Principles for a Fiscally Responsible Campaign
US Budget Watch
August 23, 2023

US Budget Watch 2024 is a project of the nonpartisan Committee for a Responsible Federal Budget designed to educate the public on the fiscal impact of presidential candidates' proposals and platforms. Through the election, we will issue policy explainers, fact checks, budget scores, and other analyses. We do not support or oppose any candidate for public office.

The winner of the 2024 presidential election will lead a country facing numerous fiscal and economic challenges. As it stands, the national debt will approach a new record high, interest costs will continue to skyrocket, vital trust fund programs will approach insolvency, and several costly tax and spending provisions will expire.

Presidential campaigns present an opportunity for candidates to educate the public about challenges facing the nation and to offer solutions to address them. Candidates often use campaigns to introduce new policy proposals and promise new spending or tax changes; some of these proposals would make the fiscal situation better, but many would make it worse. Unfortunately, candidates also often use the campaign trail to attack efforts to improve fiscal sustainability.

Voters should insist that presidential candidates run fiscally responsible campaigns. However, it is often difficult to determine exactly what a candidate is promising, the price tag of various components, and whether their overall platform is fiscally responsible or not.

In our view, fiscally responsible candidates and campaigns should:

- Be Honest about the Fiscal Problems Facing the Country
- Make Deficit Reduction a Top Priority
- Put Forward Proposals to Reduce Debt and Pay for New Initiatives
- Refrain from Taking Solutions Off the Table
- Have a Plan to Deal with the Looming Insolvency of Major Trust Funds
- Propose Solutions to Address Major Expiring Provisions
- Use Honest Numbers and Refrain from Perpetuating Budget Myths

By adhering to these principles on the campaign trail, presidential candidates can avoid making costly over-promises and establish a mandate for reform.

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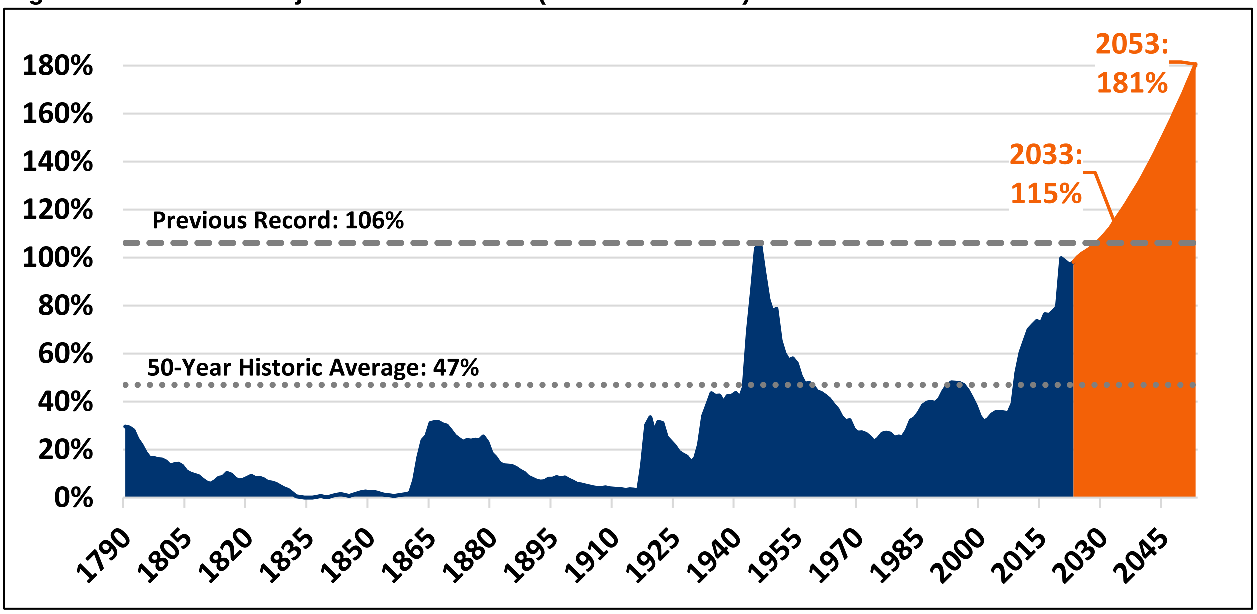
Be Honest about the Fiscal Problems Facing the Country

