

# Promises and Price Tags: A Fiscal Guide to the 2016 Election

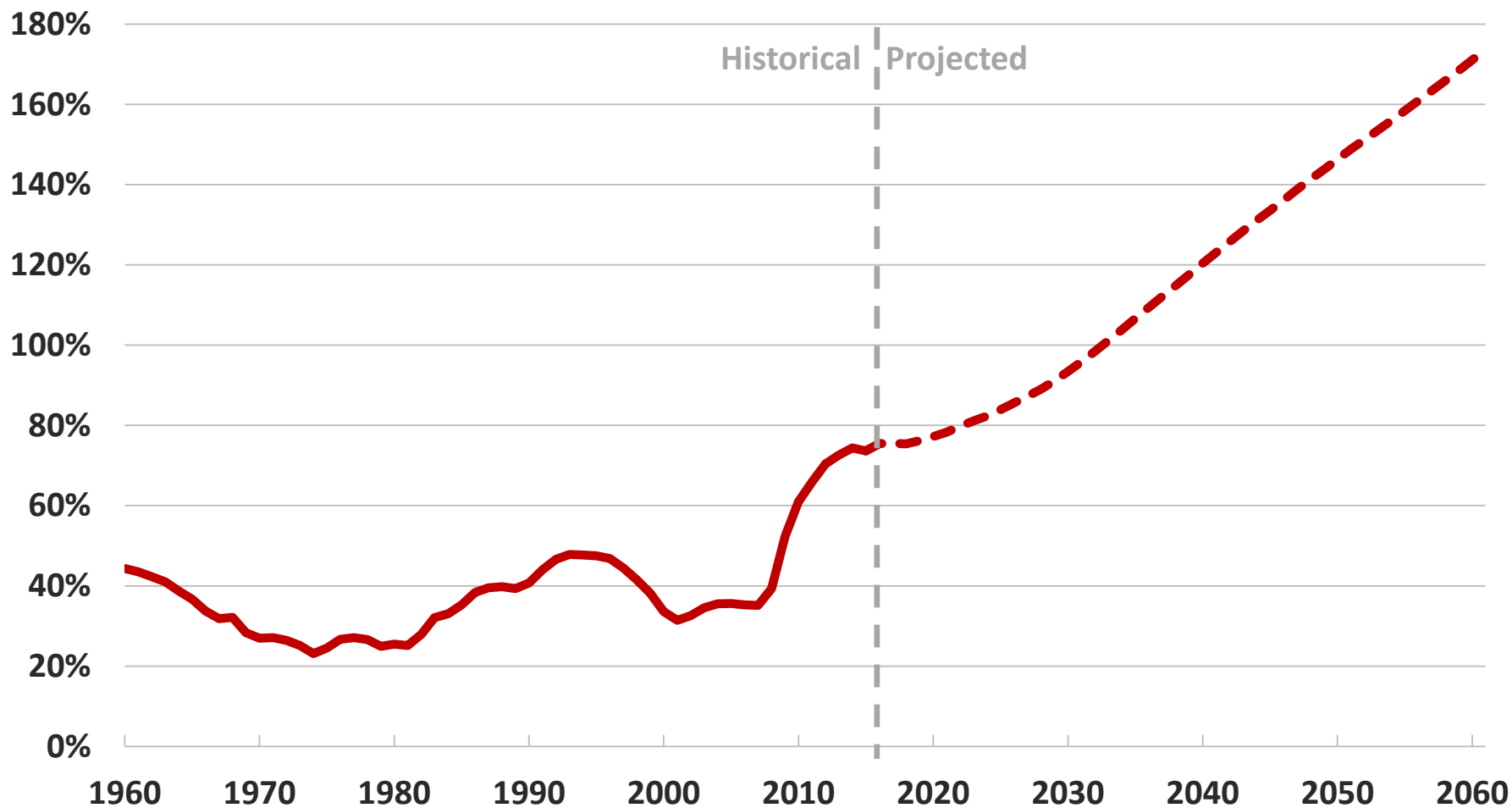
June 2016



**COMMITTEE FOR A  
RESPONSIBLE FEDERAL BUDGET**

*CRFB.org*

# Current Law Debt Projections (Percent of GDP)



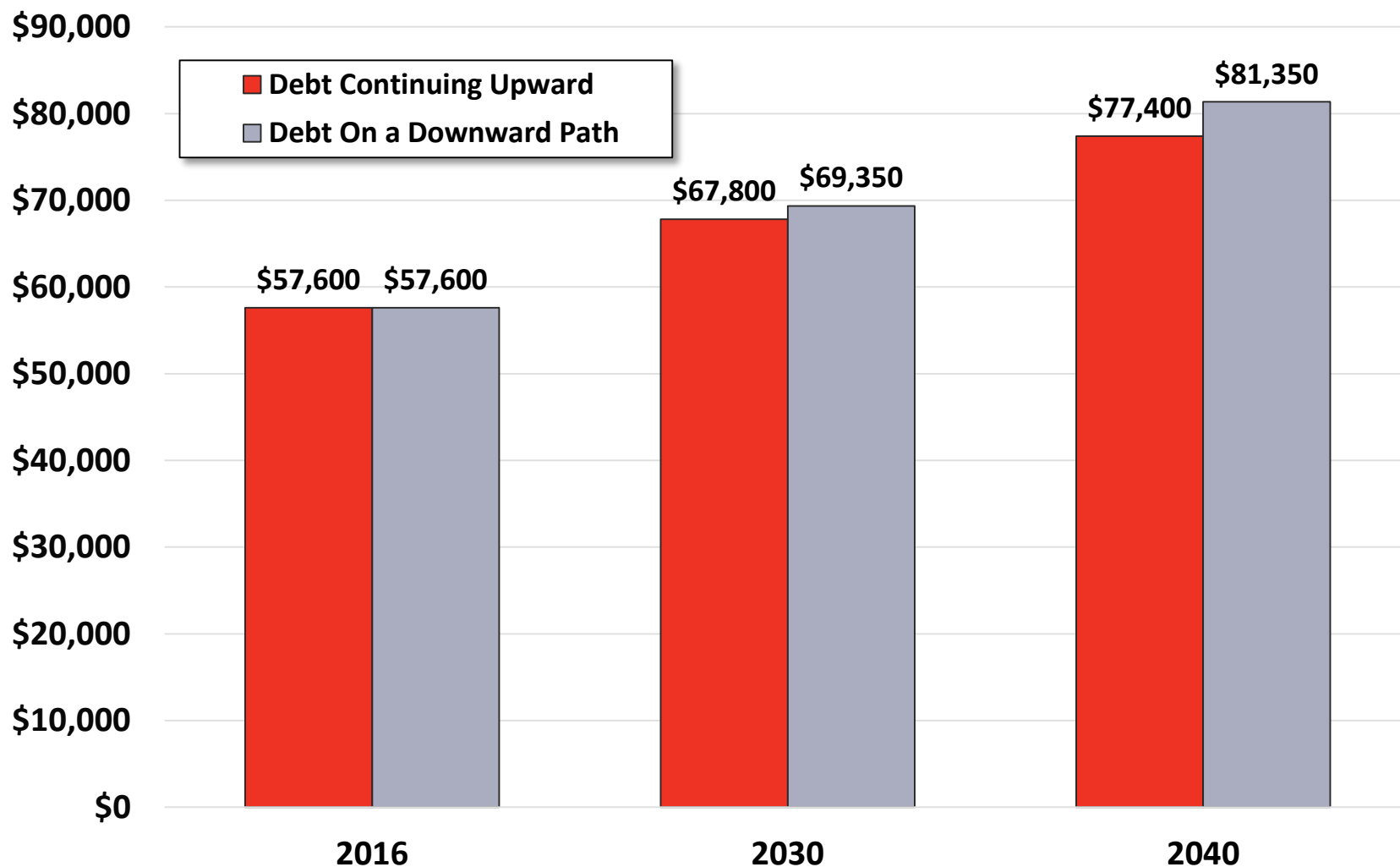
# The Consequences of Rising Debt

- **Slower Growth:** The non-partisan Congressional Budget Office (CBO) projects the economy will be 4 to 6 percent larger by 2040 if we fix the debt instead of continuing to let it grow
- **Higher Interest Rates:** Growing federal debt causes higher interest rates throughout the economy, increasing payments for mortgages, car and student loans, and credit card debt
- **Crowds Out Other Government Priorities:** By 2027, mandatory spending and interest on the debt will consume all revenue, leaving little room for important discretionary investments

## The Consequences of Rising Debt (cont'd)

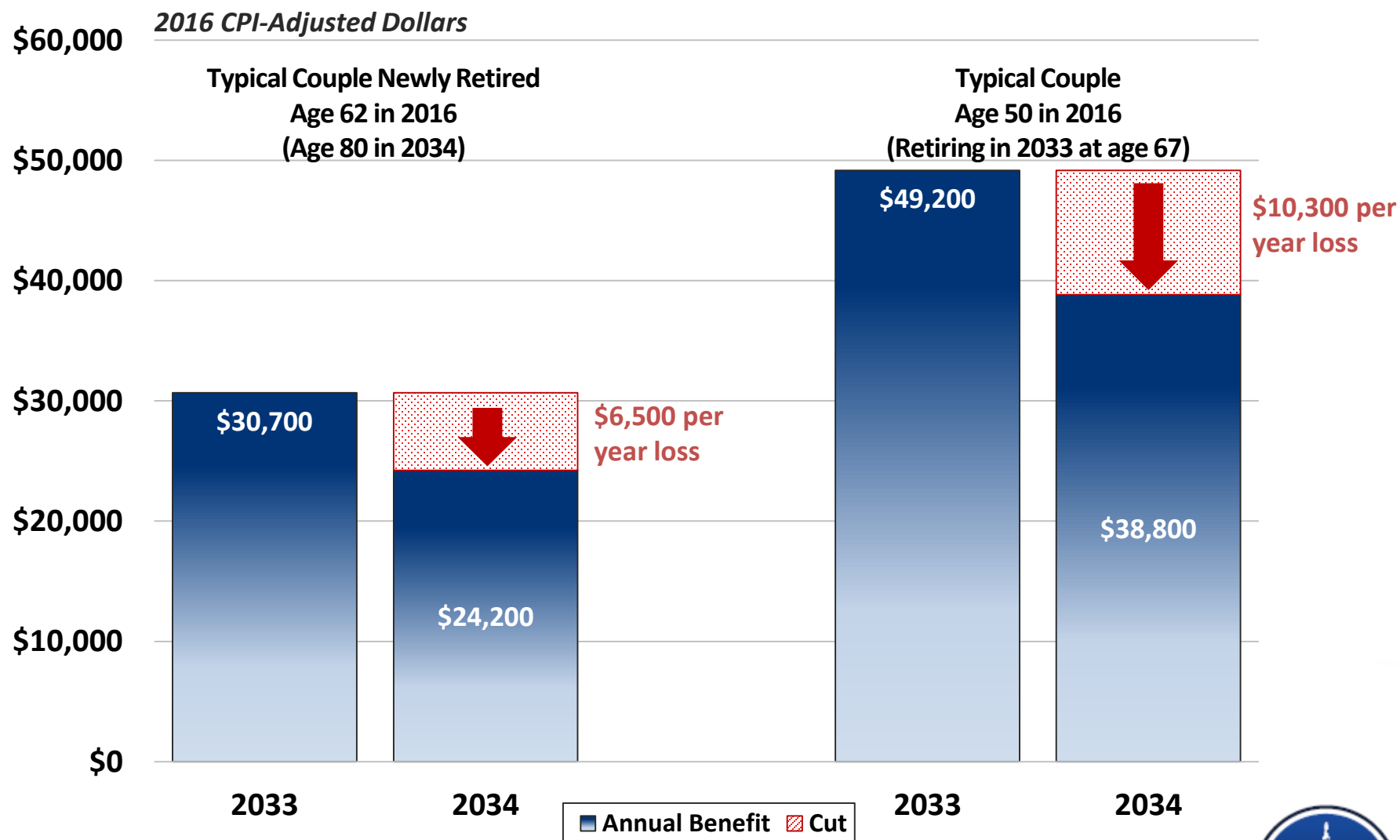
- **Inability to Respond to Next Crisis:** Since the Great Recession began, we have increased debt levels from 35 to 75 percent of GDP through automatic stabilizers, stimulus, and rescue measures. Little fiscal space is available for the next recession
- **Endangered Entitlements:** The SSDI trust fund will run out in 2022-2023, the Medicare HI trust fund in 2026-2028, and the Social Security retirement trust fund in 2030-2035
- **Unsustainability:** Debt is at record levels, other than around WWII, and continuing to rise higher each year. CBO describes this as “a trend that would ultimately be unsustainable”

