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Updated October 4, 2013

"Boehner Rule" Linking Debt-Ceiling Increase to Spending Cuts Is Dangerous Policy

Would Likely Require Deep Cuts in Medicare, Medicaid, and Social Security

By Paul N. Van de Water

Some House members are urging Speaker John Boehner to resurrect the so-called "Boehner Rule," which demands that any increase in the debt limit be accompanied by equal or larger reductions in spending.[1] Speaker Boehner has said, as recently as late August, that "we're not going to increase the debt limit without cuts and reforms that are greater than the increase in the debt limit,"[2] although it's not clear if that remains his current position.

The Budget Control Act (BCA) of 2011, which ended that year's debt-limit showdown, followed this rule. It paired a $2.1-trillion increase in the debt ceiling with spending cuts of similar size,[3] including the sequestration cuts. In contrast, the most recent debt-ceiling increase — signed in February 2013, a month after the deal avoiding the fiscal cliff — was not tied to spending reductions.[4]

Some Senate Republicans also have called for adherence to this rule. In January, Senator Rob Portman (R-OH) and 29 Senate cosponsors introduced a bill that would make the dollar-for-dollar standard a permanent debt-limit policy.[5]

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[1] Peter Schroeder, "GOP puts new price on debt hike," *The Hill,* October 3, 2013, http://thehill.com/homenews/news/326271-gop-puts-new-price-on-debt-hike.

[2] Darin Oswald, "Boehner visits Boise: vows to succeed with entitlement reform this fall," *Idaho Statesman,* August 26, 2013, http://www.idahostatesman.com/2013/08/26/2726580/popkey-boehner-visits-boise-still.html.

[3] The BCA achieved some of those cuts by placing caps on discretionary funding. The rest of the cuts were to be achieved by the Joint Select Committee on Deficit Reduction or, if the committee could not agree, by sequestration.

[4] Some Senate Republicans as well have called for adherence to this "rule" in the past. *The No Budget, No Pay Act of 2013*, Public Law 113-3, February 4, 2013.

[5] "The Dollar-for-Dollar Deficit Reduction Act," S. 43, introduced January 22, 2013, http://www.portman.senate.gov/public/index.cfm/press-releases?ID=3747d1a6-3f24-4738-9d42-6b57b8edb458.

Such calls for the Boehner rule are cause for serious concern. Following this rule would impose an extremely onerous — and unnecessary — budget goal, and ultimately have devastating consequences.

This rigid formula would require additional spending cuts in any year in which the debt grows in dollar terms, even if the debt is stable or shrinking in relation to the economy. Under the formula, programs that strengthen economic growth or serve low- and middle-income Americans could be cut to allow the debt ceiling to be raised, but savings from curbing special-interest tax breaks *would not count* for this purpose.

The Boehner rule is so restrictive that even the ambitious budget plan from Fiscal Commission co-chairs Erskine Bowles and Alan Simpson — which would put federal debt on a declining path as a percentage of gross domestic product (GDP) — falls far short of meeting it. The Boehner rule would require about *$2 trillion more in program cuts over the next ten years than Bowles-Simpson*.

Senator Bob Corker (R-TN) introduced a bill at the end of the previous Congress that embodies a dollar-for-dollar linkage between a debt-ceiling increase and spending cuts.[6] The Corker bill includes deep cuts in Medicare, Medicaid, and Social Security that would total about $1 trillion over the next ten years. Moreover, the $1-trillion increase in the debt ceiling that these cuts would allow under the Boehner rule would only be sufficient to raise the debt limit enough for another year or so; even more program cuts would be needed a year from now to raise the debt limit further.

Ultimately, the Boehner rule would compel policymakers to adopt program cuts of unprecedented severity, like those in the House-passed budget resolution authored by Budget Committee Chairman Paul Ryan (R-WI). The Ryan budget would cut non-defense discretionary programs by $1.1 trillion below the stringent caps imposed by the Budget Control Act, replace guaranteed Medicare benefits with "premium support" vouchers, raise the age of eligibility for Medicare, add 25 million people to the ranks of the uninsured by repealing health reform, turn Medicaid and SNAP into block grants and drastically cut their funding, and significantly cut other programs serving low-income Americans.

