Highlights

-- How Did Washington Go From Budget Surpluses to Escalating Deficits? (p. 21)
-- Washington Spent $52,000 per Household in 2021 (22)
-- What Happened to the 2011 BCA Spending Caps? (26-27)
-- Rising Social Security & Medicare Shortfalls Drive Nearly Entire 2019-31 Deficit Rise (34-38)
-- What is Driving CBO’s Projected $112 Trillion Deficit over 30 Years? (45-51)
-- Why the Deficit Could Top $3 Trillion Yet Again Within a Decade (59)
-- Each 1% Interest Rate Rise Adds 40% of GDP to 30-Year Debt (62)
-- A Menu of Tax Increase Options With 10-Year and Long-Term Estimates (67-68)
-- President Biden’s Budget Proposals Would Add $8.8 Trillion in New Ten-Year Debt (79)
-- Does the U.S. Have the OECD’s Most Progressive Tax Code? (99)
-- Is it Possible that the 1980s Defense Build Up Paid for Itself? (106)
-- What Really Caused the 1990s Budget Surpluses? (107)
-- The Comprehensive Bush Budget Record (109-110)
-- The Comprehensive Obama Budget Record (111-118)
Nearly all charts were built with publicly-available government data from the Office of Management and Budget (OMB), Congressional Budget Office (CBO), U.S. Treasury, Council of Economic Advisors (CEA), Bureau of Labor Statistics (BLS), Bureau of Economic Analysis (BEA), and Census Bureau.

Unless otherwise noted, short time periods are expressed in nominal dollars, medium time periods are expressed in inflation-adjusted dollars, and long time periods are expressed as percentage of the economy.

Questions on specific charts can be addressed by contacting Brian Riedl at Briedl@manhattan-institute.org.
Charts are Organized into 12 Chapters

1. Rising Budget Deficits and National Debt
2. What is Driving the Debt? Soaring Federal Spending
3. Discretionary Spending is Not Driving the Long-Term Debt
4. Mandatory Spending and Entitlement Costs are Rising Rapidly
5. 30-Yr Debt Estimates are Driven by Social Security & Medicare Shortfalls
6. What Happens to the Debt if Interest Rates Rise?
7. Can’t We Just Raise Taxes, Cut Defense, & Nationalize Health Care Instead?
8. Progressive Proposals Would Dig the Debt Even Deeper
9. Tax Revenues Will Continue Growing Faster Than the Economy
10. The Tax Code Has Become Increasingly Progressive
12. A Comprehensive Accounting of the Obama Fiscal Record
Rising Budget Deficits and National Debt

Chapter 1
CBO Projects Budget Deficits to Resume Steep Growth Even After Pandemic

Source: OMB historical table 1.1, and July 2021 CBO baseline (with timing shifts removed). Assumess most 2017 tax cuts expire on schedule.
Budget Deficits are Once Again Soaring (Adjusted for Inflation)

Source: OMB Historical Table 1.1, and July 2021 CBO baseline (with timing shifts removed).
Assumes most 2017 tax cuts expire on schedule.
The 2020 & 2021 Deficits are the Largest Since World War II

Source: July 2021 CBO Baseline and Historical Data, Adjusted to Assume Extension of the 2017 Tax Cuts.
The 2020 Budget Deficit Exceeded the Combined 2016 Through 2019 Deficits

Source: July 2021 CBO Baseline, Treasury data, and historical data.
The National Debt Will Nearly Double From 2019 Through 2031

Source: July 2021 CBO Baseline and historical data, adjusted to assume extension of the 2017 tax cuts.
The National Debt is Set to Match the World War II Peak Within a Decade

Historical Debt Held by the Public as a Percentage of GDP

Source: OMB Historical Table 7.1, and July 2021 CBO Baseline.
CBO Long-Term Baseline Shows Unsustainable Debt

**Note:** This is the rosy scenario that assumes no wars, no recessions and continued low interest rates. It also assume all tax cuts expire as scheduled.

Source: CBO 2021 Long-term Budget Outlook
The National Debt Has Surpassed $175,000 Per Household

Source: OMB Historical Table 7.1, July 2021 CBO Baseline, and Census Bureau Data.
Projected New Federal Debt Added by Decade

Source: CBO 2021 long-term budget outlook adjusted to reflect the current-policy baseline.
U.S. Government Debt is Increasingly Financed by the Federal Reserve and Domestic Lenders

A Rising Share of U.S. Government Debt is Financed by the Federal Reserve and Domestic Lenders

Source: U.S. Treasury, Federal Reserve
What Is Driving the Debt?
Soaring Federal Spending

Chapter 2
Background: Federal Spending & Taxes: 1930-2031

Source: OMB Historical Table 1.2 (1930-2019), and July 2021 CBO baseline, adjusted to include current-policy tax cut extensions.
Over the Next Decade, Above-Average Spending Will Drive Most of the Rising Deficit

Percentage of GDP

Spending
1960-2020 Average: 20.2%
23.2% (2031)

Revenues
1960-2020 Average: 17.3%
17.7% (2031)

Source: OMB Historical Table 1.2 (1930-2020), and July 2021 CBO Baseline
Rising Spending – Not Falling Revenues – Drives the Long-Term Deficit

Source: CBO 2021 Long-term Budget Outlook
What Happened to Those Budget Surpluses?
2000: Budget Surplus of 2.3% of GDP
2022: Budget Deficit of 4.5% of GDP

Change in Percentage of GDP

Revenues Fell 2.0% of GDP
3.3% Social Security & Health Entitlements
1.8% Other Mandatory
0.5% Non-Defense Discretionary
0.1% Defense
-0.9% Net Interest

Change Between 2000 Peak Surplus of 2.3% GDP, and Projected 2022 Deficit of 4.5% of GDP

Note: 2022 is final year listed because 2021 figures are dominated by temporary measures. Base year 2000 also had post-war record tax revenues due to a stock market bubble. Source: OMB historical tables and July 2021 CBO Baseline.
Coronavirus Legislation Pushed 2020 and 2021 Federal Spending Past $50,000 per Household

Source: OMB Historical Table 1.1, July 2021 CBO Baseline, and Census Bureau Data.
Discretionary Spending Is Not Driving the Long-term Debt

Chapter 3
Despite Recent Increases, Discretionary Spending Will Keep Falling Below its Historic Average

Source: OMB Historical Table 8.4, and July 2021 CBO Baseline.
Since 1990, Non-Defense Discretionary Spending Has Grown 4 Times Faster than Defense

Source: OMB historical table 8.1, and July 2021 CBO Baseline, converted into 2021 dollars.
Budget Deals Weakened the Budget Control Act (BCA) Discretionary Spending Caps

Source: Congressional Budget Office. Excludes OCO and Emergency Spending. Amounts In Nominal $Billions
What Became of the $1,788 Billion in Promised 2013-2021 Discretionary Savings Under the Budget Control Act?

*Other savings consist of mandatory savings and revenue increases.

- $1,015 billion was enacted (57%)
- $488 billion was repealed (27%)
- $285 billion was replaced by other savings thru 2029 (16%)*

Lawmakers also circumvented the caps through the ChIMPs gimmick, and by adding extra defense money to the Iraq & Afghanistan “emergency” bills that do not count against these spending caps.

Source: Calculations based on CBO Data, as of July 2021.
Statutory Budget Caps Sharply Reduce Discretionary Spending – Until They are Ignored After a Few Years

Discretionary Spending (%GDP)

Fiscal Year

Source: OMB Historical Table 8.4, and July 2021 CBO (current-policy) Baseline.
The 6 Largest Deficit Reduction Deals Since 1983 Were:

- 1983 Social Security Deal (Saved 0.52% of GDP)
- 1985 Gramm-Rudman Hollings Act (1.72%)
- 1990 Bush “Andrew Air Force Base” Deal (1.45%)
- 1993 Clinton Budget Deal (1.08%)
- 1997 Balanced Budget Deal (0.72%)
- 2011 Budget Control Act (1.01%)

Savings scored at time of enactment. Many cuts were later reversed, and the 1985 law was invalidated by the Supreme Court and replaced with a 1987 version.

