

Spending, Taxes, & Deficits: A Book of Charts

Brian Riedl
Senior Fellow, Manhattan Institute
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Highlights

- 90% of Rising Deficit is From Social Security & Medicare Shortfalls (p. 16)
- Why the Deficit Could Top \$3 Trillion Within a Decade (20)
- Each 1% Interest Rate Rise Adds \$11 Trillion to 30-Year Debt (21)
- What Happened to the 2011 BCA Spending Caps? (29-30)
- What is Driving CBO's Projected \$80 Trillion Deficit over 30 Years? (39-45)
- A Menu of Tax Increase Options (56)
- Democratic Presidential Proposals Would Cost up to \$72 Trillion (60)
- Does the U.S. Have the OECD's Most Progressive Tax Code? (80)
- Is it Possible that the 1980s Defense Build Up Paid for Itself? (84)
- What *Really* Caused the 1990s Budget Surpluses? (85)
- The Comprehensive Bush Budget Record (87-88)
- The Comprehensive Obama Budget Record (89-96)

Methodology

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.

Sources for any chart can be obtained by contacting Brian Riedl at Briedl@manhattan-institute.org.

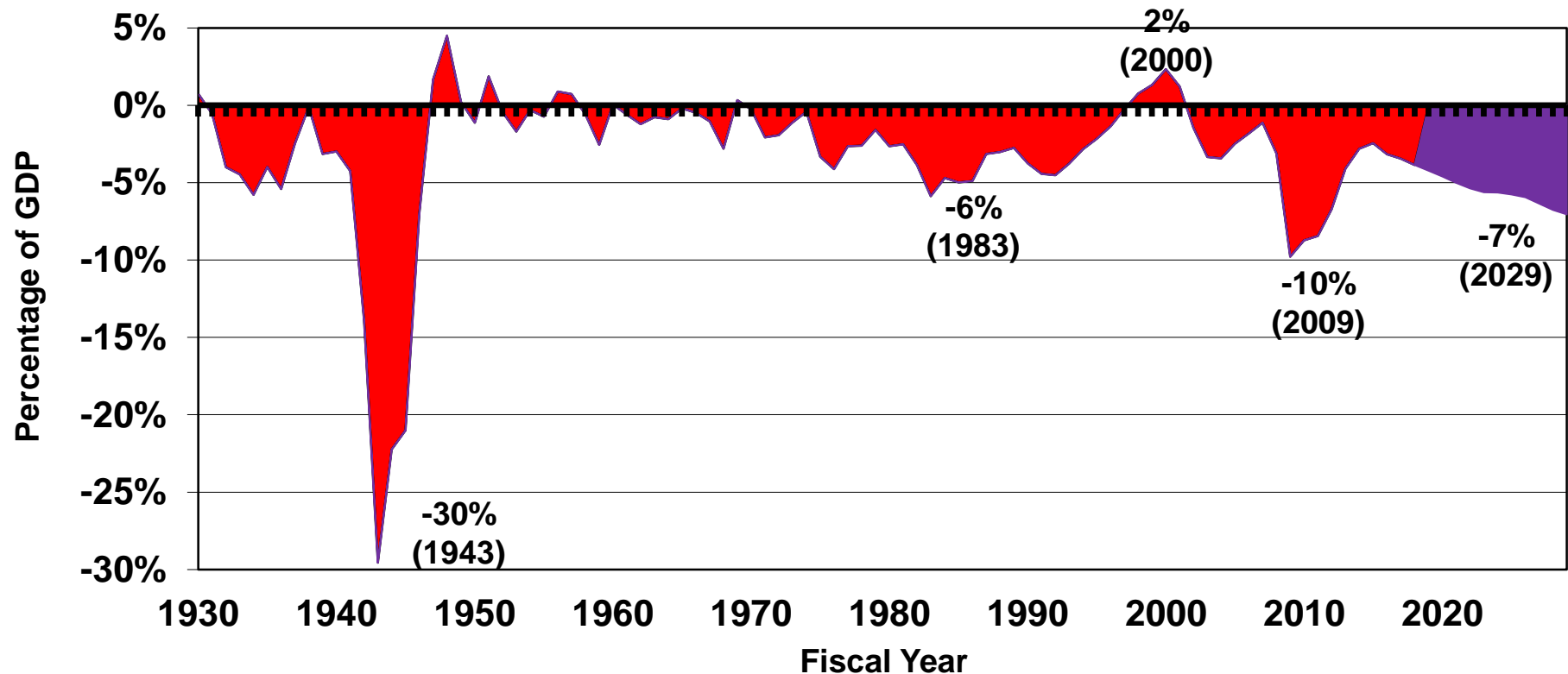
Charts are Organized into 9 Chapters

- 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) Can't We Just Raise Taxes, Cut Defense, & Nationalize Health Care Instead?
- 6) Tax Revenues Will Continue Growing Faster Than the Economy
- 7) The Tax Code Has Become Increasingly Progressive
- 8) Countering Tax, Spending, & Deficit Myths of the 1980s Through 2008
- 9) A Comprehensive Accounting of the Obama Fiscal Record

Chapter 1

Rising Budget Deficits and National Debt

Background: Budget Deficits are Heading Above Their Historical Average

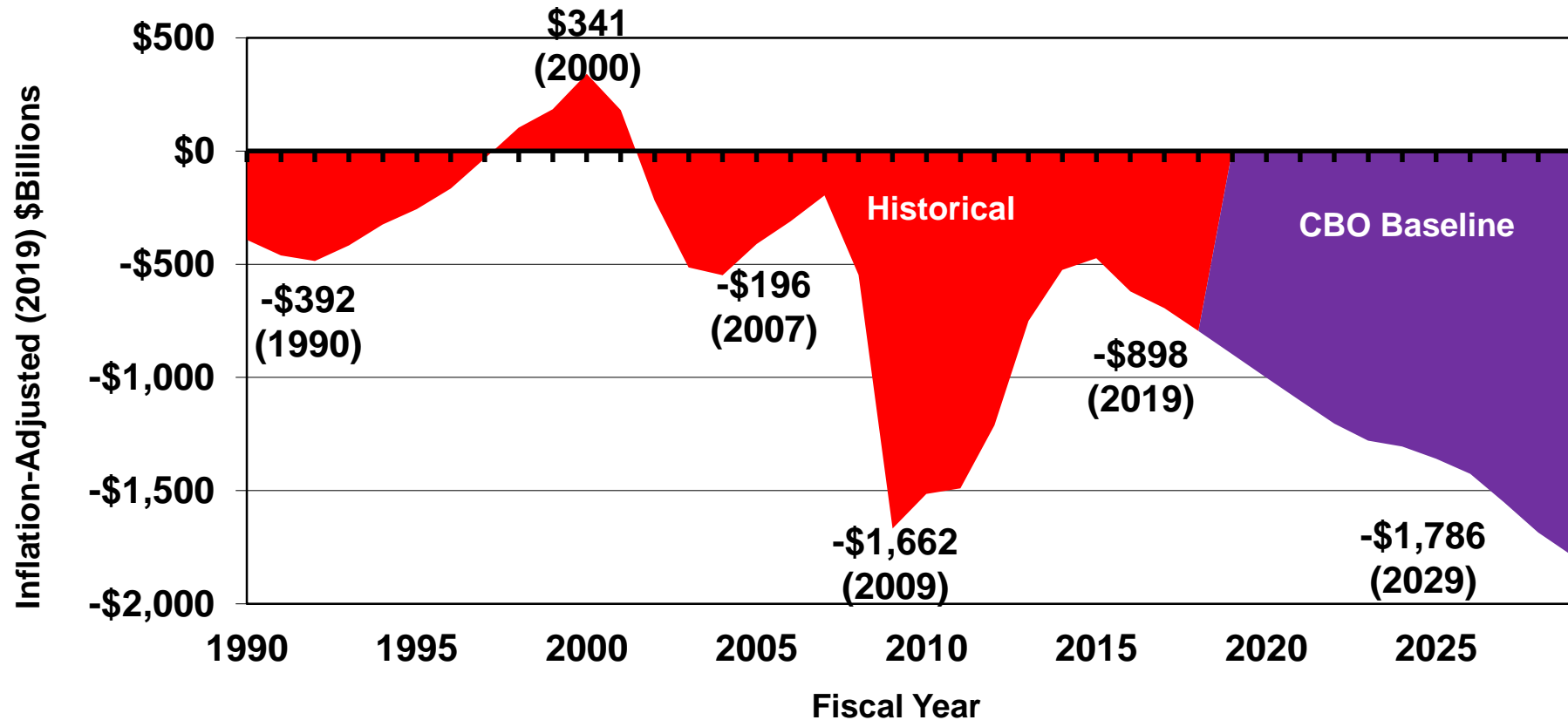


Source: OMB Historical Table 1.2, and
January 2019 CBO (current-policy) Baseline

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl

Budget Deficits are Once Again Soaring

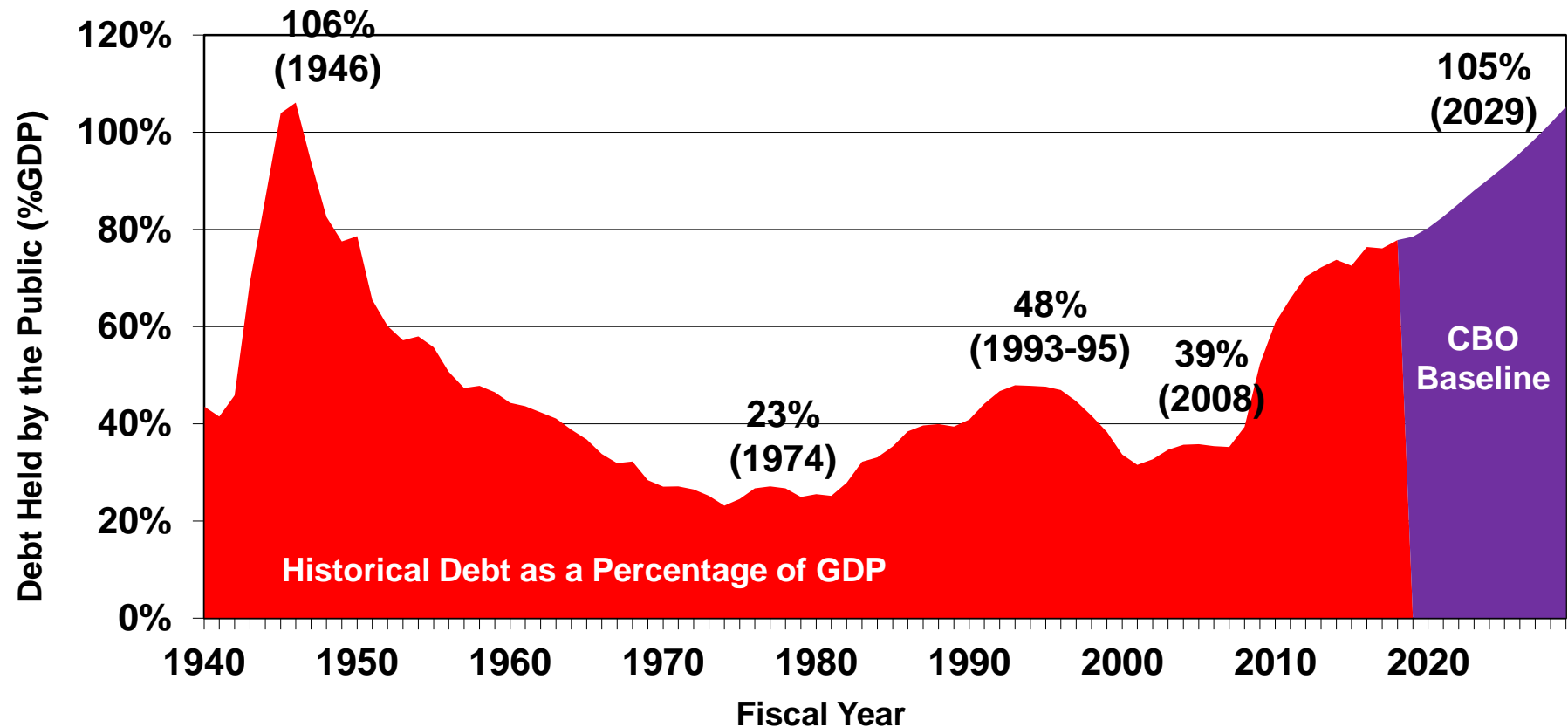
(Adjusted for Inflation)



Source: OMB Historical Table 1.1, and January 2019 CBO (current-policy) Baseline, adjusted in to 2019 dollars.

Author: Brian Riedl, Manhattan Institute -- ⁷@Brian_Riedl

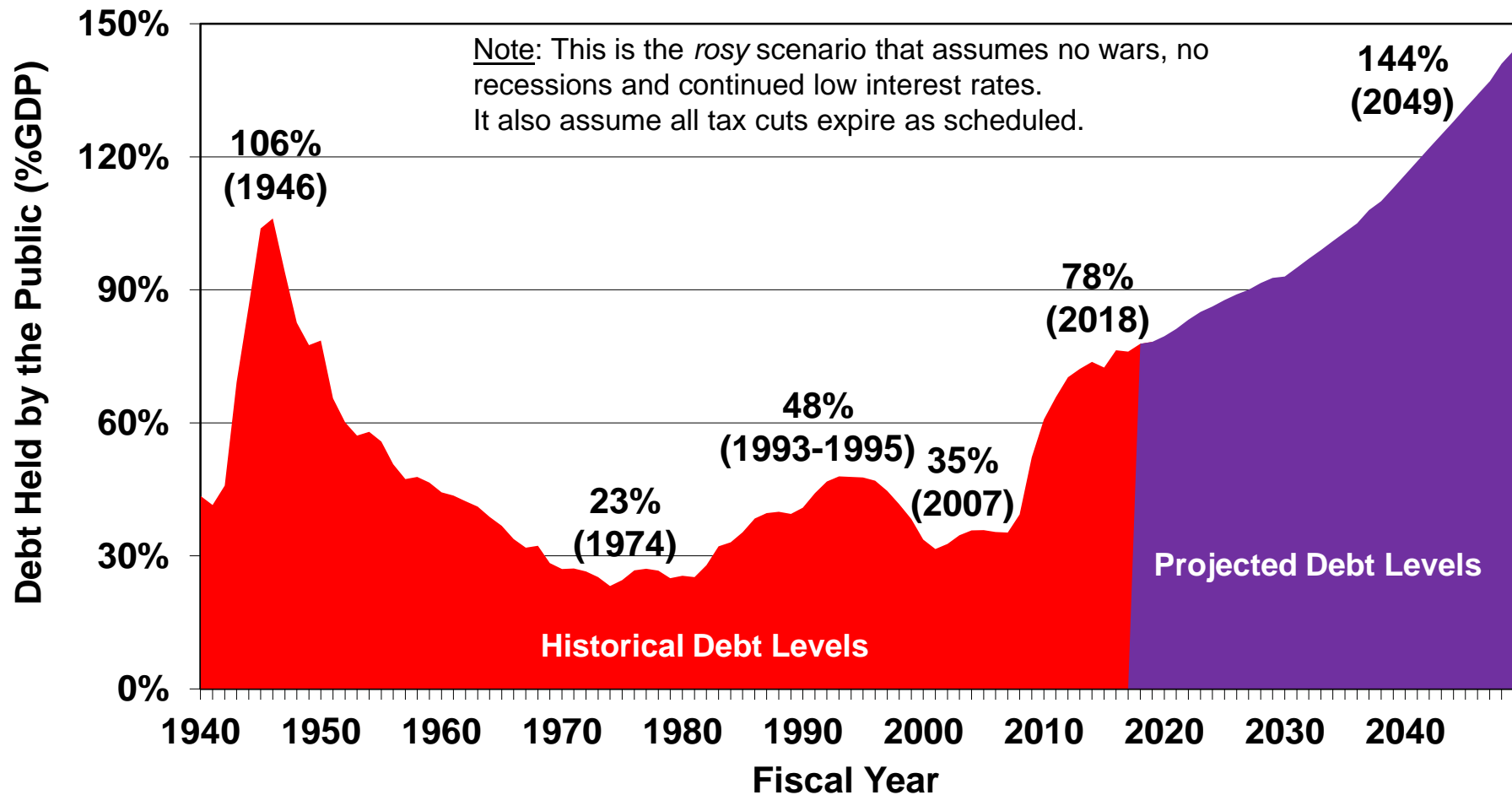
The National Debt is Set to More than Double its Pre-Recession Level



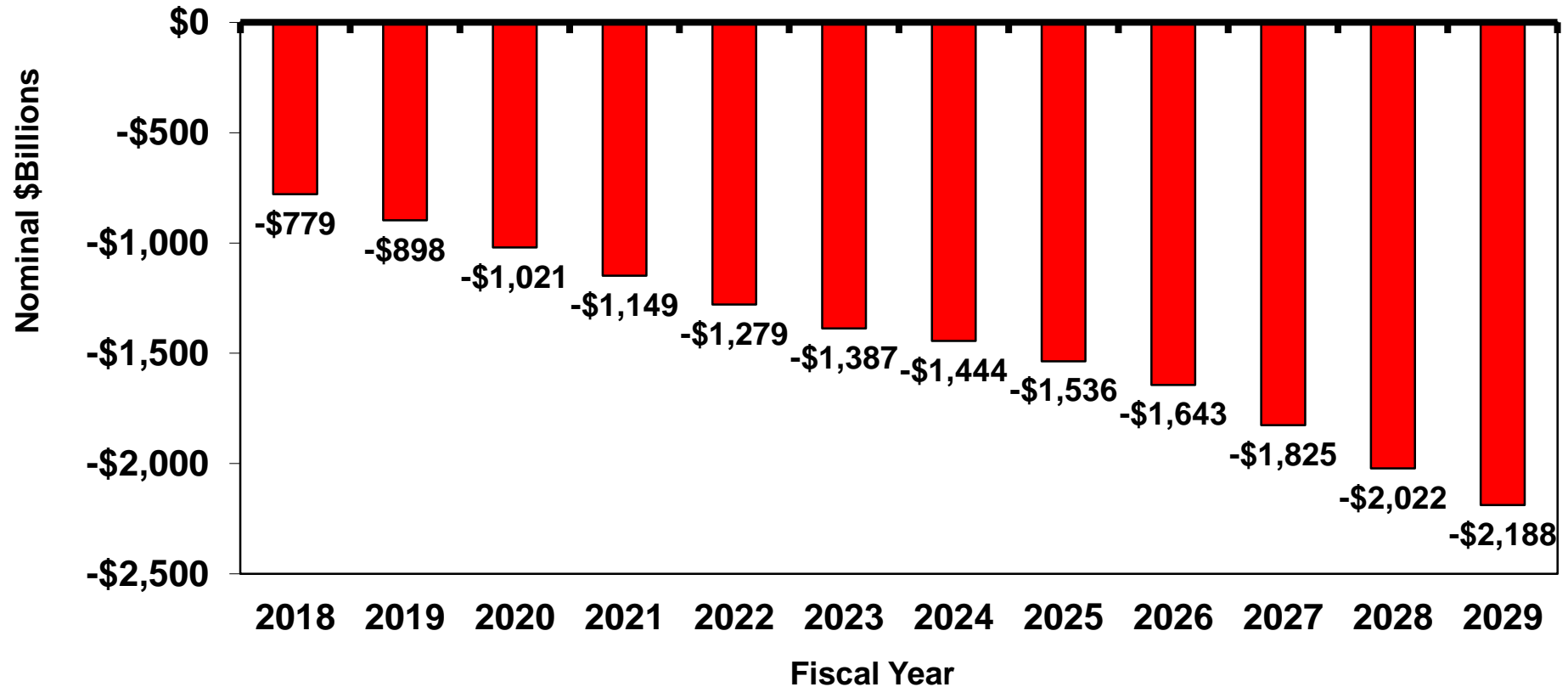
Source: OMB Historical Table 7.1, and January 2019 CBO (current-policy) Baseline Table 1-1. Figures refer to Debt Held by the Public

Author: Brian Riedl, Manhattan Institute -- @⁸Brian_Riedl

CBO Long-Term Baseline Shows Unsustainable Debt



CBO Projects \$2 Trillion Budget Deficits Within a Decade, Assuming Current Policies are Extended



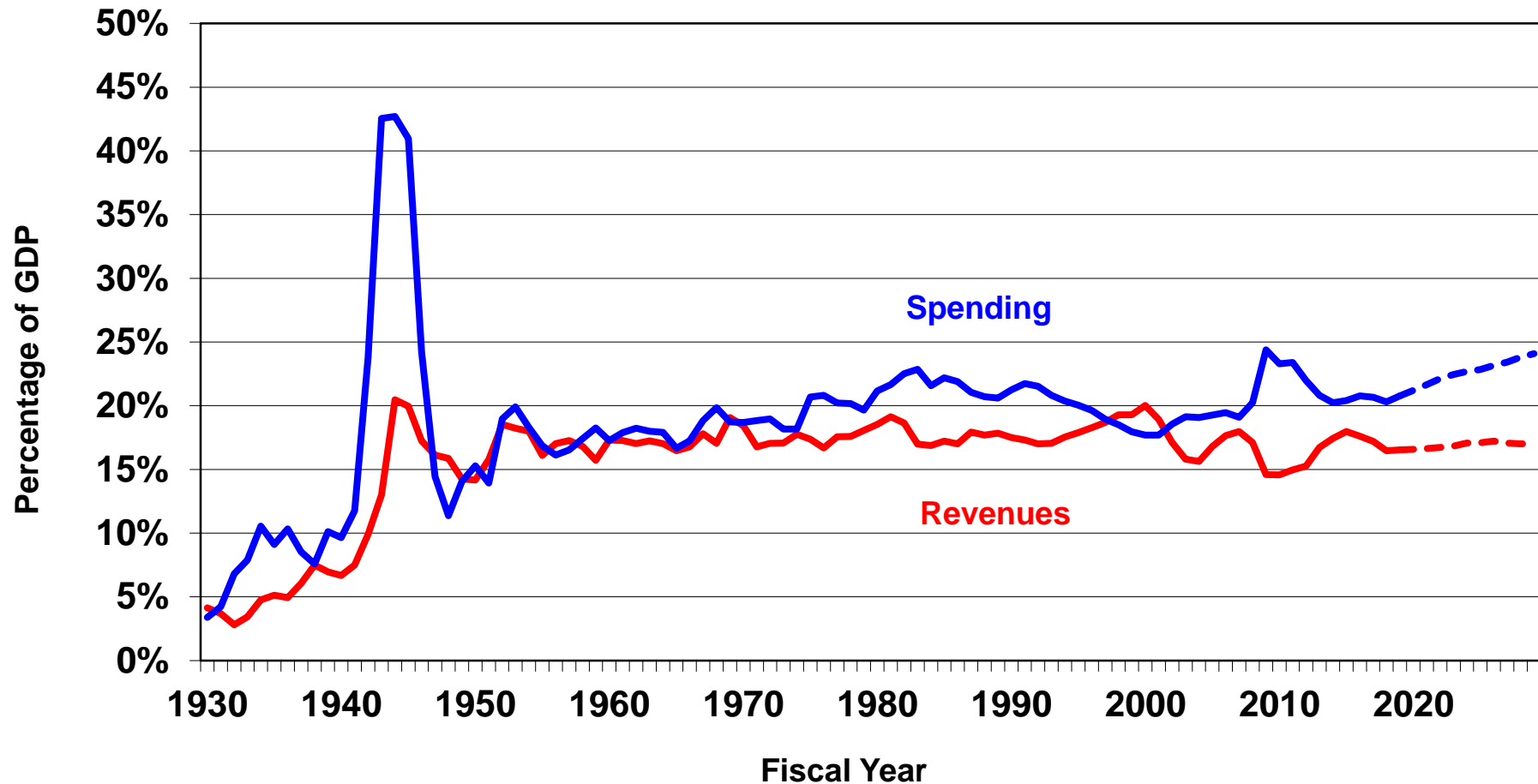
Source: OMB Historical Table 1.1, and January 2019 CBO
(current-policy) Baseline, Table 5.1

Author: Brian Riedl, Manhattan Institute -- ¹⁰@Brian_Riedl

Chapter 2

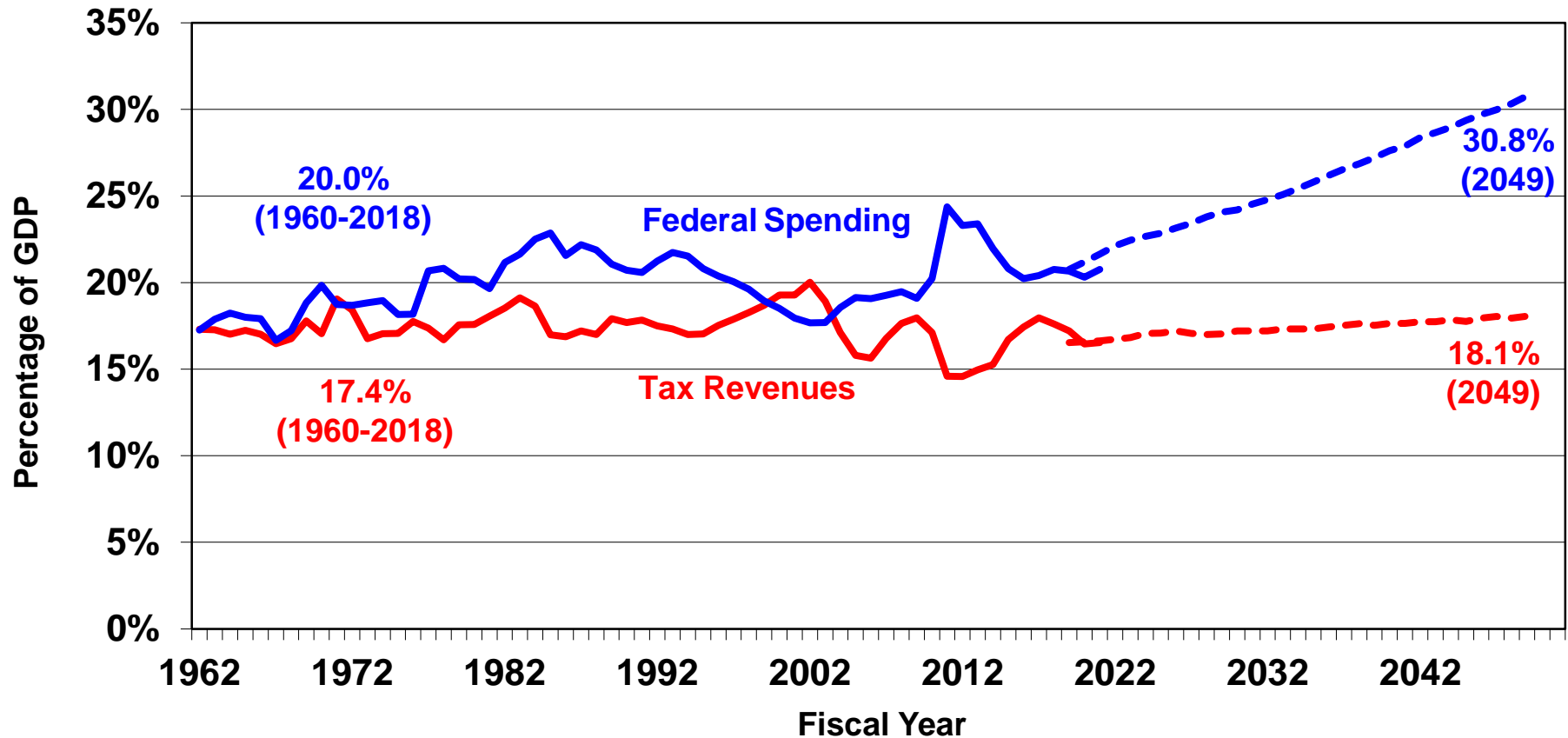
What is Driving the Debt? Soaring Federal Spending

Background: Federal Spending & Taxes: 1930-2029



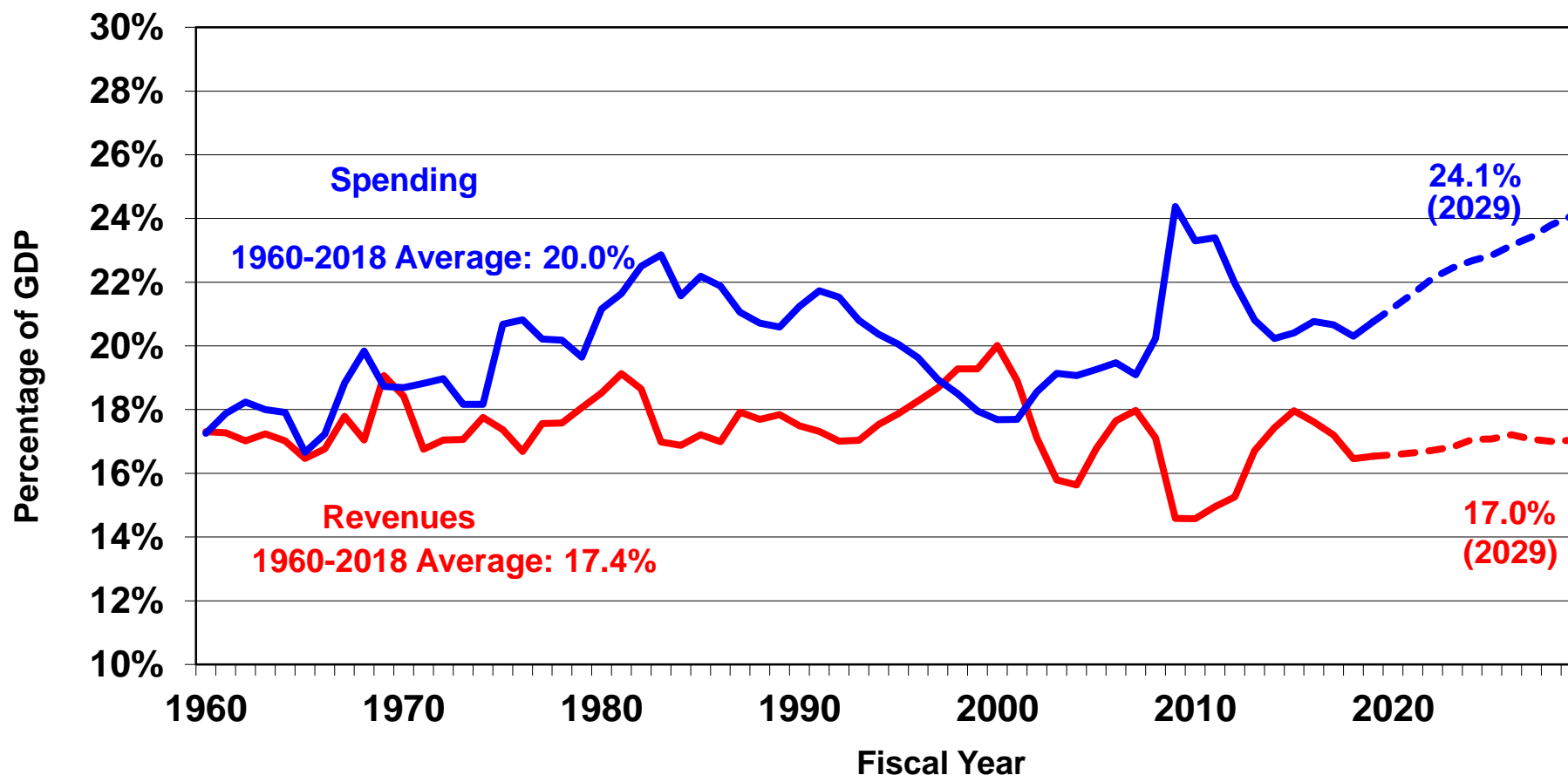
Source: OMB Historical Table 1.2 (1930-2018), and January 2019 CBO (current-policy) Baseline.

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



Source: CBO 2019 Long-Term Budget Outlook,
adjusted into current-policy baseline

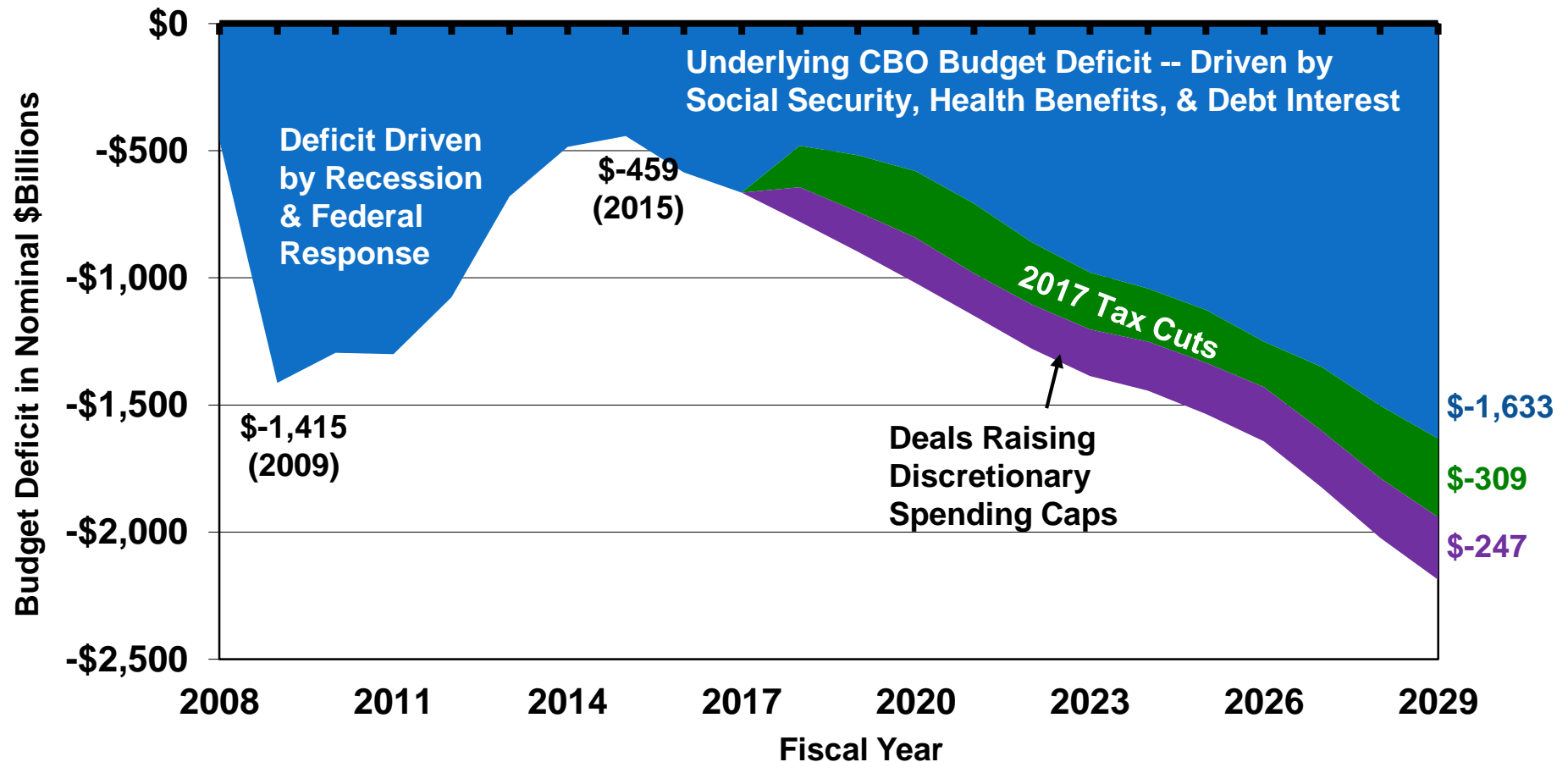
Over the Next Decade, Above-Average Spending Will Drive Most of the Rising Deficit



Source: OMB Historical Table 1.2 (1930-2018), and January 2019 CBO (current-policy) Baseline.