Failure to Raise Debt Ceiling Would Have Serious and Permanent Consequences

In mid-October, the Treasury will run out of room to borrow more money without exceeding the legal limit on the debt.[7] Soon after that, if Congress does not raise the limit, the federal government will exhaust its cash balances and no longer be able to meet all of its legally binding financial obligations, including required payments to bondholders, service members, veterans, and contractors.[8]

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[6] "The Dollar for Dollar Act of 2012," S. 3673, 112th Congress.

[7] Jacob Lew, Secretary of the Treasury, Letter to the Honorable John A. Boehner, August 26, 2013, http://www.treasury.gov/initiatives/documents/082613%20debt%20limit%20letter%20to%20congress.pdf.

[8] Kathy A. Ruffing and Chad Stone, *Separating the Debt Limit from the Deficit Problem,* Center on Budget and Policy Priorities, January 23, 2013, http://www.cbpp.org/cms/index.cfm?fa=view&id=3888.

Default would have serious consequences. Moreover, as the Treasury Department has written, "Political brinksmanship that engenders even the *prospect* of a default can be disruptive to financial markets and American businesses and families."[9]

First, federal interest costs would be permanently higher because, as former Treasury Secretary Geithner has stated, "default would call into question, for the first time, the full faith and credit of the U.S. government."[10] The damage to the Treasury's reputation would be irreparable. Investors would no longer treat Treasury securities as a risk-free asset once the government failed to meet its obligations in full and on time, and they would demand higher interest rates on federal securities to compensate for the new risk.[11] Families' borrowing costs could rise, too, since interest rates on credit cards, mortgages, and small-business loans are often tied to Treasury rates.

Second, the federal government would have to cut spending abruptly by as much as 20 percent because it would have to restrict spending to the amount of incoming revenues. The Treasury would be "forced to stop, limit, or delay payment on obligations to which the Nation has already committed — such as military salaries, Social Security and Medicare, tax refunds, contractual payments to businesses for goods and services, and payments to our investors."[12] If the situation continued for very long, the drag on the economy would be much worse than the "fiscal cliff" that policymakers avoided in early 2013.

Third, a default could impair the solvency of mutual funds, banks, and other financial institutions with substantial investments in Treasury securities, causing serious ripple effects across the economy. As we learned in 2008, a loss of confidence in a few systemically important firms can lead to a worldwide financial crisis, a global economic slowdown, and steep job losses at home.

Raising the debt limit simply allows the government to pay its bills. Spending decisions are made elsewhere — through the annual appropriations process and the laws authorizing Social Security, Medicare, and other entitlement programs; the President may not spend any more than these laws provide. By the time the debt ceiling needs to be increased, policymakers cannot refuse to pay the government's bills without incurring drastic consequences. As the *Financial Times* has editorialized, "Sane governments do not cast doubt on the pledge to honor their debts — which is why, if reason prevailed, the debt ceiling would simply be scrapped."[13]

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[9] U.S. Department of the Treasury, *The Potential Macroeconomic Effect of Debt Ceiling Brinksmanship,* October 3, 2013, http://images.politico.com/global/2013/10/03/potential_macroeconomic_impact_of_debt_ceiling_brinkmanship.html.

[10] Timothy F. Geithner, Secretary of the Treasury, Letter to the Honorable Michael Bennet, May 13, 2011, http://www.treasury.gov/connect/blog/Documents/20110513%20Bennet%20Letter.pdf.

[11] Government Accountability Office, *Debt Limit: Analysis of 2011-2012 Actions Taken and Effect of Delayed Increase on Borrowing Costs*, Report GAO-12-701, July 2012, http://www.gao.gov/assets/600/592832.pdf.

[12] Geithner, Letter to the Honorable Michael Bennet.

[13] "Raising the roof on America's debt," *Financial Times,* May 8, 2011, http://www.ft.com/intl/cms/s/0/c67b683e-79a7-11e0-86bd-00144feabdc0.html#axzz2IMiI3dpA.

Dollar-for-Dollar Standard Is Poorly Designed and Would Have Dangerous Consequences

Although holding a debt-ceiling increase hostage is never appropriate policy, the Boehner rule, which would require spending cuts equal to the size of the debt-ceiling increase, is particularly dangerous. The Boehner rule suffers from both fundamental and technical flaws.

