

# Fairy Tale or Worse?

By Fred Kammer, S.J.

## The Ryan-Romney Budget Plan and Catholic Moral Criteria

For a nation still mired in the aftermath of the Great Recession, the economic well-being of the country—measured in unemployment, underemployment, and poverty—is a primary election issue. President Obama's efforts to drastically change course from the Bush economic debacle have been stymied by Congress and hardly helped by the meager efforts of the Federal Reserve. As “no new taxes” pledges blocked compromise on a major federal budget turnaround, Congress did agree on a Budget Control Act that will trigger across-the-board cuts—“sequestration”—in January 2013.

House Republicans adopted a 2012 fiscal plan championed by Budget Committee Chairman Paul Ryan, now Republican vice-presidential candidate. Presidential candidate Mitt Romney called the plan a “bold and exciting effort,” “very much needed,” “marvelous,” an “important step,” and indicated that he would have signed it into law if he were president. The plan represents a major redirection being urged on the American public and deserves close scrutiny.

Looked at through the lens of Catholic social teaching, the plan is not just morally flawed. It is, frankly, immoral in both broad outlines and specific measures. Before spelling out this judgment, we should review what the U.S. Catholic Bishops wrote to House members:

As teachers, we offer several moral criteria to help guide difficult budget decisions:

1. Every budget decision should be assessed by whether it protects or threatens human life and dignity.
2. A central moral measure of any budget proposal is how it affects “the least of these” (Matthew 25). The needs of those who are hungry and homeless, without work or in poverty should come first.
3. Government and other institutions have a shared responsibility to promote the common good of all, especially ordinary workers and families who struggle to live in dignity in difficult economic times.<sup>1</sup>

These are not casual or ad hoc moral criteria dreamed up in Washington offices of the U.S. Conference of Catholic Bishops. Rather they reflect time-tested Catholic moral principles for a just society, including the common good (see article on page 2), the preferential love for the poor and vulnerable, distributive and contributive justice, and progressive taxation, among others.

The bishops followed these moral criteria with the following application in bold:

***A just framework for future budgets cannot rely on disproportionate cuts in essential services to poor persons. It requires shared sacrifice by all, including raising adequate revenues, eliminating unnecessary military and other spending, and addressing the long-term costs of health insurance and retirement programs fairly.***

The Ryan budget plan—now fairly called the Ryan-Romney plan—has done precisely the opposite: reducing revenues by increasing tax cuts for the very wealthy, increasing military spending, and making disproportionate cuts in essential services to low-income Americans.

### Tax cuts on top of tax cuts

The Ryan-Romney plan would increase taxes on the poor while reducing in half taxes for millionaires and cutting corporate taxes. Top individual tax rate would drop to 25 percent, the lowest level since the Hoover Administration.<sup>2</sup> Millionaires would receive a tax cut of \$265,000 while families with incomes below \$30,000 would have tax increases due to the elimination of the refundable portion of the Earned Income Tax Credit, Child Tax Credit, and American Opportunity Tax Credit. Incomes at the top would increase 12.5 percent, while the income of those in the middle (\$40-70,000) would increase less than 2 percent in another redistribution of income from middle-America to the wealthy. This is regressive, not progressive taxation—a fatal moral flaw. The cost of these tax cuts is \$4.6 trillion dollars in lost federal revenue over the next 10 years, in addition to the plan's proposal for \$5 trillion in revenue loss by making permanent all of the Bush tax cuts, which so contributed to the current deficit and recession.<sup>3</sup>

### Shredding the safety net

On April 27, 2011, a broad coalition of Catholic, Protestant, Evangelical, and other Christian church leaders called for a “Circle of Protection” around programs for the hungry and poor in this country and abroad. They then spelled out the moral basis for this position:

## **“Looked at through the lens of Catholic social teaching, the plan is not just morally flawed. It is, frankly, immoral in both broad outlines and specific measures.”**

*As Christians, we believe the moral measure of the debate is how the most poor and vulnerable people fare. We look at every budget proposal from the bottom up—how it treats those Jesus called “the least of these” (Matthew 25:45).<sup>4</sup>*

