

The “No New Taxes” Pledge

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ABSTRACT

This paper examines the “No New Taxes” Pledge, which has been signed by the President and 258 members of Congress. Although it is intended to restrict the size of government, the pledge probably hinders rather than helps efforts to restore fiscal responsibility. Evidence from trends in aggregate taxes and spending, the success or failure of budget rules, and the voting records of pledge signers casts doubt on the view that signing the pledge is an effective effort to “starve the beast” or an act of fiscal responsibility. If all of the signers uphold the pledge, it will prove impossible to repeal any part of the 2001, 2002, and 2003 tax cuts before President Bush leaves office, though the legislation could expire as scheduled even if all the signers supported extension. The pledge may also have implications for appropriate budget scoring rules

As of June 1, 2004, the "no new taxes" pledge has been signed by President Bush and by 258 members of Congress. Although the pledge is occasionally mentioned in public discussions, its role in current and future tax debates has remained relatively unexplored.

The pledge requires its signers to oppose any increase in marginal income tax rates and to oppose any removal of deductions that is not matched by reductions in marginal tax rates. It thus appears to require signers to oppose the expiration of any temporary provision unless it is replaced by a tax cut of equal magnitude. Surprisingly, it does not appear to rule out new taxes on items like energy, consumption or wealth or increases in payroll tax rates.

The pledge has been signed by just less than a majority of members of the House of Representatives. The signers include a majority of the members of the Ways and Means Committee, through which all tax legislation must pass, as well as the Budget and Appropriations Committees. In the Senate as a whole and in the key Senate tax and fiscal committees, very substantial minorities have signed the pledge.

With these facts as background, the central question we address is how the pledge has affected past efforts and will affect future efforts to balance the budget and control government spending. Put simply, is signing the pledge and following its dictates best interpreted as an act of fiscal responsibility or fiscal recklessness?

This question is salient because current budget prospects feature large and possibly growing deficits in the medium term and a long-term fiscal outlook that everyone acknowledges is unsustainable. As a matter of arithmetic, these problems can only be resolved through some combination of spending cuts and revenue increases. Many observers, ourselves included, feel that all options should be on the table in efforts to resolve this problem. The pledge takes a different approach: it is clearly intended to constrain the

range of possible solutions by removing tax increases from consideration. That is, it adopts the “starve the beast” approach to controlling federal finances -- attempting to cut off revenue increases as a way of forcing reductions in spending. Whether this strategy has proven or will prove effective is an open question.

We present three pieces of evidence suggesting that following the dictates of the pledge is not consistent with fiscal responsibility. First, since 1981, periods when tax revenues fall (relative to GDP) have been periods when federal outlays rise, even after controlling for the effects of business cycle. This is exactly the opposite of what a “starve the beast” approach would imply and suggests instead that policymakers go through periods of fiscal responsibility and fiscal restraint, where such actions are taken on both sides of the budget at the same time. Second, in practice, budget rules and legislative agreements have proven effective in reducing spending and balancing the budget only when restrictions are placed on both tax cuts and spending increases at the same time. The no new taxes pledge is intended to prohibit such agreements.

Third, direct evidence from voting records is simply not consistent with claims that pledge signers have acted in a fiscally responsible manner. Pledge signers voted almost unanimously in favor of large and permanent tax cuts. Given that pattern, and the fact that they have removed tax increases as a possible solution to fiscal problems, it would be plausible to think that signers have been especially vigilant in guarding against spending increases. The data show, however, the opposite. Six out of every seven signers voted in favor of the Medicare prescription drug bill last fall, the largest entitlement increase in decades. About 80 percent of pledge signers who voted on all of the bills supported all of the recent tax cuts, two proposals to make them permanent, and the medicare bill. Most of these

bills were strongly opposed by non-signers.

Besides supporting the medicare bill, pledge signers also favored the farm bill in 2001 by a margin of 3:1. Even after three years of falling revenues and increasing spending, three-quarters of the signers who voted supported the recent, pork-laden highway bill in the House.

These voting patterns are hard to reconcile with a “starve the beast” theory, since the same people who voted for permanent tax cuts also voted for permanent spending increases, and did so at a time of projections of falling long-term revenues. The voting patterns are also inconsistent with fiscal responsibility. The votes supporting tax cuts, medicare and other bills will require massive reductions, detailed below, in other spending to keep federal finances in line if the option to raise taxes is removed. As far as we are aware, no signer has endorsed specific spending cuts anywhere close to the required magnitude.

We also examine implications of the pledge for some legislative issues and budget rules. Having all signers follow the pledge would be sufficient to stop the repeal of any of the 2001, 2002, and 2003 tax cuts before they expire as long as President Bush remains in office, but is not sufficient to guarantee the permanent extension of those tax cuts. One proposal to reduce budget gimmickry would require scoring all new temporary tax cuts in the future as if they were permanent. Taking the pledge seriously gives added support to this idea, since almost a majority of Congress has signed on to the view that no temporary provision should ever be removed unless it is replaced by a provision that cuts taxes by at least as much.¹

Section I describes the pledge and signers and justifies taking the pledge seriously. Section II examines fiscal responsibility issues. Section III discusses implications of the

¹ As discussed further in section III, this logic leads to rules that are exactly the opposite of the rules that the Administration has advocated in its most recent budget.

pledge for some legislative and budget scoring issues. Section IV concludes.