- **It would impose a fiscal goal that is far too onerous.** As CBPP and many others have argued, a sound intermediate-term goal for fiscal policy is to stabilize the debt held by the public as a share of the economy.[14] Maintaining a stable ratio of debt to gross domestic product (GDP) is fully consistent with running small deficits because economic growth raises GDP. If deficits are sufficiently small that they do not cause the debt to rise more rapidly than GDP, then the debt will not grow as a share of the economy. Under the Congressional Budget Office's (CBO) current assumptions, the United States could stabilize its debt-to-GDP ratio (after the economy has recovered from the current downturn) with deficits of slightly less than 3 percent of GDP.

  In contrast, the dollar-for-dollar standard would require additional deficit reduction in any year in which the debt grows in dollar terms — that is, whenever the budget is in deficit — even if the debt is stable or shrinking in relation to the economy.

  Moreover, if the deficit rises in a given year because the economy weakens, the Boehner rule would require even more spending cuts, which would weaken the economy further by shrinking overall demand. The federal government, instead of making recessions shorter and shallower as it now does, would make them longer and deeper.

- **It is biased in favor of deficit reduction through program cuts and against revenue increases.** Of the more than $2 trillion in policy savings enacted in the past three years, excluding sequestration, about 70 percent has come through program cuts.[15] (If sequestration is maintained, the share of policy savings coming from spending cuts will be close to 80 percent.) The Boehner rule would exacerbate this already heavy tilt toward program cuts, since revenue increases would not permit an increase in the debt ceiling. Such a cuts-heavy approach would entail cutting entitlements deeply on the spending side of the budget, which overwhelmingly benefit middle-class and poor families, but largely spare the entitlements in the tax code, which disproportionately benefit well-to-do Americans.[16]

- **It is tied to a flawed measure of debt.** Economists and financial analysts focus on the amount of debt held by the public, which is the amount that the government must borrow in private credit markets. But the measure of debt subject to the statutory debt limit consists of debt held by the public *plus* debt that one part of the federal government owes another part — specifically, debt the Treasury owes to federal trust funds, such as Social Security and Medicare.

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[14] Richard Kogan and Paul Van de Water, *How Much Deficit Reduction Is Needed Over the Coming Decade?,* Center on Budget and Policy Priorities, July 10, 2013, http://www.cbpp.org/cms/index.cfm?fa=view&id=3885.

[15] Kogan and Van de Water, Box 1.

[16] Robert Greenstein, *Achieving Further Deficit Reduction Solely Through Spending Cuts Entails Cutting Entitlements That Benefit the Poor and Middle Class While Shielding the Biggest Entitlements for the Wealthy*, Center on Budget and Policy Priorities, January 9, 2013, http://www.cbpp.org/cms/index.cfm?fa=view&id=3884.

Even if the overall federal budget is in *surplus*, as it was from 1998 through 2001, the debt subject to limit will still be growing if the trust funds are also running bigger surpluses.

Perversely, therefore, the Boehner rule would require policymakers to cut spending more deeply if the trust fund surpluses grow. In 2014, for example, trust fund surpluses will add $105 billion to the amount of federal debt subject to the statutory limit and, under the Boehner rule, require that much more in program cuts.[17]

- The choice of a baseline from which to measure the amount of program cuts required to satisfy the Boehner rule would be arbitrary. For example, should the baseline assume that the scheduled automatic spending cuts ("sequestration") will continue, that the war in Afghanistan will wind down, or that payments to physicians will be cut in accord with Medicare's sustainable growth rate (SGR) formula? The answers to these questions will affect how much various spending policies are estimated to save and, therefore, the amount of increase in the debt ceiling that the Boehner rule would permit.

The Boehner rule is so restrictive that even some widely touted budget plans would fall far short of meeting it. For example, the December 2010 proposal by former White House chief of staff Erskine Bowles and former Senator Alan Simpson (R-WY) would put debt held by the public on a declining path as a percentage of GDP. But Bowles-Simpson's proposed program cuts over the ten years — including its proposed cuts in Social Security — amount to barely half of the projected increase in debt subject to limit that would occur under their plan. The spending cuts would fall $2 trillion or more short of what the Boehner rule would demand.[18]

Non-Defense Discretionary Spending Has Already Been Cut Substantially

In the past three years, Congress and the President have reduced projected deficits over the next ten years by $2.8 trillion, including interest savings.[19] The Budget Control Act and other appropriations actions reduced discretionary spending by nearly $1.6 trillion, the recent American Taxpayer Relief Act increased revenues by $0.7 trillion, and interest savings make up the remainder. Of the policy changes achieved so far, the ratio of spending cuts to tax increases is more than 2 to 1. (These figures do not include the additional spending cuts that will occur if sequestration remains in effect in 2014 and thereafter.)

