

Spending, Taxes, & Deficits: A Book of Charts

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Highlights

- Why the Deficit Could Top \$3 Trillion Yet Again Within a Decade (p. 15)
- Each 1% Interest Rate Rise Adds 20% of GDP to 30-Year Debt (16)
- Washington Spent \$50,000 per Household in 2020 (21)
- What Happened to the 2011 BCA Spending Caps? (26-27)
- 90% of 2019-2030 Deficit Rise is From SocSec & Medicare Shortfalls (37)
- What is Driving CBO's Projected \$104 Trillion Deficit over 30 Years? (46-52)
- A Menu of Tax Increase Options (57)
- Joe Biden's Spending Proposals Would Cost \$11 Trillion (63-64)
- Does the U.S. Have the OECD's Most Progressive Tax Code? (84)
- Is it Possible that the 1980s Defense Build Up Paid for Itself? (88)
- What *Really* Caused the 1990s Budget Surpluses? (89)
- The Comprehensive Bush Budget Record (91-92)
- The Comprehensive Obama Budget Record (93-100)

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.

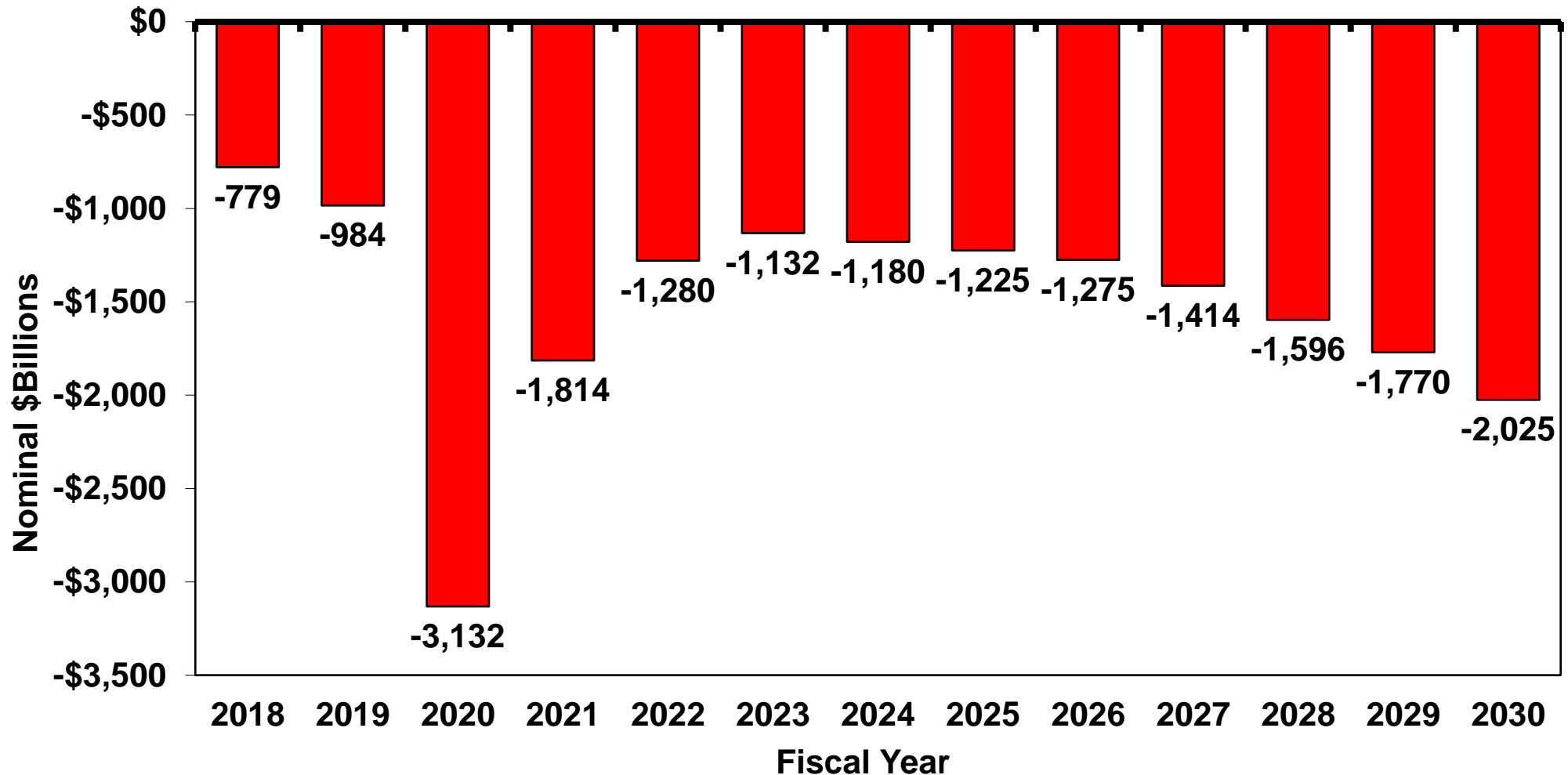
Charts are Organized into 11 Chapters

- 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) The 30-Yr Debt Estimates are Driven by Social Security & Medicare Shortfalls
- 6) Can't We Just Raise Taxes, Cut Defense, & Nationalize Health Care Instead?
- 7) Progressive Proposals Would Dig the Debt Even Deeper
- 8) Tax Revenues Will Continue Growing Faster Than the Economy
- 9) The Tax Code Has Become Increasingly Progressive
- 10) Countering Tax, Spending, & Deficit Myths of the 1980s Through 2008
- 11) A Comprehensive Accounting of the Obama Fiscal Record

Chapter 1

Rising Budget Deficits and National Debt

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

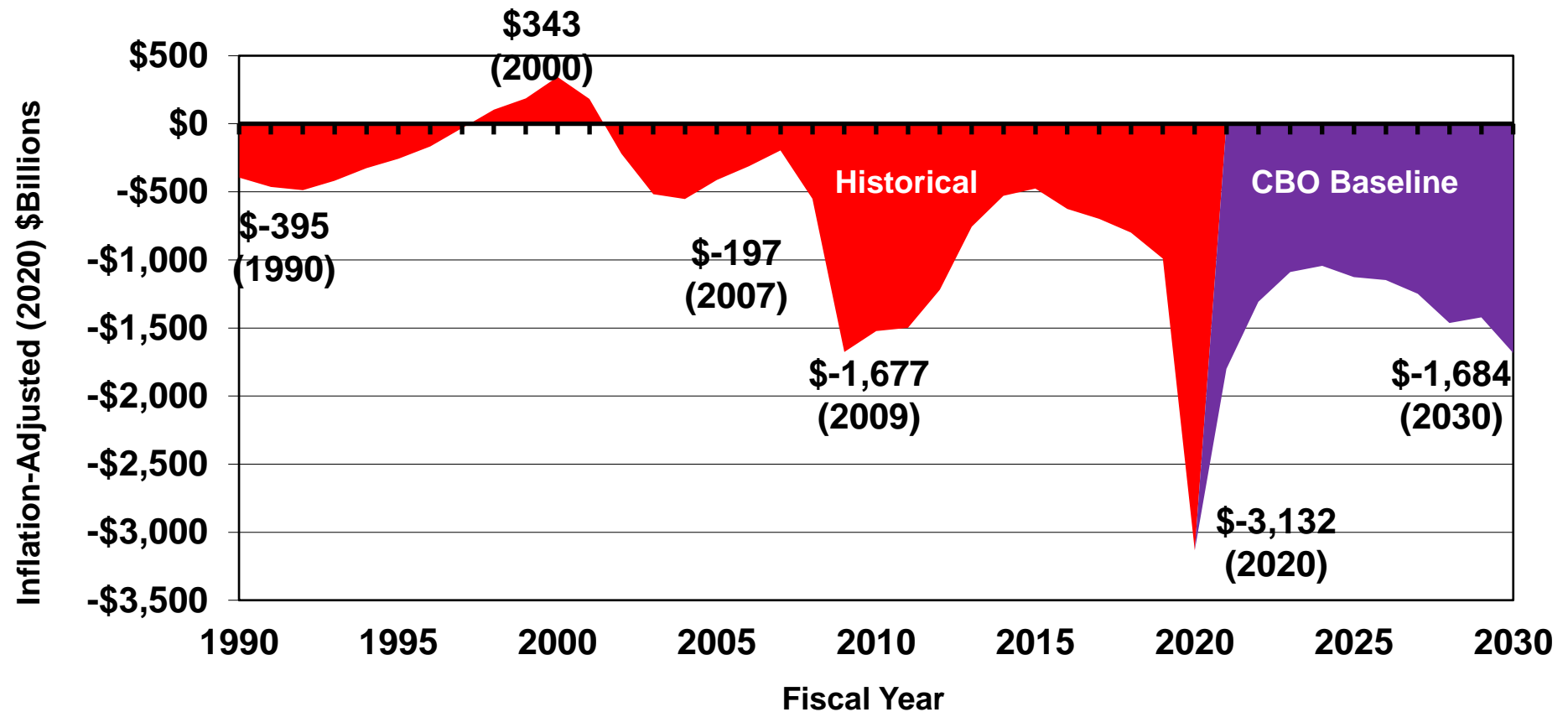


Source: OMB Historical Table 1.1, and September 2020 CBO Baseline, updated for current-policy tax cut extensions, and removal of timing shifts.

Author: Brian Riedl, Manhattan Institute -- ⁶@Brian_Riedl

Budget Deficits are Once Again Soaring

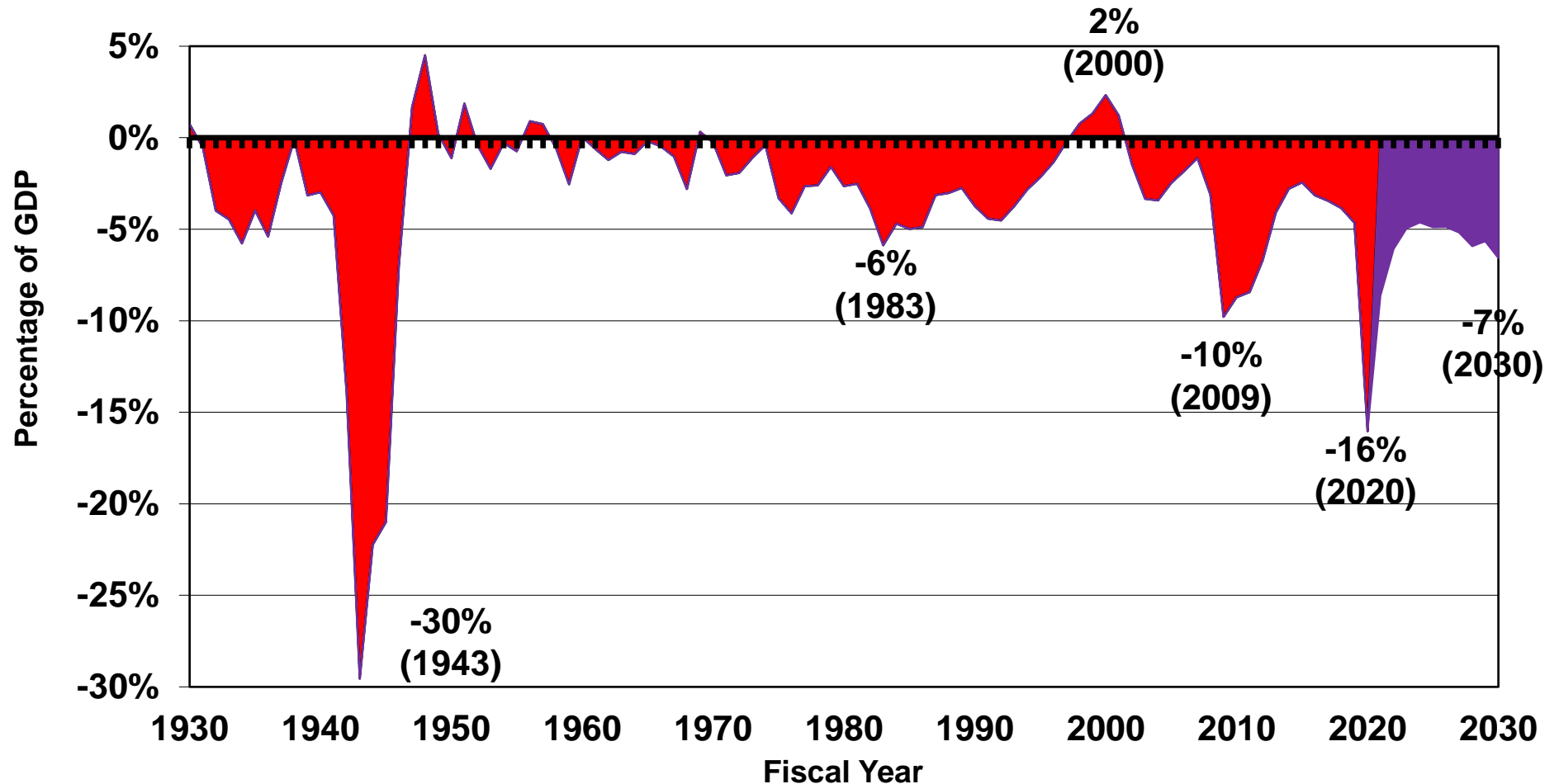
(Adjusted for Inflation)



Source: Sept. 2020 CBO baseline and historical data, adjusted to assume extension of the 2017 tax cuts, and adjusted into 2020 dollars.

