Center for American Progress

The Consequences of Conservative Economic Policy

A Tried and Failed Approach that Should not be Repeated

Adam S. Hersh, Michael Ettlinger, and Kalen Pruss October 2010

Introduction

The Great Recession dealt a crushing blow to the well-being of the American people, but our economy had actually been in a tough spot for many years. Before President George W. Bush left a deep financial crisis and economic collapse on President Barack Obama's doorstep, he presided over two terms of laissez-faire supply-side policies that yielded the weakest expansion in recent U.S. economic history, marked by tepid job growth, weak private investment, stagnant family incomes, and a host of other ills that mounting housing and financial bubbles helped partially obscure. That President Bush took no action to address the fundamental weakness of the American economy and protect it from financial collapse was a tragic failure—but it was a tragic failure to be expected by a conservative president practicing conservative economics.

This approach sowed the seeds for today's federal budget deficit, financial crisis, and the Great Recession. And it is no less tragic that those who share that president's philosophy—and who still retain power through their positions in Congress—are compounding their ideological brother's mistakes by standing in the way of economic progress and growth.

After the Obama administration took office in January 2009, conservatives in Congress worked hard to weaken the American Recovery and Reinvestment Act, fought efforts to reform our financial system, and demanded tax breaks for the richest of the rich in exchange for extending unemployment benefits for those who lost their jobs through no fault of their own. Now, "Pledge to America" promises more of the same for the American people in the second decade of the 21st century. Theirs is a tried-and-failed economic strategy that continues to hold the nation back from growing prosperity. In this memo we will lay out the crippling consequences of conservative economic ideology over the past decade, today, and into the future.

Conservative economics in the 21st century

- The one-note economic strategy of President George W. Bush, of tax cuts focused on the wealthy, was an abysmal failure yielding the worst investment growth, employment growth and income growth in post-World War II U.S. history—and left the country economically and fiscally exceptionally weak going into the Great Recession.
- Bush's failure to address fundamental economic problems was terrible for the country, and the devotion to markets-take-care-of-themselves ideology in the face of some of the most irresponsible financial market practices in history allowed the financial collapse and its myriad consequences. These policies and their failure were not surprising from a president devoted to a conservative, supply-side, economic philosophy.
- Conservative members of Congress have stuck to this tried-and failed economic approach. Although the American Recovery and Reinvestment Act has created and saved millions of jobs, and warded off a second Great Depression, it would have been more effective but for changes that were made in the Senate to garner conservative votes.
- Time after time since the beginning of 2009, conservatives have delayed or stopped additional measures to improve the weak economy. Assistance for small business, employment training, support for private sector job creation, infrastructure investment and many other proposals to move the economy from weak recovery to strong growth have been blocked or delayed by conservatives in Congress.
- The "Pledge to America" offers more of the same.

Listening to conservatives, it would be easy to think that America's economic woes began with the inauguration of President Barack Obama on January 20, 2009. In fact, upon taking office the Obama administration and a new Congress inherited from the previous administration an economy plunging into what threatened to be a second Great Depression. For the prior eight years, President George W. Bush and his administration pursued a one-trick economic policy of supply-side tax cutting that did nothing to address deep-seated structural problems but successfully produced federal budget deficits that left the country fiscally weak going into the Great Recession. At the same time, the Bush administration's regulators stood by as the financial industry engaged in some of the most catastrophic and irresponsible practices seen in the history of financial markets.

In retrospect, some leading conservative economists admitted to these failings, but conservatives in Congress did not change their tune. The passage of the Temporary Asset Relief Program, or TARP, late in Bush's presidency to bring stability to global financial markets on the edge of meltdown was necessary, but its design was hardly reflective of a new way of doing business. And since the changing of the guard in Washington in January 2009, conservatives in Congress have done every thing they can to obstruct efforts to fix the economic mess left at the end of the Bush era. With foot-dragging in committees, threats of filibuster, and other parliamentary tricks in the Senate—where governance rules allow even one lone senator to derail the entire legislative process—they have seriously weakened the national response to our nation's economic woes.