Mandatory Spending and Entitlement Costs Are Rising Rapidly

Chapter 4
# Major Components of the 2019 Federal Budget

<table>
<thead>
<tr>
<th>2019 Outlays</th>
<th>$Millions</th>
<th>Per Household</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security</td>
<td>1,046,955</td>
<td>8,125</td>
<td>23%</td>
</tr>
<tr>
<td>National Defense</td>
<td>684,568</td>
<td>5,312</td>
<td>15%</td>
</tr>
<tr>
<td>Medicare</td>
<td>651,199</td>
<td>5,053</td>
<td>14%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>418,681</td>
<td>3,249</td>
<td>9%</td>
</tr>
<tr>
<td>Net Interest</td>
<td>393,498</td>
<td>3,054</td>
<td>9%</td>
</tr>
<tr>
<td>Income Security Programs</td>
<td>349,458</td>
<td>2,712</td>
<td>8%</td>
</tr>
<tr>
<td>Veterans Benefits</td>
<td>200,458</td>
<td>1,556</td>
<td>4%</td>
</tr>
<tr>
<td>Education</td>
<td>112,863</td>
<td>876</td>
<td>2%</td>
</tr>
<tr>
<td>Justice Administration</td>
<td>71,780</td>
<td>557</td>
<td>2%</td>
</tr>
<tr>
<td>Health Research &amp; Regulation</td>
<td>68,678</td>
<td>533</td>
<td>2%</td>
</tr>
<tr>
<td>Highways &amp; Mass Transit</td>
<td>63,580</td>
<td>493</td>
<td>1%</td>
</tr>
<tr>
<td>International Affairs</td>
<td>54,337</td>
<td>422</td>
<td>1%</td>
</tr>
<tr>
<td>All Else</td>
<td>413,133</td>
<td>3,206</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,529,188</td>
<td>35,148</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2019 Revenues</th>
<th>$Millions</th>
<th>Per Household</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ind. Income Taxes</td>
<td>1,698,353</td>
<td>13,180</td>
<td>49%</td>
</tr>
<tr>
<td>Soc. Insurance Taxes</td>
<td>1,242,405</td>
<td>9,641</td>
<td>36%</td>
</tr>
<tr>
<td>Corporate Taxes</td>
<td>216,194</td>
<td>1,678</td>
<td>6%</td>
</tr>
<tr>
<td>Excise Taxes</td>
<td>98,669</td>
<td>766</td>
<td>3%</td>
</tr>
<tr>
<td>Customs Duties/ Fees</td>
<td>69,469</td>
<td>539</td>
<td>2%</td>
</tr>
<tr>
<td>Fed. Reserve Earning</td>
<td>48,783</td>
<td>379</td>
<td>1%</td>
</tr>
<tr>
<td>Estate/Gift Taxes</td>
<td>19,295</td>
<td>150</td>
<td>1%</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>44,488</td>
<td>345</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total Receipts</strong></td>
<td>3,437,656</td>
<td>26,677</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: OMB Historical Tables 2.1, 2.4, 2.5, 3.2, and 8.5
Mandatory Spending is Squeezing Discretionary Spending

1965
- Mandatory: 34%
- Defense: 43%
- Domestic Discretionary: 23%

2021
- Mandatory: 77%
- Defense: 10%
- Domestic Discretionary: 13%

Source: OMB Historical Table 8.3
Composition of Federal Spending, 1962-2019

Source: OMB Historical Tables 3.2, 8.5, and 10.1
Social Security, Health Entitlements, & Interest Costs Drive 90% of the 2008-2031 Spending Hikes

Source: July 2021 CBO (Baseline and historical data), adjusted for inflation
The 2017 Tax Cuts are a Relatively Minor Contributor to Soaring Deficits

Source: Calculated using CBO July 2021 (current-policy) Baseline data. Assumes that tax cuts are renewed. Resulting interest costs are incorporated into each category.
Rising Social Security & Medicare Shortfalls Drive Nearly the Entire 2019-2031 Deficit Rise

General Revenue Transfers to Pay Social Security & Medicare Benefits

Annual deficit is projected to rise from $984 billion to $2,265 billion

Source: Calculated using July 2021 CBO (current-policy) Baseline and CBO 2020 Long-Term Baseline. Resulting interest costs are incorporated into each category. General revenues include interest payments on trust funds, as they represent a net cost to the rest of the budget.
Rising Social Security & Medicare Shortfalls Drive Nearly Entire 2019-2031 (non-Pandemic) Deficit Rise

Each category includes the portion of interest on the national debt that it is responsible for. General revenue transfers include interest payments on trust funds, which are a net cost to the rest of the budget.

Source: Calculated using July 2021 CBO (current-policy) Baseline.
Major Components of the $20.3 Trillion Deficit Projected Over 2020-2031 Period

Source: Calculated using July 2021 (current-policy) Baseline and Long-Term Baseline. Assumes that new tax cuts are renewed. Resulting interest costs are incorporated into each category. General revenues include interest payments on trust funds, as they represent a net cost to the rest of the budget.

Note: General revenue transfers to Social Security & Medicare will grow from $503 billion to $1,756 billion between 2020 & 2031.
Anti-Poverty Spending Has Soared Regardless of Party Control of Government

Source: OMB Historical Tables 3.2, 8.5, and 10.1
From 2001-2019, SNAP (Food Stamp) Caseloads Grew 17 Times as Fast as The Poverty Population

Sources: Department of Agriculture and Census Bureau. The poverty rate fell from 11.7% to 10.5% over this period.
Veterans’ Programs Have Earned Healthy Funding Increases

Source: OMB Historical Table 3.2, adjusted for inflation
In 2020, Washington Made $206 Billion in Improper Payments

- Medicaid: $86 billion
- Medicare Fee-for-Service: $26 billion
- Medicare Advantage (Part C): $16 billion
- Earned Income Tax Credit (EITC): $16 billion
- Other High-Risk Programs: $62 billion

2020 Improper Payments ($Billions)

Source: OMB at https://paymentaccuracy.gov/
# Why the Debt Limit Matters

**All 8 Major Deficit-Reduction Laws Since 1985 Were Attached to Debt Limit Legislation**

<table>
<thead>
<tr>
<th>Year</th>
<th>Major Deficit-Reduction Law</th>
<th>Attached to Debt Limit?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>Gramm-Rudman-Hollings Deficit Caps</td>
<td>✓</td>
</tr>
<tr>
<td>1987</td>
<td>Gramm-Rudman-Hollings Deficit Caps II</td>
<td>✓</td>
</tr>
<tr>
<td>1990</td>
<td>Bush Tax Increases &amp; Spending Caps</td>
<td>✓</td>
</tr>
<tr>
<td>1993</td>
<td>Clinton Deficit Reduction Package</td>
<td>✓</td>
</tr>
<tr>
<td>1996</td>
<td>Line-Item Veto Act (<em>later struck down by Supreme Court</em>)</td>
<td>✓</td>
</tr>
<tr>
<td>1997</td>
<td>Balanced Budget Act</td>
<td>✓</td>
</tr>
<tr>
<td>2009</td>
<td>Statutory Pay-As-You-Go Act</td>
<td>✓</td>
</tr>
<tr>
<td>2011</td>
<td>Budget Control Act (Cutting $2.1 Trillion)</td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Compiled by the Committee For a Responsible Federal Budget
The 30-Year Debt Estimates Are Driven by Social Security and Medicare Shortfalls

Chapter 5
Federal Budget, 1960-2051 (Projected)

Note: This is the rosy scenario that assumes:
- No more wars or recessions, and health costs slow
- 2017 tax cuts expire
- Modest interest rate paid on the national debt remains as the debt rises to 202% of GDP.