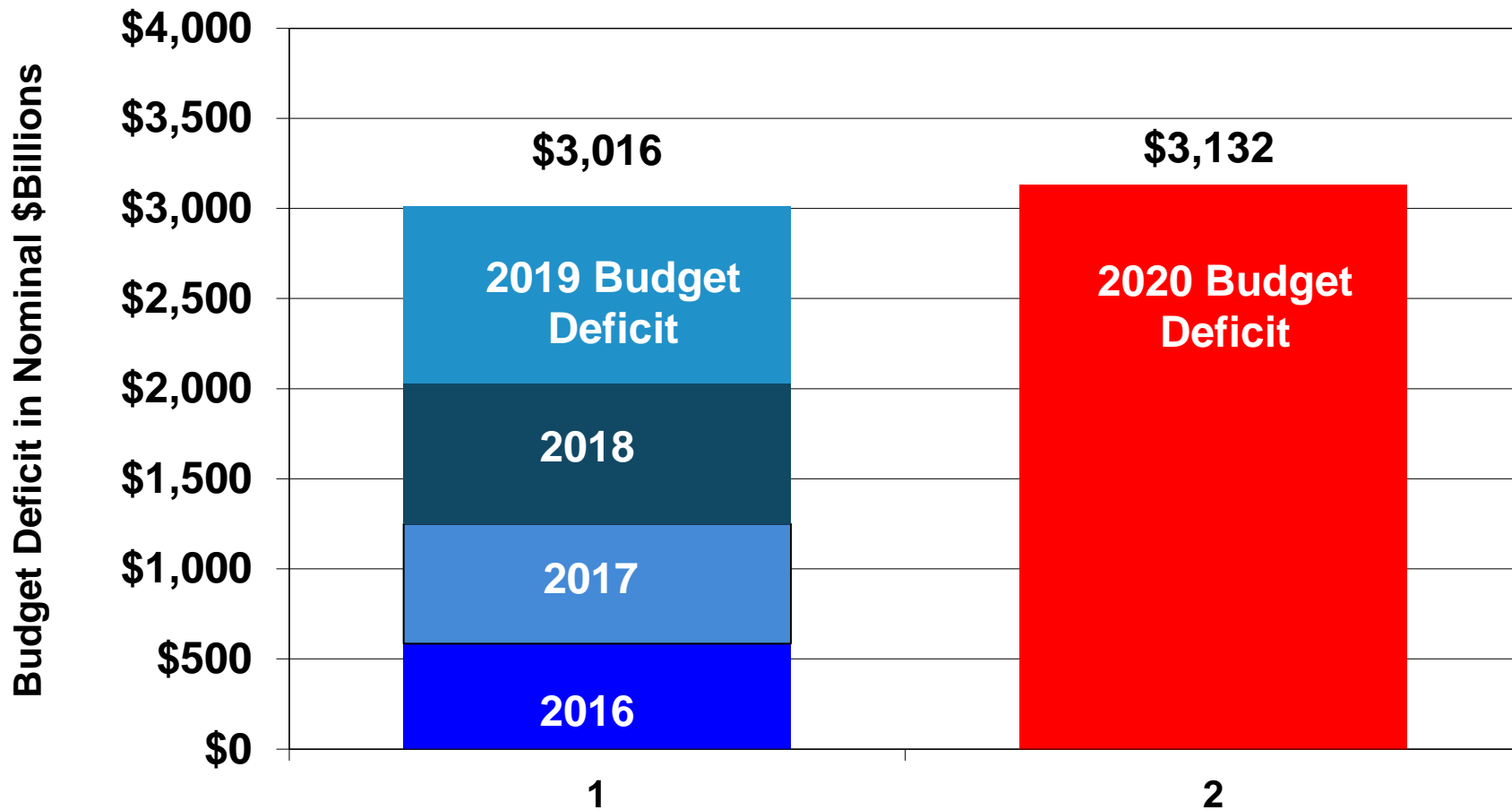
Author: Brian Riedl, Manhattan Institute -- ⁷@Brian_Riedl

The 2020 Deficit Dwarfs the “Great Recession” and is the Largest Since World War II



Source: Sept. 2020 CBO baseline and historical data, adjusted to assume extension of the 2017 tax cuts.

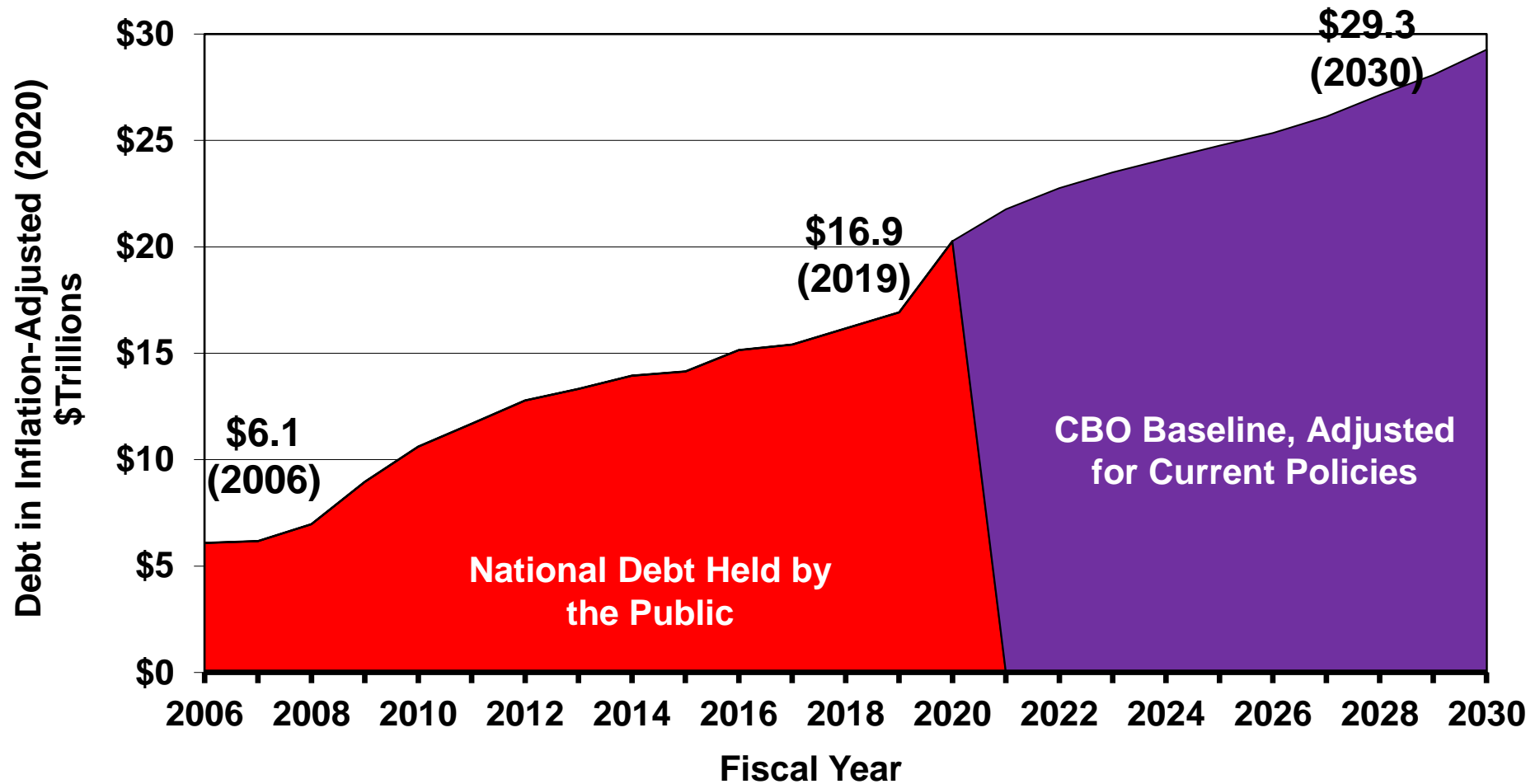
The 2020 Budget Deficit is Set to Exceed the Combined 2016 Through 2019 Deficits



Source: Sept. 2020 CBO baseline, Treasury data, and historical data.

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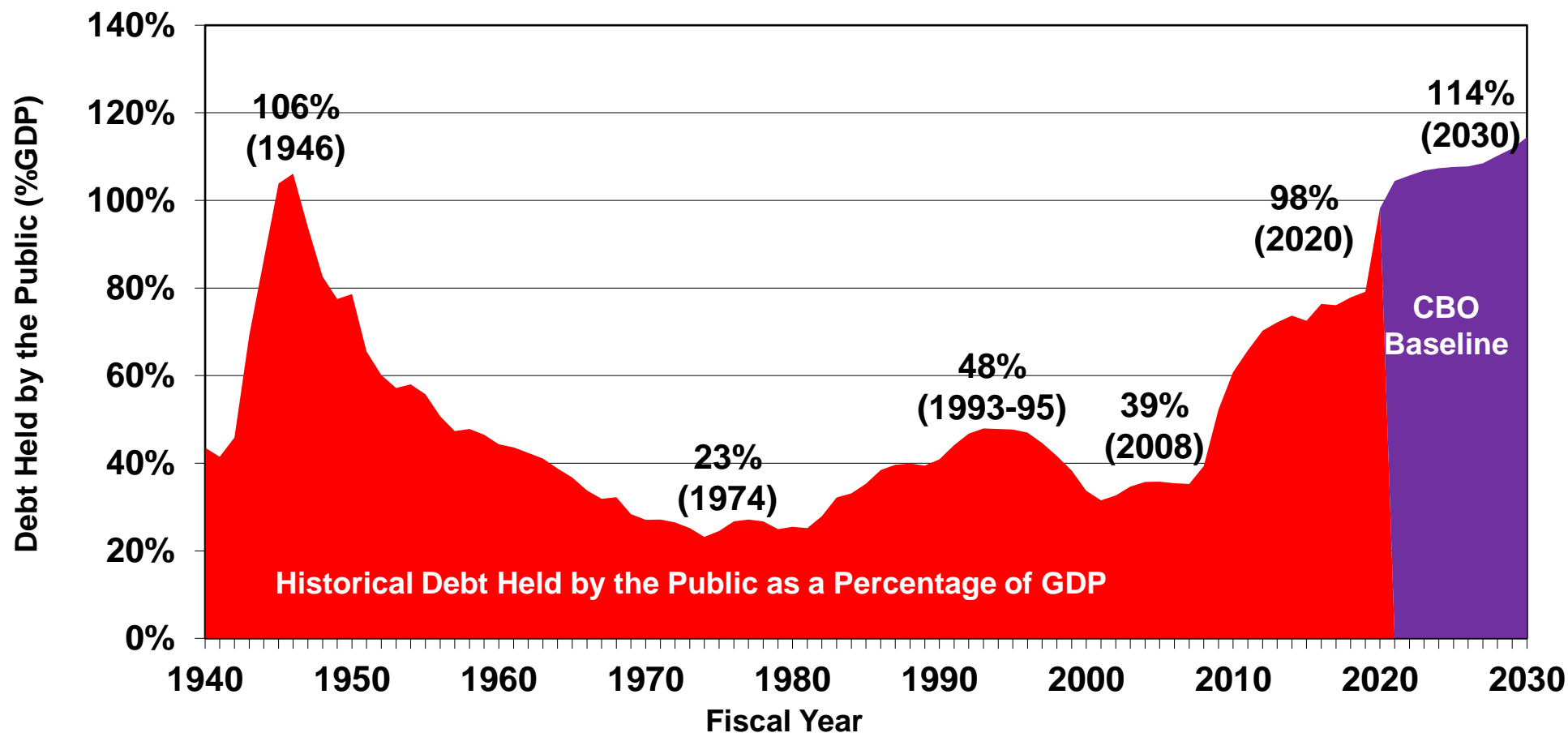
The National Debt Will Nearly Double Through 2030



Source: Sept. 2020 CBO baseline and historical data, adjusted to assume extension of the 2017 tax cuts.

Author: Brian Riedl,
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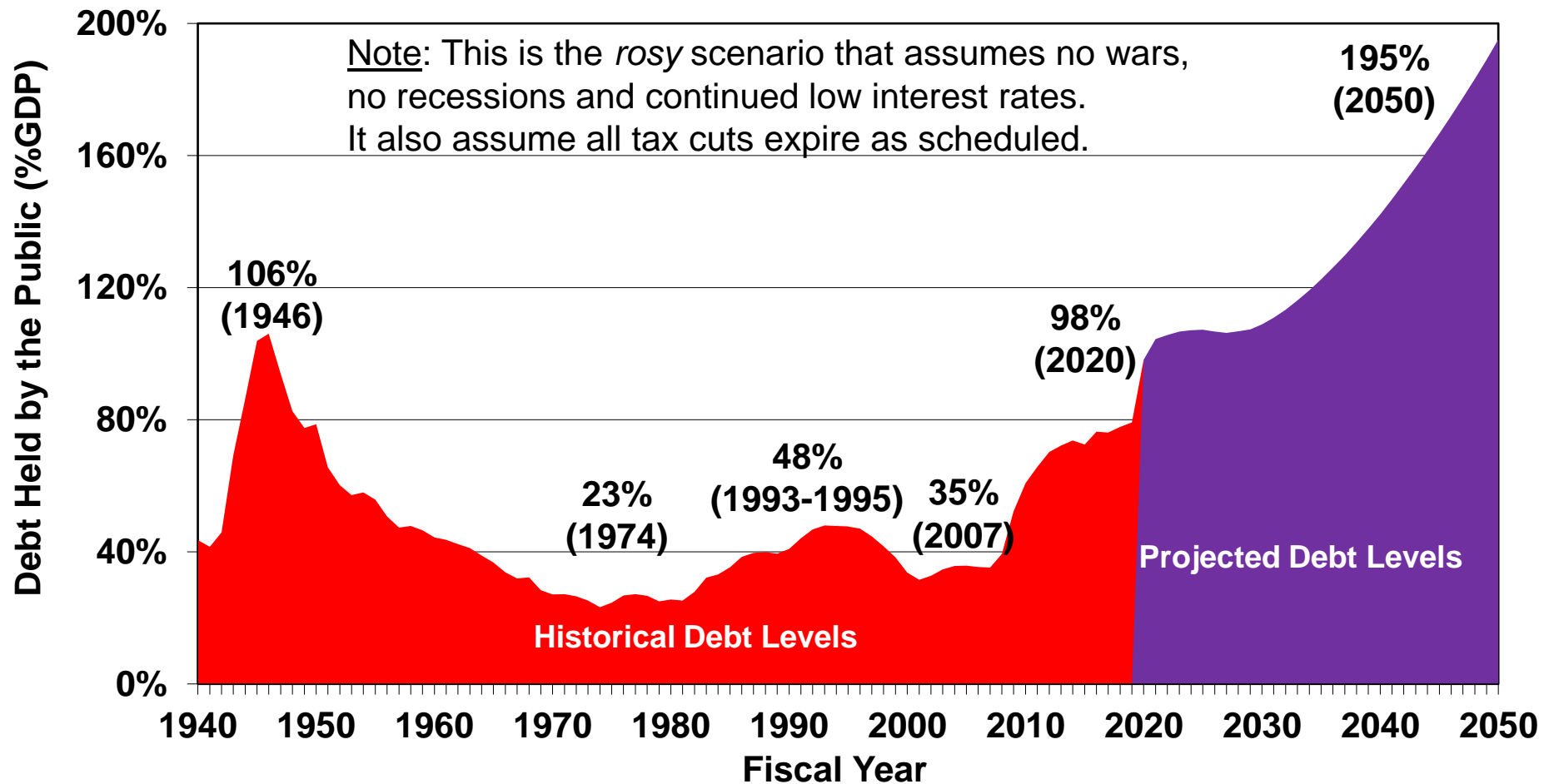
The National Debt is Set to Surpass the Previous World War II Peak



