

The debt deal is a rare bipartisan victory for the forces of smaller government.

If a good political compromise is one that has something for everyone to hate, then last night's bipartisan debt-ceiling deal is a triumph. The bargain is nonetheless better than what seemed achievable in recent days, especially given the revolt of some GOP conservatives that gave the White House and Democrats more political leverage.

The big picture is that the deal is a victory for the cause of smaller government, arguably the biggest since welfare reform in 1996. Most bipartisan budget deals trade tax increases that are immediate for spending cuts that turn out to be fictional. This one includes no immediate tax increases, despite President Obama's demand as recently as last Monday. The immediate spending cuts are real, if smaller than we'd prefer, and the longer-term cuts could be real if Republicans hold Congress and continue to enforce the deal's spending caps.

The framework (we haven't seen all the details) calls for an initial step of some \$900 billion in domestic discretionary cuts over 10 years from the Congressional Budget Office (CBO) baseline puffed up by recent spending. If the cuts hold, this would go some way to erasing the fiscal damage from the Obama-Nancy Pelosi stimulus. This is no small achievement considering that Republicans control neither the Senate nor the White House, and it underscores how much the GOP victory in November has reshaped the U.S. fiscal debate.

No wonder liberals are howling. They have come to believe in the upward spending ratchet, under which all spending increases are permanent. Not any more.

The second phase of the deal is less clear cut, though it also could turn out to shrink Leviathan. Party leaders in both houses of Congress will each appoint three Members to a special committee that will recommend another round of deficit reduction of between \$1.2 trillion and \$1.5 trillion, also over 10 years. Their mandate is broad, and we're told very little is off the table, but at least seven of the 12 Members would have to agree on a package to force an up-or-down vote in Congress.

If the committee can't agree on enough deficit reduction, then automatic spending cuts would ensue to make up the difference to reach the \$1.2 trillion minimum deficit-reduction target. One key point is that the committee's failure to agree would not automatically "trigger" (in Beltway parlance) revenue increases, as the White House was insisting on as recently as this weekend. That would have guaranteed that Democrats would never agree to enough cuts, and Republicans were right to resist.

Instead the automatic cuts would be divided equally between defense and nondefense. So, for example, if the committee agrees to deficit reduction of only \$600 billion, then another \$300 billion would be cut automatically from defense and domestic accounts (excluding Medicare beneficiaries) to reach at least \$1.2 trillion.

This trigger is intended to be an incentive for committee Members of both parties to agree on more cuts, but defense cuts of this magnitude would do far more harm to national security than they would to domestic accounts that have been fattened by stimulus. This is the worst part of the deal, and Mr. Obama's political goal will be to press Republicans to choose between tax increases and destructive defense cuts. The GOP will have to fight back and make the choice between domestic cuts and harm to our troops fighting multiple wars.

While the "trigger" includes no revenue increases, the committee itself could agree to raise taxes to meet the \$1.2 trillion deficit reduction target. This means GOP leaders Mitch McConnell and John Boehner have to be especially careful in their choice of appointees. No one from the Senate Gang of Six, who proposed tax increases, need apply. The GOP choices should start with Arizona Senator Jon Kyl and House Budget Chairman Paul Ryan, adding four others who will follow their lead.

One reason to think tax increases are unlikely, however, is that the 12-Member committee will operate from CBO's baseline that assumes that the Bush tax rates expire in 2013. CBO assumes that taxes will rise by \$3.5 trillion over the next decade, including huge increases for middle-class earners. Since any elimination of those tax increases would increase the deficit under CBO's math, the strong incentive for the Members will be to avoid the tax issue. This increases the political incentive for deficit reduction to come from spending cuts.

Mr. Obama's biggest gain in the deal is that he gets his highest priority of not having to repeat

this debt-limit fight again before the 2012 election. The deal stipulates that the debt ceiling will rise automatically by \$900 billion this year, and at least \$1.2 trillion next year, unless two-thirds of Congress disapproves it. Congress will not do so.

Given how much the current debate has damaged the public perception of Mr. Obama's leadership, this will be a relief at the White House. This is part of the negotiating price that Mr. Boehner had to pay because of the back-bench revolt that showed he couldn't guarantee a debt-limit increase with only GOP votes. This gave Democrats more leverage.

The same supposedly conservative Republicans and their talk radio minders may denounce this deal as a sellout, but we'll be charitable and assume they've climbed so far out on the political ledge they don't know how to climb back without admitting they were wrong. They're right that this deal doesn't "solve" our fiscal crisis, but no such deal is possible as long as liberals run the Senate and White House.

The debt ceiling is a political hostage the GOP could never afford to shoot, and this deal is about the best Republicans could have hoped for given that the limit had to be raised. The Jim DeMint-Michele Bachmann-Sean Hannity alternative of refusing to raise the debt limit without a balanced-budget amendment and betting that Mr. Obama would get all the blame vanishes upon contact with any thought. Sooner or later the GOP had to give up the hostage.

The tea partiers pride themselves on adhering to the Constitution, which was intended to make political change difficult. Yet in this deal they've forced both parties to make the biggest spending cuts in 15 years, with more cuts likely next year. The U.S. is engaged in an epic debate over the size and scope of government that will play out over several years, and the most important battle comes in the election of 2012.

Tea partiers will do more for their cause by applauding this victory and working toward the next, rather than diminishing what they've accomplished because it didn't solve every fiscal problem in one impossible swoop.