



Deficit Reduction

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Plans to Reduce the Nation's Deficits Should Protect the Disadvantaged

After weeks of protracted debate, Congress and the White House agreed to a compromise deal (*Budget Control Act*, enacted on Aug. 2, 2011) that would lift the nation's debt ceiling by \$2.1 trillion dollars in exchange for caps on discretionary spending that would cut at least that amount from the deficit over the next decade. It's fair to say the nation breathed a collective sigh of relief after policymakers announced the compromise. The threat of debt default and subsequent repercussions for the national and global economy loomed large,¹ and poll after poll showed that the majority of Americans, from Main Street to Wall Street, wanted lawmakers to reach an agreement.

To be sure, even after all of the widespread unease, the crisis was a manufactured one. Since March 1962, Congress has raised the nation's debt ceiling 75 times; it was raised seven times during the George W. Bush Administration, and including the recent vote, four times during the Obama Administration.² But an agreement to raise the debt ceiling has never before been successfully linked to deficit reduction and such drastic spending cuts.³ This clearly political maneuver forced an agreement that will disproportionately affect vulnerable children and families. The discretionary spending cap means programs ranging from child care assistance to subsidized jobs—programs low-income Americans rely on to access jobs and education—face cuts. Just as troubling as the cuts is the fact that the agreement asks nothing of the most fortunate Americans. It leaves corporate tax loopholes and tax breaks for the wealthy untouched.

From the beginning, we've known that reducing the deficit would require tough choices about how the nation invests its financial resources. But it also requires answering moral and philosophical questions about the kind of nation we want to be now and in the future. Today, one in seven of us is poor, including one in four children under age five, and nearly one-third of us are low-income.⁴ In the last three decades, the income gap between rich and poor has widened.⁵ Unemployment has hovered around 9 percent or higher for the last two and a half years and economists project it will remain high in the foreseeable future. Cutting programs that promote opportunity and alleviate poverty while leaving tax breaks for the wealthiest and corporate tax loopholes untouched is anathema to the nation's shared core values and detrimental to its future.

The slog toward a final deficit reduction plan is not over. Congress still has to decide how cuts will be apportioned and ultimately will decide whether the revenue conversation will be part of any actions taken to reduce the deficit. The political parties have ideological differences, but the unfortunate facts are the unfortunate facts. Far too many families and children are struggling and whacking the foundation of programs that provide education, learning, job training not to mention alleviate immediate hardship will do nothing to improve the well-being of the nation's families.

Background

In December 2010, the presidentially appointed bipartisan National Commission on Fiscal Responsibility and Reform released a proposal for reducing the nation's deficits and addressing long-term debt.⁶ The plan was far from perfect, but it tacitly acknowledged that annual deficits cannot be eliminated solely by focusing on the small percent

of the budget represented by domestic, discretionary, non-defense spending. It called for shared sacrifice, and one of its guiding principles was protecting the truly disadvantaged. It included program cuts as well as tax reforms. Advocates and policymakers alike have pointed to these principles as key for ongoing negotiations around the budget and deficit reduction, but much of current political discourse is focused on proposals that fundamentally defy these principles by placing a significant percent of the burden for deficit reduction on programs that benefit low-income and vulnerable Americans while outright protecting tax breaks for the wealthy and corporations.

In early April, House Budget Committee Chairman Paul Ryan released an FY 2012 budget proposal, widely known as the Ryan budget, which purports to reduce the nation's deficit by drastically cutting domestic spending.⁷ It would adversely and disproportionately affect low-income people by cutting workforce development, reducing spending on child care and early education programs, raising the real cost of tuition and college expenses for low-income students by decreasing Pell grant aid, slashing spending on health care and nutrition assistance for low-income people by block granting Medicaid and the Supplemental Nutrition Assistance Program (SNAP), and undoing health care reform. At the same time, the Ryan budget would cut taxes for the richest households and set an arbitrary cap on revenues below the levels needed to meet the nation's critical priorities. Rep. Ryan called the budget a path to prosperity and a "choice for America's future." It is in fact a path to scarcity and a poor "choice" for America's future. The soaring rhetoric belies a limited approach to government that would stymie the ability of those at the bottom to get the education and training necessary to acquire a good job, get nutritious food for their children or to access child care and health care. The approach fails to recognize that for the nation to be economically competitive, it must invest in its human resources.

In January, Rep. Bob Goodlatte introduced (*H.J.Res.1 Proposing a Balanced Budget Amendment to the Constitution of the United States*),⁸ which the House Committee on the Judiciary passed along party lines on June 15. The bill would make an annual balanced federal budget constitutional law and limit federal spending to 18 percent of the nation's Gross Domestic Product (GDP). While capping spending at 18 percent of GDP, the bill makes raising revenue all but impossible by requiring a super majority (two-thirds vote) to raise revenue in any way, including ending tax breaks for the wealthy or closing corporate tax loopholes. Not since FY 1966—an era that preceded aging Baby Boomers and critical expansions in national security, health care, education and other critical programs that provide support to Americans at every income level—has federal spending been less than 18 percent of GDP.⁹ During the Reagan Administration, federal spending averaged 22 percent of GDP. By comparison, spending in FY 2010 was about 24 percent of GDP due in part to increased spending because of the recent recession and decline in federal revenue. Constitutionally capping spending at 18 percent of GDP is unrealistic and arbitrary, particularly with this vehicle. [See the CLASP fact sheet *Off Balance: Proposal to Balance the Budget Drastic, Unrealistic and Harmful to All Americans.*](#)