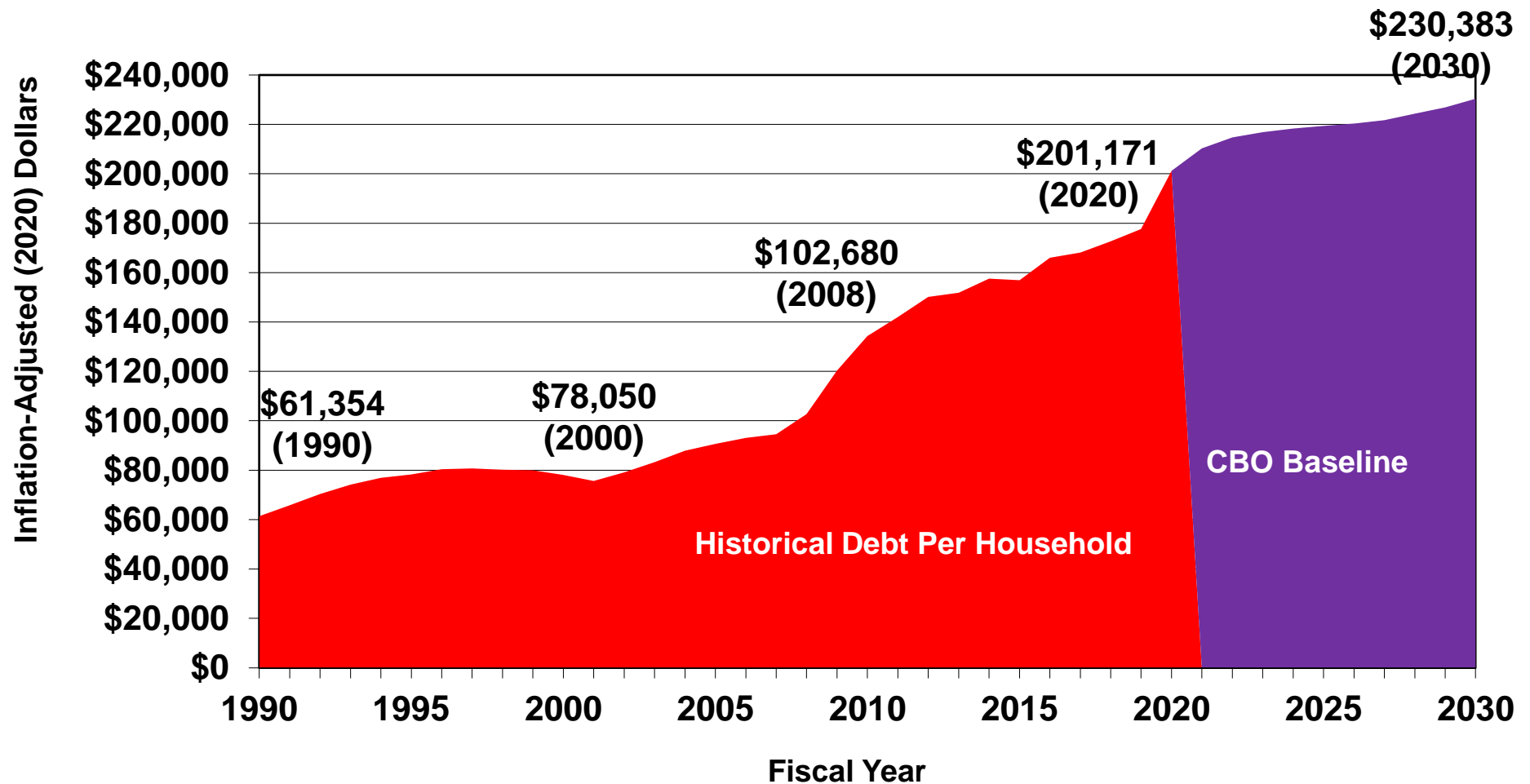
Source: OMB Historical Table 7.1, and September 2020 CBO Baseline adjusted for current policies.

Author: Brian Riedl, Manhattan Institute -- ¹¹@Brian_Riedl

CBO Long-Term Baseline Shows Unsustainable Debt



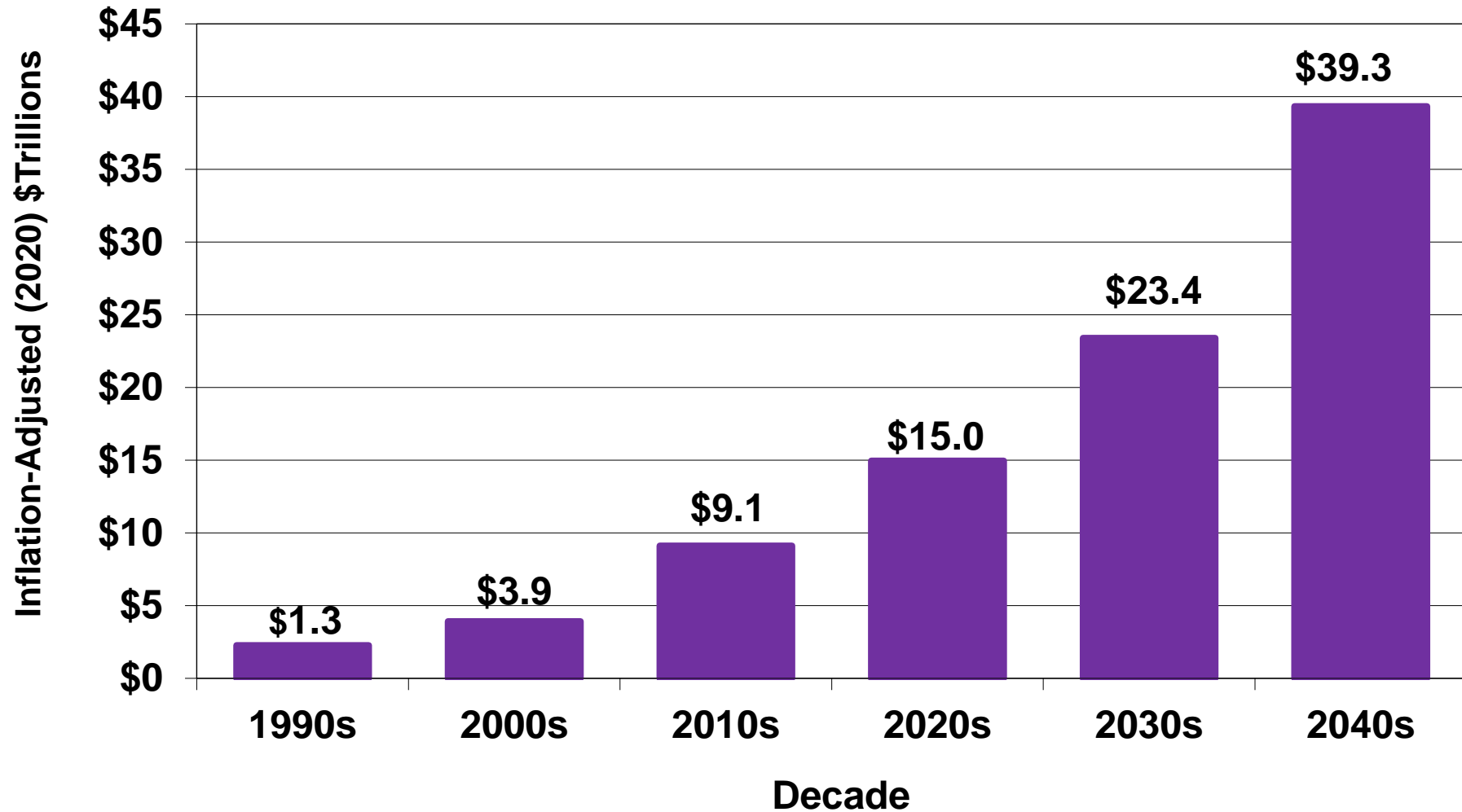
In 2020, the National Debt Surpassed \$200,000 Per Household



Source: OMB Historical Table 7.1, September 2020 CBO Baseline, and Census Bureau data.

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl

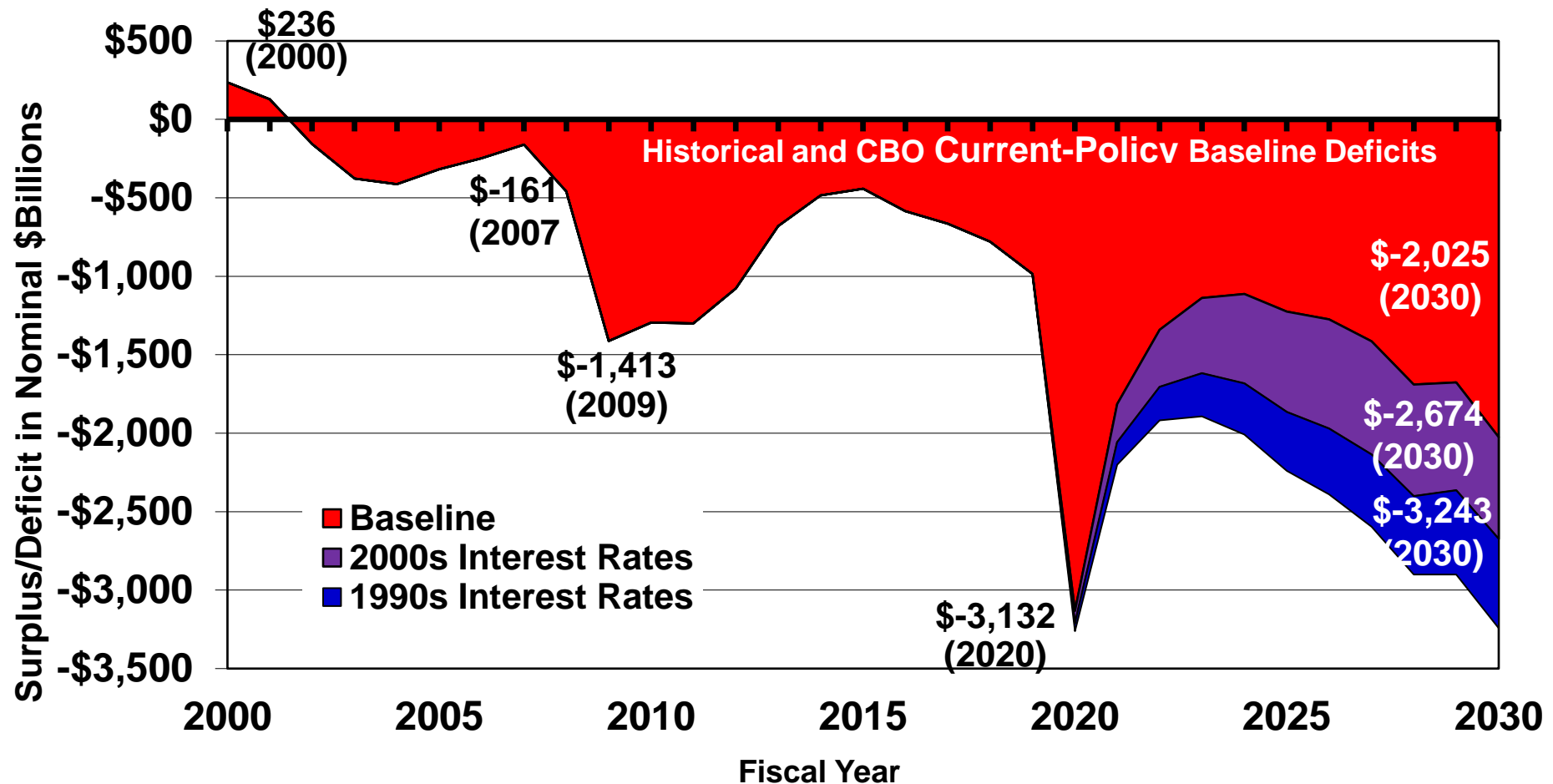
Projected New Federal Debt Added by Decade – Unless Reforms are Enacted



Source: CBO 2020 Long-Term Budget Outlook
adjusted to reflect the current-policy baseline.