Over the first four years of the next presidential term, debt held by the public is projected to grow from $29 trillion to $36 trillion, or from 102 percent of Gross Domestic Product (GDP) to a record 107 percent. With no changes, we will borrow nearly $7 trillion in the four years of that term and spend $3.5 trillion on interest payments alone.

In addition to addressing this near-term borrowing, changes will need to be made as soon as possible to control the longer-term debt. On its current path, the debt-to-GDP ratio is expected to reach 115 percent by Fiscal Year (FY) 2033 and grow to 181 percent by FY 2053. Meanwhile, interest costs will explode, totaling $10.4 trillion over the next ten years – more than we will spend on defense or Medicaid – and reaching a record 3.2 percent of GDP by FY 2030.

Fig. 1: Historic and Projected Debt Levels (Percent of GDP)



Sources: Committee for a Responsible Federal Budget, Office of Management & Budget, Congressional Budget Office.

Candidates need to acknowledge that the country faces these serious fiscal problems rather than minimize them. Furthermore, they should be transparent about the risks and costs that come with high and rising debt. This includes how higher debt slows income growth; drives up inflation and interest rates; makes it harder to borrow in case of war, recession, or a national emergency; and creates greater geopolitical risk that can be exploited by our adversaries.

Candidates should be upfront with voters about what it will take to address these problems and avoid misleading voters by suggesting that our fiscal challenges present little concern or can be easily solved. Instead, they should be honest about the significant tradeoffs and sacrifices in the form of spending cuts and tax increases that will be necessary. Making this clear to voters during the campaign can help to educate them and also create a mandate for needed change.

Make Deficit Reduction a Top Priority

The next President will need to make reducing the debt a priority. The longer we put off making inevitable and necessary changes, the greater the potential harm to the economy and national security and the greater the risk of some type of fiscally-driven crisis.

Given the size of the fiscal problems they will inherit, the next President will have less fiscal space to enact new tax cuts and/or spending increases than prior administrations – even if they fully offset the costs of those policies – and will have to devote significant effort to reducing the debt. This will be especially true if inflationary pressures persist and interest rates remain high.

There are a number of credible fiscal goals that would leave the country in an improved fiscal situation if pursued. The next President could consider a debt or deficit target over their term, the budget window, or some other time period. For instance, they could work to hold the debt to below the size of the economy over the budget window and put it on a downward path over the long run, which would require roughly $6 trillion of deficit reduction through 2033.

Fig. 2: Savings Needed to Meet Various Fiscal Goals

	Through 2028 (5 years)	Through 2033 (10 years)
Debt Targets		
110 percent of GDP	n/a	$2.0 trillion
100 percent of GDP	$1.8 trillion	$5.9 trillion
90 percent of GDP	$5.0 trillion	$9.8 trillion
80 percent of GDP	$8.3 trillion	$13.8 trillion
Deficit Targets*		
4 percent of GDP	$2.0 trillion	$6.4 trillion
3 percent of GDP	$3.3 trillion	$8.7 trillion
On-Budget Balance	$6.2 trillion	$12.7 trillion
Primary Balance	$3.6 trillion	$8.8 trillion
Balance	$7.3 trillion	$15.7 trillion

*Assumes policies begin immediately and the modified savings path of Blueprint for Reducing Debt and Inflation.
Note: balance figures are adjusted to exclude the effect of timing shifts.
Source: Committee for a Responsible Federal Budget. Figures include interest.

We suggest candidates develop a framework that includes not only their favored initiatives, but also a comprehensive approach to reducing the debt. Developing a full fiscal framework will ensure they approach their tax and spending priorities holistically and do not make promises that, when taken as a whole, worsen the fiscal situation.

