June 19, 2012

MEMORANDUM TO INTERESTED PARTIES

FROM: James Kvaal, Policy Director

SUBJECT: President Obama’s Deficit Plan Builds on the Simpson-Bowles Recommendations

Over the weekend, Governor Mitt Romney appeared on CBS’s Face the Nation to hold up the Simpson-Bowles budget commission proposal as a possible model for his administration, if he is elected. In the past, he has said, “I think very highly of their recommendations,” and praised the commission for cutting spending while creating pro-growth tax policies. And he campaigned with Reps. John Boehner and Paul Ryan, who have criticized President Obama for not enacting Simpson-Bowles despite opposing it themselves.

But in reality, Governor Romney’s budget plans reject Simpson-Bowles. While Simpson-Bowles devotes over $2 trillion in revenue increases towards deficit reduction, Mitt Romney refuses to raise even a dollar in revenue as part of a balanced deficit-reduction plan. In fact, he would cut taxes by an additional $5 trillion, with the largest benefits for the wealthiest and no plan to pay for it. Despite his praise for the Simpson-Bowles approach, Romney’s plans are fundamentally incompatible with it.

President Obama has published a detailed plan to bring down the deficit by more than $4 trillion over the next decade. The plan, including detailed cost estimates, can be found at the Office of Management and Budget web site, www.omb.gov. Under the Obama plan:

• **Same Framework:** The Obama budget embraces the fundamental philosophy of Simpson-Bowles: a balanced approach that finds specific spending cuts and savings across the budget, asks the wealthiest Americans to pay their fair share, includes a contribution from revenues, and protects both key investments in our future and programs for vulnerable Americans.

• **More Savings in Annual Domestic Spending:** It includes more savings from annual domestic spending than was recommended by Simpson-Bowles. These saving have already been enacted and will reduce annual domestic spending to its lowest level in 50 years as a share of the economy.
• **Similar Savings in Other Domestic Spending:** The Obama plan achieves savings comparable to those Simpson-Bowles proposes through reforms in Medicare, Medicaid, and so-called “other mandatory” programs including agriculture subsidies, federal worker retirement, and the postal service. Commission co-chairs Alan Simpson and Erskine Bowles have acknowledged it incorporates some of the proposals in their report.

It is true that President Obama did not endorse the recommendations of Simpson-Bowles in their entirety. The president disagrees with the depth of the commission’s recommended cuts to defense and Social Security. Simpson-Bowles also raises about $600 billion more in revenue over the next decade than President Obama’s plan, including net tax increases on the middle class. The independent Congressional Budget Office agrees that the president’s plan will stabilize the debt as a share of our economy.

But President Obama’s plan reflects the same balanced approach that avoids asking only one group of Americans to shoulder the burden of deficit reduction and protects investments in our future. Commission co-chair Erskine Bowles has written that “the president does support the general framework of the ‘Simpson-Bowles Plan,’ and he is willing to do his part to put our fiscal house in order.”

In contrast, Governor Romney’s budget proposals are fundamentally incompatible with the Simpson-Bowles plan:

• **Unbalanced:** Governor Romney repeated again Sunday that he would reject a budget deal that includes $10 in spending cuts for every $1 in revenue increases, opposing efforts to make millionaires and corporations contribute their fair share. Indeed, Mitt Romney would keep tax preferences like the carried interest loophole for Wall Street investors and subsidies for oil companies, and provide even deeper tax cuts to wealthy taxpayers like himself.

• **Doesn’t Add Up:** Governor Romney has proposed a $5 trillion tax plan that – since he refuses to describe a single tax preference he would reform or loophole he would close to help pay for it – would increase the deficit by trillions of dollars.

• **Higher Spending:** Governor Romney has proposed a defense build-up that independent analysts say could cost $2 trillion over 10 years, though it lacks a clear national security strategy behind it.

• **Shortchanges Key Investments:** Governor Romney supports the cuts to domestic programs from the House Republican budget, which would be far deeper than Simpson-Bowles, jeopardizing both investments in our future and protections for the most vulnerable.
• **Relies on Secret Cuts and Tax Increases:** Governor Romney has failed to propose specific figures for the vast majority of his proposals, telling reporters that his tax plan “can’t be scored” and telling donors that he keeps his plans secret during the election campaign because he worries that they would be politically unpopular. The editor of the conservative *National Review*, Rich Lowry, appeared after Romney on the same episode of “Face the Nation” and criticized the candidate for his “great allergy to specifics and details.”