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl

If Interest Rates Return to 1990s or 2000s Levels, Net Interest Costs – and the Deficit – Will Soar

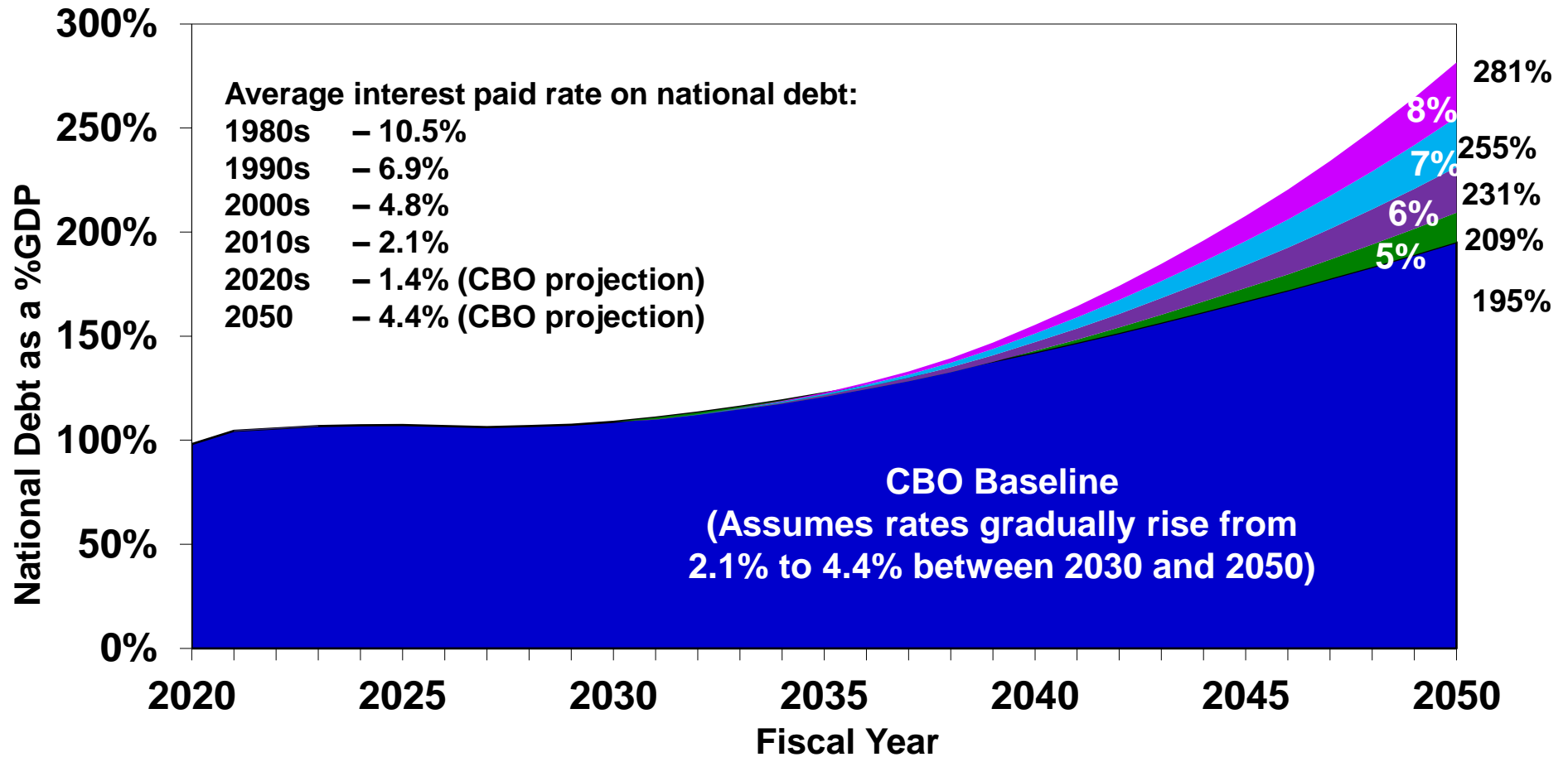


15

Source: Calculated using September 2020 CBO (current-policy) Baseline data, OMB sensitivity tables, and CEA historical interest rate data. Amounts in nominal \$billions.

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

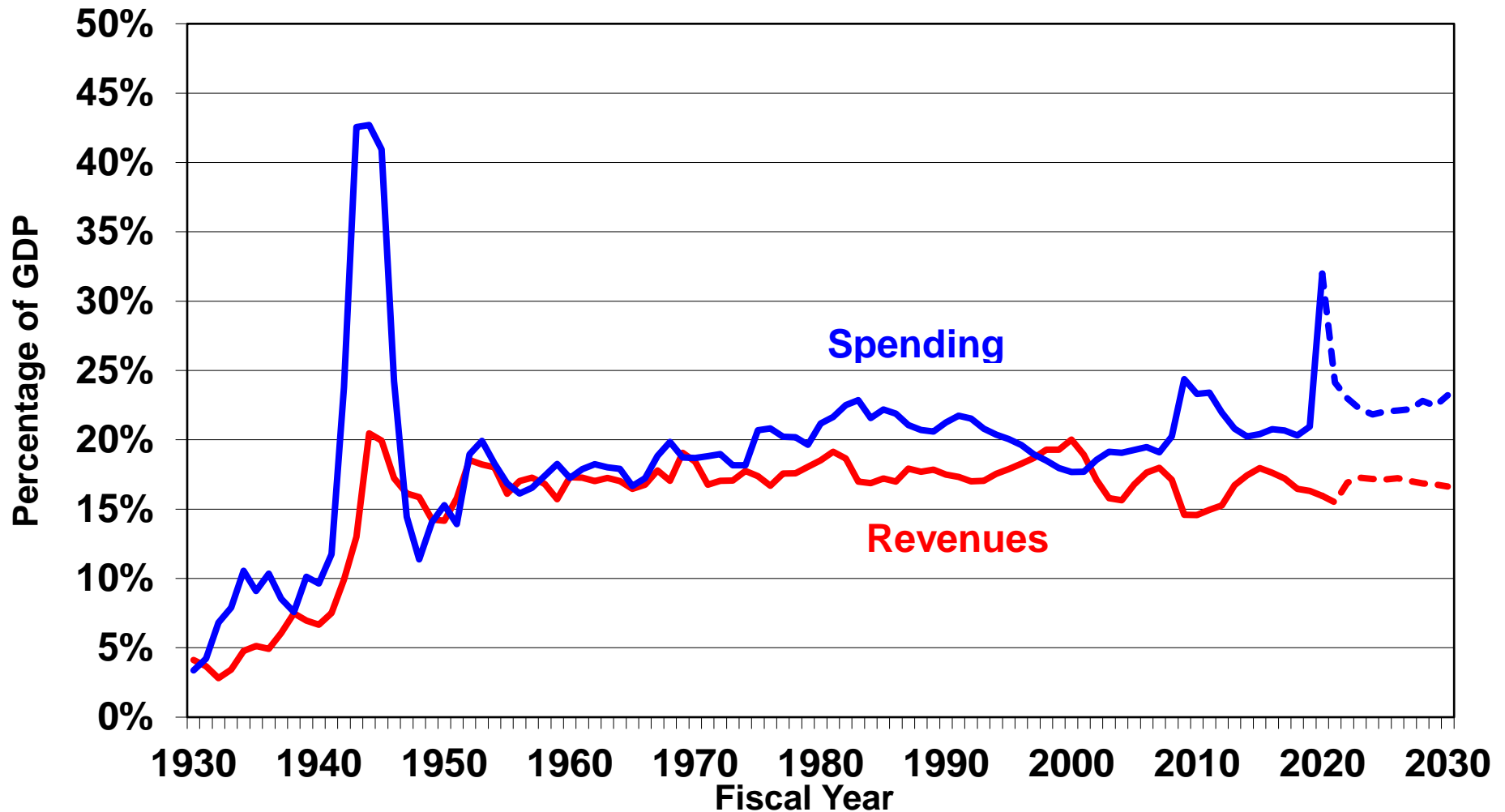


Source: Calculations using the 2020 CBO Long-Term Baseline.
Alternative scenarios assume higher interest rates phase-in between 2031 & 2050.
Most economists agree that a steeply rising debt will raise interest rates.

Chapter 2

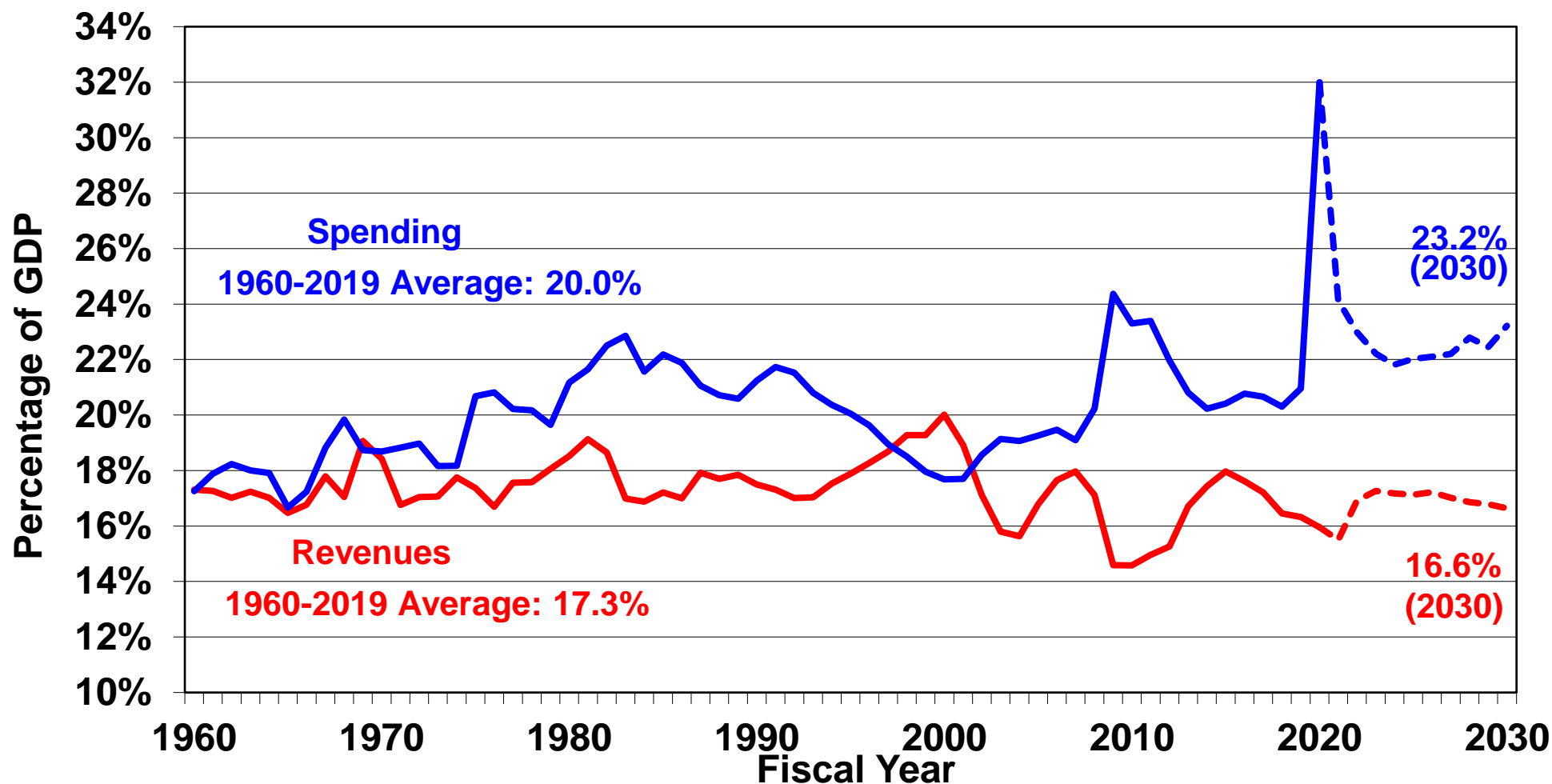
What is Driving the Debt? Soaring Federal Spending

Background: Federal Spending & Taxes: 1930-2030



Source: OMB Historical Table 1.2 (1930-2019), and September 2020 CBO baseline, adjusted to include current-policy tax cut extensions.

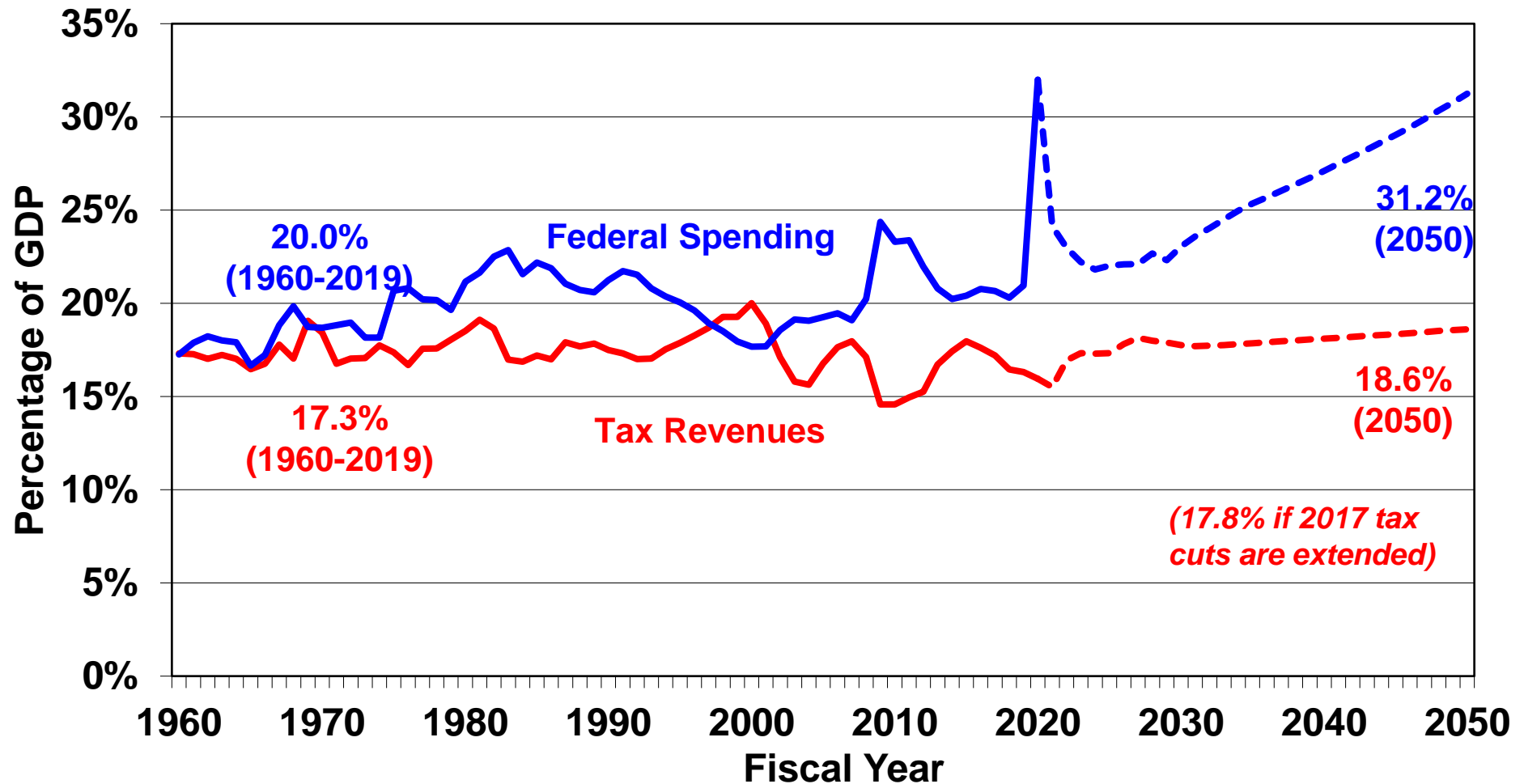
Over the Next Decade, Above-Average Spending Will Drive Most of the Rising Deficit