Put Forward Specific Proposals to Reduce the Debt and Pay for New Initiatives

Beyond talking about the need to address the debt and reduce deficits, presidential candidates should tell voters specifically *how* they intend to do so. When a candidate proposes to create a new spending program or tax break, boost existing spending, or lower existing taxes, they should also make clear how they plan to finance that new initiative through tax or spending changes elsewhere in the budget.

In developing deficit reduction measures and offsets, specificity matters. The level of specificity, however, can differ depending on the circumstance. Campaign proposals need not have the same level of detail as legislation or a President's budget proposal, especially considering campaigns don't typically have access to the same resources as lawmakers and Presidents do.

In many cases, it will make sense for campaigns to put forward policy proposals while leaving flexibility to determine the details later in order to achieve a certain amount of savings or hit a different target. However, policy proposals must be specific enough that voters can understand the tradeoffs involved and how they would ultimately be converted into law.

As a useful rule of thumb, offsets should be at least as specific as the policies they are meant to pay for. The more challenging a savings target is to achieve from a given policy, the more important it is to provide detail. It would be inappropriate to provide specific details on how a proposed tax cut or spending increase would benefit certain households or businesses but only vaguely discuss how it would avoid burdening the public with more debt. Similarly, it would be irresponsible to claim large amounts of savings from a vague policy that, in its prior forms, generated much less.

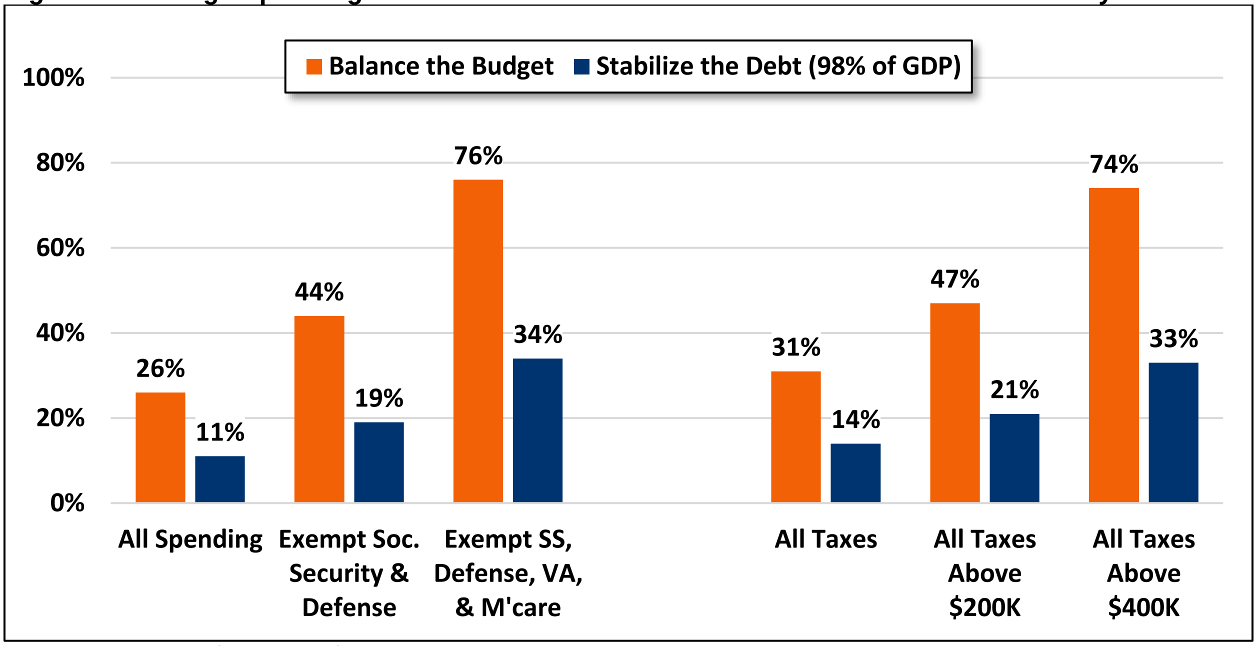
Being clear and specific with voters about the details of policy proposals will have the added benefit of conditioning them to think about public policy as a series of tradeoffs and compromises. When candidates are clear with voters about the specifics of their proposals during the campaign, they put themselves in a stronger position to implement those policies once in office and avoid setting unrealistic expectations, which often backfire.

