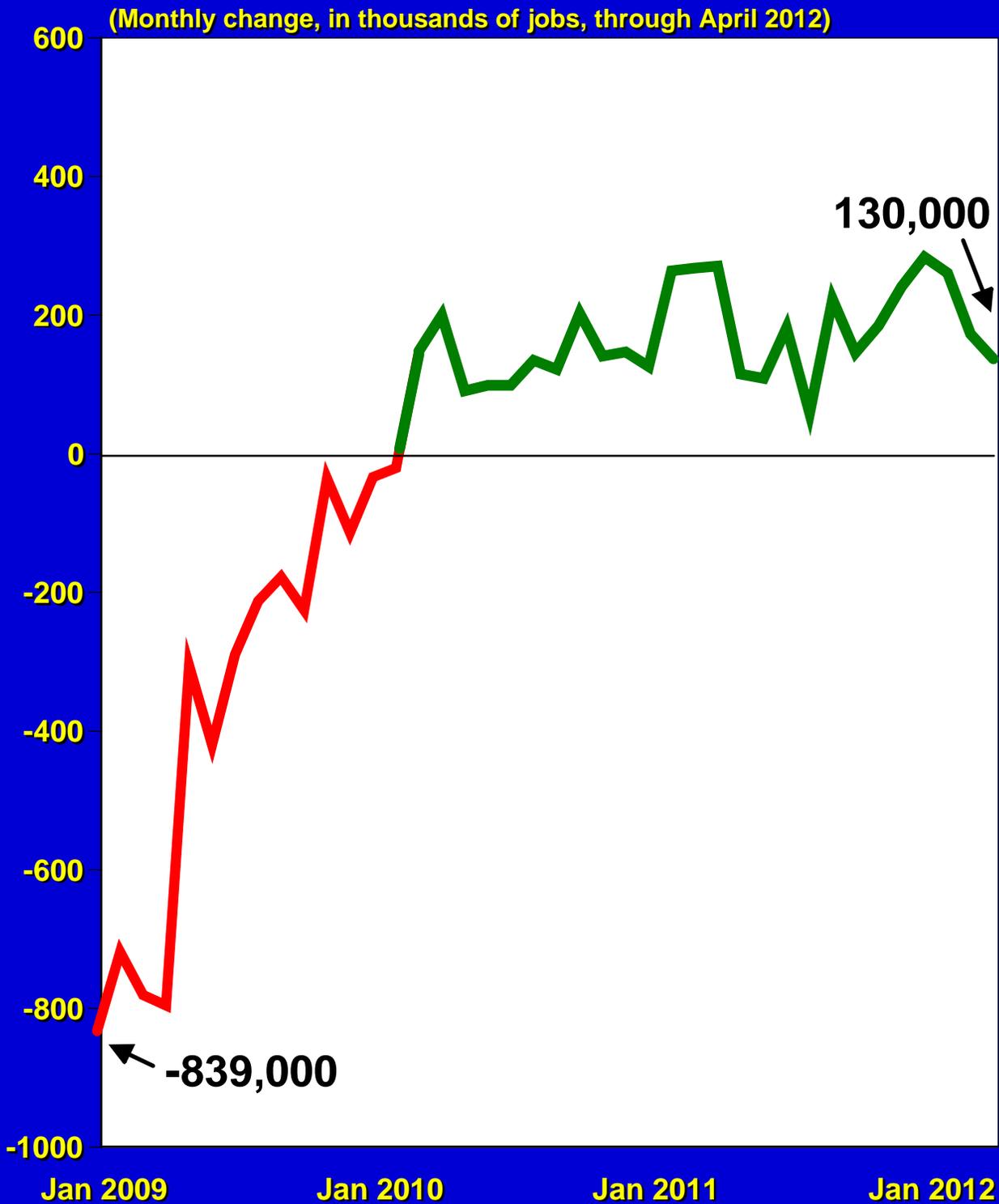


**Republican  
Policies Led U.S.  
to Brink of  
Financial Collapse**

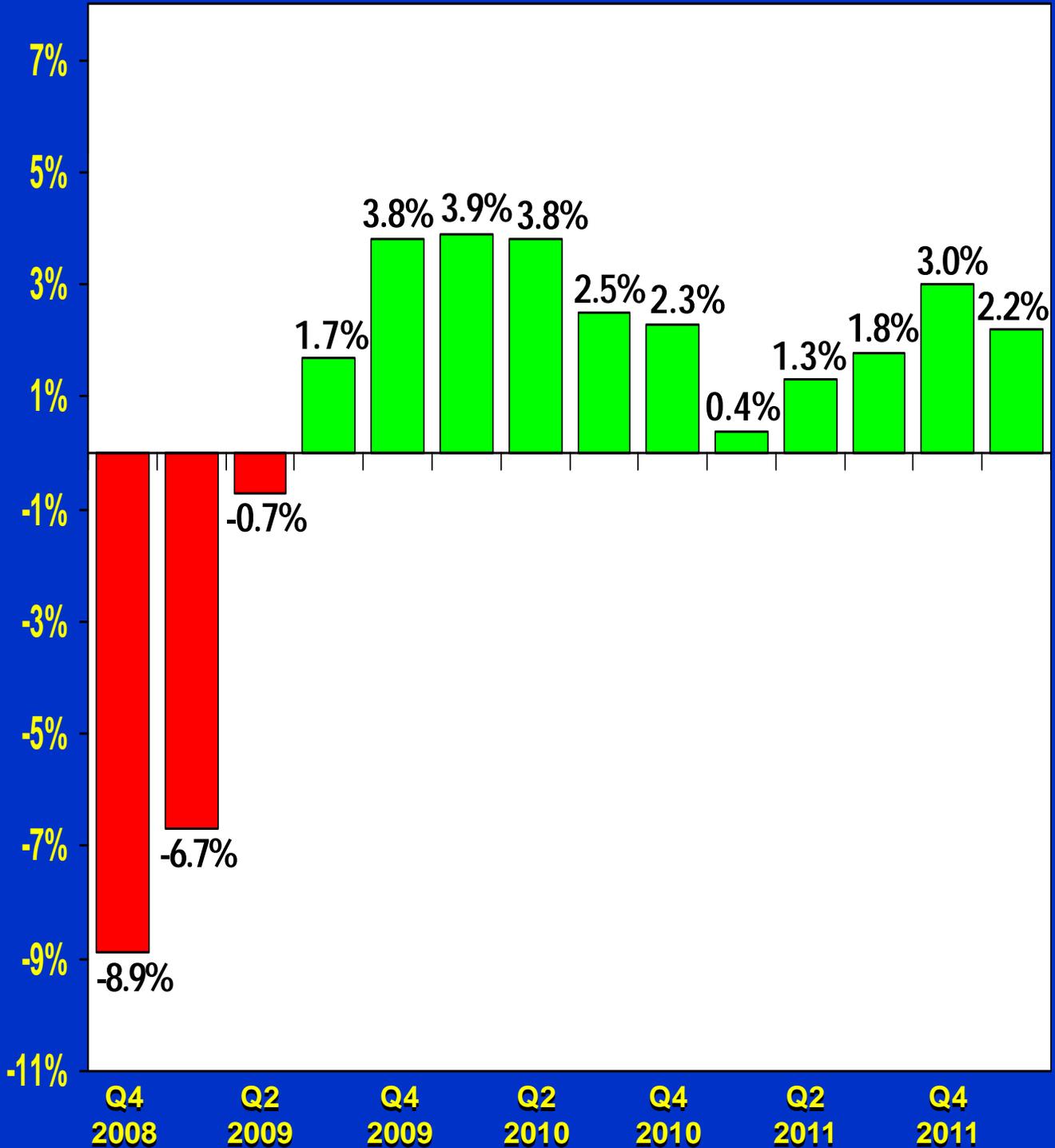
# Private-Sector Jobs Picture



Sources: Bureau of Labor Statistics, U.S. Department of Labor

# Economic Performance

(Percent growth of real GDP, annualized rate)