It started with the American Recovery and Reinvestment Act, which conservative senators fought in general and then worked to weaken by stripping out more effective job-creating provisions in favor of less effective conservative priorities. These changes, some of which were disdained by even conservative economists, ensured that taxpayers got less economic bang for their buck than they should have. The Recovery Act saved or created millions of jobs, but it could have done more.

The death of Democratic Sen. Ted Kennedy of Massachusetts and his replacement by Republican Sen. Scott Brown increased conservative power, making it almost impossible to take additional steps to improve our economy. Among other policies, conservatives over the past two years delayed and watered down efforts to:

- Provide lending to small businesses and start-up companies
- Create jobs by offering private employers a payroll tax cut
- Prevent layoffs of teachers and critical service providers in state and local governments to avoid further weakening of the labor market
- Extend unemployment insurance benefits to long-term unemployed workers to help keep up economic demand

What's more, if the recently minted "Pledge to America" Republican policy platform is any guide, then devotion to bankrupt—and bankrupting—conservative policies isn't just an embracing of past policies or blocking of current proposals. It is, in fact, their blueprint for the future as well. Understanding the devastating consequences of conservative economic policies in the 21st century, then, is the aim of this policy memo.

The Bush-era economy: Laissez-faire too far

President Bush's economic policy agenda consisted of little more than supply-side tax cuts paired with a disdain for prudent regulation. The Bush tax cuts, his administration argued, would put money in the hands of those people best positioned to make investments and create jobs. What we see all too painfully now is that supply-side tax cut policies were, as they have been in the past, an abject failure.[1]

The results are well known, but worth repeating. The tax cuts focused on the wealthy, reversed the federal budget surplus left by President Bill Clinton, and resulted in escalating budget deficits that left our country fiscally weakened going into the Great Recession. And in the 2000s under Bush administration policies, investment growth, employment growth, and income growth were all at their lowest point of any economic expansion in post-World War II U.S. history.[2]

These conservative policies simply did not work. Even though the recession ending in November 2001 was relatively mild in historical comparison, Bush administration economic policies contributed to the weakest economic expansion in the past 40 years. The average employment growth over the period between recessions was a mere 0.9 percent compared to the average for post-war periods of economic expansion of 3 percent. Investment growth was 2.1 percent compared to an average of 6.7 percent. And growth in our gross domestic product—the sum of all goods and services cranked out in our economy—was 2.7 percent compared to an average of 4.8 percent.

By almost any measure, the period of economic expansion under President Bush, beginning with the end of one recession and ending with the greatest recession of them all, was the weakest in our post-war history.

The consequences for working families were particularly devastating. Thanks to weak labor markets, family incomes fell through much of the Bush era, pushing households to take on record levels of indebtedness alongside bankruptcies for those who could not keep up.[3] Median family income—with 50 percent of families having income above, and 50 percent below—stood at $63,189 in 2000,[4] but by the end of 2007, after six years of business cycle expansion, median family income reached only $63,471. Under Bush administration economic policies, real median family income grew at an anemic average rate of 0.06 percent annually from business cycle peak to peak. In comparison, on average over the prior four business cycles median family income grew by almost 1 percent annually—or 15 times faster than under supply-side policies.

Family incomes fell through much of the Bush era, pushing households to take on record levels of indebtedness alongside bankruptcies for those who could not keep up.

Middle class incomes essentially made no progress during the Bush presidency. "No progress" may not sound that bad, but there are two things important to note. First, when incomes stagnate during an expansion, when a recession eventually hits, it cuts into the meat and bone, not just the gravy. Second, what a stagnant median income hides is the vast numbers whose incomes are going down. When the median income is growing strongly it's a sign that there is a strong economy and most people's incomes are going up even though by varying amounts. When the median is unchanged it means that while some family incomes are going up, as many are typically going down.

The country also paid a price for the conservative approach to regulation—or, rather, the disdain for it. Although it is certainly possible to regulate too much and do damage to an economy, the opposite is clearly also true. The financial collapse we have just seen offers the definitive proof of that.