Refrain from Taking Solutions Off the Table

It is not realistically possible to fully address our fiscal challenges without changes to spending and to revenues. This is true both in terms of policy and politics. It is therefore irresponsible and counter-productive for candidates to promise what they will *not do* to fix the debt.

As an example, balancing the budget by FY 2033 with spending cuts alone would require an already unrealistic 26 percent spending cut. If candidates promise to exempt spending on Social Security, Medicare, defense, and veterans as well, all other spending would have to be cut by an impossible 76 percent – the equivalent of ending Medicaid and all nondefense discretionary programs. Cuts would need to be about half as large to stabilize the debt relative to the economy.

Fig. 3: Percentage Spending Cuts and Tax Increases to Achieve Certain Fiscal Goals by 2033



Note: Taxes above $200k and $400k includes all corporate and estate taxes as well as income and payroll taxes above those thresholds. Estimates are rough and assume policies are enacted immediately and phased in.
Sources: Committee for a Responsible Federal Budget and Congressional Budget Office.

Similarly, balancing the budget just by raising taxes would require boosting tax collection by nearly one-third, while doing so from only corporations and those making over $400,000 would require boosting tax collection by about three-fourths. This is likely impossible in practice, since it would require lifting the top tax rate well above its revenue-maximizing level, even with substantial base broadening. Stabilizing the debt would require tax hikes about half as large.

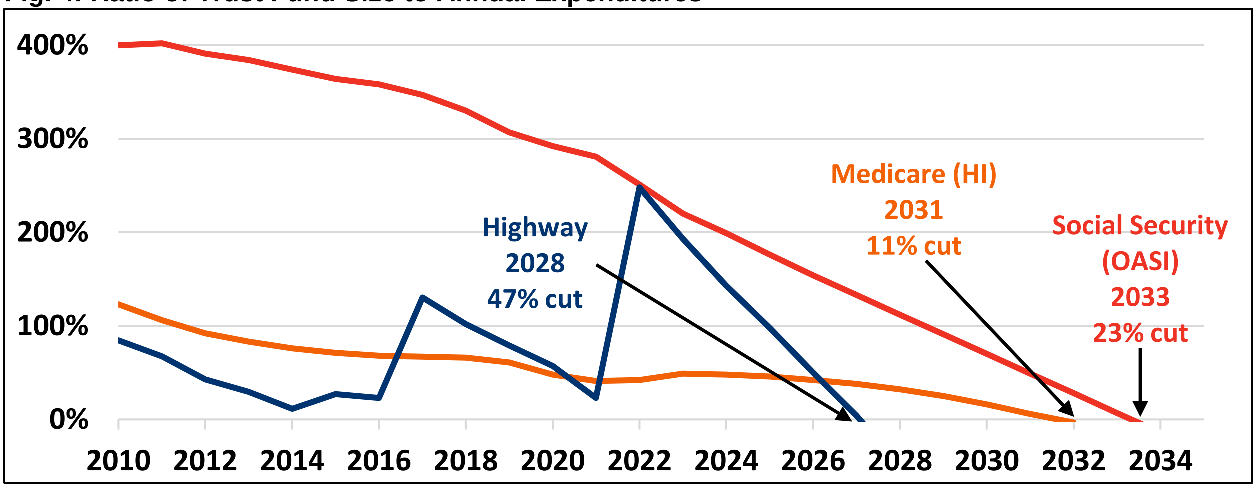
Promising not to touch certain programs or modify taxes for certain people may seem like good politics – and it may be in the short term. However, doing so will ultimately hamstring candidates as they try to implement their agenda and improve the nation's fiscal outlook once in office. It also creates a false sense of what is possible for the public and ultimately contributes to the loss of trust in our political system.