Source: CBO 2021 Long-Term Budget Outlook and OMB Historical Tables.
Note: Social Security & Medicare deficits are the benefits that must be paid from general revenues because payroll taxes, premiums, and other non-interest trust fund revenues are insufficient. CBO assumes full benefits will continue even after trust fund insolvency.

Source: Calculations from CBO 2021 Long-Term Budget Outlook. To inflation adjust, trim amounts by one-third.
Projected 2051 Budget Deficits are Entirely Driven by Social Security & Medicare Shortfalls

Note: 2051 is the final year of the latest CBO 30-year budget projection. Each outlay category includes portion of national debt interest attributed to its 2021-2051 deficits. Source: CBO 2021 Long-Term Budget Outlook.
Social Security’s Cash Shortfalls are Driven by Retiring Baby Boomer Costs and Resulting Interest Costs

Source: Calculated using CBO 2020 & 2021 Long-Term Baseline. Revenues do not include trust fund interest transfers. Interest costs are those directly attributable to Social Security’s annual deficits over this period.
Medicare’s Cash Shortfalls are Driven by Soaring Benefit Costs and Resulting Interest Costs

Source: Calculated using CBO 2020 & 2021 Long-Term Baselines. Outlays are net of premiums paid. Interest costs are those directly attributable to Medicare’s annual deficits over this period.
Social Security Faces a $35 Trillion Shortfall over 30 Years - $32 Trillion if Including the Trust Fund

Source: Calculated using the CBO 2021 Long-Term Budget Outlook. Interest costs reflect those directly attributable to 2020-2051 Social Security shortfalls.

Green = Transfers from redeeming the Social Security Trust Fund.

The Trust Fund contains no economic resources and must be redeemed by new taxes and borrowing.

In other words, it does not save future taxpayers a dime or reduce the true shortfall.
Medicare Faces a $78 Trillion Cash Shortfall Over the Next 30 years

Medicare’s $78 Trillion shortfall equals 69% of the total federal budget deficit projected by CBO over the 2021-2051 period.

Annual projected shortfall:
2021: 1.6% of GDP
2051: 4.7% of GDP (10.4% including interest cost).

Source: Calculated using the CBO 2021 Long-Term Budget Outlook. Benefits are net of senior premiums. Interest costs reflect those directly attributable to 2020-2051 Medicare shortfalls.
The Typical Retiring Couple Will Receive $3 in Medicare Benefits for Every $1 Paid into the System—and Also Come Out Ahead in Social Security

Represents typical, average-income married couple turning 65 in 2020
Calculations represent expected present values.

Source: Urban Institute (2020)
Cost of 2017 Tax Cuts vs. Major Entitlements Over 30 Years

Source: Calculated using the CBO 2021 Long-Term Budget Outlook and earlier CBO tax estimates
Social Security’s Deficits Will Steeply Increase, While Medicare Also Faces Rising Deficits

Excludes general revenue transfers into the programs, such as interest payments.
Source: July 2021 CBO Baseline Supplemental Trust Fund Tables.
Medicare Part A and Social Security Trust Funds Face Bankruptcy in 6 and 12 Years, Respectively

Post-2031 figures are extrapolated.
Source: July 2021 CBO Baseline Supplemental Trust Fund Tables.
What Happens to the Debt if Interest Rates Rise?

Chapter 6
Average Interest Rate Paid on U.S. Federal Debt – Historical and CBO Projections

Note: Consensus economic research suggests that the projected 100% rise in federal debt over 30 years should, all else equal, raise interest rates by 3% or 4%. Govt. relies on short-term debt that will rollover into future interest rates.

Source: 1987 through 2051 (projected) data provided by CBO.
Earlier figures estimated using Treasury, OMB, and Federal Reserve data.
Net Interest Costs are Set to Spike – Especially if Interest Rates Exceed 1.9% Projection

CBO ten-year baseline assumes the federal government pays an average interest rate of 1.9% over the next decade

Source: OMB Historical Table 3.2 and July 2021 CBO Baseline, adjusted for tax cut extensions, and for inflation into 2021 dollars. Cost of higher interest rates comes from OMB Analytical Perspectives.
Source: Calculated using July 2021 CBO (current-policy) Baseline data, OMB sensitivity tables, and CEA historical interest rate data. Amounts in nominal $billions.
Rising Budget Deficits Will be Substantially Worsened if Interest Rates Rise

Source: Calculations using the 2021 CBO Long-Term Baseline.
Most economists agree that a steeply rising debt will raise interest rates.
Rising Debt is Projected to Drive Up Interest Costs—and Rising Interest Rates Could Bury the Budget

CBO baseline assumes the federal government pays an average interest rate gradually rising to 4.6% by 2051.

Source: Calculations using the 2021 CBO Long-Term Baseline. Most economists agree that a steeply rising debt will raise interest rates.
Most economists agree that a steeply rising debt will raise interest rates.
The Baseline Debt is Set to Rise to 200% or 300% of GDP – and Higher Interest Rates Would Bury U.S.

Average interest paid rate on national debt:
- 1980s: -10.5%
- 1990s: -6.9%
- 2000s: -4.8%
- 2010s: -2.1%
- 2020s: -1.5% (CBO baseline projection)
- 2050: -4.6% (CBO baseline projection)
- 2050: -5.6% (CBO alternative projection)

Source: 2021 CBO Long-Term Baseline, with post-2051 data extrapolated.
Most economists agree that a steeply rising debt pushes up interest rates.
Most economists agree that a steeply rising debt will raise interest rates.
Source: Calculations using the 2021 CBO Long-Term Baseline.
National Debt is Projected to Leap to 200% to 328% of GDP, Depending on Biden Proposals & Interest Rates

Source: 2021 CBO Long-Term Baseline and author calculations of Biden proposal costs. CBO baseline assumes average interest rate paid on national debt gradually rises to 4.6% over 30 years.
Can’t We Just Raise Taxes, Cut Defense, and Nationalize Health Care Instead?

Chapter 7
The Full Roster of Progressive Tax Hikes Could Not Even Balance the 10-Year Budget

CBO Forecasts $13.2 Trillion Deficit over 2021-2030

<table>
<thead>
<tr>
<th>Progressive Tax Proposal</th>
<th>2021-2030</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repeal All 2017 Tax Cuts, Including Low-Income</td>
<td>$455</td>
<td>CBO Data (dynamic)</td>
</tr>
<tr>
<td>50% Income Tax Rate Over $200k (single) $400k (married)</td>
<td>$1,138</td>
<td>CBO Options</td>
</tr>
<tr>
<td>70% Income Tax Rate Over $10 Million (AOC)</td>
<td>$189</td>
<td>Tax Foundation (dynamic)</td>
</tr>
<tr>
<td>Cap Deductions at 28% Value Above $400k AGI</td>
<td>$224</td>
<td>Tax Policy Center</td>
</tr>
<tr>
<td>Mark-to-Market Taxation &amp; Higher Cap Gains Rates, No Step-up Basis</td>
<td>$2,000</td>
<td>CRS, Warren campaign</td>
</tr>
<tr>
<td>Eliminate FICA Cap – 15.3% Payroll Tax on All Wages</td>
<td>$2,180</td>
<td>Social Security Admin</td>
</tr>
<tr>
<td>Biden International Tax Proposals (FDII, GILTI, Inversions)</td>
<td>$700</td>
<td>TPC, Tax Foundation</td>
</tr>
<tr>
<td>Aggressively Reduce Domestic Corporate Tax Preferences</td>
<td>$1,000</td>
<td>Various</td>
</tr>
<tr>
<td>Warren “Real Corporate Profits Tax”</td>
<td>$476</td>
<td>Tax Foundation (dynamic)</td>
</tr>
<tr>
<td>Sanders Wealth Tax as High as 8%</td>
<td>$2,263</td>
<td>Tax Policy Center</td>
</tr>
<tr>
<td>Sanders Estate Tax Rate as High as 77%</td>
<td>$383</td>
<td>Tax Policy Center</td>
</tr>
<tr>
<td>Carbon Tax ($25/metric ton) – No Household Rebate</td>
<td>$1,033</td>
<td>CBO Options</td>
</tr>
<tr>
<td>Financial Transactions Tax of 0.1%</td>
<td>$752</td>
<td>CBO Options</td>
</tr>
<tr>
<td>Financial Institutions Tax of 0.15%</td>
<td>$103</td>
<td>CBO Options</td>
</tr>
</tbody>
</table>