# Real Per Capita GNP Rises as Debt Falls



Sources: CBO, CRFB Calculations

# Social Security Beneficiaries Face Steep Cuts in 2034



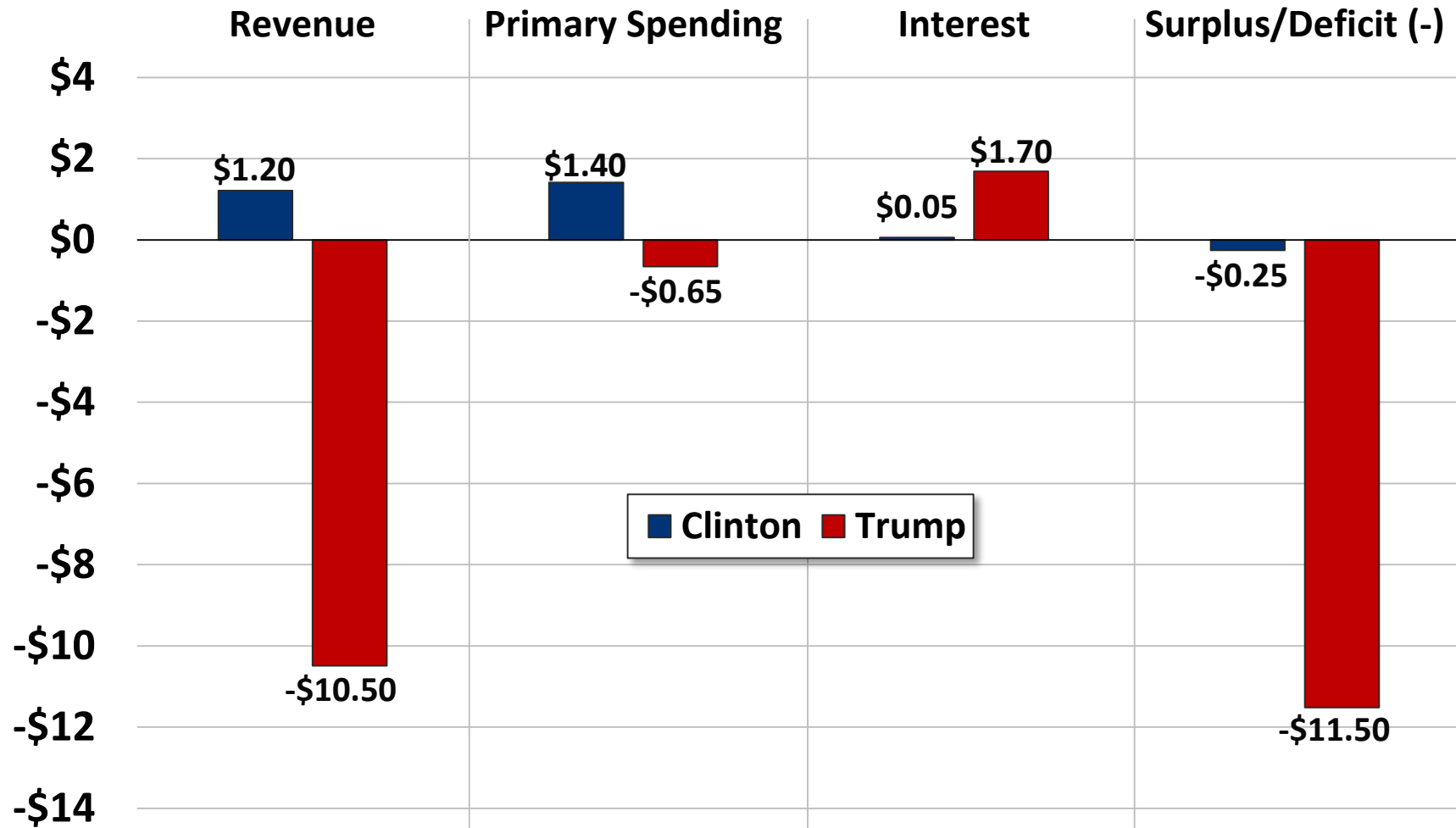
Sources: Social Security Administration, CRFB Calculations

Note: We define a "typical couple" as one with two "scaled medium earners" each earning roughly the average wage over their lifetimes. The actual median couple might differ from this illustration.



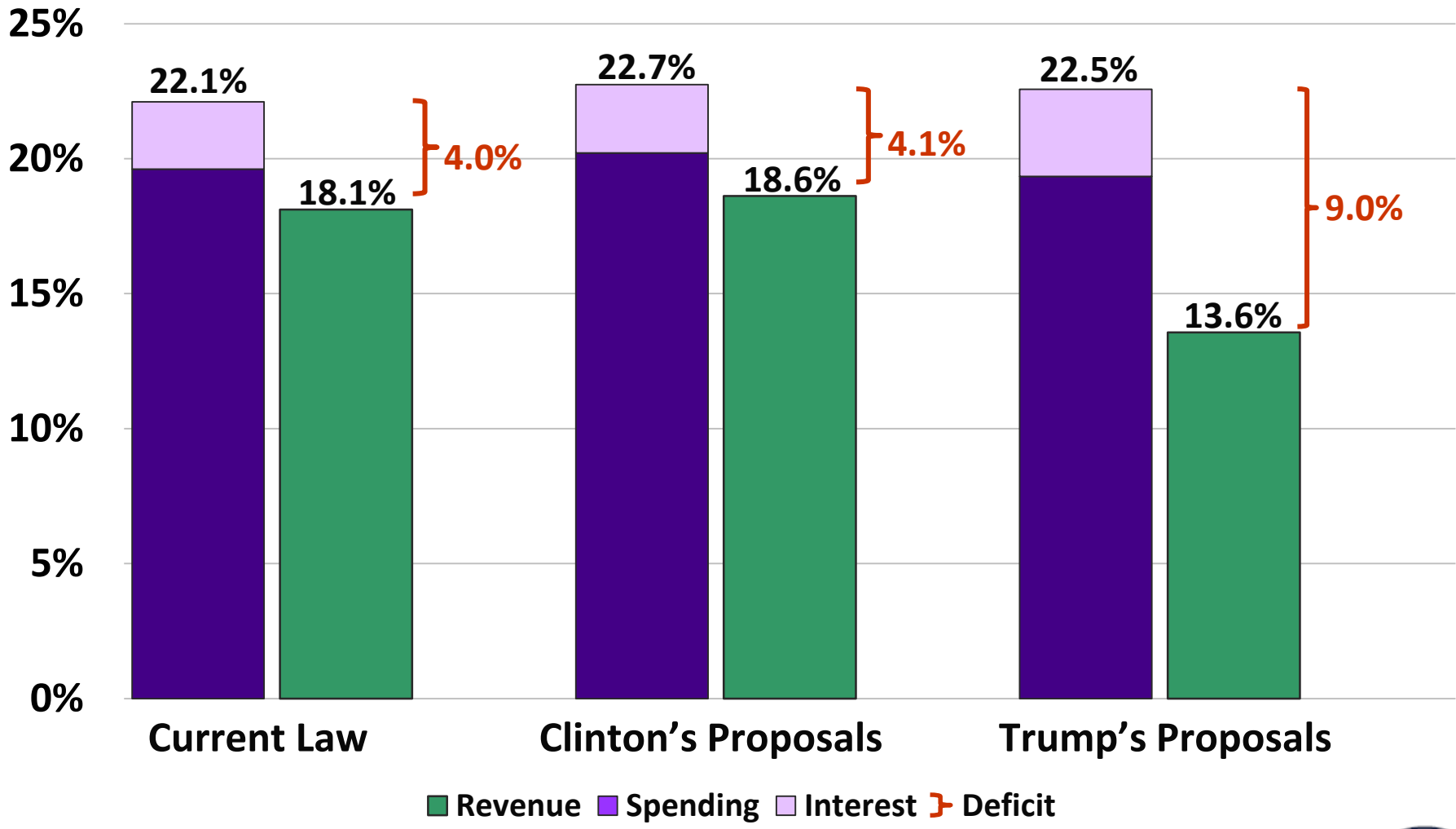
# What Would Clinton and Trump Do to the Debt?

# Ten-Year Change in Fiscal Metrics Under Our Central Estimates (Trillions)



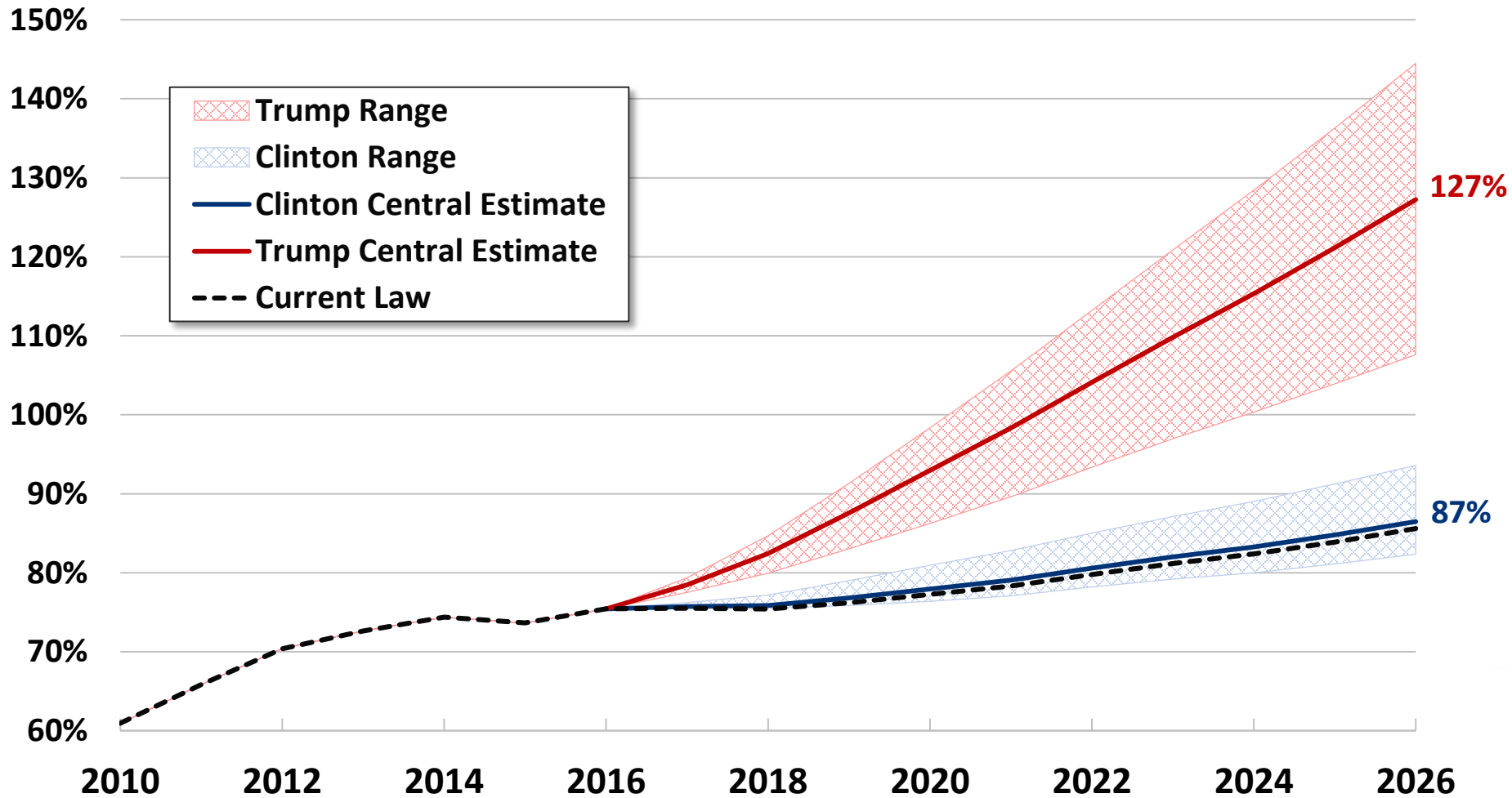


# Ten-Year Spending, Revenue, and Deficits Under Our Central Estimates (Percent of GDP)



Source: CRFB calculations, CBO projections.  
Note: Spending and revenue calculations are based on CBO's 10-year projection of cumulative GDP between 2017-2026