Three-fifths of the enacted savings from cutting and capping discretionary spending comes from cuts in non-defense discretionary programs. This part of the budget includes an array of domestic programs ranging from public health, education, job training, and economic development to health and scientific research, environmental protection, transportation, and law enforcement. (It excludes mandatory, or entitlement, programs such as Social Security, Medicare, and Medicaid.) The funding

[17] *Budget of the United States Government, Fiscal Year 2014, Analytical Perspectives,* table 5-2.

[18] Richard Kogan, *What Was Actually in Bowles-Simpson — and How Can We Compare It with Other Plans?,* Center on Budget and Policy Priorities, October 2, 2012, http://www.cbpp.org/cms/index.cfm?fa=view&id=3844. The Bowles-Simpson plan would require roughly $2 trillion in additional spending cuts (beyond those that have already been enacted), including Social Security and interest, over ten years, but debt subject to limit would rise by $4 to $5 trillion over the period under current estimates.

[19] Kogan and Van de Water, Box 1.

limits that are already in place — not including the sequestration required by the BCA in 2014 through 2021 — will shrink non-defense discretionary spending to its lowest level on record as a share of GDP, with data going back to 1962.[20]

Further cuts in non-defense discretionary spending, which would be very likely under the Boehner rule, would mean even less investment in the building blocks of economic growth, such as education, research, and infrastructure. Additional cuts would also shift costs to states, which would either have to increase their own spending (and raise taxes) or cut essential services. As former Office of Management and Budget Director Alice Rivlin and former Senator Pete Domenici (R-NM) have written, "We believe that further significant cuts in discretionary spending would do little to improve long-run fiscal sustainability and risk harming investment, recovery, and future growth."[21] Sequestration has already reduced non-defense discretionary spending well below the levels that Rivlin and Domenici recommended, and the Boehner rule would almost certainly force further reductions.

Corker Bill Embodying Boehner Rule Would Slash Medicare, Medicaid, and Social Security

Since non-defense discretionary spending has already been cut substantially, policymakers will look primarily to the mandatory side of the budget for further cuts. Senator Bob Corker (R-TN) introduced a bill in December 2012 that embodies the Boehner rule and illustrates the kinds of cuts in mandatory programs that policymakers might implement to meet it. Senator Corker's bill (the Dollar for Dollar Act) would institute large cuts in Medicare, Medicaid, and Social Security that would affect millions of people of modest means. Senator Corker estimates that these cuts would total nearly $1 trillion over the next ten years, and he proposes to increase the debt ceiling by the same amount.[22] Since that increase in the debt ceiling would be sufficient for only an additional year or so, the Boehner rule would require another round of deep cuts — likely affecting many of the same beneficiaries — in about 12 months.

Medicare. The Corker bill would cut Medicare spending by $689 billion over the next ten years. Starting in 2017, it would replace Medicare's guarantee of health coverage with a premium-support plan. Beneficiaries would receive vouchers whose value was tied to the cost of a health plan at the 40th percentile (that is, below the average cost of a health plan), and many beneficiaries would have to pay more to remain in their existing plans, whether traditional Medicare or private plans. Although the Corker bill would not limit the growth of the voucher, as other premium support

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[20] Richard Kogan, *Congress Has Cut Discretionary Spending by $1.5 Trillion Over Ten Years,* Center on Budget and Policy Priorities, September 25, 2012, http://www.cbpp.org/cms/index.cfm?fa=view&id=3840.

[21] Pete V. Domenici and Alice Rivlin, Testimony before the U.S. Senate Committee on Finance, June 19, 2012, http://www.finance.senate.gov/imo/media/doc/Joint%20Testimony%20for%20Senate%20Finance%20-Domenici-Rivlin%20June%2019.pdf.