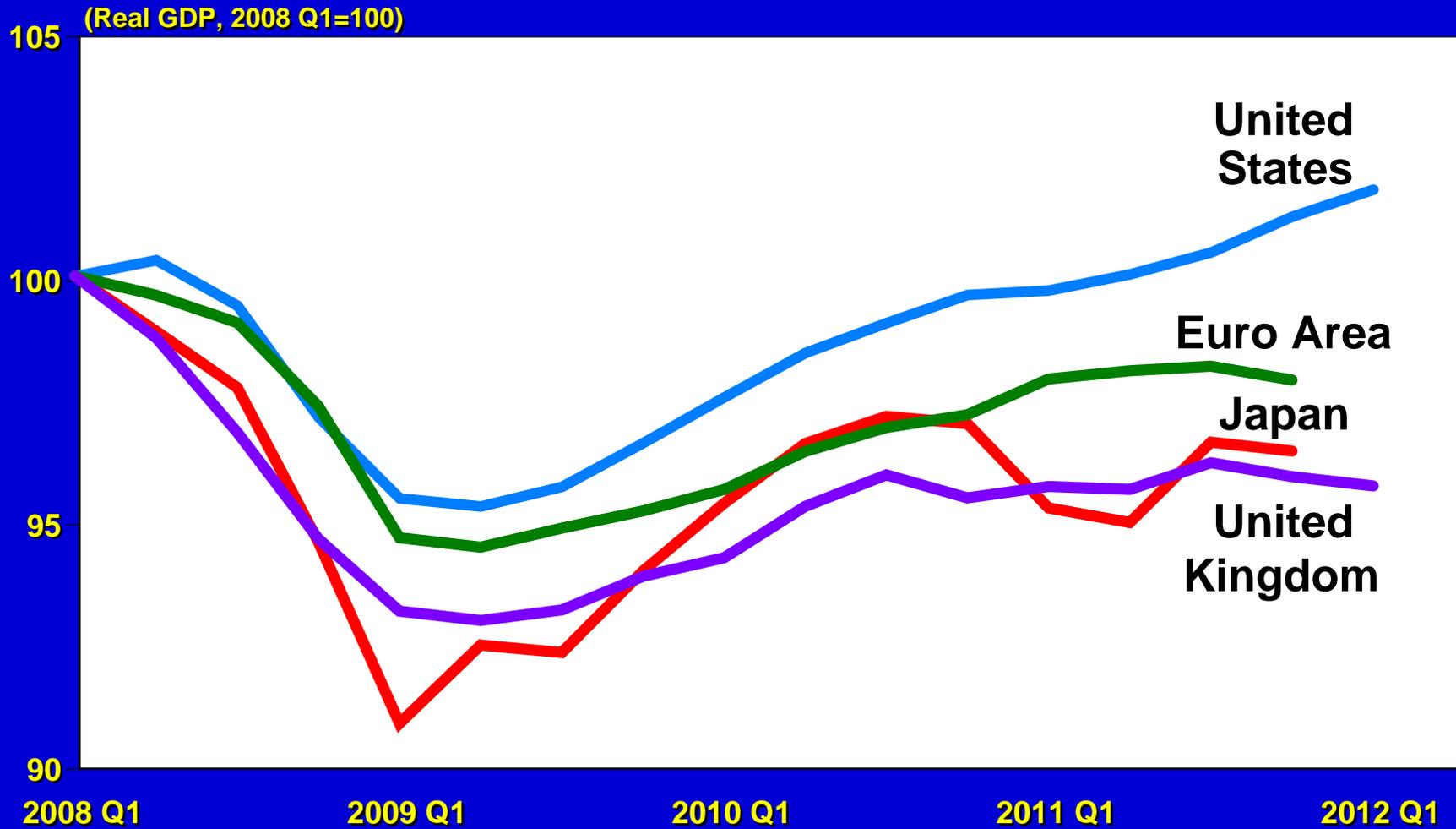


Source: Bureau of Economic Analysis, U.S. Department of Commerce

# Positive Signs for U.S. Economy

- 26 consecutive months of private-sector job growth
- 11 consecutive quarters of real GDP growth
- Unemployment rate has come down
- Manufacturing has expanded for 33 consecutive months
- Consumer confidence showing signs of improvement
- U.S. auto manufacturers returning to profitability
- State revenues showing signs of improvement

# U.S. Economic Growth Has Outpaced Global Competition



Source: BEA, EuroStat, U.K. ONS, Cabinet Office of Japan

# **Economists Blinder and Zandi on Federal Government Response to Financial Crisis and Recession**

**“We find that its effects on real GDP, jobs, and inflation are huge, and probably averted what could have been called Great Depression 2.0.**

**“...When all is said and done, the financial and fiscal policies will have cost taxpayers a substantial sum, but not nearly as much as most had feared and not nearly as much as if policymakers had not acted at all. If the comprehensive policy responses saved the economy from another depression, as we estimate, they were well worth their cost.”**

**– Alan S. Blinder and Mark Zandi  
*How the Great Recession Was Brought to an End*  
July 27, 2010**

# International Herald Tribune

FRIDAY, MAY 4, 2012

## Austerity is strangling Europe

Gerhard Schröder

**BERLIN** The emergence of a united Europe is a process that has been going on for decades, characterized by progress but also by setbacks. There have been crises again and again in the history of European unification. It has always found an answer to these crises and come out stronger than the same this time if it is to face up to the challenges of the future. The political will to overcome these challenges is essential.

Since the founding of the European Coal and Steel Community, the number of participating countries has increased from 6 to 27. The institutions and bodies of the Union have been steadily enlarged. For politicians in the member states, also on the European level, the complexity signifies a greater responsibility and a greater distribution of powers between the member states and the European Union and the need for a clearer interaction of the institutions. The process must be simplified and regulated clearly. Only then will it be possible to continue the integration and make the Union more capable of action.

This capability, and the ability to act more quickly to the challenges of the financial markets, requires a clear policy. The current crisis has clearly shown this. The president of the European Parliament, Martin Schulz, rightly speaks of a crisis of confidence, because people doubt the ability of democracy to solve urgent problems. The Union must overcome this crisis of confidence.

In the past months it has become clear that there are different speeds in the European Union. The gulf between countries that are able and willing to in-

tegrate more quickly, and countries that are applying the brakes has become wider. This development is not at all unusual: We have gone through many phases with different speeds.

In my time in office, Belgium, Germany, France and Luxembourg initiated a debate about security policy in

countries with a strict policy of austerity.

This policy conceals dangers. It delegitimizes democratic politics in the nation states that find themselves faced with protests and the growth of extremist parties. But this policy is also economically wrong for the whole Union, because developments in these states

ways:

- The European Commission must be further developed into a government elected by the European Parliament.
- The European Council must give up powers and should be transformed into an upper chamber with similar functions to the Bundesrat in Germany.

**"...[T]he direction of European economic and financial policy must change, away from pure austerity toward growth. Greece, Ireland, Portugal, Italy and Spain have made substantial progress in stabilizing their finances. But the economic and political situation in these countries shows that austerity alone is not the way to resolve the crisis. On the contrary, there is a danger of half-strangling national economies with a strict policy of austerity.... We would therefore be well advised to cushion harsh austerity measures with programs for growth."**

of which I am a founding member:

First, the direction of European economic and financial policy must change, away from pure austerity toward growth. Greece, Ireland, Portugal, Italy and Spain have made substantial progress in stabilizing their finances. But the economic and political situation in these countries shows that austerity alone is not the way to resolve the crisis. On the contrary, there is a danger of half-strangling national econ-

And third, I believe Europe must become more politically integrated to overcome the financial crisis for the long term. The current situation makes it clear that you cannot have a common currency area without a common financial, economic and social policy. So we must work to bring about real political union in Europe with further transfer of power from the nation states.

To this end the European institutions must be reformed in the following

ways:

- The European Commission must be further developed into a government elected by the European Parliament.
- The European Council must give up powers and should be transformed into an upper chamber with similar functions to the Bundesrat in Germany.

The European Council must have in future it can-Euro-Parliament candidates for the Commission. The Commission is part of a government that leads to decisions. In my time in office, I signed the convention on the Charter of Fundamental Rights and the Constitution for the Union. There were concerns about the clarity and the delimitation of powers between the Union and the member states. Unfortunately, the Commission has come to nothing. The current crisis is present in the fact that there is now time for a new integration to be decided on for the future.

ed Europe more politically and economically united. It is necessary, because a strong Germany can survive better — the

United States and China — if we continue the path to integration. Then the European Union will remain a socially, economically, culturally and politically successful community that will be a model for other regions. Europeanization is a rational political response to globalization.

