Jeffrey Sachs: The People’s Budget

Just when it seemed that all of Washington had lost its values and its connection with the American people, a bolt of hope has arrived. It is the People’s Budget put forward by the co-chairs of the 80-member Congressional Progressive Caucus. Their plan is humane, responsible, and most of all sensible, reflecting the true values of the American people and the real needs of the floundering economy. Unlike Paul Ryan’s almost absurdly vicious attack on the poor and working class, the People’s Budget would close the deficit by raising taxes on the rich, taming health care costs (including a public option), and ending the military spending on wars and wasteful weapons systems.

There are now four budget positions on the table. Far to the right is Paul Ryan’s plan, an artless war on the poor that would take a meat-cleaver to Medicaid (health care for the poor), food stamps, support for child care, the environment, and the rest of government other than the military, Social Security, and Medicare (that is, until 2022, when the slashing would begin on Medicare coverage as well). Ryan would keep taxes below 20 percent of GDP (specifically, 19.9 percent of GDP in 2021), at the cost of destroying entitlements programs and other civilian spending.

Then there is President Obama’s budget, which is really a muddled proposal in the center-right of the political spectrum. It would keep most of the Reagan-era and Bush-era tax cuts in place. Like the Ryan proposal, Obama’s tax proposals would keep total taxes at around 20 percent of GDP. The result is a major long-term squeeze on vital programs such as community development, infrastructure, and job training. Also, Obama’s plan never closes the budget deficit, which remains as high as 3.1% of GDP in 2021.

In the progressive middle is the People’s Budget. Like Ryan’s plan, the People’s Budget would cut the budget deficit to zero by 2021, but would do so in an efficient and fair way. It would close the budget deficit by raising tax rates on the rich and giant corporations, while also curbing military spending and wrestling health care costs under control, partly by introducing a public option. By raising tax revenues to 22.3 percent of GDP by 2021, the People’s Budget closes the budget deficit while protecting the poor and promoting needed investments in education, health care, roads, power, energy, and the environment in order to raise America’s long-term competitiveness. The People’s Budget thereby achieves what Ryan and Obama do not: the combination of fairness, efficiency, and budget balance.

The fourth position is the public’s position. The Republicans often say that they want Congress to respect the voice of the people. The voice of the people is crystal clear. In one opinion survey after the next, the public says that the rich and the corporations should pay more taxes. The public says that we should tamp down runaway health care costs through a public option, one that would introduce competition to drive down bloated private health insurance costs. The public says that we should get out of Iraq and Afghanistan and reduce Pentagon spending. (Just yesterday, Defense Secretary Gates let loose the predictable Pentagon canard that we should stay in Iraq if the Iraqi government asks for it. Better yet, we should respond to what the American people are asking for: to bring our troops home).
The fact is that the People’s Budget is the public’s position. That’s why it is truly a centrist initiative, at the broad center of the U.S. political spectrum. Ryan reflects the wishes of the rich and the far right. Obama’s position reflects the muddle of a White House that wavers between its true values and the demands of the wealthy campaign contributors and lobbyists that Obama courts for his re-election. Many Democrats in Congress have also gone along with the falsehood that deficit cutting means slashing spending on the poor and on civilian discretionary programs, rather than raising taxes on the rich, cutting military spending, and taking on the over-priced private health insurance industry. Only the People’s Budget speaks to the broad needs and values of the American people.

The current budget negotiations have been a dialogue among the wealthy. The big debate has focused on which programs for the poor should be axed first. There has been no discussion of raising taxes on the rich, and quite the contrary, the White House and the Republican leadership agreed to further tax cuts last December. Obama has repeatedly expressed regret at slashing community development, energy support for the poor, and other programs, but he is not fighting the trend, only regretting it.

Most of Washington has stopped listening to the people. Campaigns are now so expensive that most politicians do anything to court the favor of the rich. Yet ultimately the public will prevail. Twice before in American history – during the Gilded Age of the 1880s and in the 1920s, just before the Great Depression – big corporate money effectively owned Washington. But in both eras great progressive leaders (including the two Roosevelts, Theodore and Franklin) came along to restore the true meaning of American democracy: a government truly of the people, by the people, and for the people. With public protests against government by the rich now spreading in Wisconsin, Ohio and beyond, and with the launch of the People’s Budget by the Congressio-