CONTROLLING THE DEFICIT

THE DEFICIT HAS BEEN DRIVEN BY INCREASES IN SPENDING NOT BY DECREASES IN TAXES

America Needs *Higher* Growth and *Lower* Spending; Not *Higher* Taxes

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Focusing the Presidential Debates Initiative

By

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Executive Summary

It is well understood that the national debt, standing at over eighteen trillion dollars today (even excluding major pension obligations), is a major national problem that must be brought under control. As the debt accelerates in coming years, primarily under the influence of mandatory entitlement spending, the debt burden will become unsustainable. Interest on the national debt will become a larger and larger share of the federal budget as the debt rises, and bondholders will at some point begin to demand a higher risk premium. If the debt bomb remains unaddressed, ultimately the United States will go through a Greek style crisis, but this time with no European Union bail out. Further, the tilting point for a debt crisis, triggering a demand by debtors for higher and higher interest rates could happen suddenly should debtors become convinced that the United States is not on a sustainable path to resolving its debt problem. Fortunately, the United States still has time to address this problem, but it must move within the next few years toward meaningful reform.

There are only three ways to address this developing crisis, other than the unthinkable path of default or the undesirable path of run-away inflation. First, substantially increase the growth rate of the United States (likely still requiring some nibbling at the edges of the mandatory entitlement growth), second reduce expenditures, or third increase taxes. Of course, there could also be some combination of the above. Since both reducing social expenditures and raising taxes are unpopular, and each is supported by a different part of the political spectrum, there is a tendency to simply ignore this real and developing debt problem. In the alternative, those focusing on the deficit usually suggest that we need to have a "balanced" approach to solving the problem by both reducing expenditures and raising taxes, an approach facing political opposition from all parts of the political spectrum and, as a result, possibly even more difficult politically. This "balanced" approach is also an approach which would likely negatively affect growth, as taxes are raised and incentives are reduced. In turn, the "balanced" approach would make the problem of the deficit even more difficult due to the feedback in reduced economic growth.

It is likely that the better path to getting the deficit under control is to focus on increasing the growth rate, while limiting the growth path of mandatory entitlements and enabling entitlement reform where possible to achieve greater effectiveness at lower cost. An important factor in increasing the National growth rate is to lower taxes on income, investment and capital formation. This would, along with other pro-growth reforms, create a virtuous cycle in which revenues increase faster than expenditures. A parallel paper to this one shows, in turn, how Social Security optionality (offering private accounts to a younger generation forty and under) would both dramatically reduce entitlement spending while ensuring much higher returns to a younger generation and Social Security solvency for all others now under the traditional system. The low hanging fruit of genuine Social Security reform, along with pro-growth policies, is a combination offering both a realistic path to deficit control while enhancing growth and maintaining the social safety net.

But there is yet another reason why a "balanced" approach to deficit reform is not the answer. And that is that the contemporary deficit problem has not been caused by decreases in federal taxation. Rather, it has been driven by a growth in mandatory entitlement spending; an out-of-control growth in spending not present in the previous post-war settings in which the Nation dramatically reduced its wartime debt after each war. We cannot simply forever increase expenditures, and then when the deficit gets too high, call for a "balanced" reduction which would increase taxes.

The deficit is also related to growth and overall wellbeing in America. A deficit which is too large, even short of provoking a debt crisis, serves as a drag on the economy inhibiting economic growth, as scarce resources are diverted to pay carrying cost of the debt, and ultimately the debt itself. In addition, borrowing to cover the deficit drains investment capital from the private sector, which is the foundation of economic growth. There is good evidence to suggest that a national debt beyond 90 % of GDP slows growth substantially. Unfortunately, that is where we are today!

Growth, in turn, is of the utmost importance for every woman, man and child in America. A one percent per year increase in the growth rate (increasing growth from 2% to 3%) will in twenty five years make the Nation 27% wealthier than it would otherwise be at the lower growth rate. A two percent per year increase in the growth rate for twenty five years would make the Nation 62% wealthier than it would otherwise be. And a two percent per year increase in the national growth rate continued over a second 25 years would increase the national income by 164% in a generation (50 years). Such an increase in national income would have profound benefits in covering the deficit, enhancing the general welfare, and providing for the national defense.

Throughout American history the deficit has tended to dramatically increase during periods of war. Understandably, the preservation of our national freedom, and that of our allies, remains foremost. This was true in the Civil War, World Wars I & II, and the Korean War. But in the aftermath of those wars the Nation typically made major progress in reducing the debt. Under President Lyndon Johnson's "Great Society," however, not only did the Nation fight a war; the Vietnam War, but it also dramatically increased mandatory entitlement expenditures.