**GERHARD SCHRÖDER** was chancellor of Germany from 1998 to 2005.

GLOBAL VIEWPOINT

## U.K. Slips Back Into Recession

BY JASON DOUGLAS  
AND NICHOLAS WINNING

LONDON—The U.K. slid back into recession in the first quarter, dealing a fresh blow to Prime Minister David Cameron's governing coalition and complicating its efforts to fix the nation's public finances.

Gross domestic product shrank 0.2% in the three months through March from the final quarter of 2011, when output declined 0.3%, the Office for National Statistics said Wednesday. Production in the first quarter was flat compared with the year-earlier quarter. Two consecutive quarters of contraction is a definition of a technical recession accepted by many economists.

Recession's return will provide fresh ammunition to opponents of Chancellor of the Exchequer George Osborne's austerity drive, a program of tax rises and spending cuts aimed at closing a budget deficit that critics say will strangle growth. Mr. Osborne said Wednesday that he wouldn't drop his austerity plan.

Renewed recession will also leave the U.K. economy with some way to go to meet the

growth forecasts of the International Monetary Fund and the Office for Budget Responsibility, an independent group that provides the government with forecasts. Both predict the economy will expand 0.8% this year.

Bank of England rate-setters have been making the case that the economy is actually healthier than official data suggest. The BOE has paid particular attention to the gap between official figures and widely followed economic surveys, with the latter painting a brighter picture.

Markit Economics, which compiles purchasing managers' indexes for the manufacturing, construction and services sectors, said its surveys suggest the U.K. economy grew 0.5% in the first quarter. A survey of manufacturers also released Wednesday highlighted the conflict. The Confederation of British Industry reported more manufacturers expect their output to rise than fall in the next three months.

# Budget Control Act Contained Budget for 2012 and 2013

## SEC. 106. SENATE BUDGET ENFORCEMENT.

(a) IN GENERAL.—

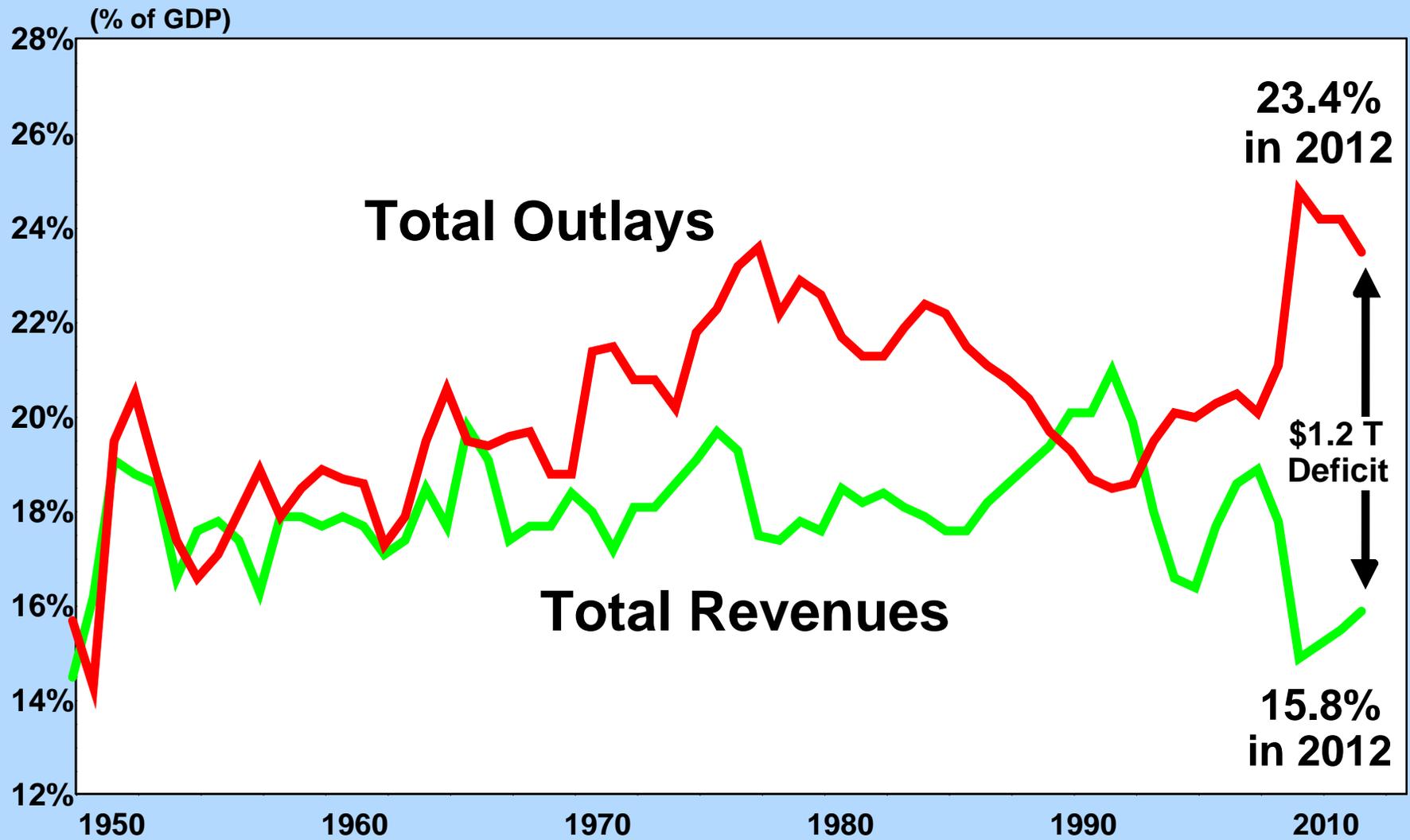
(1) For the purpose of enforcing the Congressional Budget Act of 1974 through April 15, 2012, including section 300 of that Act, and enforcing budgetary points of order in prior concurrent resolutions on the budget, the allocations, aggregates, and levels set in subsection (b)(1) shall apply in the Senate in the same manner as for a concurrent resolution on the budget for fiscal year 2012 with appropriate budgetary levels for fiscal years 2011 and 2013 through 2021.

(2) For the purpose of enforcing the Congressional Budget Act of 1974 after April 15, 2012, including section 300 of that Act, and enforcing budgetary points of order in prior concurrent resolutions on the budget, the allocations, aggregates, and levels set in subsection (b)(2) shall apply in the Senate in the same manner as for a concurrent resolution on the budget for fiscal year 2013 with appropriate budgetary levels for fiscal years 2012 and 2014 through 2022.

# **Budget Control Act Contained Budget for 2012 and 2013**

- **Even more extensive than a traditional budget resolution**
- **Has force of law – unlike a budget resolution that is not signed by President**
- **Set discretionary caps for 10 years – instead of one year normally set in budget resolution**
- **Provided enforcement mechanisms – including two-year “deemer,” allowing budget points of order to be enforced**
- **Created reconciliation-like “Super Committee” process to address entitlement and tax reforms – backed up with \$1.2 T sequester**

# Spending and Revenues



Sources: OMB, CBO

Note: 2012 estimate from CBO's March 2012 baseline.

# Public Supports Balanced Deficit Reduction Approach

**QUESTION:** What is the best way to reduce the federal budget deficit?

<b>ANSWER:</b>	Cut major programs	17%
	Increase taxes	8%
	Combination of both	62%

Source: Pew Research Center, November 9-14, 2011



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# THE NATIONAL COMMISSION ON FISCAL RESPONSIBILITY AND REFORM

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The Moment of Truth

DECEMBER 2010



**Every Republican  
Budget Ends  
Medicare As We  
Know It**

**One Republican  
Budget Cuts  
Social Security  
Benefits by 39%**

**Every Republican  
Budget Cuts Taxes  
for Millionaires By  
at Least \$150,000  
Per Year**

**Every Republican  
Budget Protects  
Offshore Tax  
Havens**

# Five-Story Cayman Islands Building That 18,857 Companies Call Home



# House Republican Budget Plan

- **An unbalanced plan**
  - all deficit reduction from spending cuts
  - further reduces revenue
- **\$1 T in tax cuts for the wealthiest**
  - gives millionaires average tax cut of \$150,000
- **\$2.9 T in health care cuts**
  - repeals health care reform
  - shifts Medicare to “vouchers”
  - block grants Medicaid
- **Cuts safety net for seniors, children, disabled**
  - increases number of uninsured by more than 30 million
- **Large cuts in education, energy, and infrastructure**
  - undermines engines of economic growth

# The Washington Post

WEDNESDAY, APRIL 18, 2012

## Bishops say Ryan budget fails moral test

BY DAVID GIBSON

A week after House Budget Committee Chairman Paul Ryan said that his Catholic faith inspired the Republicans' cost-cutting budget plan, the nation's Catholic bishops reiterated their demand that the federal budget protect the poor and said the GOP measure "fails to meet these moral criteria."