I. Background

A. The Pledge²

Although it is formally titled the “Taxpayer Protection Pledge,” we will refer to it as the “No New Taxes” Pledge. The pledge states:

I, _____, pledge to the taxpayers of the _____ district
of the state of _____, and to the American people that I will:
ONE, oppose any and all efforts to increase the marginal income tax
rates for individuals and/or businesses; and
TWO, oppose any net reduction or elimination of deductions and
credits, unless matched dollar for dollar by further reducing tax rates.

The Pledge clearly opposes raising existing income tax rates or removing existing deductions or credits in isolation, but does not appear to oppose 1986-style reforms that broaden the base and reduce rates in a revenue-neutral manner. Implicitly, the Pledge appears to oppose letting any temporary provision expire as scheduled -- since that would raise rates or reduce deductions or credits -- unless it is replaced by a new tax cut of equal magnitude.³ The pledge also appears to require signers to support indexing the alternative minimum tax for inflation, since not doing so leads to increases in marginal income tax rates and effective removal of deductions for some taxpayers (Burman, Gale, and Rohaly 2003).

² The pledge can be found at www.atr.org/nationalpledge/index.html.

³ For discussion of expiring tax provisions, or “sunsets,” see Congressional Budget Office (2004a) and Gale and Orszag (2003, 2004).

Although carefully worded, the Pledge also appears to have its loopholes.

Interestingly, it says nothing to oppose increases in payroll tax rates and other existing non-income taxes, and it says nothing forbidding the creation of *new* taxes on, say, consumption, energy, wealth, or inheritances. It would also allow new federal taxes -- even income taxes -- to be imposed on non-profits and state and local governments.

B. The Signers⁴

As of June 1, 2004, the Pledge had been signed by President Bush and, as shown in Table 1, by 216 members of the House of Representatives and 42 U.S. Senators. All of the signers are Republicans except for four members of the House.⁵ About 92 percent of Republican Representatives and 82 percent of Republican Senators have signed the pledge. Signers constitute just 2 votes below a majority in the House and 9 votes below a majority in the Senate. The signers constitute, in essence, a veto-sustaining coalition for any legislated tax increase. That is, if a bill passed both the Senate and House, but was vetoed by the President, the veto would be sustained if all of the signers voted to sustain the veto.

Table 2 shows that the signers constitute a majority of the House Ways and Means committee. This implies that a bill to raise taxes could not be reported out of committee if all of the signers opposed it. A majority of the House Budget and Appropriations Committee members have also signed the pledge. In the Senate, slightly less than half of the members of the Finance, Budget, and Appropriations Committees have signed the pledge. In each committee, an additional 1 or 2 signers would make the signers a majority.

⁴ The list of signers can be found at www.atr.org/pdf/files/national_signers_incumbent.pdf.

⁵ The four Democratic signers are Robert Andrews (D-NJ), Ben Chandler (D-KY), Ken Lucas (D-KY), and Gene Taylor (D-MS).

C. Should we take the pledge seriously?

A common reaction among some highly respected fiscal observers is to scoff at the potential significance of the Pledge, and to claim, essentially, that rules were made to be broken. In evaluating this claim, we acknowledge the obvious -- that politicians sometimes break their vows. But we don't believe that justifies ignoring the pledge. Signing the pledge is a voluntary action that is intended to convey information to voters and restrict the actions of policymakers. Rather than practice what the President calls the soft bigotry of low expectations -- in this case, by assuming that politicians don't mean what they say -- we choose to take the signers at their word and examine the pledge and its implications.

We offer three reasons why the pledge should be taken seriously as a driver of policymakers' actions and hence as a driver of potential policy solutions. First, tax cuts are perhaps the single legislative item that most unites the Republican party. Second, the pledge is being "enforced" by Americans for Tax Reform (ATR), an organization that has shown no remorse in attacking supporters of tax increases, most recently in Alabama.

Third, the belief persists that President George H. W. Bush lost the 1992 election because he violated his "no new taxes" pledge in 1990. But blaming the 1992 election on the 1990 budget agreement (the legislation that violated the "read my lips, no new taxes" pledge) is inconsistent with poll results. Figure 1 shows that the President's popularity did fall around the signing of the 1990 Budget Agreement. It is unclear the extent to which that decline was due to the tax increase or was simply a reaction to an explicit acknowledgement by the President that there was a massive fiscal problem after 10 years of Reagan-Bush policies. In any case, the President's popularity rose dramatically in subsequent months (relating to the first war in Iraq). It is difficult to claim that the steady decline in popularity

from about 90 percent in March 1991 to 35 percent in July 1992 -- which is what lost the election for the President -- had much to do with the 1990 tax change.

II. Fiscal Discipline or Fiscal Recklessness?

The central notion behind the pledge is to limit tax revenues and the size of government. Thus, a natural question is whether the pledge aids or hinders fiscally responsible actions.

The view that signing the pledge is a measure of fiscal responsibility and will help contain government spending stems from the “starve the beast” view of federal finances; namely, that lower tax revenue will “ultimately” constrain federal spending. It is certainly true that, under present circumstances, current tax cuts have to imply either future spending cuts or future tax increases (Gale, Orszag, and Shapiro 2004). But it is still an open question whether and when restraining or reducing current revenues and attempting to restrain options for increases in future revenues will reduce government spending and whether it is the most effective way to reduce government spending.

