

Only one budget trims costs and brings in revenue

We finally have two competing budget proposals for the next decade, one from President Obama, the other from former vice presidential candidate Paul Ryan and the Republican-controlled House of Representatives. While neither document will be adopted in anything like its current version,

DELAWARE VOICE

SAUL D. HOFFMAN

comparing them tells us a great deal about the underlying visions of government

the two parties hold.

First, a review of where we are right now. The U.S. economy is still struggling to find its footing after the Great Recession of 2008. The unemployment rate is at 7.6 percent, down from its peak of 10 percent in October 2009, but nowhere near its pre-recession level of under 5 percent. We are doing far better than countries like England that adopted budget austerity over stimulus, but the burden of long-term unemployment is still very serious.

Second, there is a broad

consensus among budget analysts the government needs to trim the deficit by about \$4 trillion over the next decade in order to stabilize the federal debt. Our deficit and debt are high not because of out-of-control spending, but because of the impact of the Great Recession on both spending and revenues. Some deficit reduction – \$2.3 trillion – has been accomplished, however imperfectly, courtesy of the sequester and the January tax hike on the highest-income families.

Finally, there is also a consensus, first proposed in the Simpson-Bowles Commission on Fiscal Responsibility and Reform, that cutting the deficit should involve “shared sacrifice.” No single group or class of taxpayers should bear the brunt of the changes and none should be excluded.

The Obama budget combines real spending cuts, including to programs like Social Security that no Democrat has ever touched, with some revenue increases on the tax side that are focused on the top 3 percent of taxpayers.

It moves the deficit and debt toward sustainable levels: the

deficit falls to 1.7 percent of GDP and the debt-to-GDP ratio stabilizes at a manageable level. It does include some new spending for programs like universal preschool education and infrastructure. These are investments that will help the next generation.

Bottom line on the Obama budget: \$1.2 trillion in reduced spending, \$600 billion in new revenues. The \$1.8 trillion total puts the grand total of deficit reduction over the critical \$4 trillion figure.

The Ryan budget looks quite different. It cuts the deficit and the debt faster and deeper than necessary and to levels that have no sensible economic basis.

It turns Medicaid into a block grant, which will imperil health care for the poor in the next downturn. It turns Medicare into a voucher program, which will, according to the Congressional Budget Office, actually raise, not lower, the total costs of health care for seniors. It repeals the Affordable Care Act and provides in return absolutely nothing to improve access to health care or to control its costs.

Federal spending for non-defense discretionary spending is cut so deeply that many of the programs we need would no longer have the resources to perform their tasks adequately. Absolutely none of the gory details of program cuts are spelled out in the budget. In contrast, the Obama budget shows exactly where the budget cuts will be.

The bottom line on the Ryan budget: \$4.6 trillion in budget cuts, \$0 in revenues. Almost 40 percent of the budget cuts are from repealing the Affordable Care Act and almost another 20 percent is from cuts in Medicaid. Shared sacrifice?

Is there some common ground? Both sides agree that tax simplification and expanding the tax base is preferable to raising tax rates, and both agree that entitlement programs do need to be trimmed. President Obama's support of a new calculation formula for Social Security benefits has won him no friends on the left, and he has made it clear his support is conditional on a package that includes revenue increases.

The Republicans would be

wise to find revenue increases they can support and that will help achieve the necessary shared sacrifice. A grand bargain like the one President Obama nearly reached with Speaker Boehner, is still possible, but only if the Republicans acknowledge that President Obama's budget is a blueprint for a compromise.

Ten-year budgets are a vision of the future and, as in the November election, the visions are quite different. The Obama budget is a centrist document that addresses the genuine budget challenges we face, but without abandoning the constructive role of government. In contrast, the Ryan budget offers a radical change that strips government of the resources it needs to carry out critical functions by its focus on the deficit and its refusal to consider revenue increases.

Full budget plans are at www.whitehouse.gov/omb/budget and budget.house.gov. I encourage interested readers to examine them and see what they think.

Saul D. Hoffman is a University of Delaware economics professor.