# Debt Under Candidates' Proposals (Percent of GDP)



Source: Committee for a Responsible Federal Budget

# Key Findings Under Central Estimates for Each Candidate (2017-2026)

	Clinton	Trump
Increase in Revenue	\$1.20 trillion	-\$10.50 trillion
Increase in Primary Spending	\$1.40 trillion	-\$0.65 trillion
Increase in Interest Costs	\$0.05 trillion	\$1.70 trillion
<b>Total Increase in Debt</b>	<b>\$0.25 trillion</b>	<b>\$11.50 trillion</b>
10-Year Revenue as a Share of GDP (current law: 18.1%)	18.6%	13.6%
10-Year Spending as a Share of GDP (current law: 22.1%)	22.7%	22.5%
10-Year Deficit as Share of GDP (current law: 4.0%)	4.1%	9.0%
<b>Debt as a Share of GDP in 2026 (current law: 86%)</b>	<b>87%</b>	<b>127%</b>

# Details of Their Plans

# Summary of Candidates' Policy Proposals (Cost/ Savings (-))

Proposal	Clinton	Trump
Health Policies	\$0.15 trillion	\$0.05 trillion
Tax Policies	-\$1.25 trillion	\$9.25 trillion
Spending Policies	\$1.40 trillion	\$0.50 trillion
Immigration Policies	-\$0.10 trillion	\$0.05 trillion
Social Security Policies	n/a	n/a
<b>Subtotal, Proposals</b>	<b>\$0.20 trillion</b>	<b>\$9.85 trillion</b>
Net Interest	\$0.05 trillion	\$1.70 trillion
<b>Total Budgetary Impact</b>	<b>\$0.25 trillion</b>	<b>\$11.50 trillion</b>
<i>Memo: Low to High Cost Estimates</i>	<i>-\$0.15 to \$2.20 trillion</i>	<i>\$9.70 to \$16.30 trillion</i>

## Major Proposal

## CRFB Estimated 10-Year Cost / Savings (-)

Low

Central

High

### HEALTH POLICIES

Expand Affordable Care Act coverage provisions	\$0.30 trillion	\$0.30 trillion	\$0.45 trillion
Repeal the Cadillac Tax	\$0.10 trillion	\$0.10 trillion	\$0.10 trillion
Reduce prescription drug costs, allow for a “public option,” and enact other reforms	-\$0.20 trillion	-\$0.20 trillion	-\$0.20 trillion
Limit deductibility of prescription drug advertising	-\$0.05 trillion	-\$0.05 trillion	-\$0.05 trillion
<b>Subtotal, Impact of Health Policies</b>	<b>\$0.15 trillion</b>	<b>\$0.15 trillion</b>	<b>\$0.30 trillion</b>

### TAX POLICIES

Increase individual income taxes on higher earners	-\$0.85 trillion	-\$0.80 trillion	-\$0.50 trillion
Increase various business taxes	-\$0.45 trillion	-\$0.20 trillion	-\$0.20 trillion
Increase and reform the estate tax	-\$0.20 trillion	-\$0.15 trillion	-\$0.10 trillion
Impose a fee on financial institutions	-\$0.10 trillion	-\$0.10 trillion	-\$0.10 trillion
<b>Subtotal, Impact of Tax Policies</b>	<b>-\$1.60 trillion</b>	<b>-\$1.25 trillion</b>	<b>-\$0.90 trillion</b>

### SPENDING POLICIES

Enact “New College Compact”	\$0.35 trillion	\$0.35 trillion	\$0.35 trillion
Expand early childhood education and childcare	\$0.20 trillion	\$0.20 trillion	\$0.55 trillion
Increase infrastructure spending	\$0.30 trillion	\$0.30 trillion	\$0.30 trillion
Expand paid family leave and enact related policies	\$0.30 trillion	\$0.30 trillion	\$0.35 trillion
Invest in energy and research	\$0.10 trillion	\$0.10 trillion	\$0.10 trillion
Support economic revitalization	\$0.10 trillion	\$0.10 trillion	\$0.10 trillion
Increase funding for and reform veterans programs	\$0.05 trillion	\$0.05 trillion	\$0.05 trillion
Repeal the “sequester” on defense spending	n/a	n/a	\$0.45 trillion
Repeal the “sequester” on nondefense spending	n/a	n/a	\$0.30 trillion
<b>Subtotal, Impact of Spending Policies</b>	<b>\$1.40 trillion</b>	<b>\$1.40 trillion</b>	<b>\$2.55 trillion</b>

### IMMIGRATION POLICIES

Enact comprehensive immigration reform	-\$0.10 trillion	-\$0.10 trillion	-\$0.10 trillion
<b>Subtotal, Impact of Immigration Policies</b>	<b>-\$0.10 trillion</b>	<b>-\$0.10 trillion</b>	<b>-\$0.10 trillion</b>

### SOCIAL SECURITY POLICIES

Insufficient detailed proposals to date	n/a	n/a	n/a
<b>Subtotal, Impact of Social Security Policies</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

<b>Net Interest Costs</b>	<b>*</b>	<b>\$0.05 trillion</b>	<b>\$0.35 trillion</b>
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<b>Budgetary Impact of Clinton's Major Proposals</b>	<b>-\$0.15 trillion</b>	<b>\$0.25 trillion</b>	<b>\$2.20 trillion</b>
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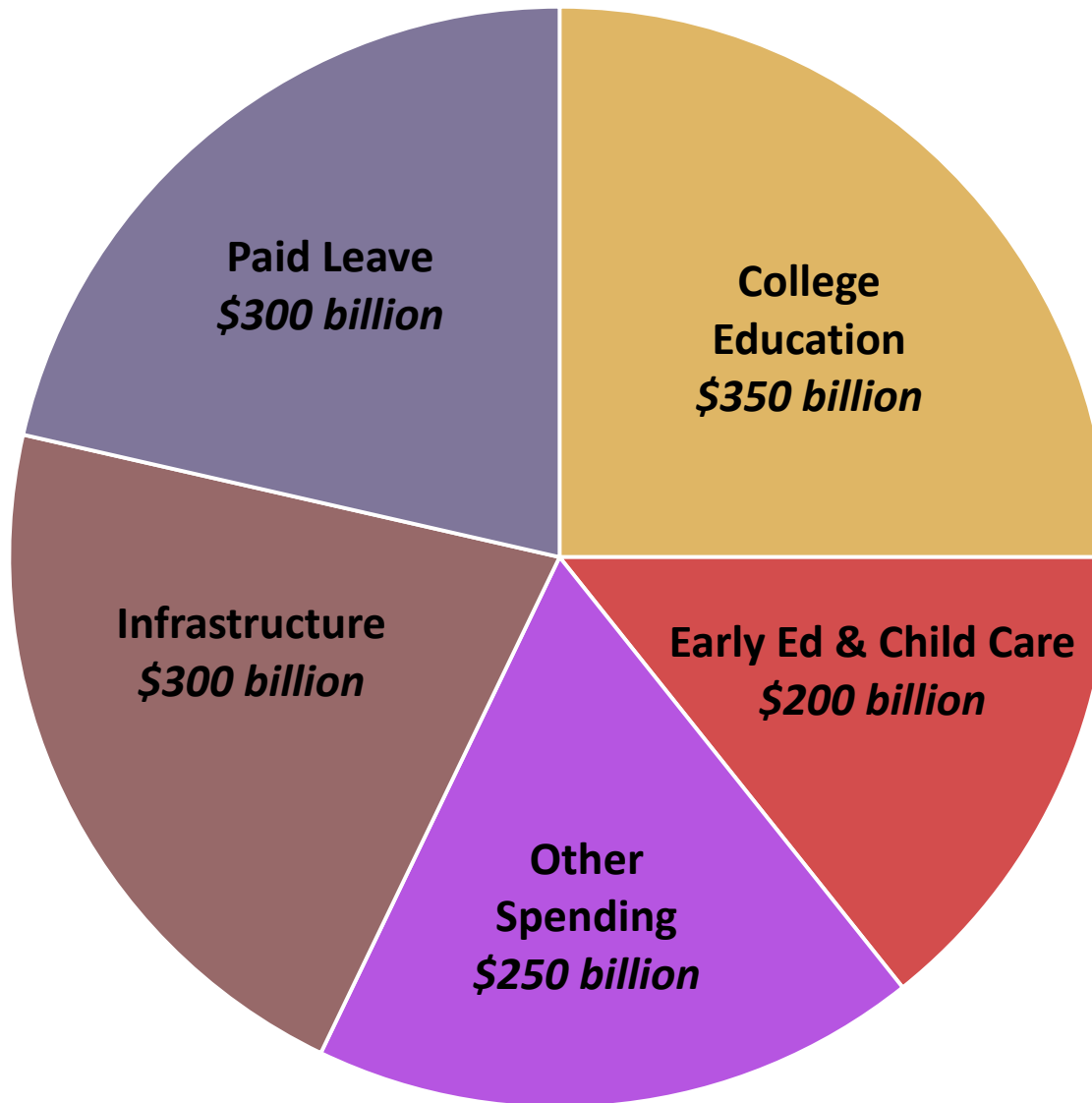
<b>Addendum: Debt-to-GDP in 2026</b>	<b>82%</b>	<b>87%</b>	<b>94%</b>
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# Summary of Hillary Clinton's Major Campaign Proposals

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# Composition of Clinton's New Spending Under Our Central Estimate (Billions)



