

September 6, 2005

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STATEMENT OF ROBERT GREENSTEIN ON CHALLENGES FACING CONGRESS AND THE NATION IN THE WAKE OF THE DEVASTATION OF HURRICANE KATRINA

Our thoughts and prayers are with the many people and communities devastated by the tragedy in the Gulf Coast. The nation's first priority must be to provide food, shelter, medical attention, and other needed assistance to those left homeless by this catastrophe.

As Congress returns, however, it also is important to consider the implications of this tragedy for a number of basic decisions that Congress will make in coming weeks. In light of the tragedy, Congress and the Administration need to step back, reconsider current policies, and determine what would best serve the nation.

Substantial federal funds will be needed to reconstruct the devastated areas and help the people of the Gulf Coast begin to repair their lives. Given this reality, and the troubling budget deficits we already are running, it would not make sense for Congress to proceed with plans to enact new tax cuts that would further enlarge deficits, and thereby further constrict the resources available in coming years to deal with the devastation from this disaster, to prevent or respond to future disasters, and to address other critical challenges the nation faces.

The disaster in the Gulf Coast also makes clear that as the federal government moves to provide assistance to help rebuild shattered communities and shattered lives, policymakers should be particularly cognizant of the needs of our most vulnerable citizens. As David von Drehle and Jacqueline Salmon wrote in the *Washington Post* about the tragedies in New Orleans, "Rich and poor alike, they found themselves starting over. The former began buying new houses and leasing new office space. The latter waited in lines for a bar of soap or a peanut butter sandwich."

It bears noting that the tax cuts of recent years have most heavily benefited the most well-off. The Urban Institute-Brookings Tax Policy Center estimates that the tax cuts are providing people who have incomes of more than \$1 million with an average tax cut of \$103,000 apiece this year. Meanwhile, the Census Bureau announced last week that poverty and the number of Americans who are uninsured have continue to increase and rose again in 2004, even though it was the third full year of an economic recovery.

A key question before policymakers is whether to pursue policies that would aggravate this imbalance. Congressional committees are scheduled over the next three weeks to produce legislation that would cut various programs, including programs on which

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millions of less fortunate families rely such as Medicaid and food stamps, by \$35 billion over five years, while cutting taxes by \$70 billion. The tax cuts in question, including capital gains and dividend tax cuts, would go primarily to the well-off.

Proceeding with these tax and budget cuts would increase deficits by more than \$35 billion over five years. The cuts made in programs like Medicaid and food stamps would be used not to reduce the deficit but to defray part of the cost of the tax cuts.

The Senate also is expected to vote in the next few weeks or months on permanent elimination of the estate tax, which would reduce federal revenues by hundreds of billions of dollars over the coming decade and thus further squeeze the resources available for vital infrastructure improvements, homeland security, and assistance to the poor, while benefiting the estates of the wealthiest one percent of Americans.

Our policymakers should come together on a bipartisan basis. Without partisan rancor and for the good of the nation, they should consider a change in course. A policy course that increases deficits (other than on a short-term basis in response to the hurricane) and thereby limits our ability to prevent future disasters, while squeezing programs that help the poorest among us, is not the path to pursue now. Many of the vulnerable people who could be injured by cuts in basis assistance programs have only a precarious hold on a normal life. Just how precarious was shown on our TV screens this past week.

This unspeakable tragedy should prompt the President and Congress to rise above normal political considerations, to rethink, and to chart a new course. We will need effective and compassionate policies which ensure that the nation can provide for all of its people and meet the tough challenges we will face in the months and years ahead.
