The Human Costs of Budget Cuts

Implications of Across-the-board and Targeted Cuts on American Families and Communities

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CLASP
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I. Introduction

Thank you, Chairman Heinrich, Vice Chairman Schweikert, and members of the committee. My name is Indivar Dutta-Gupta, and I am the President and Executive Director of the Center for Law and Social Policy (CLASP). CLASP is a national, nonpartisan nonprofit utilizing research and analysis to advance effective policy solutions that disrupt structural and systemic racism and sexism and remove barriers blocking people from economic security and opportunity, in turn building a more prosperous country for all of us. I am also a former House Ways and Means Committee staffer and have worked on policies, including federal tax and budget policies, promoting economic security and opportunity for my entire professional career.

I am honored to come before this committee to discuss the risks posed by the recent House-passed bill that would institute unprecedented and dangerous budget cuts while suspending our arbitrary federal debt limit for no longer than 10 months. The House Republican bill threatens to default on our nation's bills and send our economy into a tailspin if Congress doesn't cut core investments that families and communities rely on for their wellbeing and to access opportunity in this country—investments like Medicaid, Supplemental Nutrition Assistance Program (SNAP) benefits, income supports, education and job training, child care assistance, climate interventions, and more.

II. Overview

The balance of this testimony is organized as follows:

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Ultimately, this testimony calls on Congress to swiftly and cleanly raise or eliminate the self-imposed limit Congress has set to prevent us from meeting our nation's legal and financial obligations.

III. Summary of the McCarthy Bill

The House-passed McCarthy debt limit bill, the "Limit, Save, Grow Act of 2023," would suspend (not raise) the federal debt limit and decrease federal spending, including through tax subsidies. Specifically, it would suspend the debt limit through March 2024 or when the nation hits a $1.5 trillion fall in debt, whichever comes first.

This bill decreases spending, largely by imposing restrictive caps on discretionary spending for 10 years. It also repeals several energy tax credits, modifies the permitting process and other requirements for energy projects, expands work reporting requirements for key health and economic security programs, and nullifies regulations for the cancellation and reduction of federal student loan debt.

Specifically, the bill would

- Institute discretionary spending limits for 10 years, beginning federal fiscal year 2024 (October 1, 2023 - September 30, 2024), that would be sizeable from the start and would become increasingly severe over time as they failed to keep up with inflation and population growth. The legislation does not set separate caps for military and domestic discretionary spending, and House Republican leaders have suggested that both military spending[1] and veterans' health care[2] would be protected, forcing even more extreme cuts to the remaining programs;
- Rescind the approximately 2 percent of funds appropriated for combatting the pandemic that remain unobligated;[3]
- Rescind long-needed funding for the Internal Revenue Service that is helping level the playing field between the wealthy and working class;
- Undo President Biden's student debt relief and income-driven loan repayment plans;
- Undermine or eliminate recently enacted incentives to help address the climate crisis while expanding fossil fuel investments;
- Mandate new work reporting requirements to take food, health coverage, and meager income supports from people; and
- Restrict longstanding regulatory authority from federal agencies.

These policies are deeply misguided. They would cause significant harm to regular people while protecting many of the wealthy and well-connected. The policies would raise out-of-pocket living expenses faced by families while reducing legally owed taxes paid by corporations and the highest-income households. In addition, while agreements on discretionary spending are themselves necessary, jeopardizing raising the debt limit is never appropriate. Failure to agree to appropriations bills can result in painful government shutdowns. Breaching the debt limit would cause far more harm – a shutdown on steroids, and more – and the threat to do so is equivalent to legislative hostage-taking.

IV. How Key Federal Programs Support Wellbeing

One of the reasons why cutting federal spending significantly has proven so difficult is that much of it is defense spending or supports for individual and family wellbeing. In particular, the federal government spends a large share of its budget to help people afford a basic living standard. This spending is generally wise. Everyone needs enough resources and protections to afford the basics including food, appropriate clothing, safe shelter and utilities, and health and dependent care. These necessities provide a basic foundation allowing families to access opportunity through education and in the labor market; help their children thrive; prosper regardless of disability status or health care needs; retire with dignity; and contribute fully to society.[4]

Many people in this country cannot afford these necessities without public support. One reason is that the United States suffers from an unusual number of low-paid jobs. In fact, our nation ranked 39th in 2021 among the 42 OECD countries when considering the share of full-time jobs paying less than two-thirds of the median earnings.[5] The extraordinary prevalence of low-paid, and often unstable, jobs means that many adults who benefit from programs supporting a basic living standard are very much working but earning too little to make ends meet without these supports.[6] Others experience low incomes due to the hazards of life including

- illness (including mental illness),
- disability (including partial disability),
- death (especially of a family breadwinner),
- outliving their savings,
- underemployment (throughout the business cycle),
- escaping intimate partner violence,
- needing to care for a loved one, and more.