The system of financial regulation that existed prior to the collapse was flawed, but the practices that lead to the collapse could have been addressed by aggressive regulators operating under that system. That was not, however, the cut of the sails of the regulators that were in power. They were too devoted to their libertarian markets-take-care-of-themselves ideology to take seriously the evidence that market failures were threatening to bring down our financial system, with great detriment to the nation. The result was a financial collapse for which the country is paying deeply and will continue to pay for some time.

The Bush administration's conservative economic policies of commission and omission are a primary reason the country is in such rough economic straights right now. Dealing with the structural problems in any economy is a complicated and difficult undertaking, and there would have been a business-cycle recession at some point. But the failure of the Bush administration to heed obvious signs of fundamental weakness and take action leaves our country greatly weakened. And the failure to properly regulate the financial markets was devastating.

It will take time to overcome the eight years of low levels of productive investment during the Bush presidency, both private and public, and for balance sheets to be restored so that economic actors can buy, sell, lend, borrow, and engage in myriad transactions at levels consistent with a well-functioning, thriving, economy. Unfortunately, conservatives in Congress during the Obama administration decided to double down on their failed policies of the 2000s by obstructing new policies to create jobs and restore the progress of our economy, while demanding only more of the same tried-and-failed conservative policies.

Less bang for your economic recovery buck

When President Obama took office, our economy was in the throes of a major recession and a financial crisis, with the economy shedding jobs at an accelerating rate. The first orders of business: stop the bleeding, stabilize the economy, and put people back to work with the American Recovery and Reinvestment Act of 2009. The Recovery Act was the first bill introduced into the House of Representatives and the Senate of the new 111th Congress, proposing a range of spending and tax relief to promote public and private investment and household consumption that would create jobs.

First, the good news: the Recovery Act was effective. It provided, among other things, $98 billion for public transportation and infrastructure investment, $71 billion for creating green jobs, $116 billion for the making work pay middle-class tax cut—a staple of President Obama's election platform—an expanded earned income tax credit, and extended emergency unemployment benefits that were set to expire.

Economists Mark Zandi and Alan Blinder—respectively, former presidential campaign advisor to Sen. John McCain (R-AZ), and Princeton University professor and former Vice Chairman of the Federal Reserve—find that the Recovery Act increased real GDP by 3.4 percent, lowered the unemployment rate by 1.5 percentage points, and added 2.7 million jobs to the economy.[5] The Obama administration's own assessment from the Council of Economic Advisors found that the Recovery Act increased GDP by 2.7 percent to 3.2 percent, and increased employment by 2.5 million to 3.6 million.[6]

The nonpartisan Congressional Budget Office estimates that the Recovery Act increased real GDP by 1.7 percent to 4.2 percent, lowered the unemployment rate by 0.7 percentage points to 1.5 percentage points, and increased employment by 1.2 million to 2.8 million jobs relative to where the economy would have been without it.[7] The business community also found the Recovery Act effective. In a *Wall Street Journal* Survey of business economists in March 2010, 75 percent of respondents concluded that the Recovery Act resulted in a net positive gain for U.S. economic growth. This is about as close to unanimous as economists get.

The Recovery Act increased real GDP, lowered the unemployment rate, and increased employment by 1.2 million to 2.8 million jobs relative to where the economy would have been without it.

But the Recovery Act would have been even more effective had not conservatives got their fingers in the pie. Although conservatives did not have strong sway in the House, they did in the Senate. At the time of passage there were 57 Democrats and one progressive independent in the Senate—making the garnering of the needed 60 folks a challenge in today's highly partisan environment. In addition, President Obama and leaders in the Senate wished for this first initiative of the new presidency to be an example of bipartisan cooperation. Given this objective, and the challenge of getting 60 votes, concessions to conservatives of both parties were inevitable.

The House passed the Recovery Act in just two days—with no Republicans voting for the bill. The House bill came in at a total of $820 billion, providing $545 billion in spending and $275 billion in tax cuts—most of it to be spent in two years. In contrast to the speedy work of the House, conservatives in the Senate held up the Recovery Act for two weeks before allowing a vote. Although the Senate bill came in with a higher price at $838 billion, in the ensuing time conservatives managed to strip money away from job-creating provisions, moving funds to provisions with much weaker economic impacts.