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl¹⁴

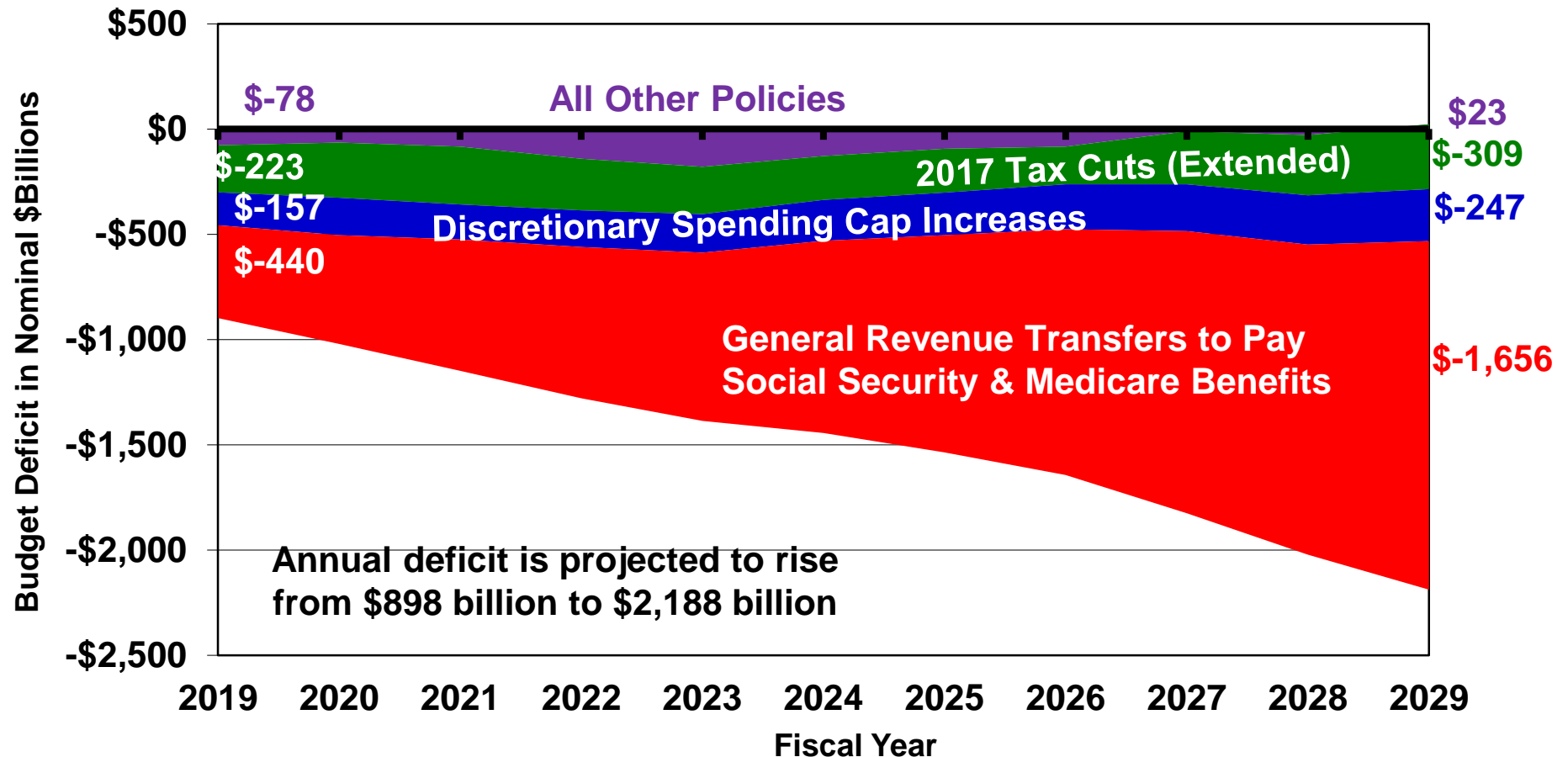
Entitlements Remain the Lead Driver of Budget Deficits



Source: Calculated using CBO 2019 (current-policy) Baseline data.
Assumes that new tax cuts are renewed.
Resulting interest costs are incorporated into each category.

Author: Brian Riedl,
Manhattan Institute --
@Brian_Riedl

Rising Social Security & Medicare Shortfalls Drive 90% of Rising Deficit Between 2019-2029



Source: Calculated using Jan 2019 CBO (current-policy) Baseline and CBO 2019 Long-Term Baseline.

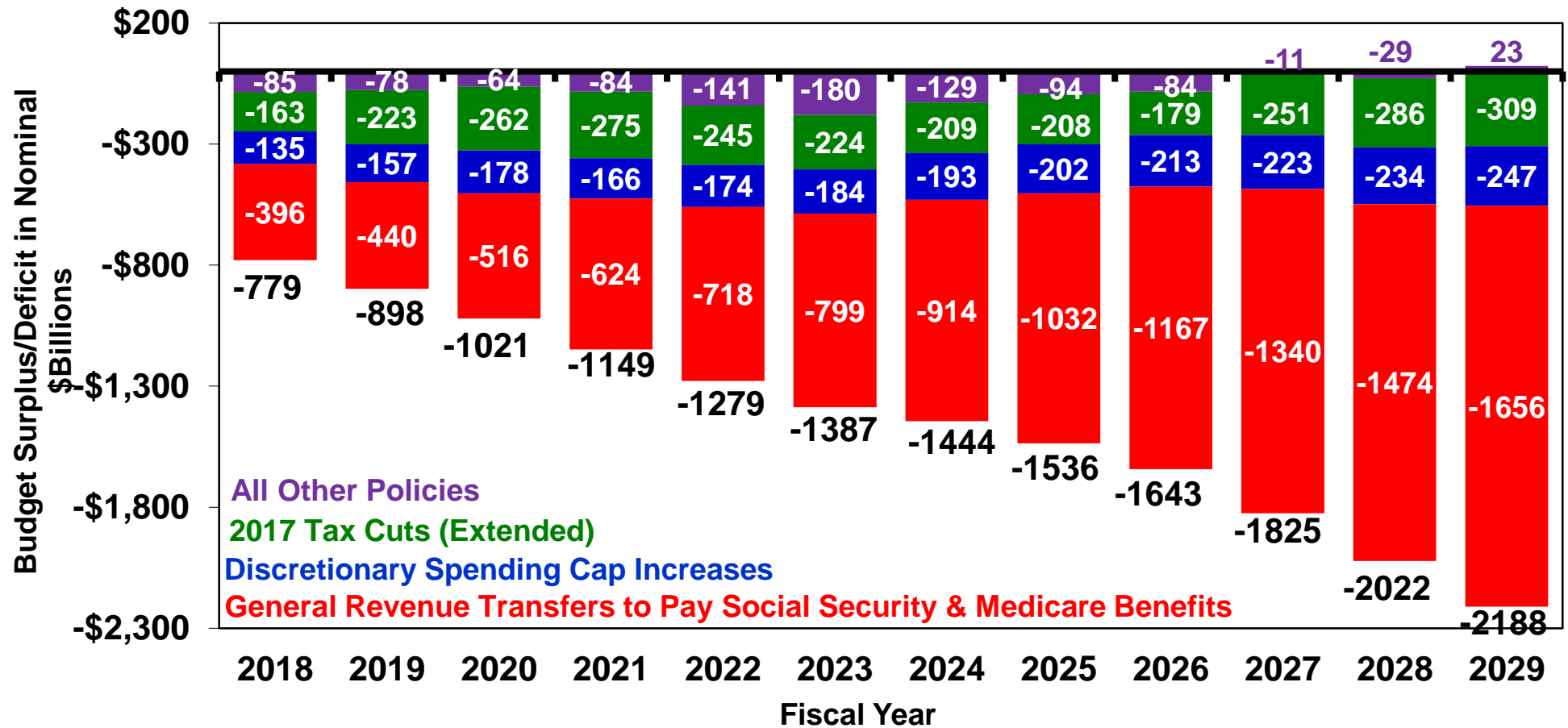
Assumes that new tax cuts are renewed.

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.

Author: Brian Riedl,
Manhattan Institute -
- @Brian_Riedl

Rising Social Security & Medicare Shortfalls Drive 90% of Rising Deficit Between 2018-2029



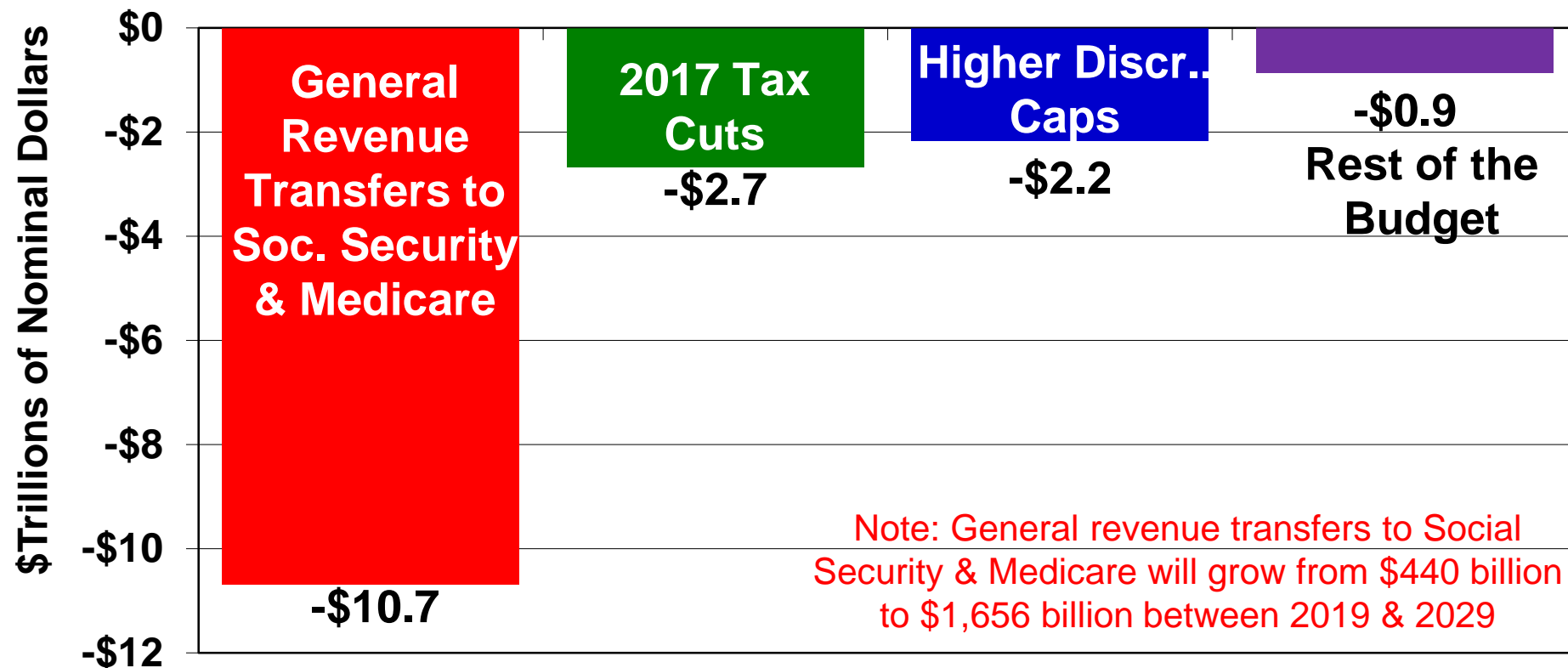
Each category includes the portion of interest on the national debt that it is responsible for.

General revenue transfers include interest payments on trust funds, which are a net cost to the rest of the budget.

Source: Calculated using Jan. 2019 CBO (current-policy) Baseline and CBO 2019 Long-Term Baseline.

Author: Brian Riedl,
Manhattan Institute -
@Brian_Riedl

Major Components of \$16.4 Trillion Deficit Projected Over 2019-2029 Period



Impact on 2019-2029 CBO Budget Deficit

Source: Calculated using Jan. 2019 CBO (current-policy) Baseline and CBO 2019 Long-Term Baseline.

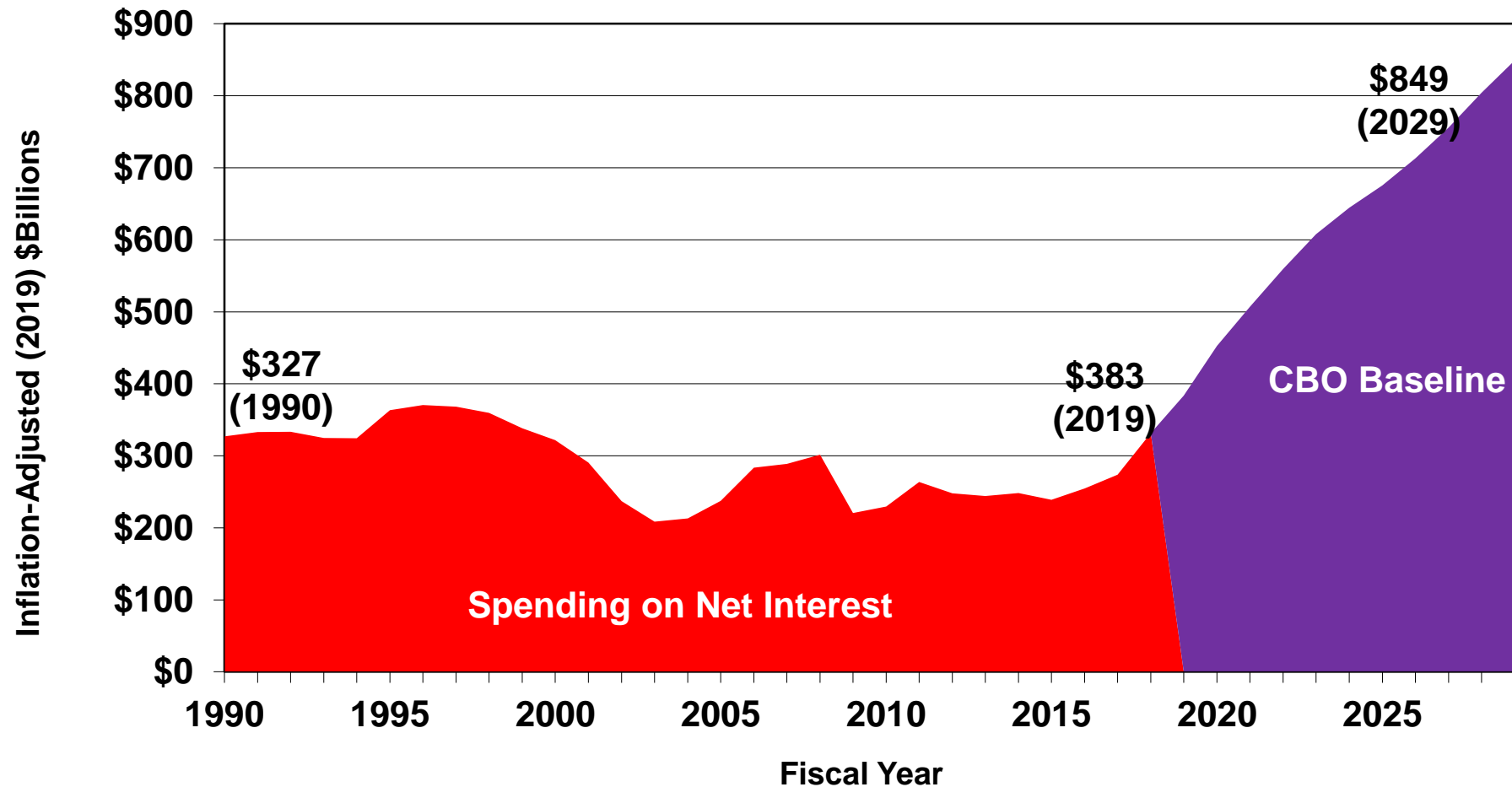
Assumes that new tax cuts are renewed.

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.

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Manhattan Institute --
@Brian_Riedl

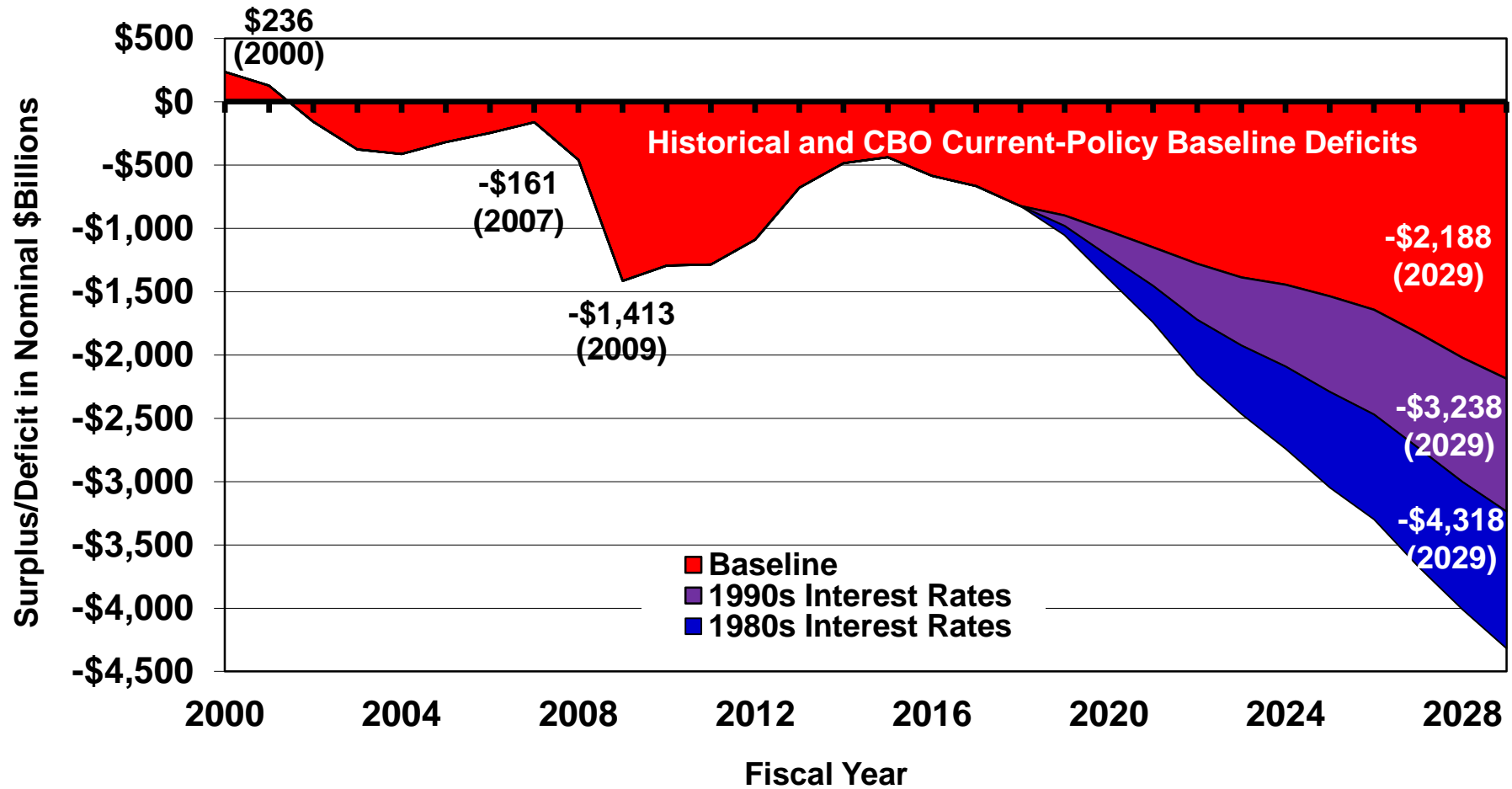
Net Interest Costs are Set to Rise Dramatically



Source: OMB Historical Table 3.2 and January 2019 CBO (current-policy)
Baseline Table 1.1 adjusted for inflation into 2019 dollars

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl¹⁹

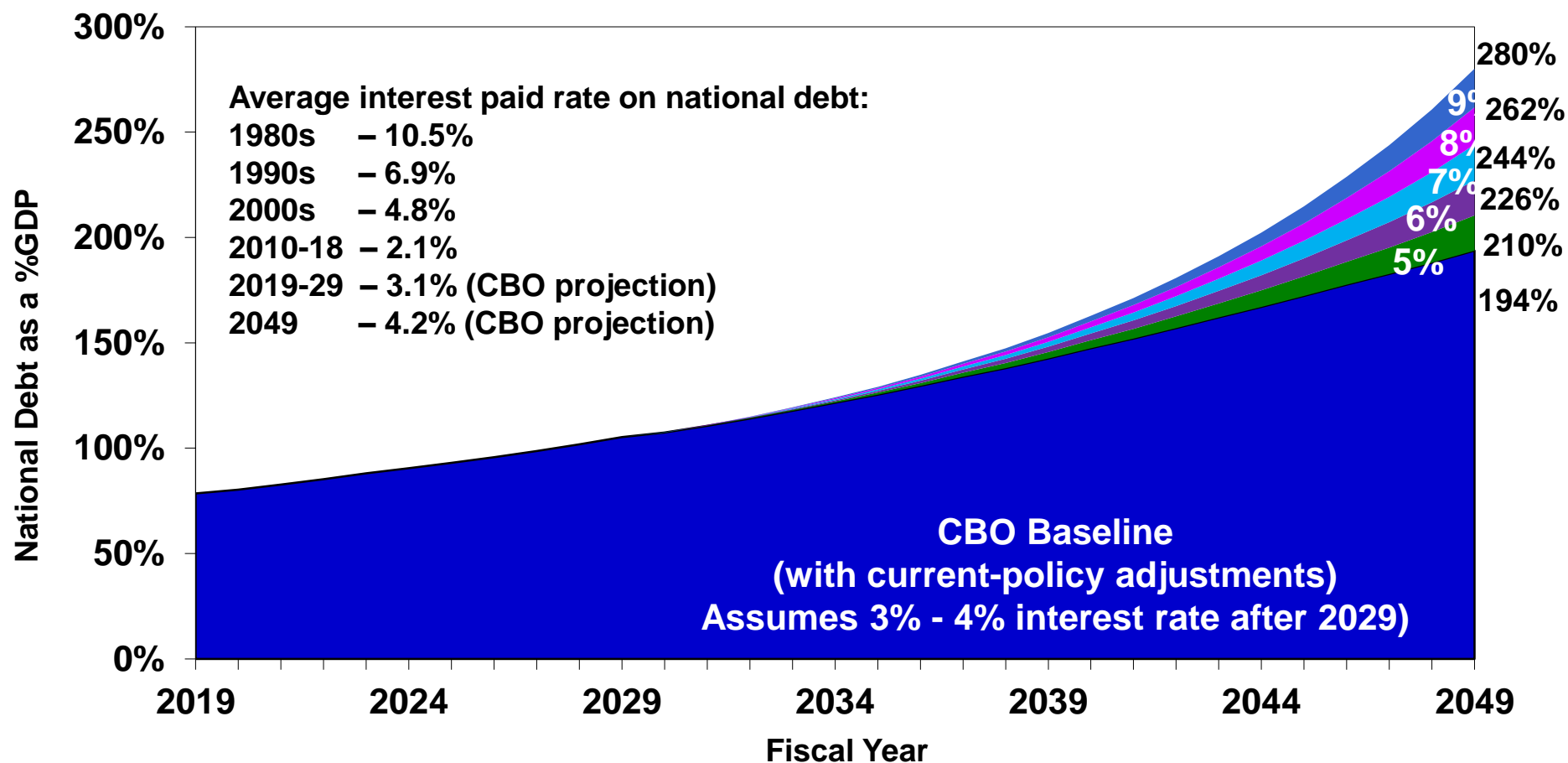
If Interest Rates Return to 1980s or 1990s Levels, Net Interest Costs – and Thus the Deficit – Will Soar



Source: Calculated using January 2019 CBO (current-policy) Baseline data and CEA historical interest rate data. Amounts in nominal \$billions

Author: Brian Riedl, Manhattan Institute -- ²⁰@Brian_Riedl

Rising Interest Rates Would Push the National Debt Past 250% of GDP Within 30 Years

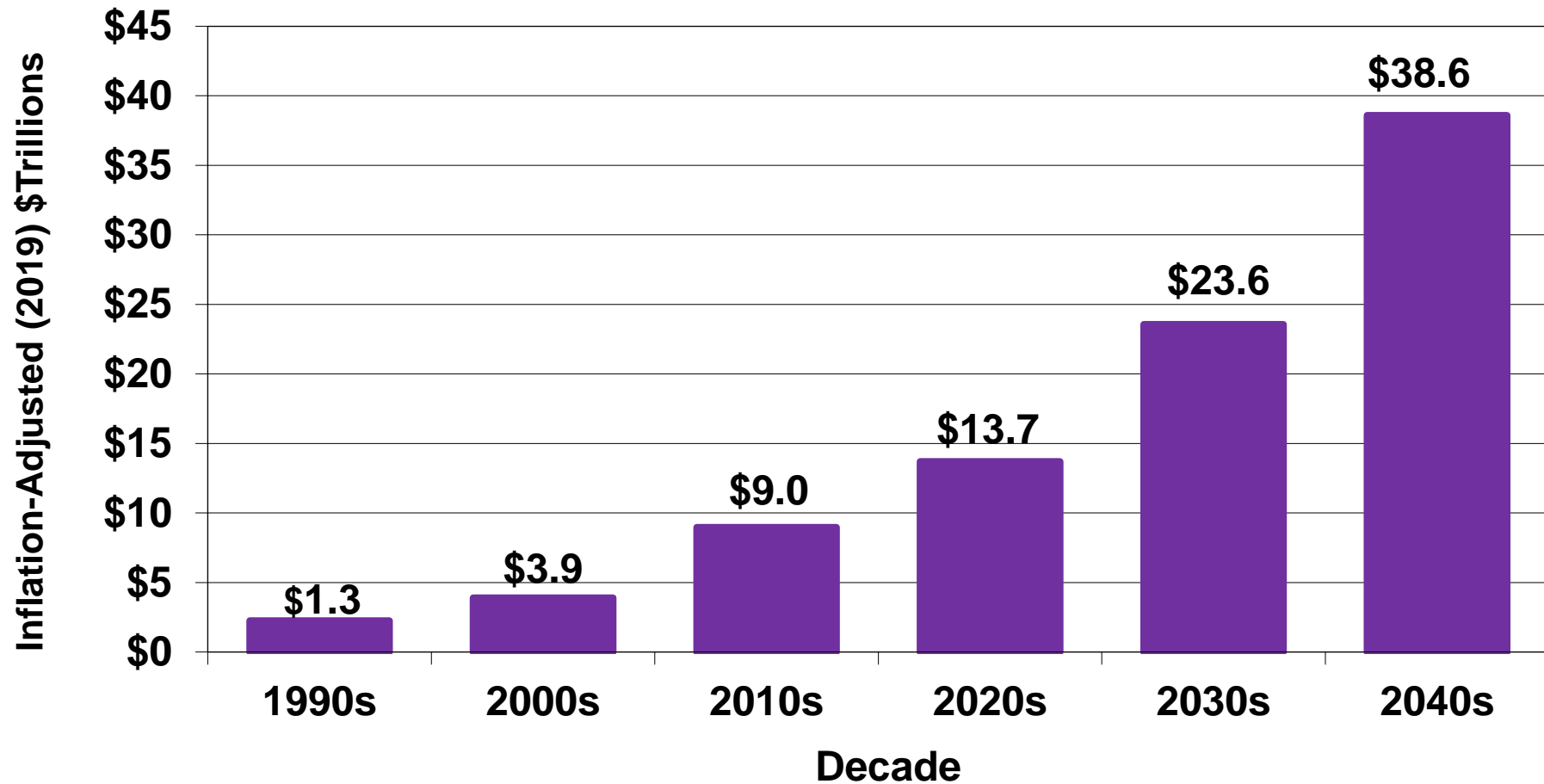


Source: Calculations using the 2019 CBO Long-Term Baseline.

Alternative scenarios assume higher interest rates phase-in between 2030 & 2049.

Most economists agree that a steeply rising debt will raise interest rates.

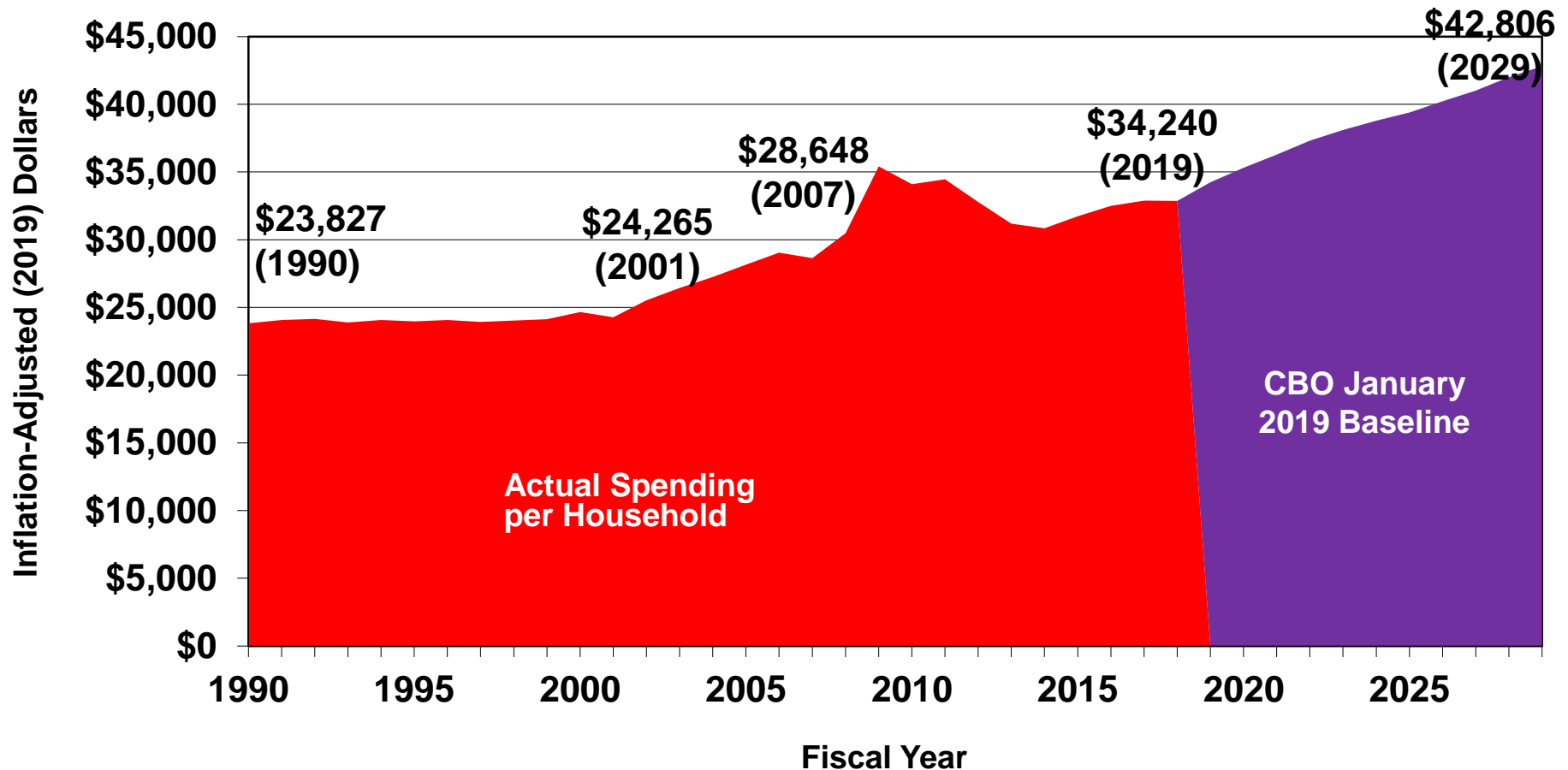
Projected New Federal Debt Added by Decade – Unless Reforms are Enacted



Source: CBO 2019 Long-Term Budget Outlook
adjusted to reflect the current-policy baseline.

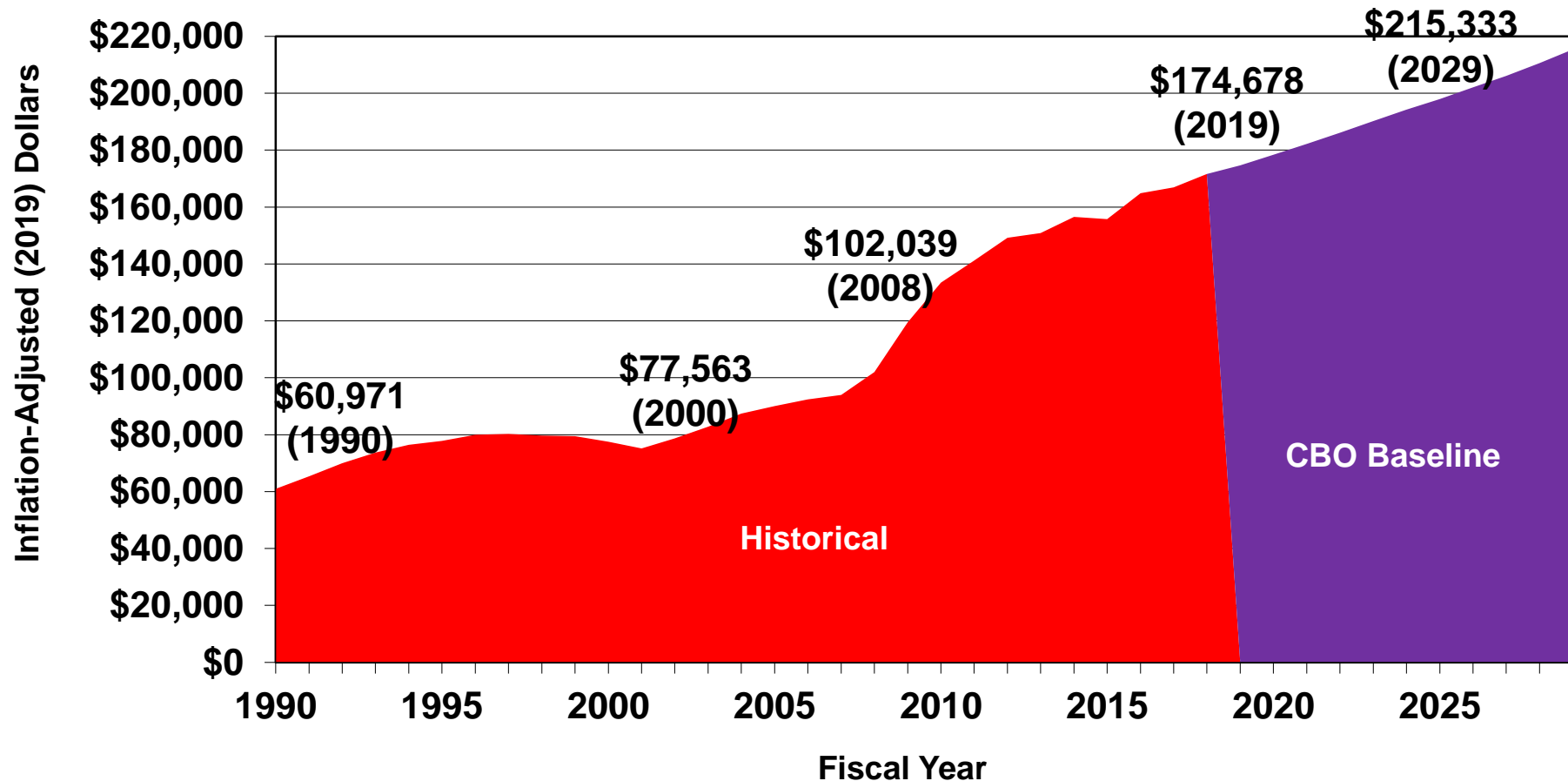
Author: Brian Riedl, Manhattan Institute -- ²²@Brian_Riedl

Washington Now Spends More Than \$34,000 Per Household



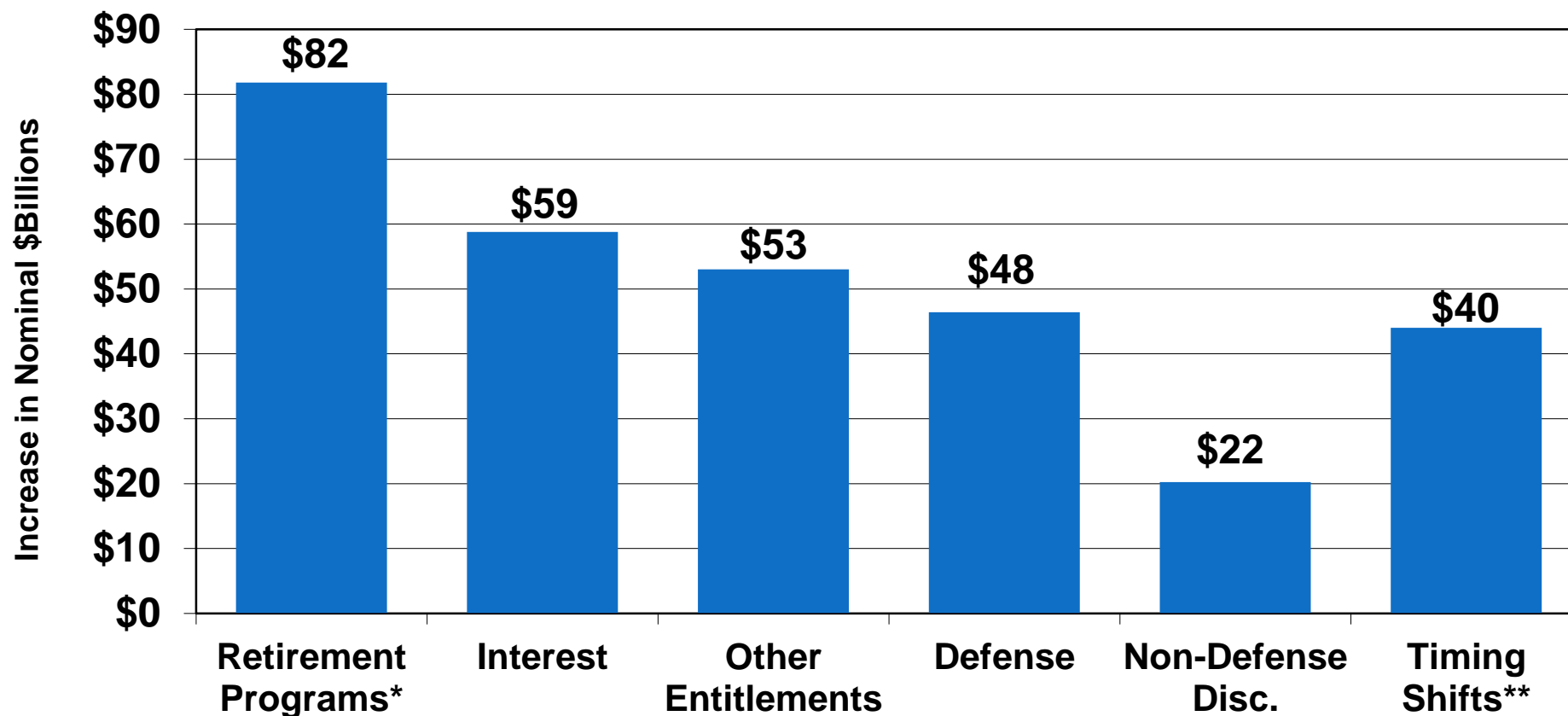
Source: OMB Historical Table 1.1, January 2019 CBO
(current-policy) baseline, and Census Bureau data

Each Household's Share of the National Debt



Source: OMB Historical Table 7.1, January 2019 CBO (current-policy) Baseline, and Census Bureau.

