



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200

April 14, 2005

Republican Tax Cuts Raise Debt

Dear Democratic Colleague:

Tomorrow is April 15, the day that the nation's taxpayers must submit their tax returns. This year, as they have every year since President Bush took office, the Republicans are likely to talk about how taxes have declined under their watch. This talk provides an inaccurate picture, however. What they aren't talking about is the fact that those tax cuts have been achieved through a massive increase in debt. And the debt that they have already run up will be dwarfed by the even larger levels of debt that will occur if their current policies continue as projected. In effect, they are behaving like shoppers who believe that as long as they still have a little cash in their wallets they're doing fine—even as they max out their credit cards.

In 2001, when this President took office, the nation was actually running a surplus. That year, the government took in \$128 billion more than it spent, allowing some progress to be made on paying down the debt to prepare for the needs of the future. Since then, however, this Administration has sunk more deeply into debt with each passing year. In 2004, for example, the Administration spent \$412 billion more than it took in, financing the difference by borrowing the rest from the Social Security Trust Funds and from foreigners and domestic investors who bought our IOUs. That deficit works out to more than \$3600 for every household in the United States—a huge hidden tax that eventually we or our children will have to pay. For a median-income household, that hidden tax would amount to an increase in total tax payments of more than 50 percent.

The debt our nation already owes is enormous. It amounts to almost \$40,000 for every household in the United States. And that is just the publicly-owned debt—the debt for which we've issued IOUs to public investors. We also owe money to the Social Security Trust Funds—money that must be paid back when the baby boom generation starts to retire. Counting that debt, we now owe about \$65,000 per household. And under the Administration's policies, we will continue to add thousands of dollars to that debt for every household in the United States forever. The interest on the existing debt alone was

\$160 billion in 2004—or about \$500 of a median income household's tax burden. And those interest costs will rise to more than \$300 billion per year by 2015 under current budget policies.

Anyone who has ever borrowed money knows that if you pay only the interest your debt will never be paid off. You will continue to incur more interest charges each year, until eventually you have paid more in interest than you borrowed in the first place. And if you continue to borrow at the same time, as our nation is doing, you will face enormous debts, and interest payments that consume more and more of your income. Paying even the interest charges will make it even harder to spend money on the things you really need. And if in the midst of this you get hit with major new needs—as our country will when the baby boomers retire starting in 2008—your ability to meet those needs is likely to be severely strained.

This is not the legacy that today's Americans want to leave to their children. We must continue to invest in America, keeping our nation strong, fighting terrorism, educating our children, and meeting the needs of our elderly and disabled. But as a nation we need to pay for what we get. Republican leaders should not take credit for tax cuts when what they are really doing is not cutting expenses, but mortgaging our futures.

Sincerely,

A handwritten signature in black ink that reads "John Spratt". The signature is written in a cursive style with a large, sweeping initial "J".

John M. Spratt, Jr.
Ranking Democratic Member