Have a Plan to Deal with the Looming Insolvency of Major Trust Fund Programs

Three major federal trust funds are on course to be insolvent within eight years of the beginning of the next presidential term. Fiscally responsible candidates should put forward plans, frameworks, or processes to secure the Social Security, Medicare, and highway trust funds.

The Highway Trust Fund is projected to run out in 2028, the Medicare Hospital Insurance (HI) trust fund in 2031, and the Social Security Old-Age and Survivors Insurance (OASI) trust fund in 2033. Because these trust funds cannot borrow, the law requires an immediate across-the-board spending cut upon insolvency. That means a 47 percent cut to highway spending, a 23 percent benefit cut for Social Security, and an 11 percent cut in Medicare HI payments.

Fig. 4: Ratio of Trust Fund Size to Annual Expenditures



Sources: Social Security Trustees, Medicare Trustees, and Congressional Budget Office.

Cuts would take place immediately and would affect all beneficiaries, regardless of age, income, or need. For example, a typical 59-year-old, dual-income couple at the beginning of the next presidential term could face a $17,400 cut in their scheduled annual Social Security benefits the year they reach the full retirement age. The youngest retirees would face a cut at age 70.

The next President should work with Congress to secure these trust funds before it's too late, and fiscally responsible candidates should be proactive in working toward that effort. The lack of a plan to save these critical programs means allowing a deep, across-the-board benefit cut. Those who promise not to touch or finance these programs are effectively *endorsing* these cuts.

Fortunately, there are numerous options to strengthen these trust funds by boosting revenue, adjusting spending and benefits, or more efficiently paying for health care and infrastructure. Thoughtful reforms can strengthen retirement security for vulnerable beneficiaries, accelerate economic growth, lower overall health care costs, and further improve these important programs. Candidates could put forward specific proposals, discuss their preferred elements for a reform plan, or support a commission or other process to facilitate reforms. Regardless of the approach, it is critical that candidates promise to address the looming insolvency of these trust funds.

Propose Solutions to Address Major Expiring Provisions

Regardless of their own agenda, the next President will need to address several expiring provisions shortly after taking office or winning reelection. On October 1, 2025, the discretionary spending caps enacted through the Fiscal Responsibility Act will expire. Just a few months later, on January 1, 2026, most individual income tax provisions in the Tax Cuts and Jobs Act (TCJA) of 2017 will expire, as will expanded Affordable Care Act premium subsidies.

Fig. 5: Cost of Extending Expiring Tax and Health Care Policies

Expiring Provision	Cost of Extension (2026-2035)
Reduce individual income tax rates to 10|12|22|24|32|35|37	$3.2 trillion
Repeal 'Pease' deduction limit and Alternative Minimum Tax for most taxpayers	$800 billion
Replace personal and dependent exemption with doubled Child Tax Credit ($1,000 to $2,000) and larger standard deduction	$40 billion
Establish 20% deduction for certain pass-through business income	$720 billion
Expand Opportunity Zones	$80 billion
Limit state and local tax (SALT) deduction to $10,000 per taxpayer	-$960 billion
Limit or repeal other tax deductions	-$280 billion
Limit deductibility of business losses against ordinary income	-$200 billion
Subtotal, TCJA Extensions	**$3.4 trillion**
Extend expanded Affordable Care Act premium subsidies	$370 billion
Total	**$3.8 trillion**

Sources: Committee for a Responsible Federal Budget Build Your Own Tax Extensions Model, Joint Committee on Taxation, and Congressional Budget Office.
Note: Alternative Minimum Tax changes stacked before rate cuts. Rate cuts would cost $2.4 trillion stacked first.

