to have been to disabuse the Obama team of any illusions that they were engaged in good-faith negotiations.

Mr. Boehner had evident problems getting his caucus to support Plan B, and he took the plan off the table Thursday night; it would have modestly raised taxes on the really wealthy, the top 0.1 percent, and even that was too much for many Republicans. This means that any real deal with Mr. Obama would be met with mass G.O.P. defections; so any such deal would require overwhelming Democratic support, a fact that empowers progressives ready to bolt if they think the president is giving away too much.

As in 2011, then, the Republican crazies are doing Mr. Obama a favor, heading off any temptation he may have felt to give away the store in pursuit of bipartisan dreams.

And there's a broader lesson here. This is no time for a Grand Bargain, because the Republican Party, as now constituted, is just not an entity with which the president can make a serious deal. If we're going to get a grip on our nation's problems — of which the budget deficit is a minor part — the power of the G.O.P.'s extremists, and their willingness to hold the economy hostage if they don't get their way, needs to be broken. And somehow I don't think that's going to happen in the next few days.

A version of this op-ed appeared in print on December 21, 2012, on page A31 of the New York edition with the headline: Playing Taxes Hold 'Em.