

POINT | COUNTERPOINT

But we want the economy to grow, right?

If we accept that a growing, robust economy provides benefits to everyone, we want to do what we can to stimulate growth. Those who favor tax cuts maintain that they stimulate the economy and create jobs; and that this will help increase tax revenues from other streams. However, those who oppose tax cuts maintain that it simply increases revenue to wealthy individuals, and has little beneficial effect on the economy or on the tax base.

Add to the debate the fact that the U.S. government is facing enormous challenges right now, and needs to raise even more money to pay for them. Even if one wants to cut taxes, is this the right time to do so?

Opinions are many and emotions run high. Following are some excerpts from various advocates and experts.

Honest Debate Is Needed Around Vote to Increase Debt Limit

The following statement by OMB Watch Budget was released in response to the Senate vote to increase the national debt ceiling on March 16, 2006:

Today the Senate voted 52-48 to increase the nation's statutory debt limit once again. The limit now sits at almost \$9 trillion. The vote to increase the debt limit was necessary in order to avoid a government default, yet Senate Republican leaders pushed hard for this vote to take place without proper debate and without giving Senators a chance to offer amendments, some of which could potentially help to slow the rapid run-up of debt in years to come.

This increase marks the fourth time Congress has needed to increase the debt limit in the five years since President Bush took office, ushering in a debt that has ballooned by more than 51 percent over that time. The vote highlights the abysmal record for both the President and Congress. At the start of the Bush administration - when the national debt was \$5.95 trillion and large surpluses were projected for the government - Bush told Congress and America we could afford both tremendous tax cuts and paying down the debt. This turned out not to be true and the days of surpluses are long gone. Instead of dreaming of all we could provide and invest in for our country, we are confronted with mountains of debt and are continually let down by our leaders in Congress who are more concerned managing the political fallout of raising the debt ceiling again than actually debating how to fix the problem.

The need to increase the debt limit yet again is a direct result of the fiscal policies and practices implemented by Bush and Congress over the past five years. While the administration blames the increase in U.S. debt on both the 2001 recession and the costs of the war on terrorism, in reality the cost of his 2001 and 2003 tax cuts, ringing in at \$225 billion in 2005 alone, carry far more of the

blame for the burgeoning rise in national debt.

When \$8 Trillion Isn't Enough

Washington Post editorial | March 15, 2006

...Mr. Bush has managed to rack up more new debt during his five years in office than the entire debt amassed by the United States through 1988. And there is more to come: The president's budget envisions the debt rising to \$11.5 trillion by 2011. This means that an increasing share of an increasingly tight budget must be devoted simply to paying interest -- an estimated \$220 billion this fiscal year alone. Remember: This is the president who entered office promising to pay off \$2 trillion in debt held by the public over the next decade. Far from being paid down, the debt held by the public has grown, from \$3.3 trillion in 2001 to \$5 trillion this year.

...as the debt ceiling approaches \$9 trillion, it's time to pause and consider the unabashed recklessness of the Bush administration's fiscal policies and its unwillingness to alter its tax-cutting course to accommodate new budgetary realities. "Future generations shouldn't be forced to pay back money that we have borrowed," Mr. Bush said in March 2001. "We owe this kind of responsibility to our children and grandchildren." Where is that responsibility now?

Tax Cuts are a Real Turkey for the Economy

The quality of jobs, measured by income, health insurance and retirement benefits, has also declined appreciably since the 2001 tax cuts. Between 2000 and 2004, inflation-adjusted family income declined, and the number of U.S. workers covered by employer-provided retirement benefits and health insurance contracted.

African-American and Latino families have seen their economic security deteriorate even faster than white families. Despite the president's statement that tax cuts would create jobs for all who want them, the racial economic divide has widened.

...Tax cuts are an unsound prescription for job creation and economic good health, and more and more people recognize that relentless tax cutting, far from creating new jobs, has instead created a staggering deficit that threatens our children.

—Published on *Alternet.org* by Liz Stanton, Research Director for *United for a Fair Economy*, November 2005

making
sense
of the



THE DEFICIT



Gladly pay you Tuesday for a hamburger today

The government borrows to pay its bills; the debt grows.

As of mid-2006, the national debt was nearly \$8.5 trillion; if the population of the U.S. is slightly under 300 million, each citizen's share of this debt was over \$28,000.

The debt has continued to increase an average of \$1.71 billion per day since September 30, 2005.

For up-to-the-minute figures, check out this site, maintained by the Treasury Department: www.publicdebt.treas.gov

GET CONNECTED!