Federal Spending Will Rise by \$304 Billion in FY 2019



*Retirement programs include: Social Security (OASI), Medicare, Civilian Retirement, and Military Retirement.

**\$40 billion in 2018 spending was shifted to the end of the 2017, which made 2018 spending appear smaller, and thus the 2019 increase appear larger.

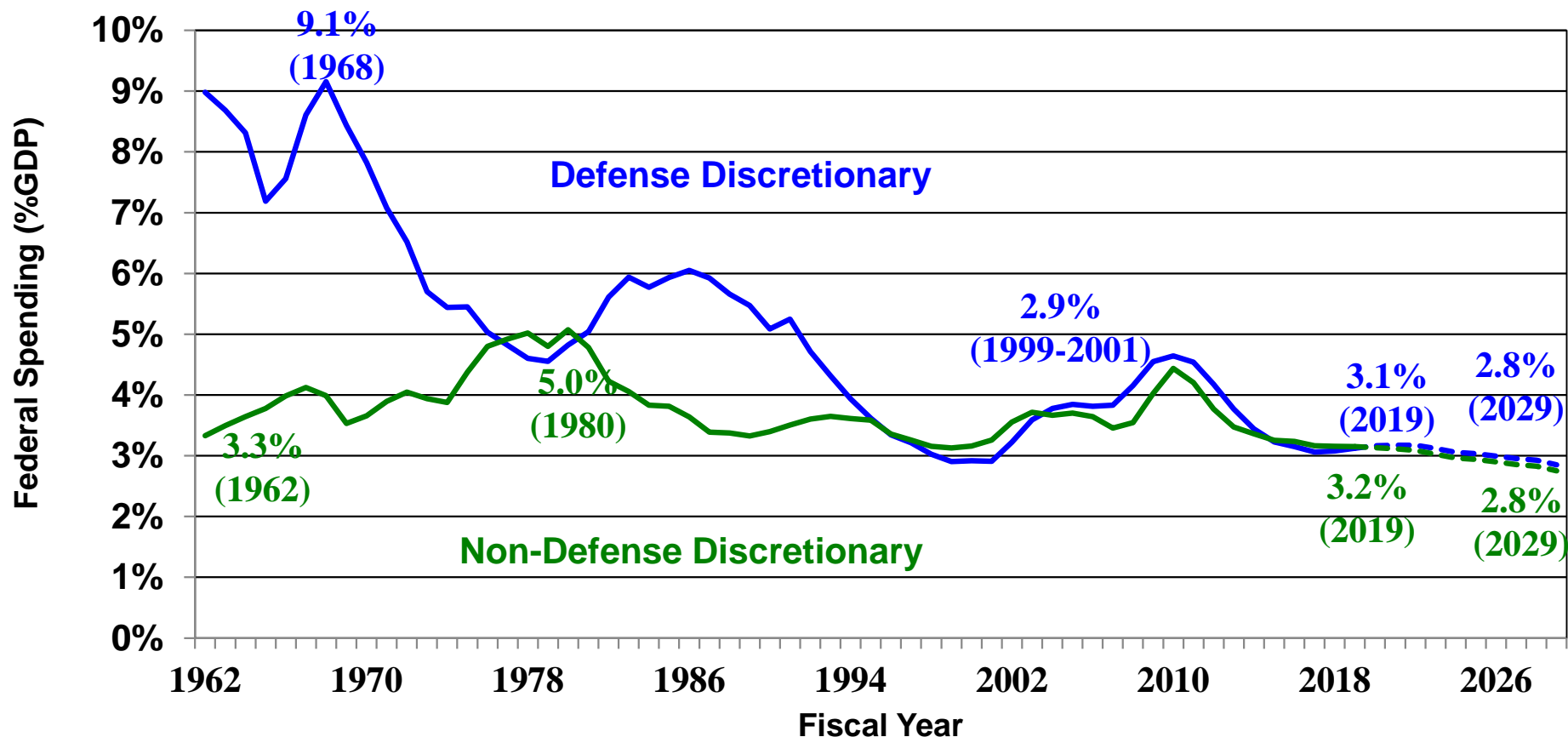
Author: Brian Riedl,
Manhattan Institute
-- @Brian_Riedl

Source: CBO January 2019 Baseline

Chapter 3

Discretionary Spending is Not Driving the Long-Term Debt

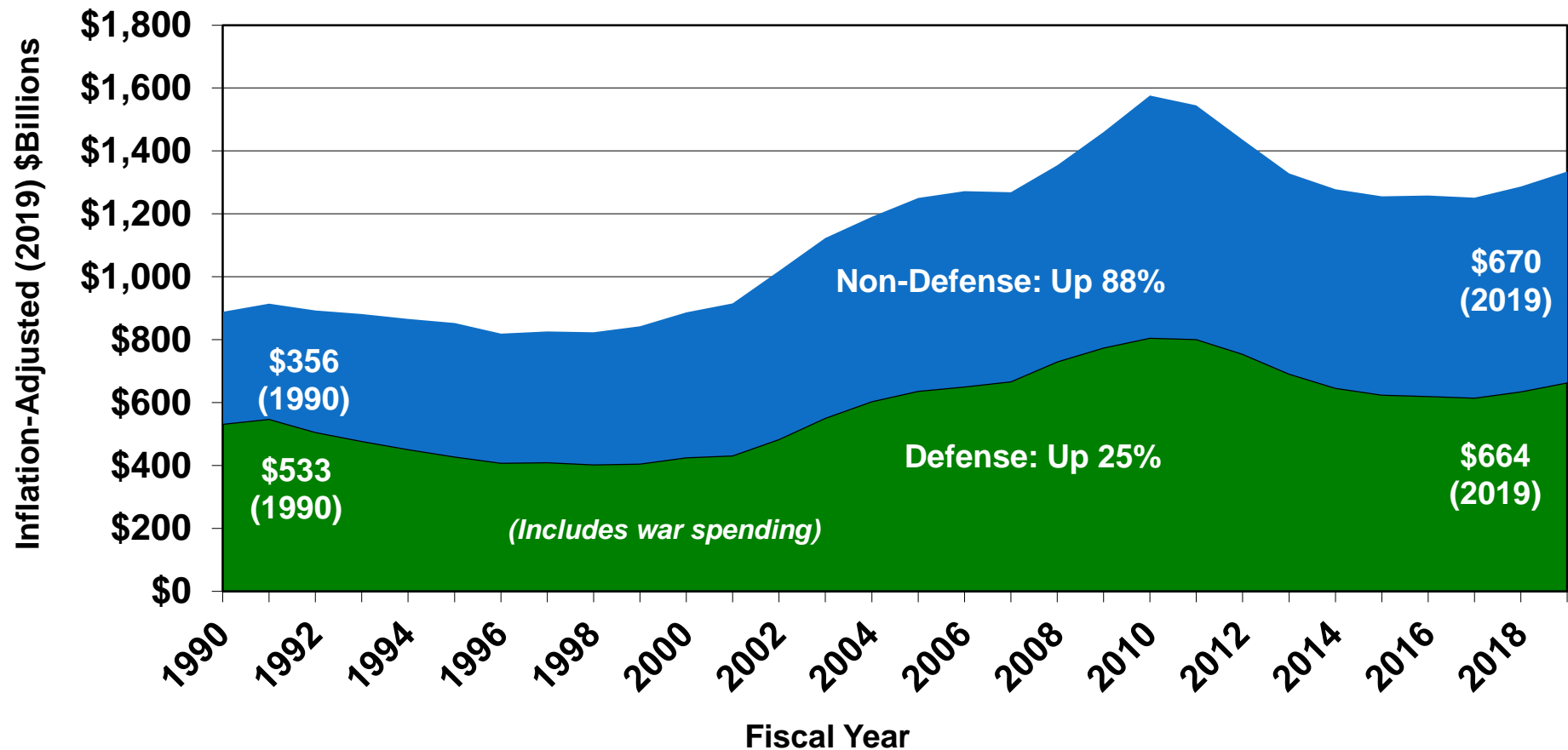
Despite Recent Increases, Discretionary Spending Remains Below its Historic Average



Source: OMB Historical Table 8.4, and January 2019 CBO (current-policy) Baseline.

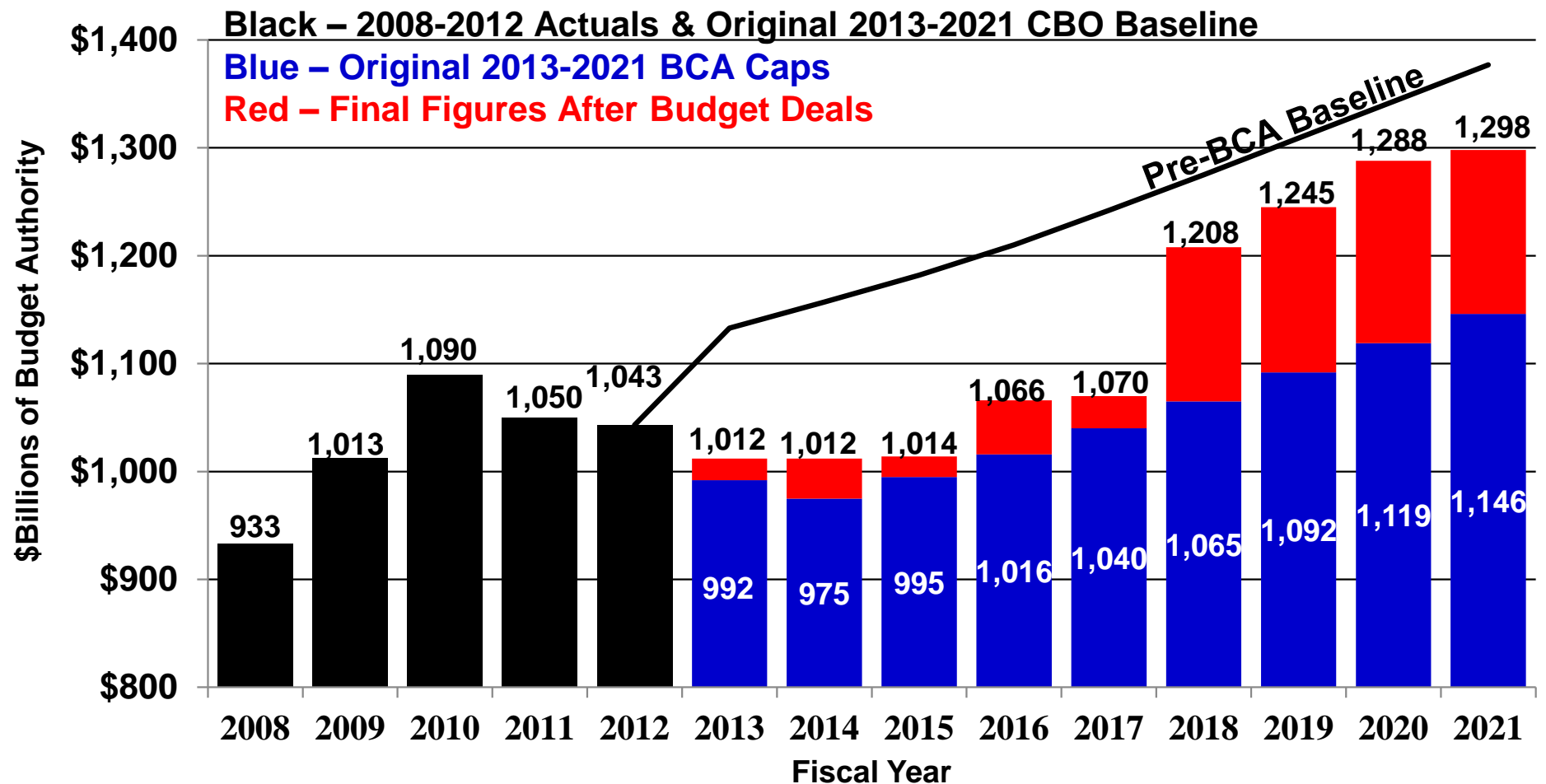
Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl²⁷

Since 1990, Non-Defense Discretionary Spending Has Grown 3 Times Faster than Defense



Source: OMB Historical Table 8.1, and CBO January 2019 Baseline, converted into 2019 dollars

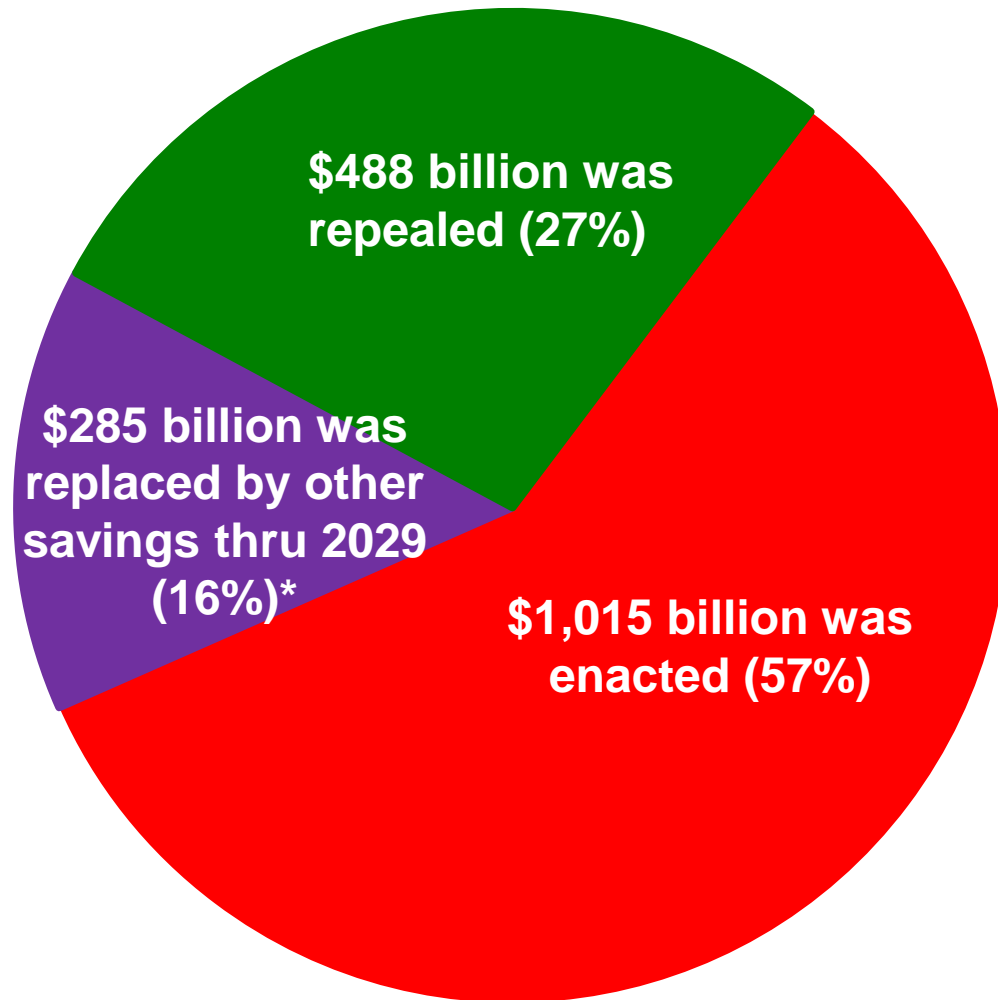
Budget Deals Weakened the Budget Control Act (BCA) Discretionary Spending Caps



Source: Congressional Budget Office
Excludes OCO and emergency spending.
Amounts in nominal \$billions

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl²⁹

What Became of the \$1,788 Billion in Promised 2013-2021 Discretionary Savings Under the Budget Control Act?

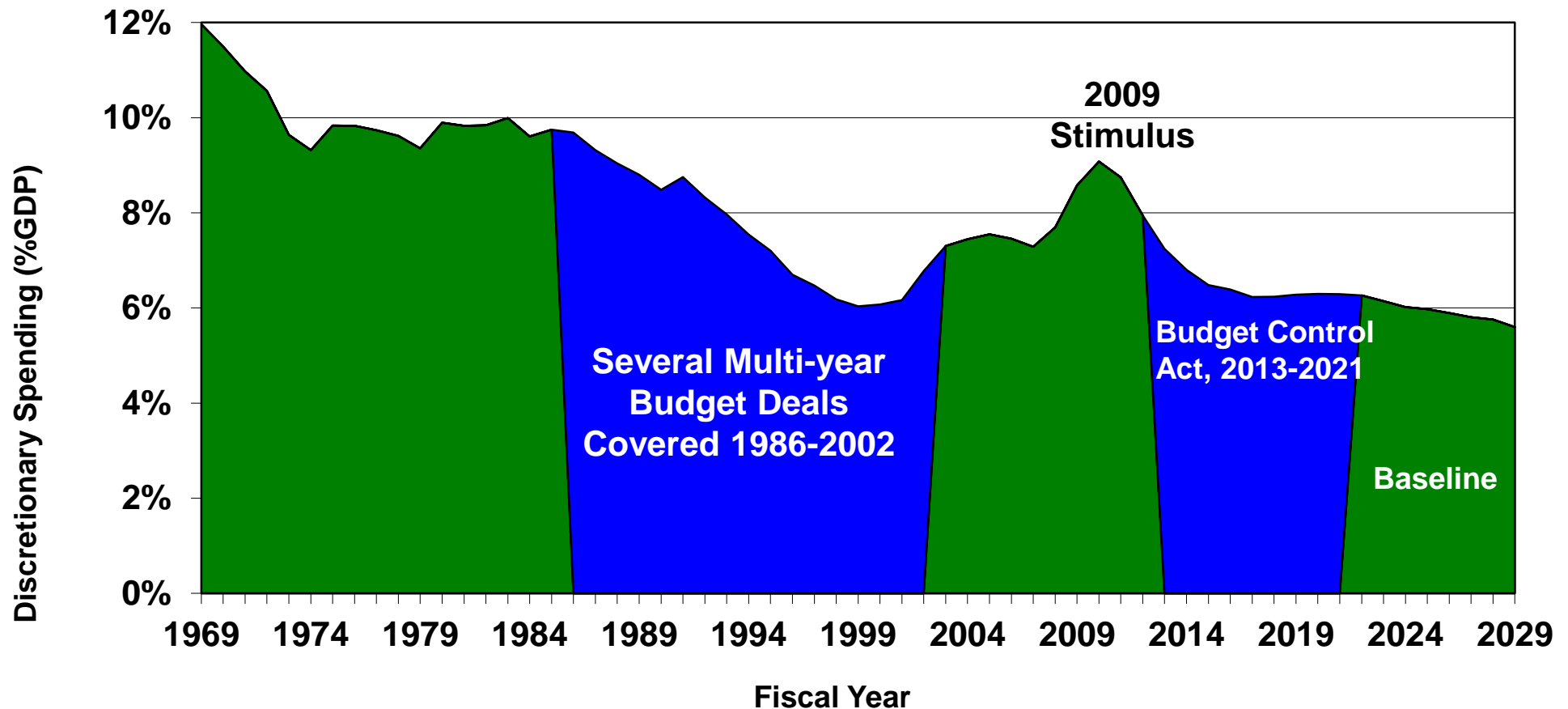


Figures assume lawmakers stick to the 2020-2021 spending deal.

*Other savings consist of mandatory savings and revenue increases.

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.

Statutory Budget Caps Sharply Reduce Discretionary Spending – Until They are Ignored After a Few Years

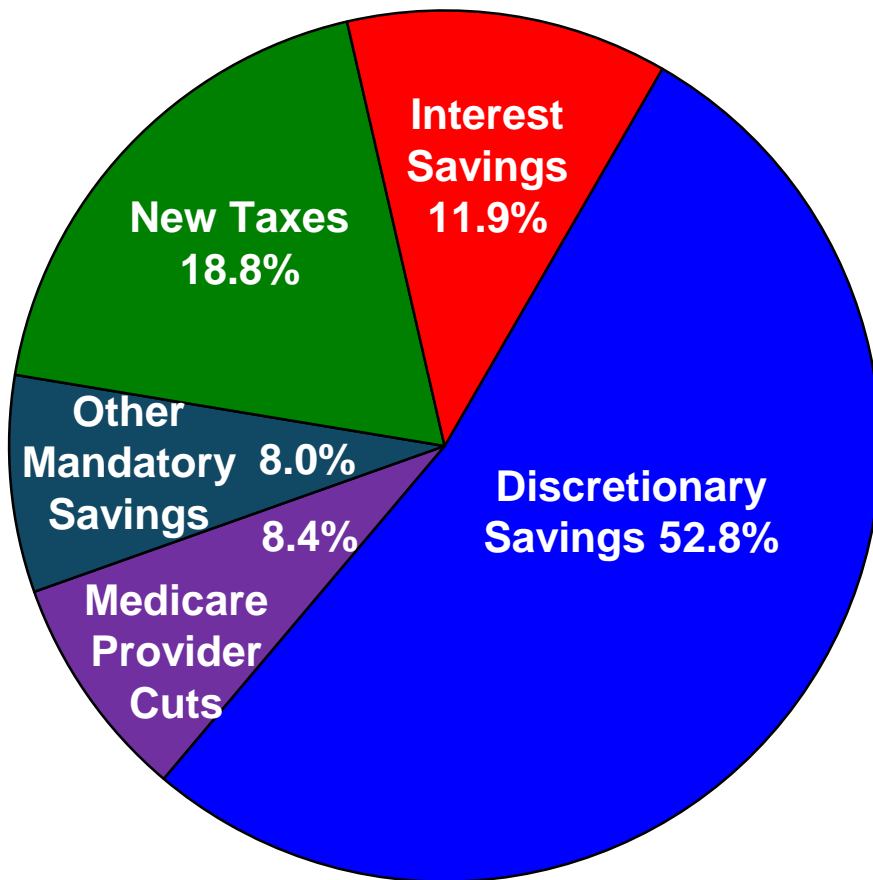


Source: OMB Historical Table 8.4, and January 2019 CBO (current-policy) Baseline.

Author: Brian Riedl,
Manhattan Institute --
@Brian_Riedl

The Six Major Deficit-Reduction Deals Since 1983 Relied Mostly on Discretionary Savings

Combined Components of the 6 Deals



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 listed as 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.

Source: Brian Riedl "Getting To Yes: A History Of Why Budget Negotiations Succeed, and Why They Fail" (2019)

Chapter 4

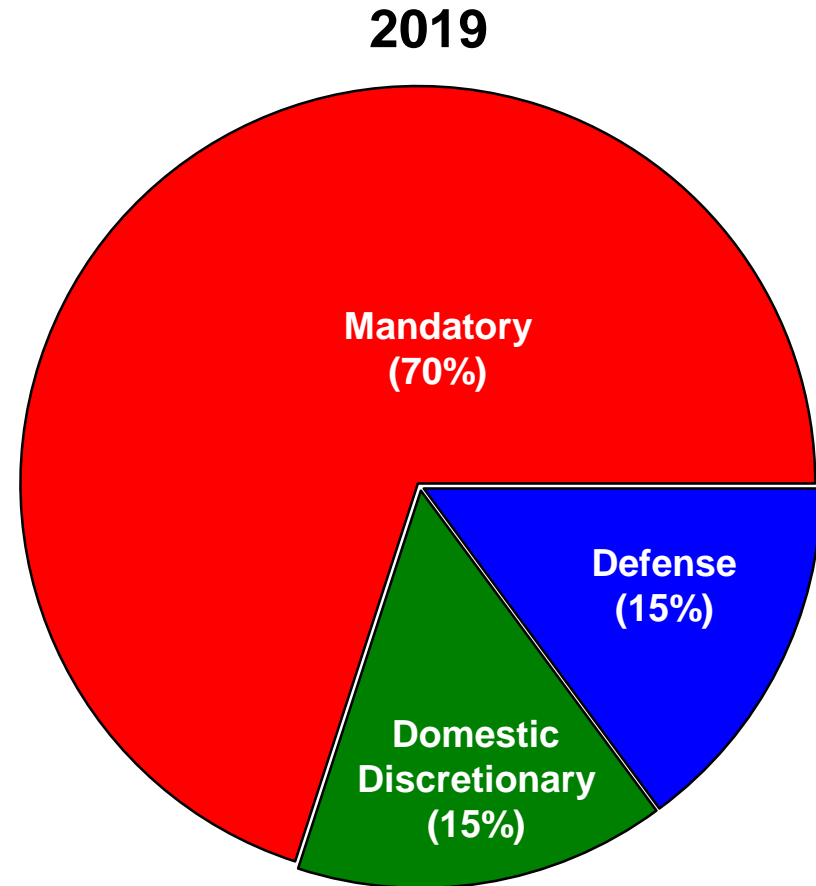
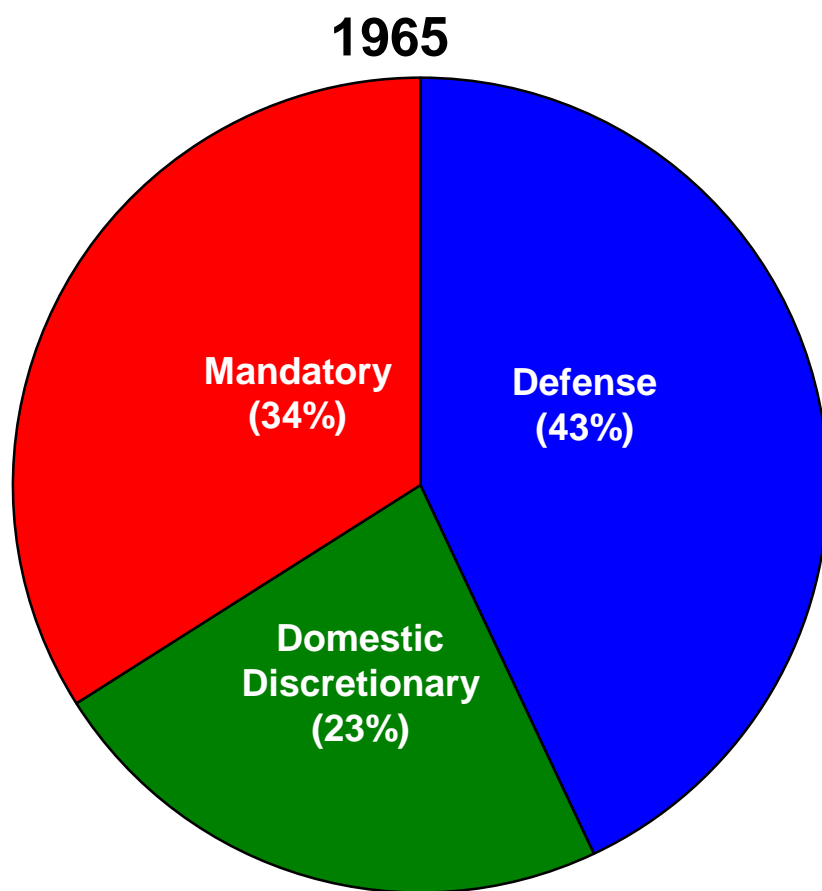
Mandatory Spending and Entitlement Costs are Rising Rapidly

Major Components of the 2019 Federal Budget

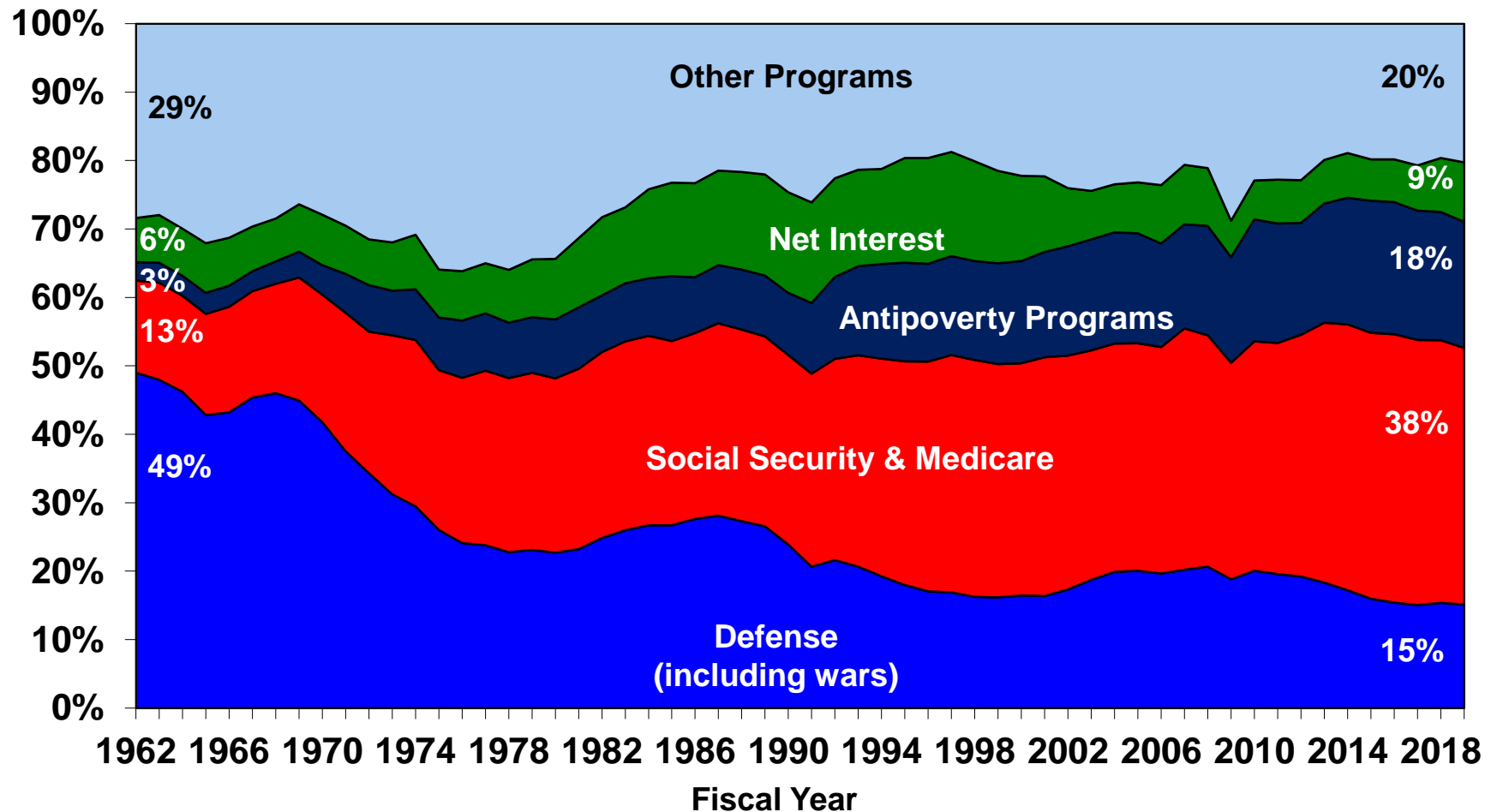
2019 Outlays	\$Millions	Per Household	%
Social Security	\$1,046,955	\$8,125	23%
National Defense	684,568	5,312	15%
Medicare	651,199	5,053	14%
Medicaid	418,681	3,249	9%
Net Interest	393,498	3,054	9%
Income Security Programs	349,458	2,712	8%
Veterans Benefits	200,458	1,556	4%
Education	112,863	876	2%
Justice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

2019 Revenues	\$Million	Per Household	%
Ind. Income Taxes	\$1,698,353	\$13,180	49%
Social Insurance Taxes	1,242,405	9,641	36%
Corporate Taxes	216,194	1,678	6%
Excise Taxes	98,669	766	3%
Customs Duties/Fees	69,469	539	2%
Fed. Reserve Earnings	48,783	379	1%
Estate/Gift Taxes	19,295	150	1%
Other Revenues	44,488	345	1%
Total Receipts	3,437,656	26,677	100%

Mandatory Spending is Squeezing Discretionary Spending



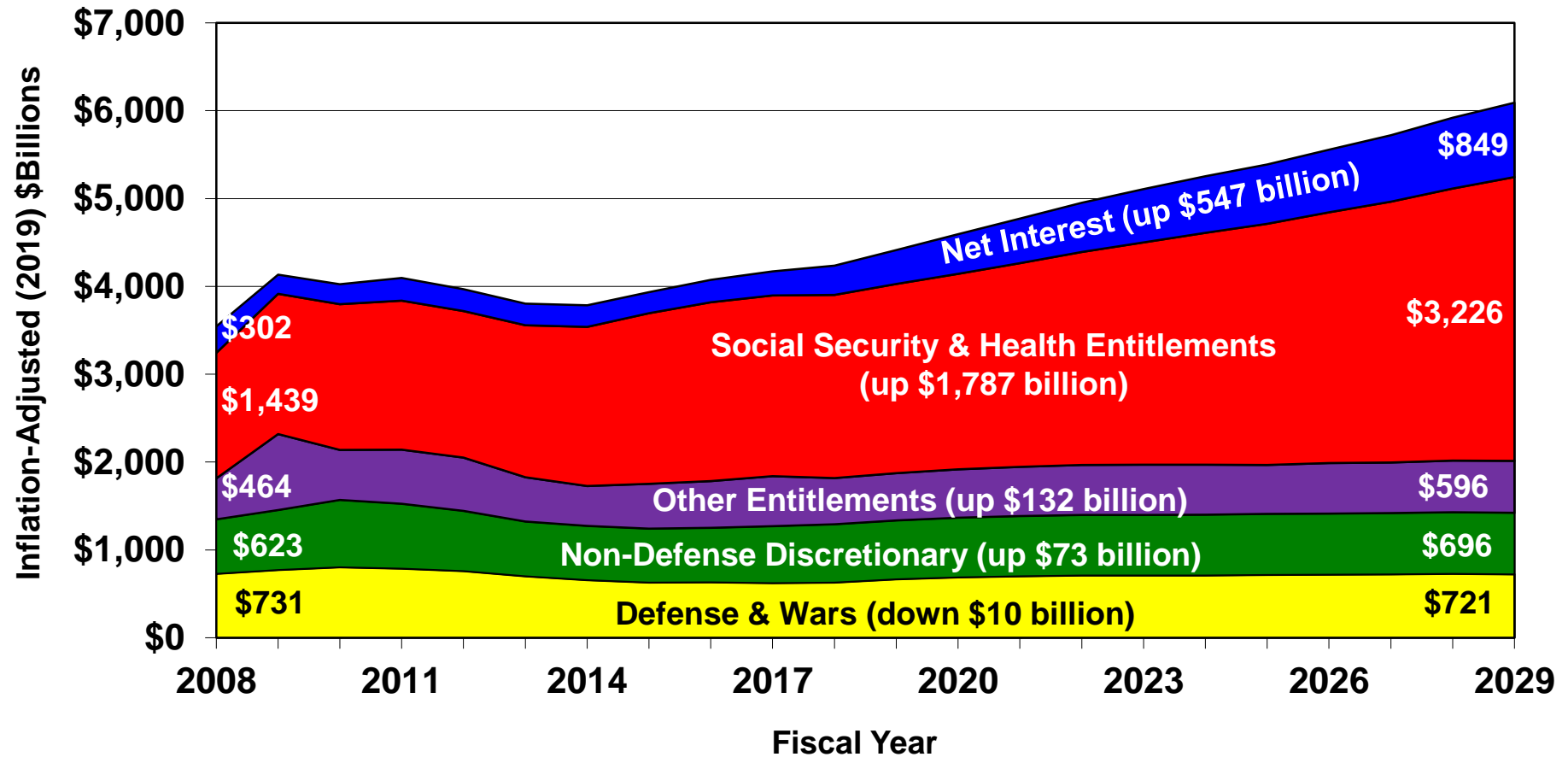
Composition of Federal Spending, 1962-2019



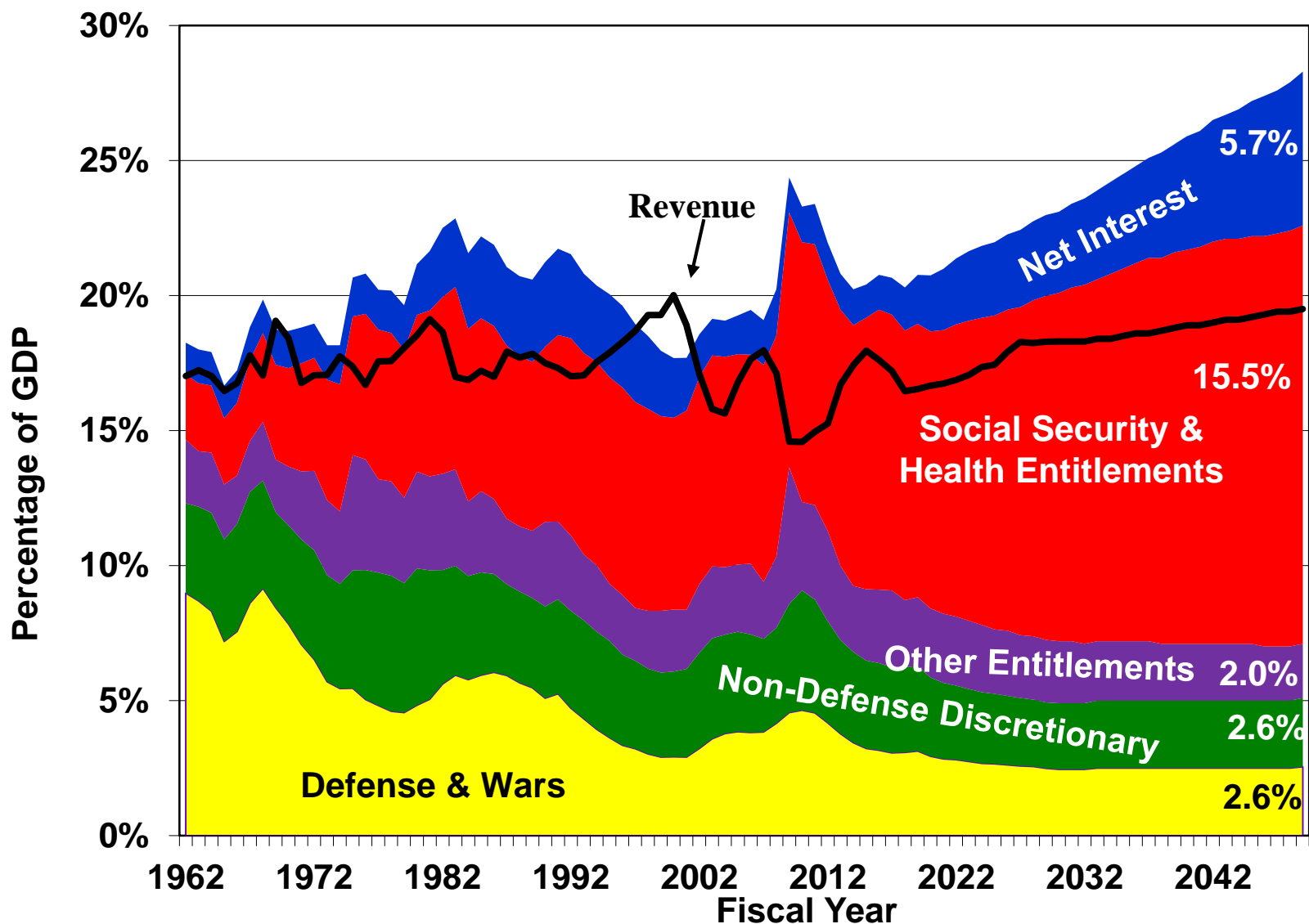
Source: OMB Historical
Tables 3.2, 8.5, and 10.1

Author: Brian Riedl, Manhattan Institute -- ³⁶@Brian_Riedl

Social Security, Health Entitlements, & Interest Costs are Driving 92% of the 2008-2029 Spending Hikes



Federal Budget, 1960-2049 (Projected)



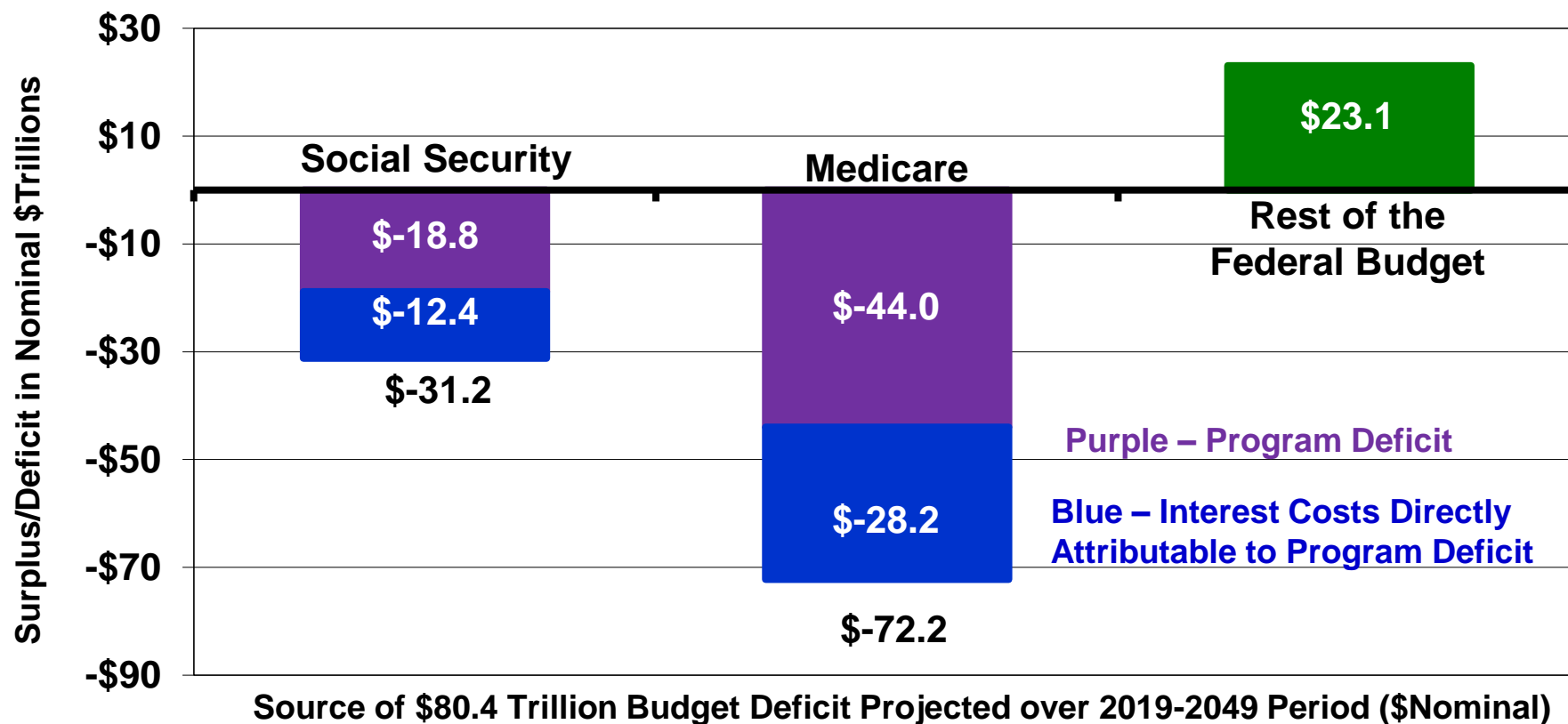
Note: This is the rosy scenario that assumes:

- no more wars
- no recessions
- 2017 tax cuts expire
- health costs slow down
- the interest rate paid on the national debt remains far below average even as the debt approaches \$100 trillion.