A. Recent trends in spending and taxes

The “starve the beast” theory says that revenues and spending are positively correlated: lower revenues generate lower spending, and higher revenues generate higher spending. We do not offer a formal test of this hypothesis here, but we do offer some suggestive information. Before turning to the evidence, note that business cycle considerations will induce a negative correlation taxes and spending: in good times, taxes are higher as a share of GDP, because the tax system is progressive, and spending is lower as a share of GDP, because the burdens of welfare and unemployment insurance and related programs are smaller. To correct for the negative correlation created by the business cycle,

Figure 2 reports standardized (i.e., adjusted for the business cycle) measures of revenue and spending over different time periods.⁶

Figure 2 shows that recent history displays exactly the opposite pattern as predicted by "starve the beast" theorists; even after controlling for the business cycle, changes in spending and changes in taxes are negatively correlated over three major periods since 1981:

- Between 2000 and 2004, standardized federal revenues fell by 3.5 percent of GDP, but standardized total federal spending *rose*, by 1.4 percent of GDP and standardized federal non-interest spending rose by 2.3 percent of GDP (only half of which was due to increased defense and homeland security in response to the terrorist attacks and the wars in Afghanistan and Iraq).
- Between 1992 and 2000, standardized federal revenue rose by 1.8 percent of GDP, but standardized total federal spending *fell*, by 2.4 percent of GDP and standardized non-interest spending fell by 1.5 percent of GDP.
- Between 1981 and 1992, standardized federal revenues fell by 2.0 percent of GDP, while standardized federal outlays rose by 0.6 percent of GDP.

All of patterns above are inconsistent with the "starve the beast" view of revenues.

There is one data pattern that is at least not inconsistent with "starve the beast" theory.

Between 1981 and 1992, standardized non-interest spending did fall, but only by 0.4 percent of GDP. This can hardly be taken as evidence of effective fiscal discipline, though. The ratio of public debt to GDP almost doubled, from 26 percent in 1981 to 48 percent in 1992,

⁶ We define standardized non-interest outlays as standardized aggregate outlays less actual net interest payments.

the largest peacetime U.S. growth in the debt other than during the Depression. And this pattern led to the widespread angst over budget deficits that culminated in the 1990 and 1993 budget agreements.

In short, as an empirical matter, the data show that, even after controlling for fluctuations due to the business cycle, lower revenues have proven to be neither necessary (witness the 1990s) nor sufficient (witness the 1980s and the period since 2000) to reduce federal spending.⁷

B. What Causes Fiscal Restraint?

The data above suggest that policymakers go through periods of fiscal restraint and fiscal largesse and the restraint or largesse occurs simultaneously on both the tax and spending sides. That is, periods of fiscal largesse tend to generate declines in taxes and increases in spending (as shares of GDP). Periods of fiscal discipline tend to provide declines in spending and increases in taxes.

This is a plausible scenario. Members of Congress are continually peppered with requests to increase spending or reduce taxes for particular constituencies. In periods of largess, they respond more favorably to such requests; in periods of discipline, less favorably.

If this characterization is correct (and it is consistent with the data since 1981), then voting *for* tax cuts and pledging not to increase taxes makes it *harder* to resist spending increases and harder to impose fiscal discipline. Voting for tax cuts makes it more difficult to resist spending increases because if Congressman and constituents see requests for favors

⁷ Not surprisingly, the aggregate data, unadjusted for the business cycle, are also inconsistent with the "starve the beast" theory. Between 2000 and 2004, actual revenue fell by 5.1 percent of GDP, while actual spending rose by 1.6 percent of GDP and actual non-interest spending rose by 2.5 percent of GDP. Between 1992 and 2002, actual revenue rose by 3.4 percent of GDP, while actual spending fell by 3.8 percentage points and non-interest spending fell by 2.9 percentage points. Between 1981 and 1992, actual revenue fell by 2.1 percent of GDP, while actual spending was a constant share of GDP. Actual non-interest spending did fall, by 1 percentage point (CBO 2004a).

on the tax side acknowledged and enacted, the pressure will rise to provide constituent favors on spending side as well. Pledging not to increase taxes makes it more difficult to impose fiscal discipline, because if policy makers and constituents see that belt-tightening is not imposed on taxes, they will be less inclined to make similar sacrifices on the spending side.

In addition, if this characterization is correct, effective fiscal discipline -- defined as either balancing the budget or reducing spending -- can only be imposed by limiting tax cuts and spending increases at the same time. This is supported by the experiences in the 1990s, a period of effective fiscal discipline even in light of rising federal revenues. First, the budget rules imposed in 1990 and extended in 1993 and 1997 put caps on both sides. Tax cuts and mandatory spending increases had to be paid for with other tax increases or mandatory spending cuts. Discretionary spending was subject to caps. Second, the budget deals that were enacted in 1990 and 1993 involved both spending cuts and revenue increases. This characterization is also supported by the fact that there is no U.S. evidence of fiscal balance being obtained solely through spending reductions (with the possible exception of reductions in military expenses after a war ended).