That and other strongly worded judgments on the Republican budget proposal emerged in a flurry of letters from leading bishops to the chairmen of key congressional committees.

The letters were highlighted in a Tuesday statement from the U.S. Conference of Catholic Bish-

ops issued after Ryan (R-Wis.) told an interviewer that his fiscal views were informed by Catholic social teaching.

Liberal Catholics called on the bishops to resist the Republican budget proposals with the same vigor that they challenged the Obama administration's contraception mandate.

The Republican-passed House budget has almost no chance of passing the Democratic-controlled Senate, but it is serving as a platform for Republicans in the presidential campaign.

On Thursday, the bishops' Ad Hoc Committee on Religious Liberty called for American Catholics to engage in a "Fortnight for Freedom" campaign, starting in

late June, to resist the contraception mandate and other measures that the bishops say impinge on religious liberty.

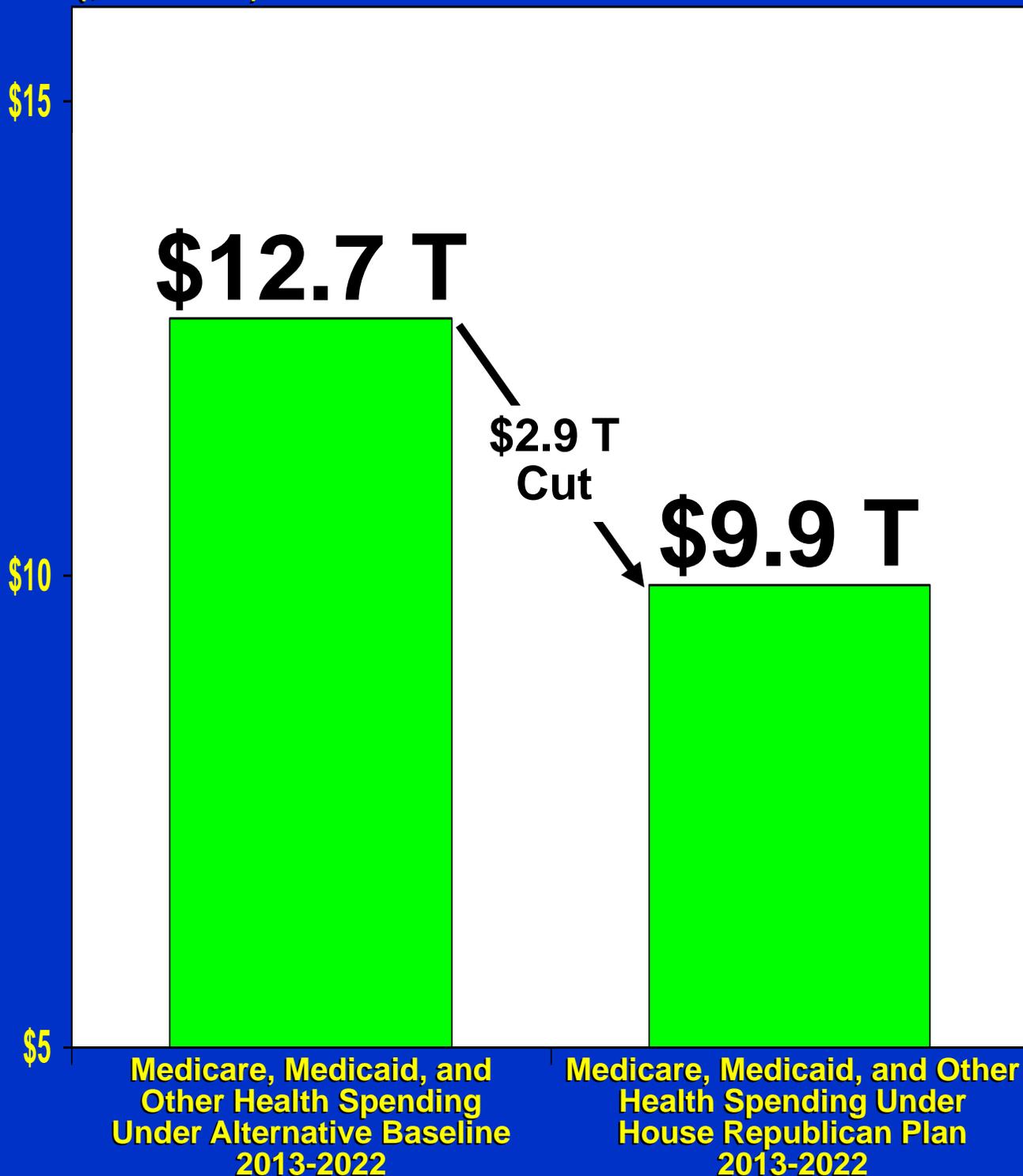
The next day, Rep. Rosa L. DeLauro (Conn.), the ranking Democrat on the House Appropriations subcommittee on labor, health and education, wrote to the bishops' president, New York Cardinal Timothy Dolan, saying that as a Catholic she felt the bishops should highlight the injustices she and others saw in the Republican plans. "What I am asking for is a campaign for the poor, the hungry, the middle class, the people who are going to be eviscerated by the Ryan budget," DeLauro said.

— Religion News Service

**House Republican  
Budget Cuts  
Discretionary Spending  
Nearly \$1 T Below  
BCA Levels**

# House Republican Plan Cuts Health Care By \$2.9 T

(\$ in trillions)



Source: SBC, HBC

Note: Mandatory Spending in Functions 550 and 570.

# U.S. Ranks 25<sup>th</sup> Out of 34 OECD Countries in Math

Korea	546
Finland	541
Switzerland	534
Japan	529
Canada	527
Netherlands	526
New Zealand	519
Belgium	515
Australia	514
Germany	513
Estonia	512
Iceland	507
Denmark	503
Slovenia	501
Norway	498
France	497
Slovak Republic	497
OECD Average	496
Austria	496
Poland	495
Sweden	494
Czech Republic	493
United Kingdom	492
Hungary	490
Luxembourg	489
<b>United States</b>	<b>487</b>
Ireland	487
Portugal	487
Italy	483
Spain	483
Greece	466
Israel	447
Turkey	445
Chile	421
Mexico	419

