



## United States Senate Budget Committee

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### After Four Years, Senate Democrats Have Obligation To Present Budget Free Of Gimmicks

After four years of defying their statutory responsibility to lay out a financial plan for the nation, Senate Democrats have relented and announced they will draft and introduce a budget this year. The nation's debt has climbed to \$16.7 trillion since then—greater than the size of the entire economy—so it is essential that their budget be an honest one that changes our debt course, not a plan full of gimmicks. Here are some of the accounting tricks that must be avoided.

#### **False 'Balance'**

We have a moral duty to balance the budget of the United States. This means that total spending does not exceed what we take in; in other words, deficits get down to zero. This can be achieved by sticking to the reasonable goal of holding annual spending growth to 3.4 percent. It will not be acceptable to rely on false accounting conventions such as “primary balance” (where trillions of dollars in interest payments over 10 years are ignored), or by using rhetorical tricks such as touting a “balanced approach.” Real balance means living within our means, not trying to extract ever more revenue from the economy.

#### **Tax Hikes Rather Than Tax Reform**

It is near universally agreed that true tax reform comes by removing deductions and using the savings to lower tax rates across the board. Economists and a bipartisan group of congressional leaders agree that such pro-growth reform is possible. Removing deductions without lowering rates—and using the money for new spending—would doom that bipartisan effort.

#### **Phony War Savings**

The Congressional Budget Office (CBO) baseline oddly assumes that war spending, known as “overseas contingency operations” or OCO, is going to continue at its current level of around \$100 billion per year, totaling \$1.1 trillion over the next decade. However, everyone knows this spending is not going to occur. Some Democrat leaders, including President Obama, have previously suggested using the phony “savings” from reduced war spending to pay for new spending elsewhere. But non-partisan budget experts have decried this accounting trick, with Concord Coalition Executive Director Robert Bixby calling it “the mother of all gimmicks.”

#### **Taking Credit For Previous Spending Cuts**

In a recent memo to her Democrat colleagues, Chairman Murray asserted that “the vast majority” of recent deficit reduction came from spending cuts, using this to suggest that a tax-heavy plan is now justified. But this reasoning only takes into account spending cuts starting at an arbitrary point in time (August 2010), and ignores huge spending increases—including, for example, under the President's health care law. Budgets are financial plans for the future; the Senate Democrat plan must not selectively count past deficit reduction to inflate their future savings.