Federal spending as a percent of GDP boomed to record levels during World War II of over 40% of GDP. But it stabilized in the 1950s to around 18% to 20% of GDP, where it stayed over the long term for several decades. This was the long-term, postwar, consensus level of federal spending as a percent of GDP, from the early 1950s until 2008.

Federal spending increased from 16.6% of GDP in 1965[1] to 19.8% in 1968, an increase of almost 20% in the size of the federal government relative to the economy. That reflected Johnson's boom in entitlement spending, with the adoption of Medicare and Medicaid and the War on Poverty in 1965. But total federal spending remained within the postwar consensus of 18% to 20% of GDP thereafter.

The 1980's brought the Reagan tax cuts, a reprise of the Kennedy rate cuts, which again caused the economy to boom. Federal revenues still doubled during the 1970's even with those tax rate cuts, but federal spending grew even more, which caused the rise of much larger federal deficits. Still, *the largest deficit of the Reagan years was only $221 billion* in 1986, and by 1989 the deficit was back down to a normal, postwar consensus range of 2.7 percent of GDP.

By Fiscal 2007, under the last budget left by Congressional Republican majorities that had controlled Congress since 1994, the Federal deficit was $160.7 billion, which was only 1.1 percent of GDP. Federal spending was 19.1% of GDP that year.

The all-time record U.S. deficit before President Obama came into office was at the worst of the financial crisis in 2008, at $458.5 billion, which was 3.1 percent of GDP. Yet, the deficit *every* year since President Obama has been in office has never again been as *low* as that previous all-time record, even as a percent of GDP.

In 2009, President Obama's first year in office, federal spending rocketed to 24.4% of GDP, about one-fourth more than the postwar consensus, higher than in any other year since 1945, at the end of World War II, nearly two-thirds of a century earlier. The 2009 deficit consequently roared to an all-time record $1.413 *trillion* dollars. That was also 9.8% of GDP, an all-time record except for the four years of World War II. That 2009 deficit was *three times the previous highest deficit in American history* of $458 billion, which was at the bottom of the financial crisis. It was *6½ times the highest deficit during the Reagan years*.

Two years of such extreme federal spending, plus the addition of still another, huge, long term entitlement burden in Obamacare, roused the country in November, 2010 to sweep out the Democrat House majority. Voters replaced it with a decisive, Republican majority, in an historic, New Deal size, 63 seat, landslide gain, which effectively put a fiscal check on the Administration. The resulting government shut-down fight over spending in the fall of 2011 resulted in the sequester, which halted federal spending growth.

[1] That 16.6% of GDP in 1965 was below the postwar 18% to 20% consensus because the economy was booming in 1965 due to the sweeping Kennedy tax rate cuts, adopted in 1964, which cut federal income tax rates by about 23% across the board. That boom was a sudden surprise to the economy, which temporarily made federal spending smaller as a percent of GDP. Federal spending over the prior 4 years averaged precisely 18% of GDP.

The new House majority held to the sequester, which resulted in an actual decline in total nominal federal spending two years in a row, for the first time in 60 years, since the draw down in federal spending after World War II in the 1950s under President Eisenhower. As a result, by 2014, Federal spending as a percent of GDP was restored to near its prior long term trend, at 20.3 percent.

But that came too late to stop the Obama Administration *from accumulating more national debt than all prior Presidents, from George Washington to George Bush, combined.* Gross Federal Debt is consequently already now more than 100 percent of GDP.

The right measure for President Obama's record is not to compare the recovery to the recession, but to compare Obama's recovery with other recoveries from other recessions under previous Presidents. By that measure, what is clear is that the Obama Administration produced ***the worst recovery from a recession since the Great Depression***, worse than what every other President who has faced a recession achieved.

With declining middle class incomes and increasing poverty, inequality has actually gotten worse under President Obama. Only the top 20 percent has gained.

President Obama's Fiscal 2016 budget proposed to spend over $50 trillion over the next 10 years, the highest spending by any government in world history. Obama's own budget projected that by Fiscal 2025 that would increase the gross federal debt to $26.3 trillion, the highest debt by any government in world history.

In sharp contrast, the federal budget adopted by the Republican Congress proposed to spend $7.2 trillion less over the next 10 years. That Republican budget would also balance the budget within 10 years, eliminating the federal deficit entirely.

