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Commentary:

Murray's More Evenhanded Approach to Deficit Reduction Contrasts Sharply With Ryan's

by Robert Greenstein

The budget that Senate Budget Committee Chair Patty Murray released yesterday stands in sharp contrast to the one that her House counterpart, Paul Ryan, released on Tuesday. As I wrote Tuesday, his budget is extreme.[1] Hers is more balanced and appropriate to meet the nation's economic and fiscal challenges. The differences are impressive.

First, Chairwoman Murray proposes to raise revenues, by scaling back tax expenditures, as well as cut spending to reduce deficits. Chairman Ryan, by contrast, relies entirely on spending cuts. He calls for tax reform, thus implicitly recognizing that policymakers can scale back preferences in the tax code — the deductions, credits, and exclusions known collectively as "tax expenditures" — to raise revenue. But, the Ryan budget uses all of the new revenue to offset the cost of cutting tax rates, abolishing the Alternative Minimum Tax, and repealing the revenue-raising measures of the Affordable Care Act.

As a forthcoming Center analysis will explain, to pay for all of these tax cuts, Chairman Ryan would have to raise roughly $6 trillion through scaling back tax expenditures — an extraordinarily implausible task due to the political popularity of the most costly tax expenditures, such as the mortgage interest deduction and the deduction for charitable giving. None of this $6 trillion in savings would go for deficit reduction.

Chairwoman Murray's savings target for tax expenditure reform is more modest, and more realistic: just under $1 trillion over ten years. Her budget appropriately directs all of these savings to deficit reduction.

The Murray budget also clearly states that tax expenditure reform should ensure that the tax code remains at least as progressive as it is today. It would allow cuts in tax rates, but only if they wouldn't interfere with the budget's revenue-raising and progressivity goals. Because the Ryan budget has to raise so much more from tax expenditure reform to pay for big tax-rate cuts that would disproportionately benefit high-income households, it would necessarily have to cut tax expenditures that benefit the middle class and the working poor — not just those for upper-income households — and almost certainly would make the tax code *less* progressive and shift tax burdens down the income scale.

Second, the two budgets have different fiscal goals.

The Ryan budget tries to balance the budget in ten years. The Murray budget, by contrast, would reduce the deficit to 2.2 percent of gross domestic product (GDP) by the end of the decade, which is enough to "stabilize" the debt — i.e., stop it from rising relative to the size of the economy — and put it on a slightly downward path.

The Murray approach is better suited to our current struggling economy. It takes an approach many mainstream economists have called for: enact significant deficit reduction measures now but phase them in, and take steps to shore up the still-struggling recovery in the short run. Murray's budget calls for rolling back this year's sequestration budget cuts, which the Congressional Budget Office (CBO) has said will slow the economy and result in the loss of 750,000 jobs by the end of the year. Further, the Murray budget includes $100 billion, primarily in new infrastructure spending, to help boost the economy in the near term.

The Ryan budget, by contrast, doubles down on immediate austerity. It not only embraces the sequestration cuts in 2013, but its balanced-budget target requires deep cuts starting in 2014. CBO has analyzed the economic effects of an illustrative $4 trillion deficit-reduction plan with cuts in the early years that are substantially *smaller* than those in the Ryan plan and found that that plan would further suppress economic growth in 2014-2016 compared with the agency's baseline projections, which already include the economic slowing that sequestration will cause.[2] The still-larger Ryan cuts would slow the economy even more in those years and cause the loss of more jobs.

It's neither necessary nor prudent to create more *near*-term headwinds for economic recovery and job creation in order to address our *longer*-term fiscal challenges. The Murray budget is a more rational approach that is better attuned to the economy's current needs.

Third, the two budgets have much different approaches to cutting spending.

The Ryan budget's requirement to reach balance in ten years through spending cuts alone would force deep and damaging cuts to programs that meet important public goals, such as investments that can boost productivity growth, assistance to the most vulnerable Americans to help them climb the economic ladder, and programs that provide for public health and safety.

While protecting defense from any cuts beyond those under the 2011 Budget Control Act's (BCA) funding caps, the Ryan budget would cut non-defense discretionary programs by *more than $1 trillion below* the BCA cap levels. Those cuts would be particularly damaging and shortsighted given that this part of the budget supports future economic growth and productivity through investments in education and research, for instance.

Under the BCA caps, non-defense discretionary spending already would shrink by 2017 to its lowest level on record as a share of the economy (in data that go back to 1962). Dramatically deeper cuts, as the Ryan budget proposes, make little sense.

The Ryan budget also repeals health reform and converts Medicaid to a block grant with sharply reduced funding, which would cause approximately 40 to 50 million Americans to lose health coverage. And it imposes steep cuts in numerous other mandatory programs on which low-income people rely, including SNAP and Pell Grants. These cuts would be in addition to the deep cuts that would inevitably result in many low-income *discretionary* programs because of Ryan's severe cuts in the total resources that would be available for non-defense discretionary spending.

The Murray budget, by contrast, takes a more measured and manageable approach to cutting spending, although its $150 billion cut in non-defense discretionary funding below the already strict BCA cap levels is excessive in our view. We would secure more savings instead in other areas, including mandatory programs not targeted on low-income or vulnerable people.

The Murray approach is sounder and more even-handed because it calls for both spending cuts and tax increases to reach a more appropriate fiscal goal, doesn't set back the economic recovery, and spreads the spending cuts across both defense and domestic programs.

All told, the Murray budget is a far better response to the economic and fiscal challenges at hand than Chairman Ryan's budget.

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[1] "Statement by Robert Greenstein, President, on Chairman Ryan's Budget Plan," Center on Budget and Policy Priorities, March 12, 2013, http://www.cbpp.org/cms/index.cfm?fa=view&id=3920.

[2] Congressional Budget Office, "Macroeconomic Effects of Alternative Budgetary Paths," February 5, 2013, https://www.cbo.gov/publication/43769.