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It's Time for Real Deficit Numbers

By David Osterberg

Drowning in 300 feet of water is not much different from drowning in 400 feet. The same could be said when the sea is red ink, and the measurement in billions of dollars - especially with no viable plan for rescue on the horizon. If only The Gazette would use its editorial space to address the U.S. budget deficit comprehensively. Instead, its July 13 editorial, "Budget improving," belittled legitimate and serious commentary about the effects of the administration's policy choices as nothing more than the work of "political opponents."

The Gazette endorsed two fundamental arguments being spun out of Washington, both of them fallacious:

--Tax cuts are increasing revenues.

--The economy is strong.

Tax cuts do not even begin to raise enough revenue to pay for themselves. This is acknowledged by the administration's own Treasury Department and the Congressional Budget Office. In fact, the most optimistic projections from those agencies are that the cuts will produce 10 percent of the revenue they cost (www.cbpp.org/3-8-06tax.htm).

Some have proposed a "pay as you go" standard to ensure both tax cuts and growth in entitlement spending are paid for by offsetting tax increases or spending cuts. Both are fiscal challenges - but only entitlements such as Medicaid spending seem to draw attention from the White House.

Blaming entitlement spending for deficits actually diverts attention from the biggest reason for the deficits: cutting taxes at the same time we are fighting two wars. The Gazette chose not once in its editorial to mention the financial cost of the wars in Iraq and Afghanistan, nor to acknowledge any short-term or long-term cost of tax cuts. In fact, half of the deficits since January 2001 were caused by tax cuts. Ironically, entitlement spending reflects the increased cost of meeting increased needs - not being met in what The Gazette is accepting as a "strong" economy.

Any economic growth looks good compared with the 2001 recession. But the fact is that current growth is slow and weak in comparison with previous recoveries. Iowa has gained only 35,500 jobs since we entered the recession in March 2001 - and wages for many workers are down. Five and a quarter years after the previous (1990) recession, Iowa had gained 100,000 jobs at this point in the recovery. And the median real wage (50 percent make more, 50 percent make less) declined by 1 percent between 2001 and 2005 (from \$13.57 to \$13.44).

If we are to be serious about addressing the deficit, the public, the media and policymakers should turn their attention to its real causes, and be aware of the real economic context.

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