

THE RYAN BUDGET: A RADICAL BLUEPRINT FOR PERMANENT AUSTERITY

by Jacob S. Hacker, Yale University, and Paul Pierson, University of California, Berkeley

If he moves into the Oval Office, Republican Mitt Romney says he wants to create jobs, slash taxes, and eliminate the federal budget deficit. But what he really plans to do is spelled out in the budget developed by Congressman Paul Ryan of Wisconsin and backed by almost all House Republicans. Romney has enthusiastically endorsed the Ryan budget, a radical plan for austerity that would:

- **Make immediate drastic cuts in social benefits.** This would lead to slower economic growth, more unemployment, and additional hardships for the jobless, poor, and disabled.
- **Bite with increasing force over time** – steadily squeezing the resources the federal government needs to help most citizens, while pushing costs for health care and other social needs onto state and local governments already under severe fiscal strain.
- **Slash taxes for the wealthy.** As a joke circulating in Washington puts it, the Ryan plan means cuts for everyone. The rich get huge new tax cuts and most Americans get draconian cuts in education, job training, college loans, health care, and other necessities.
- **Leave the U.S. Treasury coping with big deficits.** Despite massive spending cuts, nonpartisan analysts calculate that the Ryan budget would actually increase the budget deficit.

Starving Health Care, Education, and Investments in New Jobs

Romney and Ryan plan to cut way back on health insurance, leaving as many as 60 million more Americans without basic health protection (compared to the coverage projected under the 2010 Affordable Care Act). Rather than restrain rising prices, their plan simply shifts costs onto private citizens. The minimum age for receiving Medicare would be raised to 67, and in the future senior citizens would have to shop for expensive private insurance plans using “premium support” vouchers of reduced value. Health reform would be repealed or gutted, and the federal government would hand Medicaid to the states and cut annual spending by more than a third within a decade. In a time of rising health care costs, that means serious hardship for disabled and elderly people, who receive three-quarters of the help Medicaid provides.

Health care cuts are just the beginning. Romney and Ryan plan to shrink federal spending for everything other than social insurance and interest on the debt to less than 4% of GDP by 2050 – *less than half the lowest level in any year since World War II*. At the same time, they want to boost defense spending, even though most experts say the country can afford to trim it. Their plan would thus impose huge cuts on everything from veterans’ programs and national parks to medical and scientific research, highways, education, the environment, and food safety.

Hammering the Poor

All Americans would suffer, but millions living in poverty or close to it would face the most devastating cuts. Food Stamps, housing assistance, and college grants for needy students are among many programs that would be severely cut back. The Center for Budget and Policy Priorities uses cautious estimates to conclude that at least 62% of the Ryan cuts would fall on low-income households. That is why we hear protests from nonprofits and community organizations serving the poor, and from Catholic nuns and priests speaking out in the name of the Gospel.

Big New Tax Breaks for the Wealthy

Romney and Ryan say draconian cuts are necessary to force government to “live within its means” and reduce federal budget deficits. But their plan promises tax cuts that add up to more than the spending cuts. The plan would maintain all the Bush tax cuts currently scheduled to expire, extend the recently enacted Estate and Gift Tax rules that are very favorable to the wealthy, and eliminate the Alternative Minimum Tax. These tax cuts would cost roughly as much as will be saved from all of the enumerated spending cuts. Piled on top of existing reductions, Romney and Ryan call for new tax cuts costing \$4.5 trillion over a decade. Two-thirds of the new tax cuts would go to households earning over \$200,000 a year.

A Bad Bottom Line for the Deficit

“Magic asterisk” is the term that accountants use to make fun of budgets that spell out all the goodies but remain vague about how to pay for them. Representative Ryan and presidential candidate Romney have magic asterisks all over the place. They tell us exactly what tax cuts they will give the rich, but their tax giveaways exceed even the enormous spending cuts they propose. To make up the difference, Representative Ryan claims he will eliminate deductions and loopholes – but he refuses to say precisely which should go. And he rules out getting rid of expensive loopholes most beneficial to the very wealthy (such as the very low taxes on capital gains and dividends).

Analysts from the independent Congressional Research Service have looked at tax adjustments that could be made, many of which might actually raise taxes on the middle class, and they conclude that at most only about one-third of Ryan’s implied savings is likely to be politically feasible. This tells us the Ryan plan is not actually about balancing the budget. The true plan is to finance tax cuts for the well off by gutting programs vital to the poor and middle class – while leaving federal deficits in place long into the future.

A Decisive Moment

Politicians speak in crowd-pleasing rhetoric, but their budget plans reveal their true priorities and values. Even with evasions cleverly designed to hide costs for the middle class, the Ryan budget so warmly endorsed by GOP presidential candidate Mitt Romney lays out an austere future. It would radically shrink or eliminate benefits and services that most Americans have counted on for decades. And it would do this in order to lock in drastically lower tax rates, especially for the most prosperous. Americans have a stark choice in November 2012.