There were a number of key differences between the House-passed bill and the version passed by the more conservative Senate. One example was aid to state and local governments. With state-and-local-government tax revenues plunging in the recession, those governments (mostly barred from deficit spending) can become a big part of the problem. Pouring laid off public employees into a pool of unemployed private sector workers hurts everyone. Those erstwhile public employees join the laid off private sector workers in competition for what few jobs are available. Adding to the numbers of workers without jobs who are reining in their personal spending means even fewer customers in stores, which means in turn more private sector layoffs and lower investment. Cutbacks in state-and-local spending beyond the salaries of public employees also has the effect of pulling back one of the major customers for the private sector—escalating what was already being called the Great Recession.

Conservatives put the pinch on several additional key provisions.

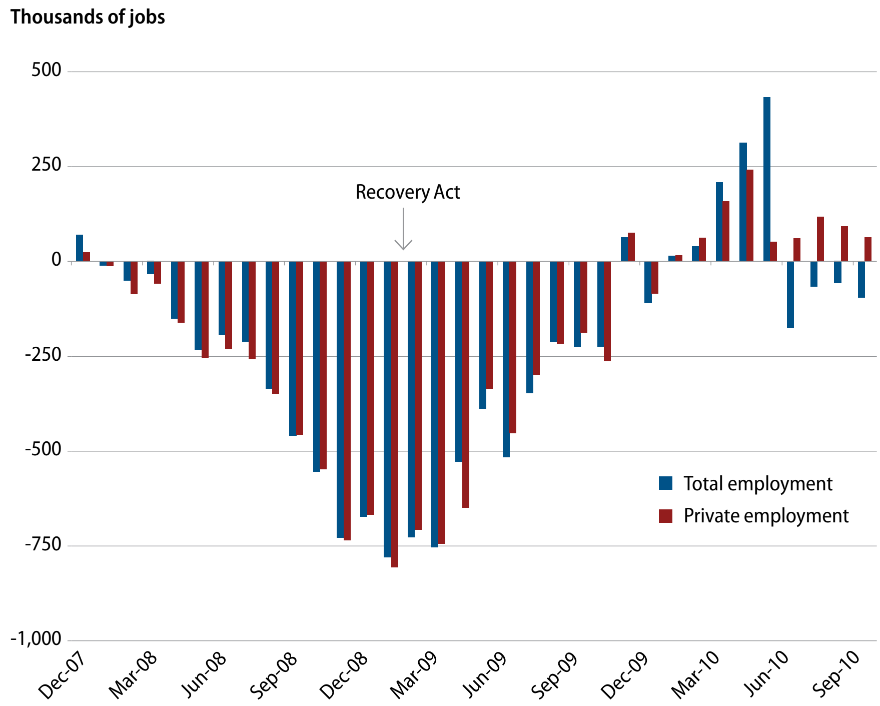
Federal aid to the states is one of the most powerful options for priming economic activity. By preventing layoffs and furloughs of critical public employees (teachers, first responders, and so on) and maintaining public spending levels, aid to the states spurs demand for private sector output and prevents a vicious cycle of spiraling recession. The House bill proposed $172.5 billion to state and local governments; the Senate bill offered $38 billion less. If conservatives had prevailed, the Recovery Act would have delivered 182,000 fewer jobs under the lower Senate bill spending on state aid.[8] In the end, Senate conservatives still managed to bleed $25 billion of state and local aid spending from the House proposal in the final bill enacted resulting in an estimated 120,000 fewer jobs.[9]

Conservatives put the pinch on several additional key provisions. Conservatives cut President Obama's "making work pay" middle class tax relief by $26 billion, and cut in half the funds provided for public school construction.[10] For the most part, the provisions that replaced the effective measures that were taken out were far less effective. Take, for example, the $70 billion extension of alternative minimum tax, or AMT, relief that was added. Economists ranked this tax cut second-to-last in job-creating power of available policy options for helping put the economy back on its feet.[11] And, since the AMT relief would have likely passed separately from the Recovery Act it probably added nothing to the economy.