C. Evidence from voting records

One way to examine the “starve the beast” theory and whether signing the pledge is part of a fiscally responsible or fiscally reckless plan is to look at how signers have voted on recent legislation. If the pledge signers are fiscally responsible and ascribe to the “starve the beast” strategy, they should support tax cuts and spending cuts. In fact, the data in the tables below show that signers of the pledge have overwhelmingly favored tax cuts, but have also overwhelmingly favored major spending *increases* in the last several years. At the risk of understatement, this is a difficult record to reconcile with fiscal responsibility. It is an

especially difficult record to reconcile with a “starve the beast” theory since the same people who signed the pledge and reduced taxes voted for *permanent* tax cuts and *permanent* spending increases, and did so during a period of declining revenues.

Table 3 shows that among current members of Congress who have signed the pledge and who voted, 99 percent voted for the 2001 tax cut, almost 100 percent voted for the 2002 tax cut, and 98 percent voted for the 2003 tax cut. In addition, 86 percent voted for the Medicare Prescription Drug Bill in the fall of 2003. Remarkably, among the 204 current members of Congress who are pledge signers and who voted on all four bills, a full 84 percent voted in favor of all four of them.

Of course, the tax cuts are temporary -- all of them expire by 2010. It is conceivable that those who voted for the tax cuts did not have in mind massive permanent tax cuts as well as the massive new spending commitments implied by the medicare bill -- conceivable, but wrong. The House took votes to make the tax cuts permanent. More than 98 percent of House pledge signers who voted elected to make the 2001 tax cut permanent, and 99 percent of signers who voted elected to make the estate tax repeal permanent. Perhaps most remarkably, among the 172 signers in the House who voted on all six bills -- the three enacted tax cuts, the medicare bill and the two proposals to make the tax cuts permanent -- 80 percent voted for all six. In sharp contrast, the other members of the House voted overwhelmingly against the 2001 and 2003 tax cuts, the proposals to make them permanent, and the Medicare bill.

Some would claim that voting patterns on the Medicare bill are not a good test of spending discipline for any of a variety of reasons. It was just one bill. The bill that passed might have prevented an even larger spending bill from passing. And there were a variety of

extenuating circumstances; for example, the vote was politically motivated, or was due to other factors, or that signers had no choice because the vote became a litmus test for Republicans. None of these claims justifies ignoring or downplaying the Medicare vote.

Although it was only one bill, the Medicare prescription drug benefit represents a gigantic, permanent increase in entitlement spending. This is presumably exactly the type of program that supporters of “starve the beast” theories are trying to stop. Supporters of smaller government were generally aghast at the prospect of the Medicare bill becoming law (Armev 2003, Moore 2003, Reynolds 2003, Riedl and Beach 2003). Indeed, if passing huge new entitlements is consistent with starving the beast then it is hard to see how that approach has any content at all.

Second, although there were more generous options available, recall that pledge signers constitute a veto-sustaining coalition. Had all of them voted against that alternative bill and the President vetoed it, the veto would have been sustained. Hence, the presence of an alternative proposal should not be taken as evidence that voting for the drug benefit was an act of fiscal rectitude. Of course, the President very much wanted a Medicare deal, (CNN 2003), so Congressional signers may have felt that they had to vote for something. This does not absolve pledge signers, though, it just shifts the responsibility to one specific pledge signer in the White House.

Third, it is always true that other factors are at work and political factors are involved. The whole point of “starve the beast” strategies is to cut through those ubiquitous concerns and encourage people to vote against bigger government. And if the vote was a litmus test for Republicans, it should be realized that such tests are determined by the party itself. So if a party where 91 percent of members have signed the pledge and where almost every

member voted for large tax cuts then chooses to make a litmus test out of voting yes for the a \$16 trillion increase in entitlement spending, that alone should tell us a lot about the fiscal responsibility of the signers.

Sizable majorities of signers also supported other recent spending bills (Table 3). About 73 percent of signers who voted cast votes in favor of the 2001 farm bill. Even the pork-laden 2004 highway bill was supported by 74 percent of signers who voted. By any standard, this is not what fiscal discipline looks like.

By way of comparison, only about 20 percent of non-signers voted for the Medicare bill, far less than the share of signers. About 69 percent of non-signers voted for the 2001 farm bill, less than the share of signers. Interestingly, 95 percent of non-signers voted for the 2004 highway bill. This may well have been in reaction to the three previous years of fiscal largesse enjoyed by the signers and generally opposed by the non-signers. If so, it is a good example of how breakdown in fiscal discipline on the tax side or among one group can lead to breakdown in fiscal discipline on the spending side or among other groups, too. In any case, the highway bill was a far smaller item than the medicare drug benefit.

Table 3 also shows how signers voted on the 4 recent tax bills in the House that extended and made permanent various provisions of the 2001 and 2003 tax cuts. Not surprisingly, virtually all of the signers voted for the tax cuts. The 2 signers who consistently opposed the bills were Democrats.

Appendix Tables 1 and 2 provide additional detail on the voting patterns of current members of the Senate and the House separately, and on the key fiscal committees (Budget and Appropriations, House Ways and Means, and Senate Finance). In all cases, the results tell a consistent story: signers have voted overwhelmingly to support major permanent tax

cuts and a major permanent spending increase. No signer on any of six key fiscal committees voted against any of the 2001, 2002, or 2003 tax cuts and about 85 percent of those who voted supported the Medicare bill, too. A particularly noteworthy record was established by pledge signers on the Ways and Means Committee, who voted unanimously in favor of all of the tax cuts and the Medicare bill.

