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December 2, 2010

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Texas Keeping Close Eye on Decisions in Washington

Gridlock over spending could cause negative impact.

By Nik Rajkovic
Thursday, December 2, 2010

The stalemate in Congress over spending will likely have a negative affect on states -- especially Texas.

As lawmakers continue to wrangle over tax cuts for higher-paid Americans, Talmadge Heflin with the Texas Public Policy Foundation says allowing them to expire means many companies and top executives who so far have side-stepped the recession, will reign in spending and cause a trickle-down effect on the state's working-class.

"One of the effects will be a cooling of the economy," says Heflin. "We'll probably see a dip in employment, meaning the jobless rate will likely go up."

Heflin believes the uncertainty in Washington will cause more people to hold on to their money, possibly leading to another dip in the housing market and retail sales.

"People might see they have to pull back on their plans to either buy a new house or upgrade," says Heflin. "Or anything else that has to do with disposable income."

There also could be trickle down effect on blue-collar workers if Congress fails to extend jobless benefits again or eliminates stimulus projects for roads and other infrastructure.

Richard Shaw with the local AFL-CIO believes all are far more important for the Texas economy than extending tax cuts for the wealthy.

"We're talking about working people, we're talking about people in our communities, and being able to put food on their table and pay rent," says Shaw. "If they can't do that, we're all going to be in trouble."

Congress also is considering cuts to defense spending and ways to reign in Medicare, something Dr. Susan Bailey with the Texas Medical Association is fighting hard against.

"If the 25-percent cut in Medicare payment rates goes through the first January," says Bailey. "This could be devastating to our seniors, for the disabled and for military families because more doctors will be forced out of the Medicare program."



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