



The Daily Dish

# The Skinny Budget

DOUGLAS HOLTZ-EAKIN, PATRICK HEFFLINGER | FEBRUARY 2, 2017

On Wednesday Senate Finance Committee Chairman Orrin Hatch (R-UT) said that all Obamacare taxes need to be repealed. During a speech at the U.S. Chamber of Commerce, Hatch mentioned that while some of his colleagues have argued that Obamacare taxes should be kept in place then used to pay for the GOP's replacement plan once finalized, he does not subscribe to that view. Hatch said that all taxes should be repealed as soon as possible, especially after "spending seven years talking about the harm being caused by these taxes."

Yesterday National Security Advisor General Michael Flynn strongly condemned Iran for their recent ballistic missile test. According to Flynn, the missile launch was in direct violation of a United Nations Security Council resolution that states Iran won't "undertake any activity related to ballistic missiles designed to be capable of delivering nuclear weapons, including launches using such ballistic missile technology." General Flynn said the Trump Administration is "officially putting Iran on notice."

## *Eakinomics: The Skinny Budget*

The president's [budget](#) is an enormous undertaking, so it is unreasonable to expect any incoming administration to meet the normal deadline of the first Monday in February. Instead, the [tradition](#) has developed for the administration to present an overview of its major initiatives and objectives, colloquially labeled the "skinny budget" — and usually a bit late as well. For example, on February 26, 2009 President Obama submitted a 134-page overview of the fiscal 2010 budget that contained proposals for economic stimulus and updated budget summary tables.

One can expect the same from the Trump Administration. What will it look like or, put differently, what are the key things to look for?

The first thing to check will be the economic projections. The Budget presents the growth that is expected assuming full implementation of the president's policies. That is, if one could snap their fingers and implement everything exactly as the president proposes, how fast will the economy grow? How many jobs will be created? President Trump announced his aspiration to growth much more rapidly; anywhere from 3.5 to 4.0 percent annually. Where will he land in his first official document?

Second on the list is the size of any tax cuts. During the campaign, his proposals were [estimated](#) to cut taxes by anywhere from \$2 to \$6 trillion over the next 10 years. At the same time, House Republicans Speaker Ryan and Ways and Means Chairman Brady are committing to revenue-neutral tax reform. Will the president modify his proposals to more closely hew to Congressional intent, or will he stick to the campaign formulation? It will be interesting as well to see if the content of the proposals shifts toward the House blueprint as well.

Third, look for the size of the defense spending increase and infrastructure program. The former will require legislation to change the caps imposed by the Budget Control Act. How aggressive will the change be and will Trump, like Obama, have a dollar for dollar increase in non-defense discretionary spending as well. On infrastructure, the \$1 trillion number has been bandied about, but it is not clear how much of that is assumed to

be private funding. What will be the budget cost?

Finally, how does the deficit and debt add up over the next 10 years? President Obama bequeathed his successor an unsustainable budget outlook. Will President Trump simply embrace that for the moment, or will his budget have major initiatives to get the red ink under control?

The skinny budget will kick off debate over the fiscal 2018 budget, and will be an important first peek at administration priorities.