FIGURE 1

Recovery Act job creation

Total and private employment losses and jobs growth between December 2007 and September 2010



Another ineffective provision in the Senate-passed bill was $20 billion tax breaks for businesses to "carryback" net operating losses, or NOLs, for five years. This would mean that businesses experiencing a loss today could deduct the loss from profits they already made and recover taxes they already paid going back five years. With businesses not investing due to the recession and high unemployment, this provision would line business owner's pockets without incentivizing business spending for economic recovery.[12] In the end, the NOLs tax giveaway was scaled back to $1 billion in the final version of the bill. Even conservative economist Martin Feldstein, writing in the *Washington Post*, was disappointed that some of these tax cuts would "do little to increase business investment and employment."[13]

As a result of compromises due to conservative obstruction in the Senate, it is estimated that the $789 billion Recovery Act as enacted would yield half a million fewer jobs than would have been created under the House bill.[14] Even though conservatives ensured the Recovery Act packed less bang for the buck, it is clear that the effects on employment in the economy were immediate and significant. (See Figure 1)

Consider these job figures. Monthly employment losses during the Great Recession peaked at 779,000 jobs in February of 2008, just weeks after President Obama's inauguration. With the help of the Recovery Act enacted in late February, monthly employment losses began slowing and eventually reversed the negative economic momentum to yield sustained monthly private sector employment gains. The pace of job creation is, however, obviously still not fast enough.

Darned if you don't

The Recovery Act, however, was just an opening salvo of progressive policy efforts to spur job creation. By the summer of 2009 it was clear that more support for economic recovery would be needed. In June, the House passed a bill offering $175 billion for a range of provisions to spur job creation and economic growth, including funds for:

- Public infrastructure and transportation investment
- Clean energy and water investments
- Education and school renovations
- Support of small business lending and investments in innovative technologies
- Aid to state governments in Medicaid matching funds and COBRA health insurance payments for laid-off workers
- Extended unemployment benefits, job training, and workforce development
- Job creation for first responders, law enforcement, and summer youth employment

Known at the time as the "Jobs for Main Street Act," the bill actually enjoyed more bipartisan support than most in the 111th Congress—24 Republicans joined with 235 Democrats in voting yea in the House.

But the bill hit a brick wall with conservatives in the Senate. It languished there for another five months, until November 5, 2009 when Senate progressives were able to overcome conservative threats of a filibuster by cutting the bill down to just $17.5 billion, one tenth of the size of the House bill. Instead of the ambitious provisions in the original House bill, the pared-down bill switched to a small payroll tax cut for employers hiring new workers, acceleration of depreciation of capital investments by business, a small expansion of the Build America Bonds program, and a temporary one-year reauthorization of the highway trust fund. Renamed the Hiring Incentives to Restore Employment Act, or HIRE, this more modest help took an additional four months to work out the differences between the House and Senate bills. A full nine months after the initial House Jobs for Main Street Act, during which time the economy lost more than half a million more jobs, the HIRE Act finally became law.

Some of the other provisions stripped from the original Jobs for Main Street Act did, eventually, become law. Aid to state and local governments to save public sector education and police and first responder jobs to provide Medicaid matching funds were enacted under separate legislation—on August 10, 2010, or fourteen months after the House voted on these job-creation measures. In this time waiting for state and local aid, state and local governments lost 292,000 jobs.

The delay of all these provisions, of course, also means that the impact of these measures has yet to be felt to any significant degree even as the economy continues to suffer. And some of the critical provisions that passed the House never made it through the Senate.

The infrastructure funding, for example, originally passed the House in November 2009 but fared less well in the Senate. In addition to holding up infrastructure investments that would create jobs in the construction sector where unemployment rates are highest, conservatives also squandered an opportunity to build innovative transportation and energy infrastructures critical to future economic growth. For the past two years, President Obama requested funding for a national infrastructure bank to increase federal transportation investment and to provide billions of dollars in accelerated funding for high-priority projects, including high-speed rail. Most recently, the president called for $50 billion of infrastructure investments on Labor Day 2010 and in October released a report detailing our nation's substantial infrastructure needs and the many middle-class jobs to be created by making those investments.[15]

Conservatives, however, have blocked all action in Congress.