Notably, economic insecurity can and does affect even those adults who grew up relatively advantaged, with the bulk of people experiencing poverty being adults who did not grow up in poverty.[7] There is simply no substitute for good jobs and a strong tax and transfer system.

The high prevalence of people with very low incomes in the United States is not harmful solely to people who experience such economic security—it harms us all. The consequences of poverty as experienced in this country impose significant costs on society as a whole through lost productivity and earnings, greater morbidity and mortality (which can be especially costly in a country with extraordinary health prices and spending), and increased law enforcement and prison and jail costs (due to policymakers' decisions to pursue a path of mass criminalization and mass incarceration). The evidence is particularly strong for child poverty, which lowers tax revenues and increases public spending unnecessarily, in turn hindering our nation's economic progress.[8] One estimate finds societal costs of child poverty to be approximately 5.4 percent of GDP in 2015.[9]

Our nation's response to the COVID-19 pandemic provides unmistakable validation of the role that government can play in addressing basic needs and reducing poverty. Public investments supported those with the greatest need and put our country on track to a historic recovery, preventing those in poverty from falling further behind. Record reductions in poverty in 2020 and 2021 were the result of government interventions during the ongoing epidemic that included stimulus payments; unemployment insurance expansions; paid sick and paid family leave; improvements to core benefit programs such as SNAP and Medicaid; enhanced subsidies through the Affordable Care Act; and the groundbreaking expansion of the Child Tax Credit.[10] Despite continued job creation in 2022 and 2023 to date, the termination of these measures is likely to reverse those gains.

Enacted during a severe public health and economic crisis, the American Rescue Plan Act (ARPA) made a difference in the lives of tens of millions of Americans—expanding access to COVID-19 vaccines and testing, providing economic relief that kept millions out of poverty, preventing evictions and foreclosures, and helping small businesses keep their doors open. ARPA accelerated the economic recovery throughout 2021 and made it more resilient to future challenges.

Last year's Inflation Reduction Act included important and long-overdue investments to help restore fairness in our tax system, make prescription drugs and health insurance more affordable, and address the climate crisis—and it also reduced deficits overall by addressing tax evasion and making Medicare more efficient.

Policymakers should choose to invest in and value our families and communities

We can invest in Medicaid so our veterans, children, seniors, and the uninsured have access to care. We can ensure that SNAP benefits stretch farther so families aren't staring down hunger amidst rising food costs. We can invest in child care, paid leave, and home- and community-based services, so our families can meet our responsibilities as workers and caregivers for our loved ones. And, yes, we can afford to do these things by ensuring that those who have benefited most from the American economy—the wealthiest individuals and highly profitable corporations—pay their fair share in taxes. Bobby Kogan of the Center for American Progress recently demonstrated that it is tax cuts—the Bush and Trump tax cuts—that have primarily contributed to our rising annual deficits, more so than federal spending in response to the past two recessions combined. Without those recent tax cuts and their extensions, debt as a percentage of our economic output would be declining indefinitely.[11]

The debt ceiling bill introduced by Speaker of the House Kevin McCarthy and passed on a narrow margin by the U.S. House of Representatives takes a very different path. It allows out-of-touch extremists in Congress to hold our economy hostage to their demands to slash domestic spending and cruelly limit access to public benefits that strengthen our nation. What's more, the plan racks up more debt by allowing billionaires to evade their taxes and then asks working families to foot the bill.

V. How the McCarthy Bill Would Harm All of Us, Especially Those Struggling the Most

Both annually appropriated (discretionary) and mandatory programs would face staggering cuts despite already modest spending on effective and vital programs.

First, the McCarthy debt ceiling bill would set indefensibly low, rigid, and arbitrary caps on appropriations, allowing no adjustments for inflation or population growth and no ability to respond to emerging needs, such as a recession—which the bill and legislative strategy would make more likely—a national security crisis, or the next pandemic. The legislation slashes everything including essential programs that support economic success such as child care, school meals, job training, and housing assistance as well as core public functions such as transportation and food safety.

Second, the bill also limits access to benefits and health coverage that help secure a basic foundation for families to access opportunity and thrive—including SNAP, Medicaid, and Temporary Assistance for Needy Families (TANF)—for people who can't prove they are working or exempt. We know from extensive evidence that such requirements do little to promote work and even less to boost incomes—even deepening poverty for many.[12] In fact, many people lose benefits even though they are working, or should qualify for an exemption, but fail to keep up with the paperwork requirements.[13]

V1. How the McCarthy Bill's Appropriations Cuts Would Devastate the Nation

The McCarthy debt ceiling bill's cap on discretionary funding would cut overall FY 2024 funding to the FY 2022 levels, with no increase even to cover rising costs since then.[14] These programs are referred to as "discretionary" because Congress can set their spending levels through the annual appropriations process, but the bill's cuts include a wide swath of programs that the public depends on, from Head Start and housing assistance to air traffic control, public health, and the armed forces.