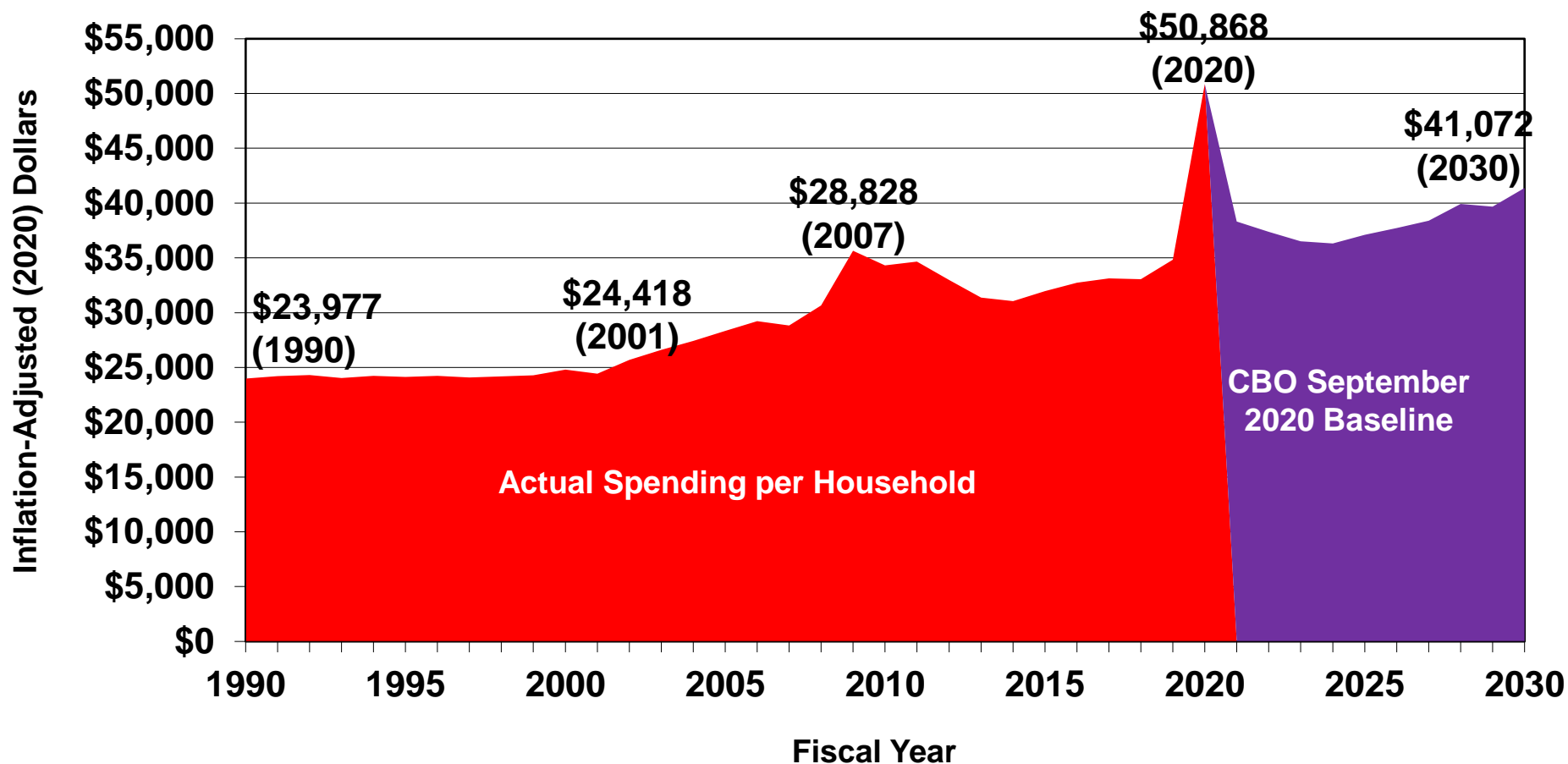
Source: OMB Historical Table 1.2 (1930-2019), and September 2020 CBO Baseline, adjusted to include tax cut extensions.

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl¹⁹

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



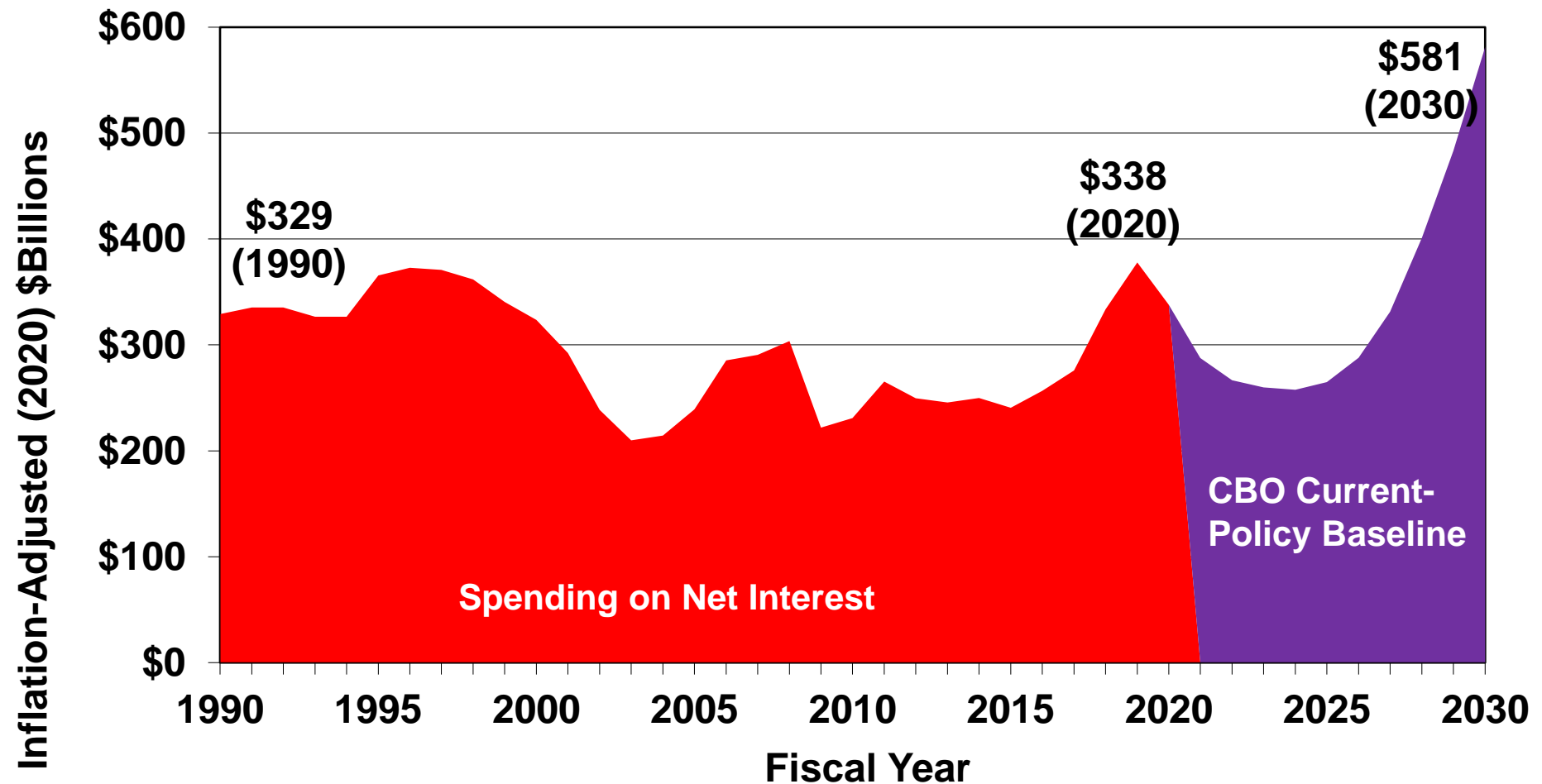
Coronavirus Pushed 2020 Federal Spending Past \$50,000 per Household



Source: OMB Historical Table 1.1, September 2020
CBO Baseline, and Census Bureau data.

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

Net Interest Costs are Set to Spike Even Despite Interest Rates Averaging Just 1.5%



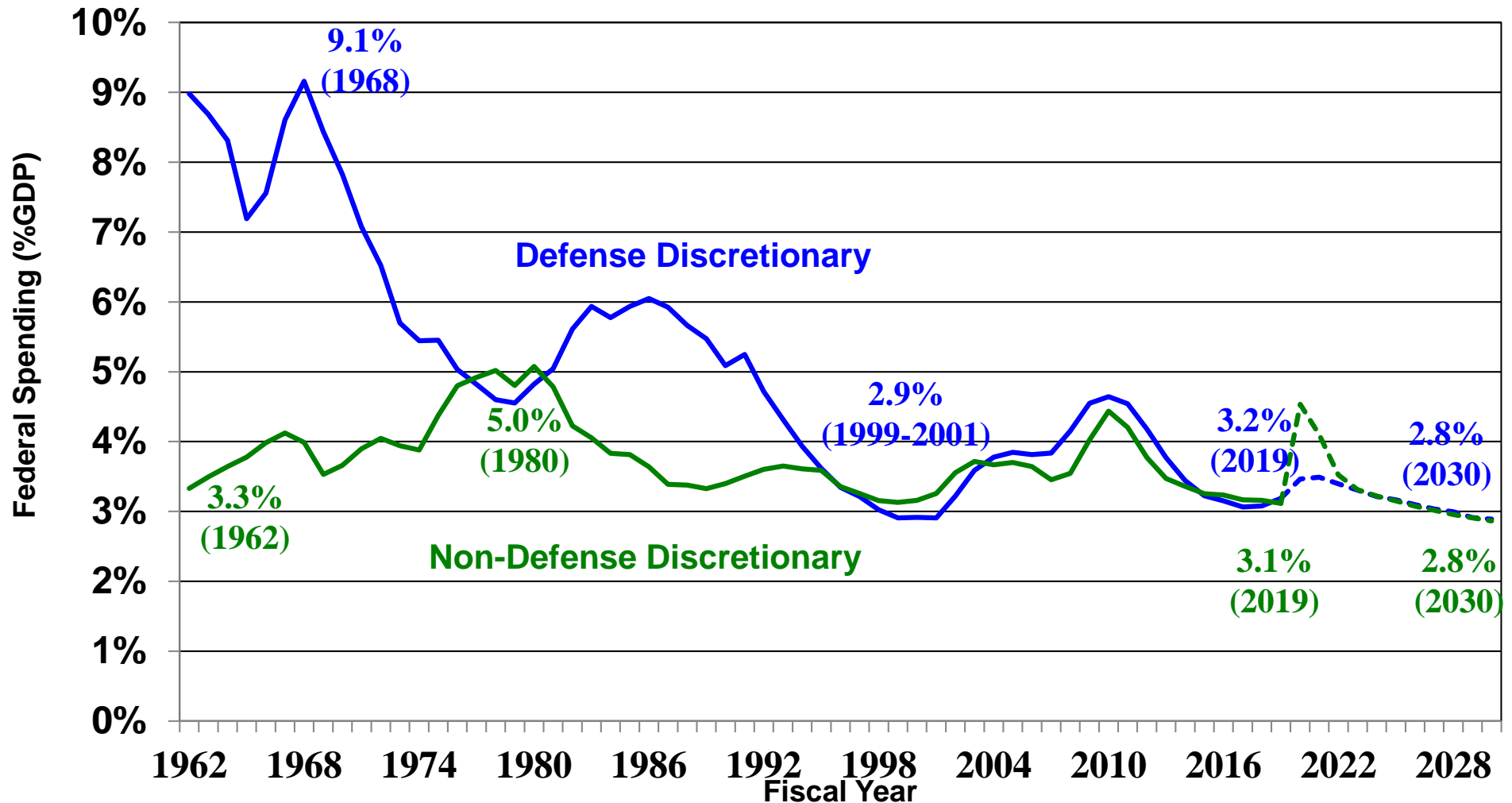
Source: OMB Historical Table 3.2 and September 2020 CBO Baseline, adjusted for tax cut extensions and for inflation into 2020 dollars.

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

Chapter 3

Discretionary Spending is Not Driving the Long-Term Debt

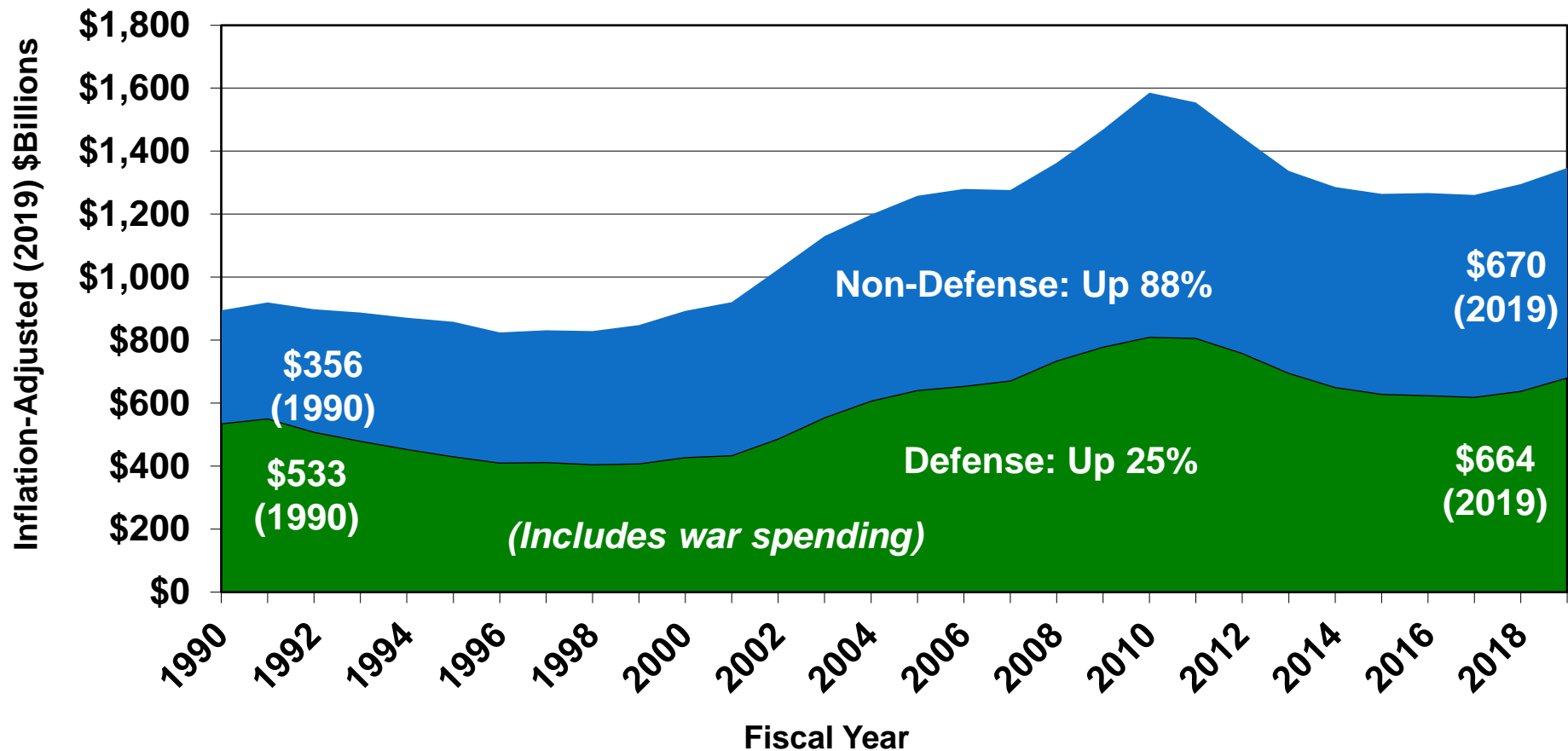
Despite Recent Increases, Discretionary Spending Remains Below its Historic Average



Source: OMB Historical Table 8.4, and
September 2020 CBO Baseline.