[22] "Corker 'Dollar for Dollar' Bill Summary," December 12, 2012, http://www.corker.senate.gov/public/_cache/files/d48f7abd-73fc-4989-b0b6-62fb7f2130b7/12-12-12%20Summary%20Corker%20Dollar%20for%20Dollar%20Act.pdf.

plans would do, such a limit could easily be added later, thereby shifting more and more costs on to beneficiaries.[23]

The Corker bill would restructure Medicare cost-sharing in a way that would raise costs for most beneficiaries, without protecting those just above the poverty level, such as elderly widows living on as little as $12,000 a year. Beginning in 2015, it would make a much needed improvement in the program by placing a limit on a beneficiary's annual out-of-pocket spending, although this limit would be set at a relatively high $7,500. However, it would also establish a deductible of $550 a year and cost-sharing of 20 percent for almost all covered services. Since the Part B deductible is now only $140, and since Medicare provides protection from cost-sharing charges only for beneficiaries below the poverty line ($11,490 for an individual in 2013), a widow or other beneficiary with income of $12,000 could be forced to go without needed care if she could not afford the higher deductible.

Furthermore, applying a uniform cost-sharing rate is a blunt instrument that can discourage the use of cost-effective services. For example, the Medicare Payment Advisory Commission, Congress' expert advisory body on Medicare payment policy, has recommended *lower* cost-sharing for certain types of post-acute care to reduce the risk of re-hospitalization. The Corker bill would also prohibit Medigap plans (the private insurance plans that supplement Medicare) from covering any of the Medicare deductible or more than half of its cost-sharing.

The Corker plan would raise the age of eligibility for Medicare from 65 to 67 between 2014 and 2024. Those in this age bracket with incomes between 100 and 400 percent of poverty would be eligible to buy subsidized coverage in the insurance exchanges that the health reform law establishes. But the Corker bill fails to extend Medicaid coverage to all 65- and 66-year-olds with incomes *below* the poverty line (as health reform does, at state option, for people below age 65). As a result, raising the Medicare age would, for the first time since Medicare was created in the 1960s, leave many poor 65- and 66-year-olds uninsured.

The Corker bill would also substantially expand the income-related premiums for the physician and prescription drug portions of Medicare. Today, individuals with incomes over $85,000 and couples with incomes over $170,000 pay higher premiums on a sliding scale. The Corker plan would lower those thresholds to $50,000 for individuals and $100,000 for couples starting in 2013, and individuals with incomes over $250,000 and couples with incomes over $500,000 would have to pay the full cost of their benefits.

Medicaid. The Corker bill would offer states an optional Medicaid block grant with federal funding well below what would be necessary to keep pace with health care costs. It would allow states to waive any or all federal requirements in the program, including those related to benefits, eligibility, methods of delivering assistance, and premiums and cost sharing. In exchange, states would have to accept an aggregate limit on federal Medicaid funding that would be less — possibly much less — than they would receive under current law. In addition, states would be allowed to retain one-quarter of any federal savings they generated by holding Medicaid spending below the aggregate

[23] For a comprehensive analysis of premium support proposals, see Paul N. Van de Water, *Converting Medicare to Premium Support Would Likely Lead to Two-Tier Health System,* Center on Budget and Policy Priorities, September 26, 2011, http://www.cbpp.org/cms/?fa=view&id=3589.

limit. Together, these provisions would encourage states to use their unfettered flexibility to cut Medicaid eligibility, benefits, or provider payment rates.

The Corker bill also would phase out by 2023 states' ability to finance their share of Medicaid costs with taxes on health care providers. Although provider taxes used to be a source of abuse in state financing of Medicaid, federal laws enacted in 1991 and 2006 have clamped down on such practices. Ending states' ability to use these revenues at all would have serious consequences for low-income people; it would likely lead to sizeable state cutbacks that could result in several million poor people being uninsured. (The Congressional Budget Office expects that states would not be able to replace all the lost revenue and would cut their Medicaid programs to offset the loss of funds.) In addition, barring provider taxes would induce more states to reject health reform's Medicaid expansion, leaving many more poor Americans without health coverage.[24]

Social Security. The Corker bill would make substantial cuts in Social Security benefits, while providing *no* additional revenues for Social Security solvency. Several of its proposals are similar to those in the Bowles-Simpson plan, but the Corker plan omits the Bowles-Simpson increase in the limit on earnings subject to the Social Security payroll tax and makes deeper cuts than Bowles-Simpson in retirement and disability benefits. The Corker Social Security proposals are harsher and less balanced than those in Bowles-Simpson, which our analyses have found to rely too heavily on benefit cuts and to adversely affect many beneficiaries of very modest means.[25]