Job-creating fiscal expenditures were not the only things held up by conservatives in Congress. They delayed critical regulatory reforms direly needed to make our financial system stable, accountable, efficient, fair, and productive in supporting investment and growth rather than bubbles and executive largesse. Though far from an ideal policy, the Bush administration's Temporary Asset Relief Program, or TARP—along with massive intervention from the Federal Reserve—did manage to temporarily stabilize banks teetering on the brink of insolvency. But the bigger systemic problems—restoring investor confidence in the integrity of

U.S. financial markets and, through appropriate prudential regulation, creating a system of incentives for finance to support investment and growth in the real economy—got kicked down the road to the Obama administration.

The House passed a sweeping financial reform bill on December 11, 2009; not one Republican voted for the bill. Senate conservatives' filibustered the bill in efforts to weaken reform, ultimately delaying a vote until May 20, 2010, more than five months after the House. Conservative pressures skewed the Senate reform bill enough to lose the votes of progressive Sens. Feingold (D-WI) and Maria Cantwell (D-WA). Leaving aside the content of reforms in the Wall Street Reform and Consumer Protection Act, conservative delay of reform created great uncertainty in the financial system that impeded not only a recovery of the financial sector, but a return of normal bank lending and borrowing necessary to fuel recovery in the nonfinancial sector of the economy.

With all their rhetorical worship of small business, conservatives should champion legislation to help small businesses access credit amid the financial crisis. Not so.

Squeezing small businesses

With all their rhetorical worship of small business, conservatives should champion legislation to help small businesses access credit amid the financial crisis. Not so.

In May, Rep. Barney Frank (D-MA), Chair of the House Financial Services Committee, introduced the Small Business Jobs and Credit Act of 2010.[16] Concerned with the ability of small business to access lending due to the financial crisis-induced credit crunch, this bill proposed a $30 billion small business lending fund and $12 billion in interest rate subsidies to community banks that expanded lending to small business and entrepreneurs. The spending would draw from funds repaid to the Temporary Asset Relief Program, and therefore not affect the budget deficit. By using public funds to leverage private capital markets, the legislation would make available up to $300 billion in loans to small businesses. The House passed the bill just one month later on a nearly party-line vote; with three Republicans voting for the bill.

The benefits to small businesses and the economy from this bill could not be more clear. Demand for the Small Business Administration loans included in the Recovery Act was so high that the SBA ran out of funds in the spring of 2009, leaving over a thousand small businesses on a waiting list. Helping small businesses access private credit would generate an estimated 500,000 jobs. Even so, conservatives delayed a vote on the Small Business Jobs and Credit Act for another three months as they tried to attach a permanent cut to the estate tax—a tax that in

2009 affected only 80 small businesses or family farms in the entire country, all worth at least $3.5 million (or typically $7 million for married couples).[17]

Conservatives blocked the bill throughout the summer. All 41 Republicans voted to continue the filibuster in July, leaving the bill for after the August recess and forcing small businesses to go weeks more with the uncertainty over their financial futures. On September 16, 2010, Republican Sen. George Voinovich of Ohio finally broke the conservative filibuster, allowing for another near party-line vote—three months after the House had passed the much-needed measure.

Blocking boosts to economic demand

Extending unemployment insurance for workers in the Great Recession was not a political matter until President Obama took office.

One of the most troubling examples of conservative obstruction to economic recovery is their actions on unemployment insurance. Unemployment insurance is both good social policy and among the most sound, best countercyclical economic policies. In an economy in recession with millions of people out of work through no fault of their own, unemployment insurance is the last line of defense for many families to keep up with the rent or mortgage and put food on the table. The Census Bureau estimated in September that unemployment insurance helped keep 3.3 million people out of poverty in 2009.