Check out these great online resources.

WAND Education Fund web site:
www.WANDEducationFund.org

Will web site:
www.willwand.org

STAND web site:
www.standwand.org

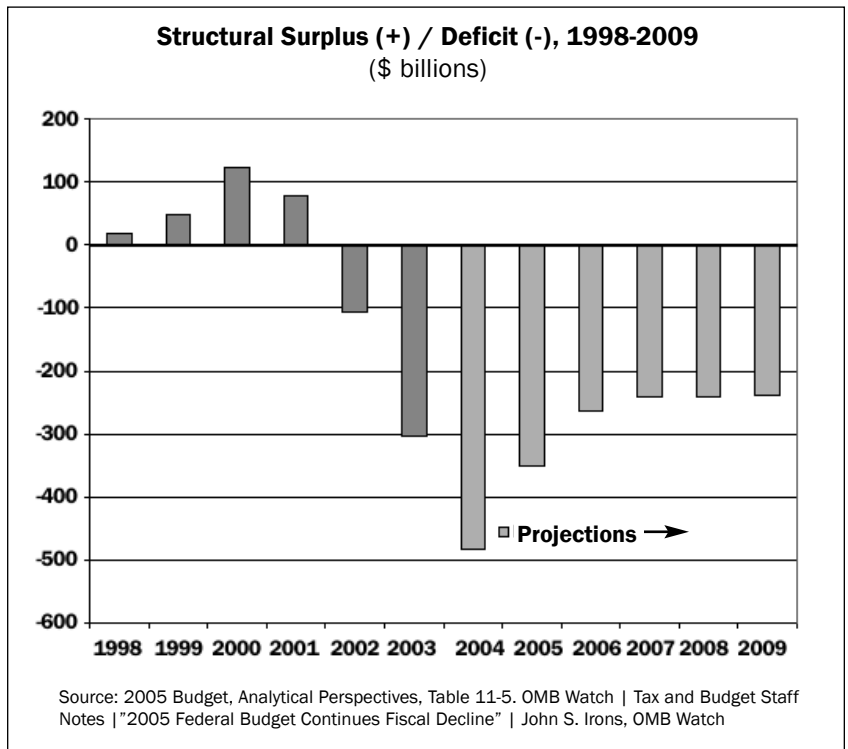


WHAT ABOUT THE DEFICIT?

IT'S BACK, AND IT'S BIGGER THAN EVER. While the federal budget was in surplus only a few years ago, it has in recent years dropped dramatically back into deficit. Current budget deficits have broken all previous records.

Simply put, a deficit indicates that revenues are not sufficient to cover outlays (you make less than you spend). The government borrows money to make up the difference. Just as a deficit is not healthy for a household economy, neither is it healthy for the federal government.

Since deficits are funded with borrowed money, the national debt keeps growing. The generation too young to vote now will pay interest on this debt — even though they never borrowed the money.



Women's Action for New Directions
Education Fund • 2006



**Women's Action for New Directions
Education Fund**

WAND Education Fund educates the public and opinion leaders about the need to reduce violence and militarism in society, and redirect excessive military spending to unmet human and environmental needs.

Susan Shaer, Executive Director

www.WANDEducationFund.org
edfund@wand.org

National Office
691 Massachusetts Avenue
Arlington, MA 02476
781-643-6740

Washington Office
322 4th St., NE
Washington, DC 20002
202-544-5055

Field Office
250 Georgia Avenue S.E., Suite 202
Atlanta, Georgia 30312
404-524-5999

©2006 WAND Education Fund

We encourage photocopying for educational purposes, provided that WAND is properly credited.

We request notification of such use.

A SHORTFALL OF \$300 BILLION - THAT AIN'T PEANUTS

Problems with a growing budget deficit

The U.S. has been operating with federal budget deficits for most years since the end of WWII. Why is it a problem now?

To some extent, it's a matter of size. The current deficit is enormous: **In January 2006, the Congressional Budget Office projected that there would be a budget deficit of at least \$337 billion in FY2006; and that it would likely be closer to \$360 billion** (to cover the wars in Iraq and Afghanistan and flood insurance claims for the Gulf Coast).

But it's also a matter of how rapidly it's growing, and how hard it would be to stop it. Why is this happening now?

1. SPENDING CUTS. President Bush has said that he will cut the deficit in half over five years by limiting the growth of domestic discretionary programs (outside of military and homeland security) to less than one percent. So the deficit will mean cuts for many popular programs.