What is Causing \$80 Trillion 2019-2049 Budget Deficit?

Social Security & Medicare: \$103 Trillion Deficit

The Rest of the Budget: \$23 Trillion Surplus

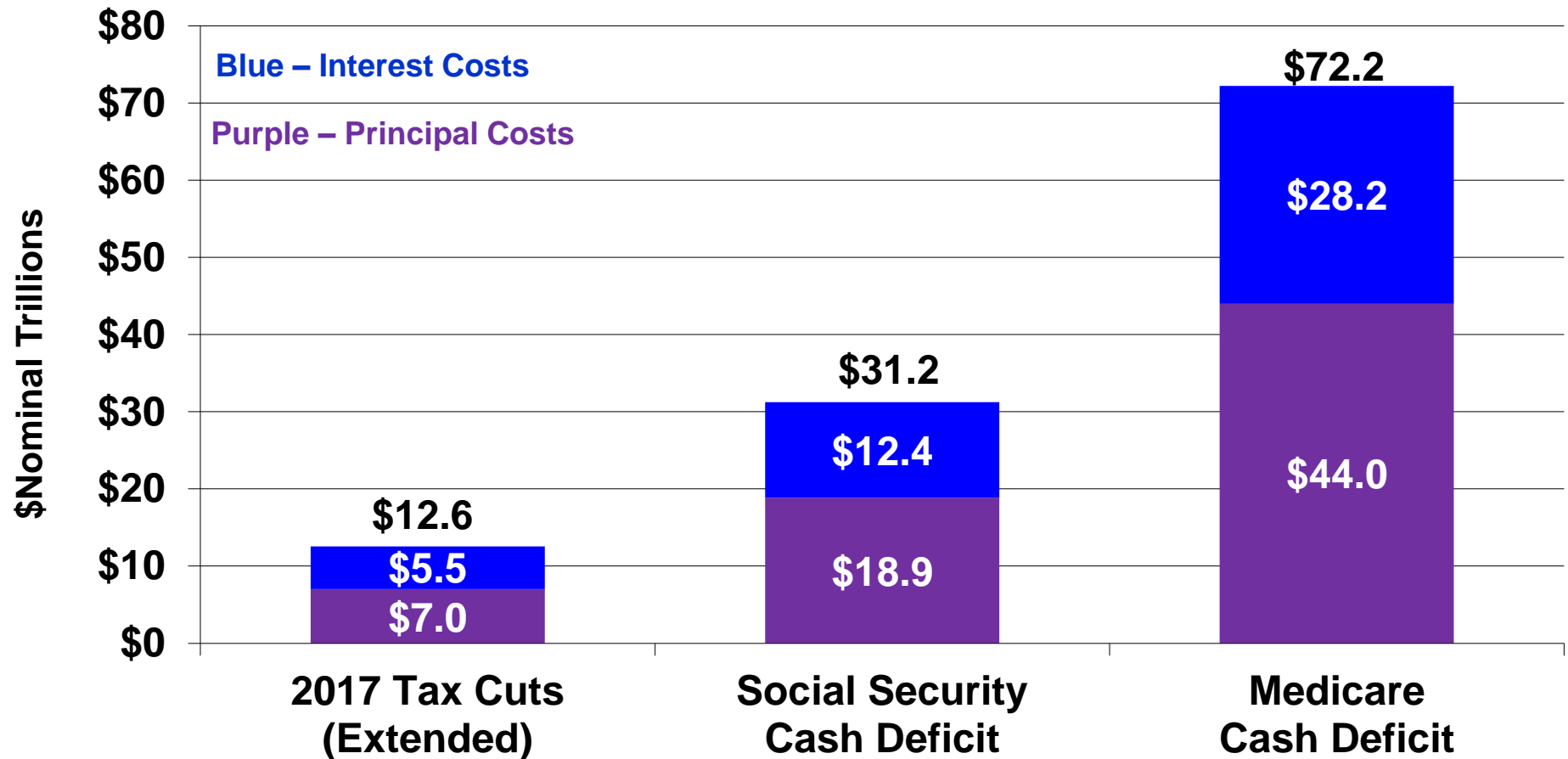


Source: Calculations from CBO 2019 Long-Term Budget Outlook. To inflation adjust, trim amounts by one-third.

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.

Author: Brian Riedl,
 Manhattan Institute
 -- @Brian_Riedl

Cost of 2017 Tax Cuts vs. Major Entitlements Over 30 Years

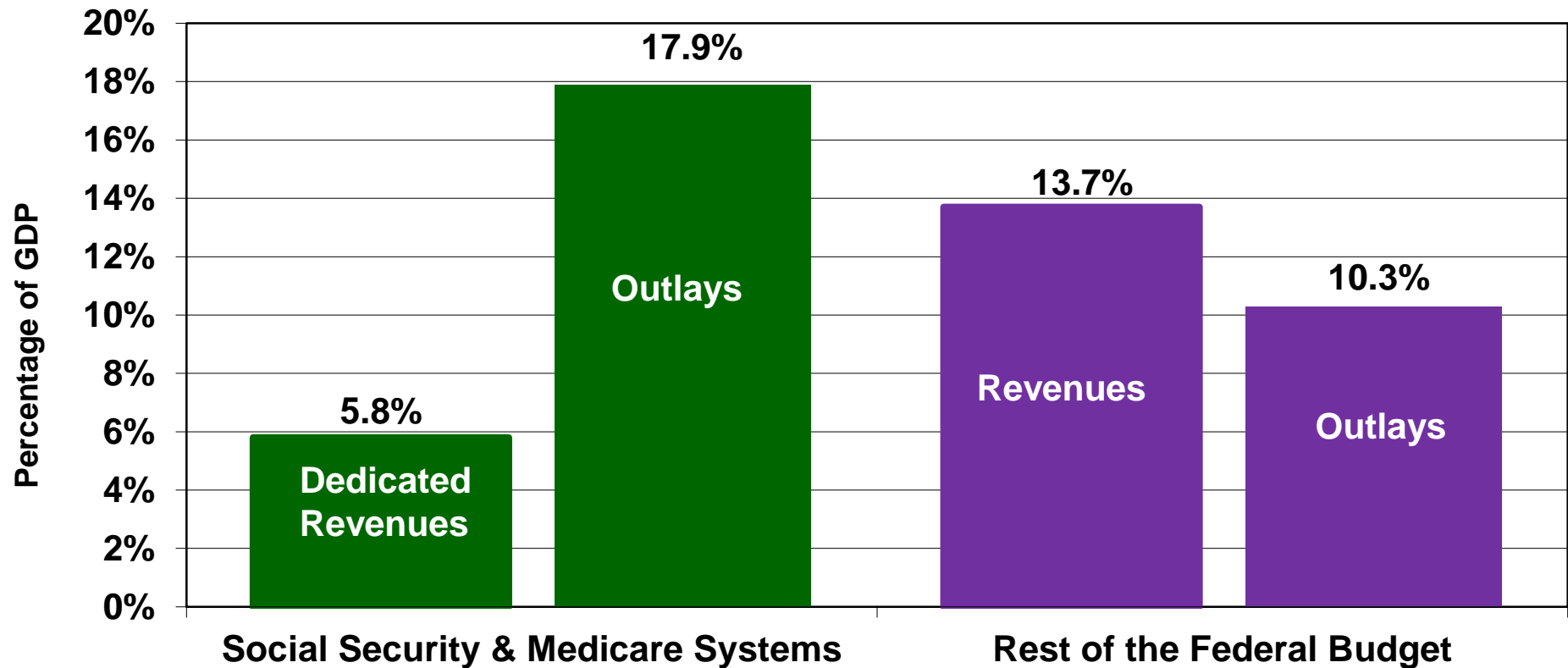


2019-2049 Projected Totals

Source: Calculated using the CBO 2019 Long-Term Budget Outlook and CBO Alternative Scenarios

Author: Brian Riedl,
Manhattan Institute -40
@Brian_Riedl

Projected 2049 Budget Deficits are Entirely Driven by Social Security & Medicare Shortfalls



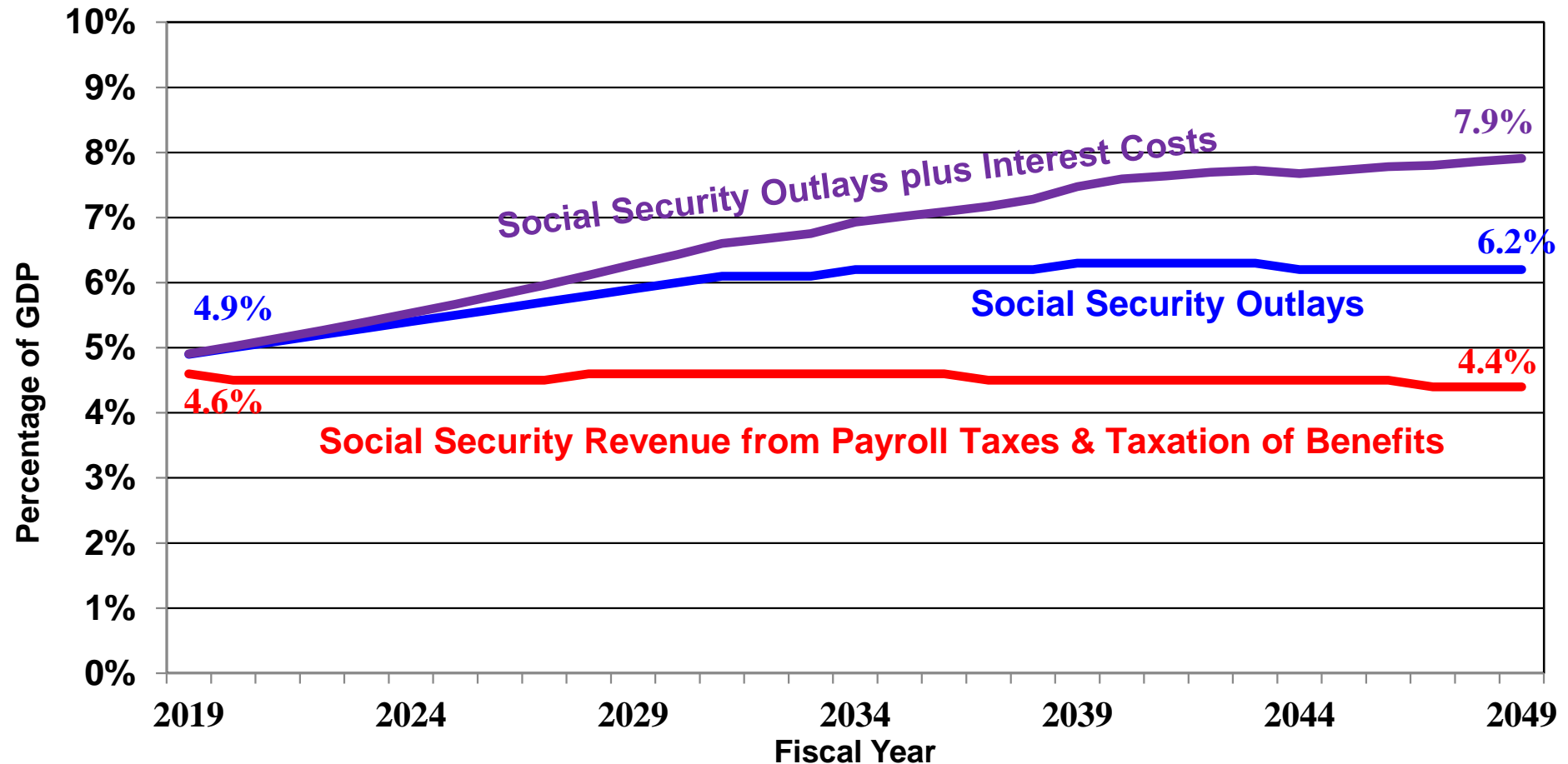
Note: 2049 is the final year of the latest CBO 30-year budget projection.

Author: Brian Riedl,
Manhattan Institute -
- @Brian_Riedl

Source: CBO 2019 Long-Term Budget Outlook.

Each outlay category includes portion of national debt interest attributed to its 2019-2049 deficits.

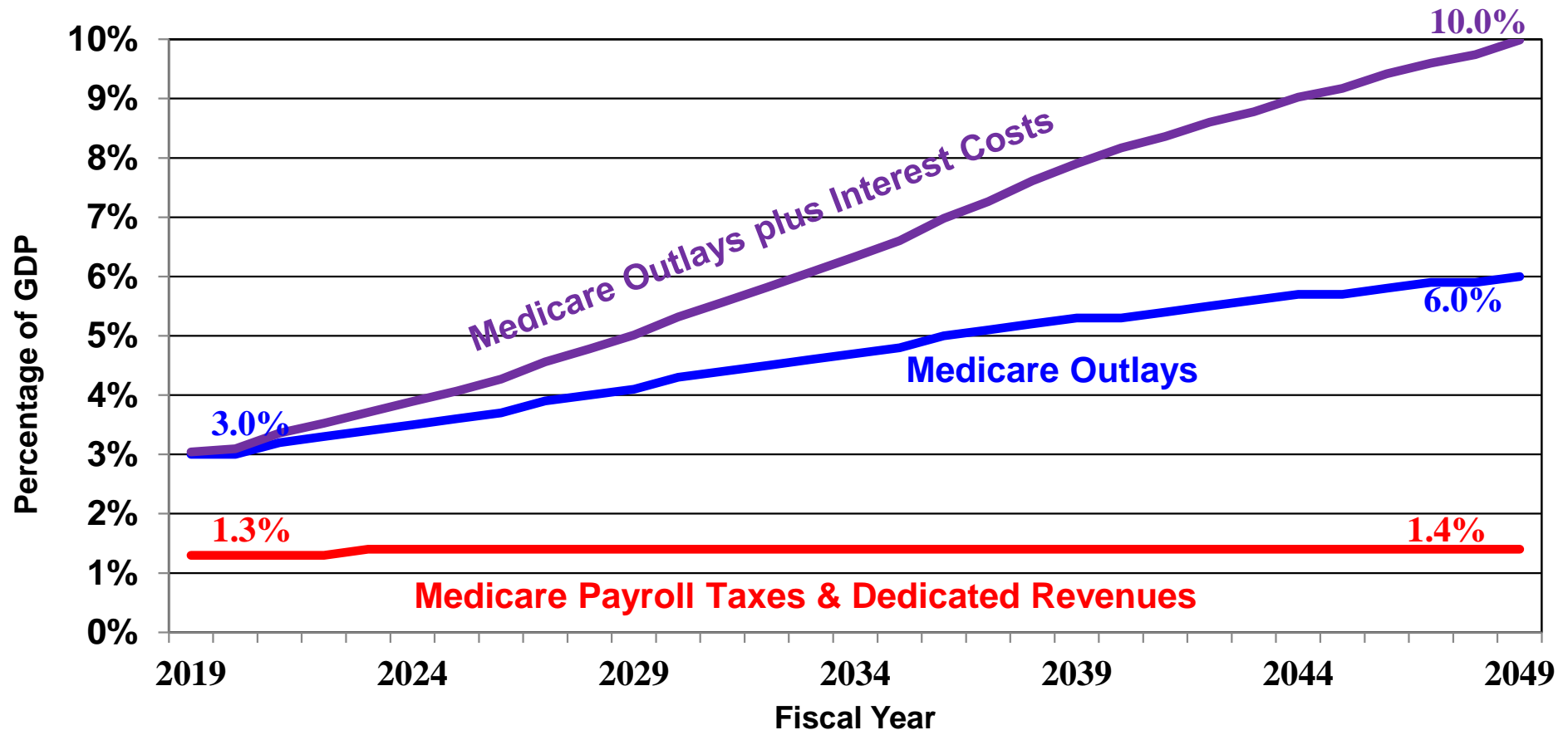
Social Security's Cash Shortfalls are Driven by Retiring Baby Boomer Costs and Resulting Interest Costs



Source: Calculated using CBO 2019 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.

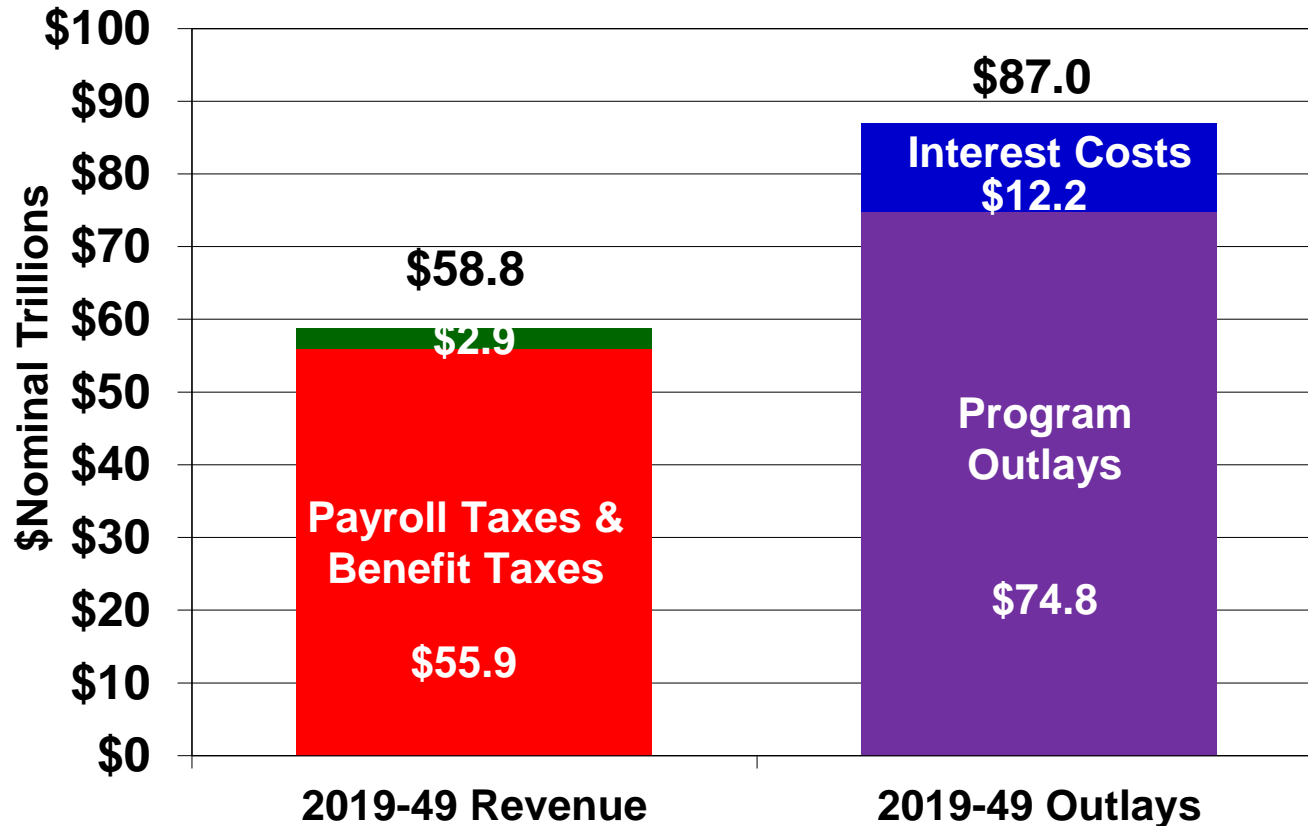
Author: Brian Riedl,
Manhattan Institute
-- @Brian_Riedl

Medicare's Cash Shortfalls are Driven by Soaring Benefit Costs and Resulting Interest Costs



Source: Calculated using CBO 2019 Long-Term Baseline. Outlays are net of premiums paid. Interest costs are those directly attributable to Medicare's annual deficits over this period.

Social Security Faces a \$31 Trillion Shortfall over 30 Years - \$28 Trillion if Including the Trust Fund



Green = Transfers from redeeming the Social Security Trust Fund.

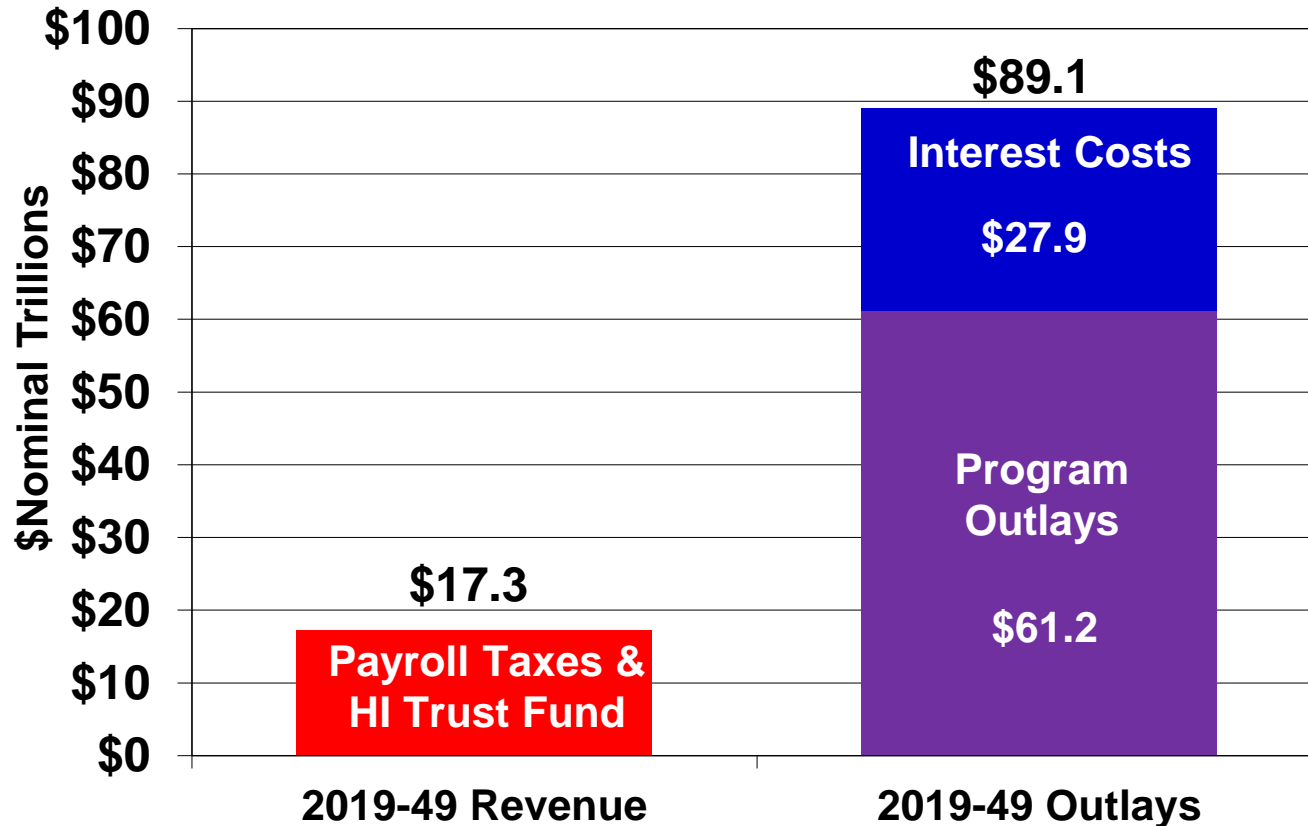
The Trust Fund contains no economic resources and must be redeemed by new taxes and borrowing.

In other words, it does not future save taxpayers a dime or reduce the true shortfall.

Source: Calculated using the CBO 2019 Long-Term Budget Outlook. Interest costs reflect those directly attributable to 2019-2049 Social Security shortfalls.

Author: Brian Riedl,
Manhattan Institute -44
@Brian_Riedl

Medicare Faces a \$72 Trillion Cash Shortfall Over the Next 30 years



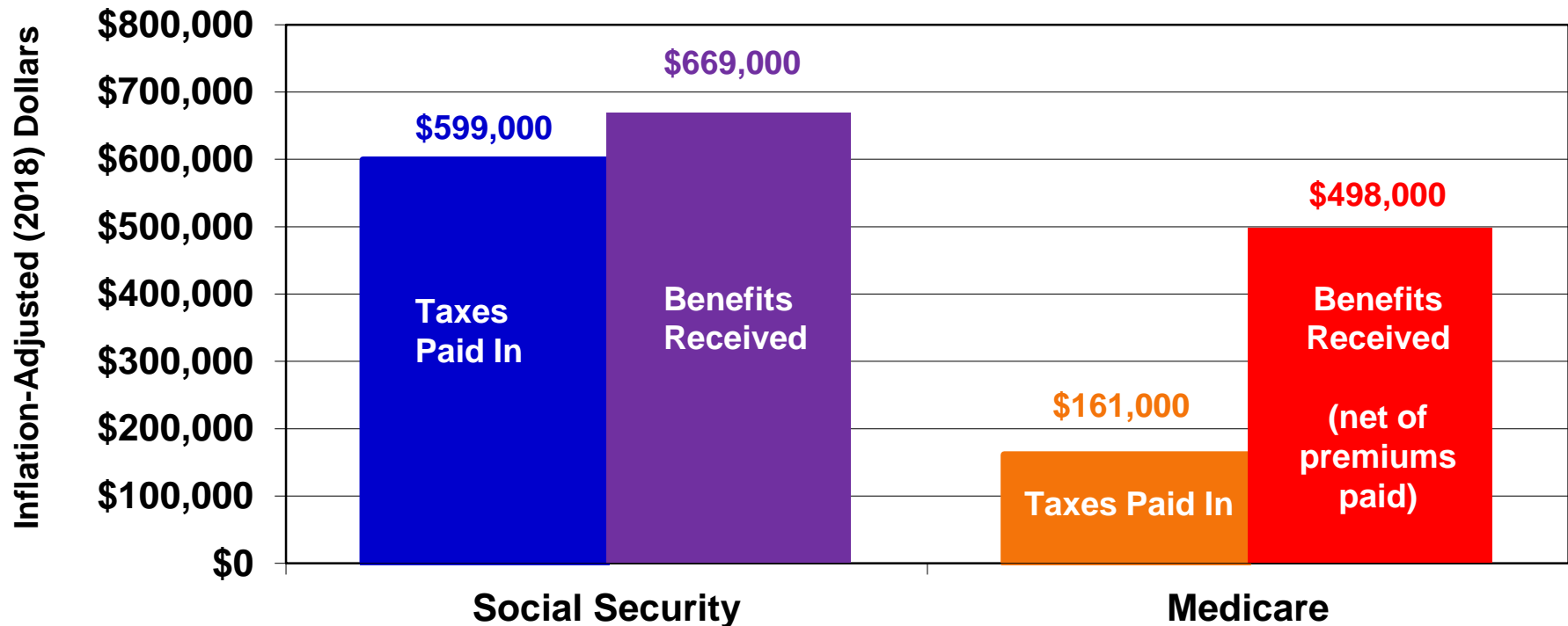
Medicare's \$72 shortfall equals 89% of the total federal budget deficit projected by CBO over the 2019-2049 period.

Annual projected shortfall:
2019: 1.7% of GDP
2049: 4.6% of GDP (8.3% including interest cost).

Source: Calculated using the CBO 2019 Long-Term Budget Outlook. Benefits are net of senior premiums. Interest costs reflect those directly attributable to 2019-2049 Medicare shortfalls.

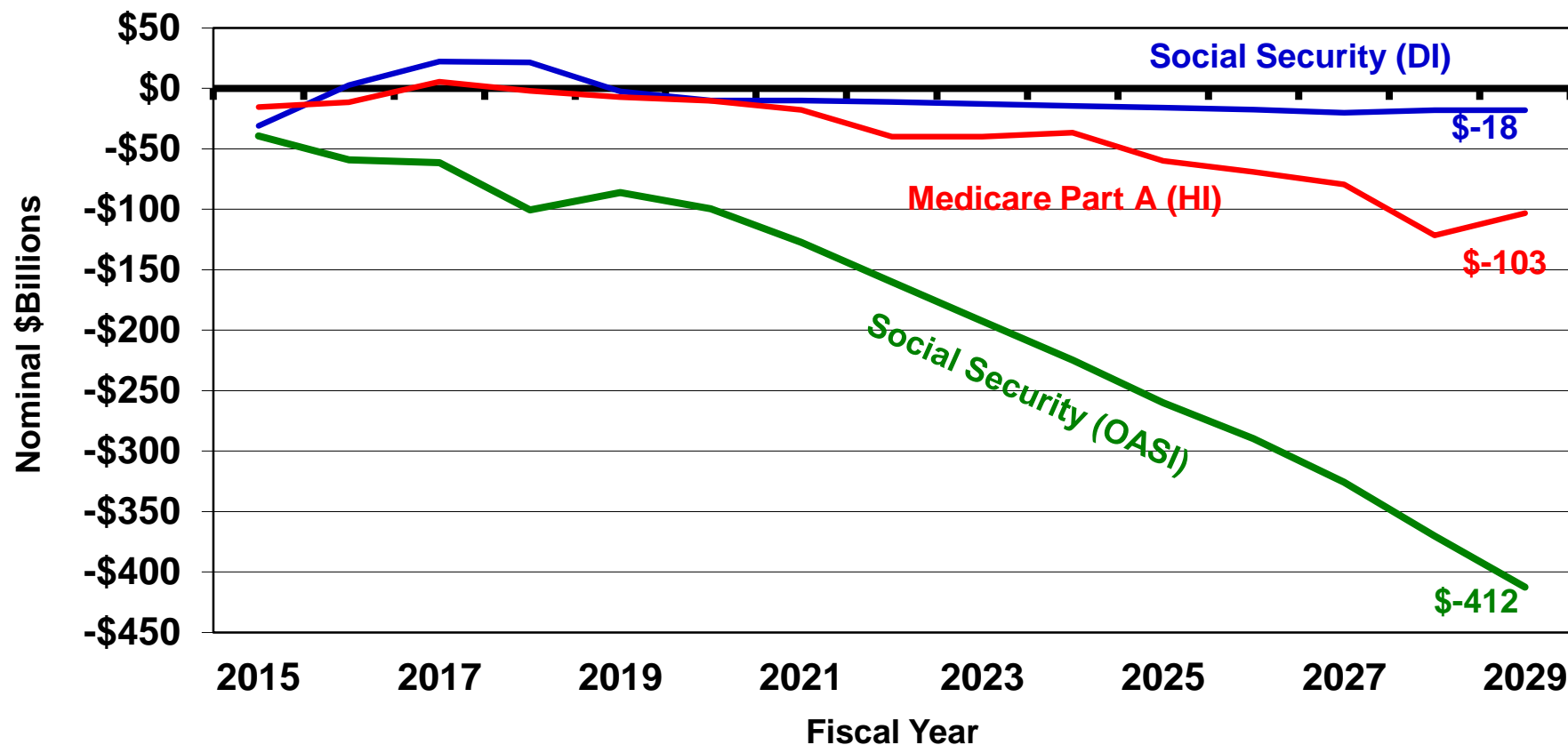
Author: Brian Riedl,
Manhattan Institute -45
@Brian_Riedl

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.