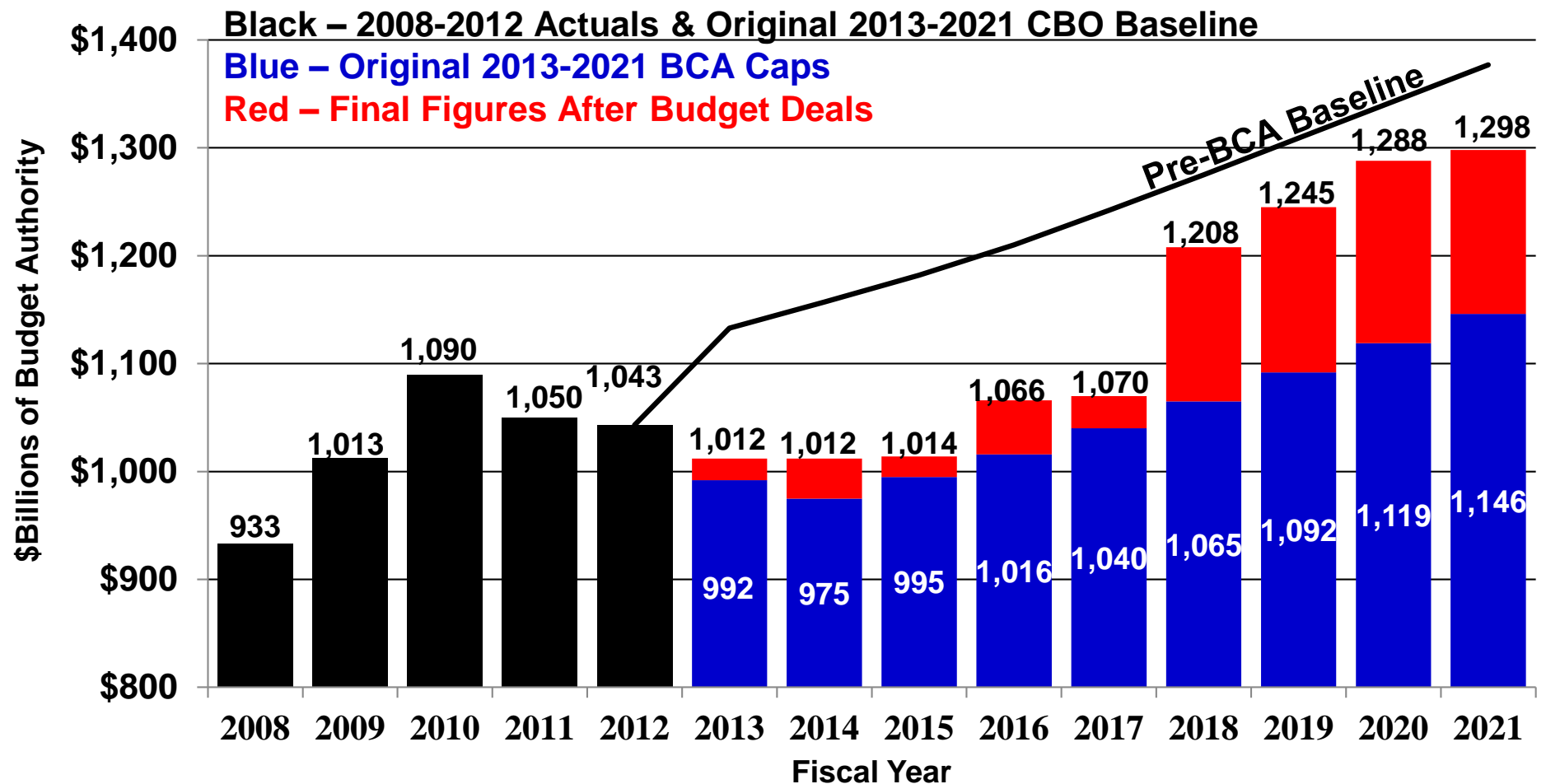
Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl²⁴

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.

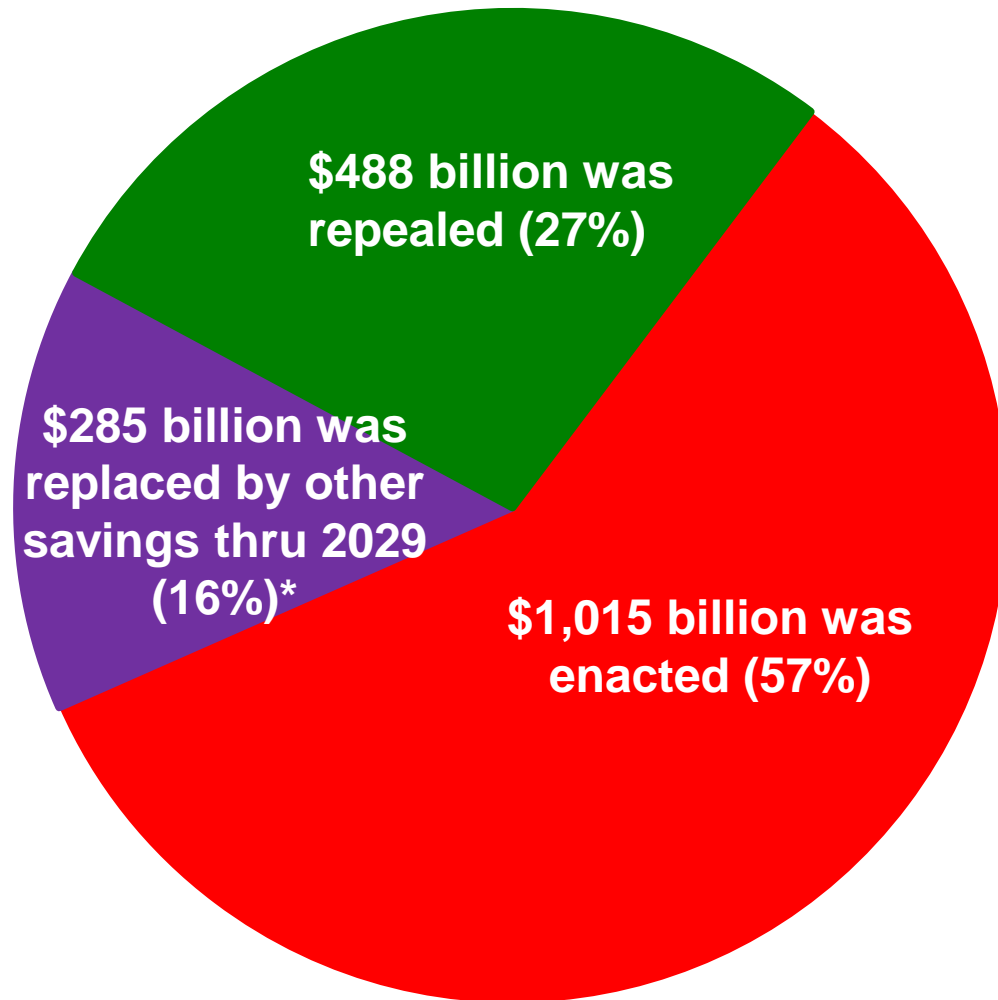
Budget Deals Weakened the Budget Control Act (BCA) Discretionary Spending Caps



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

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl²⁶

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

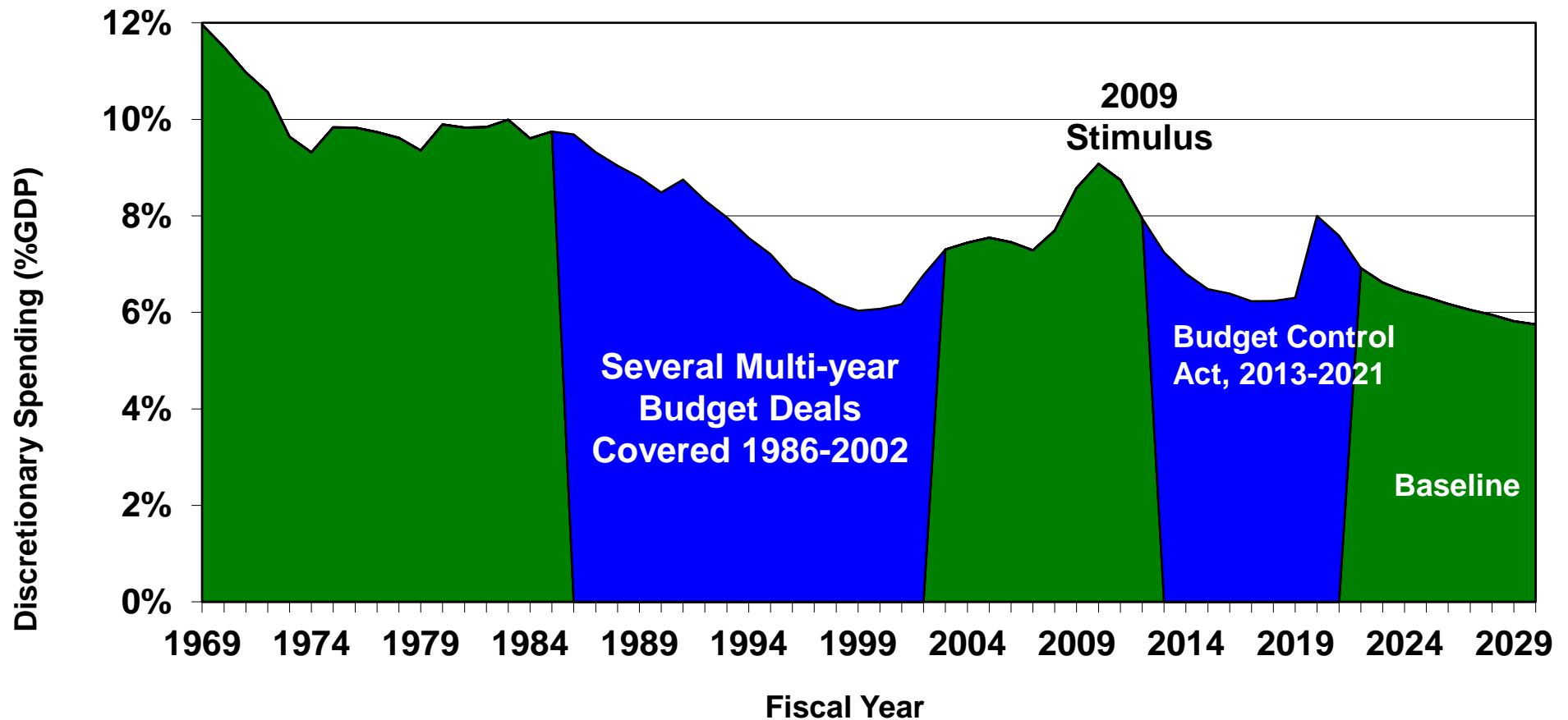


Figures assume lawmakers stick to the 2020-2021 spending deal.

*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

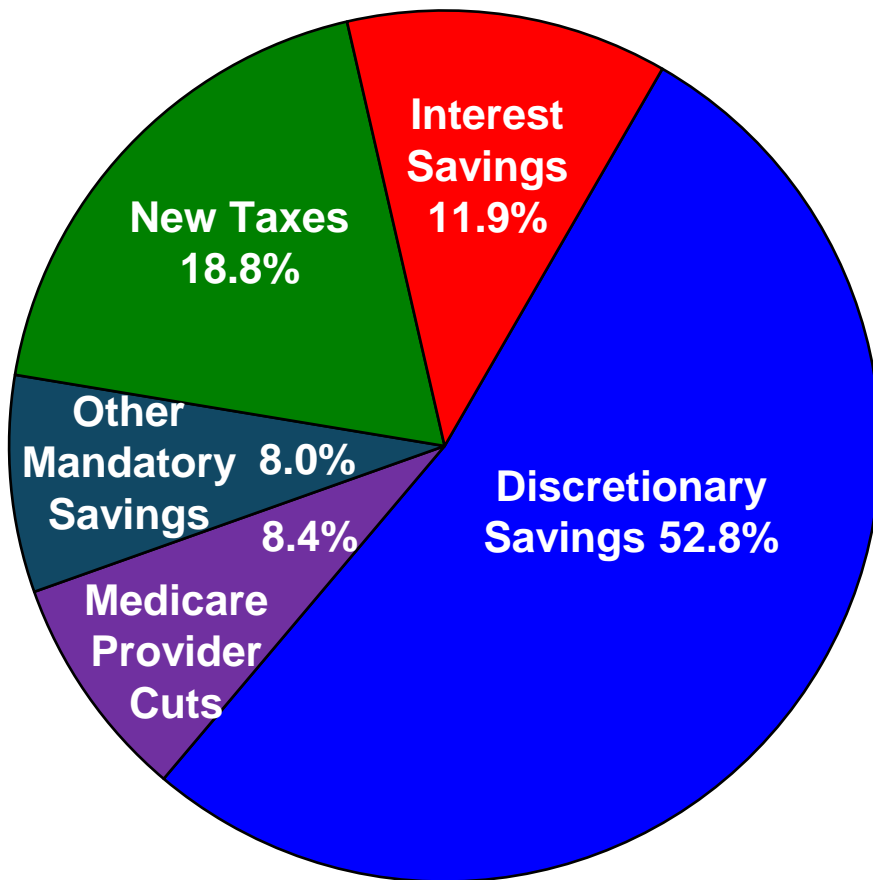


Source: OMB Historical Table 8.4, and January 2019 CBO (current-policy) Baseline.