But the truth is, while such cuts will cause hardship for people and the environment, they will do little to reduce the deficit. "A briefing paper distributed to Republican lawmakers by the chairman of the House Appropriations Committee, Representative C. W. Bill Young of Florida, estimated that a complete freeze on the discretionary programs — excluding military and domestic security proposals — would save only \$3 billion next year." ("Republican Concerns About Deficits Grow," *New York Times*, 2004)

2. THE NATIONAL DEBT. For each year that the government runs a deficit, it must borrow funds to finance it, adding to the national debt. In other words, deficits drive up the national debt. As a result, an increasing share of tax dollars must go toward paying interest on the mounting debt.

3. BABY BOOMERS. We are an aging society. The day is coming when fewer active workers will be available to support the retirement and health needs of a growing number of "baby boomer" retirees. The combination of this demographic shift and rising health care costs will result in Medicare, Medicaid and Social Security costs consuming significantly larger percentages of the economy and the budget.

4. FEWER OPTIONS. Deficits reduce the fiscal flexibility to deal with unexpected developments.

5. HIGHER INTEREST RATES. Former Federal Reserve chairman Alan Greenspan warned that the "outsized federal demands on national saving" will appreciably raise long-term interest rates. That is, if the government gobbles up too much credit, it drives up the cost of capital for the rest of us. (*New York Times*, 2/12/04)

6. RISKY AND EXPENSIVE INDEBTEDNESS TO FOREIGNERS.

The U.S. owes Japan \$668 billion; China \$260 billion; the UK over \$240 billion; Caribbean banking centers almost \$100 billion. Why does this matter? When you owe somebody money, you have a different relationship to them than when they owe you money. The U.S. has gone from being the biggest creditor nation in the world — more countries owing us more money than any other country in the world — to now being the biggest debtor nation. We owe more money than any other country in the world, and by a big amount. (*From Floor Statement by Senator Kent Conrad (D-ND) on the Debt Limit*, March 15, 2006)

7. OUR LEGACY TO FUTURE GENERATIONS. In the end our children will have to face enormous tax burdens, reduced public services, or both. This is both unfair and irresponsible.



REVENUE + OUTLAY = TAX CUTS?

Will we be able to reduce the deficit?

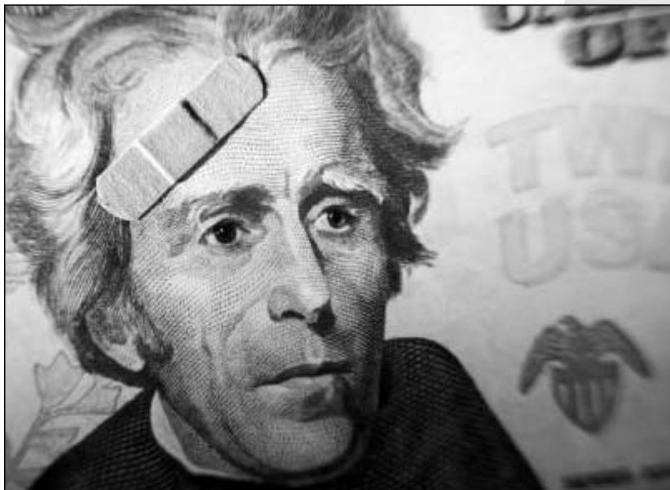
Not if we stay on the current course.

President Bush has repeatedly shown his commitment to three principles which have exacerbated the deficit problem.

One, he is determined to cut taxes, particularly for the wealthiest. It is difficult to balance a budget while cutting taxes, even in the best of times. In 2006, we are coping with the aftermath of the Gulf Coast hurricanes; and the ongoing wars in Iraq and Afghanistan. In order to keep government running at a level we find acceptable, it may be necessary to raise taxes.

Two, he has increased the size of the military budget — both the money for the Pentagon, and the supplemental appropriations for the wars.

Three, he continues to use “supplemental appropriations” to fund exceedingly large expenditures — especially the war in Iraq. As long as this money is not included in the federal budget, it remains somewhat of an afterthought; and Congress does not feel compelled to account for it in the budget. Still, we need to come up with the money somehow — and we need to borrow to do so.