President Obama has proposed a specific plan that takes a balanced approach to reduce the deficit and stabilize the national debt similar to that advocated by Simpson-Bowles. The bottom line is simple: President Obama has a plan that would reduce the deficit by more than $4 trillion, while Governor Romney’s plans would increase it by as much as $5 trillion.
### COMPARISON OF BUDGET PROPOSALS

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<tr>
<th>SIMPSON-BOWLES</th>
<th>OBAMA</th>
<th>ROMNEY</th>
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<td>• Balanced approach to deficit reduction that includes contributions from domestic spending, defense, entitlements, and revenues, while protecting programs serving the vulnerable and investing in the future.</td>
<td>• Balanced approach to deficit reduction that includes contributions from domestic spending, defense, entitlements, and revenues, while protecting programs serving the vulnerable and investing in the future.</td>
<td>• Cuts taxes by $5 trillion and increases defense spending by $2 trillion, while implausibly promising to balance the budget solely through cuts to domestic and entitlement spending.</td>
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| • Raises more than $2 trillion in additional revenues.  
• Lowers rates while cutting tax expenditures, including reducing or eliminating tax preferences for:  
  o capital gains and dividends,  
  o mortgage interest,  
  o charitable contributions, and  
  o health care. | • Raises $1.5 trillion in revenues through specific measures including:  
  o reducing the value of tax preferences for the wealthiest taxpayers,  
  o ending the Bush tax cuts for families making more than $250,000 a year,  
  o ending $4 billion a year in oil and gas subsidies, and  
  o closing the carried interest loophole.  
• Calls for tax reform that would lower rates while closing preferences in both the individual and corporate tax codes and reducing the deficit. | • Extends the Bush tax cuts for high-income households and adds another $5 trillion in tax cuts weighted towards the wealthy, without naming a single loophole he would close to pay for them.  
• Criticizes efforts to reform many tax preferences addressed by Simpson-Bowles, including capital gains preferences and deductions or exclusions for mortgage interest, charitable contributions, and health care. |
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<th>Saves over $60 billion a year in health savings from Medicare and Medicaid by 2022, including:</th>
<th>Saves $70 billion a year from Medicare and Medicaid by 2022, with savings starting later than Simpson-Bowles but growing larger over time. Reforms include:</th>
<th>Supports cuts to Medicaid as large as $270 billion in 2022, cutting the program by a third and likely cutting off coverage for millions of people.</th>
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| o Reducing payments to drug manufacturers,  
o Reducing Medicare payments that exceed the cost of care, and  
o Cracking down on waste and fraud. | o Reducing payments to drug manufacturers,  
o Reducing Medicare payments that exceed the cost of care,  
o Cracking down on waste and fraud, and  
o Higher premiums for high-income Medicare participants. | Repeals ACA reforms that save Medicare $500 billion. |
| Saves about $500 billion in savings over 10 years through caps on non-security discretionary spending. | Signed into law $660 billion in savings over 10 years, exceeding the Simpson-Bowles recommendation.  
Brings annual domestic spending to lowest level since President Eisenhower, while still allowing for investments in education, innovation and clean energy and protecting the vulnerable. | Privatizes Medicare in 2022, saving no money until then while shifting costs to seniors in the future. |
| Saves over $300 billion from other mandatory programs, including:  
o reduced agriculture spending,  
o federal civilian retirement reforms,  
o Postal Service reform, and  
o pension reforms.  
Explicitly called for protecting programs for the most vulnerable Americans | Saves $270 billion from other mandatory spending, including:  
o reducing agriculture subsidies, including ending direct farm payments;  
o increasing civil service and federal employee retirement contributions  
o Postal Service reform;  
o pension reforms  
Protects programs for the most vulnerable Americans. | Praised the House Republican budget that would cut this category of mandatory spending by $1 trillion.  
Cuts are not specified but likely require cuts to child nutrition, school lunches, and Pell scholarships. |
|  |  | Praised the House Republican budget that would cut annual domestic spending by another $1 trillion (on top of the $660 billion in cuts that have already been signed).  
Would require nearly 20 percent cut across domestic programs by 2016, compared to the caps agreed to last year. |
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<th>• Saves $1 trillion in security spending over the course of a decade.</th>
<th>• Saves $420 billion over a decade in security spending as part of last summer’s bipartisan deal.</th>
<th>• Rejects cutting defense, instead increasing defense spending by up to $2 trillion over the next decade without a coherent strategy behind the increase.</th>
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<td>• Reforms Social Security with both benefit cuts and revenue increases, but relies primarily on benefit cuts.</td>
<td>• Calls for a balanced approach to Social Security that does not slash benefits.</td>
<td>• Calls for eliminating the Social Security shortfall solely through benefit cuts, an approach similar to a plan that would cut benefits by as much as 40 percent for current workers.</td>
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<td>• Brings down deficits over time and stabilizes the debt.</td>
<td>• Brings down deficits over time and stabilizes the debt, according to analysis by the independent Congressional Budget Office.</td>
<td>• Increases the deficit by as much as $5 trillion over the next decade because of unfunded tax cuts and defense spending increases.</td>
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