The Republican budget achieved those results with no tax increases. Indeed, that budget accommodates comprehensive federal tax reform that would sharply lower marginal tax rates, which would substantially boost economic growth and recovery.

President Obama's budget proposes to increase federal spending faster than the economy over the next 10 years, increasing federal spending to 22.2 percent of GDP by 2025. That would consequently break federal spending again out of the long standing, post-World War II consensus of 18% to 20% of GDP. The Republican budget, by contrast, would reduce federal spending to 19 percent of GDP, restoring the long-term consensus. With federal spending held to that 18% to 20% of GDP postwar consensus, America was able to maintain booming long term economic growth, to become the richest and mightiest nation in world history.

This history shows that the problems of federal deficits and debt can and should be resolved with pro-growth policies and reasonable spending restraint, without any tax increase. Such policies would best help restore traditional, more robust American economic growth.

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Some basic parameters of federal fiscal history will help us judge federal taxes, spending, deficits and the federal budget today. Federal spending, deficits and debt of course exploded during World War II, because we had to win that war whatever the cost. But after the war, federal spending wisely tapered down during the 1950s Eisenhower years especially. Federal spending finally settled down for the long term at about 18% to 20% of GDP. It was remarkably stable around that level for more than half a century, until 2009.[2]

The stiff spending restraint during the Eisenhower years caused gross federal debt to decline sharply during those years to 54 percent of GDP by 1960, down from the all-time U.S. record of 118.9% of GDP in 1946, resulting from the war years.[3] The sweeping Kennedy tax rate cuts caused the economy to boom during the 1960s, which caused federal debt as a percent of that booming GDP to decline sharply to 36 percent by 1970.[4]

Federal spending increased from 16.6% of GDP in 1965[5] to 19.8% in 1968, an increase of almost 20% in the size of the federal government relative to the economy. That reflected Johnson's boom in entitlement spending, with the adoption of Medicare and Medicaid and the War on Poverty in 1965. But total federal spending remained within the postwar consensus of 18% to 20% of GDP thereafter.The 1980s brought the Reagan tax cuts, a reprise of the Kennedy rate cuts, which again caused the economy to boom. Federal revenues still doubled during the 1970s even with those tax rate cuts, but federal spending grew even more, which caused the rise of much larger federal deficits. Still, *the largest deficit of the Reagan years was only $221 billion* in 1986,[6] and by 1989 the deficit was back down to a normal, postwar consensus range of 2.7 percent of GDP.[7]

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[2] The President's Budget, Fiscal Year 2016, Historical Perspectives, Table 1.2.
[3] The President's Budget, Fiscal Year 2016, Historical Perspectives, Table 7.1.
[4] Id.
[5] That 16.6% of GDP in 1965 was below the postwar 18% to 20% consensus because the economy was booming in 1965 due to the sweeping Kennedy tax rate cuts, adopted in 1964, which cut federal income tax rates by about 23% across the board. That boom was a sudden surprise to the economy, which temporarily made federal spending smaller as a percent of GDP. Federal spending over the prior 4 years average precisely 18% of GDP.
[6] Id., Table 1.1
[7] Id., Table 1.2

By Fiscal 2007, under the last budget left by Congressional Republican majorities that had controlled Congress since 1994, the Federal deficit was $160.7 billion,[8] which was only 1.1 percent of GDP.[9] The *all-time record U.S. deficit before President Obama came into office was at the worst of the financial crisis in 2008 under George W. Bush, at $458.5 billion,[10] which was 3.1 percent of GDP.* **Yet, the deficit *every* year since President Obama has been in office has never again been as *low* as that previous all-time record.**

In 2009, President Obama's first year in office, the deficit rocketed to an all-time record $1.413 *trillion* dollars.[11] That was also 9.8% of GDP,[12] an all-time record except for the four years of World War II, when America was fighting both Nazi Germany and Imperial Japan. That 2009 deficit was *three times the previous highest deficit in American history* of $458 billion. It was *6½ times the highest deficit during the Reagan years*.

The 2009 deficit was driven by an explosion of federal spending, from 20.2 percent of GDP in 2008, which was still within the long term, 60 year, post-war, consensus trend line of 18% 20% of GDP, to 24.4 percent of GDP in 2009, higher than in any other year since 1945, nearly two-thirds of a century earlier. Even Franklin Roosevelt was not so blinkered during the Great Depression itself, when the federal deficit was never nearly so high, in any year, and total federal spending never popped much more than a bit over 10 percent of GDP.

