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House OKs deal to avert fiscal cliff

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WASHINGTON -- The Republican-led U.S. House overcame deep partisan divisions late Tuesday night, accepting higher taxes on the wealthiest Americans as the only way to forestall a plunge off the fiscal cliff that threatened to send the nation back into recession.

The vote was concluded shortly after 11 p.m. -- just hours before the stock market was set to resume following the New Year's holiday. It was widely expected that without a deal in place, the market could take a huge hit with tax increases on all wage earners set to kick in and billions in across-the-board spending cuts scheduled to take place automatically.

The vote was not without rancor, and Republicans were badly split. Most Republicans, who had vowed never to raise taxes and were angry the deal didn't include deeper spending cuts, voted against it -- even as many others felt forced to join with Democrats to pass the measure.



The vote passed 257-167. Among Republicans, it was 85-151. Democrats supported it 171-16.

The Michigan delegation voted 12-3 on the legislation, with all seven Democrats favoring it and Republicans split 5-3 in favor.

President Barack Obama, speaking shortly after the vote, praised leaders of both parties and committed himself to further reducing the deficit, as long as the solution includes both spending cuts and increased revenues where appropriate.

"The deficit needs to be reduced in a way that's balanced," he said. "Everyone pays their fair share. ... We can come together as Democrats and Republicans to cut spending and raise revenues."

He also said he recognizes the need to reform Medicare -- one of the primary drivers of increased federal spending -- but won't do so in a way that could hurt the program. Meanwhile, he said, he will not enter into another debate with Congress

over raising the debt ceiling but expects it to be done to allow the nation to pay its debts.

Shortly after he spoke, the White House announced Obama was heading back to Hawaii to rejoin his family, which has been spending the holidays there. Midland Rep. Dave Camp, the Republican chair of the Ways and Means Committee, led the debate on the House floor, presenting leadership's argument that the deal was a necessary step on the path toward comprehensive tax reform. Camp said he would attempt to get more comprehensive reforms after a new Congress is sworn in Thursday.

Camp also made the point that the legislation makes permanent lower tax rates for individuals making less than \$400,000 a year and households making less than \$450,000 a year.

"We're making permanent tax policies Republicans original crafted," he said, later adding: "If we didn't address this fiscal cliff issue, every single American would see a tax increase."

The deal crafted by Vice President Joe Biden and Republican leader Mitch McConnell of Kentucky passed the Senate in an extraordinary session in the early morning hours Tuesday, even as the nation was celebrating the new year. As such, the U.S. actually went over the so-called fiscal cliff, but by coming up with a bargain -- even one as limited as this -- it forestalled the most draconian effects, at least for the time being.

The agreement extends federal unemployment benefits for a year, makes permanent several tax credits -- including those tied to child care and student loans -- and fixes the alternative minimum tax, which threatened to hit many middle-class families. It also put off for two months the so-called sequester, \$110 billion in spending cuts to be equally divided between defense and domestic programs.

Perhaps most significantly, it marked an end to Republican insistence that no taxes be increased. Faced with the prospect of taxes going up on everyone -- an automatic increase built into a 2010 arrangement to continue the 2001 and 2003 tax cuts -- some Republicans agreed with Democratic

insistence that the wealthiest Americans pay more, a central theme to President Barack Obama's re-election campaign.

U.S. Rep. Sander Levin of Royal Oak -- the ranking Democrat on the tax-writing Ways and Means Committee -- said the agreement "breaks the iron barrier" on raising taxes on the wealthy.

"This legislation allows us to get done what we need to get done," said Levin, repeating that it sets the stage for a balanced approach to budgeting from here on out, with new revenues and spending cuts going hand-in-hand.

That was exactly the issue that caused some Republicans to argue and vote against the legislation.

While Camp argued the legislation helps settle the level of revenue the government will raise once and for all, many conservative Republicans argued throughout the day that not enough spending reductions were in the deal -- especially with the nonpartisan Congressional Budget Office estimating it would add about \$4 trillion to the deficit over the next 10 years.

For a time Tuesday, it seemed that Republicans might try to amend the legislation, but that could have upset the bipartisan balance in the Democratic-led Senate, which passed the bill by an overwhelming 89-8 majority early Tuesday. In the end, those pushing the amendment didn't have the votes, and no change was proposed on the House floor. It still didn't sit well with some members.

"I'd like to be speaking for this bill, but I can't," said Rep. Darrell Issa, R-Calif.

Even Majority Leader Eric Cantor of Virginia was said to be against it. Earlier in the day, Rep. Justin Amash, a Cascade Township Republican, harshly criticized the legislation on his Twitter feed, saying it does nothing to cut spending. He compared it to the Senate making an obscene gesture to the American people.

"It's more of the same irresponsible & reckless behavior we've come to expect from Congress," he tweeted.

Rep. Bill Huizenga, a Zeeland Republican, also carped at the bill on Twitter, noting estimates that it raises \$620 billion in revenue but cuts only \$15 billion.

"A \$41 to \$1 ratio!" Huizenga tweeted.

Now, Republicans who voted for the legislation will have to face the prospects of primary challenges from their own party. Some of the most conservative organizations had continued to argue against any vote that raised taxes without deep spending cuts.

It was clear, however, that if the agreement failed, that could have had dire consequences. After looking in the afternoon like no vote might occur, the agenda quickly came together Tuesday night.

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markets reopened today without a deal in place, a steep decline could follow.

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In 2011, after a fight over raising the debt ceiling that put the automatic spending cuts in place, Standard & Poor's downgraded the nation's credit rating over worries that policy makers couldn't work together.

A fight similar to the fiscal cliff plan fight could be repeated in the weeks and months to come. The nation hit its debt ceiling recently and will need it raised within a few more months to pay its obligations. Settling the sequester will be a battle, as well.

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