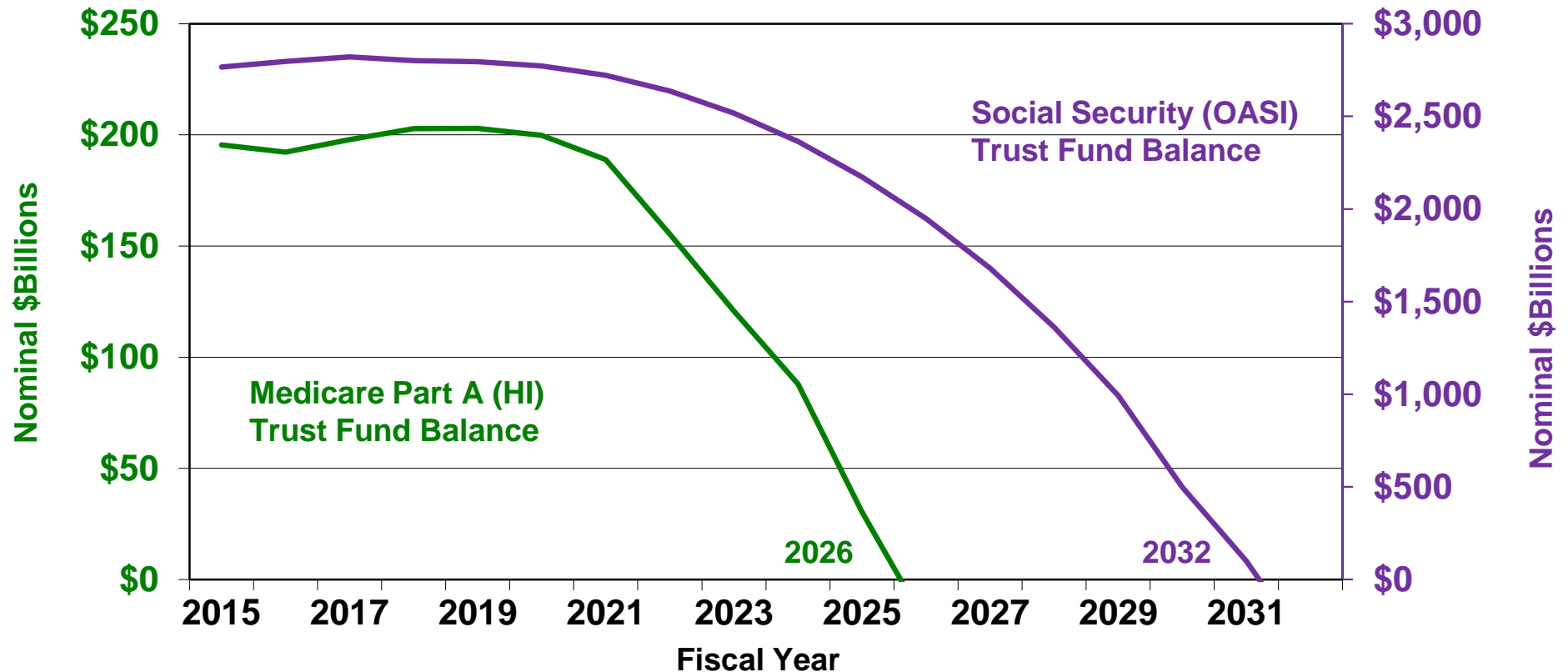
Social Security's Deficits Will Steeply Increase, While Medicare Also Faces Rising Deficits



Source: January 2019 CBO Baseline
Supplemental Trust Fund Tables.
Excludes general revenue transfers into
the programs, such as interest payments.

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl

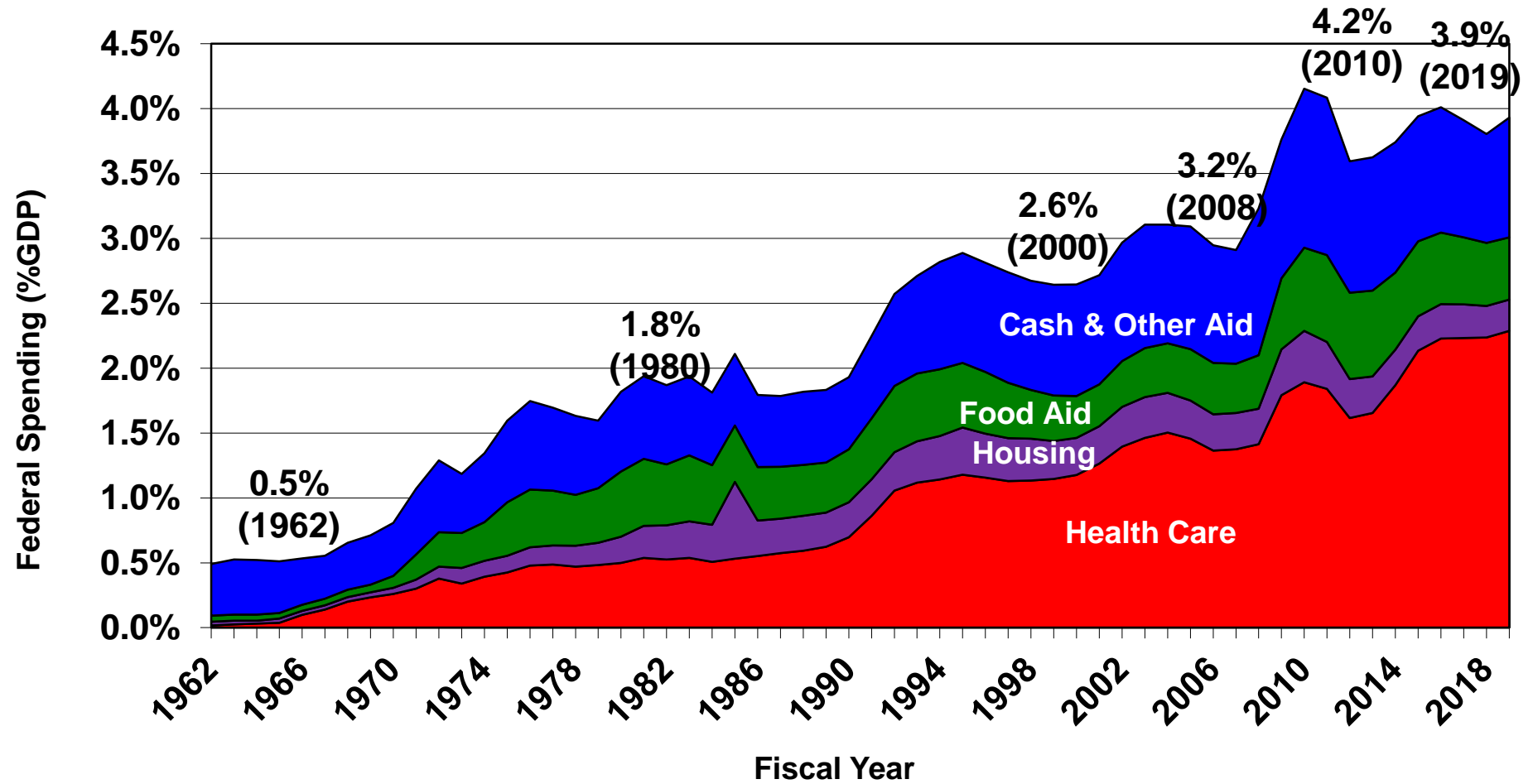
Medicare and Social Security Trust Funds Face Bankruptcy in 7 and 13 Years, Respectively



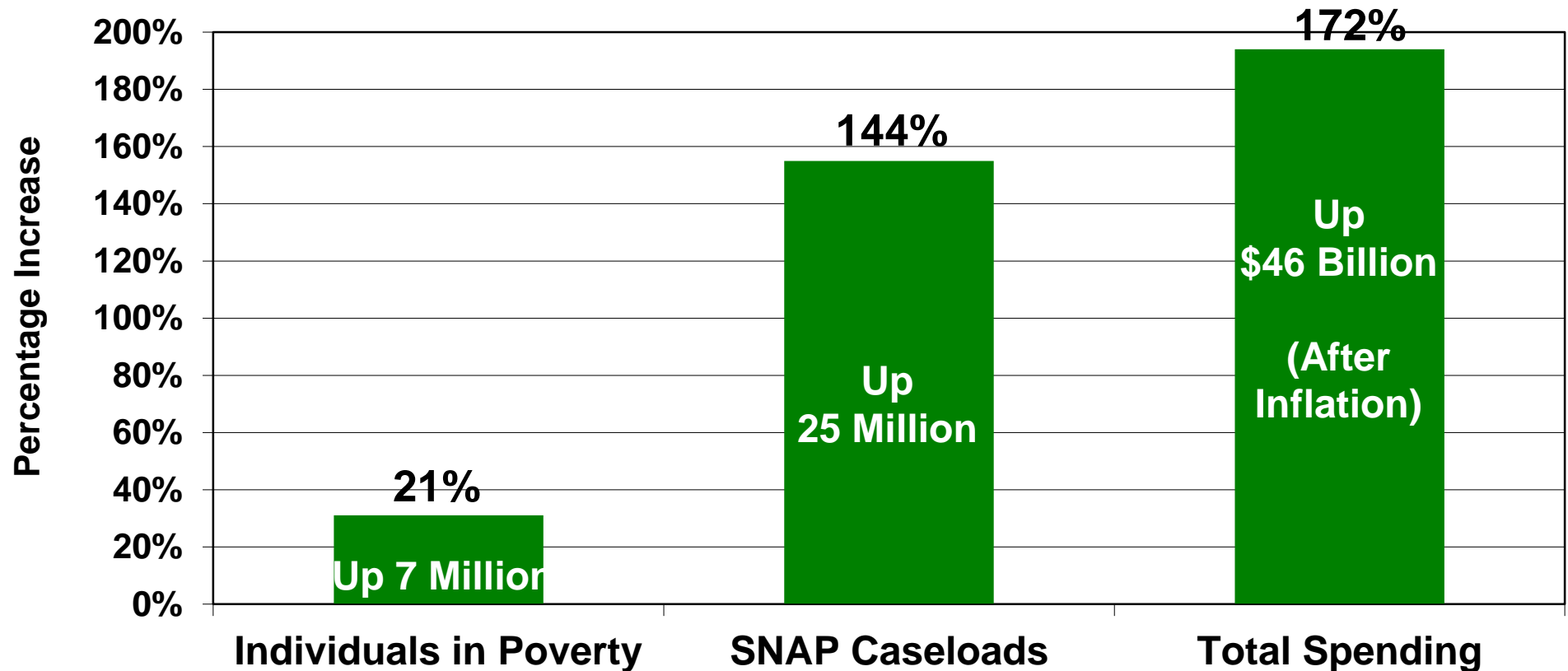
Source: January 2019 CBO Baseline
Supplemental Trust Fund Tables.

Author: Brian Riedl, Manhattan Institute -- ⁴⁸@Brian_Riedl

Anti-Poverty Spending Has Soared Regardless of Party Control of Government



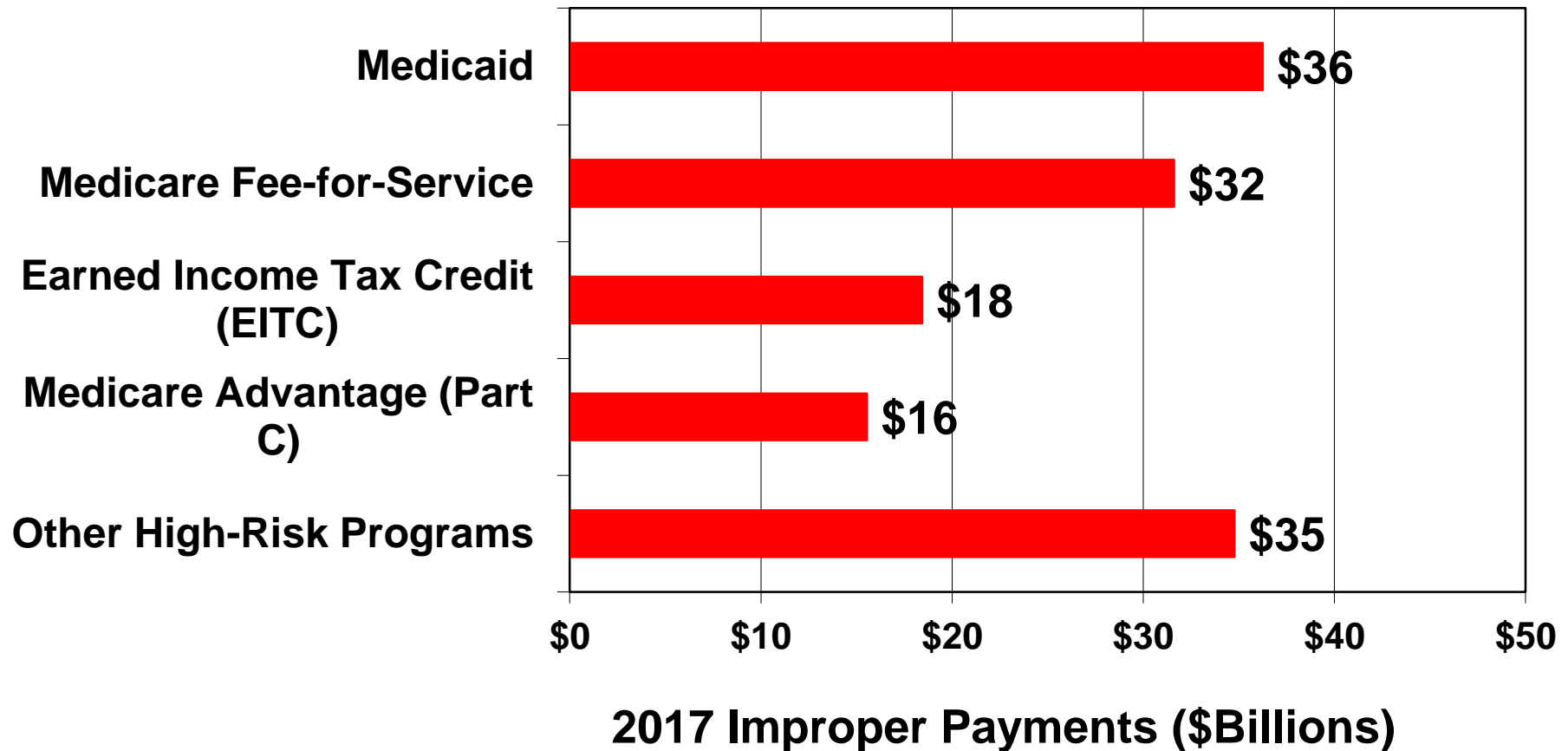
From 2001 through 2017, SNAP (Food Stamp) Caseloads Grew Nearly 7 Times as Fast as the Poverty Population



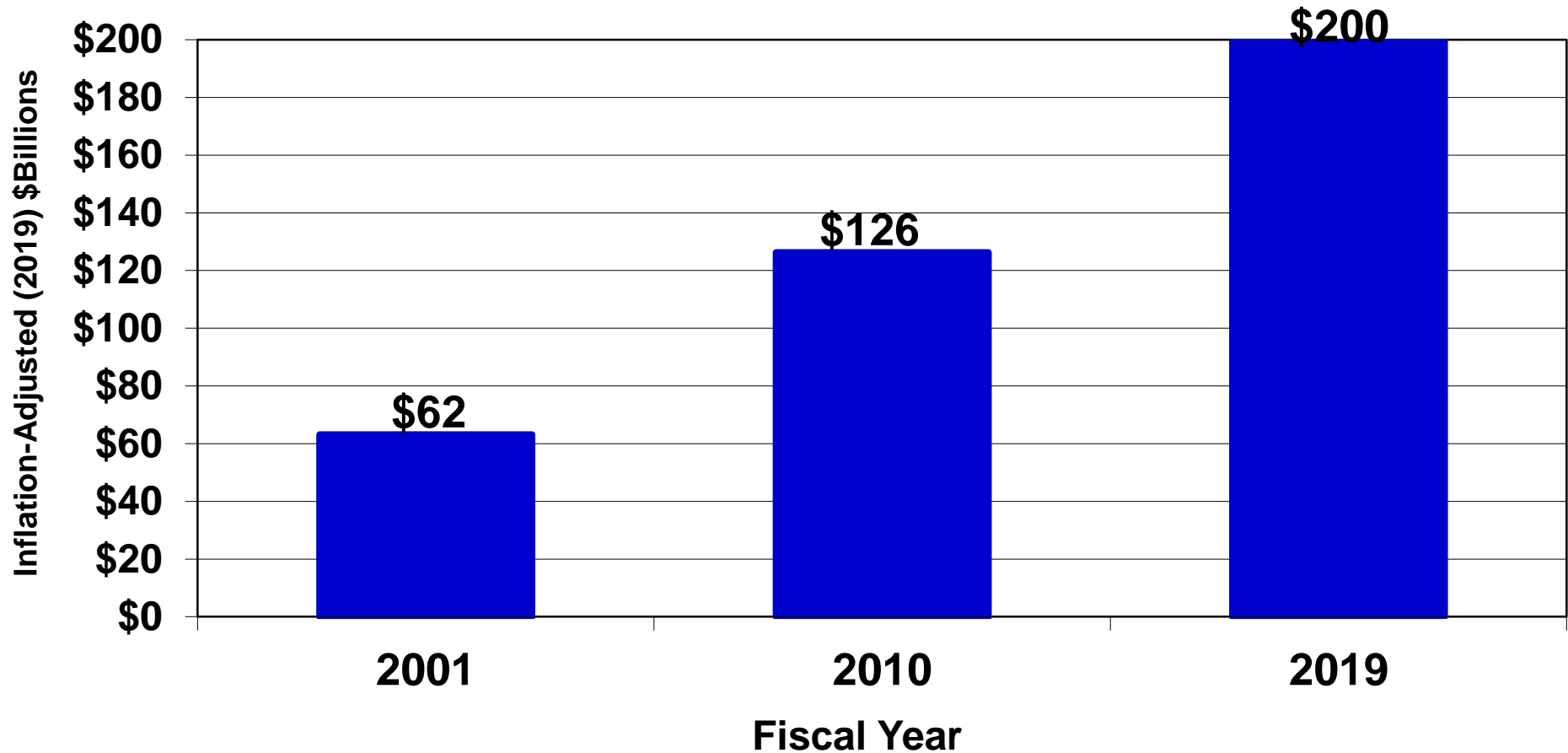
Sources: Department of Agriculture and Census Bureau. The poverty rate increased from 11.7% to 12.3% over this period.

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl

In 2017, Washington Made \$137 Billion in Improper Payments



Veterans' Programs Have Earned Healthy Funding Increases



Source: OMB Historical Table 3.2,
adjusted for inflation

Author: Brian Riedl, Manhattan Institute -- ⁵²@Brian_Riedl

Why the Debt Limit Matters

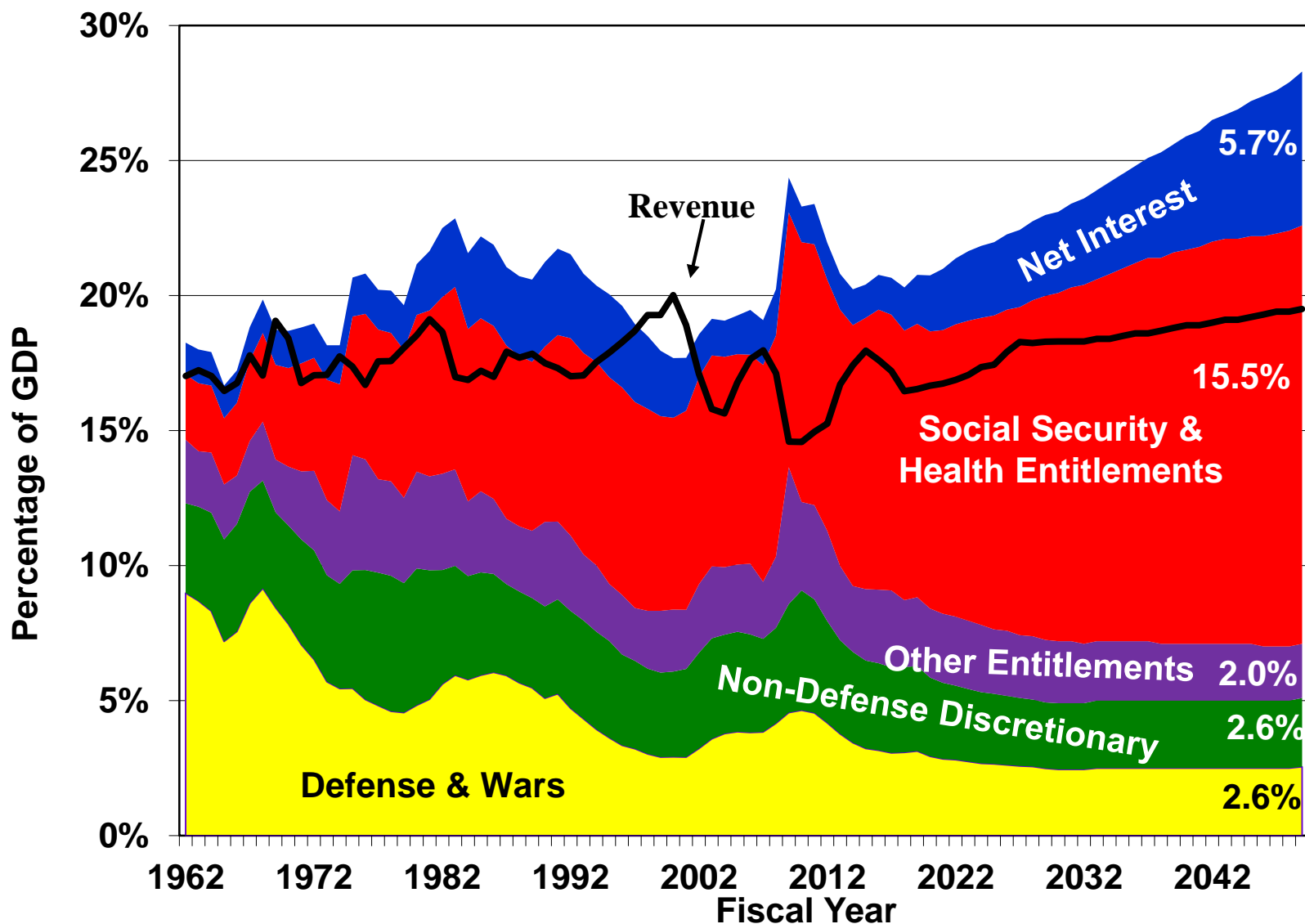
All 8 Major Deficit-Reduction Laws Since 1985 Were Attached to Debt Limit Legislation

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

Chapter 5

**Can't We Just Raise Taxes, Cut Defense,
and Nationalize Health Care Instead?**

Federal Budget, 1960-2049 (Projected)



Note: This is the rosy scenario that assumes:

- no more wars
- no recessions
- 2017 tax cuts expire
- health costs slow down
- the interest rate paid on the national debt remains far below average even as the debt approaches \$100 trillion.

No “Easy” Pay-Fors for Social Security & Medicare: Programs Face Shortfalls of 6% of GDP by 2040s

Tax Proposals (static scoring)	10-Yr Savings (\$Billions)	Long-Term Savings (%GDP)
Raise Payroll Tax by 10 Percentage Points, no wage limit	\$8,982	3.60%
Impose a 20% Value-Added Tax (VAT) – like a national sales tax	\$7,680	3.35%
Raise Income Tax Rates Across-the-Board by 10 Percentage Points	\$9,054	3.30%
Double 35% and 37% Tax Brackets to 70% and 74% (plus 15% state/payroll)*	\$4,504	1.70%
Repeal All Itemized Tax Deductions	\$1,312	0.99%
Raise Corporate Tax Rate by 20 Percentage Points	\$1,926	0.87%
Eliminate FICA Cap – 15.3% Payroll Tax on All Wages (data from SSA)	\$1,959	0.85%
Repeal Entire 2017 Tax Law (CurPol baseline) (data from CBO/JCT)	\$1,712	0.70%
Carbon Tax of \$25/Metric Ton – no rebate for households hit	\$1,099	0.43%
Impose a Tax on Financial Transactions	\$777	0.37%
Tax Dividends & Long-Term Capital Gains as Ordinary Income	\$593	0.23%
Impose "Bank Tax" on Large Financial Institutions	\$103	0.03%
30% Minimum "Buffett Tax" for Millionaires	\$66	0.03%
Tax Carried Interest as Ordinary Income	\$14	0.01%
Spending Proposals		
Cut Defense Budget to European Levels (data from CBO baseline)	\$2,628	1.00%
Sanders Medicare-For-All Proposal (per Urban Institute, Mercatus, and Emory U.)	Adds Costs	

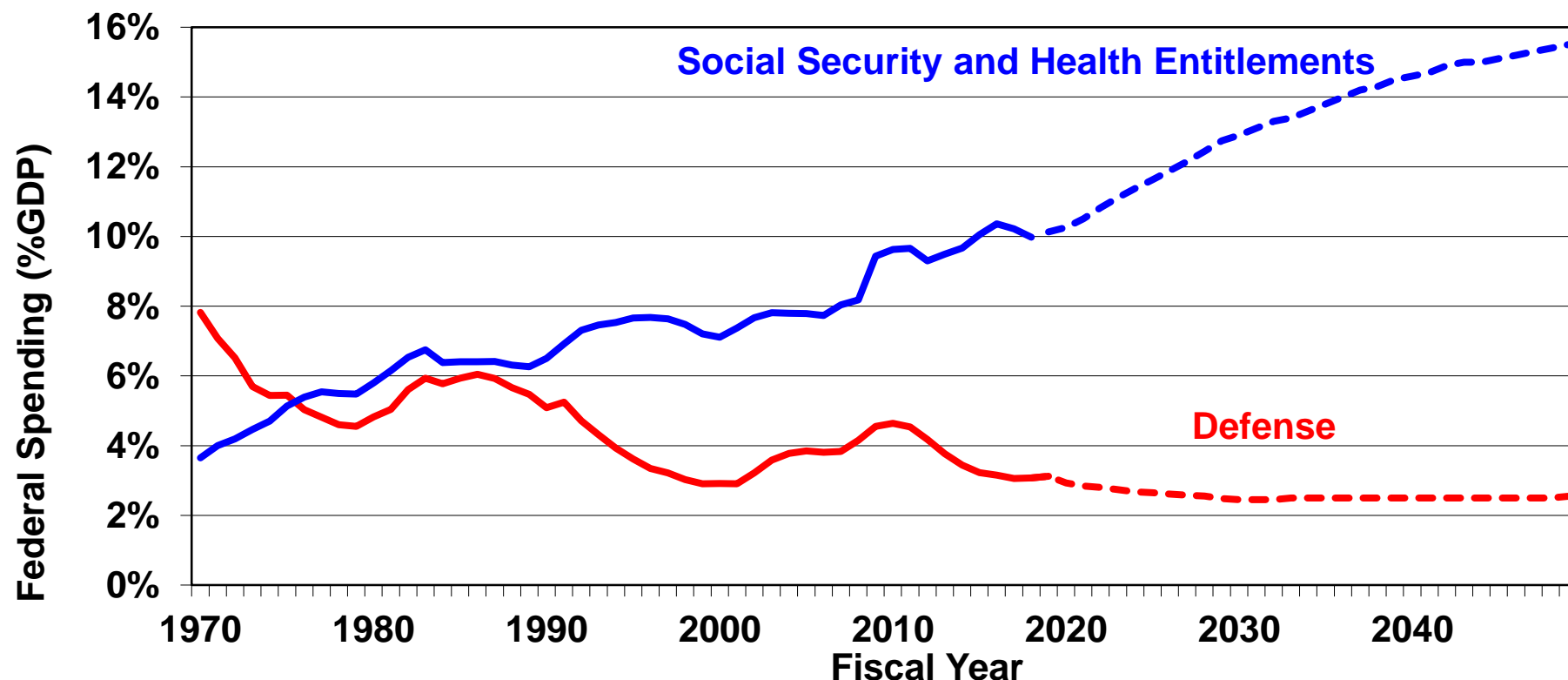
56

Source: Dec. 2018 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 interaction effects or duplicate the same policies, so these cannot be summed.

Author: Brian Riedl,
Manhattan Institute
@Brian_Riedl

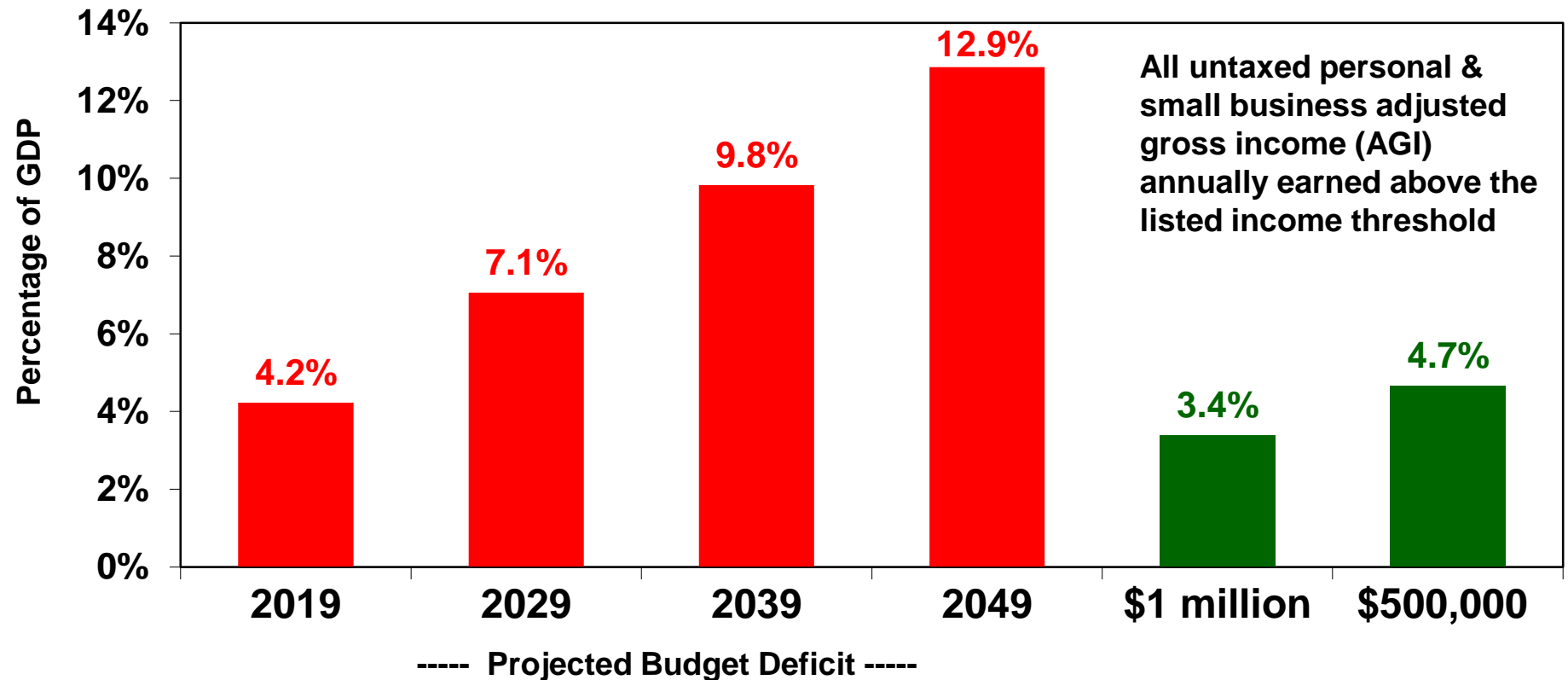
Defense is Not Driving the Deficit – and Even Eliminating It Completely Would Not Come Close to Financing Soaring Long-Term Entitlement Costs



Source: OMB Historical Tables 3.2, and 10.1;
and CBO 2019 Long-Term Outlook.

Author: Brian Riedl,
Manhattan Institute --
@Brian_Riedl

Even 100% Tax Rates on Small Businesses and Upper-Income Families Could Not Come Close to Balancing the Long-Term Budget



Source: CBO 2019 Long-Term Budget Outlook adjusted into current-policy baseline and analysis of IRS 2017 (latest year) income tables

Author: Brian Riedl,
Manhattan Institute
-- @Brian_Riedl

“Tax-the-Rich” Policies Could Finance Less than \$4 Trillion of the \$40 Trillion in Promised Spending

Tax Set at Revenue-Maximizing Level	Rosy Revenues	Realistic Revenues	Source: Rosy/ Realistic
70% Income Tax Rate over \$10 Million	\$292	\$189	Tax Foundation
Eliminate FICA Cap – 15.3% Payroll Tax on All Wages	\$1,959	\$1,763	CBO / CBO-10% Feedback Loss
Tax Dividends & Long-Term Cap. Gains as Ordinary Income	\$593	\$398	CBO / CBO-33% Feedback Loss
Sen. Warren Wealth Tax of 2% to 3%	\$2,750	\$368	Campaign / Lawrence Summers et. al
Sen. Sanders Estate Tax of 77%	\$315	\$211	Campaign / Campaign-33% Tax Avoidance
Sen. Warren Corp. Tax Increase	\$872	\$476	Tax Foundation
Financial Transactions Tax of 0.1%	\$777	\$208	CBO / Tax Policy Center Economists
Bank Tax of 0.15%	\$103	\$103	CBO
Tax Carried Interest as Ordinary Income	\$14	\$14	CBO
Total	\$7,675	\$3,730	

Notes:

- Amounts are in \$billions over ten years.
- CBO estimates typically exclude economic effects, which become larger the higher the tax rises.
- The payroll tax hike would raise highest marginal tax rate (federal + state + payroll) to as high as 60%, which is approximately the revenue-maximizing level.
- Adding the 70% tax rate over \$10 million produces a combined marginal tax rate over 90%.

Democratic Presidential Spending Proposals Would Cost Between \$37 Trillion & \$72 Trillion Over the Decade

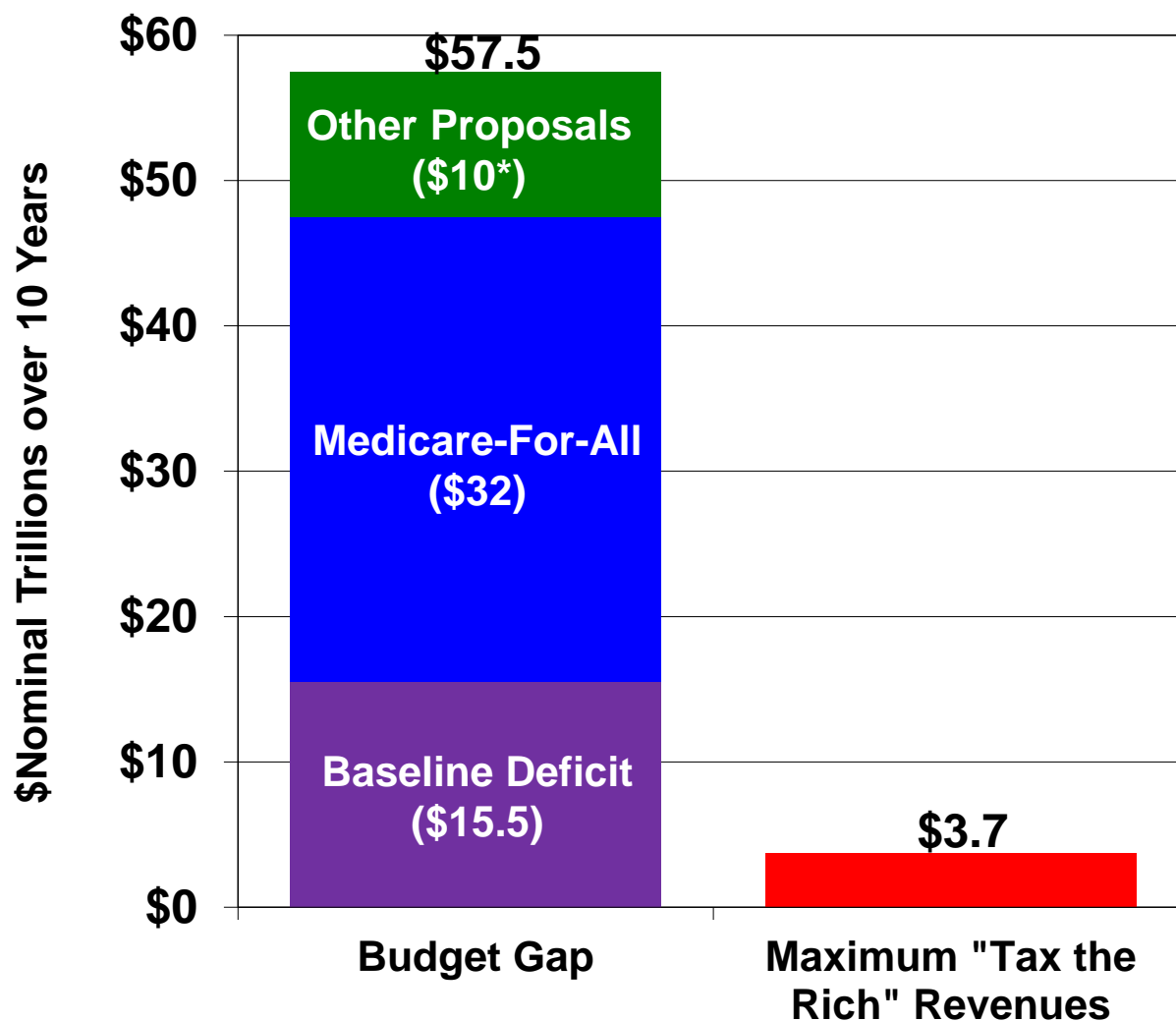
Common Presidential Spending Proposal	Low*	High*	Notes
Medicare-For-All	\$32.0	\$40.0	Sanders recently conceded this cost range
Climate and Clean Energy	\$2.0	\$16.3	Sanders is the high figure
Government Job Guarantee	—	\$6.8	Sanders proposal, scored by CBPP**
Free Public College Tuition & Loan Forgiveness	\$1.5	\$3.0	Low figure reflects partial loan forgiveness
Social Security Expansion	\$0.5	\$2.0	Warren & Sanders are the high figure
Affordable Housing	\$0.1	\$2.0	Sanders is the high figure
Infrastructure Buildup	\$1.0	\$1.0	
Universal Child Care & Paid Family/Medical Leave	\$0.3	\$1.0	
Teacher Pay and K-12 funding	\$0.1	\$0.5	
Subtotal: New Spending Proposals	\$37.5	\$72.6	Baseline is \$60 trillion spending over 2020-2029
CBO Baseline Budget Deficit	\$15.5	\$15.5	CBO (current policy) baseline, 2020-2029
Total Federal Budget Deficit	\$53.0	\$88.1	Out of a \$262 trillion projected GDP (CBO)
Popular Spending Offsets			
Cut Defense to European Levels	-\$2.6	-\$2.6	Baseline is 3% of GDP. NATO target is 2%
Medicare-For-All - Capture State Govt Savings	-\$3.0	-\$3.0	It is not clear Washington could capture this
Remaining Budget Shortfall To Fill	\$47.4	\$82.5	<i>Requires > Doubling \$44T in Federal Revenues</i> ⁶⁰

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

**Absurdly-low jobs guarantee score assumes only 9.7 million people sign up, even though generous proposal would provide a higher income for roughly 70 million Americans.