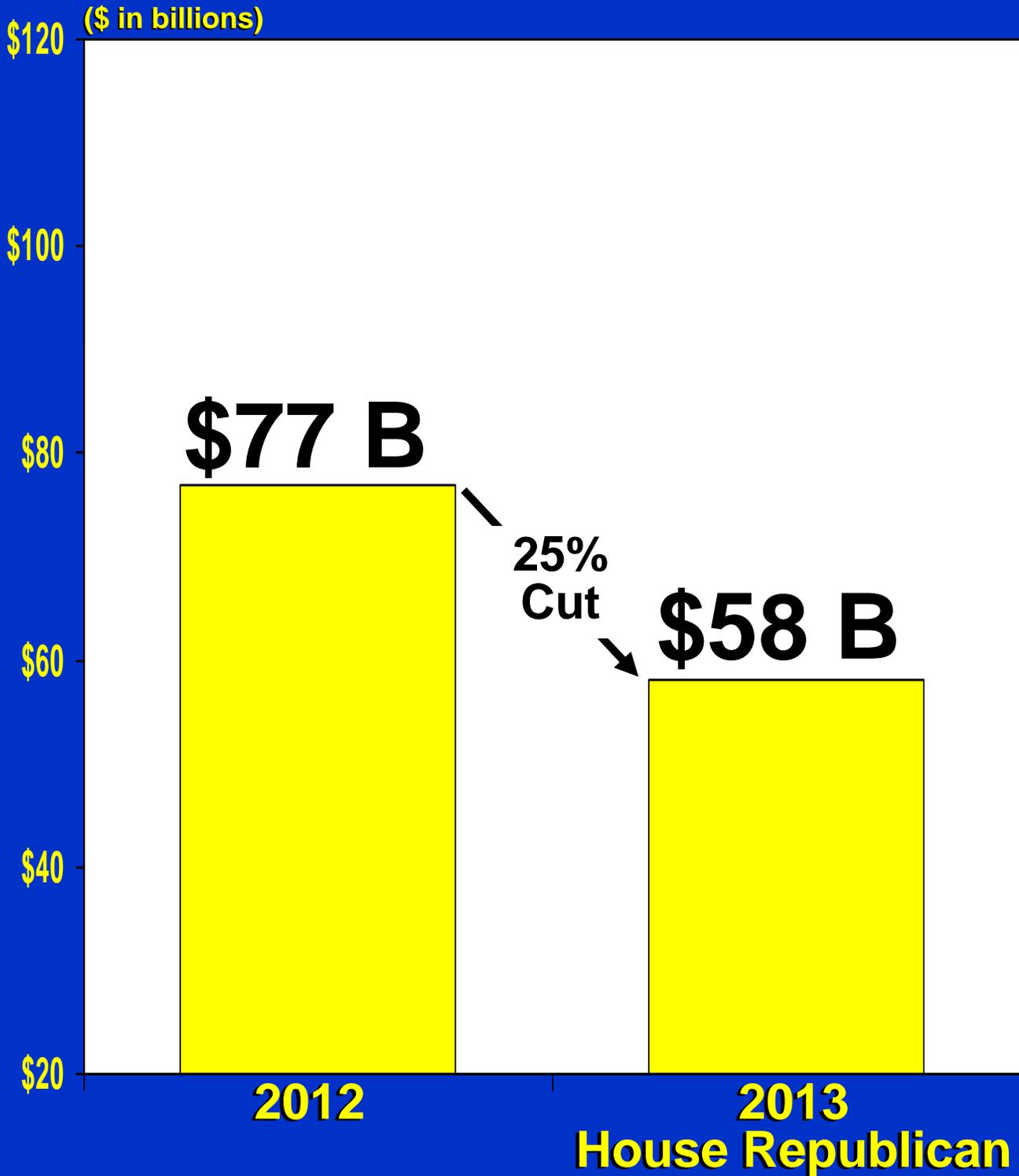
Source: OECD, Program for International Student Assessment (PISA) 2009 Database  
Note: Scores on PISA scale of subject competency.

# U.S. Ranks 17<sup>th</sup> Out of 34 OECD Countries in Science

Finland	554
Japan	539
Korea	538
New Zealand	532
Canada	529
Estonia	528
Australia	527
Netherlands	522
Germany	520
Switzerland	517
United Kingdom	514
Slovenia	512
Ireland	508
Poland	508
Belgium	507
Hungary	503
<b>United States</b>	<b>502</b>
OECD Average	501
Norway	500
Czech Republic	500
Denmark	499
France	498
Iceland	496
Sweden	495
Austria	494
Portugal	493
Slovak Republic	490
Italy	489
Spain	488
Luxembourg	484
Greece	470
Israel	455
Turkey	454
Chile	447
Mexico	416

Source: OECD, Program for International Student Assessment (PISA) 2009 Database  
Note: Scores on PISA scale of subject competency.

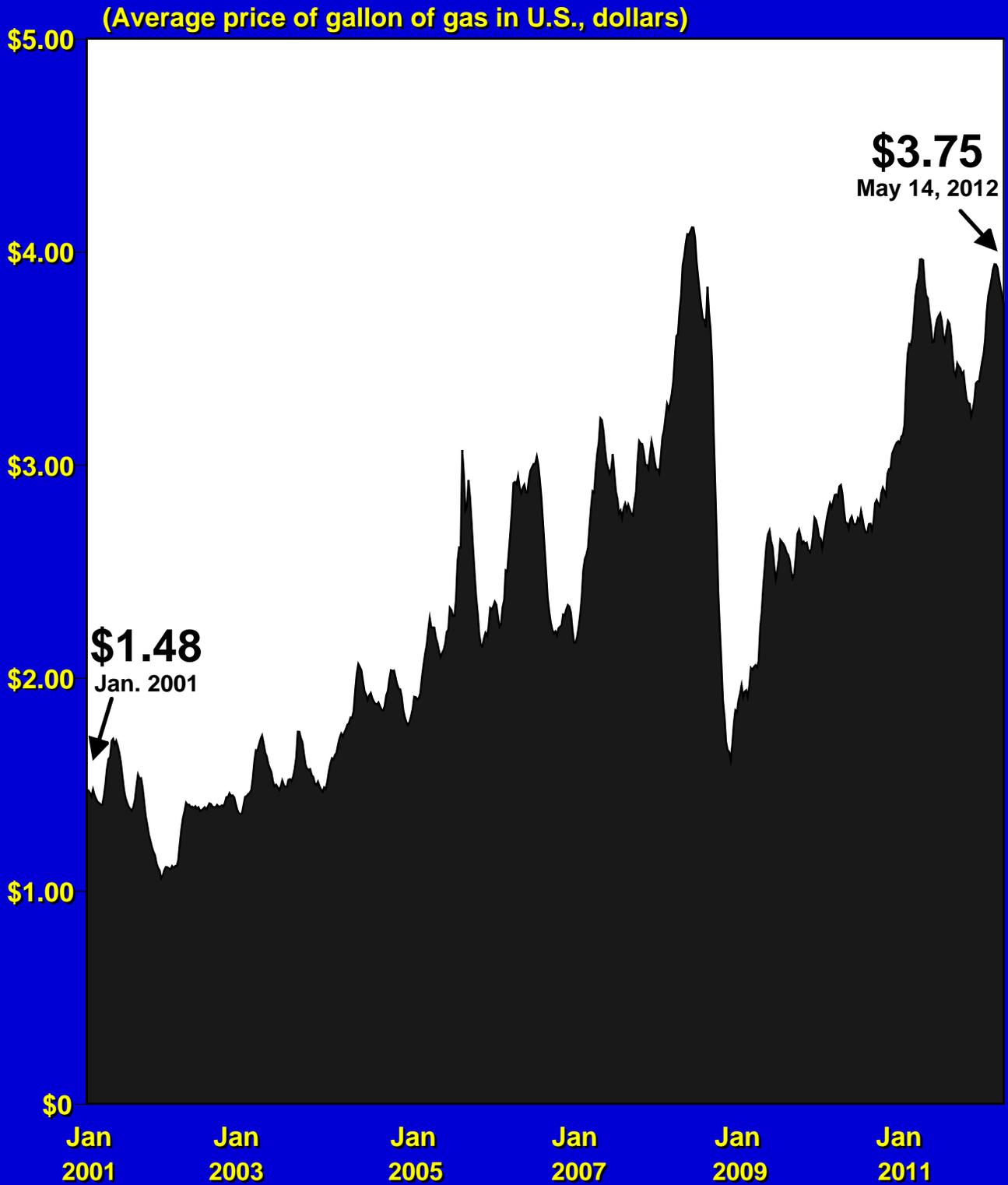
# Education Funding Under House Republican Plan



Source: CBO, HBC

Note: Regular discretionary and mandatory budget authority for Function 500; excludes emergency funding.