**Total Savings Over Decade**

$12,895

All figures in $billions

Deficits would continue growing significantly in the 2030s, as baseline spending soars. Combining tax policies would create damaging interactions, including tax rates of nearly 100%.
No “Easy” Pay-Fors for Social Security & Medicare: Programs Face Shortfalls of 6% of GDP by 2040s

<table>
<thead>
<tr>
<th>Tax Proposals (static scoring)</th>
<th>10-Yr Savings ($Billions)</th>
<th>Long-Term Savings (%GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise Income Tax Rates Across-the-Board by 10 Percentage Points</td>
<td>$8,840</td>
<td>3.27%</td>
</tr>
<tr>
<td>Raise Payroll Tax by 10 Percentage Points, no wage limit</td>
<td>$8,775</td>
<td>3.32%</td>
</tr>
<tr>
<td>Impose a 20% Value-Added Tax (VAT) – like a national sales tax</td>
<td>$7,280</td>
<td>3.02%</td>
</tr>
<tr>
<td>Double 35% and 37% Tax Brackets to 70% and 74% (plus 15% state/payroll)</td>
<td>$4,154</td>
<td>1.48%</td>
</tr>
<tr>
<td>Impose Bernie Sanders’ 8% Wealth Tax (data from TPC)</td>
<td>$2,263</td>
<td>0.73%</td>
</tr>
<tr>
<td>Eliminate FICA Cap – 15.3% Payroll Tax on All Wages (data from SSA)</td>
<td>$2,180</td>
<td>0.84%</td>
</tr>
<tr>
<td>Repeal All Itemized Tax Deductions</td>
<td>$1,718</td>
<td>0.98%</td>
</tr>
<tr>
<td>Restore 35% Corporate Tax Rate</td>
<td>$1,390</td>
<td>0.55%</td>
</tr>
<tr>
<td>50% Income Tax Rate Over $200k (single) $400k (married)</td>
<td>$1,138</td>
<td>0.41%</td>
</tr>
<tr>
<td>Carbon Tax of $25/Metric Ton – no rebate for households hit</td>
<td>$1,033</td>
<td>0.42%</td>
</tr>
<tr>
<td>Impose a 0.1% Tax on Financial Transactions</td>
<td>$752</td>
<td>0.34%</td>
</tr>
<tr>
<td>Repeal Entire 2017 Tax Law (data from CBO/JCT)</td>
<td>$455</td>
<td>(Mostly scheduled)</td>
</tr>
<tr>
<td>Impose Bernie Sanders’ 77% Estate Tax (data from TPC)</td>
<td>$383</td>
<td>0.18%</td>
</tr>
<tr>
<td>Tax Dividends &amp; Capital Gains as Income over $1M &amp; End Step-Up (TPC)</td>
<td>$373</td>
<td>0.17%</td>
</tr>
<tr>
<td>Impose a 0.15% &quot;Bank Tax&quot; on Large Financial Institutions</td>
<td>$103</td>
<td>0.03%</td>
</tr>
<tr>
<td>30% Minimum &quot;Buffett Tax&quot; for Millionaires</td>
<td>$66</td>
<td>0.03%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Spending Proposals</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cut Defense Budget to European Target of 2% of GDP (data from CBO)</td>
<td>$2,587</td>
<td>0.80%</td>
</tr>
</tbody>
</table>

Source: Dec. 2020 CBO “Budget Options” book unless otherwise noted.
These static estimates do not account for revenues lost to the economic impact.
Combining policies may also create duplications and interaction effects, so these cannot be summed.
Even Eliminating Defense Department Would Not Come Close to Financing Soaring Long-Term Entitlement Costs

Source: OMB Historical Tables 3.2, and 10.1; and CBO 2021 Long-Term Outlook.
Even 100% Tax Rates on Small Businesses and Upper-Income Families Could Not Come Close to Balancing the Long-Term Budget

Source: CBO July 2021 Long-Term Budget Outlook adjusted into current-policy baseline and analysis of IRS 2018 (latest year) income tables.
Single-Payer Health Plans Do Not Save Money, They Would Require Huge Per-Household Tax Increases

Source: Public scores of Vermont and California bills, and Colorado Health Institute data. Sanders calculated from Urban Institute 2016 score of plan.
Medicare-For-All’s 11% of GDP Cost is on Top of Current Medicare’s Large & Growing Shortfall

Source: Calculated using CBO 2021 Long-Term Baseline and Medicare-For-All Estimates from the Committee For a Responsible Federal Budget (CRFB). Other health spending like Medicaid will rise from 2.7% to 3.1% of GDP, but that portion is already fully designed for general revenues.
Progressive Proposals Would Dig the Debt Even Deeper

Chapter 8
### As a Candidate, Joe Biden Proposed $11 Trillion in New Spending Over the Decade

<table>
<thead>
<tr>
<th>Spending Proposal</th>
<th>2021-2030</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health &amp; ACA Expansions (net of spending offsets)</td>
<td>$1,450</td>
<td>CRFB</td>
</tr>
<tr>
<td>Reduce Medicare Eligibility Age to 60</td>
<td>$300</td>
<td>Author Estimate</td>
</tr>
<tr>
<td>Climate and Infrastructure Initiative</td>
<td>$2,000</td>
<td>Biden Campaign Website</td>
</tr>
<tr>
<td>Expand Social Security and SSI</td>
<td>$1,000</td>
<td>CRFB</td>
</tr>
<tr>
<td>K-12 and Preschool Expansions</td>
<td>$750</td>
<td>CRFB</td>
</tr>
<tr>
<td>College and Post-Secondary Education</td>
<td>$750</td>
<td>Biden Campaign</td>
</tr>
<tr>
<td>Buy American Initiative (net*)</td>
<td>$400</td>
<td>Biden Campaign Website</td>
</tr>
<tr>
<td>Housing Assistance</td>
<td>$640</td>
<td>Biden Campaign Website</td>
</tr>
<tr>
<td>Family Leave Assistance</td>
<td>$550</td>
<td>CBO Score of Family Act</td>
</tr>
<tr>
<td>Combat Opioid Addiction</td>
<td>$125</td>
<td>Biden Campaign</td>
</tr>
<tr>
<td>Economic Stimulus (Endorsed Heroes Act)</td>
<td>$3,000</td>
<td>CBO Score of Heroes Act</td>
</tr>
<tr>
<td><strong>Total Spending Over Decade</strong></td>
<td><strong>$10,965</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Some of this $700 billion initiative would take place within climate/infrastructure spending.