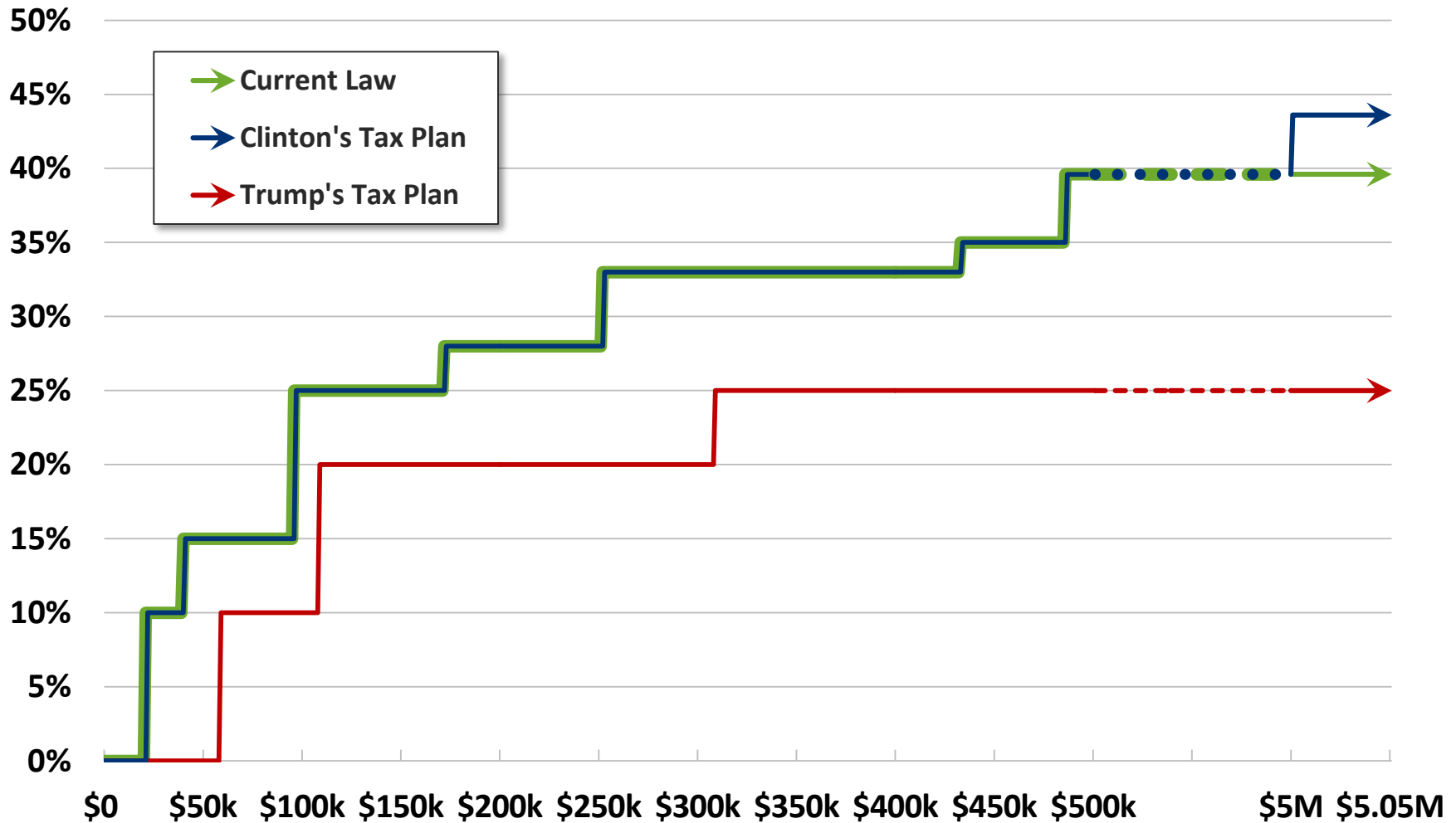
Source: Committee for a Responsible Federal Budget

Major Proposal	CRFB Estimated 10-Year Cost / Savings (-)		
	Low	Central	High
<b>HEALTH POLICIES</b>			
Repeal the Affordable Care Act (“Obamacare”)	\$0.25 trillion	\$0.50 trillion	\$0.50 trillion
Allow individuals to deduct health insurance premiums and expand HSAs	\$0.10 trillion	\$0.10 trillion	\$0.10 trillion
Reduce prescription drug costs, allow insurance sales across state lines, and enact other reforms	-\$0.15 trillion	-\$0.05 trillion	-\$0.05 trillion
Block grant Medicaid	-\$1.05 trillion	-\$0.50 trillion	*
<b>Subtotal, Impact of Health Policies</b>	<b>-\$0.85 trillion</b>	<b>\$0.05 trillion</b>	<b>\$0.55 trillion</b>
<b>TAX POLICIES</b>			
Reduce and reform individual income taxes	\$6.50 trillion	\$6.50 trillion	\$10.00 trillion
Reduce and reform business/corporate income taxes	\$2.55 trillion	\$2.55 trillion	\$1.35 trillion
Repeal the estate tax	\$0.20 trillion	\$0.20 trillion	\$0.25 trillion
<b>Subtotal, Impact of Tax Policies</b>	<b>\$9.25 trillion</b>	<b>\$9.25 trillion</b>	<b>\$11.60 trillion</b>
<b>SPENDING POLICIES</b>			
End Common Core	*	*	*
Implement an America First Energy Plan and invest in infrastructure	*	*	*
Reform the veterans affairs system	\$0.50 trillion	\$0.50 trillion	\$1.00 trillion
Rebuild the military	n/a	n/a	\$0.45 trillion
Reform trade relations	-\$0.65 trillion	n/a	n/a
<b>Subtotal, Impact of Spending Policies</b>	<b>-\$0.15 trillion</b>	<b>\$0.50 trillion</b>	<b>\$1.45 trillion</b>
<b>IMMIGRATION POLICIES</b>			
Reduce illegal immigration	\$0.05 trillion	\$0.05 trillion	\$0.35 trillion
<b>Subtotal, Impact of Immigration Policies</b>	<b>\$0.05 trillion</b>	<b>\$0.05 trillion</b>	<b>\$0.35 trillion</b>
<b>SOCIAL SECURITY POLICIES</b>			
Reduce Social Security fraud	*	*	*
<b>Subtotal, Impact of Social Security Policies</b>	<b>*</b>	<b>*</b>	<b>*</b>
<b>Net Interest Costs</b>	<b>\$1.40 trillion</b>	<b>\$1.70 trillion</b>	<b>\$2.35 trillion</b>
<b>Budgetary Impact of Donald Trump's Major Proposals</b>	<b>\$9.70 trillion</b>	<b>\$11.50 trillion</b>	<b>\$16.30 trillion</b>
<b>Addendum: Debt-to-GDP in 2026</b>	<b>108%</b>	<b>127%</b>	<b>145%</b>

# Summary of Donald Trump's Major Campaign Proposals



# Individual Statutory Tax Rates Under Candidates' Plans



Statutory marginal ordinary income tax rates for a married couple filing jointly. Includes the standard deduction and personal exemption. Sources: IRS, Trump campaign, Clinton campaign, CRFB calculations



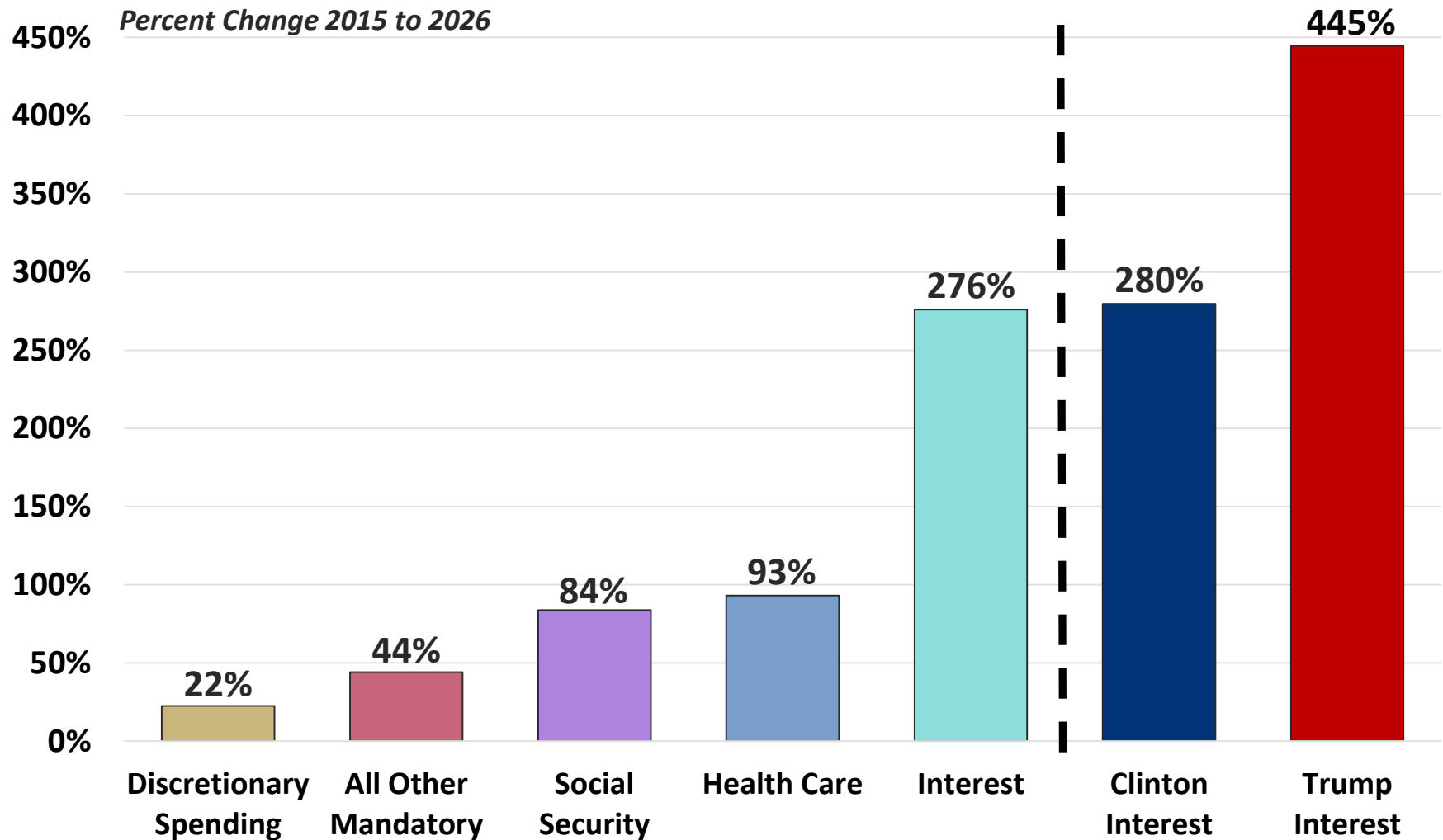
Proposal	Clinton	Trump
<b>HEALTH POLICIES</b>		
Affordable Care Act ("Obamacare") changes	\$0.30 trillion	\$0.50 trillion
Changes to tax treatment of health insurance	\$0.10 trillion	\$0.10 trillion
Drug cost reductions, insurance market reforms, and other changes	-\$0.20 trillion	-\$0.05 trillion
Tax deductibility of advertising costs	-\$0.05 trillion	n/a
Medicaid block grants	n/a	-\$0.50 trillion
<b>Subtotal, Impact of Health Policies</b>	<b>\$0.15 trillion</b>	<b>\$0.05 trillion</b>
<b>TAX POLICIES</b>		
Individual income tax changes (non-business)	-\$0.80 trillion	\$6.50 trillion
Business tax changes (corporate and pass-through)	-\$0.15 trillion	\$2.65 trillion
Estate tax changes	-\$0.15 trillion	\$0.20 trillion
Financial institution fee	-\$0.10 trillion	n/a
<b>Subtotal, Impact of Tax Policies</b>	<b>-\$1.25 trillion</b>	<b>\$9.25 trillion</b>
<b>SPENDING POLICIES</b>		
College education	\$0.35 trillion	n/a
Early education and early childhood reforms	\$0.20 trillion	*
Infrastructure investment	\$0.30 trillion	*
Defense reforms	*	*
Veterans reforms	\$0.05 trillion	\$0.50 trillion
Trade reforms	n/a	*
Research and energy investments	\$0.10 trillion	*
Paid family leave and related policies	\$0.30 trillion	n/a
Economic and jobs initiatives	\$0.10 trillion	n/a
<b>Subtotal, Impact of Spending Policies</b>	<b>\$1.40 trillion</b>	<b>\$0.50 trillion</b>
<b>IMMIGRATION POLICIES</b>		
Enact immigration reform	-\$0.10 trillion	\$0.05 trillion
Deport all unauthorized immigrants	n/a	n/a
<b>Subtotal, Impact of Immigration Policies</b>	<b>-\$0.10 trillion</b>	<b>\$0.05 trillion</b>
<b>Net Interest Cost</b>	<b>\$0.05 trillion</b>	<b>\$1.70 trillion</b>
<b>Total Budgetary Impact</b>	<b>\$0.25 trillion</b>	<b>\$11.50 trillion</b>
<i>Memo: Low to High Cost Estimates</i>	<i>-\$0.15 to \$2.20 trillion</i>	<i>\$9.70 to \$16.30 trillion</i>

