



## Support the Balancing Act: Restore Balance to the National Budget

In 2011 and 2012 the U.S. Congress, driven by Tea Party extremism and corporate money-fueled hysteria over a contrived “debt crisis,” enacted \$1.7 trillion in deficit reduction over ten years, mainly by slashing vitally needed domestic programs that serve our most vulnerable citizens. Cuts in the 2011 budget alone included \$600 million from community health centers, \$503 million from Women, Infants and Children (WIC) nutrition programs, \$400 million in home energy assistance, and \$1.6 billion from environmental programs.

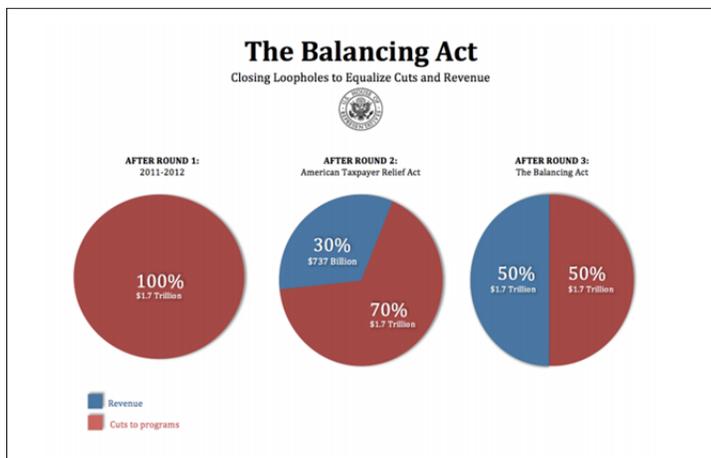
However, these cuts did not touch the bloated Pentagon budget, nor did the government increase its revenues by ending massive tax breaks and subsidies to billionaires and large corporations. Instead, the threat of a catastrophic and indiscriminate “sequester” of future discretionary spending was triggered for 2013. Sequester cuts would threaten to hurl the slowly recovering economy back into recession by destroying some 600,000 jobs in 2013 alone, while making even deeper cuts into the vital government programs that serve the most needy citizens and provide needed investments in education and in infrastructure.

Sequester cuts that will take effect on March 1 are half in domestic programs and half in military spending. Under current legislation, \$31.4 billion will be cut from domestic programs like WIC, Head Start, child care, housing, home energy, and homelessness aid, education and training. Medicare will be cut by \$11.2 billion. Moreover, 373,000 seriously mentally ill adults and seriously emotionally disturbed children will go untreated, 70,000 young children will be kicked off Head Start, 10,000 teachers’ jobs would be put at risk, Meals on Wheels will be able to serve 4 million fewer meals to seniors, and more than 100,000 formerly homeless people, including veterans, will be removed from their current housing and emergency shelter programs.

The American electorate rejected the politics of imposing austerity on the people in the elections of 2012. As a result, in January 2013, Congress enacted a modest tax increase on the wealthiest individuals, while postponing the budget showdown by two months. At the same time, Congress also failed to renew or replace the temporary tax reduction in the payroll tax, thereby taking away 2% from the take-home pay of working people. This last step is already stalling economic recovery.

### Create Jobs by Cutting Corporate Tax Loopholes and Pentagon Spending

On February 5, 2013, ten members of the Congressional Progressive Caucus introduced the Balancing Act



that would cancel the across-the-board “sequester” budget cuts, replacing them with an equal amount of revenue (\$948 billion) by closing some flagrant corporate and individual tax loopholes. The bill would also cut some \$300 billion from the most wasteful Pentagon spending boondoggles (a lesser cut than under the current sequester), reinvesting it in job creation in infrastructure and education.

The Balancing Act would restore budget discipline by raising revenues from those most able to pay and protecting essential social programs for those who need them the

most. Overall, beginning with 2011 when the Budget Control Act was passed, the Balancing Act would achieve a one-to-one ratio between increased government revenues and spending reductions.

Corporate tax loopholes to be cut include fossil fuel subsidies, carried interest (hedge funds), offshore tax abuses, jets and yachts, etc., while a 28% rate cap would be imposed on itemized individual tax deductions.

Modest savings in Pentagon procurement would be achieved through Massachusetts Rep. Markey's Smarter Approach to Nuclear Weapons bill, by slowing the purchase of nuclear submarines, by replacing some F-35 fighter purchases with the proven and far cheaper F-18s, etc.

Jobs would be created by hiring more teachers and investing in school modernization and in transportation infrastructure. A Making Work Pay tax credit of \$400 (\$800 for couples) would replace the expired payroll tax reduction to stimulate consumer demand.

Detailed proposals of the Balancing Act are available at <http://cpc.grijalva.house.gov/balancing-act/>

With the Balancing Act, the Congressional Progressive Caucus offers a rational, commonsense alternative to the unfair and economically destructive alternatives posed by Tea Party Republicans and corporate "Fix the Debt" neoliberals. While most of its provisions are not likely to be enacted by the current Congress, it represents the views and the needs of most Americans.

We urge you therefore to contact your Representatives and Senators asking them to endorse and support the Balancing Act.

### **Beyond the Balancing Act**

DSA believes that other more far-reaching ideas are also necessary in the longer term to restore sound national budget priorities. Among them:

- Social Security should be improved and financed by raising the cap on earned income now taxed and by extending the tax to unearned income.
- Medicare should be extended to residents of all ages. Costs should be contained by eliminating excessive profits by pharmaceutical, insurance companies and healthcare providers.
- A financial transactions tax (Robin Hood Tax) would raise substantial revenues while curbing reckless financial speculation.
- Deeper cuts should be made in excessive Pentagon spending by ending useless wars, closing many foreign bases, and reducing unneeded weapons procurement while providing better healthcare and rehabilitative services to military personnel and veterans.
- Fossil fuels should be taxed at a higher rate to reduce global warming, while providing compensation for lower-income persons who would be affected by higher prices for heat and fuel.

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