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THE FALSE CHOICE OF NATIONAL DEFENSE VERSUS HELPING THE POOR

By Richard Kogan and Robert Greenstein

House committees this week approved sharp cuts in the Supplemental Nutrition Assistance Program (SNAP, formerly known as food stamps), the elimination of the Social Services Block Grant, and other cuts that would harm large numbers of low- and moderate-income Americans.¹

Proponents claim the cuts are needed to generate enough savings to avert an automatic cut in defense spending of nearly \$55 billion scheduled for next January, which they say would harm national security. (Last year's Budget Control Act [BCA] calls for \$109 billion in automatic cuts in each of the next nine years, split equally between defense programs and other programs, to take place starting in 2013 through a process known as "sequestration.") But a closer look reveals two key points:

- Both parties agreed to the scheduled defense and non-defense cuts as an alternative to a deficit-reduction mechanism that included both spending cuts and *revenues*, as the White House had proposed but the Republicans rejected. If the sequestration mechanism had consisted equally of budget cuts and revenues, the scheduled spending cuts would be only half as big.
- If Congress wants to cancel the scheduled defense cuts and offset the cost, it has better ways to do that than through a highly unbalanced approach that does not close a single tax loophole or secure any savings from much-criticized programs like farm price supports, and that instead focuses disproportionately on cutting assistance for low-income families, children, and elderly and disabled people.

Here are the specifics. The BCA laid out a two-stage deficit-reduction process: it imposed funding caps for annual appropriations bills through 2021 that will save about \$1 trillion, and it set

¹ See Stacy Dean and Dottie Rosenbaum, "House Agriculture Committee Proposal Would Cut 2 Million Off Food Stamps & Reduce Benefits for More Than 44 Million Others," Center on Budget and Policy Priorities, April 18, 2012, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3749>; Judith Solomon and Robert Greenstein, "Provision in House Reconciliation Bill Would Cause 350,000 People to Forgo Health Coverage and Could Jeopardize Health Reform," Center on Budget and Policy Priorities, April 18, 2012, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3748>.

up a bipartisan congressional “supercommittee” to work out a broad deficit-reduction package that would save at least another \$1.2 trillion.²

During the negotiations that led to the BCA, both sides agreed on the need to set up a process that would encourage supercommittee members to come to agreement and, if they failed, provide a backup means of securing the \$1.2 trillion in savings automatically. Sequestration was intended to be equally undesirable to everyone, so that all members of the supercommittee would have a greater incentive to negotiate a compromise plan.

The White House recommended that sequestration consist of equal parts spending cuts and revenue increases, but it ultimately acceded to a Republican demand that sequestration consist solely of spending cuts. Both sides then agreed that the spending cuts would come half from defense funding and half from non-defense funding, following the model of the automatic spending-cut mechanism first established in the bipartisan Gramm-Rudman-Hollings Acts of the 1980s.

Because policymakers set up a sequestration consisting entirely of spending cuts, the required spending cut is twice as big as it would have been under a plan split 50/50 between revenues and spending.

Last fall, the supercommittee failed to agree on a plan, so the automatic cuts will take place starting next January unless Congress acts.

Congress should turn off the defense and non-defense sequestrations and make up for the lost savings elsewhere. There are myriad ways to do that: increasing revenues and designing entitlement savings that do *not* increase poverty and hardship are obvious examples.

History shows that deficit reduction need not harm the poor. In 1990, 1993, and 1997, policymakers enacted legislation that reduced deficits substantially — and helped produce four years of surpluses — *without* harming low-income families. In fact, all three of these laws included well-designed measures (such as improvements in the Earned Income Tax Credit for working-poor families and creation of the Children’s Health Insurance Program) that reduced rather than exacerbated poverty and hardship. These examples provide useful precedents for policymakers today.

² Richard Kogan, “How the Across-the-Board Cuts in the Budget Control Act Will Work,” Center on Budget and Policy Priorities, December 2, 2011, <http://www.cbpp.org/cms/?fa=view&id=3635>.