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A Republican takeover would benefit billionaires, not you

While Project 2025 has become infamous over the course of the presidential campaign, there's another Republican policy blueprint that's just as radical. In March, the Republican Study Committee (RSC) released an updated budget plan detailing what Republicans plan to do if they take over Congress in November. The committee represents 80% of House Republicans, including all members of the leadership team.

The RSC budget plan slashes Social Security, Medicare, Medicaid, and other programs that low- and middle-income families rely on—all while giving enormous tax breaks to billionaires and corporations. It also includes proposals outside the usual frame of fiscal policy, including attacks on unions and worker protections and gutting regulations protecting consumers, workers, and the environment. Put simply, this RSC agenda would benefit the very wealthy while making most Americans much worse off.

Republicans will cut taxes for billionaires and corporations

The RSC budget plan would extend the Trump tax cuts that overwhelmingly benefit the wealthy and are set to expire in 2025. While many of the corporate tax cuts in the Trump tax law don't expire automatically, the RSC budget plan would also extend and expand some business tax cuts included in the 2017 law.

Extending the tax cuts set to expire would cost $4.6 trillion (about $14,000 per person in the U.S.) in the first decade alone—money that would be much better invested in infrastructure, education, health, or almost anything else. The expiring tax cuts that mostly benefit the wealthy include a reduction in the top marginal tax rate, changes to the Alternative Minimum Tax, and the "pass-through" deduction which provides a preferential tax rate for a range of business income types that are overwhelmingly concentrated at the top of the income distribution. As a result of these and other tax cuts, billionaires are paying a lower share of their income in taxes than working-class Americans for the first time in modern history.

In contrast to prioritizing the extension of tax cuts that benefit the richest, Vice President Harris has called for extending the Trump tax cuts only for people with incomes at or below $400,000 and expanding tax credits that benefit working families, including the Earned Income Tax Credit and the Child Tax Credit.

The RSC budget plan would also repeal the estate tax and reduce the capital gains tax by indexing it to inflation. These changes would almost entirely flow to the very wealthy, since the estate tax already exempts estates worth under $13.6 million and an estimated 86% of long-term capital gains taxes are owed by the top 1%.

Further, Republicans plan to extend or even deepen Trump tax cuts for corporations and business partnerships. A common rationale for taxing business income at a lower rate than wage and salary income is to avoid “double taxation.” But most capital income isn’t taxed twice, so these tax breaks just make wealthy people wealthier and widen the racial wealth gap.

Avoiding double taxation is also the RSC’s rationale for creating “Universal Savings Accounts” that would extend the favorable tax treatment of retirement and college savings accounts to accounts with no restrictions on how or when the savings are used. Existing tax-favored accounts primarily benefit high-income households who save with or without tax incentives, so universal accounts would just make it easier for these households to use such accounts to amass more wealth.

Ironically, the RSC budget plan does support double taxation when it comes to taxing state income tax payments, even though income taxes are a fairer way for states to raise revenue than sales and excise taxes, which fall more heavily on low-income families. Trump has also suggested that he would replace the federal income tax with tariffs, which are regressive, with a typical middle-class household paying $1,700 more.

Why “trickle-down economics” doesn’t work

The Trump tax cuts for the wealthy were sold on a Reagan-like promise that they would “trickle down” to other Americans while paying for themselves through faster economic growth. But research has shown that tax cuts for the wealthy and corporations stay with the wealthy, exacerbating inequality and making it harder for people to succeed if they aren’t born into wealth.

Nonpartisan economists have found that—despite their enormous cost—the Trump tax cuts have had little or no significant long-term effect on investment, jobs, wages, or economic growth. Another report by Moody Analytics concluded that policies likely to be enacted if Republicans gained control would not only waste money that could be better spent on other initiatives but would also worsen inflation and slow growth. Similarly, a Goldman Sachs analysis projected that a Republican victory would slow economic growth.