Author: Brian Riedl,
Manhattan Institute
@Brian_Riedl

Popular Campaign Promises Would Bring \$57 Trillion Shortfall – Which Taxing the Rich Cannot Close



*Other proposals consist of:

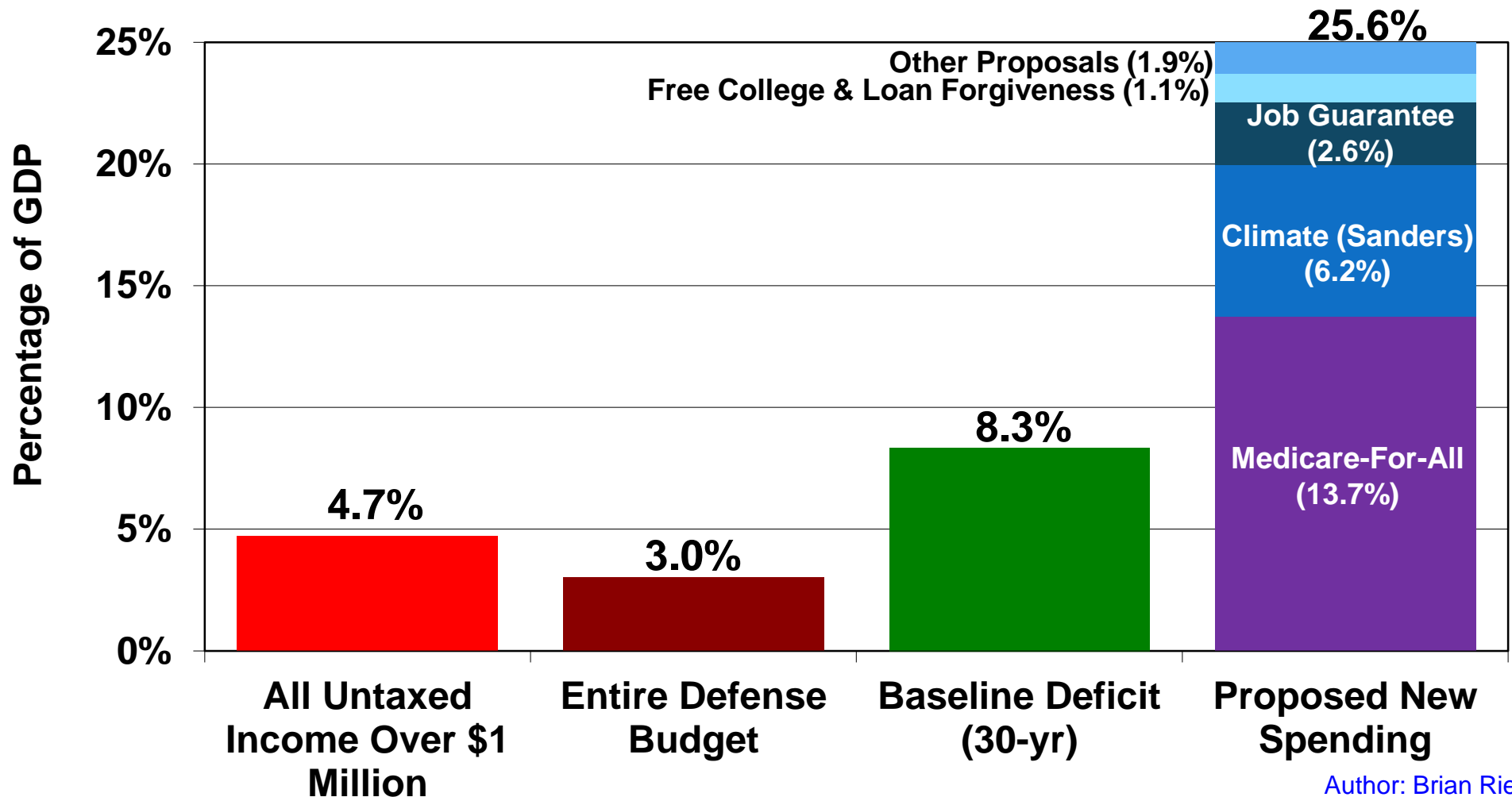
- Climate spending (\$2T)
- Student loan relief & free college (\$3T)
- Social Security expansion (\$2T)
- Infrastructure, housing, family leave, child care, K-12, and other (\$2T)

Note: Sen. Sanders would spend an additional \$25T on a larger Medicare-For-All plan, climate plan, and government job guarantee.

Source: January 2019 CBO (current-policy) budget baseline, and proposal scores based on data from CBO, Urban Institute, Tax Foundation, Tax Policy Center, and the campaigns themselves.

Author: Brian Riedl,
Manhattan Institute
@Brian_Riedl

No, Defense Cuts & Taxing Millionaires Cannot Finance Current Deficit or Liberal Wishlist

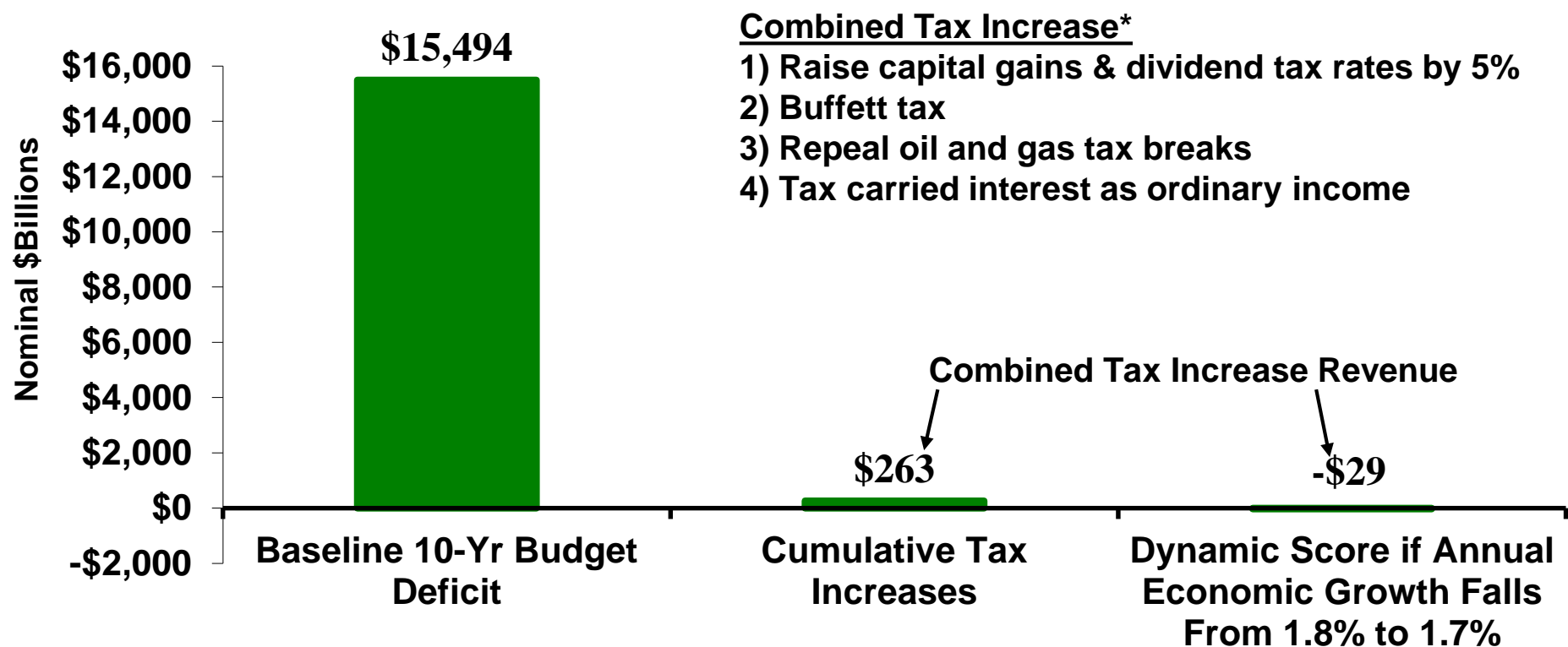


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Sources: Author calculations using data from CBO, Treasury, liberal candidates, and liberal think tanks

Author: Brian Riedl,
Manhattan Institute
-- @Brian_Riedl

Common Tax Hike Proposals Would Close Just 2% of the Budget Deficit – or *Lose* Revenue if They Trim Economic Growth Rates by Even 0.1%

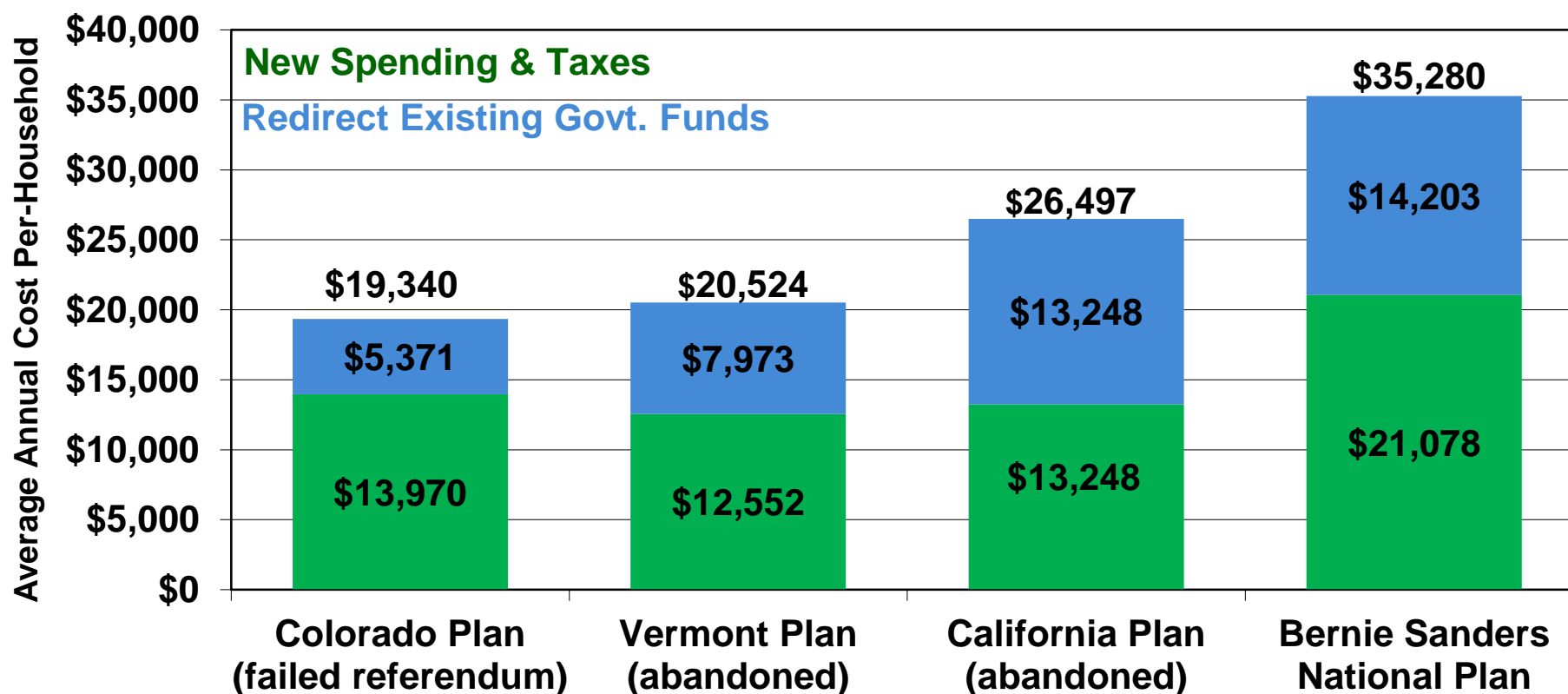


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Source: CBO January 2019 (current-policy) Baseline, and tax proposals scored by CBO. OMB estimates that a 0.1% fall in annual economic growth costs the federal government \$292 billion in revenues over the decade.

Author: Brian Riedl,
Manhattan Institute --
@Brian_Riedl

Single-Payer Health Plans Do Not Save Money They Would Require Huge Per-Household Tax Increases



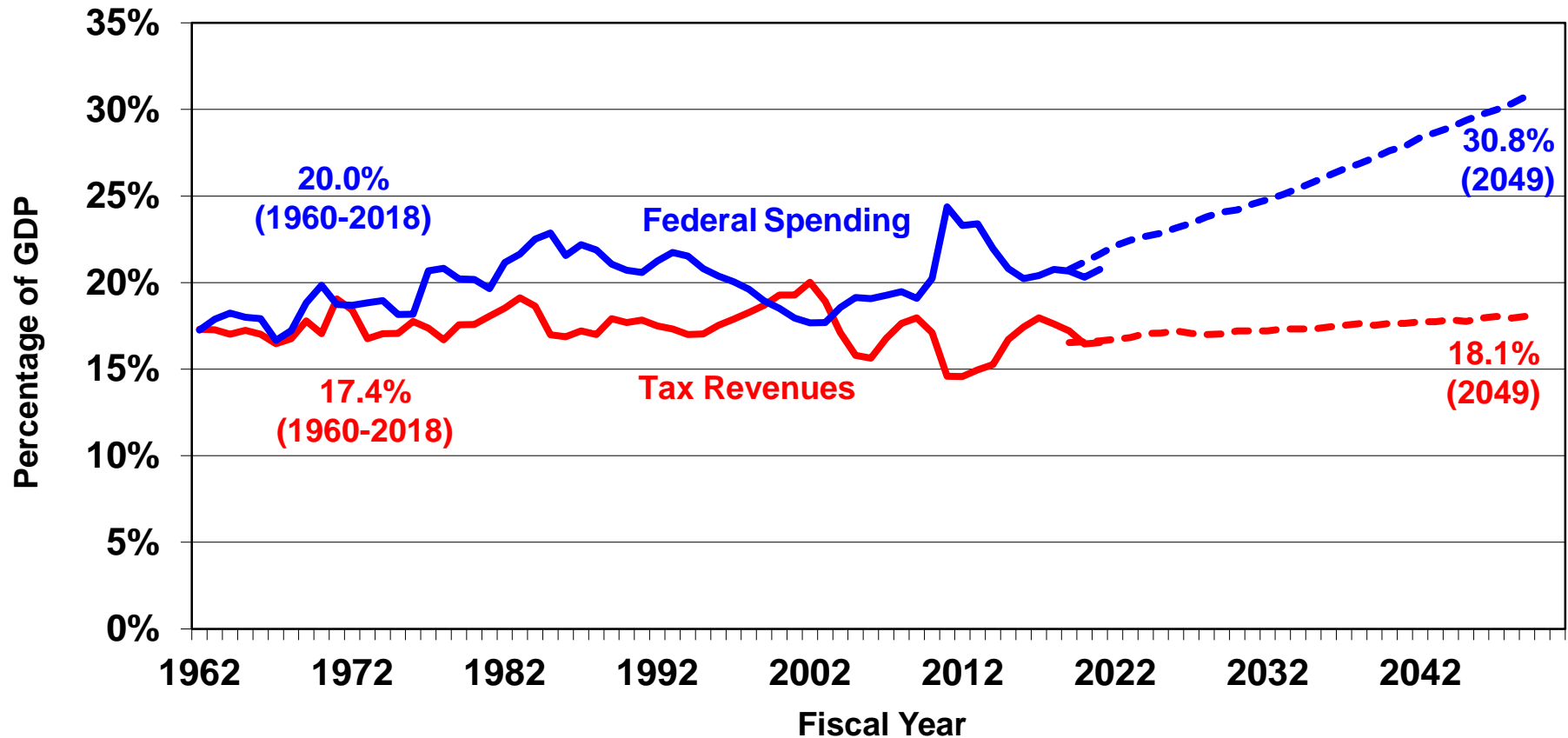
Source: Public scores of Vermont and California bills, and Colorado Health Institute data. Sanders calculated from Urban Institute 2016 score of plan

Author: Brian Riedl,
Manhattan Institute
@Brian_Riedl

Chapter 6

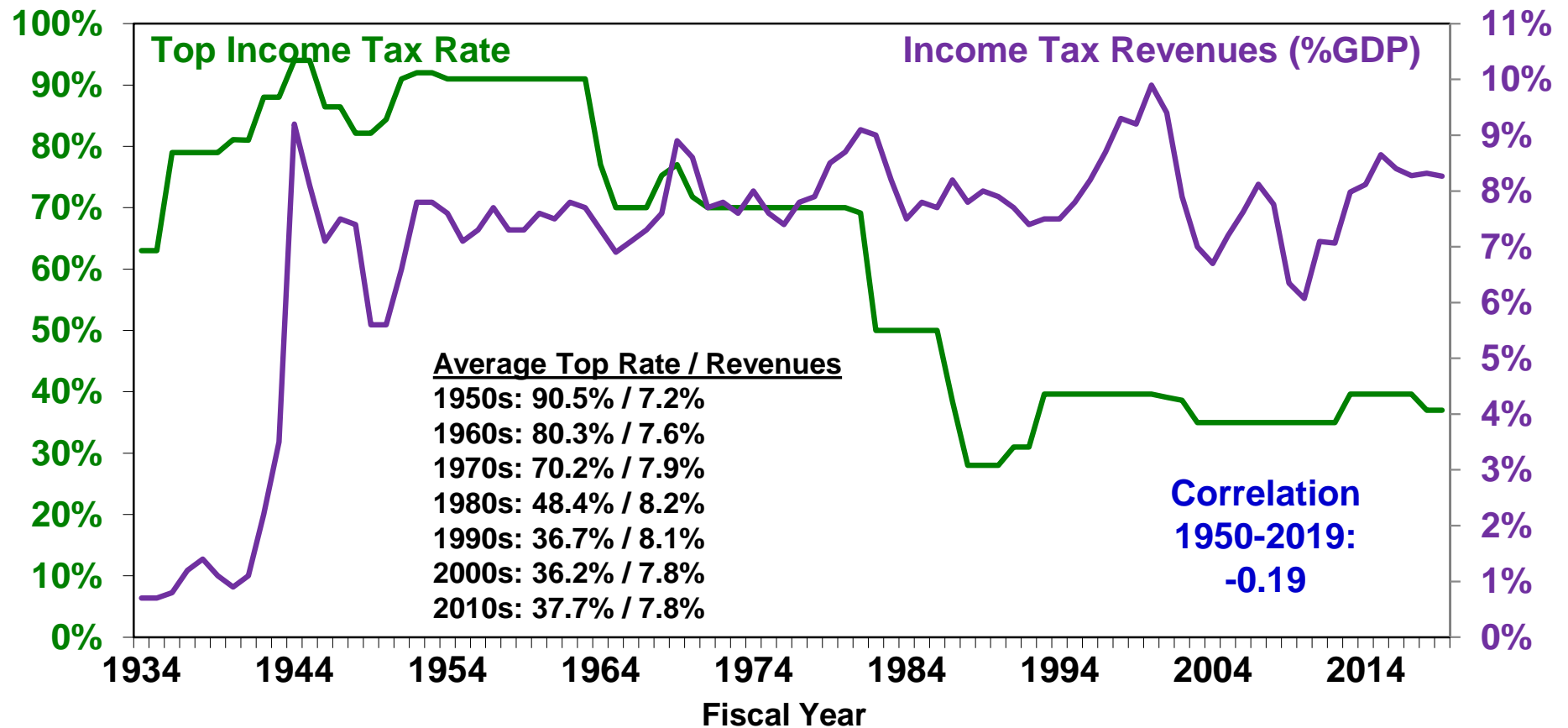
Tax Revenues Will Continue Growing Faster Than the Economy

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



Source: CBO 2019 Long-Term Budget Outlook,
adjusted into current-policy baseline

Income Tax Revenues Have Remained Relatively Constant Regardless of the Top Tax Rate

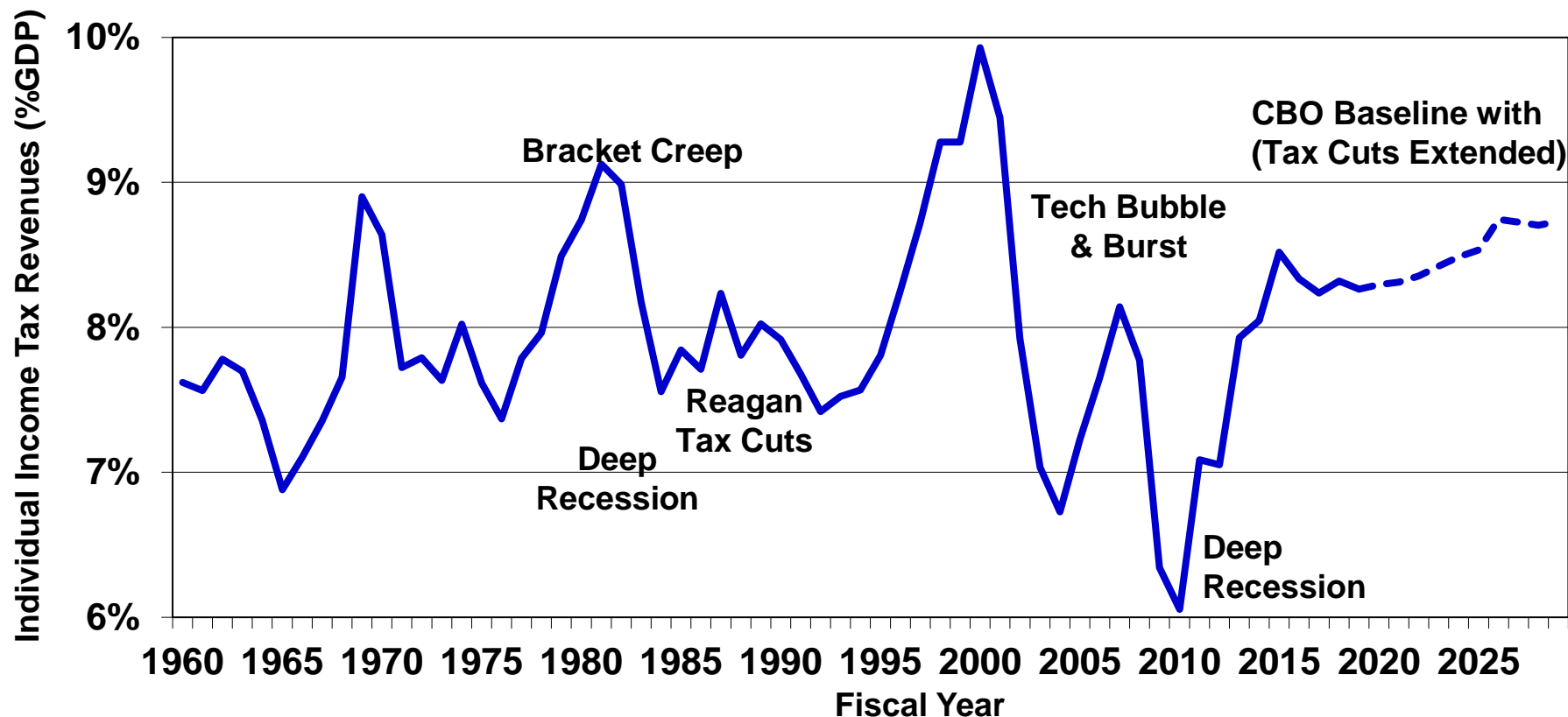


Source: OMB Historical Table 2.3, and
U.S. Treasury SOI Tax Stats – Historical Table 23

Author: Brian Riedl, Manhattan Institute -- ⁶⁷@Brian_Riedl

Individual Income Tax Revenues Will Rise

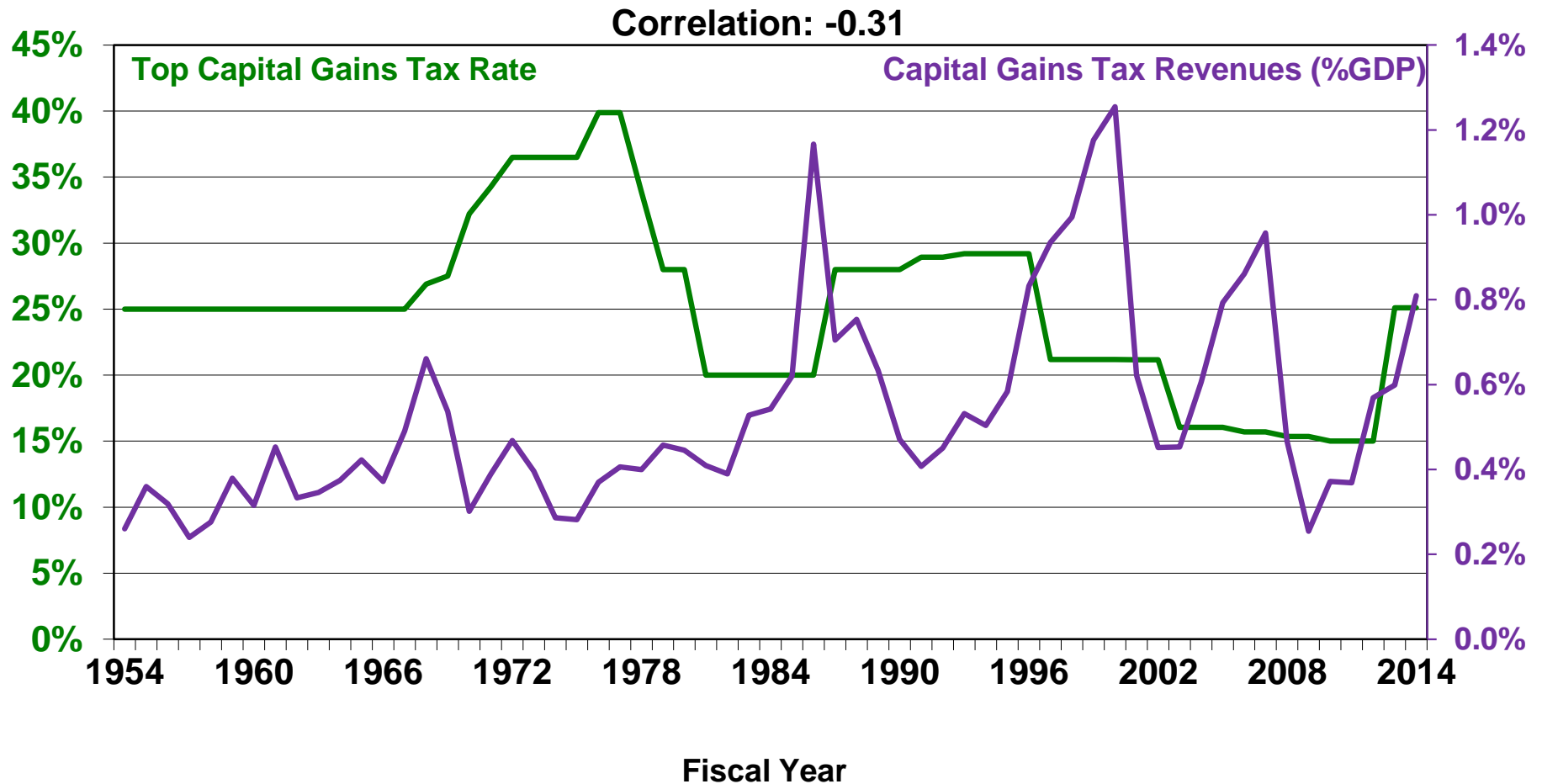
– Even With the Tax Cuts – Due to Real Bracket Creep & Taxable Retirement Distributions



Source: OMB Historical Table 2.3, and January 2019 CBO (current-policy) Baseline. Real bracket creep is when rising incomes (above inflation) push taxpayers into higher tax brackets, raising their average tax rate.

Author: Brian Riedl,
Manhattan Institute --
@Brian_Riedl 68

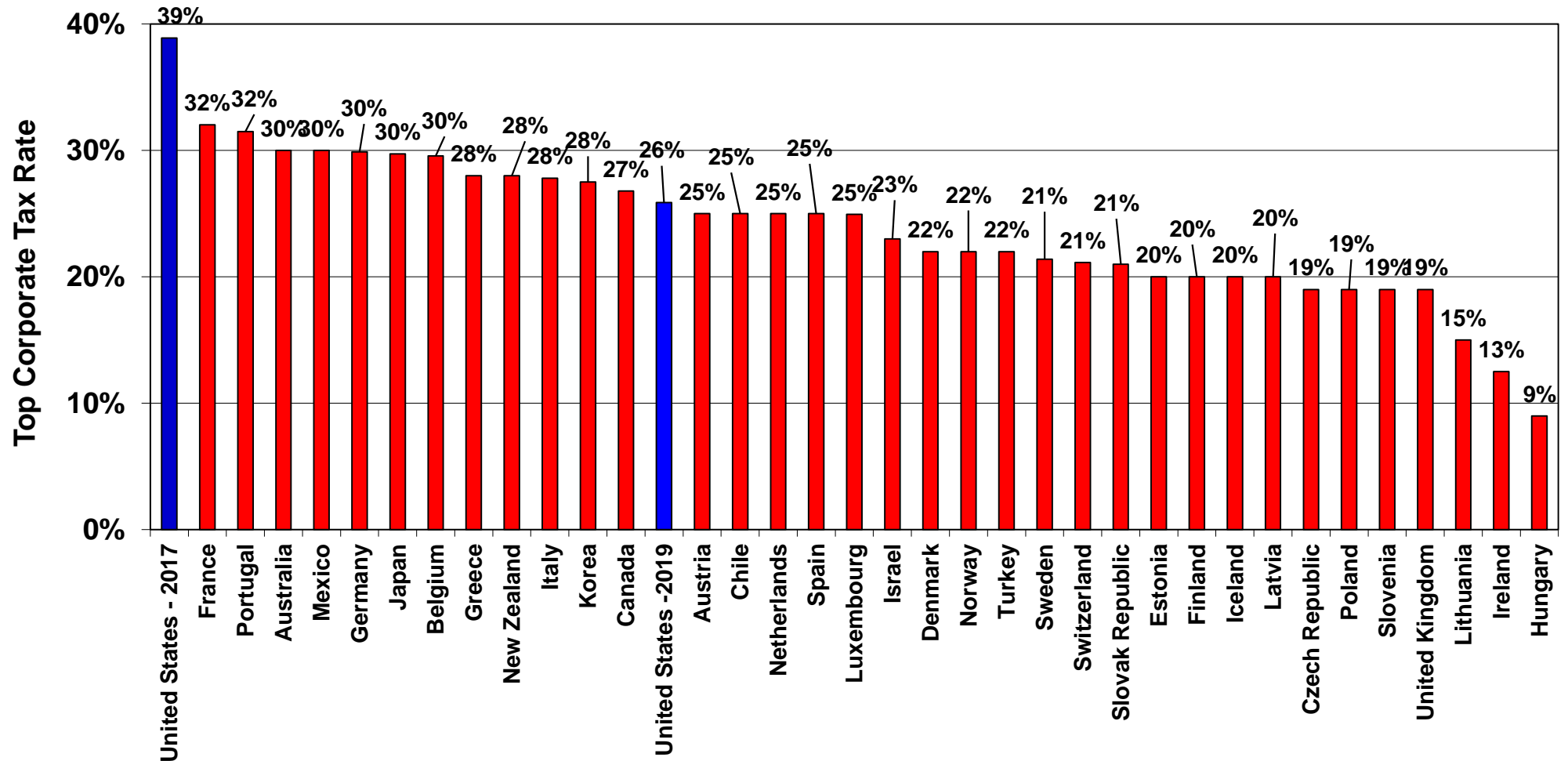
High Capital Gains Tax Rates Have Not Produced More Revenue



Source: Tax Tables, U.S. Treasury Office of Tax Analysis.

Author: Brian Riedl, Manhattan Institute -- ⁶⁹@Brian_Riedl

Before the TCJA Cut it to 26% (incl. 5% State Taxes) U.S. had the Highest Corporate Tax Rate in the OECD



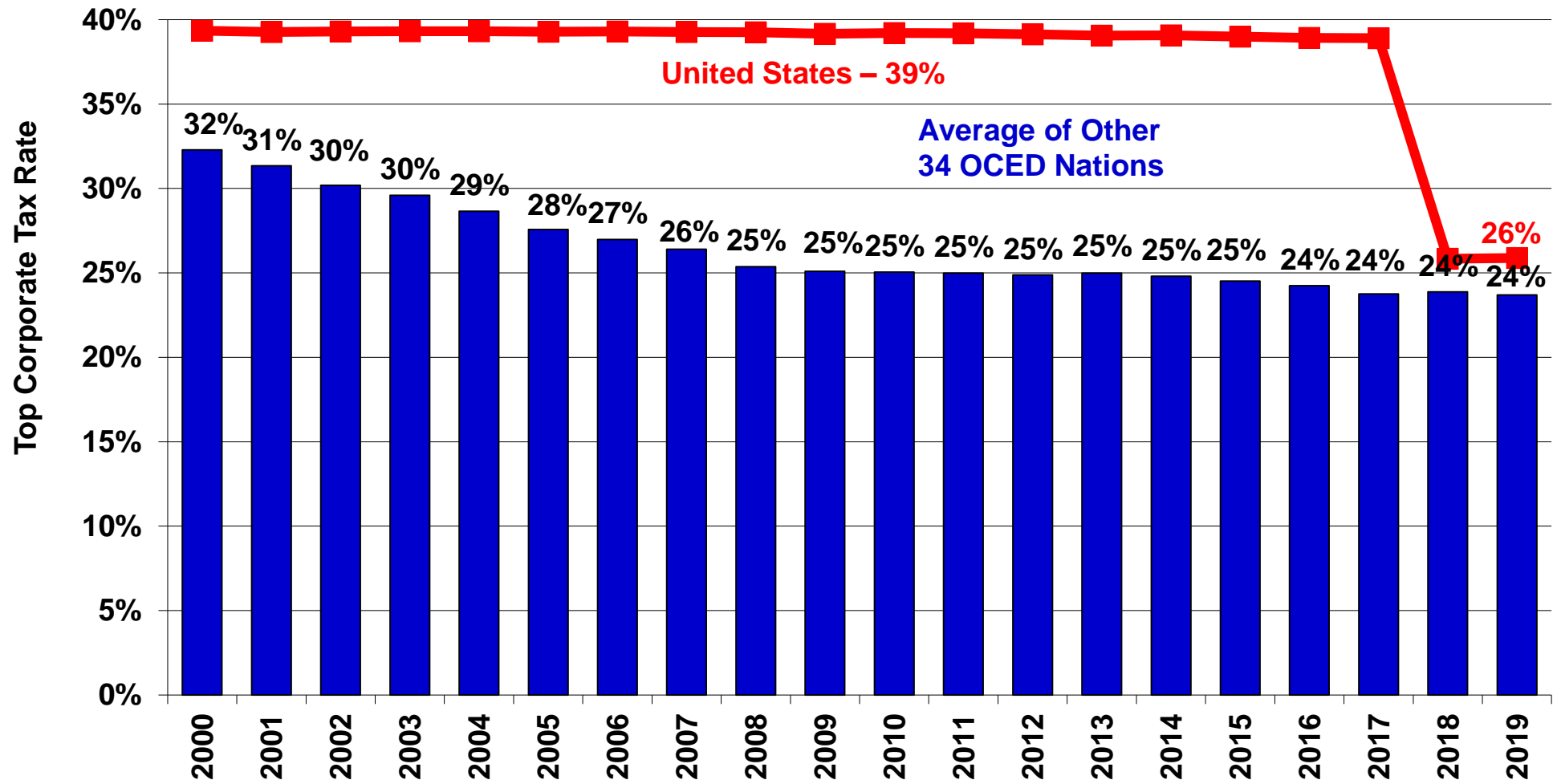
Source: OECD Stats (2019), Tax Table II.1. Tax rates include federal, state, province and local corporate taxes.

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.

