REMAPPING DEBATE
Asking "Why" and "Why Not"

Nightmare on Meme Street: Uncertainty, fiscal cliffs, and grand bargains

Commentary | By Craig Gurian | Budget deficit, Corporate influence, Economy

July 20, 2012 — Having become disoriented in the fog of Corporate Uncertainty, I was trying to find my way when, suddenly, over the Fiscal Cliff I went. I plunged straight down — deeper and deeper into the abyss. I thought all was lost. But then I saw the Grand Bargain waiting for me, beckoning to me. For a moment, I rejoiced. The Grand Bargain hovered below me, ready to break my fall.

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But when it clasped me to its bosom, I realized all at once that I was in the hands of the most monstrous and merciless being. The Grand Bargain — leering now, suffocating, cold-blooded, and cold-hearted — dragged me down, deeper still, depositing me into a work pit already teeming with others who, as I saw in a flash, were sweating and exhausted but never allowed to end their labors. "Here you will stay," said the Grand Bargain. "You will learn to get used to it."

I awoke from my nightmare, or at least I thought I did. But the character of Corporate Uncertainty, the setting of Fiscal Cliff, and the seducing prospect of the Grand Bargain (it's true nature carefully concealed) are still present. They are, together, the critical components of a single, continuously repeated media fairy tale: you are in danger unless you yield to the centrists who want only to save you from yourselves and any unrealistic ideas you may have about fairness, equity, and economic security.

Corporate leaders as befuddled and helpless?

The way the story is told, "growth" is being hampered by the fact that business leaders find themselves uncertain about the future direction of various federal policies — especially those relating to tax, spending, and regulatory matters. These business leaders have even more uncertainty piled on them by the fact that the Bush tax cuts are scheduled to expire in tandem with a mechanism in place to begin to impose spending cuts at the start of the new year — the latter being what the media initially embraced as a technique to impose "fiscal discipline" last summer, but what it now invariably describes as the "fiscal cliff."

It isn't true, of course, that investment decisions are driven entirely, or even primarily, by potential changes in government policy (some basic economic conditions — like the state of consumer demand — bear most heavily on those decisions). But let's focus exclusively on the influence that unsettled government policy is said to have.

A moment's reflection still makes plain that the business-leader-at-the-mercy-of-uncertainty narrative is fiction. Corporate decision-makers, like any others, examine different scenarios to determine what course of action will benefit them most. It turns out that, insofar as government policy goes, the current scenario is and has been delightful for them: historically low taxes, historically low interest rates, a Democratic Party eager to be corporate-friendly, and regulations far *less* robust than might have been imagined in the wake of economic meltdown and repeated corporate scandal.

The lack of investment — or at least the lack of investment in activities that create jobs for American workers — reflects not corporate *uncertainty* about government policy but rather *active, strategic corporate choices* about how to maximize profitability (that is, the same choices corporations always make). One such strategic choice stems from the fact that corporate executives have learned that they can, without consequence, abandon the older practice of sharing productivity gains with workers, and instead seize all those gains for themselves.

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Another is the sense that a Republican victory could bring an era of even more spoils on which to gorge (there isn't much worry about current spoils being taken away because national Democrats, at most, only seek to nibble at the margin). If corporate executives are "uncertain," it is not an uncertainty by which they are victimized; it is instead a bet they are choosing to place on the creation of a playing field tilted even more in their direction, and it is a bet that the uncertainty card can be as effective as an intimidation tool as "do what we say and no one gets hurt."

All the money disappears on January 1st?

Calling the January 1st prospect of the beginning of program cuts and of increased tax revenues a "fiscal cliff" is a singularly inapt metaphor. Neither government programs, nor government revenues, nor the economy as a whole will suddenly go past a point of no return.

Depending on who is exerting what pressure, a Congressional impasse can be broken as easily in January or February as it can now. An expired tax cut that is reinstated in February, for example, can be made retroactive to January 1.

The real aim of many who cry “danger” at an approaching fiscal cliff is to generate a crisis atmosphere that can only being broken with what is described as “sensible,” centrist “compromise,” in other words, a perspective that sees even Clinton-era tax rates as too high, and that treats entitlement programs as luxuries that cannot be afforded as they used to be. This perspective — a compromise between where mainstream Republicans were some years ago and where they are now — is but a variation of the deficit hysteria that dominated discourse throughout 2011 with the goal of yielding a Grand Bargain that would squeeze government programs, including entitlement programs, into a fixed percentage of GDP, rather than determining what programs are needed and budgeting accordingly.

The real worry of those claiming pre-traumatic fiscal cliff syndrome is that Democrats — for once — will not surrender preemptively and that people will have an opportunity to see that the danger that has come to pass is substantially less than advertised.

When, for example, it comes to the year-end expiration of the tax cuts that were originaly scheduled to be eliminated at the end of 2010 (until President Obama yielded to the GOP and extended them for two years), people will begin to learn whether having to pay taxes at Clinton-era rates is such a disaster after all, or whether we can live quite well with those rates. Surely the wealthy will get on just fine; perhaps middle class taxpayers will as well.

Maybe, forced to choose, the Pentagon will offer up one of the many weapons program that actually isn’t necessary in an era where the U.S. retains overwhelming military superiority (and spends overwhelmingly more on the military than any country, too).

For those who insist that January 1 is a drop-dead date, there is a silver lining. R. Glenn Hubbard, the Columbia Business School Dean and advisor to Mitt Romney, was recently reported to have described the “fiscal cliff” as the number one source of corporate uncertainty, *even above the debt crisis in Europe*. Once we’re past January 1 and over the cliff, corporate leaders will touch themselves, see that they are still very much alive, assess the facts on the ground, and do so without the uncertainty that supposedly has been plaguing them.

Finished uncertainty! Unless, of course, “uncertainty” is just code for not giving up on the hope that politicians of both parties, as well as pundits, will continue to buy the evidence-free idea that general prosperity comes from corporations being kept fat and happy.

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