

Insight



A Light Moment at a Budget Conference: Trump Campaign Claims \$25 Trillion in Budget Savings

GORDON GRAY | MAY 12, 2016

Under current law, the federal government is expected to run deficits as far as the eye can see – adding [\\$9.3 trillion to the debt](#) over the next ten years. Donald Trump has pledged not to touch entitlements, which, insofar as the deficit is largely driven by [growth in entitlements](#), essentially enshrines current law as future policy.

What Trump has pledged is a tax policy that would lose, according to [the Tax Foundation](#), about \$12 trillion in revenue over the next decade. Factoring in feedback from economic growth, and the revenue loss gets pared back to \$10 trillion. The left-leaning Tax Policy Center pegs the revenue loss at about \$9.5 trillion without economic feedback, which TPC takes a less sanguine view on anyway, making the \$10 trillion something akin to a consensus estimate. Debt service on this revenue loss would add at least another \$1.5 trillion, bringing the total loss to about \$11.5 trillion. Combined with Trump's hands-off approach to the rest of the budget, the next ten years would see cumulative deficits jump from about \$9.5 trillion to about \$21 trillion.

At the Peterson Foundation's Fiscal Summit, a representative of the Trump campaign claimed that their plans would lead to a budget surplus by the end of the decade between [\\$4.5 trillion to \\$7 trillion](#). Such a budget turnaround would require, then over \$25 trillion in budget savings from other than major spending programs or the tax system.

The aide claimed that these savings would be realized through economic growth. To be sure, good economic policy is good budget policy – strong economic growth improves the budget picture. But the U.S.'s current budget challenge is so large, let alone the massive deterioration proposed by the Trump campaign, that growth simply isn't enough. According to the CBO, a persistent .1 percentage point improvement in economic growth would produce about [\\$320 billion](#) in deficit savings through higher tax receipts and less accompanying debt service. Pro-growth policies, such as tax reform can leverage this feedback and [produce major savings](#) over a decade.

But the growth needed to produce the savings claimed would have to be close to 8 percentage points higher than current projections *per year*. Real GDP growth would have to average about 10 percent for the next decade to see these savings take hold. This experience has only one historical precedent: 1943 and the preceding 9 years. Keep in mind these are not analogous times – we aren't recovering from the Great Depression and we haven't retooled every industry to fight a world war and conscripted every able bodied man and woman into military service or production jobs.