Because the costs of providing goods and services have grown due to inflation, this would mean immediate cuts of **13 percent in 2024** below current services if spread across all discretionary funding. However, House Republicans have said they do not intend to cut defense or veterans' benefits—though veterans participate in virtually every other key program facing cuts, including nearly 900,000 in Medicaid[15] and 1.1 million in SNAP.[16] If they protect both defense and veterans' health care from cuts, then all other non-defense discretionary programs would have to be cut by **33 percent in 2024**. The caps would then grow by 1 percent in each of the next nine years, considerably less than projected inflation. As a result, in real terms, the cuts would rise to **24 percent by 2033** if they were spread across all discretionary programs, and **59 percent** if defense grew with inflation and veterans' benefits grew with inflation and rising needs.[17] That 59 percent figure appears to represent the largest 10-year cut for nondefense discretionary funding on record (with data going back to 1976).[18] **If defense spending grew at its average rate since 2017 (rather than at the rate of inflation), the required non-defense discretionary would be a stunning 94 percent.[19]**

Even the 24 percent cut would be more extreme than the cuts in the Budget Control Act of 2011—cuts that Congress could not sustain even with Republican control of Congress and the White House.[20] In other words, those milder cuts were unpalatable to Republicans when the abstraction of percentage cuts was turned into the reality of reduced government services. The McCarthy bill should have been at least as unpalatable.

Importantly, these cuts would be applied to funding levels that have already failed to keep up with inflation and population growth due to the harmful squeeze on non-defense appropriations brought about by the Budget Control Act of 2011. Even with the proposed increases in President Biden's 2024 budget, non-defense appropriations other than veterans' medical care would remain under 2010 levels adjusted for population and price growth. When measured as a percentage of gross domestic product (GDP), the president's proposed spending in these areas is *below* the long-term average of the previous 47 years.[21]

Though the House bill does not specify how the caps would be applied to different spending areas, I will now offer a few plausible examples of what these cuts would look like in key areas that fuel our long-term prosperity.

Impacts on child care

Child care and early education programs, like Head Start and the Child Care and Development Block Grant (CCDBG), are lifelines for the families who access them. Yet, due to limited federal funding, CCDBG only served 1 in 6 eligible children in 2019,[22] Head Start is estimated to only reach around 30 percent of eligible children,[23] and Early Head Start reaches far less at 10 percent of eligible children served.[24]

The potential impacts of the House Republican bill on children, families, child care providers, and the programs that meet their diverse needs are alarming. According to analysis released by the White House, the bill would mean 200,000 children lose access to Head Start slots and 180,000 children lose access to child care[25]—undermining our children's education and making it more difficult for parents to join the workforce and contribute to our economy.

To make matters worse, the pandemic relief resources, including those supporting providers and the sector through CCDBG, for example, will expire by the end of FY24 with some of the funds that support providers directly already fully expended in some states. These resources saved the sector from a total collapse, but they were never intended to address the long-term challenges of the sector. As concerns about economic recovery, unemployment, and inflation continue, significant and sustained increases—and not decreases—are necessary. Given the fragile nature of the child care sector[26] and decades of insufficient federal funding,[27] the need for long-term and sustainable increases for child care remains pressing.

Congress Must Quickly Build on ARPA Child Care Funding

While the American Rescue Plan Act (ARPA or ARP) and other federal child care relief is temporary, these investments have had significant, positive impacts on children, families, and child care providers. Although the use of the resources varied by state based on needs, many states sought to stabilize the child care workforce, ease the burden of high costs and lack of access for families, and improve policies within their subsidy programs.[28] According to the Department of Health and Human Services Administration for Children and Families, "As of December 31, 2022, the ARP Child Care Stabilization Program had served more than 220,000 child care providers, impacting as many as 9.6 million children. Providers are using awards to help with operational costs like wages and benefits; rent and utilities; program materials and supplies; and cleaning and sanitation."[29]

Nationally, states have used pandemic relief resources to sustain, grow, and equitably compensate the workforce[30] build or upgrade child care facilities; make child care programs more affordable for families;[31] expand access to child care and pre-K;[32] and make state-wide improvements such as developing or enhancing data systems. These changes, which are now at risk of being overturned as the expiration of the relief funds nears, have had positive impacts on providers and families. States worked hard to efficiently and equitably implement funds and, in some cases, leveraged opportunities to expand access. Many are now left in tough situations without resources to sustain progress.