Nonetheless, President Bush has pledged to cut the deficit in half by 2009; this seems unlikely. By laying out a 5-year plan rather than a 10-year one, the Bush administration has pushed many of the biggest fiscal challenges outside its budgetary “window.” Furthermore, the president’s optimistic fiscal outlook fails to take several things into account:

- **Mounting costs of wars in Iraq and Afghanistan.**
- **Skyrocketing costs of making tax cuts permanent.** According to the Congressional Budget Office, the cost of making tax cuts permanent would be an additional \$1.2 trillion over ten years.
- **Huge costs ahead around the “Alternative Minimum Tax.”** The AMT was originally intended to prevent wealthy

taxpayers from taking unfair advantage of large deductions for tax shelters and other tax avoidance schemes. But it is not indexed for inflation and, with the Bush tax cuts, has begun to reach middle-income taxpayers, especially those who take exemptions for children or large deductions for state and local income taxes.

“According to the Congressional Budget Office and the Joint Committee on Taxation, repeal of the AMT would reduce federal revenues by \$611 billion over the next ten years (2006 through 2015). If that revenue loss is not offset, the interest payments on the additional debt that would be incurred would total \$179 billion over ten years, driving the total cost of repeal up to \$790 billion.” —*Center for Budget and Policy Priorities, 2005*

- **The rising cost of entitlements.** The aging of the U.S. population, increasing life expectancy, and rising health care costs will put severe pressure on the nation’s three big entitlement programs: Social Security, Medicare, and Medicaid. Mandatory spending on those programs is projected to climb by nearly a third by 2010, according to the Office of Management and Budget’s FY07 mid-session review.
- **Higher-than-expected costs for the new Medicare prescription bill.** The five-year deficit-reduction goal also excludes soaring costs of paying for prescription drugs under the new Medicare law.

“The White House released budget figures yesterday indicating that the new Medicare prescription drug benefit will cost more than \$1.2 trillion in the coming decade, a much higher price tag than President Bush suggested when he narrowly won passage of the law in late 2003.”—*Washington Post, 2005*

Greenspan: U.S. Deficit May Hurt Economy

Washington Post, December 3, 2005 | By Martin Crutsinger
Outgoing Federal Reserve Chairman Alan Greenspan warned that America’s exploding budget deficit and a protectionist backlash against soaring trade deficits could disrupt the global economy...

He said U.S. deficits are set to soar with the pending retirement of 78 million baby boomers and he suggested that Congress consider trimming Social Security and Medicare benefits because the government probably has promised more than it can afford, especially in health benefits.

If something isn’t done to trim benefit costs, the resulting budget deficits would “cast an ever-larger shadow” over the future living standards of Americans, Greenspan said in a taped speech delivered to a conference sponsored by the Philadelphia Federal Reserve Bank.

The federal budget deficit word scramble!

President Bush has pledged to cut the deficit in half by 2009. However, this task is a daunting one, given his current policies toward taxes and the military.

Unscramble the words and letters below to reveal five of the obstacles he will inevitably encounter in his attempts to honor this pledge.



NI GINPENDS EHT IESR ICIDADEM

MMNNIIU XTA EEIVTANRATL AESGNHC

WRA HET OF SSCOT

NPORTISEPIRC RDSUG DCRMEIEA TCOSS

XAT KMIANG EAENMMPTR UTCS

The federal budget word search!

N A Q D T O R N C F L E O S B Y X H V C
S O V S U N O M I I U E O W A R Y K S X
Y E I T U G E S E N K C I Q B O R O U T
X T L T A P C D E D I L E T Y T A Q H Z
K A I T A A P V I A I Q J K B A N D A M
Y A N R L I E L L S A C C H O D O E A T
X E T Y U R L S E M E E A V O N I F N D
P I E R E C E I I M E R Z R M A T E M L
U A P M I C E L C T E D P V E M E N L F
R J E N U N I S T N C N U R R T R S M Q
R S C R O T A I T C O C T F S W C E U E
S K I B A V M O X A D C N A Q F S P E T
T T T R H M I P K G A Z E A L D I K M I
Y G Y C O N G R E S S K Z R E A D A E C
Q E R C N A T I O N A L D E B T J T D I
E S B D N A L E M O H I R A Q W A R I F
M U W X R K X N Z K N A H Y O H B J C E
S J W S N O I T A I R P O R P P A G A D
N O I T U L O S E R I E O H B S X L I I
B Y I X Z L N M W B V J C A H W B A D P

APPROPRIATIONS
BABYBOOMERS
CONGRESS
DEFENSE
DEFICIT
DISCRETIONARY
FISCALYEAR
HOMELAND
IRAQWAR

KATRINA
MANDATORY
MEDICAID
MEDICARE
MILITARY
NATIONALDEBT
OUTLAY
PENTAGON
PRESIDENT

RECONCILIATION
RESOLUTION
REVENUE
SECURITY
SOCIALSECURITY
SUBCOMMITTEE
SUPPLEMENTAL