# Price of Gasoline

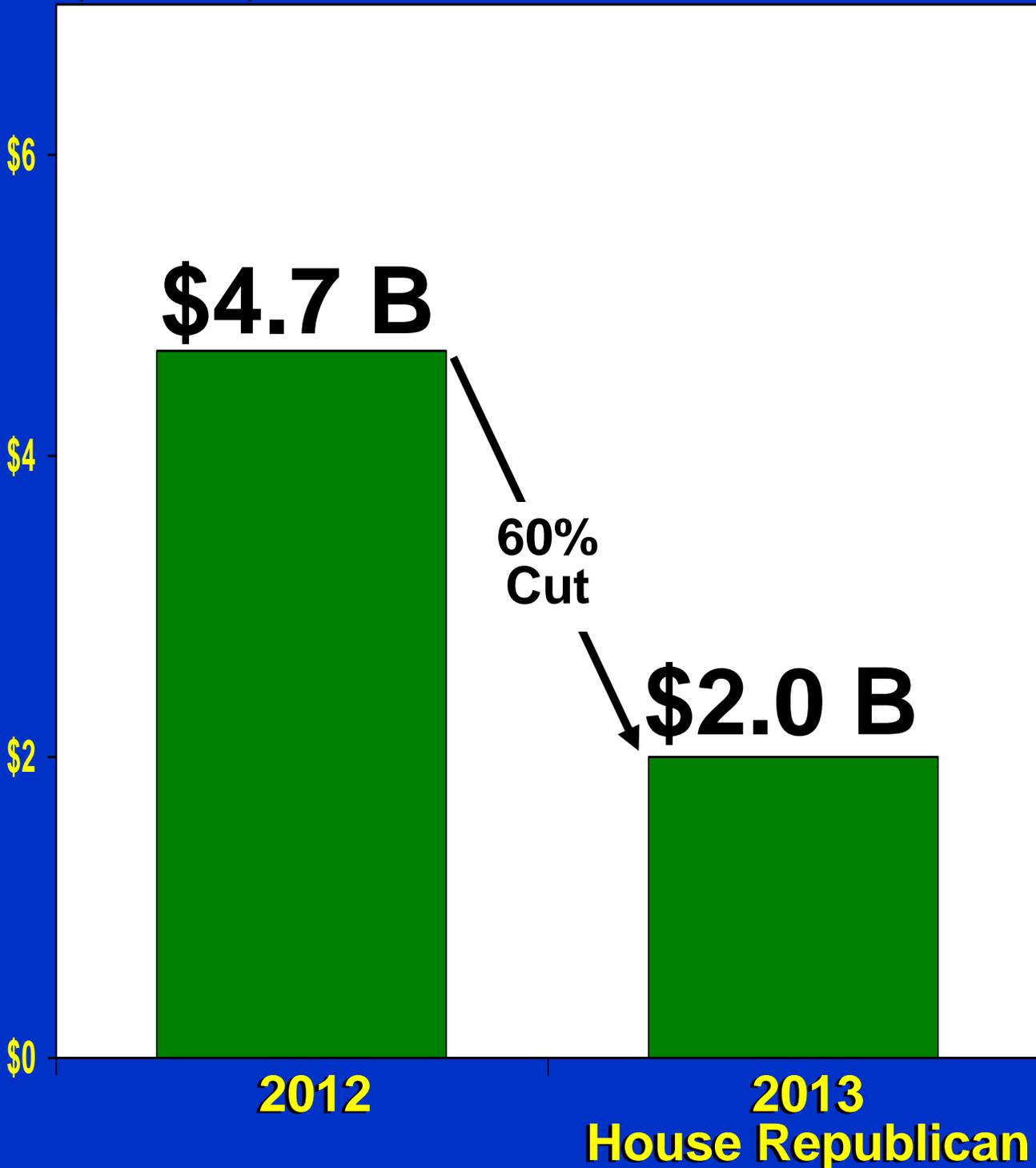


Source: Energy Information Administration

Note: U.S. regular all formulations retail gas prices; weekly data

# Energy Funding Under House Republican Plan

(\$ in billions)

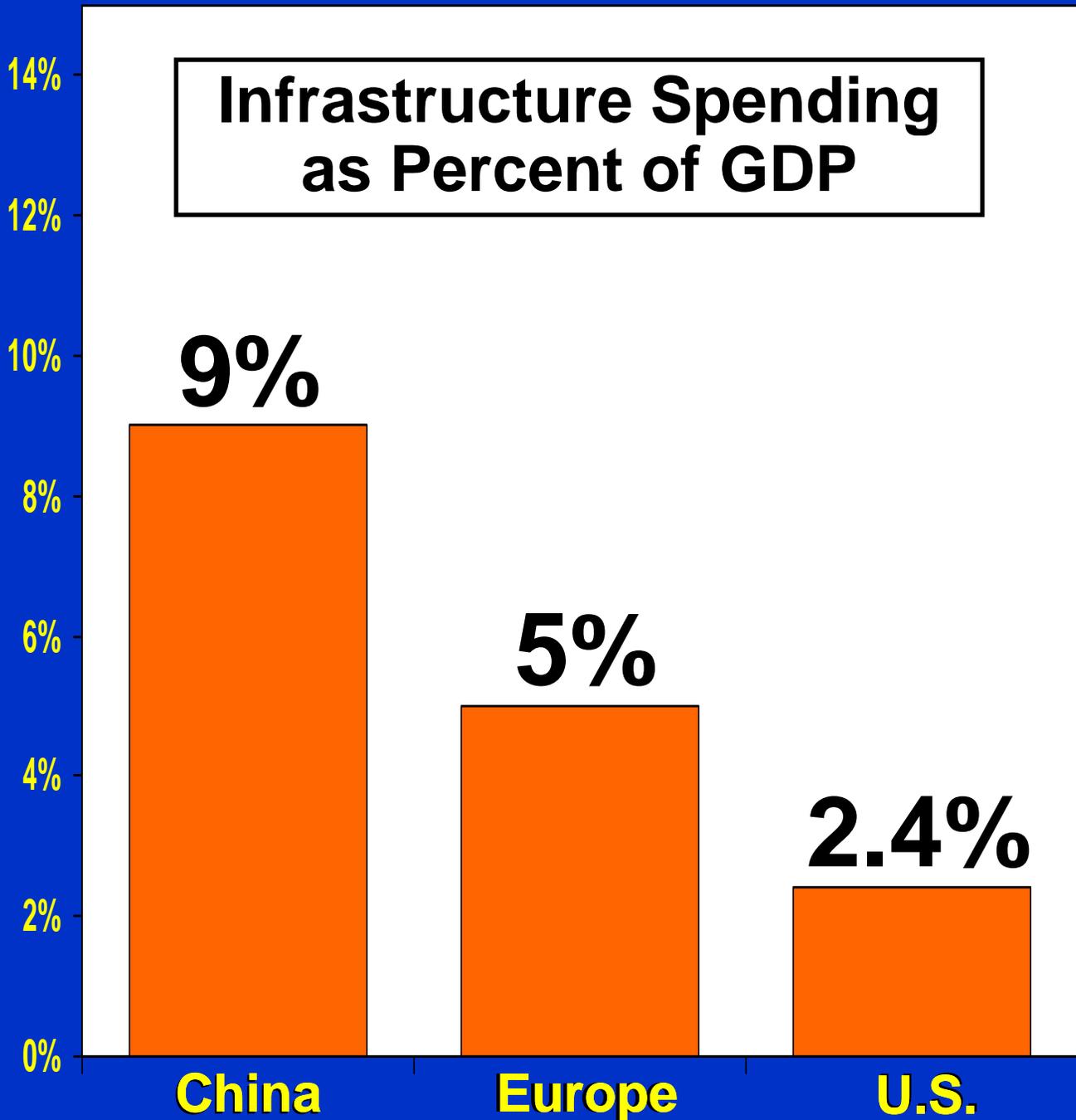


Source: CBO, HBC

Note: Regular discretionary budget authority for Function 270; excludes emergency funding.