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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

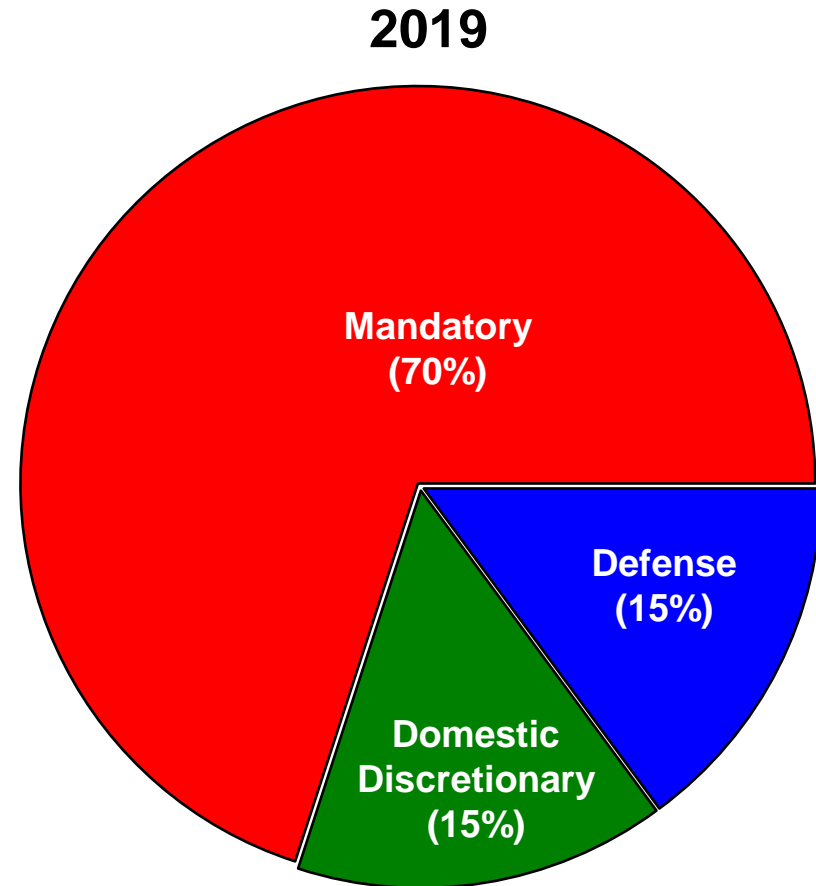
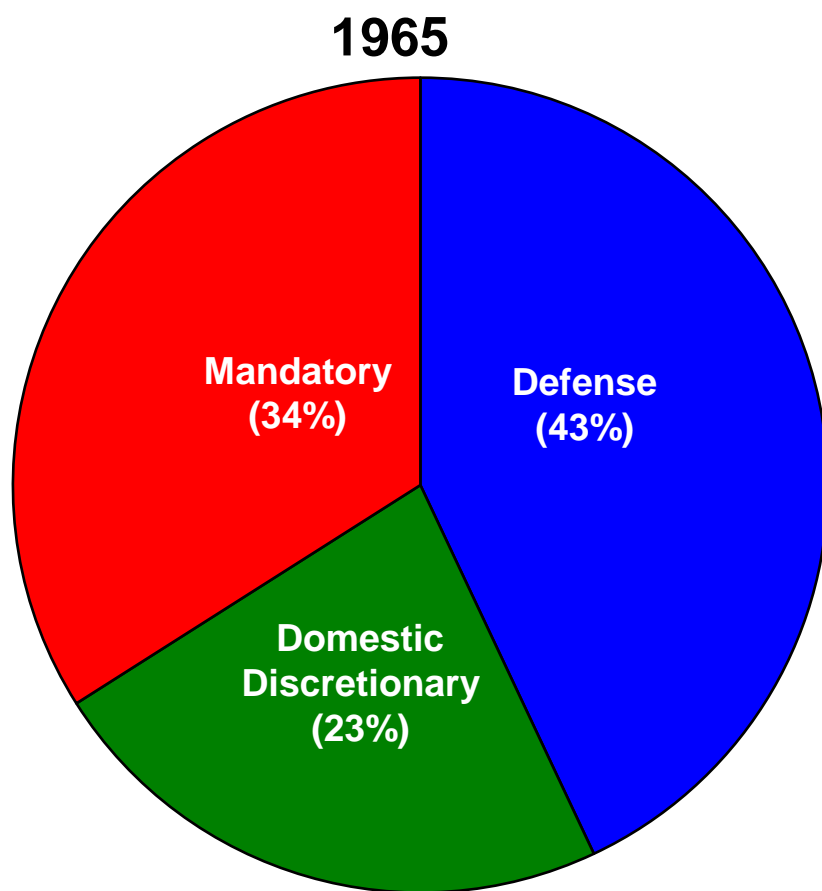
Mandatory Spending and Entitlement Costs are Rising Rapidly

Major Components of the 2019 Federal Budget

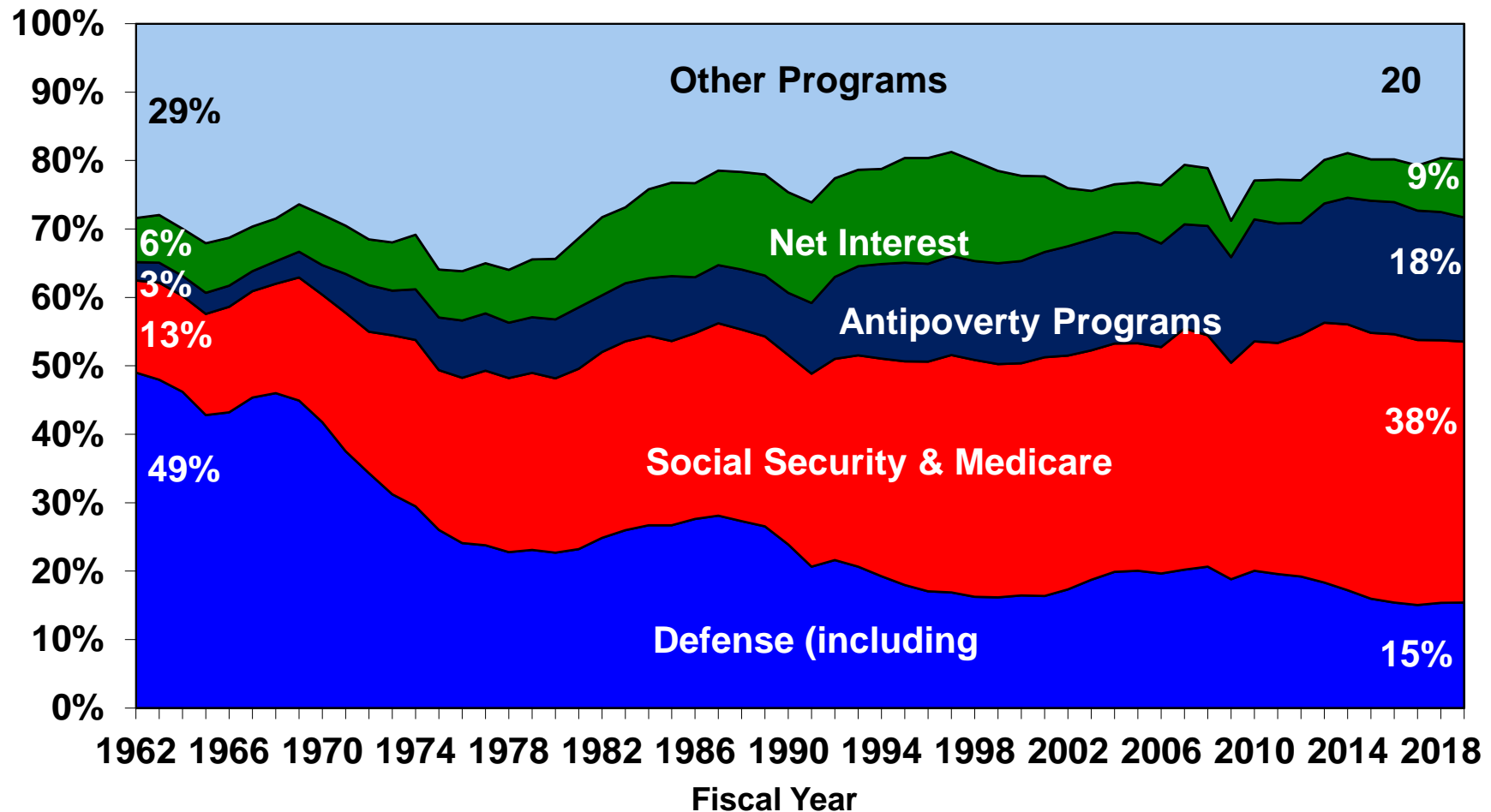
2019 Outlays	\$Millions	Per Household	%
Social Security	\$1,046,955	\$8,125	23%
National Defense	684,568	5,312	15%
Medicare	651,199	5,053	14%
Medicaid	418,681	3,249	9%
Net Interest	393,498	3,054	9%
Income Security Programs	349,458	2,712	8%
Veterans Benefits	200,458	1,556	4%
Education	112,863	876	2%
Justice 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%

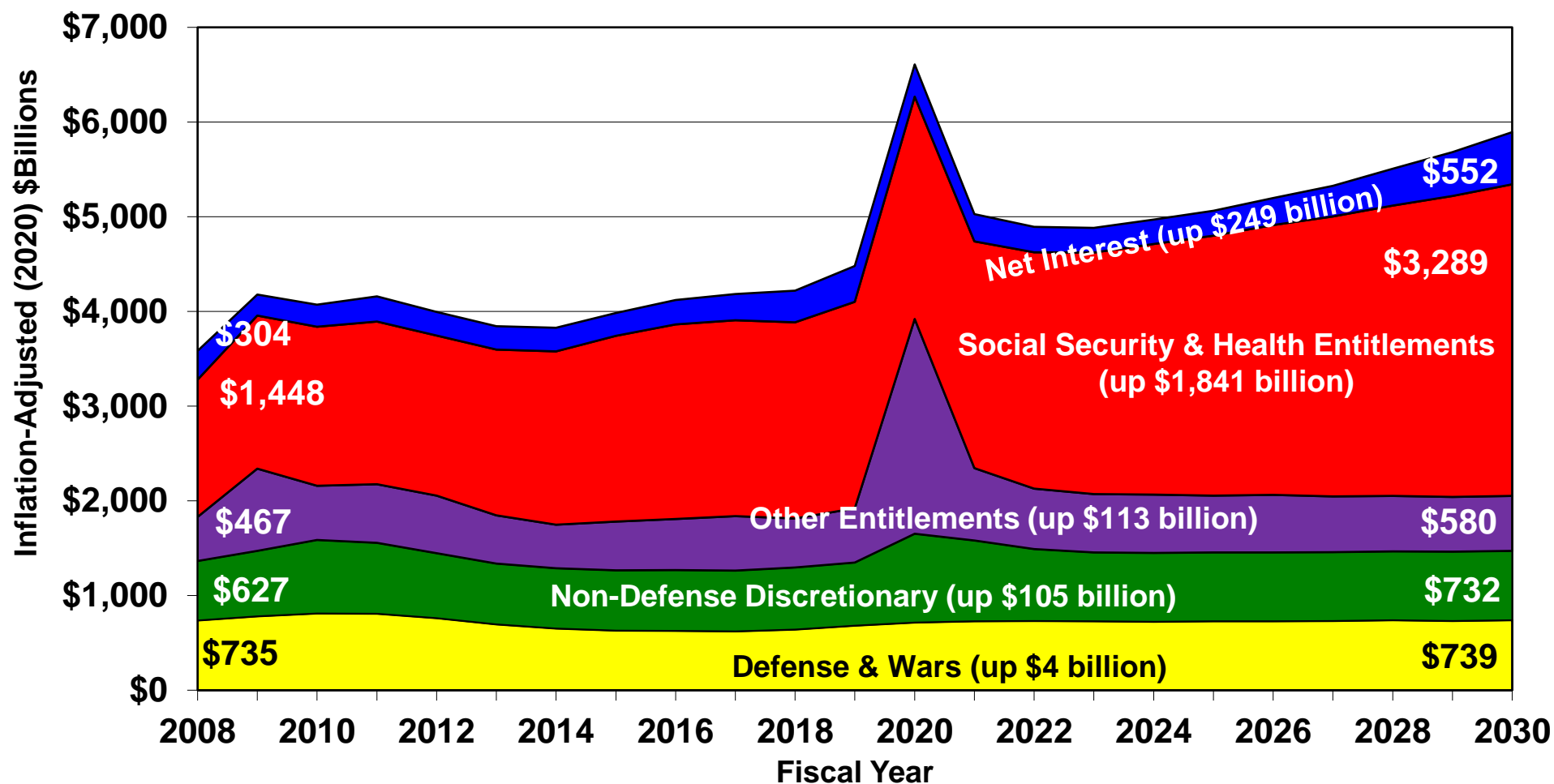
Mandatory Spending is Squeezing Discretionary Spending



