

Opening Statement of Chairman Sheldon Whitehouse
Senate Committee on the Budget
“The Rich Get Richer, Deficits Get Bigger: How Tax Cuts for the Wealthy and
Corporations Drive the National Debt”
May 17, 2023

Ranking Member Grassley, members of the committee, distinguished witnesses, and guests: This morning, we meet under House Republicans’ threat of default as Speaker McCarthy holds our economy hostage. Two weeks ago, we looked at the House MAGA extremists’ demands to inflict widespread economic pain on the American people, mostly to extort their fossil fuel wish list. Remember, 275 out of 315 pages are fossil fuel favors.

We heard unchallenged testimony from Moody’s chief economist that the MAGA plan would cost the American economy almost 800,000 jobs and increase the chance of a recession. Not rebutted, not challenged — 800,000 jobs and dangerously close to economic recession. This was supposedly to reduce the debt and deficits. But as we have repeatedly heard, predicted catastrophes like the 2008 banking crisis and Covid, that we failed adequately to prepare for, caused much of our debt. That makes the climate crash warnings so many witnesses have presented highly relevant to our debt and deficit conversation.

Another major cause of our debt and deficits is the Republican fixation on giant tax cuts for big corporations and the wealthy. Together, the Bush and Trump tax cuts have added \$10 trillion to the debt, and they account for 57% of the increase in debt-to-GDP ratio since 2001. But for those tax cuts, our debt would actually be declining as a share of the economy. Take out crisis response measures like COVID relief, and those giant tax cuts account for 90% of the increase. Under Republican presidents, there’s a familiar pattern: giant tax cuts that benefit wealthy and corporate donors, and then debt limit hikes. The debt limit was raised three times under President Trump – twice paired with spending increases. Republicans who will close a single corporate tax loophole, or ask those making over \$400,000 to pay a single additional penny of tax, are rare birds indeed.

When Democrats are in charge, Republicans use debt limit threats and government shutdowns to disrupt United States government operations. The Speaker’s current default threat will tip the economy into severe recession, kill nearly a million Americans’ jobs, and put at risk the dollar as the world’s reserve currency. That will blow our debt and deficits through the roof, raise interest costs, and create political upheaval — particularly when regular Americans feel the pain and see rich, corporate political donors paying little or no income taxes.

Republicans routinely claim that tax cuts for the wealthy and corporations pay for themselves with economic growth, and the benefits will trickle down to everyone else. That has never happened.

Even Republican witness, former Congressional Budget Office Director Doug Holtz-Eakin, has said that “no serious economist would make such a claim.” Taking care of the rich with tax favors is politics not economics, so the beat goes on — even after CBO found Trump’s tax cuts boosted annual deficits to over \$1 trillion.

Want another clue? The Speaker's Default on America Act increases the deficit by \$120 billion by gutting IRS funding, by allowing the super-wealthy to evade their tax responsibilities. The CBO just estimated yesterday that extending the Trump tax law, as Republicans want to do, would cost \$3.5 trillion. But it takes care of the big donors.

Among Trump's torrent of lies, he claimed there'd be so much economic growth from his tax law that the average American household would see a \$4,000 annual pay increase. Except instead of raising wages or making productive investments, corporations loaded up their CEOs and shareholders with stock buybacks. One of our witnesses today hit the nail on the head when he wrote: "the party's support for tax cuts is faith-based (and donor-based, which increasingly amounts to the same thing in American politics)."

What Republican tax cuts achieve without fail is (1) increase debt and deficits and (2) lavish billions worth of tax breaks on wealthy donors and large corporations. Trump's tax cut was so loaded up for the rich that foreign investors enjoyed a larger windfall than the bottom 60% of Americans. Making those tax cuts permanent would send a full forty percent of the tax benefits to the top 5%.

President Biden's budget would reduce the deficit by \$3 trillion while leveling the playing field for American workers and small businesses. Speaker McCarthy's proposal would cut funding for law enforcement, child nutrition, and medical research — throw a million folks off Meals on Wheels — but protect loopholes that let billionaires pay lower tax rates than teachers and firefighters. There's a clear choice.

Our corrupted tax code should be fixed for its own sake. Removing its flagrant injustices would also help reduce our debt and deficits. That makes fairer taxes a good place to start.