That 2009 explosion in federal spending and deficits reflected President Obama's decision to address the financial crisis by returning to the Keynesian economics that President Reagan had left for dead almost 30 years previously in 1981. Keynesian economics is the doctrine that the way to restore booming economic growth is through *increased* federal spending and deficits. It was this policy decision by President Obama, on top of the long term rise in federal entitlement spending, that is the foundation of the contemporary federal deficit and debt problem.

The very next year, 2010, the deficit was $1.294 *trillion*, still nearly *three times* the previous all-time record in American history. That deliberate, chosen deficit, as the supposed road to recovery, was 8.7 percent of GDP.[13]

Those two years of extreme federal overspending, plus the addition of still another, huge, long term entitlement in Obamacare, roused the country in November, 2010 to sweep out the Democrat House majority. Voters replaced it with a decisive, Republican majority, in an historic, New Deal size, 63 seat, landslide gain, which effectively put a new check on the Obama Administration. That new Republican House majority still only stabilized the deficit the next

[8] Id., Table 1.1
[9] Id., Table 1.2
[10] Id., Table 1.1
[11] Id.
[12] Id., Table 1.2
[13] Some have argued that the booming economy of the Reagan years was caused by the Reagan deficits rather than by the all-time record Reagan tax rate cuts. But Reagan's deficits were negligible compared to Obama's deficits. Those Obama deficits utterly failed to generate *any* serious economic growth, certainly nothing anywhere near the booming economic growth of the Reagan years, which was at least three times any growth that showed up during President Obama's incremental recovery.

year, 2011, at $1.3 trillion, driven by a still *all-time record $3.603 trillion in federal spending* that year. But the resulting government shut-down fight that fall over spending resulted in the sequester that squelched federal spending growth, and began to tame the federal spending explosion.

The deficit the next year, 2012, did decline to $1.1 trillion, only the fourth time in U.S. history with a federal deficit over a trillion, all under President Obama. That decline resulted because the new Republican House majority held to the sequester, producing a rare, actual decline in total nominal federal spending.

The next year, the Republican House held to the sequester again, which resulted in another actual decline in total nominal federal spending, the first time that had happened two years in a row in 60 years, since the draw down in federal spending after World War II in the 1950s under President Eisenhower. That persistent spending restraint resulted in a sharp decline in the deficit for 2013 to $680 billion, still nevertheless 50 percent more than the prior record deficit under all prior Presidents of $458 billion.

The House agreed to ease up some on the sequester the next year, 2014, but the result was still another sharp drop in the deficit to $484.6 billion, still above the prior record for all previous Presidents. Federal spending as a percent of GDP was now restored to near its prior long term trend, at 20.3 percent. The federal deficit for 2015 is now projected to come in at $469 billion, which is still higher, *for the seventh straight year under President Obama, than the prior record under all previous U.S. Presidents.*

The increase in Gross Federal Debt under President Obama is now projected under his own budget to total $8.642 trillion by the end of this year, an increase of 87 percent since 2009. *That Gross Federal Debt is already now more than 100 percent of GDP.*[14] An international study for the National Bureau of Economic Research by Kenneth Rogoff of Harvard and Carmen Reinhart of the Peterson Institute for International Economics, covering the experience of sixty-six countries over 800 years, found that economic growth slows substantially when national debt climbs over 90 percent of GDP.[15]

Federal debt held by the public is projected by President Obama's budget to increase this year by $7.7 trillion, to $13.506 trillion, up from $5.803 trillion in 2008, an increase of 133 percent, well more than doubling. ***This means that the Obama Administration has accumulated more national debt than all prior Presidents, from George Washington to George Bush, combined!***

The Worst Recovery since the Great Depression

President Obama wants his economic policies to be judged by whether the economy is better today than it was at the depth of the recession when he entered office. But recoveries are always better than the recession they are recovering from, by definition. So that is no achievement.

[14] The President's Budget, Fiscal Year 2016, Historical Perspectives, Table 7.1.
[15] Carmen M. Reinhart and Kenneth S. Rogoff, Growth in a Time of Debt, National Bureau of Economic Research, Working Paper No. 15639, January, 2010; Carmen M. Reinhart and Kenneth S. Rogoff, *This Time Is Different: Eight Centuries of Financial Folly*, (Princeton, NJ: Princeton University Press, 2009).

The right measure for Obama's record is not to compare the recovery to the recession, but to compare Obama's recovery with other recoveries from other recessions under previous Presidents. By that measure, what is clear is that Obamanomics produced the *worst* recovery from a recession since the Great Depression; and a record worse than every other American President who has faced a recession.