# The Candidates, Side by Side

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# Remember: Interest is the Fastest Growing Part of the Budget



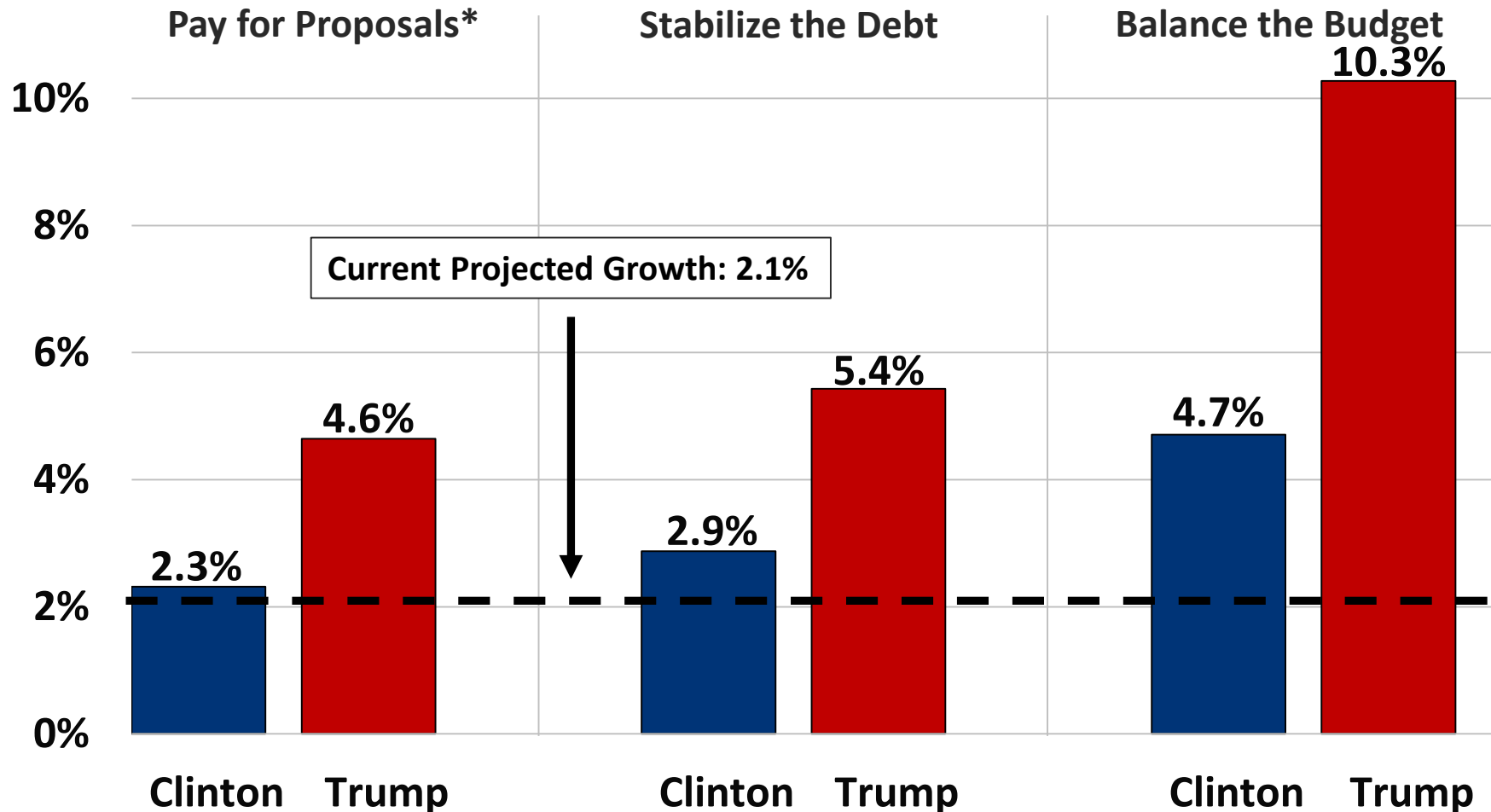
Source: CRFB calculations based on Congressional Budget Office projections.

# What Would It Take to Get Debt Under Control?

# What Would It Take to Fix the Debt?

- Under current law, it would require \$2.9 trillion over a decade to stabilize the debt at its current record-high levels
- Under current law, it would require about \$7.8 trillion over a decade (depending on details) to balance the budget by 2026
- A reasonable fiscal goal would fall between these bookends
- For Secretary Clinton, this suggests savings of \$3.2 to \$8 trillion
- Donald Trump need \$14.4 to \$19.3 trillion of savings
- Achieving these savings would require aggressive changes

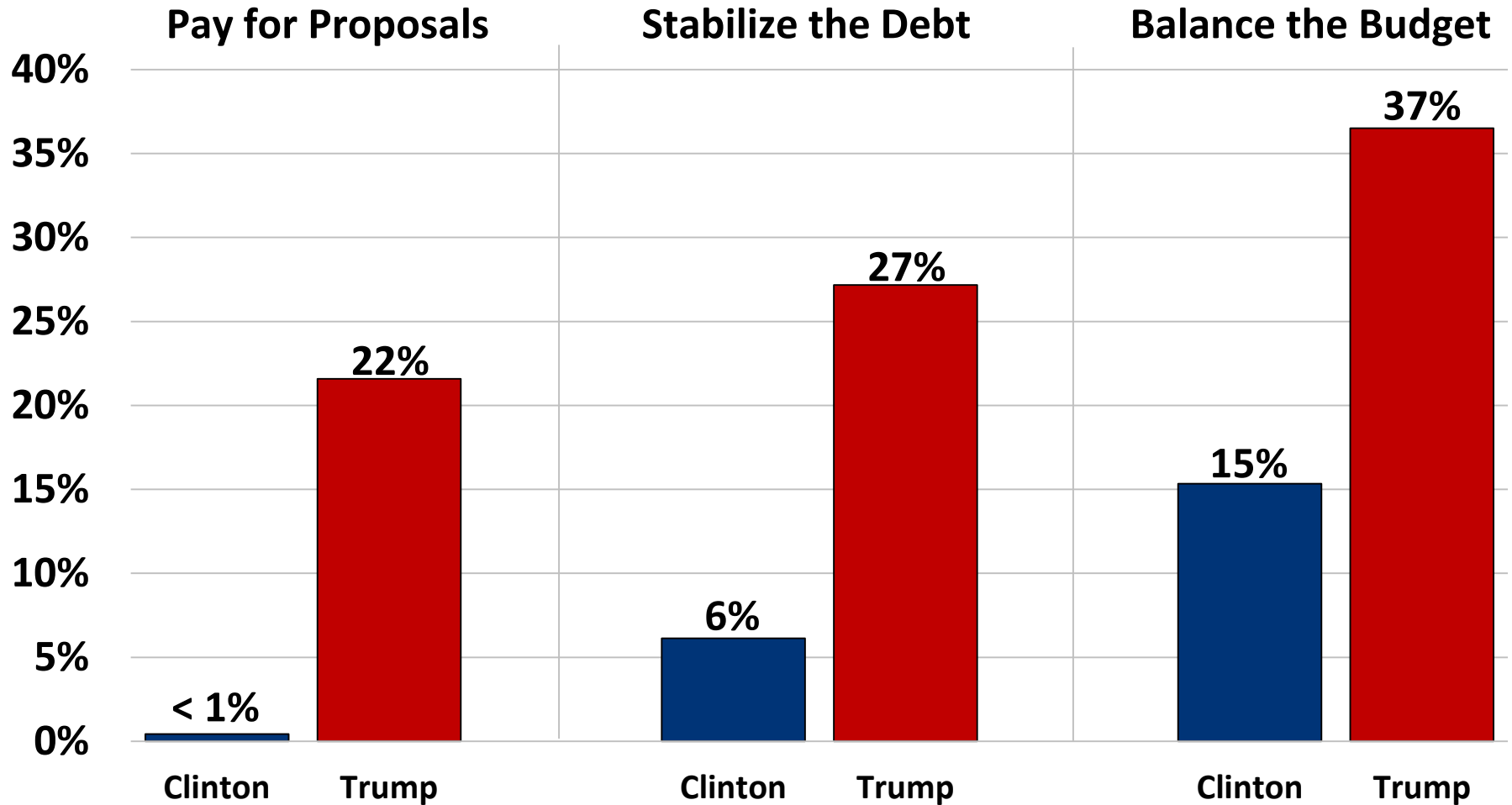
# Real Economic Growth Rate Needed Under Our Central Estimates (Annual Average Real GDP Growth)



Source: CRFB calculations based on dynamic feedback projections from Tax Foundation for revenue and CBO for immigration reform and ACA repeal. | \*We assumed growth sufficient to maintain currently law debt-to-GDP ratio of 86 percent by 2026, although nominal debt levels will still increase. | Note: For stabilize the debt, we assumed \$2.6 trillion of non-interest savings relative to current law (the equivalent of \$2.9 trillion with interest), enough based on current GDP projections to achieve a debt-to-GDP ratio of 75 percent by 2026. For balance the budget, we assumed \$7.8 trillion of deficit reduction over 10 years to account for interest.



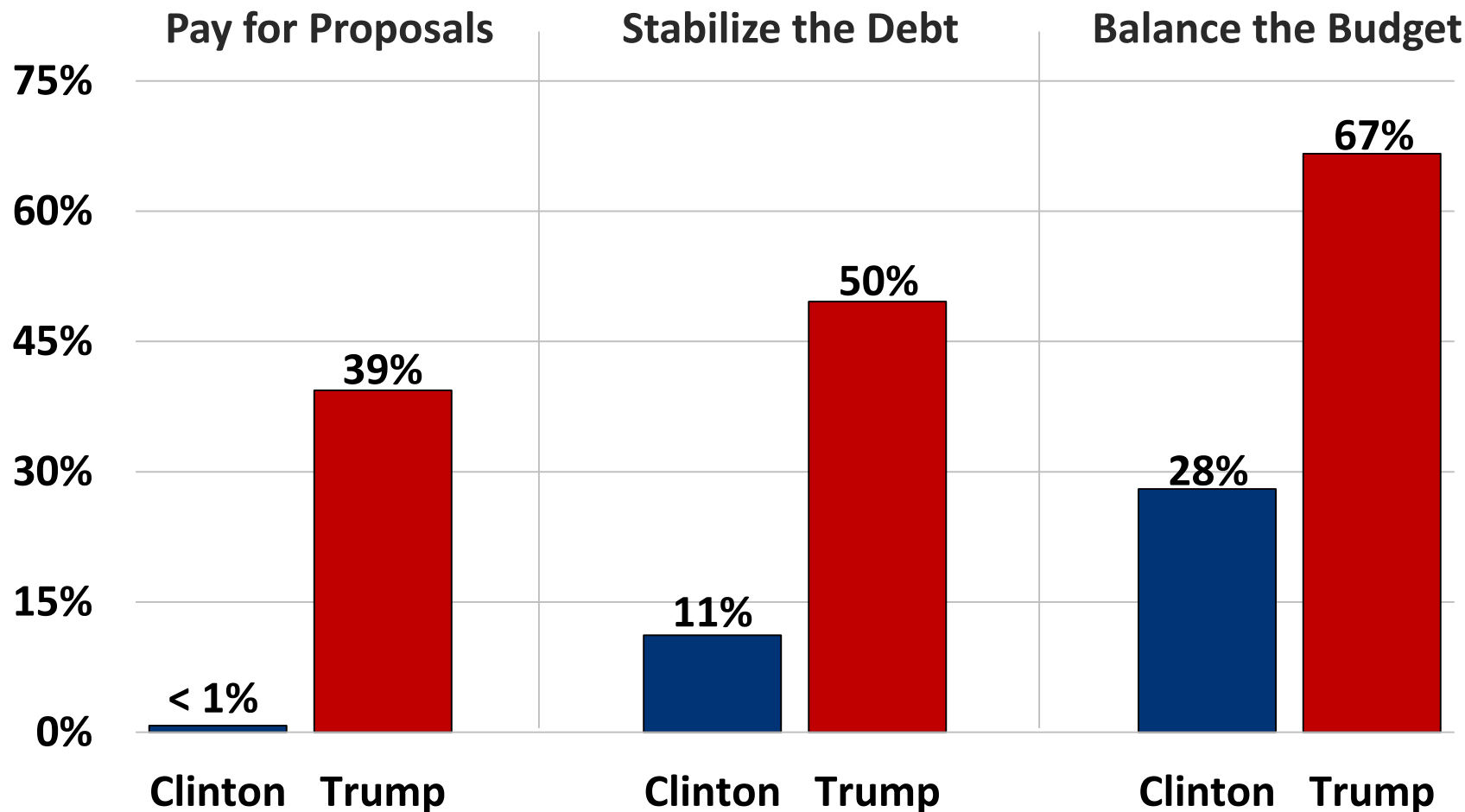
# Spending Cuts Needed Under Our Central Estimates (Percent of All 10-Year Primary Spending)