But with long-term unemployment—those out of work and actively seeking work for more than 27 weeks—reaching a record high of 46 percent of the unemployed in the spring of 2010 and falling only slightly since then as more people became unemployed—it is clear that 26 weeks of eligibility for normal unemployment insurance is inadequate. Unemployment insurance benefits would need to be extended again in 2010.

Extending unemployment insurance is also good economic policy that benefits everyone. When the economy slows down, unemployment insurance payments kick in to support consumer spending, helping to steer the economy back in the right direction. And unemployment insurance is one of the best policy tools available for stimulating economic activity. The CBO estimates that for every dollar spent on unemployment insurance, GDP increases by up to $1.90. Mark Zandi estimates a slightly smaller but still big effect of $1.61 in GDP for each dollar spent on unemployment insurance. Tax cuts favored by conservatives are only one-fifth as effective at boosting the economy.[18]

It is important to note that extending unemployment insurance for workers in the Great Recession was not a political matter until President Obama took office. Under President Bush, conservatives did not object to emergency unemployment compensation in June 2008, nor did they object to extending emergency unemployment insurance in November 2008 as the recession deepened.[19] The first extension passed the House on a 409 to 2 vote and the Senate 92 to 1. The second extension passed the House 368 to 28 and the Senate on an unrecorded voice vote (although the vote for cloture passed 89 to 6). Conservatives also supported unemployment benefit extensions under President Bush in 2003, as well as during three other earlier recessions.

Part of the Recovery Act extended emergency unemployment insurance through December 31, 2009. As that deadline approached and unemployment still remained unacceptably high, Sen. Jim Bunning (R-KY) surprised his colleagues by blocking extension of unemployment benefits for days. Sen. Bunning eventually capitulated in the eleventh hour, allowing reauthorization.

Then, in June 2010, Sen. Bunning was joined by several more of his conservative colleagues (including Senate Minority Whip John Kyl (R-AZ), who claimed most of his party shared the sentiment) in again blocking the reauthorization of extended unemployment benefits. Conservative obstruction resulted in the expiration of extended benefits for the long-term unemployed on June 2.

Conservatives then repeatedly filibustered attempts to reinstate the benefits, demanding that unemployment benefit extensions be paid for with commensurate budget cuts, and that the deficit-busting $830 billion Bush tax cuts for the richest two percent of Americans be extended but not paid for. Finally Carte Goodwin (D-WV) was sworn into the Senate, replacing the recently deceased Sen. Robert Byrd (R-WV). With this one additional vote, the Senate majority could overcome conservatives' filibuster of unemployment insurance extension, reauthorizing the critical benefits on July 22. Still, conservative obstruction forced unemployed workers to go seven weeks without benefits.

Pledging to the same failed conservative economic policies in the future

Republicans last month unveiled a "Pledge to America," detailing their "new governing agenda." This agenda is just recycled, supply-side, Bush economics. CAP analysis shows that putting the plan's proposals into place would cause the federal budget deficit and debt to grow much faster than they would under President Obama's budget. The deficit would be $200 billion larger in 2020 under "Pledge to America," and $1.5 trillion larger by 2030, while the federal debt would rise above 93 percent of GDP with interest payments surpassing $1 trillion a year.

The deficit spikes under the pledge because massive tax cuts lie at the center of its budget, which extends all expiring tax provisions and makes several big new cuts. Revenues would fall to 16.7 percent of GDP as a result, compared to the 20 percent of GDP achieved last time the federal government ran a balanced budget from 1998 to 2001. The "Pledge to America" promises to set "hard caps" on spending to make up for the lost revenue, but the few details offered don't add up, leaving deficits and debt to grow unchecked.

The bottom line is that the pledge merely recycles the same failed Bush policies that caused the six years of jobless economic growth followed by the Great Recession and today's current malaise in the broader economy accompanied by lots of federal red ink—a relentless focus on tax cuts for the richest Americans.

Michael Ettlinger is vice president for economic policy at the Center for American Progress. Adam Hersh is an economist at the Center. Kalen Pruss is an administrative assistant for the Center's executive team.