CRFB = Committee for a Responsible Federal Budget

Figures do not include additional interest costs of new borrowing.
Biden’s Campaign Spending Proposals Dwarfed Recent Democratic Pres. Candidates

Ten-Year Budget Estimates of Candidate Plans ($Trillions)

- Purple = Spending Increases
- Red = Tax Increases

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Nominal $Trillions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kerry 2004</td>
<td>$2</td>
</tr>
<tr>
<td>Obama 2008</td>
<td>$1</td>
</tr>
<tr>
<td>Clinton 2016</td>
<td>$2</td>
</tr>
<tr>
<td>Biden 2020</td>
<td>$11</td>
</tr>
</tbody>
</table>

Source: Tax Policy Center, Committee For a Responsible Federal Budget, American Enterprise Institute, and public scores of Biden plans
President Biden’s Budget Proposals Would Accelerate Spending and Raise Taxes

Source: 2021 CBO Long-Term Baseline and Manhattan Institute calculations of Biden presidential and campaign proposals.
President Biden’s Budget Proposals Would Push Soaring National Debt Past 250% of GDP in 30 Years

Debt Held by Public in Nominal Dollars
2019 Actual: $16.8 Trillion
2020 Actual: $21.0 Trillion

2051 Baseline: $133.4 Trillion
2051 Biden: $168.2 Trillion

Source: 2021 CBO Long-Term Baseline and Manhattan Institute calculations of Biden presidential and campaign proposals.
The Biden Spending and Tax Proposals Would Hike Annual Budget Deficits by $750 Billion

Source: February 2021 CBO Baseline and Manhattan Institute calculations of Biden presidential and campaign proposals.
The Biden Budget Proposals Would Add $8.8 Trillion in Debt Over the Decade

Source: February 2021 CBO Baseline and Manhattan Institute calculations of Biden presidential and campaign proposals
Biden Tax Increases Would Finance Just 1/7 of Baseline Deficit and His New Promises

Source: February 2021 CBO Baseline and Manhattan Institute calculations of Biden proposals. Biden proposals include both campaign proposals and new proposals as president.
## Common Progressive Proposals Would Cost Between $37 Trillion and $91 Trillion Over the Decade

<table>
<thead>
<tr>
<th>Common Spending Proposal</th>
<th>Low*</th>
<th>High*</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare-For-All</td>
<td>30.0</td>
<td>34.0</td>
<td>Sanders conceded “between $30 to $40 trillion”</td>
</tr>
<tr>
<td>Government Job Guarantee</td>
<td>—</td>
<td>30.1</td>
<td>Sanders proposal</td>
</tr>
<tr>
<td>Climate and Clean Energy</td>
<td>2.0</td>
<td>16.3</td>
<td>Sanders is the high figure</td>
</tr>
<tr>
<td>Free Public College Tuition &amp; Loan Forgiveness</td>
<td>1.5</td>
<td>3.0</td>
<td>Low figure reflects partial loan forgiveness</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>0.7</td>
<td>2.5</td>
<td>Range is Biden to Sanders proposals</td>
</tr>
<tr>
<td>Social Security and SSI Expansion</td>
<td>1.1</td>
<td>1.8</td>
<td>Range is Biden to Sanders &amp; Warren proposals</td>
</tr>
<tr>
<td>K-12 funding</td>
<td>0.5</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>Infrastructure Buildup</td>
<td>1.0</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Child Care &amp; Paid Family/Medical Leave</td>
<td>0.5</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal: New Spending Proposals</strong></td>
<td><strong>37.3</strong></td>
<td><strong>90.9</strong></td>
<td>Baseline is $63.4 trillion spending over 2020-29</td>
</tr>
<tr>
<td>CBO Baseline Budget Deficit, 2022-2031</td>
<td>12.1</td>
<td>12.1</td>
<td></td>
</tr>
<tr>
<td><strong>Total Federal Budget Deficit</strong></td>
<td><strong>49.4</strong></td>
<td><strong>103.0</strong></td>
<td>Out of a $288 trillion projected GDP (CBO)</td>
</tr>
</tbody>
</table>

### Popular Spending Offsets

<table>
<thead>
<tr>
<th>Popular Spending Offsets</th>
<th>Low*</th>
<th>High*</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cut Defense to European Levels</td>
<td>-2.6</td>
<td>-2.6</td>
<td>Baseline is 3% of GDP. NATO target is 2%</td>
</tr>
<tr>
<td>Medicare-For-All - Capture State Govt Savings</td>
<td>-3.0</td>
<td>-3.0</td>
<td>It is not clear Washington could capture this</td>
</tr>
</tbody>
</table>

### Remaining Budget Shortfall To Fill

<table>
<thead>
<tr>
<th>Remaining Budget Shortfall To Fill</th>
<th>Low*</th>
<th>High*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>43.8</strong></td>
<td><strong>97.4</strong></td>
</tr>
</tbody>
</table>

*All figures are over ten years, and in $trillions.

Sources: Campaigns, White House, CBO, Committee For a Responsible Federal Budget, and Manhattan Institute estimates
No, Defense Cuts & Taxing Millionaires Cannot Finance Current Deficit or Progressive Wishlist

*Annual figure that assumes government seizes it all and spends it over a decade.
Sources: Author calculations using data from CBO, IRS, Forbes, progressive candidates and think tanks
Several Major Progressive Proposals Overwhelmingly Benefit Upper-Income Families

Ten-Year Distribution of Benefits

- **Free Public College**: Nominal $Billions $380
- **Under $30k**: Nominal $Billions $80
- **Family income over $120k**: Nominal $Billions $380
- **Student Loan Forgiveness**: Nominal $Billions $544
  - Top-earning 25% $192
  - Bottom-earning 25% $4
- **Repeal SALT Cap**: Nominal $Billions $597
  - Top-earning 20%
  - Bottom 60% $4

Sources: Calculated using data from the Urban Institute and Tax Policy Center.

SALT=State and Local Tax deduction.

Also: Medicare-For-All could hurt most of the 75 million Medicaid recipients who already pay little-to-no premiums/copays, but would likely be pay the broad-based taxes required to fund full cost of law.

A carbon tax would raise costs 2% for the bottom quintile, vs. 1% for top quintile.

Zero-emission mandates will raise car/home prices & kill working-class fossil fuel jobs.
Tax Revenues Will Continue Growing Faster than the Economy

Chapter 9
Rising Spending – Not Falling Revenues – Drives the Long-Term Deficit

Source: CBO 2021 Long-Term Budget Outlook.
Income Tax Revenues Have Remained Relatively Constant Regardless of the Top Tax Rate

Average Top Rate / Revenues:
- 1950s: 90.5% / 7.2%
- 1960s: 80.3% / 7.6%
- 1970s: 70.2% / 7.9%
- 1980s: 48.4% / 8.2%
- 1990s: 36.7% / 8.1%
- 2000s: 36.2% / 7.8%
- 2010s: 37.7% / 7.8%

Correlation 1950-2021: -0.20

Source: OMB Historical Table 2.3, and U.S. Treasury SOI Tax Stats – Historical Table 23
Individual Income Tax Revenues Will Rise—Even With the Tax Cuts—Due to Real Bracket Creep & Taxable Retirement Distributions

Source: OMB Historical Table 2.3, and July 2021 CBO (current-policy) Baseline. Real bracket creep is when rising incomes (above inflation) push taxpayers into higher tax brackets, raising their average tax rate.
High Capital Gains Tax Rates Have Not Produced More Revenue

Correlation 1954-2021: -0.32

Source: CBO, Treasury Office of Tax Analysis.
Before the TCJA Cut it to 26% (incl. 5% State)
U.S. had Highest Corporate Tax Rate in the OECD

Source: OECD Stats (2021), Tax Table II.1. Tax rates include federal, state, province and local corporate taxes.