D. Paying for the Pledge

It is ironic -- if not downright Orwellian -- that the no new taxes pledge is officially titled the "Taxpayer Protection Pledge." Between the policies they have explicitly supported and the policies they have pledged to support, the self-styled taxpayers' protectors have been instrumental in enacting policies that raise the long-term fiscal gap by upwards of 4 percent of GDP, or about \$34 trillion.⁸ These burdens will have to be borne by future taxpayers, who are likely to markedly "unprotected."

To provide some perspective on the implications of these voting patterns, Table 4 shows the spending cuts that would be required in 2014 alone to pay in that year for policies supported by pledge signers and implied by the pledge: (a) making the 2001, 2002, and 2003 tax cuts permanent and extending all of the other expiring provisions in the tax code, (b) indexing the AMT for inflation starting in 2005, and (c) maintaining the prescription drug benefit in Medicare.

Paying for these policies in 2014 would require a 17 percent reduction in all non-interest spending, a more than 100 percent cut in domestic discretionary spending, a 26 percent cut in all entitlement spending, a 66 percent cut in social security benefits, or a 78

⁸ Auerbach, Gale, and Orszag (2004) estimate the cost of making the 2001 and 2003 tax cuts permanent and fixing the AMT at \$18.0 trillion. The Medicare Trustees estimate the cost of the prescription drug benefit at \$16.6 trillion. Using the Auerbach, Gale, and Orszag (2004) assumptions raises the medicare costs somewhat.

percent reduction in medicare. If interest, defense and homeland security, and social security, medicare and medicaid were left alone, there would have to be a 72 percent decline in all spending.

Signers who voted for the medicare prescription drug bill and the 2001, 2002, and 2003 tax cuts, and who do not support spending adjustments of the magnitude shown in Table 4 can not be portrayed as acting in a fiscally responsible manner, unless they secretly harbor plans to raise taxes in ways that the pledge does not prohibit.

III. Some Implications for Legislative and Budget Issues

Currently, the number of signers does not quite equal a majority of either the House or Senate, but it represents more than enough to sustain a Presidential veto of any legislated tax increase. This implies, for example, that efforts to repeal the recent tax cuts would not be successful if all signers followed form. Even if the bill passed both Houses of Congress, it would be vetoed and the veto would be sustained. On the other hand, signers still represent a minority in both Houses, so that a bill to make the tax cuts permanent could be blocked by the non-signers. This suggests that the real legislative battle will not be over whether to repeal provisions before they expire, but rather whether to make the cuts permanent.

In the past few years, Congress and the Administration have enacted tax bills that expire rapidly, even though they are clearly intended to be permanent. This has been criticized as a budget gimmick intended to skirt the spirit (if not the letter) of the operative budget resolutions. One way to reduce such legislative activity is to score all new bills as permanent, even if they are stated to be temporary (see Gale 2001, Rivlin and Sawhill 2004).

Taking the "No New Taxes" Pledge seriously makes this idea all the more reasonable. Even for explicitly temporary tax cuts, the signers of the Pledge agree that the tax cut -- or a

cut of equal size -- should be made permanent (or what is the same thing for budgetary outcomes, extended continually). Hence, taking the signers at their word increases both the reasonableness and the need to score temporary proposals as permanent.⁹

IV. Conclusion

Signers of the “no new taxes” pledge voluntarily commit to limit their own ability to consider a wide variety of tax increases. The intent of the pledge is to remove one of the options for dealing with current and projected future budget shortfalls, and to require that the entire adjustment occur on the spending side. Such a one-sided adjustment seems unlikely to occur based on the historical record since 1981, which shows instead that tax and spending have moved in opposite directions over the medium horizons.