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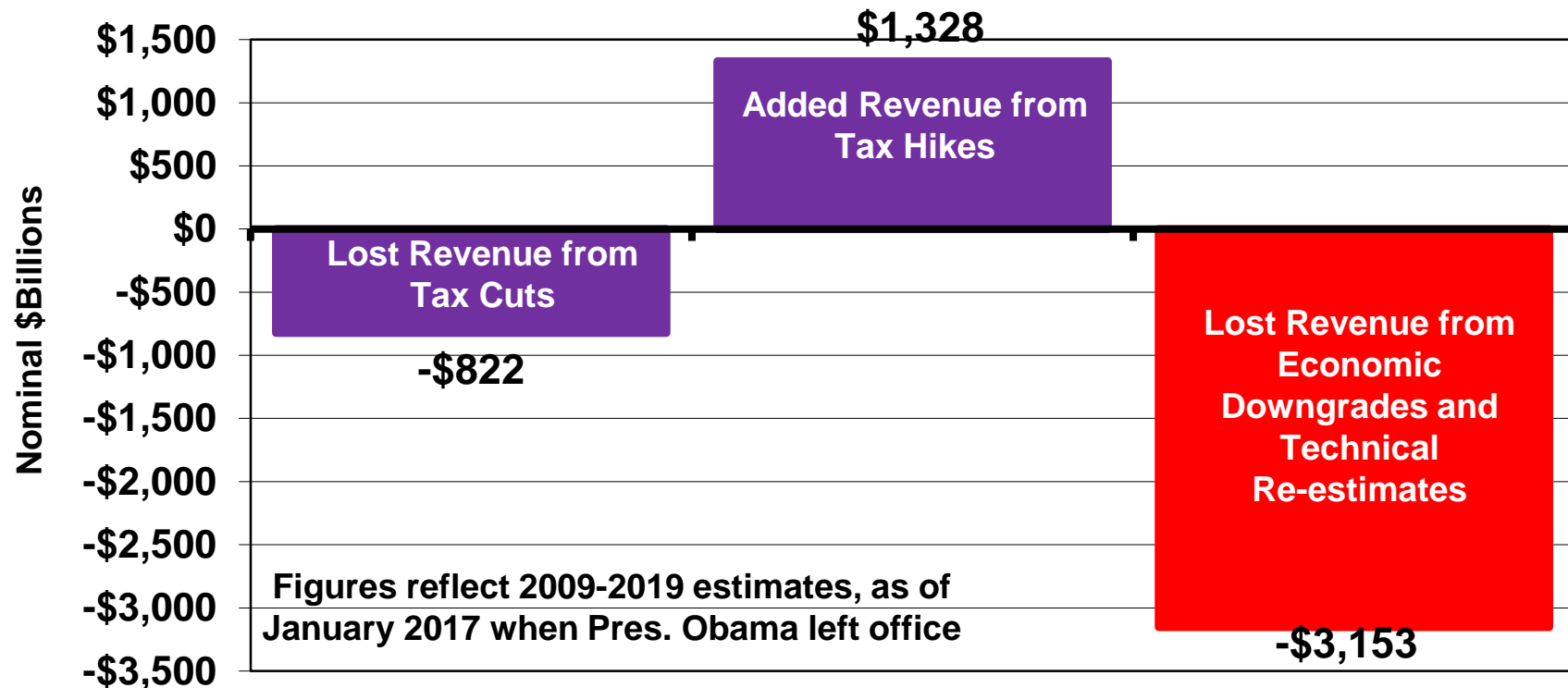
Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl

The U.S. has Finally Caught Up With the Rest of the OECD on Corporate Tax Competitiveness



Source: OECD Stats (2019), 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 General Revenues of 6% of GDP by 2040s

Tax Proposals (static scoring)	10-Yr Savings (\$Billions)	Long-Term Savings (%GDP)
Raise Payroll Tax by 10 Percentage Points, no wage limit	\$8,982	3.60%
Impose a 20% Value-Added Tax (VAT) – like a national sales tax	\$7,680	3.35%
Raise Income Tax Rates Across-the-Board by 10 Percentage Points	\$9,054	3.30%
Double 35% and 37% Tax Brackets to 70% and 74% (plus 15% state/payroll)*	\$4,504	1.70%
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Impose "Bank Tax" on Large Financial Institutions	\$103	0.03%
30% Minimum "Buffett Tax" for Millionaires	\$66	0.03%
Tax Carried Interest as Ordinary Income	\$14	0.01%

Source: Dec. 2018 CBO “Budget Options” book unless otherwise noted.

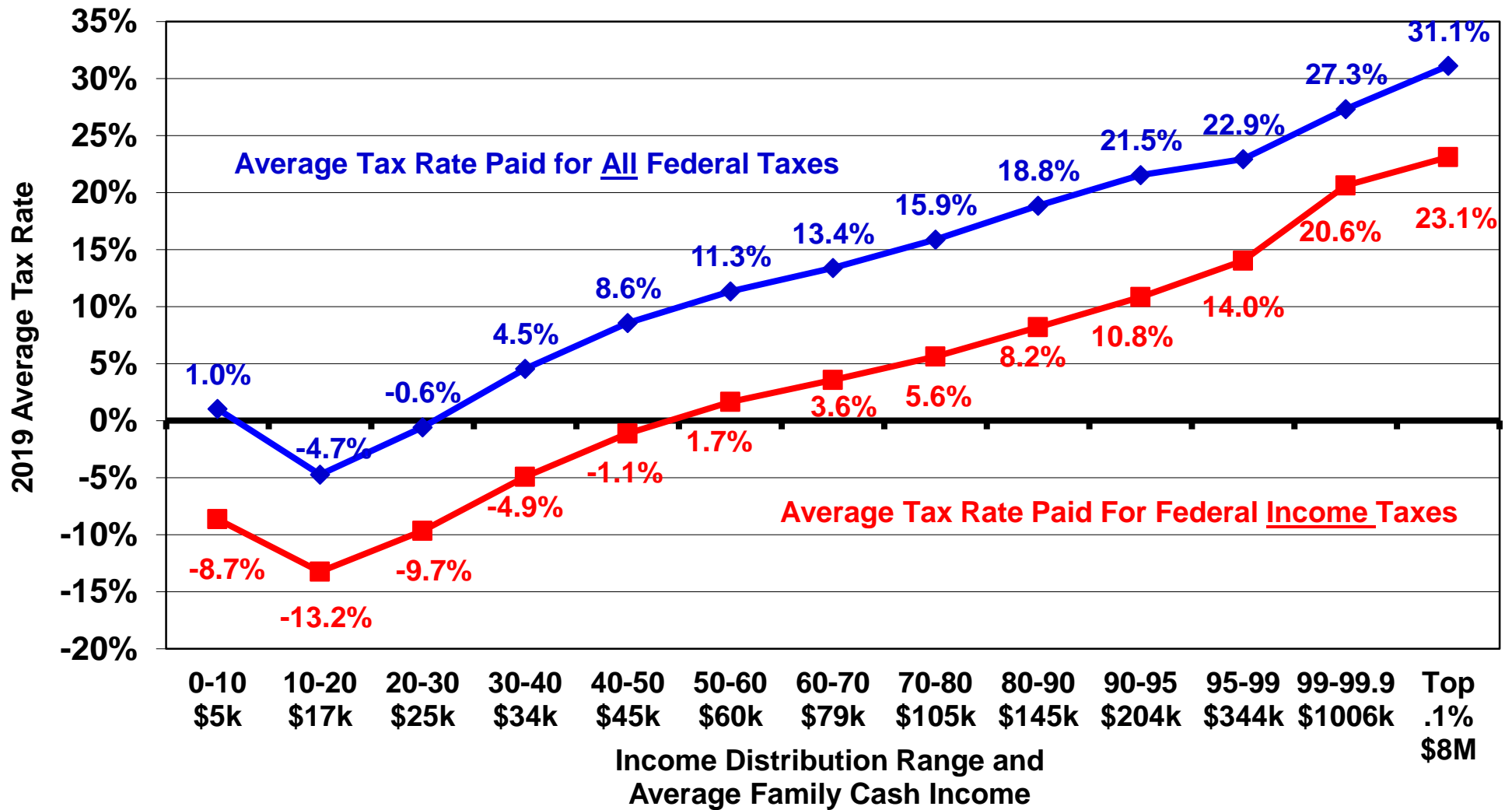
These static estimates do not account for revenues lost to the economic impact. Combining policies may also create interaction effects or duplicate the same policies, so these cannot be summed.

Author: Brian Riedl,
Manhattan Institute
@Brian_Riedl

Chapter 7

The Tax Code Has Become Increasingly Progressive

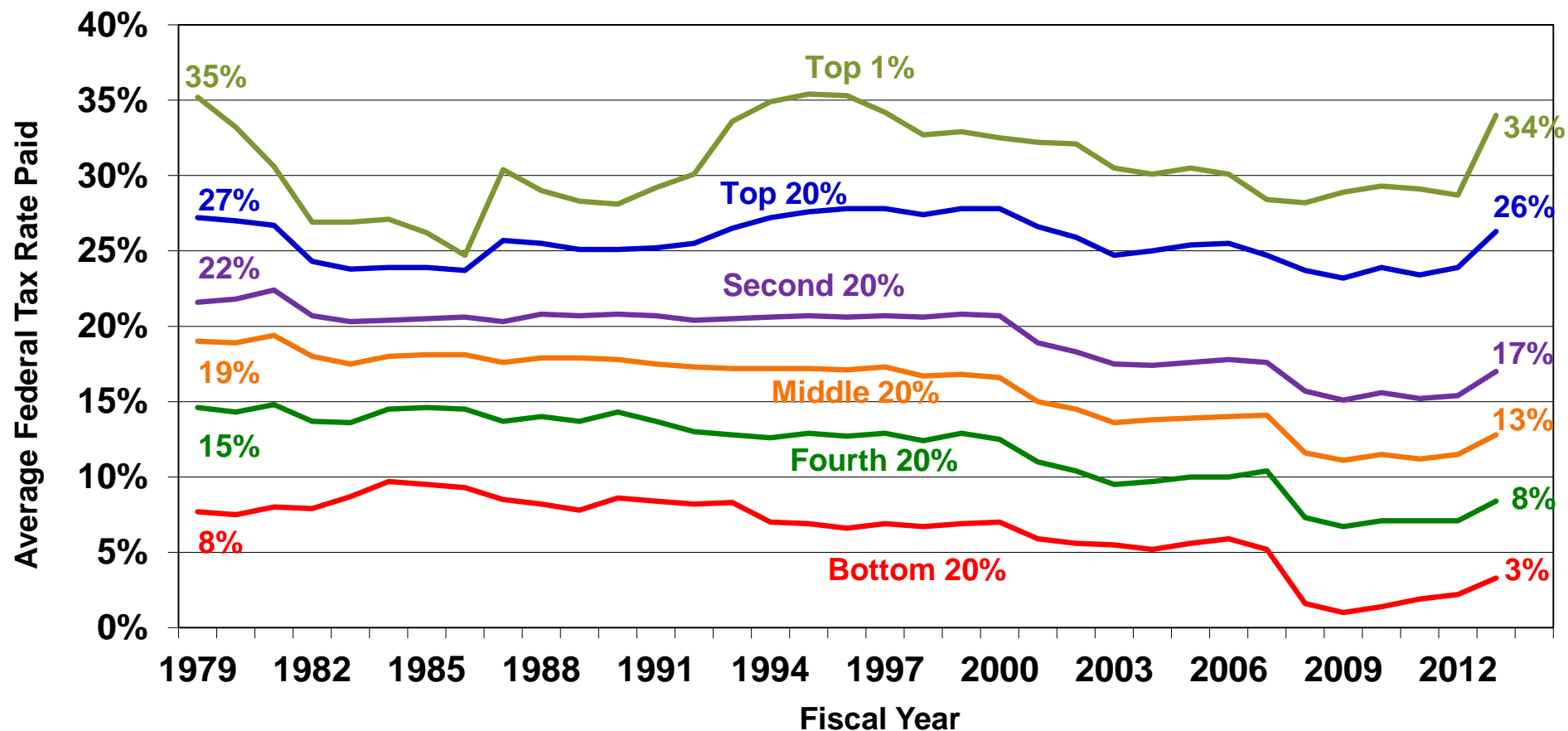
The Federal Tax Code Remains Progressive



Source: U.S. Treasury, Office of Tax Analysis.
Data represents 2019 Distribution of Tax Burden, Current Law

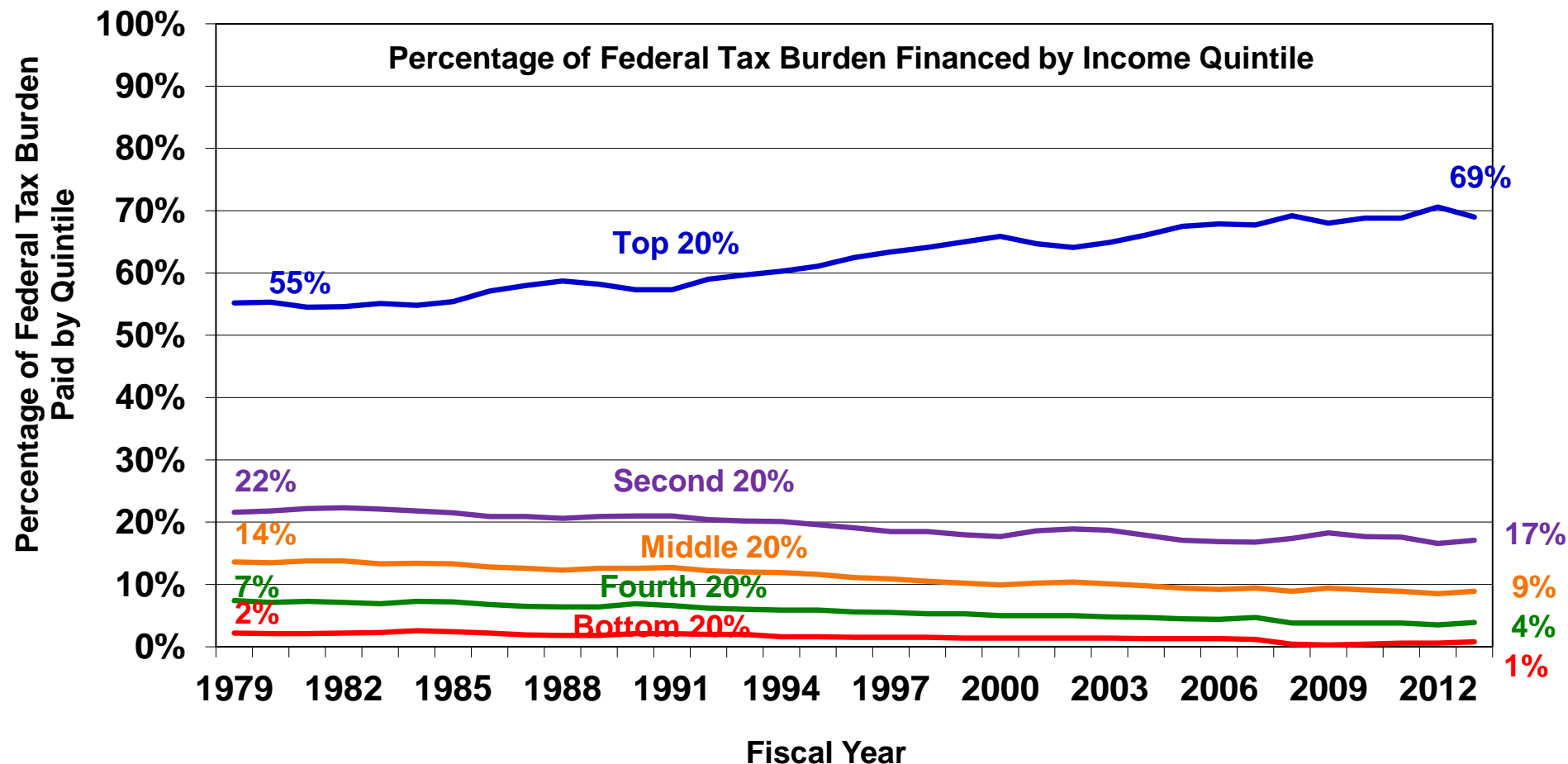
Author: Brian Riedl,
Manhattan Institute -
- @Brian_Riedl

Average Federal Tax Rate Paid by Income Category, 1979-2013

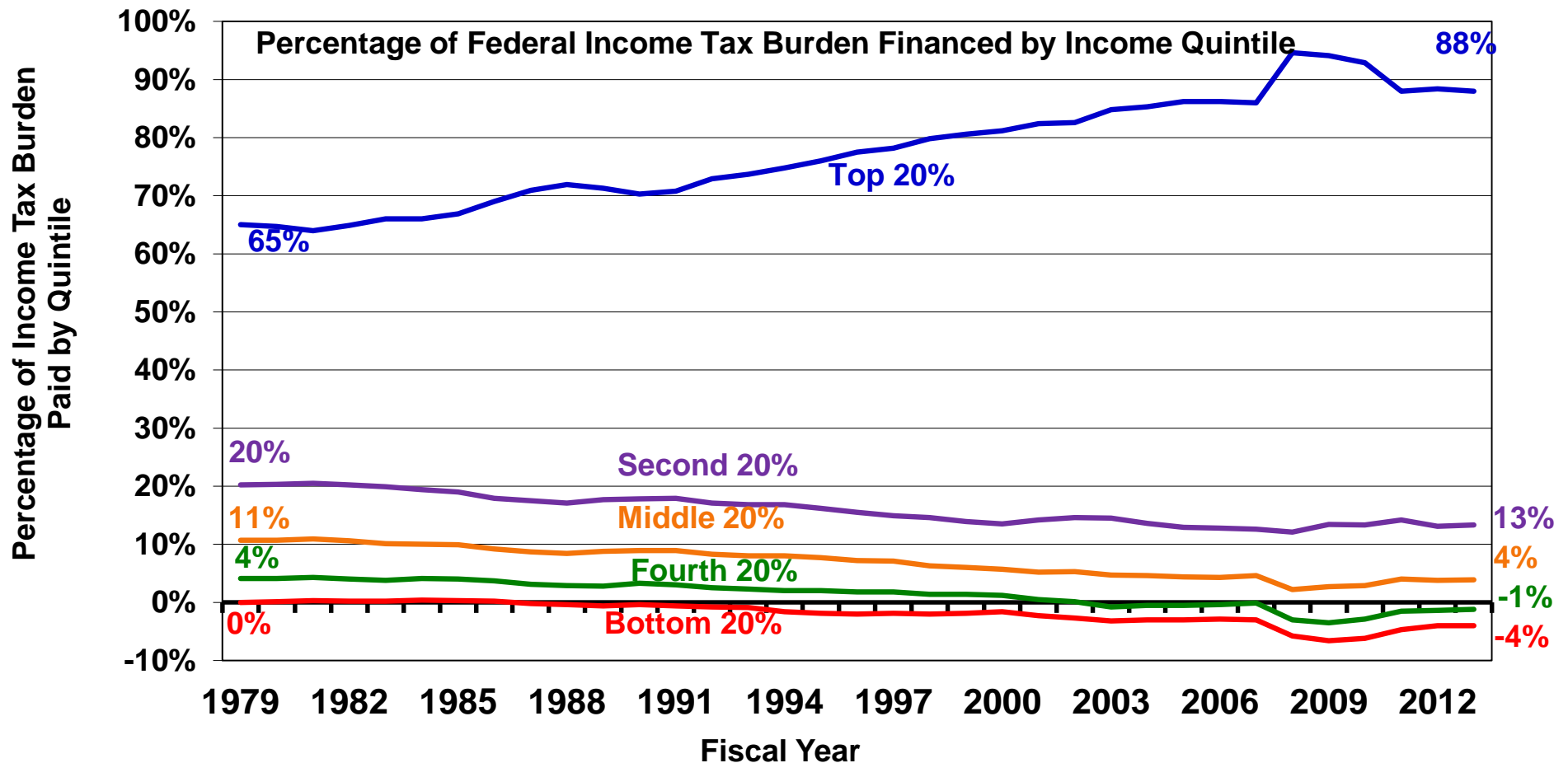


Note: Includes federal income, payroll, corporate, and excise taxes paid.

The Federal Tax Burden (For All Combined Taxes) Has Grown More Progressive Over Time



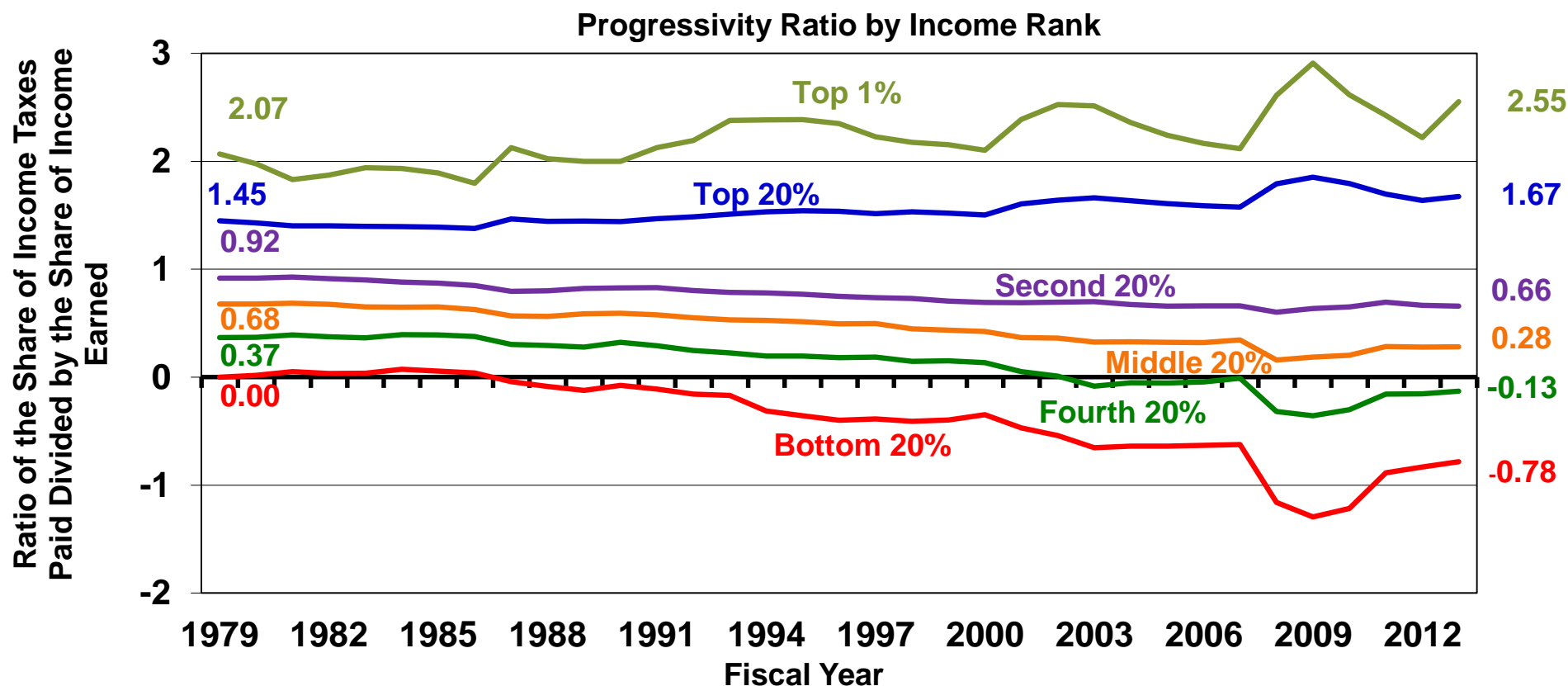
The Highest-Earning 20 Percent of Taxpayers Pay 88 Percent of All Federal Individual Income Taxes



Source: CBO "Distribution of Household Income and Federal Taxes" (2016)

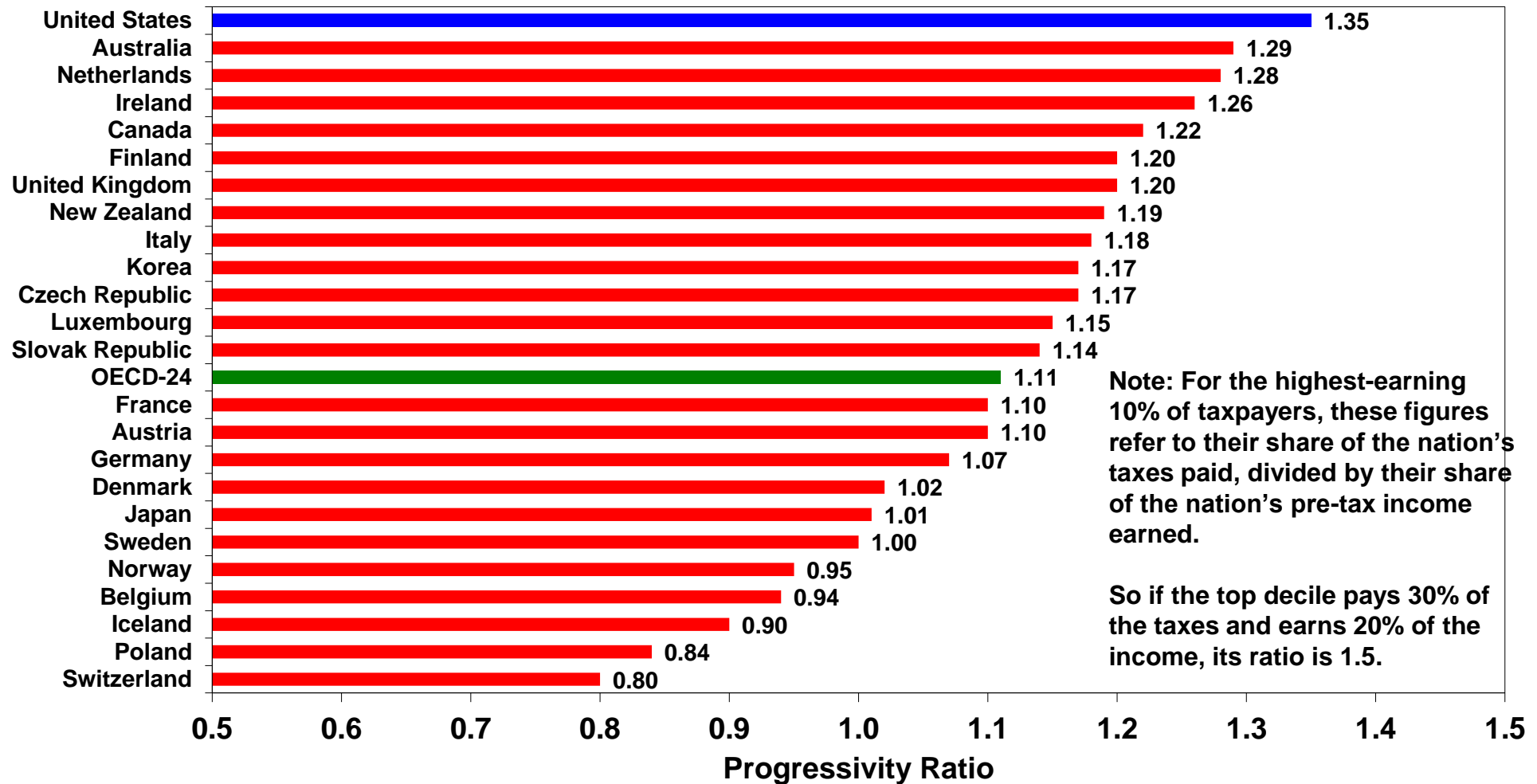
Author: Brian Riedl, Manhattan Institute -- ⁷⁸@Brian_Riedl

Even Controlling for Income Inequality, Income Taxes Have Become More Progressive, With the Highest-Earning 20 Percent Increasing Their Income Tax Share



“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 Most Progressive Income/Payroll Tax Code in the OECD

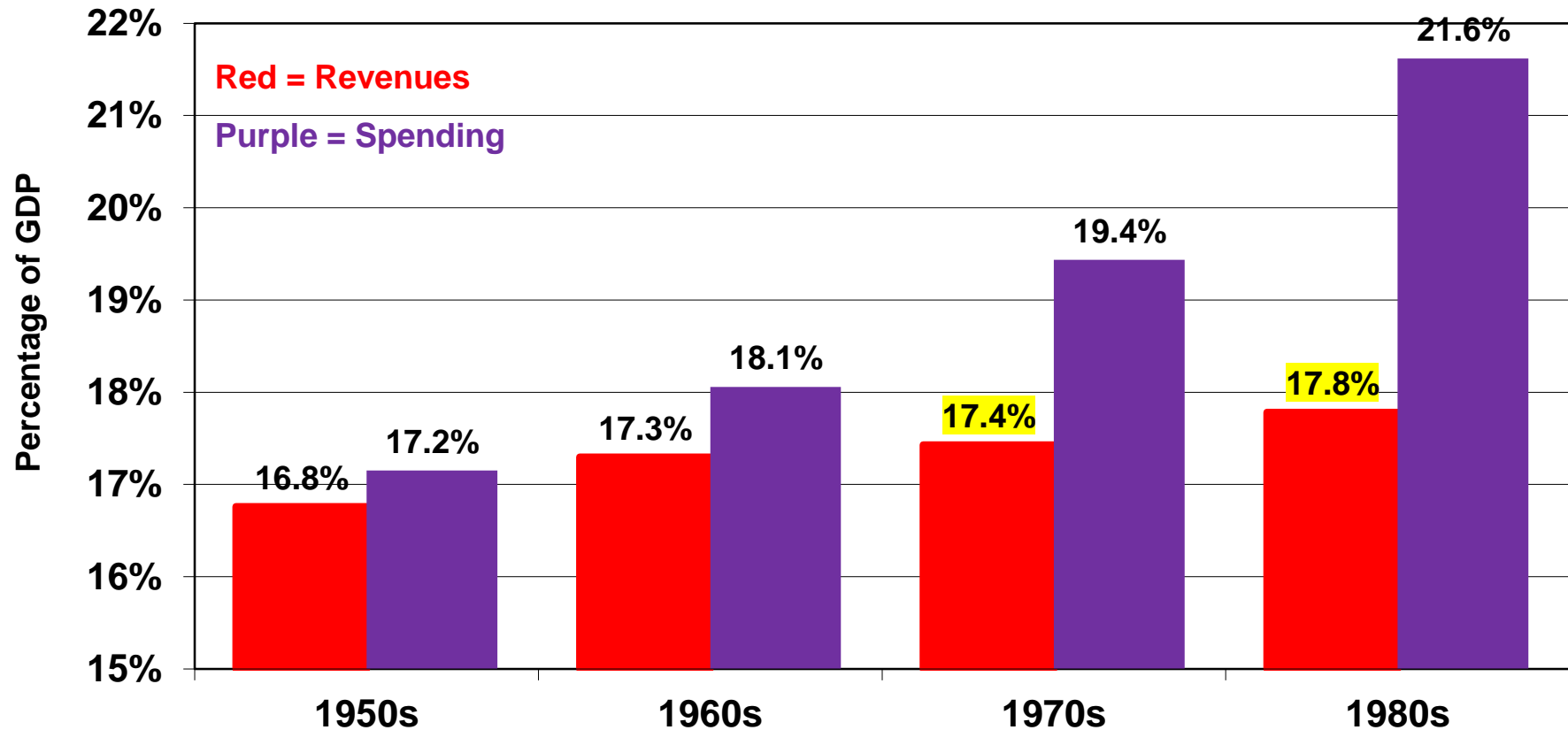


Source: OECD (2008) and Tax Foundation. The U.S tax code has since become even more progressive. Figures also exclude value-added taxes that make many other OECD nations' tax codes even less progressive.

Chapter 8

Countering Tax, Spending, & Deficit Myths of the 1980s Through 2008

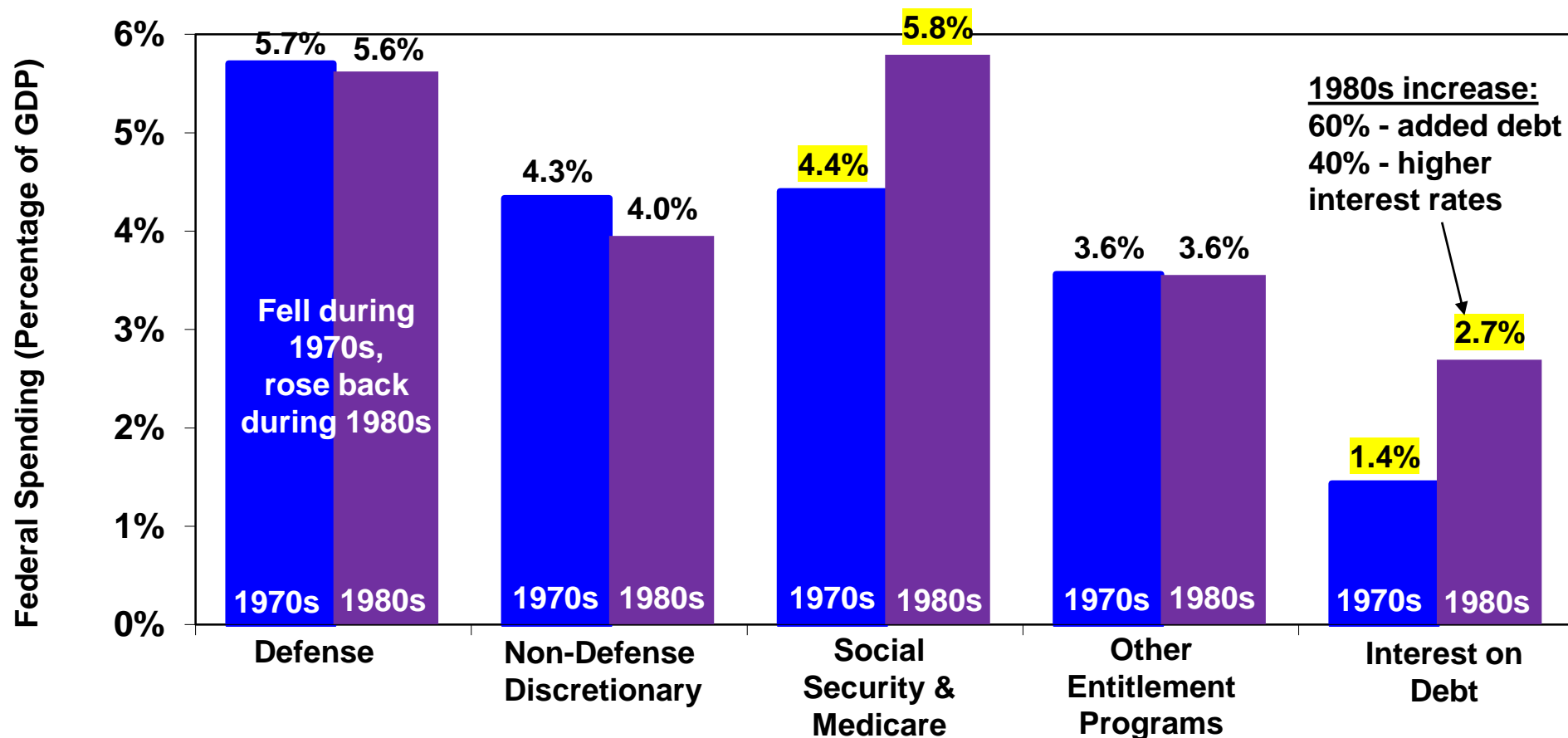
The Reagan Tax Cuts Did Not Starve the Government – Spending Worsened the 1980s Deficits



Why Did 1980s Budget Deficits Exceed the 1970s Deficits?

1970s Average Percentage of GDP: Revenue 17.4%, Spending 19.4%, Deficit: 2.0%

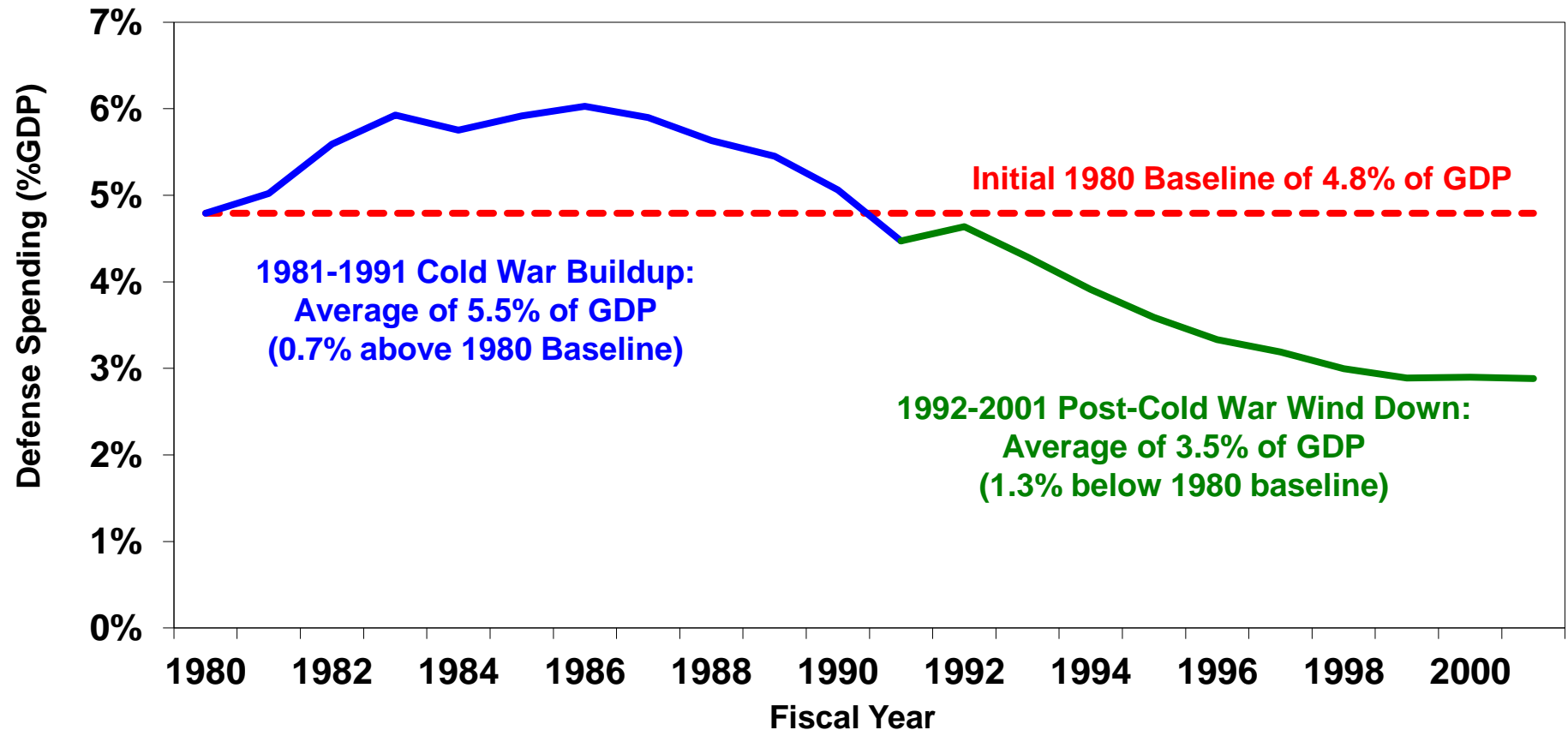
1980s Average Percentage of GDP: Revenue 17.8%, Spending 21.6%, Deficit: 3.8%



Source: OMB Historical Table 8.4, and interest rate calculations using the Economic Report of the President Table B-25.