Notes: While all countries allow businesses to reduce their taxes through exemptions, deductions, and credits, the U.S. has been among the highest effective corporate tax rates too.
The U.S. has Finally Caught Up With the Rest of the OECD on Corporate Tax Competitiveness

United States – 39%

Average of Other 34 OECD Nations

Source: OECD Stats (2021), Tax Table II.1. Tax rates include federal, state, province and local corporate taxes.
The Economy Matters More: President Obama Oversaw $500 Billion in New Taxes—and Also Lost $3.2 Trillion to Economic Downgrades

Source: Congressional Budget Office data. Between January 2009 and January 2017, Congress and President Obama enacted legislation adding $516 billion to 2009-2019 revenues (against a current-policy baseline). During that same period, the unexpectedly-weak economic recovery and related technical estimates reduced 2009-19 revenues by $3,153 billion. Note that the initial January 2009 CBO baseline had already incorporated the projected 2009-19 revenue losses from the recession. These additional economic downgrades reflect the weak recovery, particularly in the later years.
Taxes Cannot Easily Close Security & Medicare Shortfall: Will Need Added Revenues of 6% of GDP by 2040s

<table>
<thead>
<tr>
<th>Tax Proposals (static scoring)</th>
<th>10-Yr Savings ($Billions)</th>
<th>Long-Term Savings (%GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise Income Tax Rates Across-the-Board by 10 Percentage Points</td>
<td>$8,840</td>
<td>3.27%</td>
</tr>
<tr>
<td>Raise Payroll Tax by 10 Percentage Points, no wage limit</td>
<td>$8,775</td>
<td>3.32%</td>
</tr>
<tr>
<td>Impose a 20% Value-Added Tax (VAT) – like a national sales tax</td>
<td>$7,280</td>
<td>3.02%</td>
</tr>
<tr>
<td>Double 35% and 37% Tax Brackets to 70% and 74% (plus 15% state/payroll)</td>
<td>$4,154</td>
<td>1.48%</td>
</tr>
<tr>
<td>Impose Bernie Sanders’ 8% Wealth Tax <em>(data from TPC)</em></td>
<td>$2,263</td>
<td>0.73%</td>
</tr>
<tr>
<td>Eliminate FICA Cap – 15.3% Payroll Tax on All Wages <em>(data from SSA)</em></td>
<td>$2,180</td>
<td>0.84%</td>
</tr>
<tr>
<td>Repeal All Itemized Tax Deductions</td>
<td>$1,718</td>
<td>0.98%</td>
</tr>
<tr>
<td>Restore 35% Corporate Tax Rate</td>
<td>$1,390</td>
<td>0.55%</td>
</tr>
<tr>
<td>50% Income Tax Rate Over $200k (single) $400k (married)</td>
<td>$1,138</td>
<td>0.41%</td>
</tr>
<tr>
<td>Carbon Tax of $25/Metric Ton – no rebate for households hit</td>
<td>$1,033</td>
<td>0.42%</td>
</tr>
<tr>
<td>Impose a 0.1% Tax on Financial Transactions</td>
<td>$752</td>
<td>0.34%</td>
</tr>
<tr>
<td>Repeal Entire 2017 Tax Law <em>(data from CBO/JCT)</em></td>
<td>$455 (Mostly scheduled)</td>
<td></td>
</tr>
<tr>
<td>Impose Bernie Sanders’ 77% Estate Tax <em>(data from TPC)</em></td>
<td>$383</td>
<td>0.18%</td>
</tr>
<tr>
<td>Tax Dividends &amp; Capital Gains as Income over $1M &amp; End Step-Up <em>(TPC)</em></td>
<td>$373</td>
<td>0.17%</td>
</tr>
<tr>
<td>Impose a 0.15% &quot;Bank Tax&quot; on Large Financial Institutions</td>
<td>$103</td>
<td>0.03%</td>
</tr>
<tr>
<td>30% Minimum &quot;Buffett Tax&quot; for Millionaires</td>
<td>$66</td>
<td>0.03%</td>
</tr>
</tbody>
</table>

Source: Dec. 2020 CBO “Budget Options” book unless otherwise noted.
These static estimates do not account for revenues lost to the economic impact.
Combining policies may also create duplications and interaction effects, so these cannot be summed.
The Tax Code Has Become Increasingly Progressive

Chapter 10
The Federal Tax Code Remains Progressive

Source: U.S. Treasury, Office of Tax Analysis.
Data represents 2019 Distribution of Tax Burden, Current Law
Average Federal Tax Rate Paid by Income Category, 1979-2018

Note: Includes federal income, payroll, corporate, and excise taxes paid. 
Source: Calculations using CBO "Distribution of Household Income, 2018" (2021)
The Federal Tax Burden (For All Combined Taxes) Has Grown More Progressive Over Time

**Percentage of Federal Tax Burden Financed by Income Quintile, 1979-2018**

- **Top 20%**: 70%
- **Second 20%**: 55%
- **Middle 20%**: 22%
- **Fourth 20%**: 18%
- **Bottom 20%**: 2%

**Fiscal Year**

Source: Calculations using CBO "Distribution of Household Income, 2018" (2021)
The Highest-Earning 20% of Taxpayers Pay 91% of All Federal Individual Income Taxes

Source: Calculations using CBO "Distribution of Household Income, 2018" (2021)
“Progressivity ratio” refers to the share of all individual income taxes paid divided by the share of pre-tax income earned. So a group that pays 40% of the taxes while earning 20% of the income has a progressivity ratio of 2. Ratios above 1 represent tax burdens exceeding their share of the income, while ratios below 1 represent tax burdens below their income share. Negative figures reflect a negative tax burden.
Even Controlling for Income Inequality, the U.S. Has the OECD’s Most Progressive Income & Payroll Tax

<table>
<thead>
<tr>
<th>Country</th>
<th>Progressivity Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>1.35</td>
</tr>
<tr>
<td>Australia</td>
<td>1.29</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1.28</td>
</tr>
<tr>
<td>Ireland</td>
<td>1.26</td>
</tr>
<tr>
<td>Canada</td>
<td>1.22</td>
</tr>
<tr>
<td>Finland</td>
<td>1.20</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1.20</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1.19</td>
</tr>
<tr>
<td>Italy</td>
<td>1.18</td>
</tr>
<tr>
<td>Korea</td>
<td>1.17</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1.17</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1.15</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>1.14</td>
</tr>
<tr>
<td>OECD-24</td>
<td>1.11</td>
</tr>
<tr>
<td>France</td>
<td>1.10</td>
</tr>
<tr>
<td>Austria</td>
<td>1.10</td>
</tr>
<tr>
<td>Germany</td>
<td>1.10</td>
</tr>
<tr>
<td>Denmark</td>
<td>1.02</td>
</tr>
<tr>
<td>Japan</td>
<td>1.01</td>
</tr>
<tr>
<td>Sweden</td>
<td>1.00</td>
</tr>
<tr>
<td>Norway</td>
<td>0.95</td>
</tr>
<tr>
<td>Belgium</td>
<td>0.94</td>
</tr>
<tr>
<td>Iceland</td>
<td>0.90</td>
</tr>
<tr>
<td>Poland</td>
<td>0.84</td>
</tr>
<tr>
<td>Switzerland</td>
<td>0.80</td>
</tr>
</tbody>
</table>

Note: For the highest-earning 10% of taxpayers, these figures refer to their share of the nation’s taxes paid, divided by their share of the nation’s pre-tax income earned.

So if the top decile pays 30% of the taxes and earns 20% of the income, its ratio is 1.5.