Starting in 2017, Corker would cut benefits for most new Social Security beneficiaries by altering — in the same manner as Bowles-Simpson — the formula that ties initial benefits to beneficiaries' previous earnings. While the benefit cuts would be largest for workers with above-average earnings, they would affect the vast majority of retired and disabled workers, including millions of people with modest incomes. And by weakening the link between a recipient's benefits and past earnings, the cuts could undermine public support for the program. In the long run, most workers would end up getting very similar benefits despite having paid in very different amounts in payroll taxes.[26]

The Corker bill would further reduce retirement benefits by raising both the early and full retirement ages, much as in Bowles-Simpson. The full retirement age used to be 65, is now 66, and will gradually rise to 67 by 2022 under current law; retirees may claim reduced benefits starting at age 62. The Corker bill would raise the full retirement age from 67 to 69 and the early retirement age from 62 to 64 over the 2023-2070 period. Each one-year increase in the full retirement age acts as a roughly 7-percent across-the-board cut in benefits, regardless of the age at which a person begins to draw benefits.[27] Unlike Bowles-Simpson, the Corker bill provides *no* protection for those 62- and

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[24] Robert Greenstein, "The Misinformed Attack on Medicaid Provider Taxes," *Off the Charts* blog, Center on Budget and Policy Priorities, December 10, 2012, http://www.offthechartsblog.org/the-misinformed-attack-on-medicaid-provider-taxes/.

[25] Kathy A. Ruffing and Paul N. Van de Water, *Bowles-Simpson Social Security Proposals Not a Good Starting Point for Reform*, Center on Budget and Policy Priorities, February 17, 2011, http://www.cbpp.org/cms/index.cfm?fa=view&id=3402.

[26] *Ibid.*

[27] For an explanation, see the box in Kathy A. Ruffing and Paul N. Van de Water, *Social Security Benefits are Modest: Policymakers Have Only Limited Room to Reduce Benefits Without Causing Hardship*, Center on Budget and Policy Priorities, January 11, 2011, http://www.cbpp.org/cms/index.cfm?fa=view&id=3368.

63-year-olds who would have a hard time continuing to work if the early retirement age were raised but would not qualify for disability benefits.

The Corker bill would also impose a sharp cut in benefits for disability beneficiaries upon reaching retirement — a provision not in Bowles-Simpson. At present, disabled-worker beneficiaries are converted to retired-worker beneficiaries at the full retirement age with no change in their benefit amount; the transition is invisible to them. Under the Corker bill, however, disability beneficiaries would be converted to retirement benefits at age 64 (a change that would be phased in between now and 2025) and would face a sudden reduction in benefits of *20 percent or more* as the full retirement age rises beyond 67. For an average disabled beneficiary, who today receives an annual benefit of just under $13,600, that would amount to a cut of $2,700.

Finally, the Corker bill would use the chained Consumer Price Index (CPI) to index the tax code, Social Security benefits, and all other federal programs with annual cost-of-living adjustments (COLAs). This proposal would reduce COLAs by about 0.3 percentage points a year — a cumulative cut of about 3 percent after a person has been receiving benefits for ten years. Because many economists believe the official CPI is slightly upwardly biased and regard the chained CPI as a more accurate measure of inflation, CBPP has suggested that the chained CPI be on the table in deficit-reduction negotiations — but only if policymakers make several adjustments to prevent significant hardship.[28] **In particular, they should either exempt Supplemental Security Income (SSI) and veterans' pensions from the switch or make other changes to mitigate the chained CPI's impact on the mostly poor beneficiaries of these programs. The Corker bill includes a provision to soften the effect of the chained CPI on long-time Social Security beneficiaries but no such protections for beneficiaries of SSI and veterans' pensions.**

Boehner Rule Would Require Even More Extreme Cuts in Future Years

The $1 trillion of program cuts in the Corker bill would, under the Boehner rule, allow for a $1-trillion increase in the debt ceiling. But that increase would only be sufficient for about another year. After that, additional rounds of cuts would have to be imposed, on top of those already made. If maintained over a number of years, the dollar-for-dollar standard could ultimately require dismantling much of the federal government.