When President Obama came into office, the recession, which started in December, 2007, was already 12 months old.[16] There have been 11 other recessions since the Great Depression.[17] The average duration of those recessions was 10 months.[18] So the recovery was already overdue when he came into office. All he really had to do was stay out of the way.

The recession did officially finally end in June, 2009, after 18 months, according to the National Bureau of Economic Research (NBER),[19] which is considered the official authority for when recessions begin and when they end. That made it actually the longest recession since the Great Depression. But our experience feels like that was not the end, because the recovery has been so weak in the six years since the recession officially ended.

The American historical record is actually the worse the recession, the stronger the recovery. That is because coming out of a recession, the economy has historically grown faster than normal for a while to catch up to its long term economic growth trend line. So by this metric, the economy should have come out of 2009 in an historic, long term, economic boom. But to this very day, 6 *years* later, that has *still* never happened.

In the 11 previous recessions since the Great Depression, prior to the last recession, the economy recovered all jobs lost during the recession after an average of 25 months after the prior jobs peak (when the recession began).[20] So the job effects of prior post-Depression recessions lasted an average of about 2 years. But under President Obama's recovery, the recession's job losses were not recovered until after *76 months*, or more than *6 years!* Today, 90 months after the recession started, under President Obama's recovery the economy has created only 2.5 million more jobs on net overall, during those entire 7.5 years.[21]

That included the longest period since the Great Depression with unemployment above 8%, 43 months, from February, 2009, when Obama's so-called stimulus costing nearly $1 trillion was passed, until August, 2012. It also included the longest period since the Great Depression with unemployment at 9.0% or above, 30 months, from April, 2009, until September, 2011. In fact, apart from the disastrous employment record under President Obama, during the entire *65 years* from January, 1948 to January, 2013, there were no months with unemployment over 9%, except for 18 months during the bitter 1981 – 1982 recession, which slayed the historic inflation of the

[16] US Business Cycle Expansions and Contractions, National Bureau of Economic Research, http://www.nber.org/cycles/cyclesmain.html
[17] Id.
[18] Id.
[19] Id.
[20] The Recession and Recovery In Perspective, The Federal Reserve Bank of Minneapolis, http://www.minneapolisfed.org/publications_papers/studies/recession_perspective/index.cfm
[21] Id.

1970s. That is how inconsistent with the prior history of the American economy President Obama's extended unemployment was.

Reagan suffered arguably the most severe recession in post-Depression history, 1981-82, which resulted from the monetary policy that broke the back of the roaring 1970s inflation. But all the job losses from that recession were recovered after 36 months,[22] with the recovery fueled by traditional pro-growth policies. In the Reagan recovery, 76 months after the recession started, the economy had created *12.8 million more jobs*, compared to zero on net at this point in the Obama recovery.[23] After 90 months of the Reagan recovery, the economy had created *17 million more jobs!*[24] That compares again to 2.5 million more jobs on net at this point in the Obama recovery.

The pitiful jobs record of Obamanomics reflects the more basic reality that the economy has not been growing under President Obama. In the 11 previous, post-depression recessions before President Obama, the economy recovered the lost GDP during the recession within an average of 5 quarters after the recession started.[25] But it took Obama's recovery *14 quarters*, or 3.5 *years*, to reach that point. The Reagan recovery took half that time, 7 quarters, to recover all the lost GDP from the 1981-82 recession. Today, 30 quarters, after the recession started, the economy (real GDP) under the Obama recovery has grown 8.5% above where it was when the recession started.[26] By sharp contrast, after 30 quarters of the Reagan recovery, the economy had boomed by 30.5%, almost one-third.[27]

Some might say Reagan was a different era, not relevant to today. But here is the major real difference between the Reagan era, and the Obama era today. Reagan used pro-growth policies, to address his recession. The results he got are the same as have been experienced with those policies throughout human history. Obama has used anti-growth policies, *raising taxes and pouring on regulation,* to address this last recession. The results are the same as have been experienced with those policies throughout human history.

<u>President Obama's Economic Performance Even Worse Than Presidents Bush and Carter</u>

President Obama's economic performance was much worse than even President George W. Bush's. Jeffrey H. Anderson, a senior fellow at the Pacific Research Institute, wrote in *Investors Business Daily* on January 13, 2013, "Prior to Obama, the second term of President Bush featured the weakest gains in the gross domestic product in some time, with average annual (inflation-adjusted) GDP growth of just 1.9%, [according to the official stats at the Bureau of Economic Analysis (BEA)]" But average annual real GDP growth during Obama's entire first term was less than half as much at a pitiful 0.8%, according to the same official source.