Impacts on postsecondary education

The proposed cuts to postsecondary education would be profoundly harmful for students and families, and these cuts would only exacerbate the skyrocketing cost of education and mounting national student debt. The McCarthy bill would end President Biden's debt relief program completely, denying alleviation for over 40 million Americans. This elimination would directly worsen the country's enormous racial wealth gap, as underrepresented borrowers on average would experience loan forgiveness at higher rates than white borrowers.[33]

The McCarthy bill would nullify the U.S. Department of Education's proposed reforms to Income-Driven Repayment (IDR) plans, undermining changes that would provide relief from untenable student loan payments for those most in need.[34] The new rules are slated to make federal student loan payments much more affordable for individuals with low incomes and address the pervasive problem of ballooning balances, by preventing unpaid interest accumulation for borrowers who make the required monthly payments.[35] The McCarthy bill would roll back these much-needed improvements, disproportionately harming Black borrowers, who are the most likely of any racial or ethnic group to use IDR plans.[36]

According to White House estimates, the McCarthy bill is projected to cut the maximum award for Pell Grants by close to $1,000 and eliminate Pell Grants completely for 80,000 students.[37] Forty-four percent of all undergraduate students received Pell awards in 2017-2018.[38] Pell recipients overwhelmingly have lower incomes, as an estimated 97 percent of all recipients had a total household income at or below $60,000 in 2020-2021, about $10,000 below the median household income for the entire country that same period.[39] Cutting Pell would also substantially reduce enrollment levels at both 2-year and 4-year public institutions. Over half of both dependent and independent Pell Grant recipients attended a public institution.[40]

Impacts on workforce development

In the late 1970s, Congress provided an all-time high of $24 billion (in inflation-adjusted dollars) investment in our workforce training and employment services at the U.S. Department of Labor. Today, we only invest approximately $6 billion a year in workforce training and employment services.[41] These services play a vital role in helping people who are unemployed and those earning low incomes move out of poverty and into good jobs with family-sustaining wages.

Current funding levels are not sufficient to provide the employment and training services that individuals with barriers to employment need to move to economic security and into good jobs—or that small businesses need to be able to hire and develop the employees with the skills required for today's jobs. Congress has neglected to provide sufficient Workforce Innovation and Opportunity Act (WIOA) funding, even in the face of rising inflation and population growth. This lack of investment has hindered the program from delivering effective and equitable services.[42]

The McCarthy bill would contribute to our nation's under-resourced workforce development system. According to White House projections, the bill would result in nearly 700,000 fewer workers receiving job training and employment services provided through the U.S. Department of Labor,[43] in turn limiting their career pathways to high-quality jobs. Investing in workforce development programs is particularly important to support Black and Latino/a/x workers; immigrants; youth; and people who face barriers to employment by providing equitable pathways to good jobs with family-sustaining wages. These workforce development cuts likely would include a sizeable reduction in apprenticeships—an equitable, earn-and-learn model that can help workers get the skills for today's in-demand high-quality good jobs and help employers diversify their workforce. In FY 2021, there were over 800,000 registered apprentices in the national apprenticeship system. Many of these positions could be threatened under the proposed discretionary funding caps.[44]

V2. Why the McCarthy Bill's New Work Reporting Mandates Are Counterproductive

The House Republican bill also includes provisions that would deny Medicaid and SNAP benefits to people unless they consistently document that they work a certain number of hours per week. These provisions would put 1 million older (ages 50-55) adults at risk of losing SNAP benefits[45] and between 10 and 21 million individuals at risk of losing health insurance.[46] Under such so-called work requirements, recipients must report their hours of work each week, either by mailing in paper forms or by using an online portal. While this may sound simple, the reality is far more complex. Many workers with low wages – the precise group that needs support from benefit program – experience fluctuations in their hours of work from week to week, with no ability to control their hours, and little notice, making it impossible to seek additional employment.[47]

The need to report hours adds its own challenges. According to focus groups conducted by the Urban Institute with people who were subject to the experimental work requirements in Arkansas in 2018, the problems that people experienced included:

- Not receiving notices sent by the state due to outdated mailing addresses or phone numbers;
- Not understanding that the work requirements applied to them – notices were confusing and hard to read, especially for people who had low literacy skills or were not fluent in English;
- Lack of access to the internet, or access only through mobile phones that made it hard to access the state's online portal, which was described as "slow," "clunky" and "confusing,"
- Confusion about the exemption processes.[48]

People who are supposed to be exempt—such as people with disabilities—are also vulnerable to losing benefits because of reporting requirements and red tape.[49] People may have to make separate appointments with doctors to get the needed documentation, which can be difficult or impossible in places where there are shortages of doctors, or who need to see providers where there are long waits, such as for long COVID or for mental health treatment. It is particularly ironic that the lack of health insurance needed to pay for these doctors' visits can itself be a barrier to getting health insurance.

The bill also includes requirements for states operating cash assistance programs under TANF that would be so daunting for states to meet that many would likely simply stop providing cash at all to families with children facing unemployment, eviction, or domestic violence. This mandate would risk benefits for more than half-a-million families experiencing deep poverty, including nearly a million children.[50] Because TANF provides states with a fixed amount of funding through "block grants," the TANF provisions would not even save the federal government money; states could simply reallocate their federal TANF funds to other purposes.

