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## What's Needed In The Debt Ceiling Debate: Constructive Ambiguity

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While I agree with those who argue that we need less government spending rather than higher tax rates, their game of chicken over the debt ceiling makes me very nervous. I'm afraid the other side will win by doing nothing, even though win is not the right word. What we need is something I'll call "constructive ambiguity," or language that will enable both sides to save some face.

In a recent interview on CNBC, my old boss, Alan Greenspan, suggested that something commonly called tax expenditures might serve such a purpose. He mentioned that the recommendations of his Social Security Commission in the 1980s were accepted by both parties in part because they interpreted the change through their different perspectives. I asked him to elaborate, and he gave me permission to quote him as follows:

"The best example I know occurred with the compromise agreement during the National Commission on Social Security Reform in 1983, where the recommendation of taxation of benefits of higher-income groups was hailed by the Democrats, but also by Republicans who interpreted the move as a cut in benefits. Both agreed to the statutory language implementing the change, but for different reasons. The situation with tax expenditures has much the same dynamic."

The precedent has already been set for Schedule A deductions to gradually phase out at higher income levels as well as the value of dependents and other deductions from taxable income. While that always irritated me, it's better economics than higher marginal income tax rates.

A broader base and lower rates is the way to go. Too bad reducing the primary home mortgage exemption would be an untimely candidate for base broadening. Too bad it wasn't done several years ago. Too bad compromise is necessary, but I'm afraid it is.