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House budget plans would weaken the economic recovery, finds new EPI study

NEWS FROM EPI

FOR IMMEDIATE RELEASE
Wednesday, April 6, 2011

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Budget proposals to prematurely cut federal government spending fail to address the severe unemployment crisis in the United States and would either weaken the economic recovery or start another recession, a new Economic Policy Institute study shows. In ***Cutting spending and burning the middle class: Competing proposals from Congress jeopardize the recovery and our future***, Federal Budget Policy Analyst Andrew Fieldhouse outlines five proposed budget plans: the House-passed Republican budget and the plans proposed by the Republican Study Committee, Representative Michele Bachmann, Senator Rand Paul and Senators Bob Corker and Claire McCaskill. He finds that each of the budget proposals call for spending cuts to begin too quickly and that most of them disproportionately target programs that benefit low-income and working families. He also finds that none of the proposals address insufficient government revenue or rapidly-growing health-care costs, which are the real medium- and long-term fiscal challenges facing the United States.

Specifically:

- The House-passed Republican leadership budget would cut $61.5 billion this year and $1.3 trillion by 2021. Cuts for the remainder of this year alone would cost roughly 600,000 jobs relative to the Congressional Budget Office (CBO) January baseline and roughly 800,000 jobs relative to the higher spending level requested in the president's budget.
- The Republican Study Commission (RSC) budget would cut $143.7 billion this year and $2.1 trillion by 2021. By calling for deeper spending cuts for the second half of this fiscal year and a rescission of unobligated stimulus funds, it could cost upwards of 1.4 million jobs over the next year or two.
- Representative Michele Bachmann's plan would cut upwards of $430 billion over the next few years. Health care reform and financial reform would be repealed even though that would increase deficits, with repeal of health reform costing literally trillions in extra debt in coming decades.
- Senator Rand Paul's budget would all but guarantee a double-dip recession by cutting $500 billion this fiscal year, which started last October.
- The Corker-McCaskill plan would cut $6.1 trillion by 2021, if current tax policies were continued. This would require a 24.6% across-the-board cut in all noninterest spending—including Medicare and Social Security benefits.

Tax cuts and revenue loss from the recession are responsible for roughly two-thirds of the increase in deficits since the start of the recession, and tax cuts for the wealthy were responsible for much of the deficit before the economic crisis. Furthermore, none of the budget proposals focus on tax expenditures, i.e. tax preferences for certain groups, which have an impact on the economy that is similar to federal spending. Comprehensive tax reform would not only simplify the tax code and lower tax rates, it would also make for more balanced deficit reduction.

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The House Republican 2012 budget, which Representative Paul Ryan unveiled yesterday, builds upon this frenzy to cut spending. The Ryan budget would slash spending by $5.8 trillion over 2012-21, while simultaneously draining $4.2 trillion from revenue, relative to current law. Slashing social programs and long-term investments in order to finance regressive tax cuts ignores the role of unfair tax policies in creating our budget problems and would shoulder the burden of deficit reduction on the backs of poor and working families.

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