Simply extending all these expiring tax and health provisions would cost nearly $4 trillion through FY 2035 and could increase the national debt by more than 10 percent of GDP after ten years. Yet, letting *all* of these policies expire may not prove politically viable, nor would it represent the ideal policy path. Failing to extend discretionary spending caps, meanwhile, would open the door to dramatic increases in both defense and nondefense appropriations.

Given that the winner of the 2024 presidential election will have to address these expirations very early in their term, candidates should be clear and upfront about how they intend to do so. This should include discussing how they plan to reform or modify any expiring provisions, identifying which provisions they hope to extend and which they plan to let expire, and specifying how they plan on paying for any extensions. Candidates should be clear with voters about whether they favor extending discretionary spending caps past FY 2025 and how much they support spending on defense and nondefense priorities.

Two of our interactive tools, Build Your Own Tax Extensions and Build Your Own Discretionary Budget, allow users to design a policy path forward and estimate the impact on the budget.

Use Honest Numbers and Do Not Perpetuate Budget Myths

Too often, political leaders rely on rosy economic scenarios or magical thinking to claim they are being fiscally responsible. These promises are not workable and lead to a loss of trust in our political leaders.

Candidates should describe their own policies using the most accurate numbers and the most objective analysis available. When possible, they should rely on reputable sources like the Congressional Budget Office, the Joint Committee on Taxation, or the various outside organizations that are regularly trusted to model policy.

In all cases, candidates should avoid intentionally understating costs or revenue losses and overstating savings or revenue gains to make their plans appear more responsible. They should also avoid relying on excessively rosy economic growth assumptions, timing games, or other gimmicks designed to hide the true cost of (or enhance the true savings from) their proposals.

Candidates should also avoid perpetuating misleading budget myths, for example by claiming they can fix the debt solely by growing the economy, cutting foreign aid, and going after tax cheats, or by pretending the U.S. can borrow without consequence. These types of myths give voters a misleading impression of the challenges the country faces and make it harder for serious policymakers to govern.

10 Budget Myths to Watch Out For in the 2024 Presidential Campaign

1) The United States can borrow without consequence
2) Deficits are falling and debt is under control
3) Revenue is at a record high, so taxes should not be raised
4) Tax cuts or public investments pay for themselves
5) We can fix the debt by cutting waste, fraud, abuse, and tax cheating
6) We can fix the debt with faster economic growth alone
7) We can fix the debt solely by taxing the top 1% of earners or cutting welfare
8) Workers paid for Social Security and Medicare so benefits can't be changed
9) Deficit reduction will harm economic growth
10) Tax cuts or spending increases are too important to pay for

To help keep candidates honest, US Budget Watch 2024 will independently score their proposals, release a voters' guide to budget myths, and fact check candidates on their fiscal claims. We believe voters will reward candor and will work to help them separate fact from fiction.

Conclusion

We have reached an urgent moment in fiscal policy in which failing to address our large and rising debt threatens our economy, our standard of living, our national security, and our role in the world.

It is true that fiscal irresponsibility is easier than fiscal responsibility. But it is also reckless pandering, short-sighted, and harms the American people.

A truly fiscally responsible candidate will be honest about the fiscal problems facing the country, make deficit reduction a top priority, put forward specific proposals to reduce debt and pay for new initiatives, refrain from taking solutions off the table, have a plan to deal with the looming insolvency of major trust funds, propose solutions to address major expiring provisions, and use honest numbers while avoiding perpetuating budget myths.

Voters have a role to play here too. Fiscal responsibility isn't the easiest topic to discuss on the campaign trail because it inherently involves tradeoffs. Voters can help support fiscally responsible candidates by showing healthy skepticism of grandiose promises, questioning candidates on how they would pay for their proposals, and demonstrating their willingness to support policies that involve raising taxes or reducing benefits or services for the benefit of the collective good.

Voters, activists, journalists, and others should demand that candidates explain how they plan on implementing their policy platforms while simultaneously putting debt on a sustainable, downward path. They should send a clear signal that fiscal responsibility isn't just something candidates can pay lip service to, but rather something that will determine who earns their vote.