Economist: Debt ceiling and spending cut work to be done even if Senate fiscal cliff deal is made

Posted: 01/01/2013

By: Ryan Calhoun

BOCA RATON, Fla. - It's not a done deal yet, but it's closer than it's been.

The Senate passed a fiscal cliff deal which proposes to increase taxes on households making more than $450,000 annually.

However the deal lets the payroll tax cut expire, meaning the average family would take home about $1,000 less per year.

"That means that the fiscal stimulus has been reduced a little bit," Florida Atlantic University Economics Professor Bill Stronge said.

He said the payroll tax cut hurts the growth of the economy.

The Congressional Budget Office says the Senate-passed fiscal cliff deal will still add $4 trillion to federal deficits over the next ten years.

"We can't keep going in the direction we are going. Everybody knows that," Stronge said. "The question is whether we should implement the plan not whether we should have a plan."

Stronge said tough decisions still have to be made by this Congress.

First will be whether or not to raise the debt ceiling.

"They'll have to talk about raising the debt limit if they do it for six months we'll have more controversy in six months," he said.

Two months from now, Congress also has to make a decision on military spending cuts and domestic cuts.

A move Stronge says will hurt the economy.

"To grow the economy you can't be raising people's taxes and slashing spending programs because that depresses an economy," he added.
That's why he said even if a deal is done, the work is far from over.