Research and evidence undermine arguments for work requirements

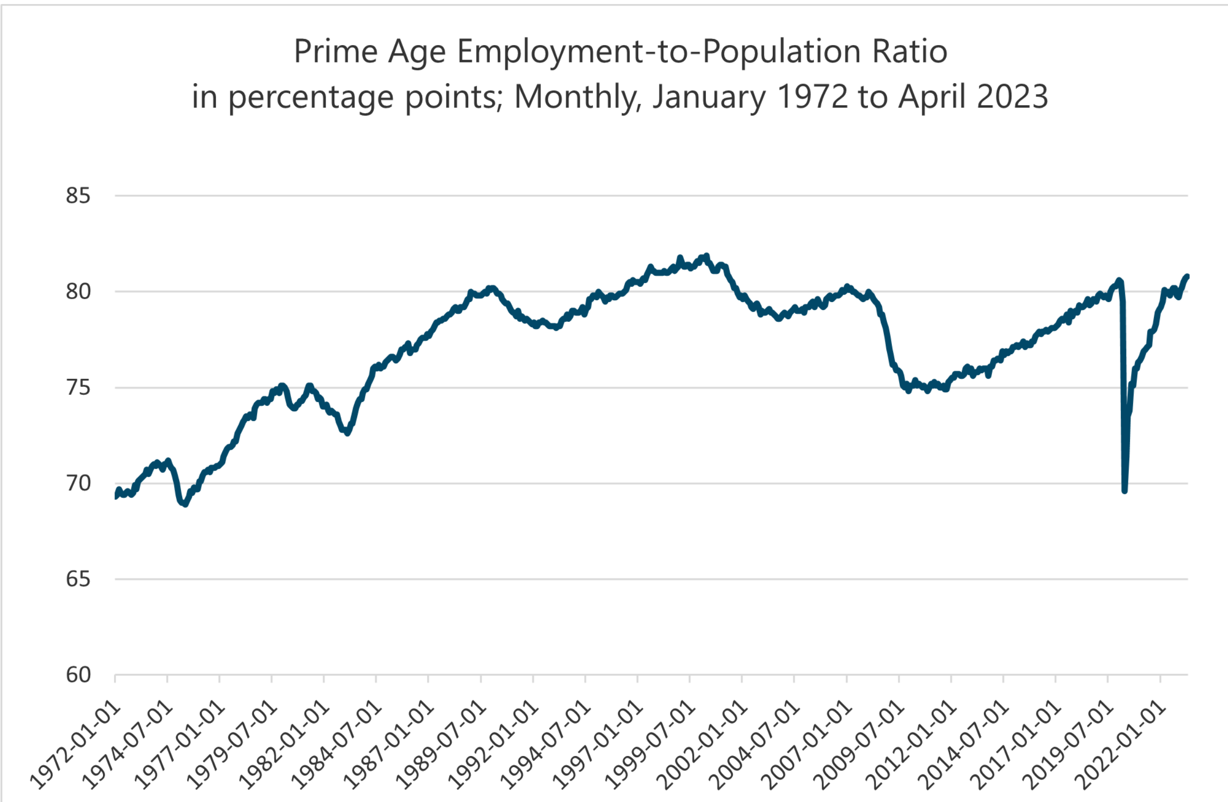
Before agreeing to raise or suspend the debt ceiling—a necessary step for the nation to pay our bills and avoid financial catastrophe—the McCarthy bill demands deep spending cuts. Work requirements, which would limit access to food and health care for millions of people, help them achieve their target.

As it is, workers of all races are working at historically high rates—gains that are threatened by the McCarthy bill.

Due to the tight labor market, Black and Hispanic workers are seeing the largest job gains in history.[51] The tighter the labor market gets, the more employers are incentivized to pull in workers they have overlooked in the past. This can be seen through the employment-to-population ratio, which measures the civilian labor force currently employed against the total working-age population of that group.[52]