On Aug. 2, after weeks of political brinksmanship, President Obama signed the *Budget Control Act* into law. The bill requires a vote on a balanced budget amendment bill as described above. It calls for an initial \$1.2 trillion in cuts, \$1.043 trillion of which is discretionary spending. It also requires House and Senate leadership to appoint a 12-member, bipartisan committee that will determine by November 2011 how to achieve an additional \$1.5 trillion in deficit reduction. Senate Majority Leader Harry Reid has said that part of the deal will include revenue raisers, but Speaker of the House John Boehner has said it will not. The bipartisan group of 12 should do what's right for the nation's families. They should commit to doing more than paying lip service to the principle of shared sacrifice by including revenue raisers as part of the final deficit reduction plan. And they also should commit to ensuring final plans do not increase poverty and inequality.

Protect the Truly Disadvantaged

We are a nation that rewards innovation and achievement and believes everyone should have the opportunity to thrive. But deficit reduction talks continue to focus almost exclusively on how much to cut and from where. During the debate over the *Budget Control Act*, the country failed to have a concurrent conversation about the true costs and value of public investments and cuts, both now and into the future, and how each choice would impact the nation. This failure will come at a cost.

Every day we hear news about the stagnation of the American economy as more families lose their homes, nutrition programs scale up to provide food to more needy families, school districts cut days from the school year, and our roads and bridges continue to decline. Low-income families have already sacrificed. Those with the least should not be asked to give up the most, but this is exactly what those who say the nation must make tough choices are asking when they refuse to take a broad look at all spending and revenue yet call for deep program cuts to early education, job training, workforce development, and education programs, or call for strict spending caps that would starve programs of necessary funding needed to meet need.

We have a choice about our future, and the decisions we make now will weigh heavily in the kind of nation we are in the short- and long term. Making the right choice requires all of us to recognize that America needs government, and that our government must have sound leadership and adequate revenue to function. Government fixes the roads we drive on, pays for public safety officials, ensures the food we eat and medicine we take is safe, and provides public education opportunities for us all. Making the right choice also requires policy decisions that ensure everyone has access to a pathway to prosperity and that government works as well for Main Street Americans as it does for the wealthy few. The “choice” we make for America’s future must be driven by the nation’s shared, core values. Cutting programs that help children thrive, help families make ends meet in tough times, and help youth and adults access education and work is not a shared value.

¹ Ben Bernanke, “Fiscal Sustainability,” Remarks at the Annual Conference of the Committee for a Responsible Federal Budget, Washington, D.C., June 2011, <http://www.federalreserve.gov/newsevents/speech/bernanke20110614a.pdf>, 5.

² D. Andrew Austin and Mindy R. Levit, “The Debt Limit: History and Recent Increases,” Congressional Research Service, July 2011, <http://www.fas.org/sgp/crs/misc/RL31967.pdf>, 8.

³ “Table 7.3 – Statutory Limits on Federal Debt: 1940-Current,” *Federal Debt and Interest Costs*, Congressional Budget Office, December 2010, and Robert D. Reischauer, “Taxes and Spending Under Gramm-Rudman-Hollings,” *National Tax Journal*, Vol. 43, no. 3, (September, 1990), pp. 223-32.

⁴ U.S. Census Bureau, *Age and Sex of All People, Family Members and Unrelated Individuals Iterated by Income-to-Poverty Ratio and Race: 2009*, Current Population Survey, 2010, http://www.census.gov/hhes/www/cpstables/032010/pov/new01_100_01.htm.

⁵ U.S. Census Bureau, “Table A-3: Selected Measures of Household Income Dispersion: 1967-2008,” *Income, Poverty, and Health Insurance Coverage in the United States: 2008*, <http://www.census.gov/prod/2009pubs/p60-236.pdf>, 38-39.

⁶ The National Commission on Fiscal Responsibility and Reform, *The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform*, December 2010, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf.

⁷ House Committee on the Budget, “The Path to Prosperity: Restoring America’s Promise,” *Fiscal Year 2012 Budget Resolution*, April 2011, <http://budget.house.gov/UploadedFiles/PathToProsperityFY2012.pdf>.

⁸ *Proposing a balanced budget amendment to the Constitution of the United States*, H. J. Res.1, 112th Congress, 1st sess., <http://www.gpo.gov/fdsys/pkg/BILLS-112hjres1rh/pdf/BILLS-112hjres1rh.pdf>.

⁹ “Table 15.3 – Total Government Expenditures as Percentages of GDP: 1948-2010,” *Budget of the United States Government, Fiscal Year 2012*, Office of Management and Budget, February 2011, <http://www.whitehouse.gov/omb/budget/Historicals/>.