Endnotes

1 Michael Ettlinger and John S. Irons, "Take a Walk on the Supply Side" (Washington: Center for American Progress,2008), available at http://www.americanprogress.org/issues/2008/09/supply_side.html.

2 Josh L. Bivens and John S. Irons, "A Feeble Recovery: The fundamental economic weaknesses of the 2001-07 expansion." EPI Briefing Paper #214, available at http://www.epi.org/publications/entry/bp214/.

3 Christian E. Weller, "Drowning in Deb." (Washington: Center for American Progress, 2006), available at http://www.americanprogress.org/issues/2006/05/b1655517.html; Amanda Logan and Christian E. Weller, "Bush's Bankruptcy Legacy: Three Years and Nearly 1.5 Million Bankruptcy Filings Later" (Washington: Center for American Progress, 2008), available at http://www.americanprogress.org/issues/2008/04/bankruptcy_column.html.

4 Measured in real 2009 dollars.

5 Mark Zandi and Alan Blinder, "How the Great Recession was Brought to an End," Economy.com, July 27, 2010, available at http://www.economy.com/mark-zandi/documents/End-of-Great-Recession.pdf.

6 Council of Economic Advisors. "The Economic Impact of the American Recovery and Reinvestment Act of 2009: Fourth Quarterly Report" (2010), available at http://www.whitehouse.gov/administration/eop/cea/factsheets-reports/economic-impact-arra-4th-quarterly-report/summary.

7 Congressional Budget Office, "Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output" (2010), available at http://www.cbo.gov/ftpdocs/115xx/doc11525/05-25-ARRA.pdf.

8 Will Straw, "Cuts to Senate Recovery Bill Mean Fewer Jobs in States" (Washington: Center for American Progress, 2009), available at http://www.americanprogress.org/issues/2009/02/senate_cuts.html.

9 Estimate is based on the implicit job multiplier for state and local government aid.

10 David Rogers, "Early Setbacks Test Obama's Cool," *Politico*, February 13, 2009.

11 Douglas W. Elmendorf, "Policies for Increasing Economic Growth and Employment in the Short Term," Testimony to the Joint Economic Committee, February 23, 2010, available at http://www.cbo.gov/ftpdocs/112xx/doc11255/Unemployment_Testimony.shtml.

12 Michael Ettlinger, "Corporate Tax Break Puts the Cart Before the Horse" (Washington: Center for American Progress, 2009), available at http://www.americanprogress.org/issues/2009/02/nol.html.

13 Martin Feldstein, "An $800 Billion Mistake," *The Washington Post*, January 29, 2009.

14 Congressional Quarterly, "The Economic Stimulus Agreement," *Congressional Quarterly House Action Reports No. 111-1* (2009), available at http://stimulus.ms.gov/msgo/mssr.nsf/webpageedit/LN_RL_Page_LOLAR_SPL_GSOAPFANP/$FILE/cqSummary.pdf?OpenElement.

15 Council of Economic Advisors, "An Economic Analysis of Infrastructure Investment" (2010), available at http://www.whitehouse.gov/sites/default/files/infrastructure_investment_report.pdf.

16 *Small Business Jobs and Credit Act of 2010*, Public Law 111-240, 111th Cong. available at, http://thomas.loc.gov/cgi-bin/bdquery/z?d111:HR5297:/.

17 Michael Linden, "Chipping Away at the Estate Tax," (Washington: Center for American Progress, 2009), available at http://www.americanprogress.org/issues/2009/12/chipping_away.html.

18 CBO estimates that extending the AMT or reducing income taxes in 2011 would only yield $.10 to $.40 for each dollar spent.

19 Emergency Unemployment Insurance, H.R. 2642 contained in "The Supplemental Appropriations Act of 2008" Title IV. November 21, 2008, available at http://en.wikisource.org/wiki/Supplemental_Appropriations_Act,_2008; *The Unemployment Extension Act of 2008*, Public Law 110-449, 110th Cong. (November 21, 2008), available at http://www.ows.doleta.gov/dmstree/pl/pl_110-449.pdf.