

A CONTRAST IN VISIONS

Senate Democrats: Take More to Spend More, Unserious and Unbalanced House Republicans: A Responsible, Balanced Budget

For the first time since 2009, the Senate Budget Committee met in open session and reported a budget resolution. Their effort this past week reveals why they went so long without a budget. Because they refuse to control spending, their budget imposes massive new tax increases on hardworking families. Despite all the talk of taking a “balanced approach” to the budget, Senate Democrats concede that the federal budget would never balance, ever.

This brief summarizes the key differences between the responsible, balanced-budget plan approved by the House Budget Committee and the roadmap to economic decline offered by Senate Democrats.

The Senate Democrats’ budget proposes to make the following changes:

- Increase government spending by \$265 billion
- Increase taxes by at least \$923 billion, on top of recent revenue increases
- Cut defense by \$240 billion, on top of recent cuts to national security
- Cut health-care providers by \$275 billion, on top of price controls from Obamacare

The following compares the House Republican budget with the Senate Democratic budget.

Spending

Fact: Federal spending has increased by 19 percent since President Obama took office and is set to grow by 5 percent a year over the next ten years.¹

The House Republican budget proposes to slow the average annual growth of federal spending from 5 percent to 3.4 percent and to bring federal spending in line with federal revenues—thereby balancing the budget. Republicans offered a detailed plan for accomplishing \$4.6 trillion of spending reforms:

- Repeal the President’s health-care law.
- Reduce the size of the federal workforce through attrition.
- Restructure Medicaid and the Supplemental Nutrition Assistance Program to give states more flexibility to target assistance to those most in need.
- Require federal employees to pay a fair share of their future retirement benefits.
- Consolidate workforce-training programs to reduce duplication and improve outcomes.

¹ OMB Historical Tables and CBO February Baseline

The Senate Democrats' budget proposes to increase spending by \$265 billion in comparison to the same baseline, including another \$100 billion in stimulus spending. This net increase in spending would be even larger if not for the aggressive assumption that there will be no need for war spending after 2015. With no net spending reduction and no proposed structural reforms to the nation's health-care entitlement programs, the Senate Democrats' budget fails to address the central problem: the out-of-control growth of federal spending.

Over the period covered by the budget resolution, the Senate Democrats' budget will spend \$4.9 trillion more than the House Republicans' budget.

Revenues

Fact: Under current law, federal revenues will nearly double over the next ten years—and at 19.1 percent, they will be one percentage point higher than the post-war historical average.²

The House Republican budget rejects the Democrats' calls to chase ever-higher spending with ever-higher tax increases. Instead of trying to take more money from families and small businesses, the House Republican budget calls for fundamental tax reform. This tax reform will remove special-interest loopholes, lower tax rates, and create more jobs.

The Senate Democrats' budget proposes to raise taxes by \$923 billion. According to a Senate Budget Committee Republican staff analysis, if all the assumptions of the Democratic budget are included, it raises taxes by \$1.5 trillion.³ These tax increases would take total revenues as a share of national income to levels that are just below the maximum tax share collected during World War II. While Democrats often claim that these are close to the levels reached during the last balanced budget, there is an important difference. In the late 1990s, the growth in federal revenues was accomplished after a tax cut and was the result of rapid economic growth. In contrast, Senate Democrats propose to raise effective tax rates on families and small businesses in order to chase the increases in spending they are proposing.

Deficits

Fact: On the current path, deficits will spiral out of control in the second half of the decade.

The House Republican budget responsibly balances the budget in ten years without taxes. A long-term plan for serious deficit reduction provides a boost to economic growth and ensures greater opportunities for hardworking families.

The Senate Democrats' budget never balances—ever—despite the trillion dollars in higher taxes called for in this budget. In the final year of the budget window, when the House

² CBO February Baseline

³ Senate Budget Committee, "[Senate Democrats' Tax-and-Spend Plan Grows the Government—Not the Economy](#)," March 13, 2013.

Republican budget is in surplus, the Senate Democrats propose an annual budget deficit of \$566 billion. These persistently high deficit levels leave the country vulnerable to rising interest rates. For example, CBO estimates that if interest rates return to 1990s levels, interest expense alone will increase by \$1.4 trillion.

Over the period covered by the budget, deficits under the Senate plan are nearly \$4 trillion larger than those under the House Republican budget.

Debt

Fact: In advanced economies over the last 200 years, average annual economic growth is just 1.6 percent when public debt is higher than 90 percent of the economy.⁴

The House Republican budget reduces the debt burden as a share of the economy from today's near record high levels of over 100 percent of the economy. Economists warn that today's high level of debt leaves the country vulnerable to a debt crisis. Historical data also demonstrates that these high levels of government debt are slowing economic growth today. By reducing the deficit in the near term and generating a small surplus in 2023, the House Republican budget gets debt below 80 percent of GDP by 2023. This puts the nation on the path to faster economic growth now—and in the long run, on the path to paying off the national debt.

Under the Senate Democrats' budget, public debt never declines below 94 percent of the economy. This level is above that identified by economists Ken Rogoff and Carmen Reinhart as leading to slow economic growth. And with no reforms proposed to health-care entitlements, the long-term debt trajectory will look even worse.

The public debt will be \$4 trillion larger in 2023 under the Senate plan than it would be under the House Republican budget.

