



Joint Economic Committee

Republicans

Representative Kevin Brady
Vice Chairman

TALKING POINTS

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Cut the Deficit by Growing the Economy

Analysis: The U.S. budget deficit would have been cut in half last year if President Obama had merely led an average economic recovery. The deficit would stand at \$437 billion rather than \$1.089 trillion. And if President Obama would have led a Reagan-style recovery, the budget deficit would be reduced by almost two-thirds.

Background: President Obama has led the weakest economic recovery since World War II – increasing real gross domestic product (GDP) by only a total of 7.2% since the recession ended in June 2009. By contrast, over a comparable 13 quarters, the average increase in real GDP for the other nine post-World War II recoveries that lasted longer than a year is 16.8%. In the strong Reagan recovery of the 1980s, real GDP increased by a total of 19.6%.

Prior to the start of the recession, fiscal year 2007 revenues rose to 18.2% of third quarter GDP. Federal government receipts stood at roughly \$2.6 trillion in fiscal year 2007, the highest on record and 25% greater than in fiscal year 2000. In the fiscal year just ended, the U.S. government collected \$2.4 trillion in revenues or 15.5% of 3rd-quarter GDP.

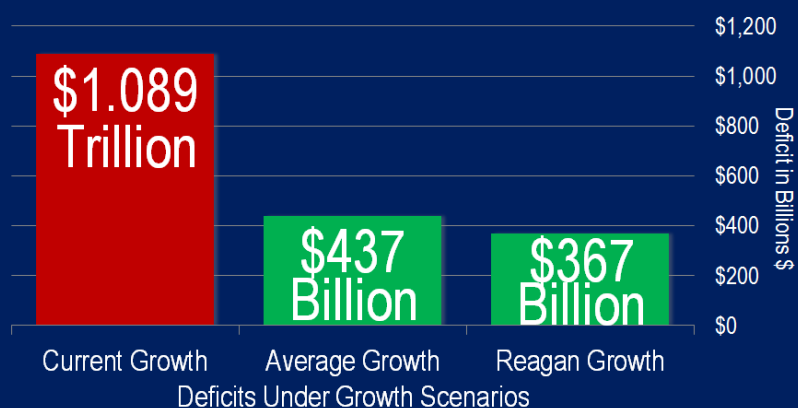
Revenue Growth through Economic Growth: If the U.S. economy had grown by 16.8% like it averaged in the other recoveries - and revenues had returned to the levels of fiscal year 2007 - the federal government would have collected an additional \$653 billion in revenue. That would have cut last year's deficit by more than half. And that's without factoring in the lower spending resulting from fewer Americans needing public assistance.

A Reagan-style recovery would have generated even more revenue, \$722 billion more, and the deficit would have dropped by two-thirds. And that's without raising anyone's taxes.

Growing the economy coupled with authentic spending cuts and restraint is the right balance to restore a balanced budget and begin paying down the national debt.

Grow the Economy & Cut the Deficit

Higher Growth = Higher Revenues = Smaller Deficits



Source: Treasury, BEA. Average Recovery and Reagan Recovery Growth Scenarios with Revenues at 18.2% of 3rd-quarter GDP. FY2012 Revenues at 15.5% of 3rd-quarter GDP.