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[22] Id.
[23] Id.
[24] Id.
[25] The Recession and Recovery In Perspective, The Federal Reserve Bank of Minneapolis, http://www.minneapolisfed.org/publications_papers/studies/recession_perspective/index.cfm
[26] Id.
[27] Id.

Indeed, not only was economic growth during Bush's awful second term more than twice as much as during Obama's entire first term. Even Jimmy Carter produced 4 times as much economic growth during his one term as Obama did during his entire first term. In fact, as Anderson noted, real GDP growth under Obama's first term was the worst of any President *in the last 60 years!*

But it's even worse than that. Obama's first term real GDP growth was actually less than half as much as the worst of any President in the last 60 years. In other words, even if you *doubled* actual GDP growth under President Obama, *it would still be the worst record of any President in the last 60 years!*

President Obama's Declining Middle Class and Booming Poverty

The slow growth, and negligible job creation under Obama, in turn caused declining middle class incomes. The Census Bureau's Current Population Survey showed that real median household income declined by more than $4,500 during Obama's first term, about 8%, meaning effectively that the middle class lost annually the equivalent of one month's pay under Obama. Even President Bush again did better during his disastrous second term, when real median household income at least rose by 1.7%, not enough, but still positive rather than negative.

Even if you start from when the recession ended in June, 2009, the decline in median real household income since was greater during Obama's first term than it was during the recession. Three and a half years into the Obama recovery, real median household income had declined nearly 6% as compared to June, 2009. That is more than twice the decline of 2.6% that occurred during the recession from December, 2007 until June, 2009. As the *Wall Street Journal* summarized in its August 25-26, 2012 weekend edition, "For household income, in other words, the Obama recovery has been worse than the Bush recession."

Despite his rhetoric, Obama has failed to deliver for the poor, as well as for the middle class. Indeed, the only thing booming under Obamanomics has been poverty. Poverty soared under Obama, with the number of Americans in poverty increasing to the highest level in the more than 50 years that the Census Bureau has been tracking poverty. During Obama's first term, the number in poverty increased by nearly 31%, to 49.7 million, with the poverty rate climbing by over 30% to 16.1%. This is another natural result of negligible economic growth, paltry job creation, declining real wages, and the worst economic recovery since the Great Depression.

President Obama has tried to make an issue out of inequality. But with declining middle class income and booming poverty under his policies, inequality has actually gotten worse. Only the top 20 percent has gained while he has been President. That is shown by official government data, including the Gini coefficient, the official statistical measure of inequality.

Reversing the Accelerating Downward Spiral

President Obama's Fiscal 2016 budget released in January, 2015 proposed to spend over $50 trillion over the next 10 years, the highest spending by any government in world history.[28]

[28] The President's Budget, Fiscal Year 2016, Table S-1.

Obama's own budget projected that by Fiscal 2025 that would increase the gross federal debt to $26.3 trillion,[29] the highest debt by any government in world history.

In sharp contrast, the federal budget adopted by the Republican Congress proposed to spend $7.2 trillion less over the next 10 years.[30] That Republican budget would also balance the budget within 10 years, eliminating the federal deficit entirely, as scored by CBO.[31] Indeed, that budget would produce surpluses by 2024, and thereafter, reducing the Gross Federal Debt to below $20 trillion.[32]

The Republican budget achieved those results with no tax increases. Indeed, that budget accommodates comprehensive federal tax reform that would sharply lower marginal tax rates, which would substantially boost economic growth and recovery.

President Obama's budget proposes to increase federal spending faster than the economy over the next 10 years, increasing federal spending to 22.2 percent of GDP by 2025.[33] The Republican budget, by contrast, would reduce federal spending to 19 percent of GDP, restoring the long-term consensus, with federal spending growing slower than the economy. With federal spending held to that 20 percent of GDP consensus, postwar America was able to maintain robust long term economic growth, to become the richest and strongest nation in world history.

This history shows that the problems of federal deficits and debt, which in the United States have been generated by excessive federal spending, can and should be resolved with pro-growth policies and reasonable spending restraint, without any tax increase. Such policies would best help restore traditional higher rates of American economic growth.

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[29] Id., Table S-13.
[30] Concurrent Resolution on the Budget, Fiscal Year 2016, 114th Congress, First Session, Report 114-000, Table 1.
[31] Id.
[32] Id.
[33] Id.