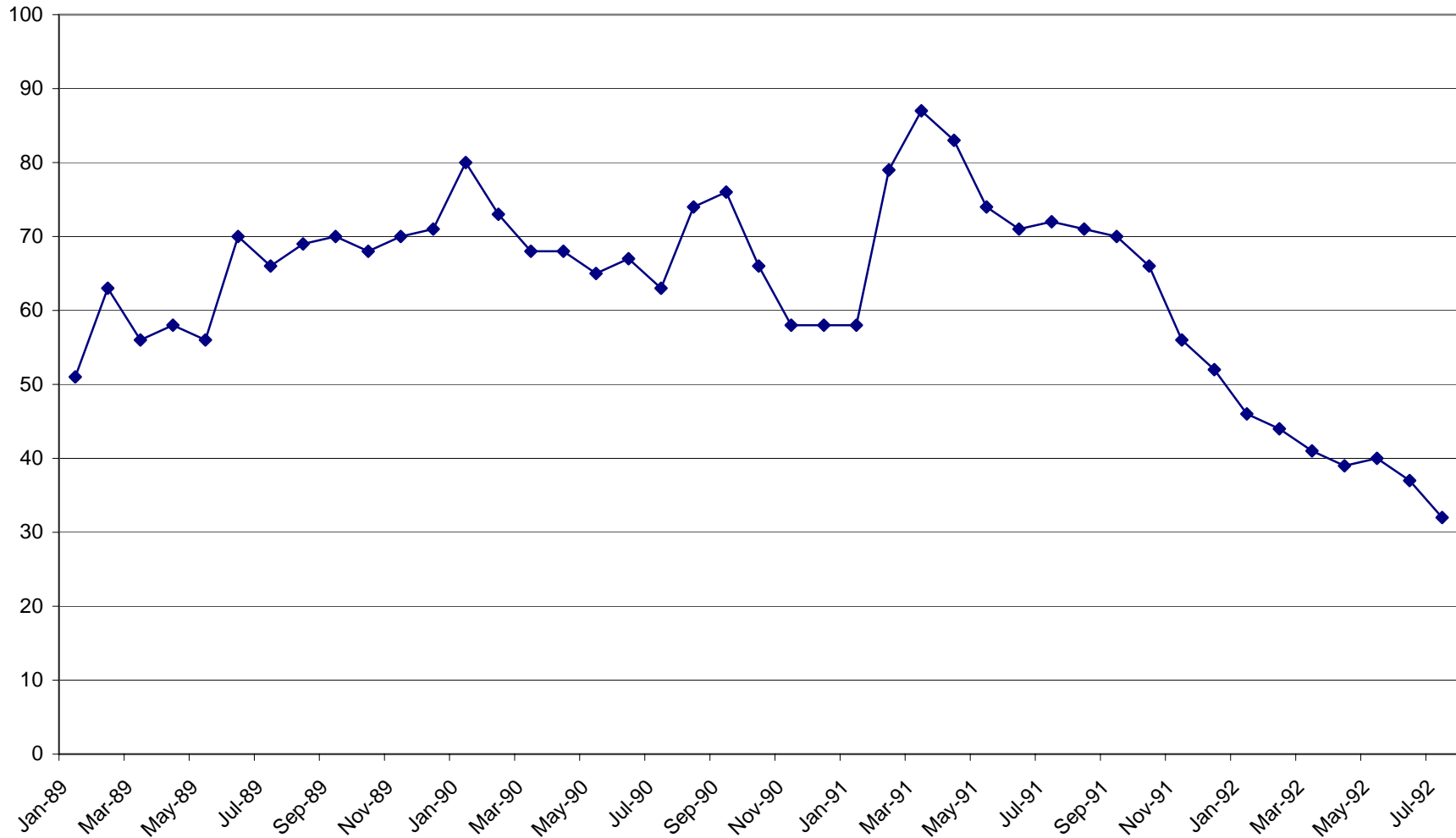
As a result, it would seem especially incumbent on the signers to promote spending discipline. In fact, they have done just the opposite -- supporting massive permanent increases in spending at the same time they support equally massive permanent cuts in taxes and at the same time that current and projected revenues are declining for other reasons. The policies supported by signers will require changes in future spending or taxes that no elected official has publicly supported or would conceivably support. All of these findings suggest that the no new taxes pledge and its signers are a significant part of the fiscal problem, not the vanguard of a realistic solution.

⁹ We add two important caveats to these claims. First, the signers themselves would likely not want to score new temporary tax cut proposals as permanent because it would make such cuts harder to enact. Second, the proposal for revised scoring rules is the exact opposite of what the Administration proposed in its recent budget. Under the Administration proposal, new temporary tax cuts would continue to be scored as temporary, but some previously enacted tax cuts -- in particular, the 2001 and 2003 tax cuts -- which were enacted and scored as temporary, would be changed, after the fact, to be scored as permanent tax cuts. This completely obfuscates the costs of making the tax cuts permanent, which is the exact opposite of the goal in the text above, which is to bring out the costs of making tax cuts permanent. Also, the Administration proposal applies to previously enacted tax cuts, whereas the proposal in the text applies to bills that have not been voted on yet.

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Figure 1:
Job Approval Ratings for President George H.W. Bush, 1989-1992



Source: Gallup (1992). The graph represents the proportion of respondents answering "yes" to the question "Do you approve of the way the president is handling his job?"

Figure 2
Change in Standardized Federal Revenue and Outlays as a Percent of Standardized GDP,
1981-2004



Source: CBO (2004a, b)

Table 1
Current Members of Congress by Pledge Status

	Pledge Signers	Total	Signers as Percent of Total
House			
Republicans	211	228	93
Democrats	4	205	2
Independents	1	1	100
Total	216	434	50
Senate			
Republicans	42	51	82
Democrats	0	48	0
Independents	0	1	0
Total	42	100	42
Congress			
Republicans	253	279	91
Democrats	4	253	2
Independents	1	2	50
Total	258	534	48

Source: Authors' calculation using <http://clerk.house.gov/> and www.atr.org/pdffiles/national_signers_incumbent.pdf.

Table 2
Pledge Signers on Key Fiscal Committees

	Pledge Signers	Total	Signers as Percent of Total
House Ways and Means			
Republicans	21	24	88
Democrats	0	17	0
Independents	0	0	0
Total	21	41	51
House Budget			
Republicans	23	24	96
Democrats	0	19	0
Independents	0	0	0
Total	23	43	53
House Appropriations			
Republicans	32	35	91
Democrats	0	29	0
Independents	1	1	100
Total	33	65	51
Senate Finance			
Republicans	9	11	82
Democrats	0	10	0
Independents	0	0	0
Total	9	21	43
Senate Budget			
Republicans	11	12	92
Democrats	0	11	0
Independents	0	0	0
Total	11	23	48
Senate Appropriations			
Republicans	13	15	87
Democrats	0	14	0
Independents	0	0	0
Total	13	29	45

Source: Authors' calculation using <http://clerk.house.gov/> and www.atr.org/pdffiles/national_signers_incumbent.pdf.

