



# The 6 Key Failures of the House Republican Budget Plan

Latest Proposal Released Today Offers Pain for Everyone but the Rich

Michael Linden     March 2012

The latest House Republican budget plan asks low-income and middle-class Americans to shoulder the entire burden of deficit reduction while simultaneously delivering massive tax breaks to the richest 1 percent and preserving huge giveaways to Big Oil. It's a recipe for repeating the mistakes of the Bush administration, during which middle-class incomes stagnated and only the privileged few enjoyed enormous gains.

Each component of the new House Republican budget threatens the middle class while doing nothing to add jobs or grow our economy. It ends the guarantee of decent insurance for senior citizens, breaking Medicare's bedrock promise. It slashes investments in education, infrastructure, and basic research, all of which are key drivers of economic growth and mobility. And it cuts taxes for those at the top, asking the middle class to pick up the tab. It's a budget designed to benefit the top 1 percent at everyone else's expense.

The Republican leadership in the House of Representatives today unveiled their latest budget proposal. Though there are many questions yet to be answered, one thing is clear—they have learned nothing from the damaging budget battles of last year. This latest budget blueprint not only mirrors last year's disastrous effort but also manages to reject what little bipartisan budget agreement was forged in 2011.

This year's proposed House budget for fiscal year 2013 starting in October would once again end the Medicare guarantee, once again slash investments crucial to the middle class and to future economic growth, and once again cut taxes for the rich and protect taxpayer subsidies for oil companies. It once again ignores current economic challenges by offering no credible job-creation measures, and it once more places virtually the entire burden of debt reduction onto the shoulders of those least able to bear it.

On top of all that, the new plan, designed by House Budget Committee Chairman Paul Ryan (R-WI), proposes spending levels that are well below those that were agreed to by

both Republicans and Democrats just eight months ago. And so once again this appears to be a budget specifically designed to cater to the richest 1 percent while poking everyone else—including the middle class and anyone who wants to see bipartisan agreement on the federal budget—right in the eye.

Here are the six most important failures of the new House budget plan. It would:

- Undermine the middle class
- Rig the system even more heavily in favor of the richest 1 percent
- End the Medicare guarantee and raise health care costs for seniors
- Undercut the economic recovery
- Deviate dramatically from a balanced approach to deficit reduction
- Renege on last year's bipartisan budget agreement

Let's look at each in turn.

---

### Undermining the middle class

Nearly every important element of the new budget proposal from the Republican leadership in the House would weaken the middle class in America. First and foremost, the plan ends the Medicare guarantee of decent health insurance in retirement. It also slashes critical middle-class investments, such as education and infrastructure by 45 percent and 24 percent, respectively. It includes not a single new measure to help the nearly 13 million unemployed get back into a decent job. And on top of all that, the middle class would end up paying higher taxes as well.

---

### Rigging the system even more heavily in favor of the richest 1 percent

But this budget plan isn't content just to take from the poor and middle class—it also gives generously to the rich. It protects existing tax breaks for those at the top of the income spectrum, and then goes the next step and offers them huge new tax cuts. Rep. Ryan and his colleagues insist that the more than \$3 trillion in tax cuts for the rich won't result in lower revenue, but are deliberately vague about how the numbers could possibly add up. The reality is that the only way to pay for such huge tax cuts for the 1 percent is to make the 99 percent pick up the tab.

---

### Ending the Medicare guarantee and raising health care costs for seniors

Their plan for Medicare is similar to their proposal from last year to end the program as we know it. This year's plan, just like last year's, calls for replacing the system we cur-

rently have with a capped voucher that seniors would use to purchase health care coverage on the private market. Unlike last year, however, the new plan claims to maintain traditional Medicare as an option that seniors could choose to purchase. This sounds a little better, but in reality their latest health care scheme for senior citizens would inevitably result in a “death spiral” for Medicare that means higher costs for seniors.

---

## Undercutting the economic recovery

Though we’ve recently enjoyed several months of solid job growth, our current economic recovery is by no means assured, and we still have a long way to go to get back to full economic health. Not only does the House Republican budget plan fail to propose even a single new idea for spurring job creation, it would also force an immediate swerve into severe austerity. It’s an economic prescription that, as Europe is finding out, will make matters much worse.

---

## Deviating dramatically from a balanced approach to deficit reduction

Rep. Ryan is fond of starring in videos in which he gravely lectures on the need to address our long-term fiscal challenges. He’s not wrong about that. We do need to address those challenges. And over the past 18 months, many a detailed plan have been put forth to do just that. Several of those plans have even garnered bipartisan support. What they have in common is a commitment to *balanced* deficit reduction—which includes both spending cuts and revenue increases—and realistic proposals with numbers that add up.

Rep. Ryan’s new plan doesn’t come close to fitting that bill. It’s definitely not balanced. Not only would he place the entire burden of deficit reduction on the middle class and the poor but also would actually give the rich additional tax breaks at the same time. And the numbers don’t even add up to real deficit reduction. The tax proposals alone would break the bank, and the spending cuts are unrealistic in the extreme. It’s no wonder that Rep. Ryan didn’t allow the Congressional Budget Office to evaluate the budget’s actual policy proposals.

---

## Reneging on last year’s bipartisan budget agreement

The debt-limit debacle of last summer did have one positive outcome—after narrowly avoiding a government shutdown several different times in 2011 it cleared the way for a smooth budget process this year. The debt-limit deal, known as the Budget Control Act, included an agreement on overall “discretionary” spending levels—the money that Congress appropriates each year—for the coming fiscal year. The Budget Control Act passed both houses of Congress with wide bipartisan majorities and was signed into law by President Obama in August last year.

For his part, President Obama adhered to the enacted law when he presented his proposed budget for FY 2013 earlier this year. The new House Republican plan, however, completely reneges on it. It's tough to see how a bipartisan deficit reduction agreement can ever be reached when even previously agreed-to bipartisan deals fall through.

---

## Conclusion

There is no question that the United States today faces enormous economic challenges. We lost over 8 million jobs during the Great Recession, the middle class just suffered through a decade of stagnant or even declining incomes while those fortunate enough to be in richest 1 percent are collecting an increasingly large share of the national income. And of course, the federal budget is in need of a serious recalibration to put it on a more sustainable path.

For most of these problems, the House Republican budget offers no solutions at all. It has nothing to offer the middle class aside from more struggles and fewer protections. It completely ignores widening income inequality except to exacerbate it by delivering the rich more tax cuts. It wouldn't even balance the budget for decades, and in the meantime, by brushing off a previously agreed-upon budget law, it signals an utter rejection of the very concept of compromise.

In short, today was not a good day for American economic progress.

*Michael Linden is Director of Tax and Budget Policy at the Center for American Progress.*