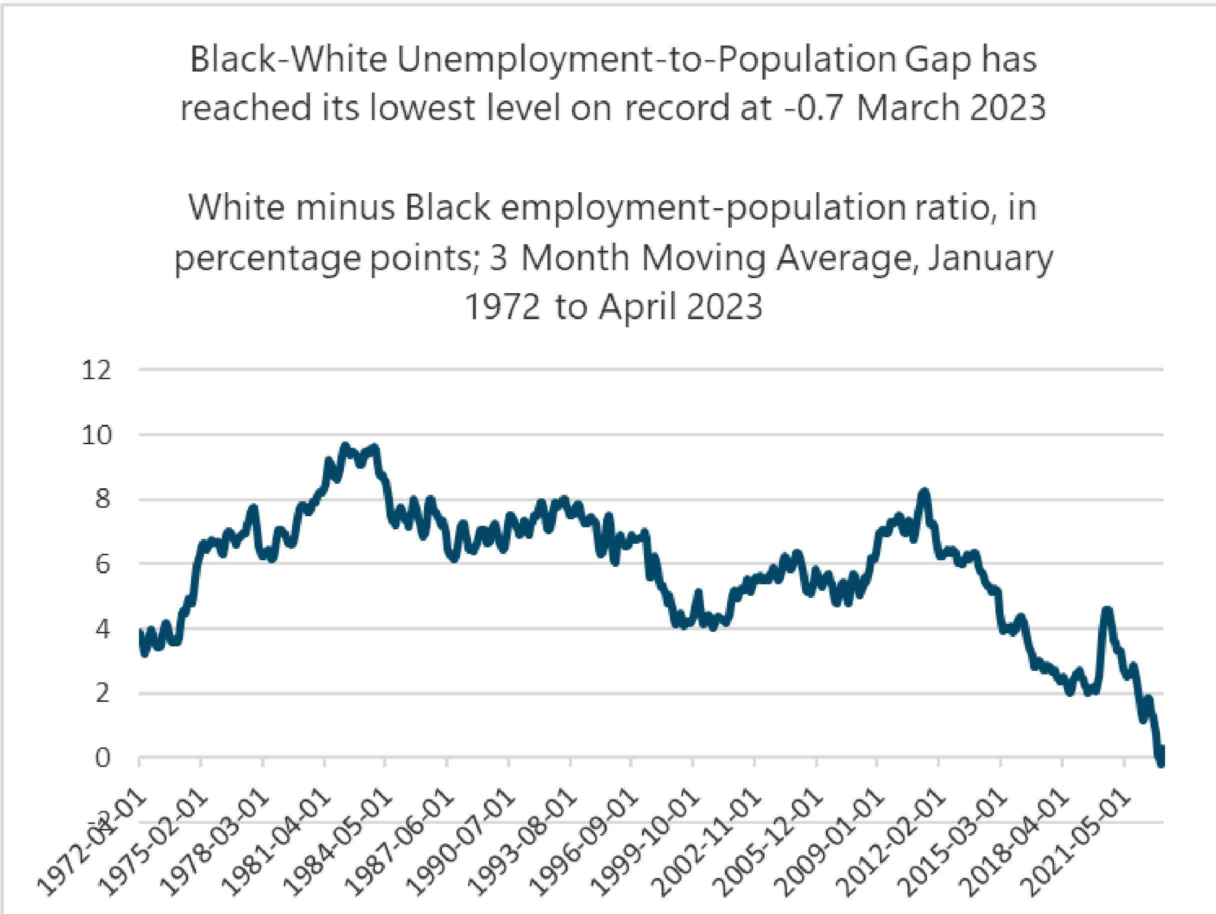
In March, the prime age (25-54) Black employment-to-population ratio was above the white employment -to-population ratio for the first time since 1972, which is the first year the Bureau of Labor Statistics (BLS) started recording the ratio. This means that prime age Black American workers are more likely to be working in the labor market than white Americans.

Graph 1. Prime Age Employment-to-Population Ratio is High Compared to Recent Experiences, January 1993-April 2023



Source: U.S. Bureau of Labor Statistics, Employment-Population Ratio - 25-54 Yrs. [LNS12300060], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/LNS12300060, May 15, 2023.

Graph 2. Black-White Employment-to-Population Gap is at its Lowest on Record, 1972-April 2020



Source: U.S. Bureau of Labor Statistics, Employment-Population Ratio - Black or African American [LNS12300006], White [LNS12300003], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/LNS12300006, May 15, 2023.

At the same time, strong evidence refutes the idea that work requirements in Medicaid or SNAP have a meaningful effect on labor supply.[53] In other words, work requirements do little to lead people into jobs. To the contrary, in the long run, expanding programs like Medicaid and SNAP will raise employment and earnings.

In the short run, the restrictions cause people struggling with poverty to lose critical benefits because of the paperwork required to fulfill work requirements or receive an exemption from them—which is precisely the point.[54]

Arkansas' experiment with Medicaid work requirements disproves the claim that work requirements will move people into employment. In 2018, Arkansas implemented work requirements in Medicaid as part of a Trump administration effort to get states to condition eligibility for the health insurance program on work. More than 18,000 beneficiaries lost their health coverage until a federal judge halted the program in 2019.[55] The work requirements also didn't increase employment for people subject to these rules over the next 18 months.[56] Empirical studies of work requirements that certain SNAP recipients must meet or lose benefits after three months confirm a similar outcome. One study found no effects on employment but a 53 percent decline in program participation.[57] Another study found that the time limit reduced participation in SNAP and no evidence of increased employment or earnings among those subjected to it.[58]

Why are work requirements counterproductive? The reality is that millions of workers rely on SNAP and Medicaid because of their jobs' low wages, unpredictable schedules, and lack of benefits.[59] That same lack of control over their hours also puts workers at risk of losing benefits when policymakers impose work requirements.

As demonstrated by the overwhelming balance of research, these requirements are solutions in search of a problem. They are based on stereotypes that people with low incomes do not wish to work;[60] these narratives are demonstrably grounded in racism[61] and will disproportionately harm those who are already the most excluded and marginalized by racism's pervasive and persistent effects. Yet these requirements harm us all, including by dishonoring the unpaid caregiving and other work—such as addressing one's behavioral health and other health-related challenges—that supports our society.