**Table 3
Voting Records**

<u>Proposal Voted on in</u>	<u>Yes</u>	<u>No</u>	<u>Did Not Vote</u>	<u>Not in Congress at Time of Vote</u>	<u>Percent Yes Among Those Voting</u>
<u>SIGNERS*</u>					
<u>Both Houses</u>					
2001 Tax Cut ¹	201	3	9	45	99
2002 Tax Cut ²	213	1	5	39	100
2003 Tax Cut ³	250	3	3	2	99
Medicare Drug Benefits (2003) ⁴	221	36	0	1	86
Voted Yes on All Four	171	-	-	-	84
<u>House of Representatives Only</u>					
Make EGTRRA Permanent (2002) ⁵	181	4	0	31	98
Make Estate Tax Repeal Permanent (2003) ⁶	211	2	2	1	99
Voted Yes on all Six	138	-	-	-	80
Farm Security Act (2001) ⁷	126	47	6	37	73
Highway Bill (2004) ⁸	155	55	6	0	90
Marriage Penalty Relief (2004) ⁹	207	2	2	0	99
AMT Relief (2004) ¹⁰	210	2	4	0	99
Extension of 10 Percent Bracket (2004) ¹¹	207	2	7	0	99
Extension of Child Credit (2004) ¹²	202	4	10	0	98
<u>ALL OTHER VOTES</u>					
<u>Both Houses</u>					
2001 Tax Cut	97	184	37		35
2002 Tax Cut	289	11	16		96
2003 Tax Cut	31	247	1		11
Medicare Drug Benefits (2003)	53	223	0		19
<u>House of Representatives Only</u>					
Make EGTRRA Permanent (2002)	48	194	8		20
Make Estate Tax Repeal Permanent (2003)	53	161	8		25
Farm Security Act (2001)	165	73	13		69
Highway Bill (2004)	202	10	5		95
Marriage Penalty Relief (2004)	116	93	8		56
AMT Relief (2004)	123	87	7		59
Extension of 10 Percent Bracket (2004)	137	74	6		65
Extension of Child Credit (2004)	69	135	13		34

* Current members of Congress who have signed the pledge.

1. HR 1836 Economic Growth and Tax Relief Reconciliation Act of 2001, Conference Report, May 26, 2001.

Vote 149 in House. Vote 00170 in Senate.

2. HR 3090 Job Creation and Worker Assistance Act of 2002. Vote 52 in House on March 7, 2002. Vote 00044 in Senate on March 8, 2004.

3. HR 2 Jobs and Growth Tax Relief Reconciliation Act of 2003, Conference Report, May 23, 2003. Vote 225 in House. Vote 00196 in Senate.

4. H.R. 1 Conference Report; Prescription Drug and Medicare Improvement Act of 2003. Vote 669 in House on November 22, 2003. Vote 00459 in Senate on November 25, 2003.

5. HR 586 On Motion to Agree to the Senate Amendment with an Amendment, "The Tax Relief Guarantee Act of 2002," April 18, 2002. Vote 103 in House.

6. HR 8 Death Tax Repeal Permanency Act, June 18, 2003. Vote 288 in the House.

7. HR 2646 Farm Security Act of 2001. Vote 371 in House on October 5, 2001.

8. HR 3550 Transportation Equity Act. Vote 114 in House on April 2, 2004.

9. HR 4181 Marriage Penalty Relief. Vote 138 in House on April 28, 2004.

10. HR 4227 AMT Relief. Vote 144 in House on May 5, 2004.

11. HR 4275 10 Percent Bracket. Vote 170 in House on May 13, 2004.

12. HR 4359 Child Credit Expansion. Vote 209 in House on May 20, 2004.

Source: Authors' calculation using <http://clerk.house.gov/> and Americans for Tax Reform pledge signers list found at http://www.atr.org/pdf/national_signers_incumbent.pdf.

Table 4
Paying for the Pledge: Illustrative Spending Cuts in 2014
to Pay for Policies Supported by Pledge Signers

	Extend 01-03 Tax Cuts + Expiring Provisions ¹	+ Medicare Prescription Drug Bill ²	+ Index AMT ³	Memo: 2014 Baseline Revenue/Spending (\$ Billions) ⁴
Revenue Loss in 2014 (in \$ Billions)	429	502	545	
Required Percentage Change in				
All Non-interest Outlays	-13	-15	-17	3,278
Discretionary Spending	-37	-44	-47	1,149
Defense, HS, International	-66	-77	-84	651
Other	-86	-101 *	-110 *	498
Mandatory Spending	-20	-24	-26	2,129
Social Security	-52	-61	-66	827
Medicare	-61	-72	-78	698
Medicaid	-123 *	-144 *	-157 *	348
All Three	-23	-27	-29	1,873
Other	-167 *	-196 *	-213 *	256
All Spending Except:	-57	-67	-72	754
Interest, Social Security, Medicare, Medicaid, Defense, and Homeland Security				

(1) Author's calculations using Tables 1-2 and 4-10 of CBO (2004).

(2) Authors' calculations extrapolating 2014 cost from growth rate of cost in earlier years (2004-2013) in CBO (2004).

(3) Includes the cost of indexing the AMT for inflation starting in 2005 using the Tax Policy Center Microsimulation model.

(4) CBO (2004).