# U.S. Infrastructure Investment Falling Behind Global Competitors

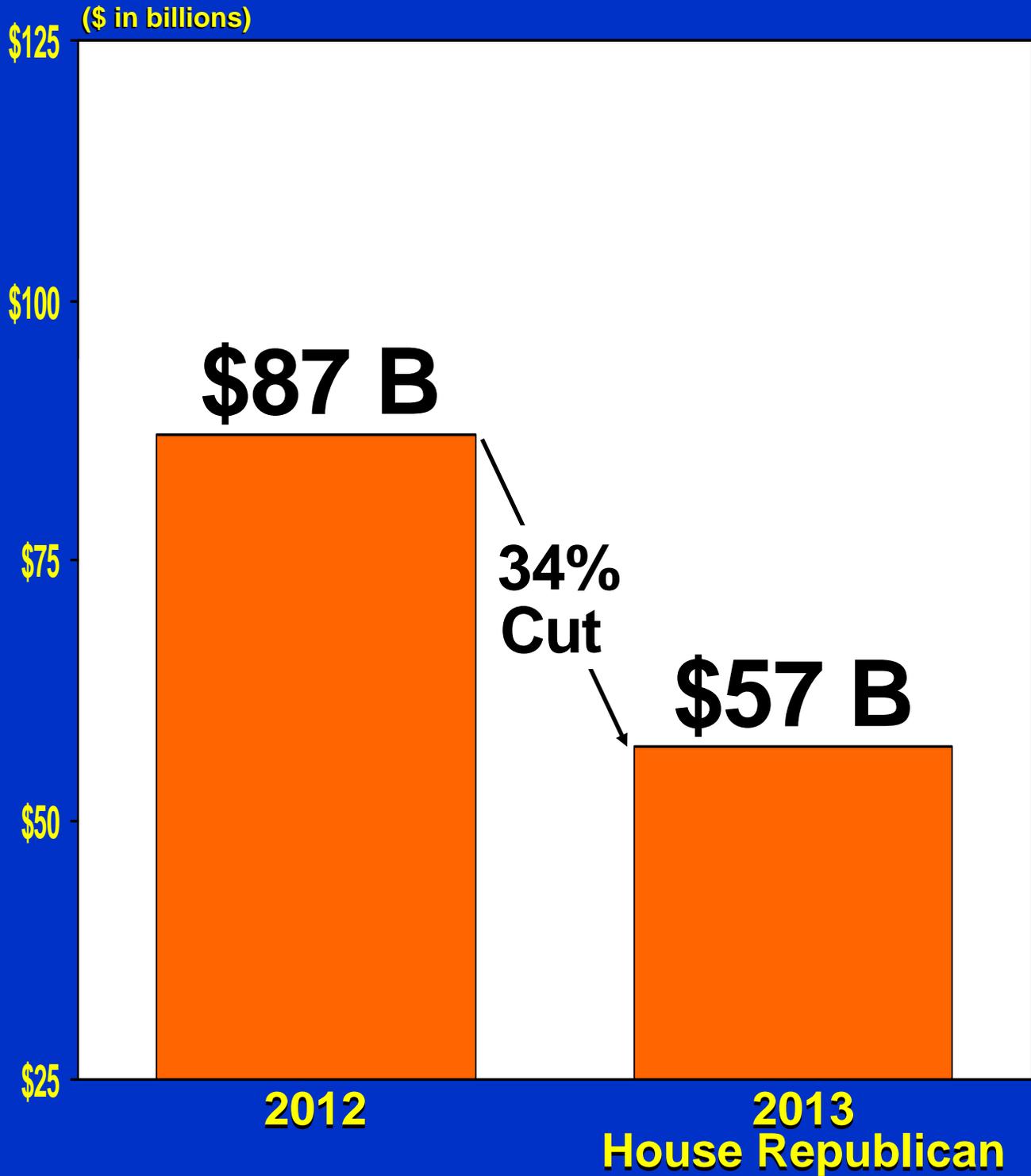
(% of GDP)



Source: *Economist*

Note: Public spending on transportation and water infrastructure.

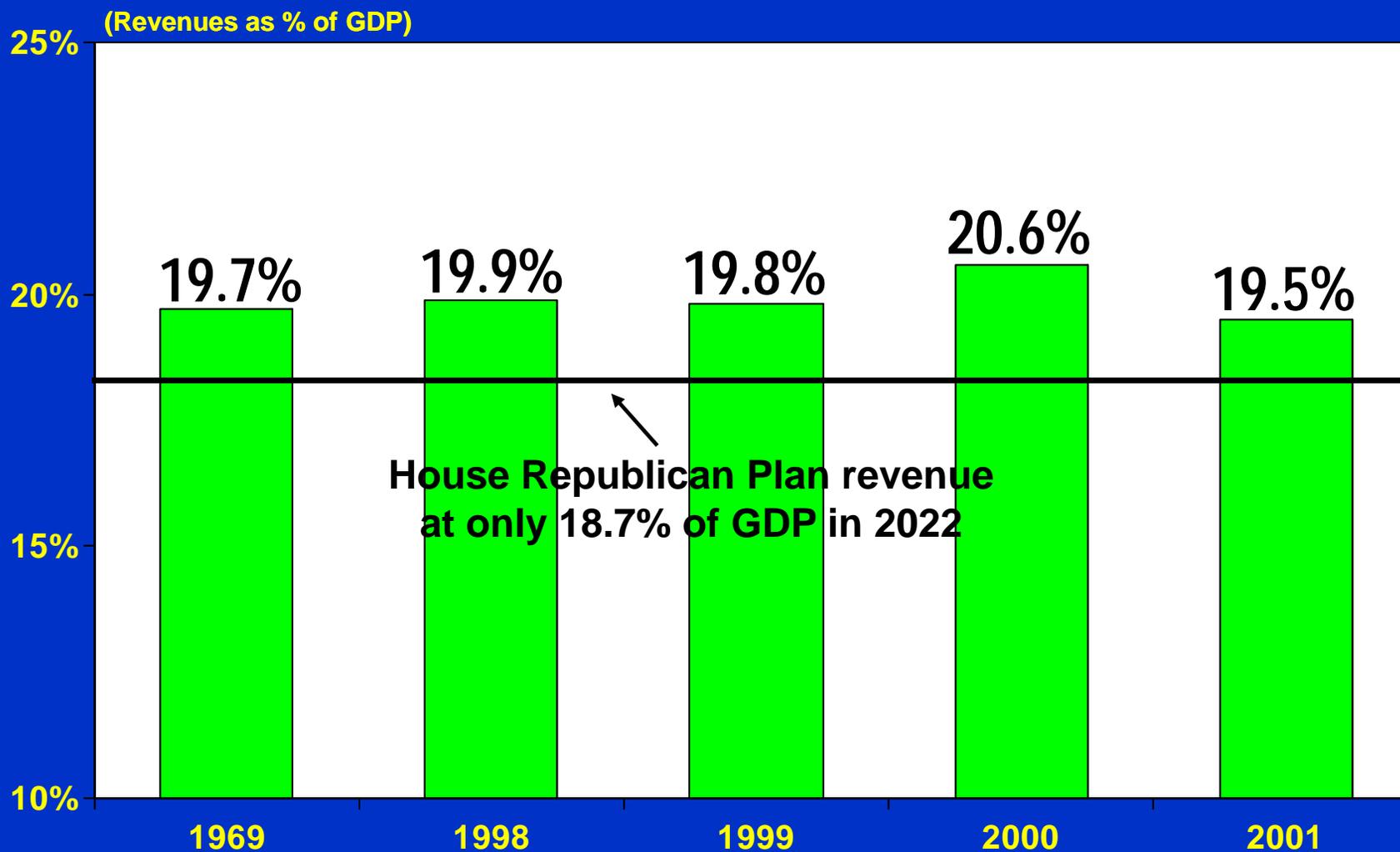
# Transportation Funding Under House Republican Plan



Source: CBO, HBC

Note: Regular discretionary and mandatory budget authority for Function 400; 2012 excludes emergency funding.