Author: Brian Riedl,
Manhattan Institute - 83
@Brian_Riedl

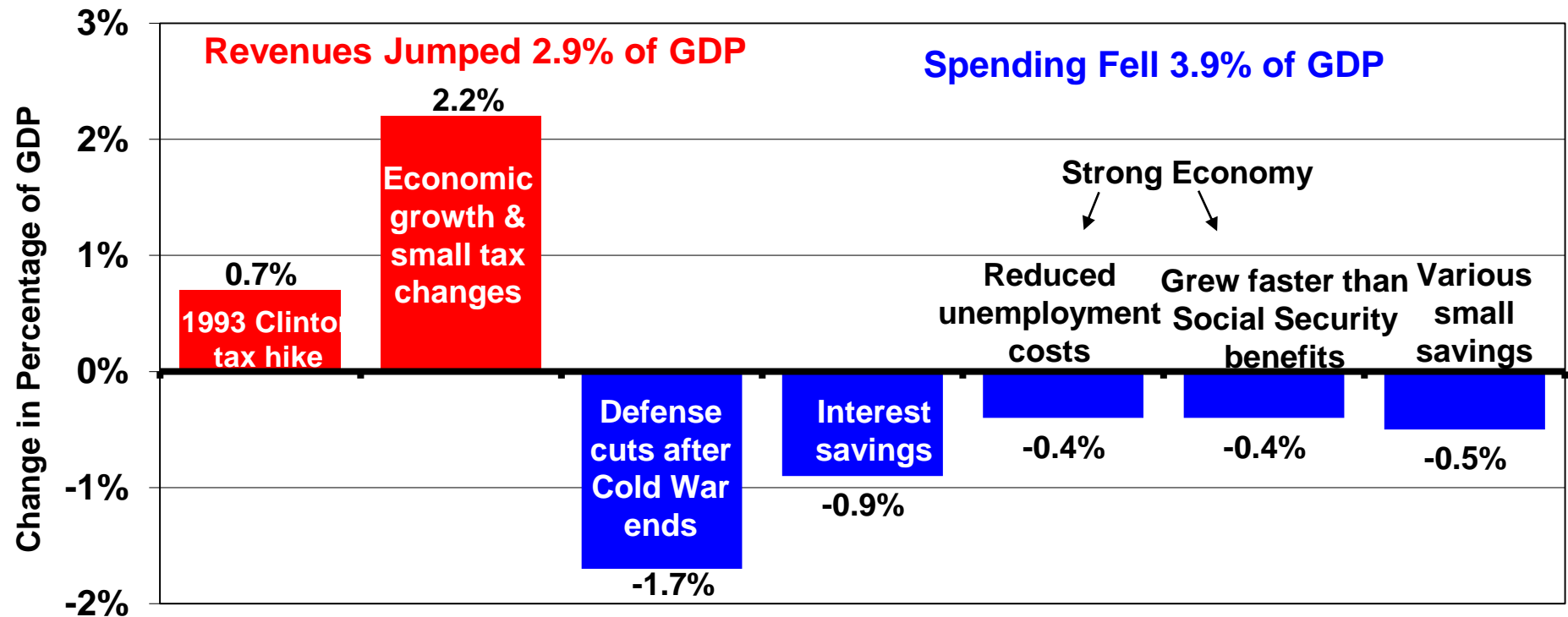
To the Extent it Contributed to the Soviet Collapse, the 1980s Defense Buildup Eventually Paid for Itself



Source: OMB
Historical Tables
3.2, and 10.1

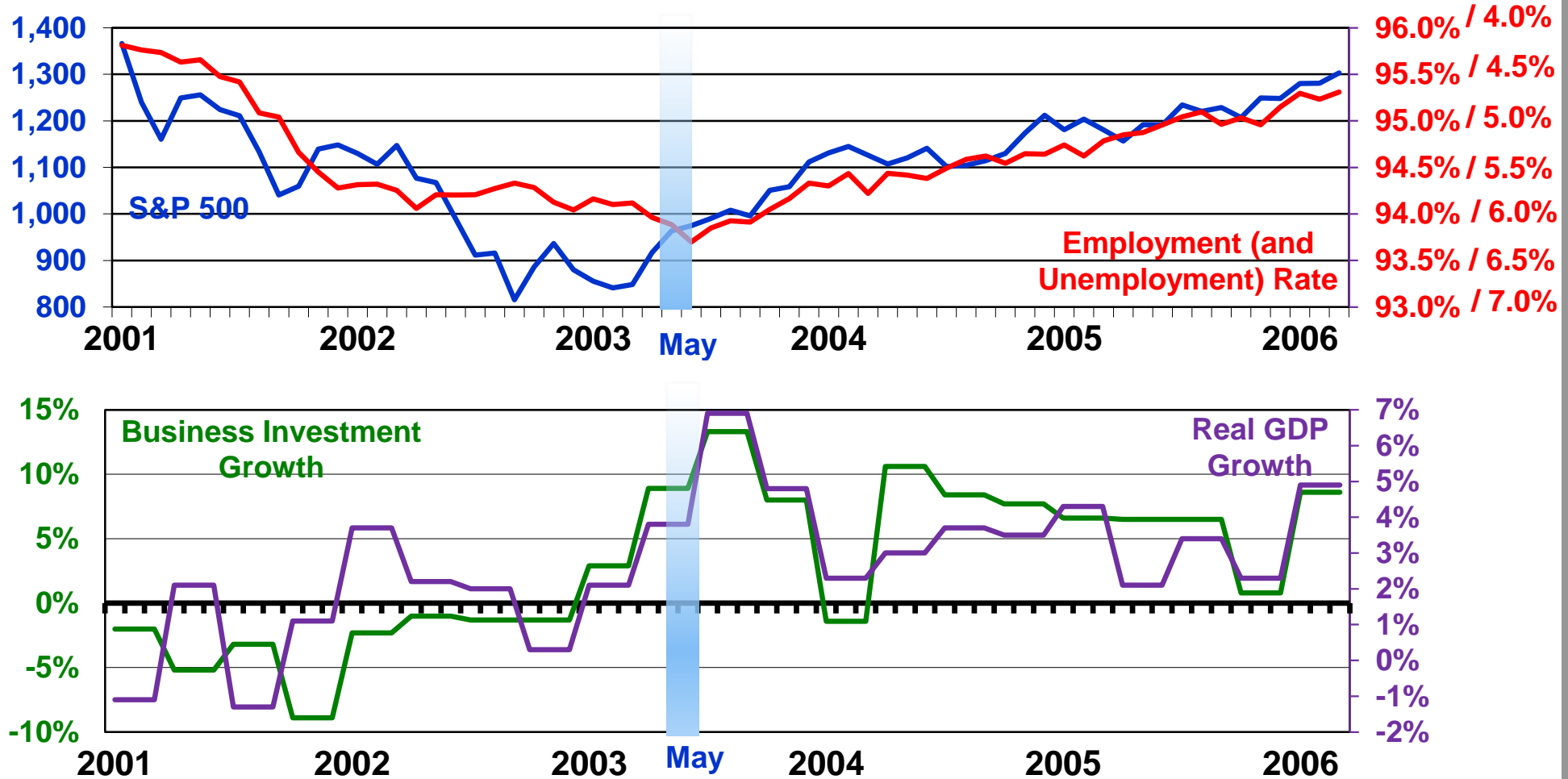
Note: Some believe that America's 1980s defense buildup pushed the Soviets into an unaffordable arms race that contributed to its economic problems and ultimately a more accommodating posture towards the West, each of which contributed to Soviet destabilization and collapse.

The 1990s Budget Was Balanced by an Economic Boom and the Cold War Peace Dividend (and by Washington Not Spending All the Savings)



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

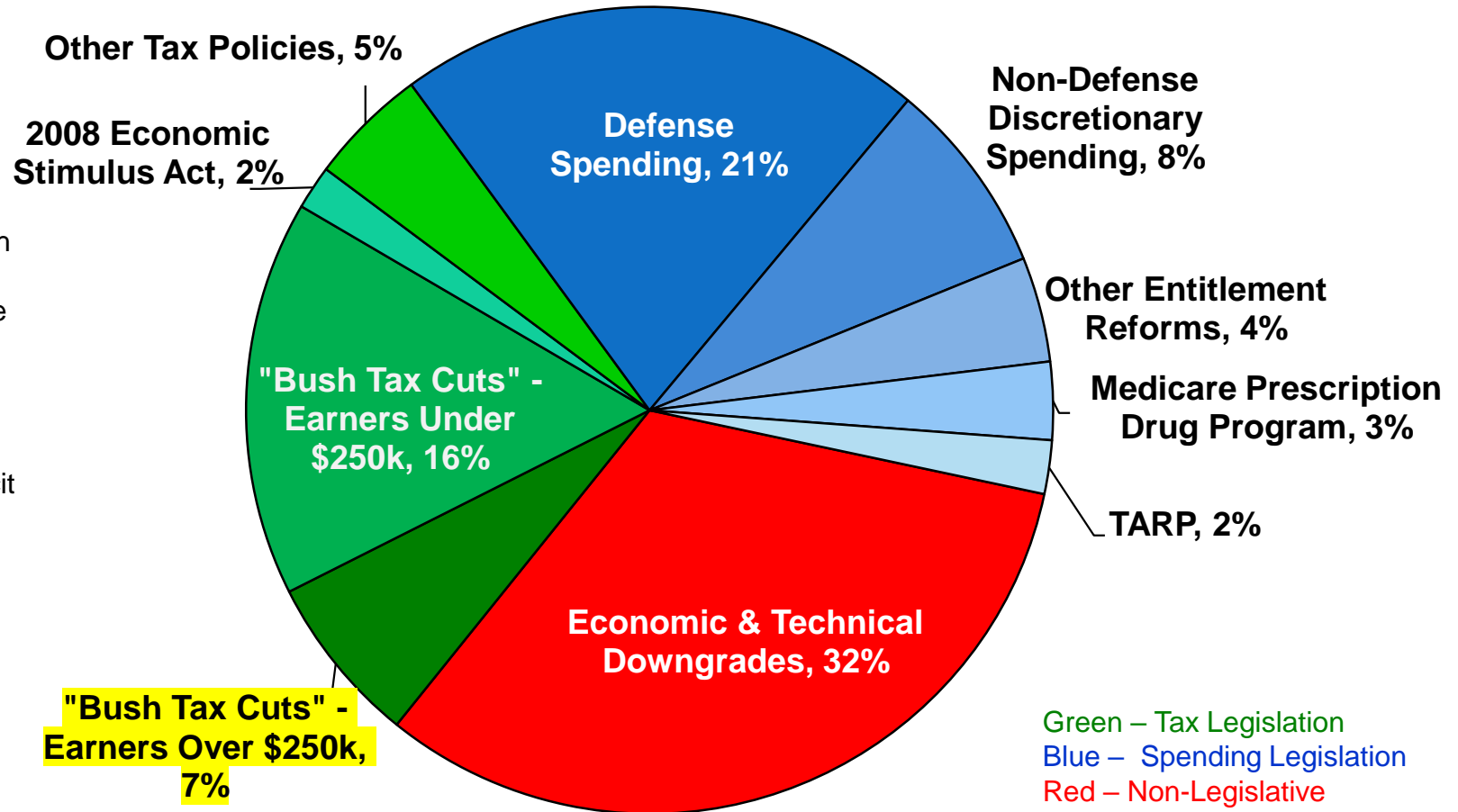
The May 2003 Supply-Side Tax Rate Cuts Were More Successful Than They are Credited For



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.

Author: Brian Riedl,
Manhattan Institute
@Brian_Riedl

The “Bush Tax Cuts” for Upper-Income Taxpayers Caused Only 7% of the 2001-2011 Fiscal Decline Under President Bush



Note: When President Bush took office, CBO forecast a \$5.9 trillion surplus over the FY 2001-2011 period.

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

This chart accounts for the \$10.3 trillion fiscal decline.

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.

Author: Brian Riedl,
Manhattan Institute
@Brian_Riedl 87

President Bush Oversaw a \$10.3 Trillion Decline from the Inherited 2001-2011 Budget Projections

(All numbers in nominal \$billions)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2001-2011
CBO January 2001 Projected Surplus	281	313	359	397	433	505	573	635	710	796	889	5,891
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	-52	-27	-112	-191	-172	-165	-169	-181	-189	-206	-167	-1,631
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 Changes	-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	-194	-16	-12	-221
Economic Stimulus Act of 2008	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	-67	-319	-377	-295	-212	-140	-39	-95	-696	-577	-520	-3,337
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	-67	-319	-377	-295	-212	-140	-39	-95	-696	-577	-520	-3,337
Total Deficit Changes	-154	-469	-735	-809	-752	-754	-735	-1,095	-1,895	-1,500	-1,386	-10,285
Revenue Changes	-144	-383	-561	-573	-416	-282	-248	-431	-750	-738	-622	-5,148
Spending Changes	-10	-88	-176	-237	-335	-471	-486	-663	-1,147	-761	-765	-5,138

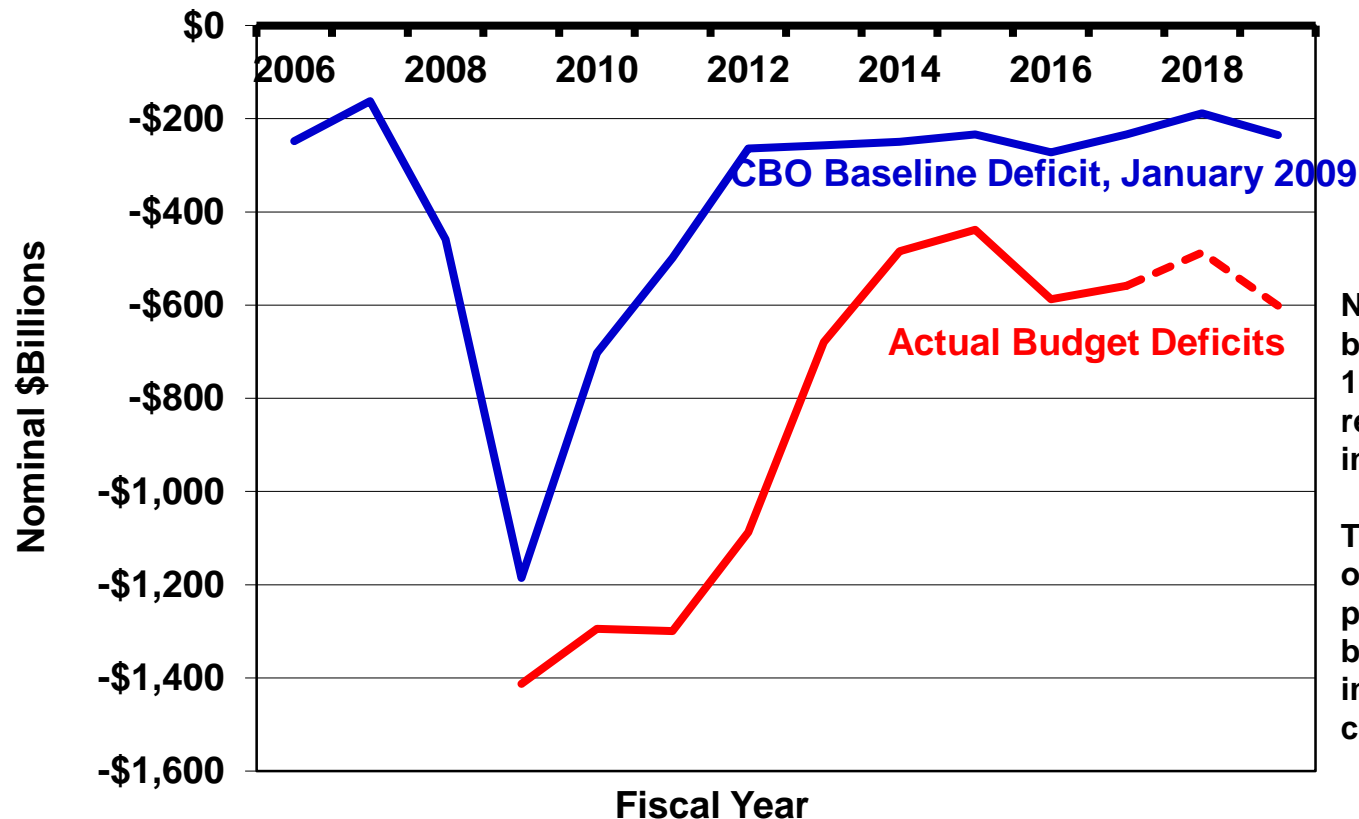
Source: Author calculations based on a CBO June 2012 report, and CBO baseline updates over 2001-11 period. Positive numbers add to deficit, negative numbers reduce deficit. Legislative changes include associated interest costs and savings. Ending 2090-2011 figures represent estimates on January 2009 when President Bush left office. See "Obama's Fiscal Legacy: A Comprehensive Overview of Spending, Taxes, and Deficits," by Brian Riedl.

Author: Brian Riedl,
Manhattan Institute
@Brian_Riedl

Chapter 9

A Comprehensive Accounting of the Obama Fiscal Record

President Obama Oversaw 2009-2019 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.

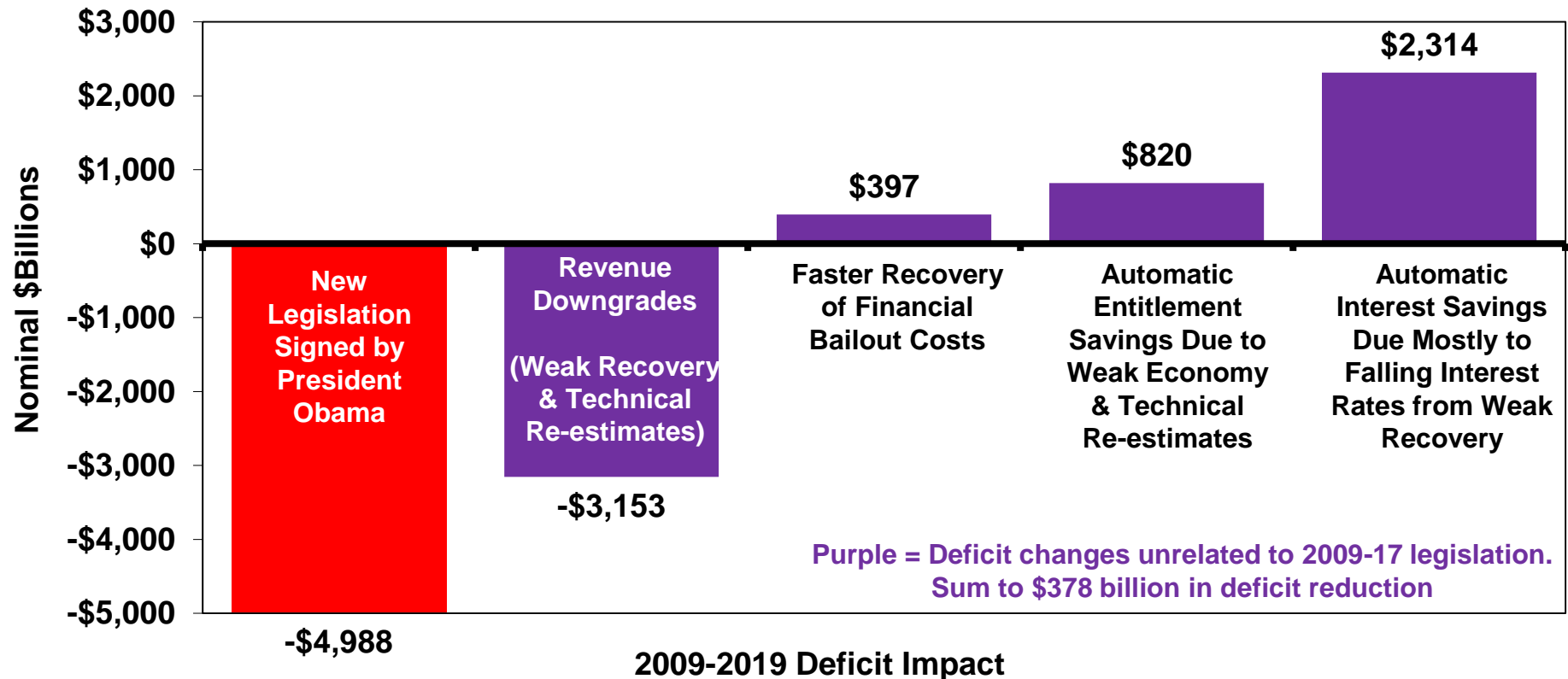
The added Obama deficits consist of \$5 trillion in new legislation, partially offset by \$400 billion saved by the sluggish recovery, as lower interest rates and thus interest costs offset the lower revenues

90

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.
See "Obama's Fiscal Legacy: A Comprehensive Overview of Spending, Taxes, and Deficits," by Brian Riedl.

Author: Brian Riedl,
Manhattan Institute
@Brian_Riedl

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.

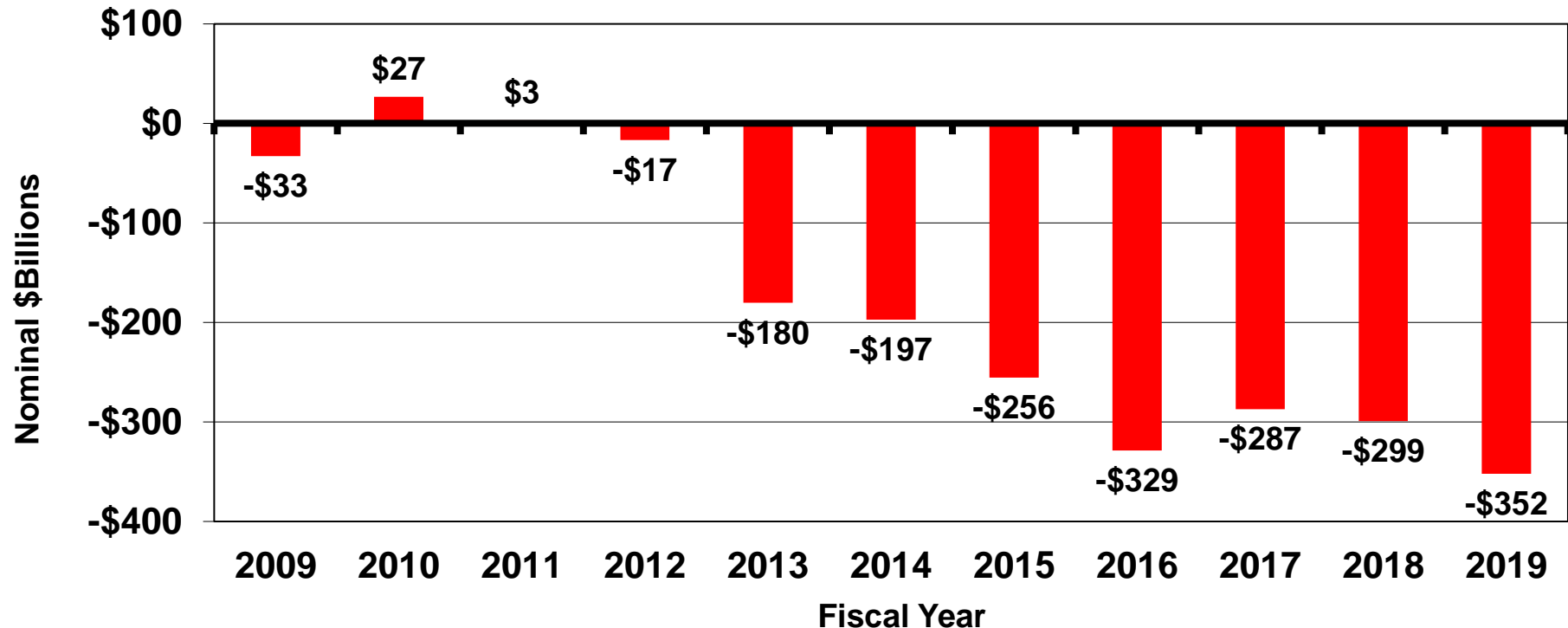
President Obama Oversaw a \$4.6 Trillion Decline from the Inherited 2009-2019 Budget Projections

(All numbers in nominal \$billions)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2009-19
CBO January 2009 Baseline Budget Deficit	-1,186	-703	-498	-264	-257	-250	-234	-272	-234	-188	-235	-4,321
Legislative Changes												
Renewing Pre-2009 Tax Policies	-27	-114	-239	-273	-382	-363	-421	-528	-539	-596	-654	-4,135
2009 ARRA Stimulus	-163	-311	-175	-63	-58	-55	-39	-29	-33	-39	-46	-1,010
Subsequent Stimulus and Recession Relief	-7	-106	-233	-269	-93	-15	-17	-41	-44	-56	-67	-948
Renewing Pre-2009 Health Laws	0	-3	-16	-20	-19	-15	-16	-19	-19	-15	-12	-154
Other Mandatory Spending Legislation	-7	-7	-16	-25	-29	-13	1	-1	4	12	13	-69
Hurricane Sandy Relief	0	0	0	0	-5	-13	-12	-11	-10	-7	-6	-64
BCA Mandatory Sequesters	0	0	0	0	10	14	16	16	18	20	22	117
Affordable Care Act	0	-7	-2	19	44	51	51	30	17	30	41	275
Other Revenue Legislation	4	18	-4	21	7	35	27	56	37	39	41	282
Other Discretionary Spending and OCO Reforms	-18	-49	-84	-59	36	89	124	144	150	183	202	718
Economic and Technical Re-estimates												
Revenue Effect - Economic Changes	-33	27	3	-17	-180	-197	-256	-329	-287	-299	-352	-1,920
Revenue Effect - Technical Re-estimates	-159	-178	-118	-254	-54	-125	-7	-33	-121	-92	-93	-1,233
Financial Bailout Cost Re-Estimates	-1	126	5	-28	113	89	33	25	26	7	0	397
Mandatory Spending - Economic/Technical Re-estimates	176	10	65	30	-23	24	1	71	125	151	190	820
Interest Spending - Economic/Technical Re-estimates	8	1	12	113	210	261	309	332	350	363	356	2,314
Actual Deficits and January 2017 Baseline Deficit	-1,413	-1,294	-1,300	-1,087	-680	-485	-438	-587	-559	-487	-601	-8,931
Memorandum												
Total Legislative Changes	-219	-577	-768	-668	-488	-286	-286	-382	-418	-429	-467	-4,988
Total Economic and Technical Re-estimates	-8	-14	-33	-155	66	51	81	67	93	130	101	378
Total Deficit Changes	-227	-592	-801	-823	-423	-235	-205	-315	-325	-299	-366	-4,610

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.

Author: Brian Riedl,
Manhattan Institute
@Brian_Riedl 92

Tax Revenue Impact of CBO Economic Growth Downgrades (and Upgrades) Under President Obama

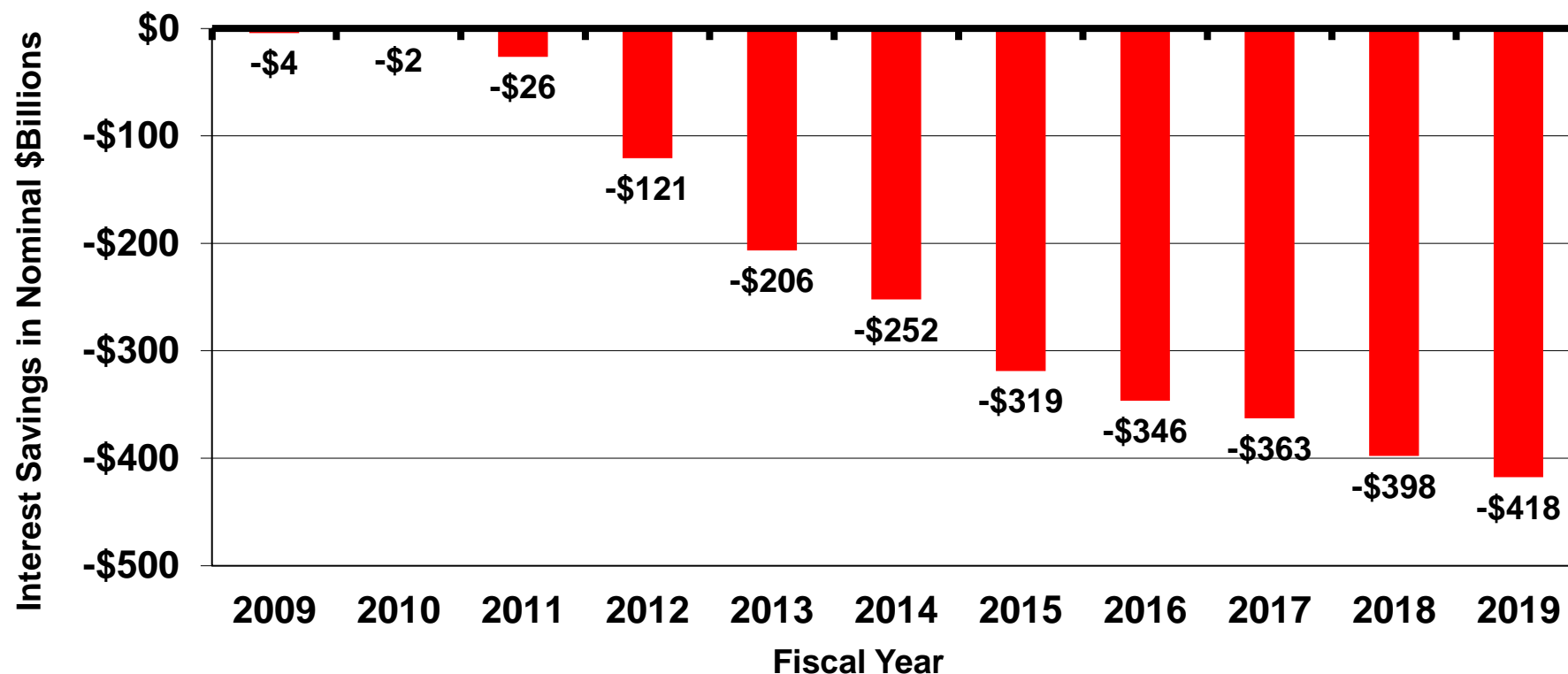


Note: Consists of gained/lost revenues specifically resulting from economic growth upgrades and downgrades between March 2009 and January 2017. Post-2016 figures reflect latest estimates.

Source: CBO budget baselines between March 2009 and January 2017. See "Obama's Fiscal Legacy: A Comprehensive Overview of Spending, Taxes, and Deficits," by Brian Riedl.

Author: Brian Riedl,
Manhattan Institute
@Brian_Riedl

CBO Economic Downgrades Under President Obama Have Sharply Lowered Interest Rates and Therefore Net Interest Costs

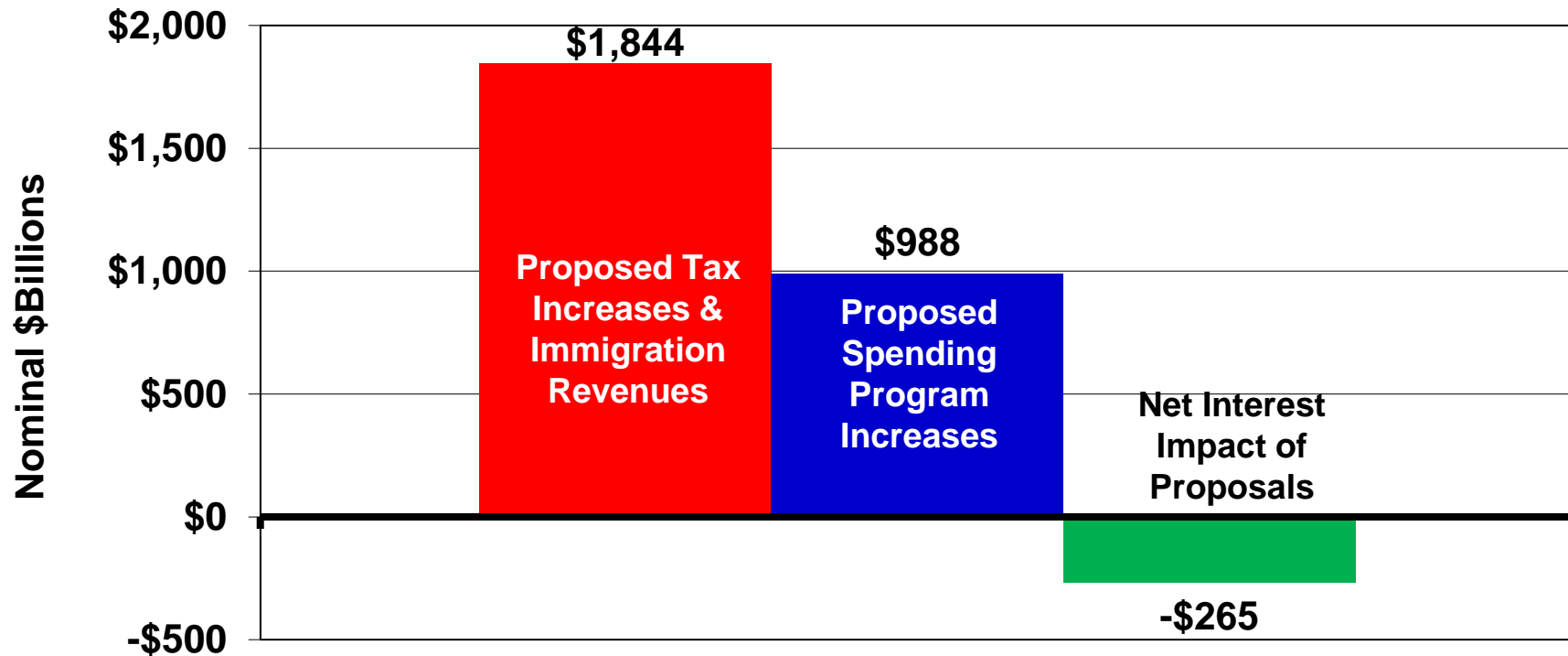


Note: Consists of net interest savings directly attributed to lower interest rates from economic downgrades occurring between March 2009 and January 2017. Post-2016 figures reflect latest estimates.

Source: CBO budget baselines between March 2009 and January 2017. See "Obama's Fiscal Legacy: A Comprehensive Overview of Spending, Taxes, and Deficits," by Brian Riedl.

Author: Brian Riedl,
Manhattan Institute
@Brian_Riedl

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



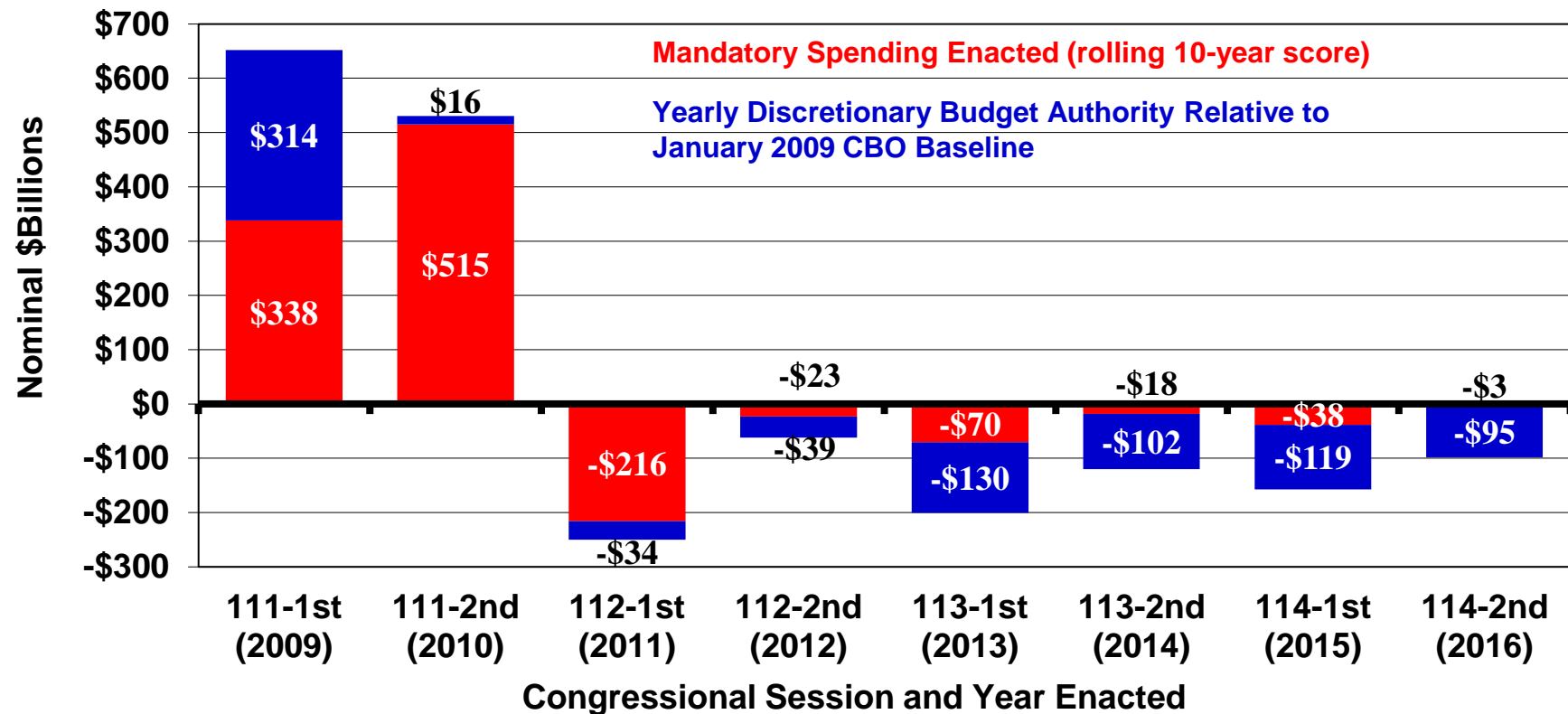
95

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. See "Obama's Fiscal Legacy: A Comprehensive Overview of Spending, Taxes, and Deficits," by Brian Riedl.

Author: Brian Riedl,
Manhattan Institute
@Brian_Riedl

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



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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. See "Obama's Fiscal Legacy: A Comprehensive Overview of Spending, Taxes, and Deficits," by Brian Riedl.

Author: Brian Riedl,
Manhattan Institute
[@Brian_Riedl](#)