

PRESS RELEASE

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NM Economists to Lawmakers: Big Budget Cuts Will Make Recession Worse

Group sends letter to Governor and Legislature urging more balanced approach

ALBUQUERQUE –A group of nine economists sent a letter Monday to the Governor's Office and members of the Legislature warning that more cuts in state spending will make the current recession worse. After acknowledging the difficult task of closing the budget shortfall, the economists wrote, "As economics and business professors, we advise a measured approach to the budget that will help New Mexico emerge from the recession sooner rather than later." The letter, which was made available to the Better Choices New Mexico alliance, goes on to say that, "the worst thing to do in a recession is to cut government spending."

Better Choices spoke with Melissa Binder, one of the letter's signers. "The state is a big player in the economy," she said. "Whatever they do has a ripple effect. Lawmakers need to do the least damaging thing possible, and the economics on this is clear—the least damaging thing to do is enact carefully designed tax increases, at least temporarily, on the highest income group. That might not be the approach that is politically popular, but there's no question that it is the best approach from an economic perspective," she added.

The letter goes on to acknowledge that most states are facing budget deficits, and adds, "... lawmakers in all western states except New Mexico and Alaska have enacted or are considering increases to a variety of taxes and fees," to raise needed revenue.

New York Times columnist and Nobel Prize winning economist Paul Krugman has consistently made the same argument about public spending. In a December 2008 column about state budget problems, Krugman wrote, "It's true that the economy is currently shrinking. But that's the result of a slump in private spending. It makes no sense to add to the problem by cutting public spending, too."

Both the economists' letter and the Krugman column are attached as pdfs.

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Better Choices New Mexico consists of: America Votes Education and Action Fund, American Federation of State, County and Municipal Employees, American Federation of Teachers NM, Center for Civic Policy, Community Action NM, Conservation Voters NM, Communications Workers of America, Drug Policy Alliance NM, Families and Youth, Inc., Family Justice Campaign, Hands Across Cultures, Health Action NM, International Association of FireFighters, League of Women Voters of NM, Lutheran Advocacy Ministry, National Education Association New Mexico, NM Adult Education Association, NM Center on Law and Poverty, NM Child Care and Education Association, NM Coalition Against Domestic Violence, NM Coalition to End Homelessness, NM Conference of Catholic Bishops, NM Conference of Churches, NM Early Childhood Alliance, NM Progressive Action, New Mexico Solutions, NM Voices for Children, NM Youth Providers Alliance, Results-Santa Fe, St. Joseph Community Health, Santa Fe Alliance, and SouthWest Organizing Project.

Better Choices New Mexico supports a balanced approach to addressing New Mexico's budgetary challenges. This alliance of small businesses, faith-based groups, working families, and nonprofit organizations believes cutting critical services and programs would be a terrible mistake. Instead, the Legislature needs to open the books on tax expenditures, close the loopholes for out-of-state corporations, and rollback the tax breaks for the wealthy.