Source: CRFB calculations based on Congressional Budget Office projections. For stabilize the debt, we assumed \$2.6 trillion of non-interest savings relative to current law (the equivalent of \$2.9 trillion with interest), enough based on current GDP projections to achieve a debt-to-GDP ratio of 75 percent by 2026. For balance the budget, we assumed \$6.8 trillion of non-interest savings over a decade relative to current law (the equivalent of \$7.8 trillion with interest), enough to balance the budget using the path from the 2015 House Budget Resolution. The actual 10-year savings to balance could differ substantially based on how policies are implemented.



# Spending Cuts Needed, Exempting Social Security & Medicare, Under Our Central Estimates (Percent of 10-Year Primary Spending, Excluding Social Security & Medicare)

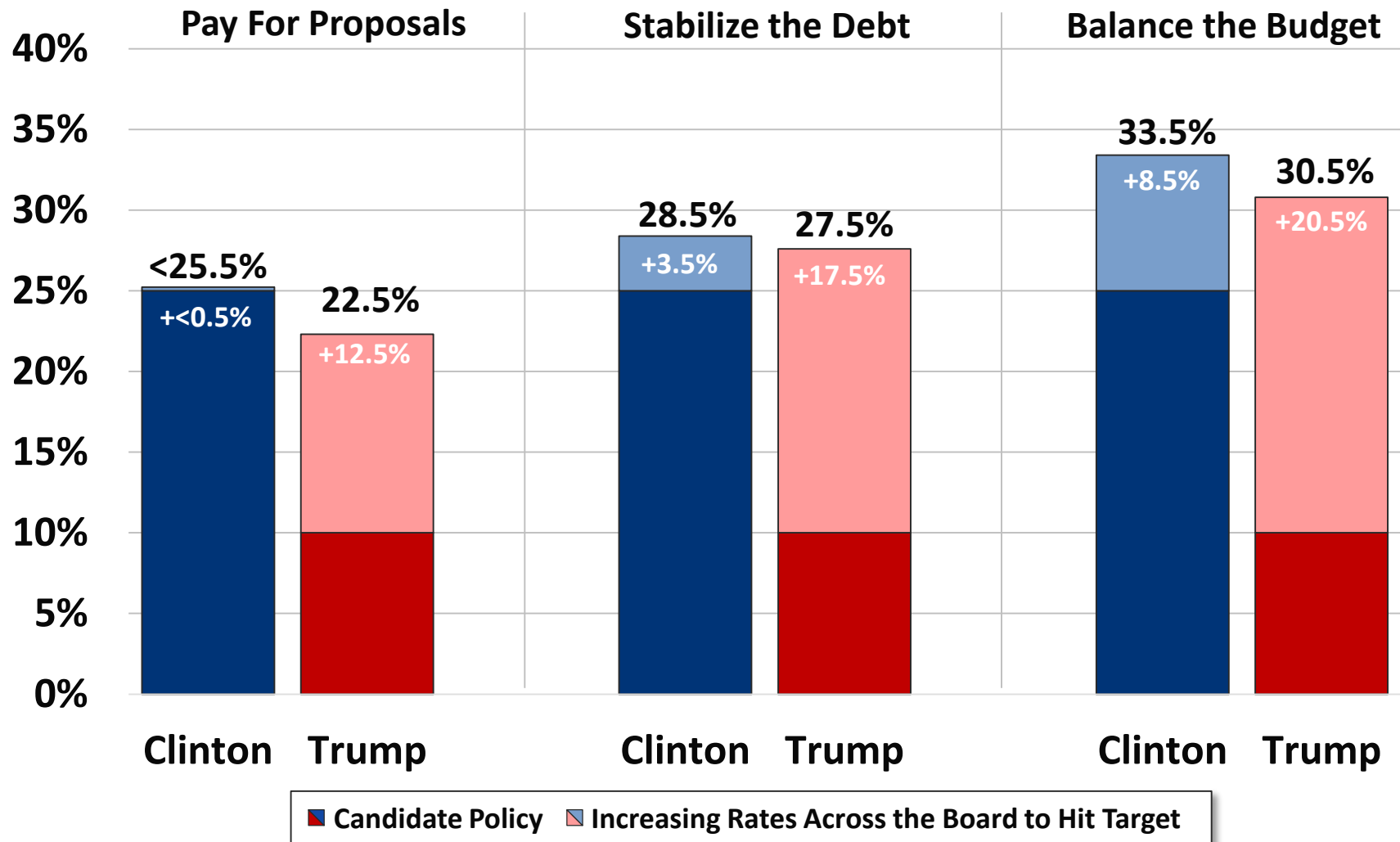


Source: CRFB calculations based on Congressional Budget Office projections. For stabilize the debt, we assumed \$2.6 trillion of non-interest savings relative to current law (the equivalent of \$2.9 trillion with interest), enough based on current GDP projections to achieve a debt-to-GDP ratio of 75 percent by 2026. For balance the budget, we assumed \$6.8 trillion of non-interest savings over a decade relative to current law (the equivalent of \$7.8 trillion with interest), enough to balance the budget using the path from the 2015 House Budget Resolution. The actual 10-year savings to balance could differ substantially based on how policies are implemented.





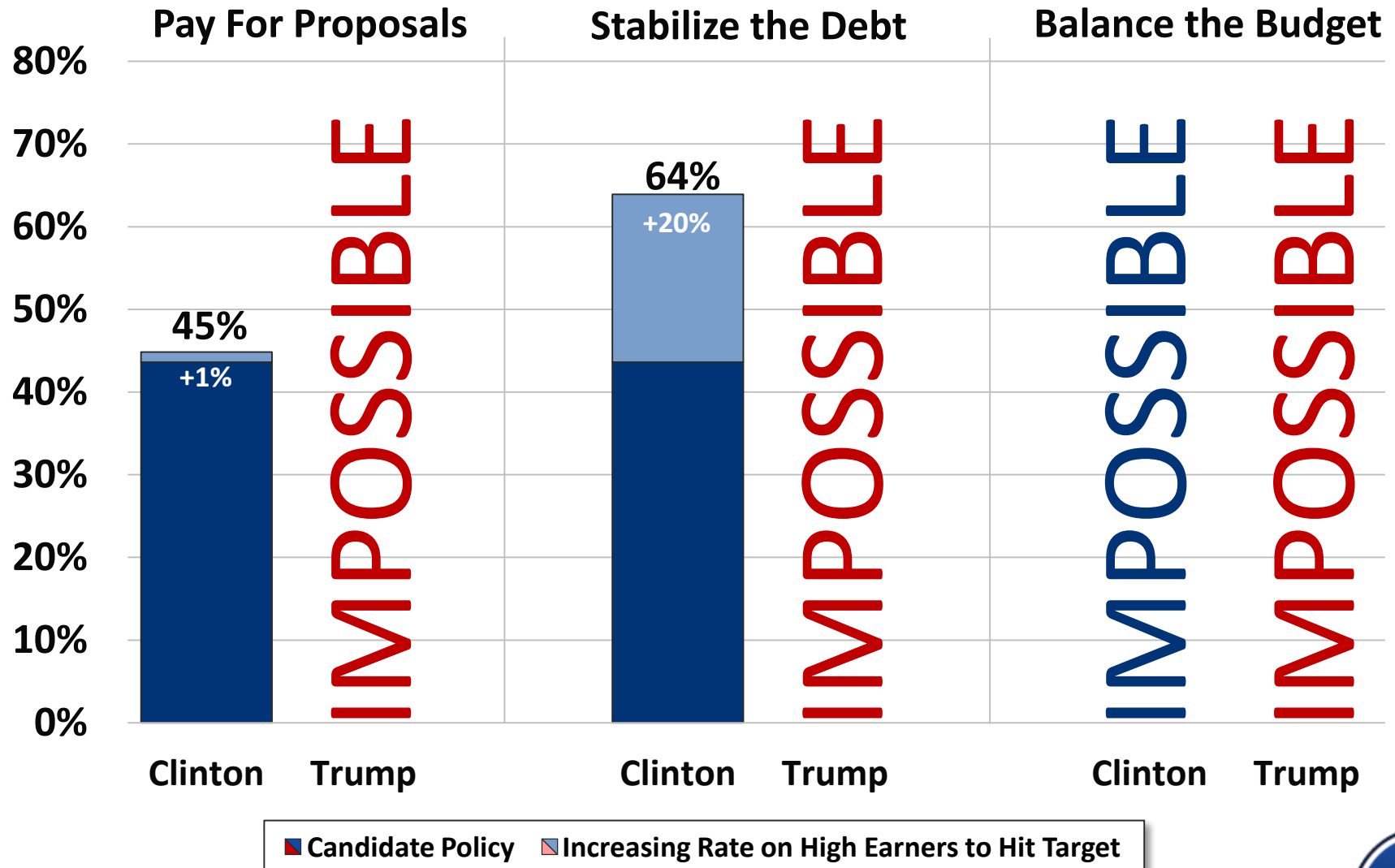
# Tax Rate Needed Assuming Across-the-Board Hikes Under Our Central Estimates (Percentage Point Tax Rate, Individual Making \$50,000)



Source: CRFB calculations of statutory marginal income tax rate for an individual with \$50,000 in adjusted gross income. Option assumes equal percentage point increase in every tax bracket, but no change in liability for Trump's "zero tax bracket" (individuals making under \$25k, couples under \$50k).