Wealthy households tend to save more than those that spend more of their income on rent, food, and other necessities. For this reason, tax cuts for the wealthy provide a weak stimulus to the economy compared with tax cuts or government expenditures that benefit low- and middle-income households, such as the Child Tax Credit expansion included in President Biden’s American Rescue Plan Act. In addition to helping the economy recover from the pandemic recession, the expanded Child Tax Credit cut child poverty in half.

Rather than advocating for tax cuts as a form of economic stimulus, however, “supply-side” economists claim that they promote growth by increasing saving and investment—and therefore that tax cuts for the wealthy have a trickle-down effect on ordinary workers. But the evidence suggests that tax cuts for the wealthy have little or no impact on investment, jobs, wages, or economic growth because the global economy in recent decades has been constrained by weak demand rather than limited supply. The 2020 recession was an exception, but only because adequate fiscal relief and recovery measures shored up demand. Though supply shocks contributed to the contraction, these were caused by pandemic disruptions, not a dearth of investment funds.

It is quite likely that the pre-pandemic situation of chronically low demand will return. One piece of evidence suggesting that inadequate demand—not supply—is what will limit economic growth going forward is the fact that long-term interest rates have remained lower than short-term rates. This suggests that investors have been expecting that the Federal Reserve will need to cut interest rates to keep demand strong enough to maintain low unemployment. The Fed began doing that just last month.

Historically, periods of strong economic growth have occurred when the government invested heavily in infrastructure, education, science, and technology rather than relying on tax cuts to spur private investment. Past Republican and Democratic administrations have supported ambitious investments in the national highway system, higher education, and space exploration.

In contrast to tax cuts for the wealthy, well-designed public investments directly expand economic capacity, create jobs, and mobilize private investment. Economists at Moody’s, the University of Massachusetts, and others have found that the Inflation Reduction Act (IRA) signed by President Biden provided a significant boost to economic growth and job creation through investments in clean energy and climate resilience. Unlike the Trump tax cuts, the IRA was largely paid for with increased revenue by, among other things, bolstering the Internal Revenue Service’s ability to crack down on large-scale tax evaders.

Republicans will cut critical programs to more than offset tax cuts for the wealthy

Lamenting that the size of government had increased since 1917, the RSC would cut government spending even more than necessary to offset their proposed tax cuts and stabilize debt as a share of GDP.

The largest cuts fall on health programs that low- and moderate-income families rely on, including $4.5 trillion cut from Medicaid, the Children’s Health Insurance Program (CHIP), and Affordable Care Act (ACA) marketplace subsidies over the next decade. This is roughly the cost of extending Trump’s tax cuts mostly benefiting the wealthy and corporations ($4.6 trillion).

Seniors and people with disabilities would also face significant benefit cuts, including $1.2 trillion (8.9%) cut from Medicare and $1.5 trillion (7.9%) cut from Social Security over 10 years. Cuts to Social Security include an increase in the normal retirement age to 69 or 70 and additional "progressive" cuts that at first fall hardest on higher earners but would gradually reduce benefits for most participants. Though Republicans claim that raising the normal retirement age is necessary because people are living longer, the normal retirement age has already increased from 65 to 67, and low-wage earners who are most affected have seen little or no improvement in life expectancy.

All told, cuts to mandatory spending—mostly to health, retirement, disability, nutrition, and education programs—total $9.8 trillion, or 19% of projected outlays in this spending category.

Cuts are even deeper to non-defense programs subject to the annual budgeting process. Environmental, consumer protection, investor protection, worker protection, student financial assistance, legal assistance, public health, scientific research, community policing, anti-terrorism, and arts agencies and programs are among the government functions that would face $3.8 trillion in cuts, constituting a whopping 41% reduction in non-defense discretionary spending.

In short, the RSC budget is old Republican wine in new bottles. Despite everything else that has changed in politics over the past decade, Republicans' economic priorities when they are in charge of the White House and Congress remain the same: tax cuts for the rich and corporations, at the expense of programs like Social Security, Medicare, Medicaid, and the Affordable Care Act that are crucial for the economic security of working families.