The fiscal year 2014 House-passed budget resolution, authored by Chairman Paul Ryan, illustrates what continued adherence to the Boehner rule could entail. The House budget resolution satisfies the Boehner rule over the next ten years. It provides for about $5 trillion in program savings and about $6 trillion in total spending cuts, including interest, over the 2014-2023 period.[29] And it allows

[28] Kathy A. Ruffing, Paul N. Van de Water, and Robert Greenstein, *Chained CPI Can Be Part of a Balanced Deficit-Reduction Package, Under Certain Conditions*, Center on Budget and Policy Priorities, February 22, 2012, http://www.cbpp.org/cms/?fa=view&id=3690.

[29] Richard Kogan, *An Apples-to-Apples Comparison of the Deficit-Reduction Figures in the House and Senate Budget Plans*, Center on Budget and Policy Priorities, March 19, 2013.

for an increase of $3.6 trillion in the debt subject to limit over those same years, compared to the current limit.[30]

The cuts in the Ryan budget are extreme. Two-thirds of its savings would come from programs that serve people of limited means, including stunningly deep cuts in Medicaid, health insurance tax credits, the Supplemental Nutrition Assistance Program (formerly known as food stamps), and Pell Grants for low-income college students.[31] Non-defense discretionary spending, already scheduled to fall to historically low levels as a share of the economy, would be slashed well below the BCA cap level and even below the level after sequestration.[32] The Ryan budget would replace Medicare's current guarantee of coverage with a premium-support voucher, raise the eligibility age to 67, and reopen the "doughnut hole" in Medicare's coverage of prescription drugs. Together, these changes would shift substantial costs to Medicare beneficiaries and — with the budget's simultaneous repeal of health reform — leave many 65- and 66-year-olds without any health coverage at all.[33]

Moreover, in light of recent improvements in the budget outlook, the cuts in the Ryan budget are far larger than necessary. Policymakers could stabilize the debt (so it stops rising as a percent of the economy, or GDP) over the latter part of the decade with about $900 billion in further deficit savings. With $1.5 trillion in deficit reduction, they could not only stabilize the debt but cause it to start declining modestly as a percent of GDP.[34]

Conclusion

After enactment of the 2011 Budget Control Act, which paired a $2.1-trillion increase in the debt ceiling with spending cuts of similar size, Republican congressional leaders announced that the law "establish[ed] a clear precedent that any future debt limit increases must be matched by an even larger cut in government spending."[35] In voting in early 2013 for an increase in the debt limit that was not tied to spending cuts, House Republicans retreated at least temporarily from that position. Future legislation must continue to avoid any dollar-for-dollar linkage between a debt-ceiling increase and spending cuts.

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[30] U.S. House of Representatives, Committee on the Budget, *Concurrent Resolution on the Budget: Fiscal Year 2014, Report to Accompany H. Con. Res. 25,* March 15, 2013, http://www.gpo.gov/fdsys/pkg/CRPT-113hrpt17/pdf/CRPT-113hrpt17.pdf.

[31] Richard Kogan and Kelsey Merrick, *Chairman Ryan Gets 66 Percent of His Budget Cuts from Programs for People with Low or Moderate Incomes,* Center on Budget and Policy Priorities, March 15, 2013, http://www.cbpp.org/cms/index.cfm?fa=view&id=3925.

[32] Joel Friedman, "Ryan Budget Hits Non-Defense Discretionary Funding Far More Than Sequestration Does," *Off the Charts* blog, March 14, 2013, http://www.offthechartsblog.org/ryan-budget-hits-non-defense-discretionary-funding-far-more-than-sequestration-does/.

[33] Paul N. Van de Water, *Medicare in Ryan's 2014 Budget,* Center on Budget and Policy Priorities, March 15, 2013, http://www.cbpp.org/cms/?fa=view&id=3922.

[34] Kogan and Van de Water.

[35] Paul Ryan, "A Response to Gene Sperling," House Budget Committee, August 2, 2011, http://paulryan.house.gov/news/documentprint.aspx?DocumentID=254863.

Accepting the Boehner rule now could create a precedent that would be hard to break, ultimately requiring spending cuts of unprecedented severity. As we have noted:

> If we head down this path, we will become a different nation — coarser, harsher toward the vulnerable and people who experience what FDR termed the "vicissitudes of life," unable to invest adequately in our future, and willing to tolerate levels of poverty and inequality that are present nowhere else in the Western world.[36]

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[36] Robert Greenstein, *Statement on Speaker Boehner's Recent Remarks Concerning the Debt Limit,* Center on Budget and Policy Priorities, May 16, 2012, http://www.cbpp.org/cms/?fa=view&id=3779.