# Tax Increases on High Earners Needed Under Our Central Estimates (Percentage Point Tax Rate, Individuals Making over \$5 million)

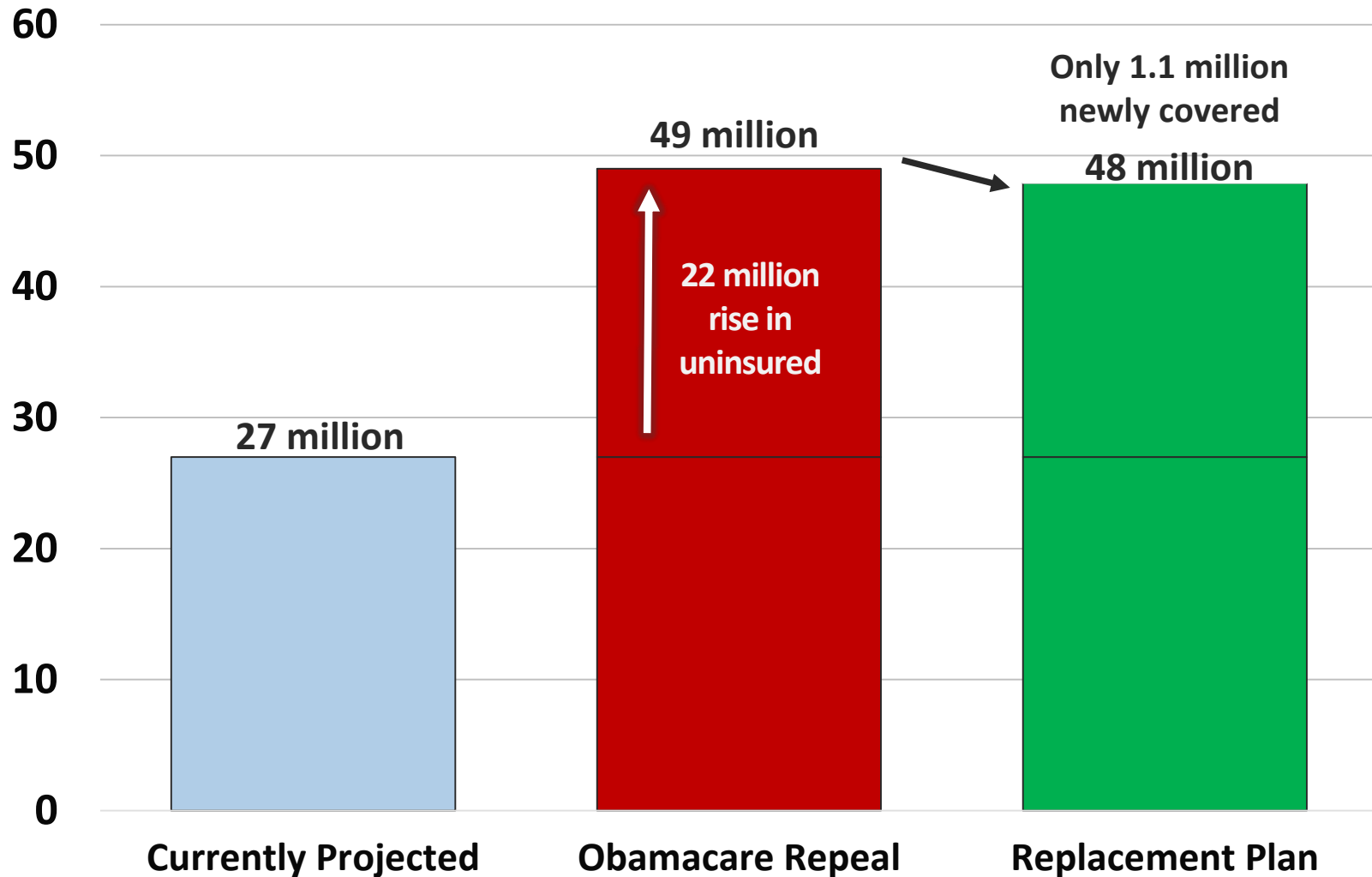


Source: CRFB calculations of statutory marginal income tax rate for an individual with \$5 million in adjusted gross income. Note: "high earners" includes all those making above \$250,000. Option assumes equal percentage point increase in tax brackets above 33 percent (roughly \$231,000 for a couple in 2016).



# Additional Information

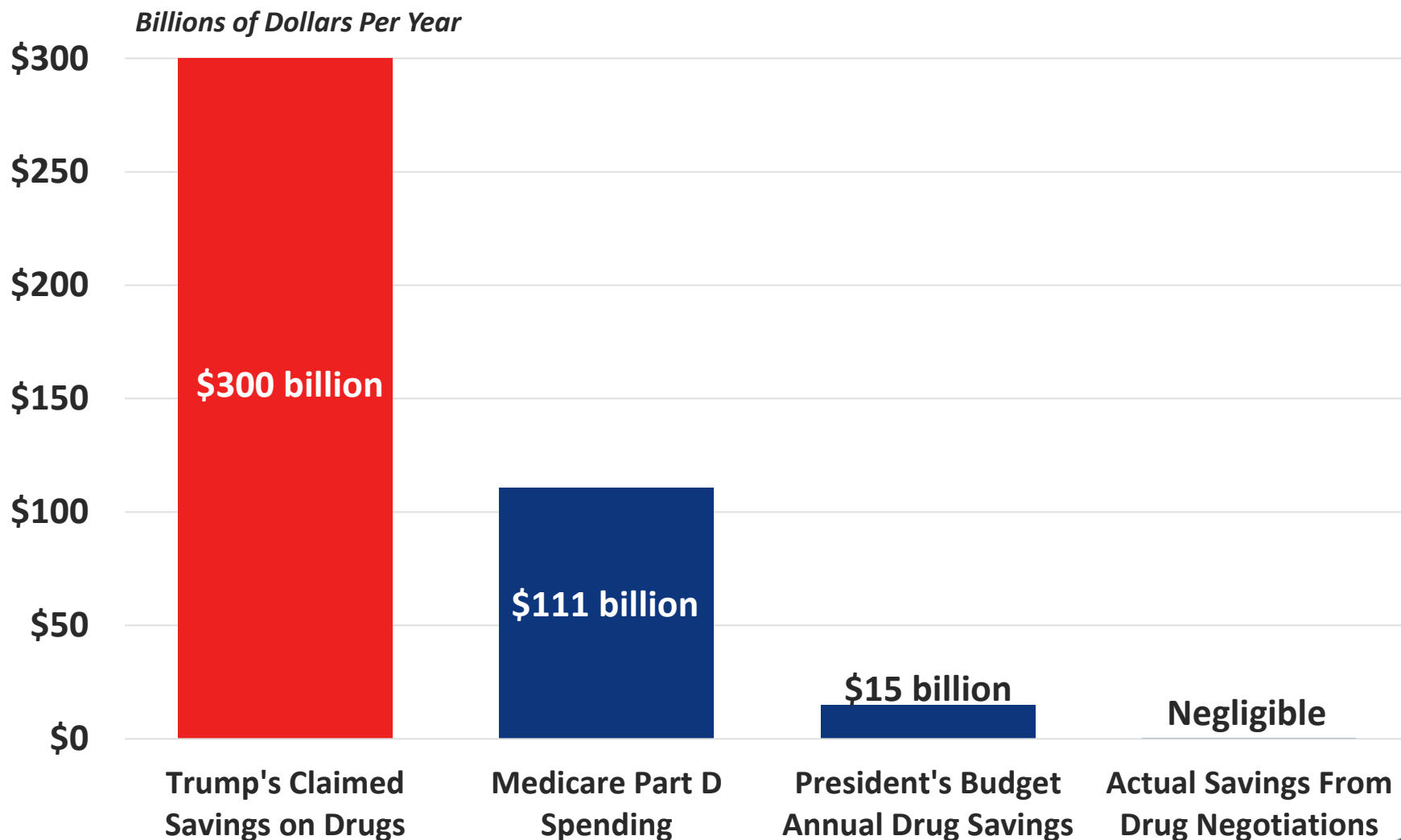
# Uninsured Almost Double Under TrumpCare



Source: CRFB calculations based on Congressional Budget Office estimates of the coverage estimates of the elements of Trump's plan.



# Trump's Drug Negotiation Savings Estimate Doesn't Add Up



Sources: Trump Campaign, Congressional Budget Office.

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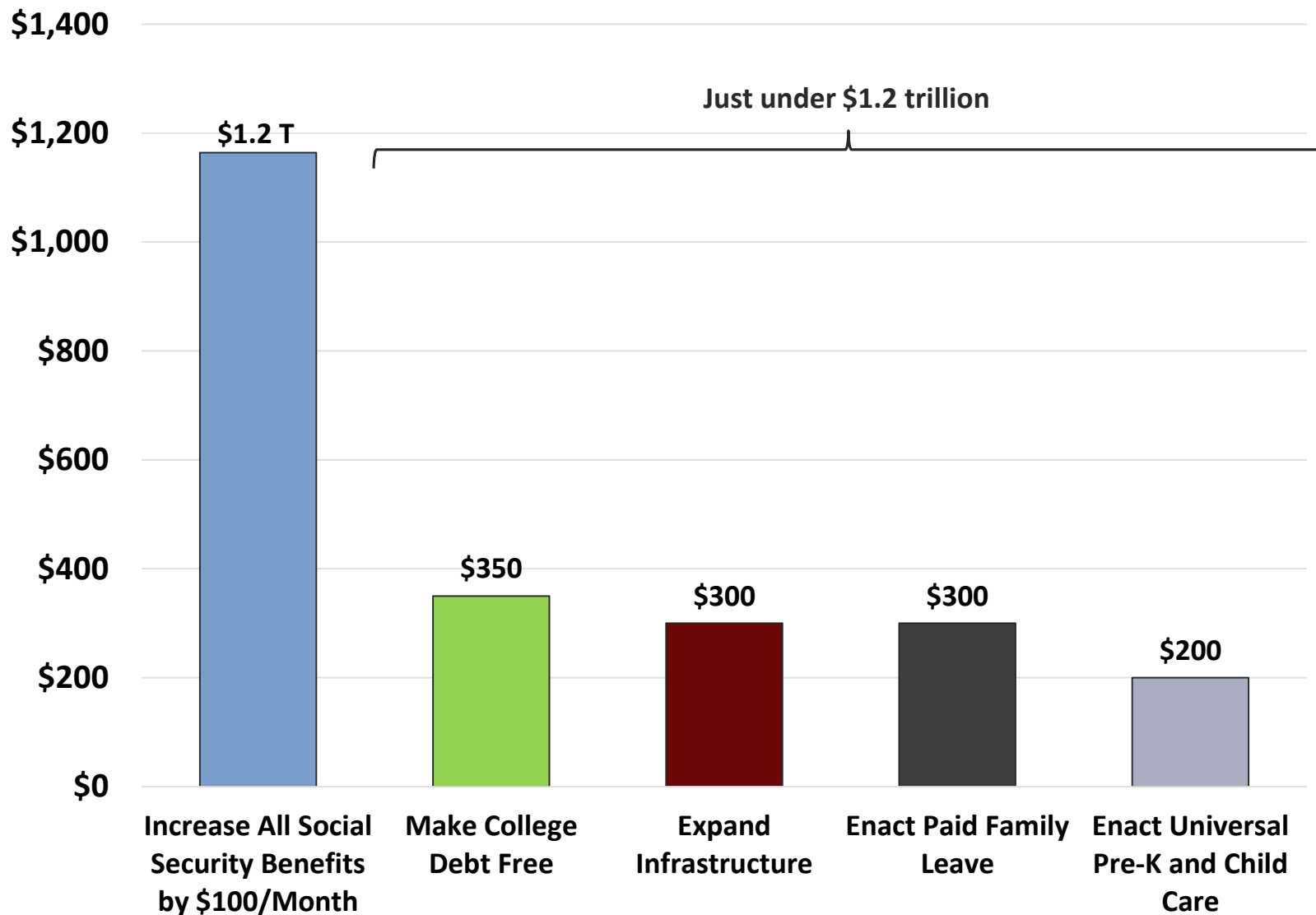
# Reducing Fraud Is Not Enough To Save Social Security



*\*Amount needed for Social Security solvency represents the 21% cut in benefits that would be needed if solvency were avoided solely by reducing payments. The 21 percent cut would occur the year of insolvency (2034, according to the Social Security Trustees).*

*Sources: Social Security Administration, Committee for a Responsible Federal Budget*

