



Jobs: The Immediate Deficit America Must Tackle Economic Recovery Demands Balanced Deficit Reduction that Asks Everyone to Share the Sacrifices

With 13.9 million Americans unemployed, including more than 53,000 Mainers, and many more underemployed, job creation and economic growth must be Washington's top priority.¹ A "cuts only" approach to deficit reduction will undermine economic recovery and hurt Maine people.

There is a better solution that doesn't sacrifice jobs and calls on all Americans including the wealthiest and big corporations to contribute their fair share toward long-term deficit reduction. A balanced approach, one that includes a responsible mix of spending cuts and revenue increases by closing tax loopholes for example, offers the best blueprint for sustained economic recovery and job creation.

Debt Ceiling Agreement Avoids Default but Not Future Showdowns

The debt ceiling agreement avoided default and establishes new annual binding caps on federal discretionary spending that cut nearly \$900 billion over ten years. However, it does not fully resolve the issue that will remain a source of headlines and partisan grandstanding for months to come as a new congressional Joint Committee seeks an additional \$1.2 trillion in deficit reduction. A critical issue is the role, if any, revenue increases such as closing tax loopholes will play in the final package.

If the Committee fails to deliver \$1.2 trillion in additional deficit reduction or Congress and the President fail to approve the Committee's recommendations, across-the-board annual spending cuts will kick-in beginning in 2013. These cuts, including roughly \$110 billion in cuts each year in defense and non-defense spending, will last for nine years until they produce the required \$1.2 trillion in deficit reduction. Failure to raise additional revenues threatens Social Security, Medicare, Medicaid, education, small business assistance, and other programs important to our economic security.

One-third

Approximate percentage of discretionary federal spending (non-security) that flows as grants to states and towns.⁶

\$1 trillion

Approximate annual cost of tax expenditures ("spending through the tax code").⁷

\$685 billion

Approximate cost of high-end Bush tax cuts over ten years.⁸

\$110 billion

Approximate annual across-the-board cuts if Congress fails to agree on further deficit reduction measures.⁹

\$10 billion

Approximate amount of doctor, hospital, and other provider cuts in 2013 if Congress fails to agree on further deficit reduction measures.¹⁰

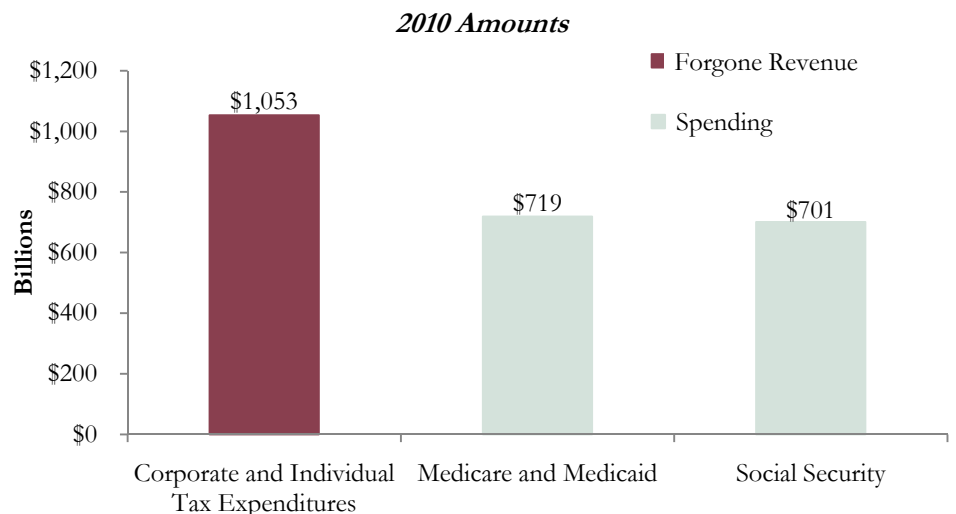
1.8 million

Jobs nationwide that could be lost in 2012 alone due to discretionary spending cuts and the failure to extend the payroll tax holiday and emergency unemployment benefits.¹¹

53,156

Number of unemployed Mainers.

Potential Sources of Deficit Reduction Highlight Need to Keep All Responsible Options on the Table²



Relying on Spending Cuts Alone Will Hurt Working Families

The approximately \$2 trillion in spending cuts that could result from the debt ceiling agreement will be a significant drag on the American and Maine economies for years to come. The Economic Policy Institute projects that in 2012 alone, a combination of cuts to discretionary spending and the failure to extend the payroll tax holiday and emergency unemployment benefits could cost 1.8 million jobs nationwide.³ At a time when so many Americans struggle to find jobs, policies that will further swell the ranks of the unemployed make no sense.