Source: OECD (2008) and Tax Foundation. The U.S tax code has since become even more progressive. Figures also exclude value-added taxes that make many other OECD nations’ tax codes even less progressive.
Upper-Income Taxpayers Overwhelmingly Finance the Federal Government

Total Federal Taxes Paid by Income Class, 2019 (and overall tax rate as a share of income)

Source U.S. Treasury Office of Tax Analysis. Data for 2019, and includes individual and corporate income, payroll, excises, customs duties, and estate and gift taxes.
Upper-Income Taxpayers Finance Nearly the Entire Federal Income Tax

Federal Income Taxes Paid by Income Class, 2019 (and overall income tax rate)

How Washington Financed 365 Days of Spending in 2019

- Top 20% Earners: 214 days
- 2nd 20% Earners: 45 days
- Middle 20% Earners: 17 days
- Bottom 40% Earners: 1 day
- Fed Reserve profits; various fines & fees: 7 days
- Borrowing: 81 days

Note: Top 20% splits to 170 days for top 10%, and 44 days for 2nd 10%.
Source: Calculated using data from U.S. Treasury Office of Tax Analysis.
Countering Tax, Spending, & Deficit Myths of the 1980s through 2008

Chapter 11
Reagan’s Tax Cuts Did Not Starve the Government – Spending Worsened the 1980s Deficits

### Graph:

- **Revenues (Green)**
- **Spending (Purple)**

#### Percentage of GDP:

- **1950s**:
  - 16.8%

- **1960s**:
  - 17.2%

- **1970s**:
  - 17.3%

- **1980s**:
  - 17.8%

Source: OMB Historical Table 1.3
Why Did 1980s Budget Deficits Exceed the 1970s?

1970s Average Percentage of GDP: Revenue 17.4%, Spending 19.4%, Deficit: 2.0%
1980s Average Percentage of GDP: Revenue 17.8%, Spending 21.6%, Deficit: 3.8%

Source: OMB Historical Table 8.4, and interest rate calculations using the Economic Report of the President Table B-25.
To the Extent it Contributed to Soviet Collapse, the 1980s Defense Buildup Eventually Paid for Itself

Note: Some believe that America’s 1980s defense buildup pushed the Soviets into an unaffordable arms race that contributed to its economic problems and ultimately a more accommodating posture towards the West, each of which contributed to Soviet destabilization and collapse.

Source: OMB Historical Tables 3.2, and 10.1
The 1990s Budget Was Balanced by an Economic Boom and the Cold War Peace Dividend (and by Washington Not Spending All the Savings)

Revenues Jumped 2.9% of GDP

Spending Fell 3.9% of GDP

Economic growth & small tax changes

0.7%Clinton tax hike

1993

Strong Economy

Reduced unemployment costs

Grew faster than Social Security benefits

Various small savings

Defense cuts after Cold War ends

Interest savings

-0.9%

-0.4%

-0.5%

Change Between 1992 Peak Deficit of 4.5% of GDP, and 2000 Peak Surplus of 2.3% of GDP

Source: OMB Historical Tables 2.3, 3.2, and 10.1; and the CBO (1993) score of tax increases
The May 2003 Supply-Side Tax Rate Cuts Were More Successful Than They are Credited For

Source: BEA, BLS, S&P. The 2003 tax cuts reduced marginal tax rates for families, small businesses, & investors. The less-successful 2001 tax cuts were more rebate-based. The 2007 housing crash that ended this mini-boom was unrelated to these tax policies.
The “Bush Tax Cuts” for Upper-Income Taxpayers Caused Only 7% of the 2001-2011 Fiscal Decline Under President Bush

Source: Calculations based on a CBO June 2012 report, and CBO baseline updates over 2001-11 period. Tax distribution data was estimated using Treasury data accumulated by the Tax Policy Center. Each category’s cost includes its resulting net interest expenses.

Note: When President Bush took office, CBO forecast a $5.9 trillion surplus over FY 2001-11 period.

When he left office in January 2009, CBO was showing a $4.4 trillion deficit over same decade.

This chart accounts for the $10.3 trillion fiscal decline.

Non-Defense Discretionary Spending, 8%

Other Entitlement Reforms, 4%

Medicare Prescription Drug Program, 3%

TARP, 2%

Green – Tax Legislation
Blue – Spending Legislation
Red – Non-Legislative

"Bush Tax Cuts" - Earners Over $250k, 7%

"Bush Tax Cuts" - Earners Under $250k, 16%

Defense Spending, 21%

Economic & Technical Downgrades, 32%

Other Tax Policies, 5%

2008 Economic Stimulus Act, 2%
President Bush Oversaw a $10.3 Trillion Decline from Inherited 2001-2011 Budget Projections

(All numbers in nominal $billions)  

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CBO January 2001 Projected Surplus</td>
<td>281</td>
<td>313</td>
<td>359</td>
<td>397</td>
<td>433</td>
<td>505</td>
<td>573</td>
<td>635</td>
<td>710</td>
<td>796</td>
<td>889</td>
<td>5,891</td>
</tr>
</tbody>
</table>

**Legislative Changes**

"Bush Tax Cuts" - Earners Over $250k  
-22  -12  -48  -82  -74  -71  -72  -78  -81  -88  -71  -699

"Bush Tax Cuts" - Earners Under $250k  

Defense Spending  
-5  -36  -85  -130  -165  -195  -229  -294  -332  -343  -357  -2,171

Non-Defense Discretionary Spending  
2  -17  -34  -46  -74  -91  -83  -107 -120  -118  -114  -802

AMT Patch, Tax Extenders, Other Tax Laws  
-1  -44  -44  -33  -12  -12  -55  -89  -129  -42  -30  -489

Medicare Prescription Drug Program  
0  0  0  -4  -6  -29  -44  -50  -56  -62  -70  -321

TARP Financial Bailouts  
0  0  0  0  0  0  0  0  0  0  -194  -16  -12  -221

Economic Stimulus Act of 2008  
0  0  0  0  0  0  0  0  0  0  -160  -25  3  0  -181

Other Entitlement Reforms  
-8  -14  -36  -29  -36  -51  -44  -41  -74  -52  -46  -432

**Economic & Technical Re-estimates**

Economic/Technical Downgrades  

**CBO January 2009 Budget Surplus/Deficit**  
128  -158  -378  -413  -318  -248  -161  -459  -1,186  -703  -498  -4,394

**Memorandum**

Legislative Changes  
-87  -150  -358  -514  -540  -614  -696  -1,000  -1,199  -923  -867  -6,947

Economic & Technical Re-estimates  

Total Deficit Changes  
-154  -469  -735  -809  -752  -754  -735  -1,095  -1,895  -1,500  -1,386  -10,285

Revenue Changes  

Spending Changes  

Source: Author calculations based on a CBO June 2012 report, and CBO baseline updates over 2001-11 period. Positive numbers add to deficit, negative numbers reduce deficit. Legislative changes include associated interest costs and savings. Ending 2009-2011 figures represent estimates on January 2009 when President Bush left office.

A Comprehensive Accounting of the Obama Fiscal Record

Chapter 12
President Obama Oversaw 2009-19 Budget Deficits $4.6 Trillion Beyond the Inherited Baseline

Note: The January 2009 CBO baseline already incorporated the 10-year effects of the 2007-2009 recession, and the policies inherited from President Bush.

The added Obama deficits consist of $5 trillion in new legislation, partially offset by $400 billion saved by the sluggish recovery, as lower interest rates and thus interest costs offset the lower revenues.