V3. An evidence-based approach to improving employment & earnings includes meeting basic needs & funding other investments

The research also shows that consistent access to cash, health care, and nutrition is more likely to promote work than work reporting requirements. An assessment by the state of Ohio of its Medicaid expansion population found that 83.5 percent of participants who were already employed said Medicaid made it easier to that work, while 60 percent of unemployed participants said having Medicaid made it easier to search for work.[62] A recent study found that SNAP participation increased the likelihood of employment among households with low incomes.[63] Quality employment and training programs provided by the SNAP program—although far from universal—can allow people to gain new skills or receive job placement services. And cash assistance prevents a temporary crisis caused by domestic violence, eviction, or a health challenge from creating a downward spiral that traps families in poverty.

If Congress is sincere about increasing labor force participation and economic mobility among people experiencing poverty, lawmakers should pursue policies that would help individuals achieve their goal. State-level paid leave policies have been shown to increase labor force participation, and women with access to paid leave are 40 percent more likely to return to work after giving birth than those without it.[64] Affordable and accessible child care not only increases parents' labor force participation but, in turn, raises economic output. In addition, policies that support family-sustaining wages and provide employees with greater control over scheduling would go a long way toward not simply getting people into the workforce—but making it possible for them to remain in it.[65] Subsidized employment programs targeted to individuals who have been economically marginalized—such as youth and young adults; people experiencing homelessness; and people impacted by the criminal legal system—can help them overcome discrimination and get a foothold in the labor market.[66]

The United States is already rife with work requirements—for many health coverage programs, income supports, savings subsidies, and more—even as we lack an employment guarantee. We know how to promote employment and boost earnings without making people worse off. Conditioning supports and services that help meet our most fundamental needs on documenting a specific definition of work has no place in a just and prosperous society.

V4. Why the McCarthy Bill's Repeal of Inflation Reduction Act Climate Incentives Are Ill-Advised

The Inflation Reduction Act (IRA) makes many critical investments toward job creation, strengthening domestic supply, and reducing financial burdens on households. The IRA allows us to be on target for our climate goals while also promoting economic growth.[67] The legislation also includes targeted funding for climate justice to address the disproportionate environmental and public health harms to communities with low incomes and communities of color.[68]

The McCarthy bill would slash funding for these benefits. This deeply misguided move will undermine the strides made by the IRA investments in creating quality jobs, fighting climate change, and lowering costs for working families. Research shows that the IRA is likely to reduce greenhouse gas emissions to 40 percent and below peak emission levels by 2030.[69] This is up to 10 percentage points higher than projections without the IRA. The IRA's significant economic benefits are already being felt across the country. The bill has created over 142,000 jobs so far and funded nearly 200 clean energy projects such as manufacturing sites for electric vehicles, investments in wind and solar energy production, and domestic battery production.[70] Notably, more than half of the IRA climate projects and jobs are in Republican-led Congressional districts.[71]

The IRA's home energy rebates will provide hundreds of billions of dollars to fund energy upgrades for low- and middle-income households that can lower costs for working families.[72] Households with low incomes tend to face higher energy burdens resulting from living in older homes or in homes equipped with outdated appliances.[73] As climate change continues to create extreme weather conditions, heating and cooling bills are becoming even more burdensome for households struggling to make ends meet. With the home energy rebate programs, households can receive funds to cover the costs of clean appliances. Even if families do not access these credits, they can still benefit from the provisions in the bill to lower electricity costs.[74]

Speaker McCarthy's proposal now puts these benefits in jeopardy. Over 780,000 jobs could disappear by the end of 2024 because of his cuts.[75]

VI. Why Revenues Must Help Stabilize Debt

As it is, the United States is a low-tax country, ranking 32 out 38 of 38 OECD countries in overall tax-to-GDP ratio, far below the OECD average.[76] Americans on average, face lower taxes than their counterparts in other wealthy countries. Yet, the United States ranks just 15th out 32 OECD countries for which total government spending data are available.[77] Clearly, overall government spending is, if anything, low. If taxes are relatively low and spending is relatively low, raising those taxes to meet our modest levels of spending is clearly essential to reducing and stabilizing our debt.

Indeed, our current deficit is driven by reckless tax giveaways to large corporations and wealthy individuals. Without the Bush and Trump tax cuts and their extensions, debt as a percentage of our economic output would be falling today.[78] The Bush and Trump tax cuts alone are responsible for 57 percent of the increase in the debt ratio (debt as a percent of the economy) since 2001 and more than 90 percent of the increase in the debt ratio if the extraordinary costs of combating COVID-19 ($5.6 trillion)[79] and the Great Recession ($787 billion)[80] are excluded.