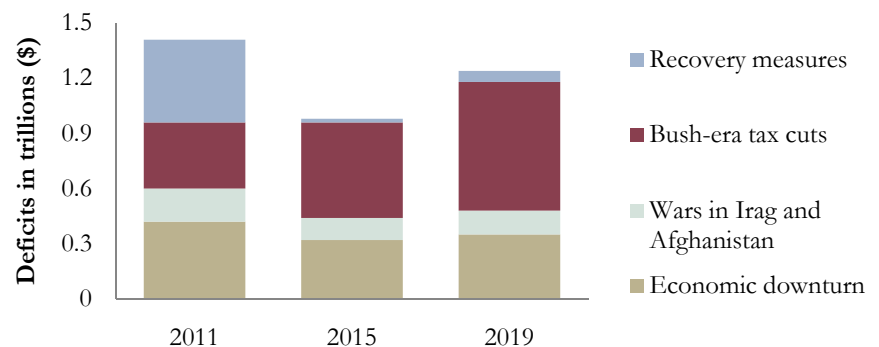
Closer to home, Maine people will feel the impacts of a “cuts only” approach to deficit reduction. Deep defense cuts could endanger our workforces at Bath Iron Works, Portsmouth Naval Shipyard, and Defense Finance and Accounting Services in Limestone. Non-defense cuts could drastically hurt working families, retirees and others. Cutting funds for schools and student financial aid will handicap Maine workers and businesses competing in the emerging global economy. Crumbling roads and bridges and failure to invest in other transportation and communication infrastructure would further blunt Maine and America’s competitive edge. Spending cuts also shift costs to our state and towns, meaning fewer services, more jobs losses and/or increased state and local taxes.

Shared Sacrifice is Needed to Restore Balance

During the Depression and other times of crisis, all Americans collectively sacrificed to keep our nation strong; the current economic upheaval demands a similar response. While the top 1 percent reaped two-thirds of all the income gains during the last economic expansion, they have yet to sacrifice even a penny towards deficit reduction.⁴ Without a balanced approach, the entire burden for deficit reduction will fall on the middle class, working families, low-income children and seniors, states, and municipalities. Closing tax loopholes and acknowledging the role of the Bush era tax cuts in growing the deficit are important first steps if we are to restore balance to deficit reduction.

Creating Jobs and Allowing Bush-era Tax Cuts to Expire are Essential to Long-term Deficit Reduction⁵

How policies and events impact deficit projections



A Balanced Approach is the Best Approach and Merits the Support of Maine’s Congressional Delegation

Over the long term, we must tackle deficit reduction, but in the current economic crisis, America’s most urgent priority must be job creation and economic recovery. That means a balanced approach to deficit reduction that maintains programs and services for working families, children and seniors and investments essential to growth and prosperity.

Maine’s congressional delegation has previously taken courageous stands for Maine’s working families, children, students, veterans, and others. We need them to do so again, by supporting a balanced approach to deficit reduction. We need them to work with their colleagues on the Joint Committee and in the full Congress to close tax loopholes and let the Bush-era tax cuts for high income households expire. We need leadership that seriously addresses *both* our jobs and budget deficits, with all Americans sharing the sacrifices and realizing the prosperity that will eventually result.

Sources: ¹Employment figures come from Bureau of Labor Statistics and Maine Department of Labor, Center for Workforce Research and Information. ²Chuck Marr and Brian Highsmith, Reforming Tax Expenditures Can Reduce Deficits While Making the Tax Code More Efficient and Equitable: Recent Proposals Underscore Bipartisan Support for Reform,” Center on Budget and Policy Priorities, April 15, 2011. ^{3,11}Andrew Fieldhouse and Ethan Pollack, “Debt ceiling deal threatens jobs, economic growth,” Economic Policy Institute, Issue Brief, August 4, 2011. ⁴Avi Feller and Chad Stone, “Top 1 Percent of Americans Reaped Two-Thirds of Income Gains in Last Economic Expansion: Income Concentration in 2007 was at Highest Level since 1928,” Center on Budget and Policy Priorities, September 9, 2009. ⁵Center on Budget and Policy Priorities (CBPP) analysis of Congressional Budget Office Estimates. ^{6,8}CBPP. ^{9,10}Richard Kogan, “How the Potential Across-the-Board Cuts in the Debt Limit Deal Would Occur,” Center on Budget and Policy Priorities, August 8, 2011.

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