# Last Five Times Budget in Surplus, Revenues Near 20% of GDP



Source: OMB, HBC

# **Former Senate Budget Committee Chairman Gregg on Need for More Revenue**

**“...[W]e also know revenues are going to have to go up, if you’re going to maintain a stable economy and a productive economy, because of the simple fact that you’re going to have this huge generation that has to be paid for.”**

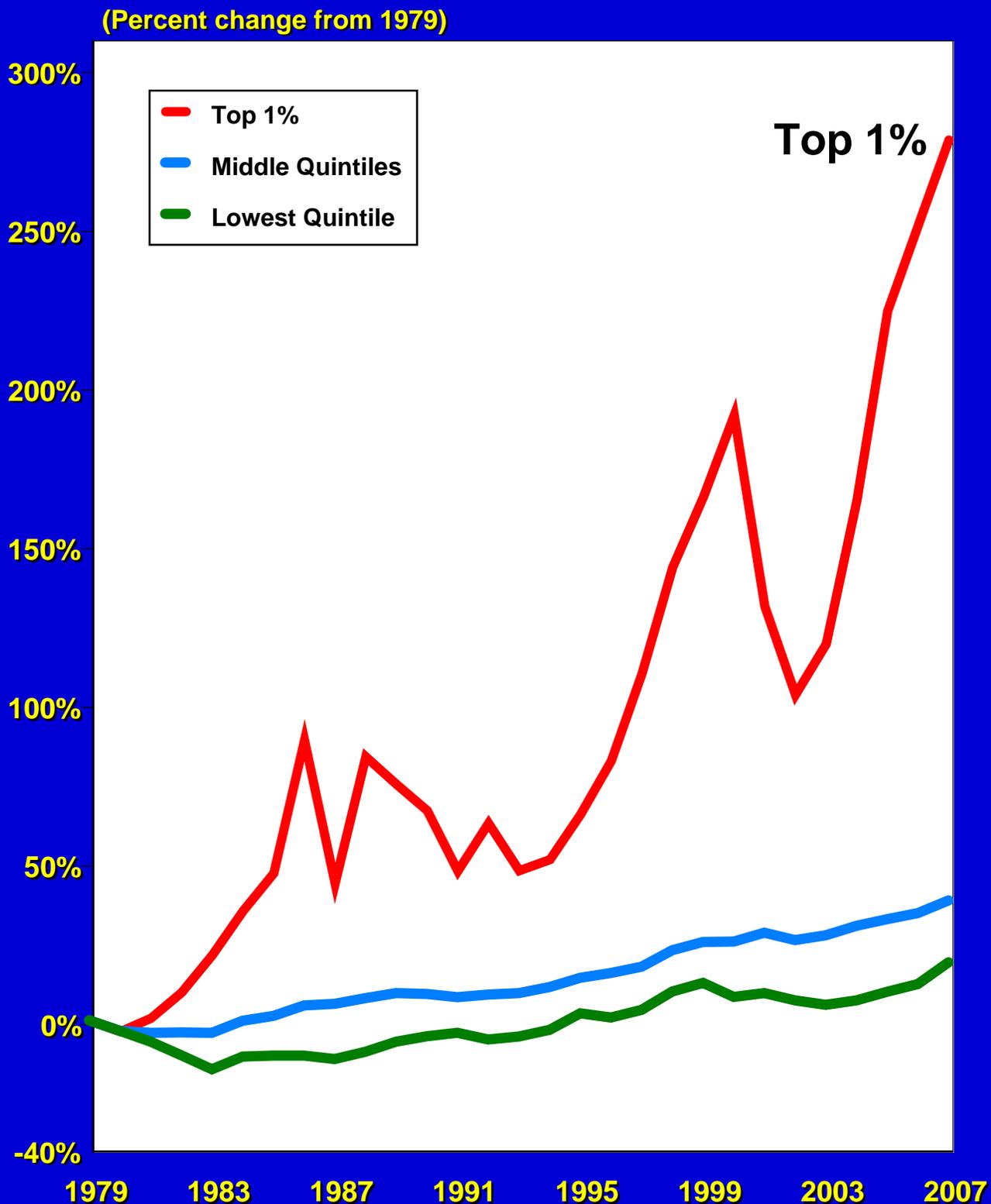
**– Former Senate Budget Committee Chairman Judd Gregg (R-NH)  
Remarks at Senate Budget Committee Hearing  
January 31, 2007**

# Former Senate Budget Committee Chairman Domenici on Need for More Revenue

“...[A] complete deficit reduction plan – one that can gain support from Republicans and Democrats – will need to combine comprehensive spending cuts with structural entitlement reform and new revenues.... [A]dditional revenues will be needed if we are serious about controlling our debt.”

- Former Senate Budget Committee Chairman Pete Domenici (R-NM) and Former OMB Director Alice M. Rivlin, Co-Chairs of Bipartisan Policy Center  
Statement on House Republican Budget  
March 20, 2012

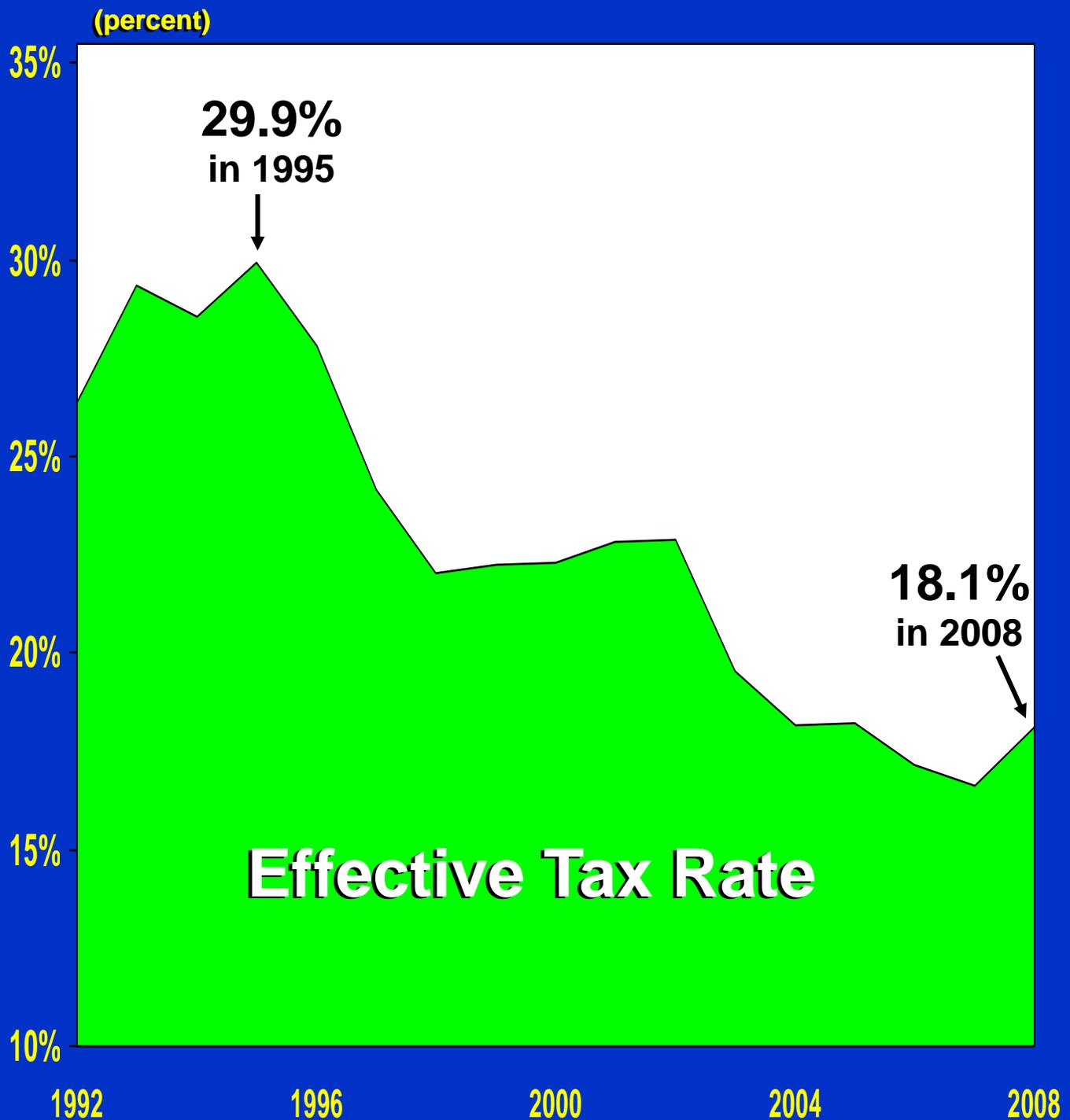
# Income Disparity Growing



Source: CBO

Note: After-tax household income. Middle Quintiles represent 21st to 80th percentiles.

# Effective Tax Rate for 400 Wealthiest Taxpayers



Source: IRS

# House Republican Plan on Revenue

- Provides \$1 T in tax cuts for wealthiest
- Gives millionaires average tax cut of more than \$150,000 each year
- Does not contribute one dime of revenue to deficit reduction