* Percent cuts that exceed 100 are arithmetic artifacts. No program can be cut more than 100 percent.

Appendix Table 1
Voting Records of Current Members Who Are Signers:
US Senate

	<u>Yes</u>	<u>No</u>	<u>Did Not Vote</u>	<u>Not in Congress at Time of Vote</u>	<u>Percent Yes Among Those Voting</u>
ENTIRE SENATE					
2001 Tax Cut	31	1	2	8	97
2002 Tax Cut	33	0	1	8	100
2003 Tax Cut	41	1	0	0	98
Medicare Drug Benefits	34	8	0	0	81
Voted Yes on all Four	26	-	-	-	81
COMMITTEE ON FINANCE					
2001 Tax Cut	9	0	0	0	100
2002 Tax Cut	9	0	0	0	100
2003 Tax Cut	9	0	0	0	100
Medicare Drug Benefits	7	2	0	0	78
Voted Yes on all Four	7	-	-	-	78
COMMITTEE ON THE BUDGET					
2001 Tax Cut	8	0	2	1	100
2002 Tax Cut	9	0	1	1	100
2003 Tax Cut	11	0	0	0	100
Medicare Drug Benefits	8	3	0	0	73
Voted Yes on all Four	5	-	-	-	63
COMMITTEE ON APPROPRIATIONS					
2001 Tax Cut	12	0	1	0	100
2002 Tax Cut	13	0	0	0	100
2003 Tax Cut	13	0	0	0	100
Medicare Drug Benefits	12	1	0	0	92
Voted Yes on all Four	11	-	-	-	92

See Table 3 for Sources.

Appendix Table 2
Voting Records of Current Members Who Are Signers:
US House of Representatives

	<u>Yes</u>	<u>No</u>	<u>Did Not Vote</u>	<u>Not in Congress at Time of Vote</u>	<u>Percent Yes Among Those Voting</u>
ENTIRE HOUSE					
2001 Tax Cut	170	2	7	37	99
2002 Tax Cut	180	1	4	31	99
2003 Tax Cut	209	2	3	2	99
Medicare Drug Benefits (2003)	187	28	0	1	87
Voted Yes for All Four	145	-	-	-	84
Make EGTRRA Permanent (2002)	181	4	0	31	98
Make Estate Tax Repeal Permanent (2003)	211	2	2	1	99
Voted Yes for All Six	138	-	-	-	80
Farm Security Act (2001)	126	47	6	37	73
Highway Bill (2004)	155	55	6	0	90
Marriage Penalty Relief (2004)	207	2	7	0	99
AMT Relief (2004)	210	2	4	0	99
Extension of 10 Percent Bracket (2004)	207	2	7	0	99
Extension of Child Credit (2004)	202	4	10	0	98
COMMITTEE ON WAYS AND MEANS					
2001 Tax Cut	21	0	0	0	100
2002 Tax Cut	21	0	0	0	100
2003 Tax Cut	21	0	0	0	100
Medicare Drug Benefits (2003)	21	0	0	0	100
Voted Yes For All Four	21	-	-	-	100
Make EGTRRA Permanent (2002)	21	0	0	0	100
Make Estate Tax Repeal Permanent (2003)	21	0	0	0	100
Voted Yes for All Six	21	-	-	-	100
Farm Security Act (2001)	16	5	0	0	76
Highway Bill (2004)	21	0	0	0	100
Marriage Penalty Relief (2004)	21	0	0	0	100
AMT Relief (2004)	21	0	0	0	100
Extension of 10 Percent Bracket (2004)	20	0	1	0	100
Extension of Child Credit (2004)	19	0	2	0	100
COMMITTEE ON THE BUDGET					
2001 Tax Cut	15	0	0	8	100
2002 Tax Cut	16	0	0	7	100
2003 Tax Cut	23	0	0	0	100
Medicare Drug Benefits (2003)	17	6	0	0	74
Voted Yes for All Four	12	-	-	-	80
Make EGTRRA Permanent (2002)	15	0	0	8	100
Make Estate Tax Repeal Permanent (2003)	23	0	0	0	100
Voted Yes for All Six	10	-	-	-	67
Farm Security Act (2001)	20	3	0	0	87
Highway Bill (2004)	23	0	0	0	100
Marriage Penalty Relief (2004)	21	0	2	0	100
AMT Relief (2004)	23	0	0	0	100
Extension of 10 Percent Bracket (2004)	23	0	0	0	100
Extension of Child Credit (2004)	23	0	0	0	100
COMMITTEE ON APPROPRIATIONS					
2001 Tax Cut	32	0	1	0	100
2002 Tax Cut	33	0	0	0	100
2003 Tax Cut	31	0	2	0	100
Medicare Drug Benefits (2003)	30	3	0	0	91
Voted Yes for All Four	27	-	-	-	84
Make EGTRRA Permanent (2002)	33	0	0	0	100
Make Estate Tax Repeal Permanent (2003)	33	0	0	0	100
Voted Yes for All Six	27	-	-	-	84
Farm Security Act (2001)	25	8	0	0	76
Highway Bill (2004)	33	0	0	0	100
Marriage Penalty Relief (2004)	32	0	1	0	100
AMT Relief (2004)	33	0	0	0	100
Extension of 10 Percent Bracket (2004)	33	0	0	0	100
Extension of Child Credit (2004)	33	0	0	0	100

See Table 3 for Sources.