



“Pledge to America” Not as Fiscally Responsible as it Claims

Core Policies Would Increase the Federal Deficit and Debt

By Michael Linden and Michael Ettlinger | September 23, 2010

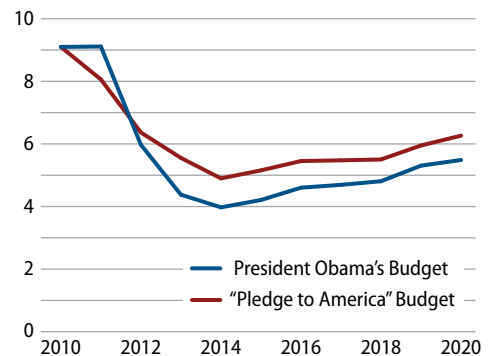
Republicans in Congress released “Pledge to America” today, a plan they characterize as laying out a “new governing agenda.” Integral to that plan is a new commitment to “fiscal responsibility.” Our analysis, however, shows that implementing the plan’s proposals would increase the federal budget deficit and accelerate growth in federal debt.

The “Pledge to America” budget would mean \$11.1 trillion in deficits over the next 10 years. By 2020, the federal budget deficit would be 6.3 percent of gross domestic product, the federal debt would exceed 93 percent of GDP, and interest payments on the debt would be more than \$1 trillion a year. The budget deficit would be about \$200 billion larger in 2020 under the “Pledge to America” plan than it would be under President Barack Obama’s budget, and over the next 10 years deficits would be \$1.5 trillion higher than under the president’s budget.

The substantial increase in deficits under the “Pledge to America” budget are due to the significant tax cuts that come from extending all expiring tax provisions and the implementation of several new tax cuts. Altogether, tax revenues under the “Pledge to America” plan would average 16.7 percent of GDP. During the last period the federal government ran balanced budgets revenues averaged 20 percent of GDP.

The document claims that these cuts will be offset by spending reductions, but their proposals for these reductions add up to significantly less than their revenue cuts. The vast bulk of these spending cuts are achieved through what are described as “hard caps,” but they provide little detail as to what programs would be cut.

Federal budget deficit, as a percent of GDP



The “Pledge to America” also includes a repeal of the Affordable Care Act. But since the ACA reduces deficits over the next 10 years, repealing it increases the deficit as well.

Methodology

To estimate the budgetary impact of the “Pledge to America,” we began with the most recent Congressional Budget Office baseline.

From there we added in the CBO’s estimate of the cost of extending all expiring tax provisions, as per the “Pledge”’s commitment to halt “all tax increases currently scheduled to take effect January 1, 2011”¹

To factor in the cost of the proposed 20 percent deduction for business income, we relied on the GOP’s own estimate of \$50 billion over two years. But we assume that their proposal is for a permanent deduction rather than a temporary one.

The cost of expanding Health Savings Accounts is based on the CBO score of a similar proposal from President George W. Bush.

The “Pledge” states that the GOP will “cancel unspent stimulus funds.” To account for this we reduced total outlays in 2011 by \$69 billion, which is the total amount of Recovery Act money still left unspent, not including undistributed tax cuts, according to Pro Publica.

In addition to canceling unspent Recovery Act money, the “Pledge” also calls for a “return to pre-spending, pre-bailout [spending] levels,” though it does exempt programs for seniors (presumably Social Security, Medicare, and Medicaid), defense, and veterans. Spending on the “nonexempt” areas totaled about \$425 billion in 2008. This suggests a further cut of about \$75 billion in 2011.

Finally, the “Pledge” promises a “hard cap on new discretionary spending.” The proposal is light on the details of this cap, but Rep. John Boehner (R-OH) asserted that it would save \$100 billion per year. Our estimate takes him at his word, and reduces total discretionary spending by \$100 billion each year starting in 2012.²

Endnotes

- 1 These costs can be found in Table 1-7 of the CBO's Budget and Economic Outlook. We exclude from these the home-buyer tax credit, the exclusion of UI benefits from gross income, bonus depreciation, special sales tax deduction for cars and truck, and COBRA assistance.
- 2 Rep. Boehner made this claim in the press conference for the Pledge to America release. See here for a clip of this claim: <http://www.youtube.com/user/ThinkProgress2#p/u/0/0tqFXUVGmgE>.