Unfortunately, on top of serious cuts under the Budget Control Act, the Ryan-Romney budget plan proposes to make 62 percent (\$3.3 trillion) of huge domestic budget cuts from programs serving lower-income Americans over 10 years. These include: \$2.4 trillion from Medicaid and other health care for people with low or moderate incomes; \$134 billion from SNAP, formerly known as the Food Stamp Program; \$463 billion in mandatory programs serving low-income Americans, including education, training, employment, and social services; and at least \$291 billion from discretionary programs for low-income Americans, including housing, child care for the working poor, WIC, Head Start, Pell Grants, domestic violence services, emergency food, and job training.<sup>5</sup>

The human costs are immeasurable. The Urban Institute estimates that states would drop 14-17 million people from Medicaid under the plan’s block grant strategy and one-third reduction in funding—mostly affecting low-income children, the disabled, and the elderly. The plan would repeal the Affordable Care Act (ACA), denying an additional 17 million low-income people eligibility for Medicaid which the ACA affords.<sup>6</sup>

### **Degrading Medicare**

The Ryan-Romney plan turns Medicare into a “premium support” or voucher program, not immediately, but for all beneficiaries beginning in 2023. In

addition, it limits the growth of the value of the voucher to less than inflation of medical costs, forces recipients to buy more expensive and less efficient private health insurance, gradually raises the eligibility age to 67 by 2034, and repeals the ACA coverage of the prescription drug “donut hole” and its mandate to cover preventive services without cost sharing. Slowly and inexorably, the plan shifts major costs from Medicare to the elderly (median Medicare household income is only \$25,000) and erodes the Medicare program for all those who remain in it.<sup>7</sup>

### **To What End?**

One might support the Ryan-Romney plan if it ensured a balanced budget fairly and quickly reduced the debt; but the non-partisan Congressional Budget Office calculates that, even under very rosy Ryan economic assumptions, the plan does not create a surplus *until the year 2040!*<sup>8</sup> Moreover, the plan proposes but does not specify tax changes that will increase revenues to offset the tax benefits to the wealthy or many of the further cuts needed to reach targeted reduction goals. In economic terms alone, Reagan budget director David Stockman calls it a “fairy-tale budget plan”<sup>9</sup> and Nobel economist Paul Krugman labels it “a joke” and “a triumph of style over substance.”<sup>10</sup> As Robert Greenstein observes, “It need not be that way. In 1990, 1993, and 1997, policymakers enacted major deficit reduction packages that reduced deficits in a more balanced way, without increasing poverty.”<sup>11</sup>

Most importantly, it is starkly immoral.

### **ENDNOTES**

- 1 Bishops Stephen E. Blaire and Howard J. Hubbard, Chairmen of USCCB Committees on Domestic Justice and Human Development and International Justice and Peace, Letter to U.S. House of Representatives, July 26, 2011.
- 2 Chuck Marr, *New Tax Cuts in Ryan Budget Would Give Millionaires \$265,000 on Top of Bush Tax Cuts*, Center for Budget and Policy Priorities, April 12, 2012.
- 3 Robert Greenstein, *Statement of Robert Greenstein, President, on Chairman Ryan’s Budget Plan*, Center on Budget and Policy Priorities, March 21, 2012, pp. 1-2.
- 4 The statement is found at <http://www.circleofprotection.us/> (accessed August 20, 2012).
- 5 Kelsey Merrick and James Horney, *Chairman Ryan Gets 62 Percent of His Huge Budget Cuts from Programs for Lower-Income Americans*, Center for Budget and Policy Priorities, March 23, 2012, pp. 2-3.
- 6 Edwin Park and Matt Broaddus, *Ryan Medicaid Block Grant Proposal Would Cut Medicaid by One-Third by 2022 and More After That*, Center for Budget and Policy Priorities, March 27, 2012, p. 1.
- 7 Paul N. Van de Water, *Medicare in the Ryan Budget*, Center for Budget and Policy Priorities, March 28, 2012.
- 8 Congressional Budget Office, *The Long-Term Budgetary Impact of Paths for Federal Revenues and Spending Specified by Chairman Ryan*, March 2012, p. 5.
- 9 David A. Stockman, *Paul Ryan’s Fairy-Tale Budget Plan*, New York times, August 14, 2012, p. A19.
- 10 Paul Krugman, *An Unserious Man*, New York Times, August 20, 2012, p. A19.
- 11 Robert Greenstein, op.cit., p. 4.