⁴ Rogoff and Reinhart, "Growth in a Time of Debt," January 2010.

**Table 1: A Contrast in Visions
A Comparison of Fiscal Year 2014 Budget Resolutions**

	<u>House Republicans</u>	<u>Senate Democrats</u>	<u>President⁵</u>
Taxes	Calls for revenue-neutral tax reform.	Imposes a tax increase in excess of \$900 billion. ⁶	?
Spending	Reduces spending by \$4.6 trillion over the next decade.	Increases spending by \$265 billion over the next decade.	?
Spending Rate	Restrains annual spending growth to 3.4% annually.	Spending grows by 4.7% annually.	?
Deficit in 2023	\$7 billion surplus .	\$566 billion deficit .	?
Balanced budget	Yes—in ten years.	Never.	?
Medicare	Repeals Obamacare. Protects and strengthens Medicare.	Doubles down on Obamacare cuts. Is complicit in Medicare's demise.	?
Defense	Meets defense levels requested by Joint Chiefs.	Cuts defense by an additional \$240 billion.	?

⁵ Under the law the President was required to submit his budget no later than February 4, 2013. He failed to meet that deadline. It appears the president will submit his budget on April 8, over two months late.

⁶ The Senate Democrats' budget resolution increases revenue by \$923 billion over ten years. It includes reconciliation directives to increase revenue by \$975 billion over ten years. According to the Senate Budget Committee Republican staff, if the resolution assumptions for offsetting the sequester (\$480 billion) and stimulus (\$100 billion) are included, it increases taxes by \$1.5 trillion.

**Table 2: Budget Totals
(in billions of dollars)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014- 23
House Budget Resolution											
Outlays	3,531	3,498	3,660	3,820	3,991	4,198	4,401	4,587	4,827	4,954	41,466
Revenue	3,003	3,373	3,591	3,765	3,937	4,101	4,279	4,496	4,734	4,961	40,241
Deficit	528	125	69	54	54	97	122	91	93	-7	1,225
Debt Held by Public	12,850	13,070	13,226	13,362	13,485	13,648	13,837	13,993	14,154	14,211	n.a.
Debt Subject to Limit	17,776	18,086	18,344	18,635	18,939	19,267	19,609	19,901	20,163	20,320	n.a.
Senate Democratic Budget Resolution											
Outlays	3,715	3,846	4,053	4,246	4,457	4,719	4,957	5,198	5,486	5,687	46,362
Revenue	3,023	3,413	3,646	3,835	4,019	4,197	4,395	4,631	4,884	5,121	41,164
Deficit	693	433	407	411	438	522	562	566	602	566	5,198
Debt Held by Public	13,060	13,588	14,081	14,575	15,081	15,670	16,298	16,929	17,600	18,230	n.a.
Debt Subject to Limit	18,008	18,627	19,222	19,871	20,559	21,313	22,095	22,863	23,635	24,365	n.a.
Current Policy Baseline											
Outlays	3,611	3,751	3,990	4,204	4,428	4,684	4,939	5,199	5,529	5,765	46,099
Revenue	3,003	3,373	3,591	3,765	3,937	4,101	4,279	4,496	4,734	4,961	40,241
Deficit	608	378	398	438	491	583	659	703	795	803	5,858
Debt Held by Public	12,930	13,403	13,888	14,409	14,969	15,618	16,344	17,113	17,977	18,844	n.a.
Debt Subject to Limit	17,857	18,420	19,007	19,682	20,422	21,237	22,116	23,021	23,985	24,952	n.a.

**Table 3: Budget Comparisons
(in billions of dollars)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-23
House Budget vs. Senate Democratic Budget											
Outlays	-184	-348	-393	-426	-466	-521	-556	-611	-659	-733	-4,898
Revenue	-20	-40	-55	-70	-82	-96	-116	-135	-150	-160	-923
Deficit	-165	-308	-338	-357	-384	-425	-440	-475	-509	-573	-3,975
Debt Held by Public	-210	-518	-855	-1,213	-1,596	-2,022	-2,461	-2,936	-3,446	-4,019	n.a.
Debt Subject to Limit	-232	-541	-878	-1,236	-1,620	-2,046	-2,486	-2,962	-3,472	-4,045	n.a.
House Budget vs. Current Policy											
Outlays	-80	-253	-329	-384	-437	-486	-538	-613	-702	-811	-4,633
Revenue	0	0	0	0	0	0	0	0	0	0	0
Deficit	-80	-253	-329	-384	-437	-486	-538	-613	-702	-811	-4,633
Debt Held by Public	-80	-333	-663	-1,047	-1,484	-1,970	-2,508	-3,120	-3,822	-4,633	n.a.
Debt Subject to Limit	-80	-333	-663	-1,047	-1,484	-1,970	-2,508	-3,120	-3,822	-4,633	n.a.
Senate Democratic Budget vs. Current Policy											
Outlays	+104	+95	+63	+42	+29	+35	+18	-1	-43	-78	+265
Revenue	+20	+40	+55	+70	+82	+96	+116	+135	+150	+160	+923
Deficit	+85	+55	+9	-27	-53	-61	-97	-137	-193	-237	-658
Debt Held by Public	+130	+185	+193	+166	+112	+52	-46	-184	-377	-614	n.a.
Debt Subject to Limit	+151	+207	+215	+189	+137	+76	-21	-158	-350	-587	n.a.