# Broad Social Security Expansions Cost As Much As Most of Clinton's Agenda



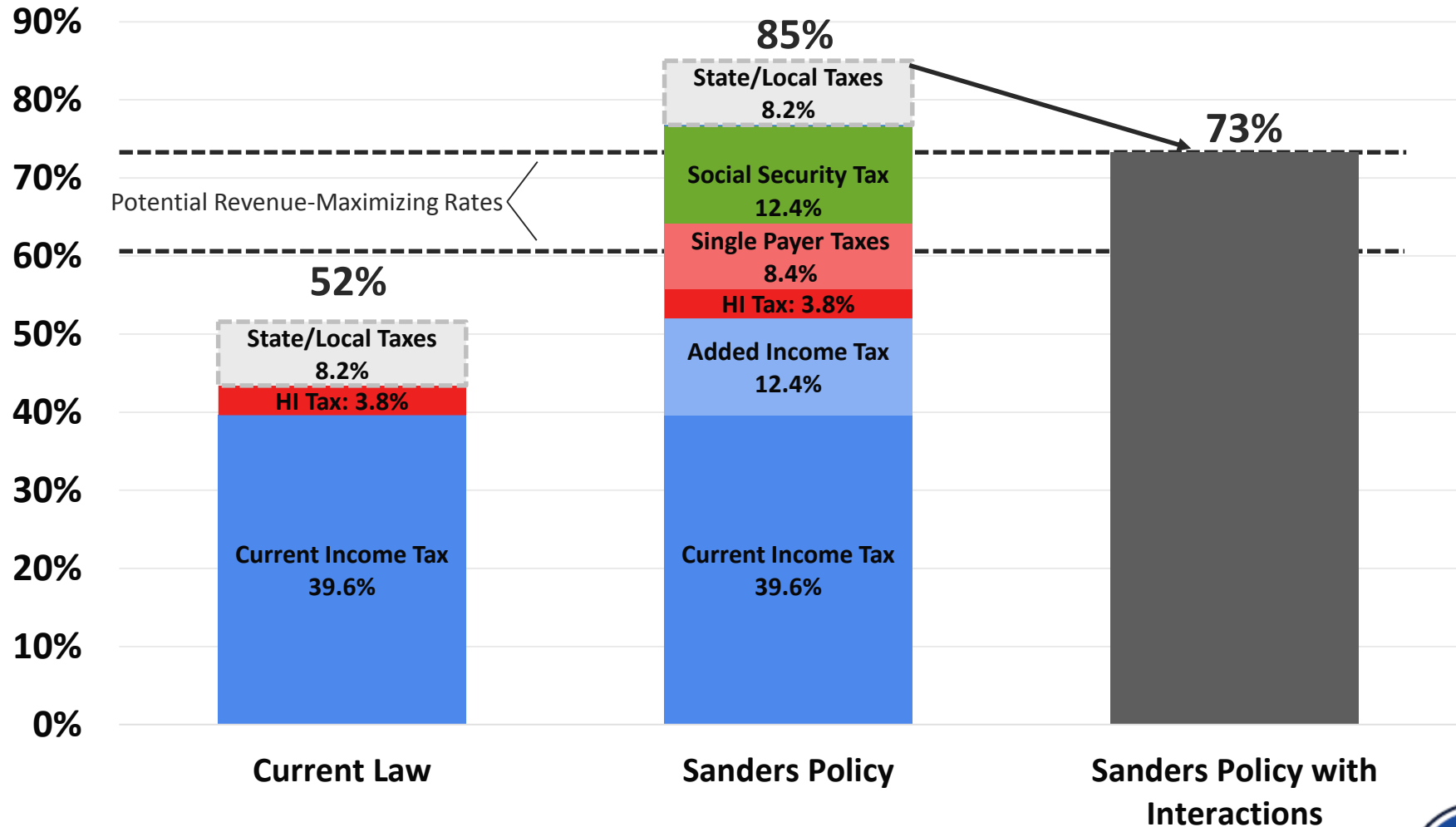
Source: Committee for a Responsible Federal Budget,

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# Taxing the Rich Helps a Lot, But Has Its Limits

## Top Marginal Tax Rate for Sanders's Policies

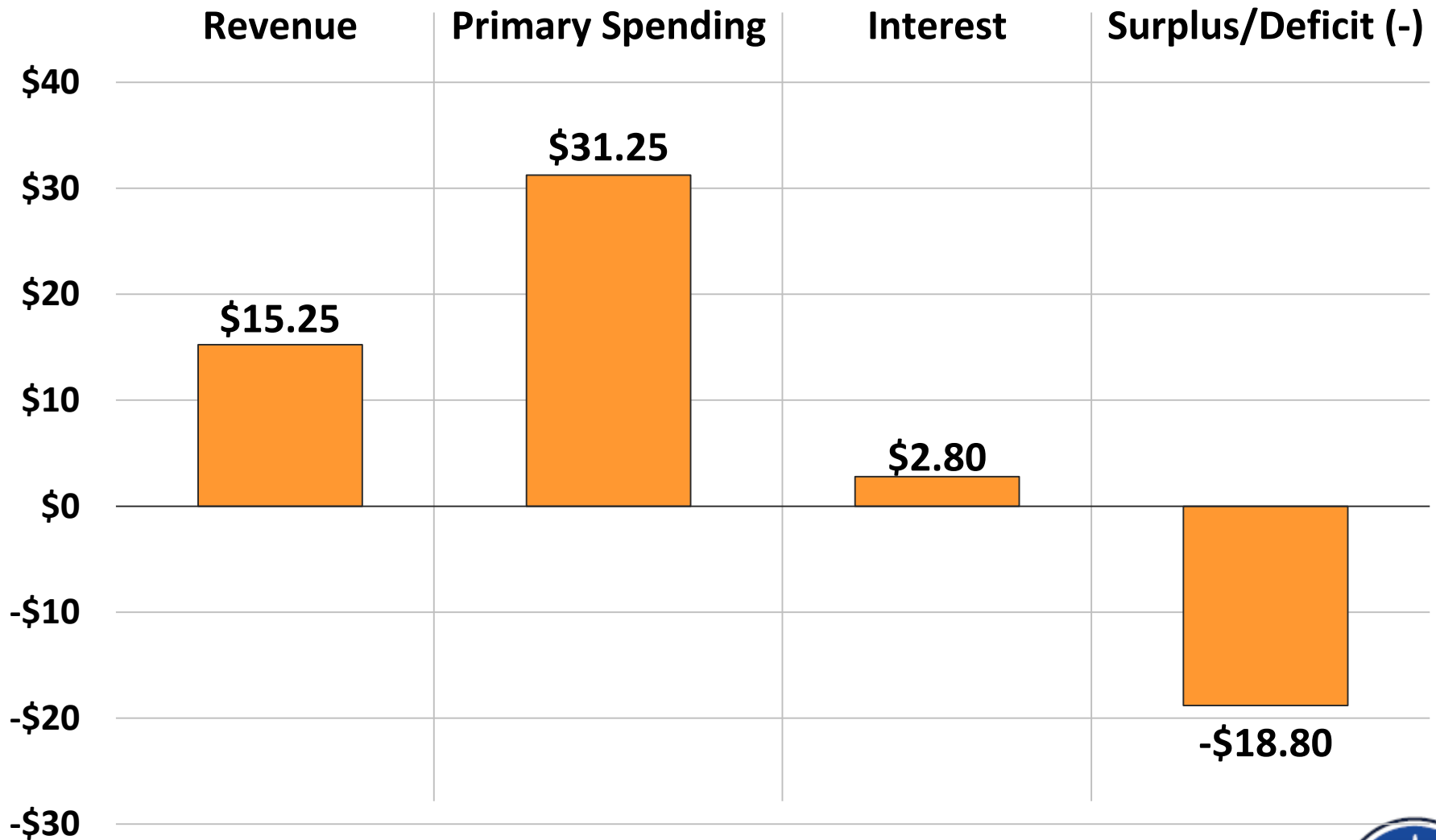


Sources: CRFB calculations from Sanders campaign descriptions, Diamond/Saez estimated average of state & local tax rate. Revenue maximizing rates have been estimated at 73% by Diamond & Saez and 63% by Trabandt and Uhlig.



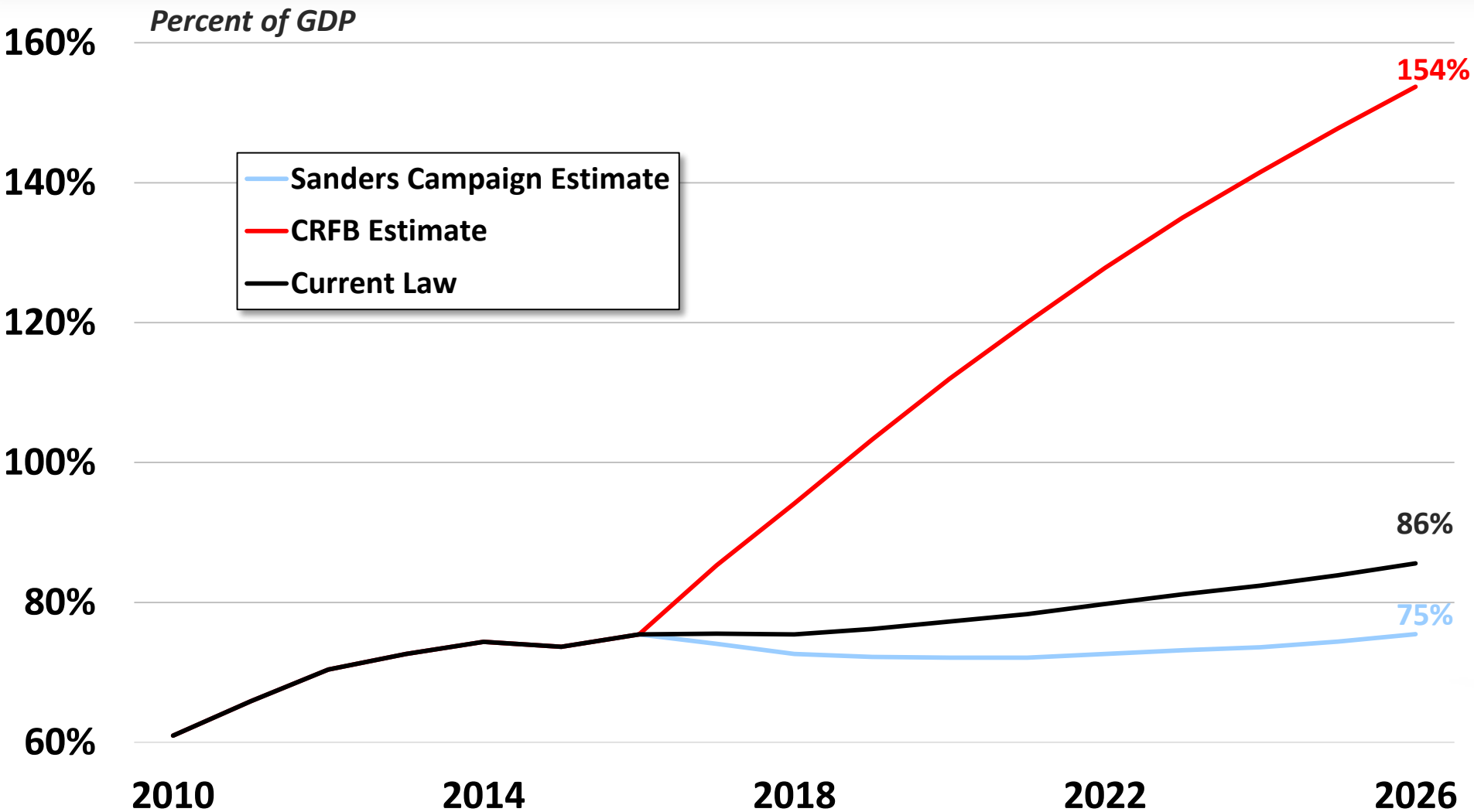


# Ten-Year Change in Fiscal Metrics Under Sanders's Plan (Trillions)



Source: Committee for a Responsible Federal Budget

# Debt-to-GDP Under Senator Sanders's Proposals



Source: Committee for a Responsible Federal Budget, CBO