Military, Social Security, Medicare, and veterans' health and disability spending alone account for more than half of all federal spending. Yet, the McCarthy bill would either not touch this spending (Social Security and Medicare) as a matter of law, or House Republicans have indicated that in practice they will insist that the spending not be cut (military[81] and veterans[82]). Instead, they seek to focus their spending cuts on the small share of the budget that is non-defense discretionary spending. This approach, combined with an insistence on tax cuts and tax cut extensions, has contributed to the debt growing markedly more under Republican presidents than Democratic ones.[83]

Ironically, the McCarthy bill would also reduce tax payments paid by wealthy and corporate tax cheats by cutting the IRS budget and making it harder for the federal government to collect the taxes that wealthy individuals and corporations are legally required to pay. This contrast makes clear the priorities of the bill's supporters.

Moreover, House Republicans are already preparing legislation to renew the Trump tax cuts expiring in 2025, which would cost $3 trillion more.[84]

Last year's Inflation Reduction Act began an important process of making sure that those who benefit from our prosperity contribute to the services that make it possible. President Biden's 2024 budget proposes to raise almost $5 trillion exclusively from tax reforms affecting the rich and corporations. Biden's budget invests $2.8 trillion of that revenue to expand and improve public services vital to working families—and diverts additional existing revenue to guarantee that Medicare can pay all its bills for the next 25 years—while still bringing down deficits by $3 trillion.[85]

VII. Why Breaching the Debt Ceiling Should Be Off the Table

Refusing to meet any legally binding obligation due to an arbitrary debt limit likely would trigger a recession at home, worsening the already-fragile global economy and undermining the strength and status of the United States for years to come. **In the near term, a default could spark a financial crisis and a U.S. or global downturn of unknown severity,** with some experts predicting millions of lost jobs and an even bigger hit to retirement savings.[86]

VII1. Recessions are costly

Recessions disproportionately harm workers paid the lowest wages, young people, and communities of color, many of whom are among the last hired and first fired. Low-paid workers face substantially higher unemployment as it is and have the least access to unemployment benefits—and households with low incomes often have limited or no liquid savings. Young people's early labor market experiences follow them for years, with those entering the labor market during recessions seeing lifetime reductions in income. People of color, especially Black Americans, have a fraction of the wealth of white families, face widespread discrimination in the labor market that is typically overcome partially only as we approach full employment conditions, and disproportionately live in states with the most meager social protection programs. As a result, recessions, like the 2007-2009 financial crisis, can permanently reduce our nation's economic trajectory and cause long-term harm to working people and their families.[87]

VII2. Prioritization is default

While some have suggested that destructive consequences of default could be avoided through "prioritization" of federal obligations, prioritization is simply default by another name. Prioritizing payments owed by the federal government is no way to manage a default. This approach does nothing to prevent dire, direct, and durable consequences for tens of millions of veterans, seniors, and working families—all of whom rely on essential federal programs to afford medical care, put food on the table, and meet other basic needs. And those whose payments are prioritized, such as holders of United States debt, for example, may nevertheless interpret prioritization as a default and lose trust in the nation's guarantees of payments already owed.

Regardless, millions of people would immediately feel the impact of a stop in government spending: delays in Social Security payments, government employee wages, and retirement benefits. While some government employees would be required to work even if not paid, other offices would shut their doors and stop answering phones. Medicaid and Medicare payments to doctors and hospitals would stop. Emergency rooms would still be required to treat people in crisis, but people seeking non "emergency" care might be turned away.

VII3. Defaulting would harm us for years to come

Defaulting on the debt would also have lasting impacts, even if Congress acted promptly to end such a manufactured crisis. No household, corporation, or other entity could refuse to make legally owed payments that are readily affordable; they could not even file for bankruptcy with the enormous ratio of consistent national income and unrivaled national assets relative to projected federal spending. Even today, the United States has the privilege of borrowing at some of the lowest rates in the world,[88] because investors believe we will always honor our debts. Even a short default would make government debt even more expensive, crowding out other spending or forcing taxes to rise due to this self-inflicted wound for years to come. Default would also undermine the ability of families to build wealth through homeownership or entrepreneurship by making the already high cost of borrowing prohibitive.

VIII. Conclusion

The House-passed bill is not a serious attempt to avoid the disastrous effects of defaulting on our debt. The McCarthy debt ceiling bill attempts to impose upon the American people an extreme agenda that's unattainable through the regular legislative process. The Limit, Save, Grow Act would *limit* the American Dream for tens of millions of families in every community in this country, *save* leverage for further hostage-taking, including for each and every subsequent debt limit increase, starting March 2024—and *grow* our national challenges like climate change and poverty. And the federal government's failure to make promised payments to individuals, families, state and local governments, and businesses would only increase costs and financial pressures on businesses and households, including regular people throughout this country.

Congress should not pass any deal that raises costs facing working- and middle-class families. Congress should not pass any deal that increases hardship—never mind a deal that asks struggling families to foot the bill for policies that allow the richest corporations and households to evade their taxes.

Congress should raise the debt ceiling without delay or condition and then focus on the work of investing in our families and communities.

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