Source: CBO data. FY 2017-2019 "actuals" reflect CBO baseline as of January 2017, and thus reflect the deterioration of the full ten-year budget picture.
Under President Obama, the 2009-2019 Deficit Worsened by $4.6 Trillion Relative to the Inherited January 2009-19 Baseline

Source: Author calculations based on CBO baseline updates and bill scores. Positive figures reduce the deficit, negative figures worsen the deficit. The January 2009 baseline already incorporated the long-term effects of the recession. Subsequent economic downgrades reflect the unexpectedly-weak recovery after the recession ended. See “Obama’s Fiscal Legacy: A Comprehensive Overview of Spending, Taxes, and Deficits,” by Brian Riedl.
### CBO January 2009 Baseline Budget Deficit

|------|------|------|------|------|------|------|------|------|------|------|------|---------|

### Legislative Changes

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsequent Stimulus and Recession Relief</td>
<td>-7</td>
<td>-106</td>
<td>-233</td>
<td>-269</td>
<td>-93</td>
<td>-15</td>
<td>-17</td>
<td>-41</td>
<td>-44</td>
<td>-56</td>
<td>-67</td>
<td>-948</td>
</tr>
<tr>
<td>Other Mandatory Spending Legislation</td>
<td>-7</td>
<td>-7</td>
<td>-16</td>
<td>-25</td>
<td>-29</td>
<td>-13</td>
<td>1</td>
<td>-1</td>
<td>4</td>
<td>12</td>
<td>13</td>
<td>-69</td>
</tr>
<tr>
<td>Hurricane Sandy Relief</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>-5</td>
<td>-13</td>
<td>-12</td>
<td>-11</td>
<td>-10</td>
<td>-7</td>
<td>-6</td>
<td>-64</td>
</tr>
<tr>
<td>BCA Mandatory Sequesters</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>14</td>
<td>16</td>
<td>16</td>
<td>18</td>
<td>20</td>
<td>22</td>
<td>117</td>
</tr>
<tr>
<td>Affordable Care Act</td>
<td>0</td>
<td>-7</td>
<td>-2</td>
<td>19</td>
<td>44</td>
<td>51</td>
<td>51</td>
<td>30</td>
<td>17</td>
<td>30</td>
<td>41</td>
<td>275</td>
</tr>
<tr>
<td>Other Revenue Legislation</td>
<td>4</td>
<td>18</td>
<td>-4</td>
<td>21</td>
<td>7</td>
<td>35</td>
<td>27</td>
<td>56</td>
<td>37</td>
<td>39</td>
<td>41</td>
<td>282</td>
</tr>
<tr>
<td>Other Discretionary Spending and OCO Reforms</td>
<td>-18</td>
<td>-49</td>
<td>-84</td>
<td>-59</td>
<td>36</td>
<td>89</td>
<td>124</td>
<td>144</td>
<td>150</td>
<td>183</td>
<td>202</td>
<td>718</td>
</tr>
</tbody>
</table>

### Economic and Technical Re-estimates

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Effect - Economic Changes</td>
<td>-33</td>
<td>27</td>
<td>3</td>
<td>-17</td>
<td>-180</td>
<td>-197</td>
<td>-256</td>
<td>-329</td>
<td>-287</td>
<td>-299</td>
<td>-352</td>
<td>-1,920</td>
</tr>
<tr>
<td>Revenue Effect - Technical Re-estimates</td>
<td>-159</td>
<td>-178</td>
<td>-118</td>
<td>-254</td>
<td>-54</td>
<td>-125</td>
<td>-7</td>
<td>-33</td>
<td>-121</td>
<td>-92</td>
<td>-93</td>
<td>-1,233</td>
</tr>
<tr>
<td>Financial Bailout Cost Re-estimates</td>
<td>-1</td>
<td>126</td>
<td>5</td>
<td>-28</td>
<td>113</td>
<td>89</td>
<td>33</td>
<td>25</td>
<td>26</td>
<td>7</td>
<td>0</td>
<td>397</td>
</tr>
<tr>
<td>Mandatory Spending - Economic/Technical Re-estimates</td>
<td>176</td>
<td>10</td>
<td>65</td>
<td>30</td>
<td>-23</td>
<td>24</td>
<td>1</td>
<td>71</td>
<td>125</td>
<td>151</td>
<td>190</td>
<td>820</td>
</tr>
<tr>
<td>Interest Spending - Economic/Technical Re-estimates</td>
<td>8</td>
<td>1</td>
<td>12</td>
<td>113</td>
<td>210</td>
<td>261</td>
<td>309</td>
<td>332</td>
<td>350</td>
<td>363</td>
<td>356</td>
<td>2,314</td>
</tr>
</tbody>
</table>

### Actual Deficits and January 2017 Baseline Deficit

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deficit</td>
<td>-1,413</td>
<td>-1,294</td>
<td>-1,300</td>
<td>-1,087</td>
<td>-680</td>
<td>-485</td>
<td>-438</td>
<td>-587</td>
<td>-559</td>
<td>-487</td>
<td>-601</td>
<td>-8,931</td>
</tr>
</tbody>
</table>

### Memorandum

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Legislative Changes</td>
<td>-219</td>
<td>-577</td>
<td>-768</td>
<td>-668</td>
<td>-488</td>
<td>-286</td>
<td>-286</td>
<td>-382</td>
<td>-418</td>
<td>-429</td>
<td>-467</td>
<td>-4,988</td>
</tr>
<tr>
<td>Total Economic and Technical Re-estimates</td>
<td>-8</td>
<td>-14</td>
<td>-33</td>
<td>-155</td>
<td>66</td>
<td>51</td>
<td>81</td>
<td>67</td>
<td>93</td>
<td>130</td>
<td>101</td>
<td>378</td>
</tr>
</tbody>
</table>

Source: “Obama’s Fiscal Legacy: A Comprehensive Overview of Spending, Taxes, and Deficits,” by Brian Riedl (based on CBO data). Positive numbers add to deficit, negative numbers reduce deficit. Legislative changes include associated interest costs and savings. Ending 2017-2019 figures represent estimates as of January 2017 when President Obama left office.
Note: Consists of gained/lost revenues specifically resulting from economic growth upgrades and downgrades between March 2009 and January 2017. Post-2016 figures reflect latest estimates.

Note: Consists of net interest savings directly attributed to lower interest rates from economic downgrades occurring between March 2009 and January 2017. Post-2016 figures reflect latest estimates.

President Obama’s Eight Annual Budget Requests Proposed Large Tax and Spending Increases

Source: OMB, President's Budget Proposals, FY 2010 - FY 2017.
Includes new proposals hidden in the budget baseline and excludes OCO proposals due to the lack of a plausible baseline to score them against. Also excludes current-policy extensions of long-time tax cuts and Medicare payment rates.
The Obama Spending Spree Ended When the GOP Took the House in 2011

New Spending Enacted by Year – Excluding Basic Renewals of Existing Tax, Health, and Unemployment Policies

<table>
<thead>
<tr>
<th>Year</th>
<th>Mandatory Spending Enacted (rolling 10-year score)</th>
<th>Yearly Discretionary Budget Authority Relative to January 2009 CBO Baseline</th>
</tr>
</thead>
<tbody>
<tr>
<td>111-1st (2009)</td>
<td>$314</td>
<td>$338</td>
</tr>
<tr>
<td>111-2nd (2010)</td>
<td>$515</td>
<td>$515</td>
</tr>
<tr>
<td>112-1st (2011)</td>
<td>$16</td>
<td>$16</td>
</tr>
<tr>
<td>112-2nd (2012)</td>
<td>-$23</td>
<td>-$23</td>
</tr>
<tr>
<td>113-1st (2013)</td>
<td>-$23</td>
<td>-$23</td>
</tr>
<tr>
<td>113-2nd (2014)</td>
<td>-$70</td>
<td>-$70</td>
</tr>
<tr>
<td>114-1st (2015)</td>
<td>-$18</td>
<td>-$18</td>
</tr>
<tr>
<td>114-2nd (2016)</td>
<td>-$102</td>
<td>-$102</td>
</tr>
</tbody>
</table>

Source: Author calculations based on CBO and JCT bill scores. Discretionary spending figures exclude emergency appropriations for OCO (which would otherwise show even larger 2011-2016 savings) and Hurricane Sandy.