Composition of Federal Spending, 1962-2019



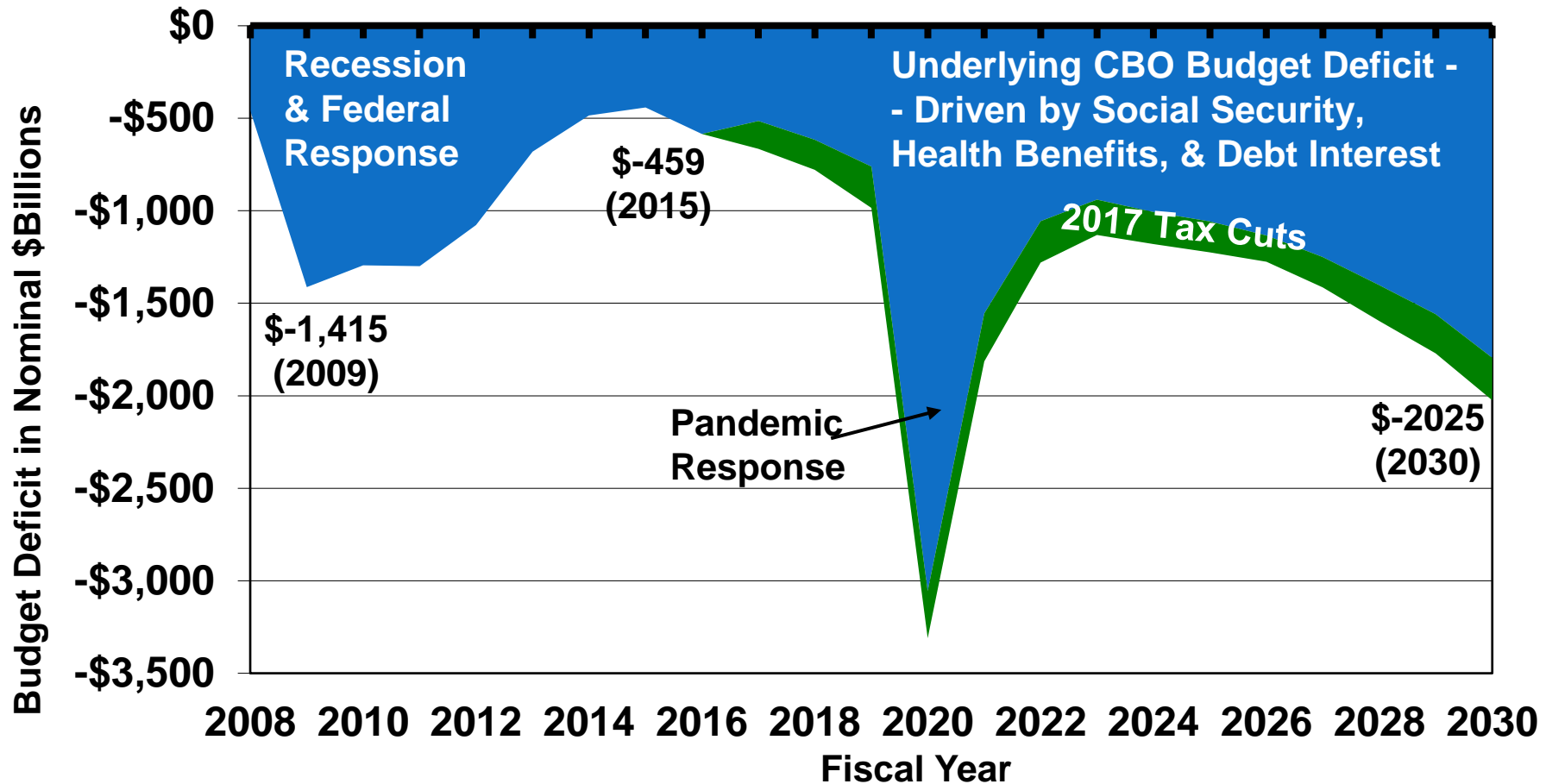
Social Security, Health Entitlements, & Interest Costs Drive 90% of the 2008-2030 Spending Hikes



Source: September 2020 CBO (Baseline and historical data), adjusted for inflation

Author: Brian Riedl, Manhattan Institute -- ³⁴@Brian_Riedl

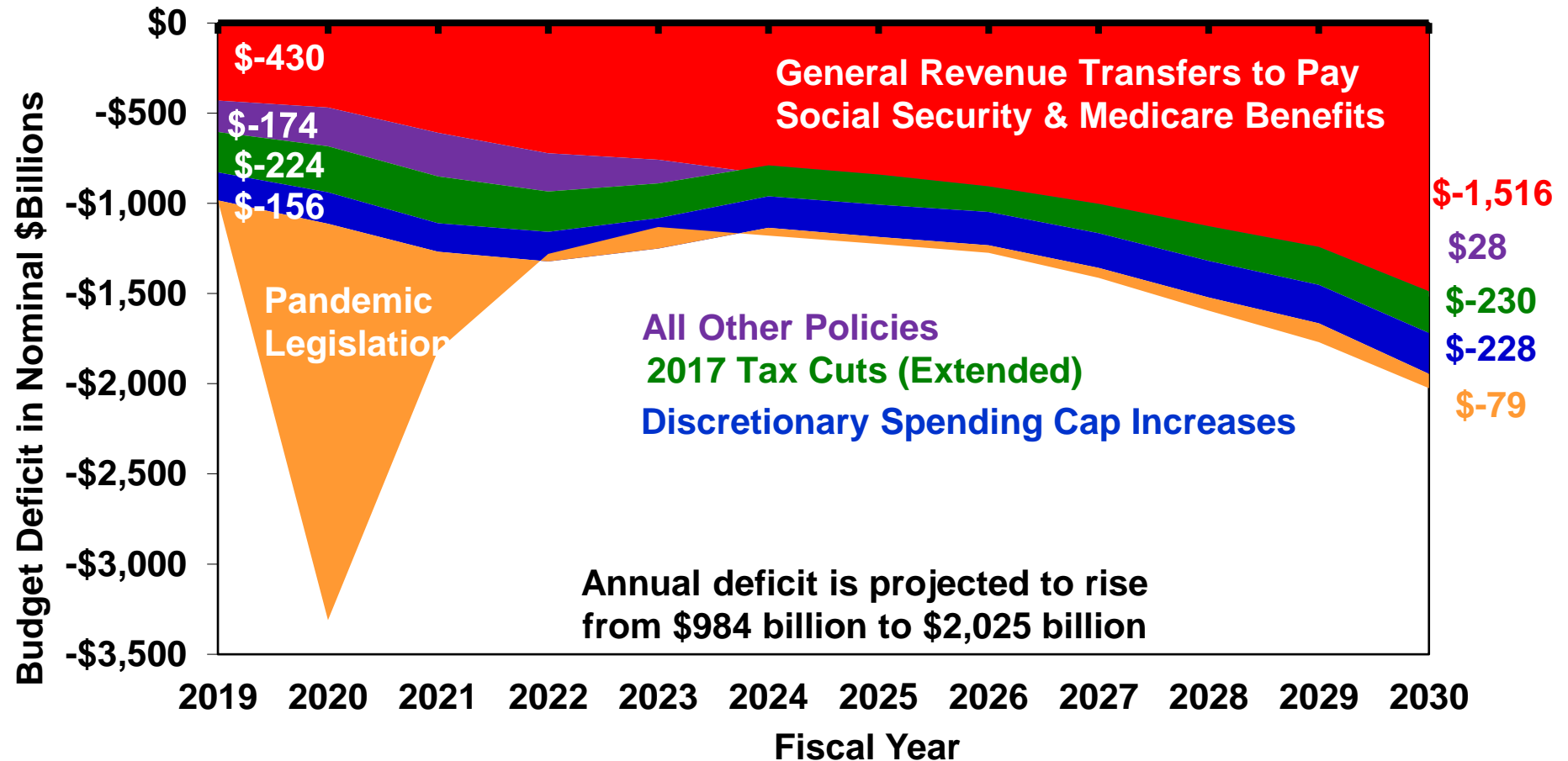
The 2017 Tax Cuts are a Relatively Minor Contributor to Soaring Deficits



Source: Calculated using CBO September 2020 (current-policy) Baseline data.
Assumes that new tax cuts are renewed.
Resulting interest costs are incorporated into each category.

Author: Brian Riedl,
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@Brian_Riedl

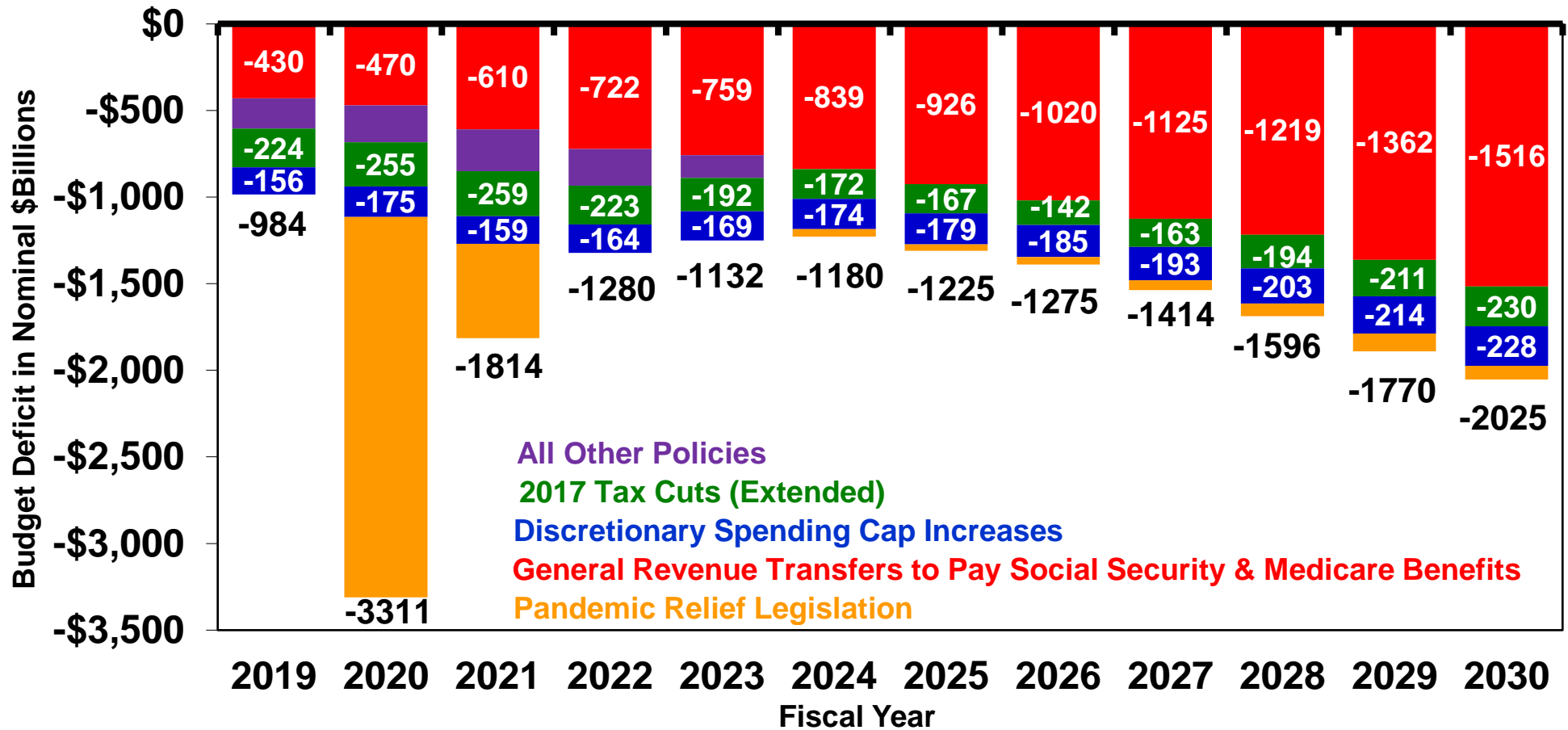
Rising Social Security & Medicare Shortfalls Drive Nearly the Entire Rising Deficit Between 2019-2030



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,
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Rising Social Security & Medicare Shortfalls Drive 90% of Rising Deficit Between 2019-2030



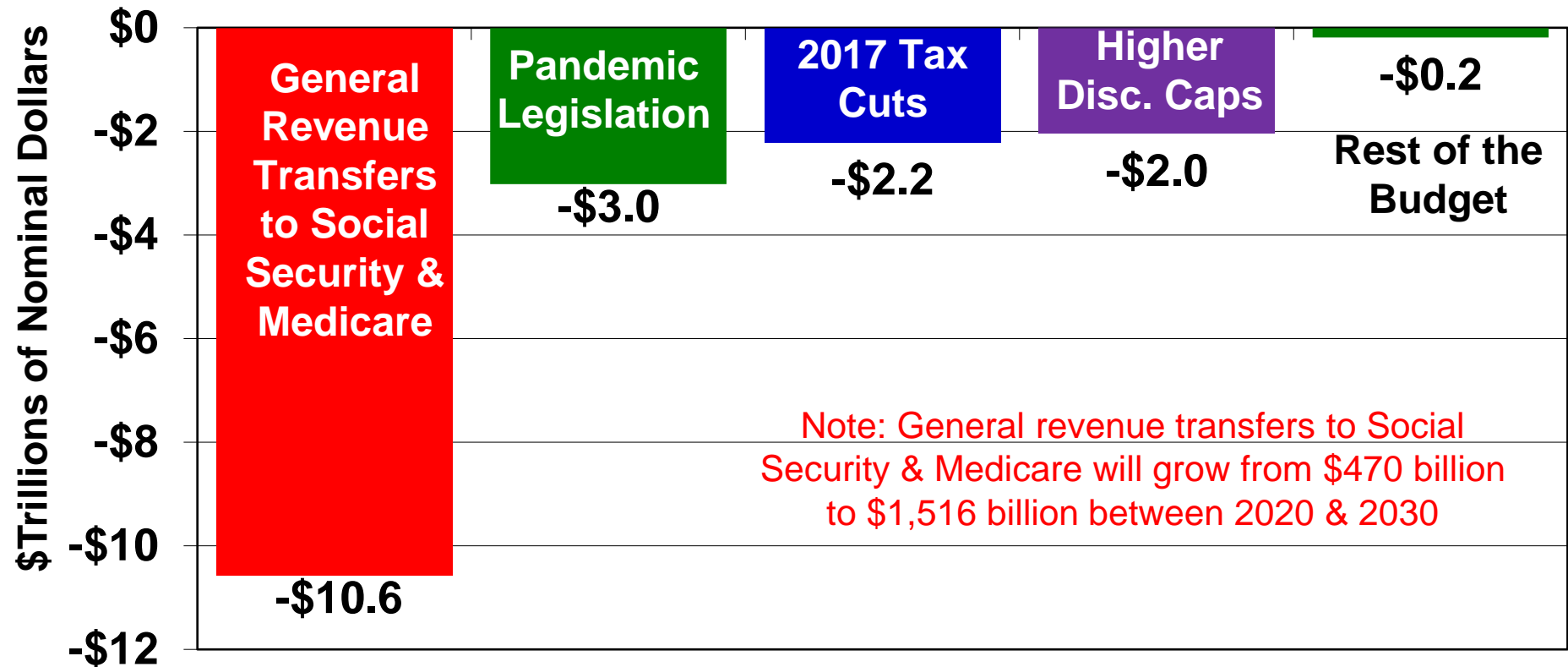
Each category includes the portion of interest on the national debt that it is responsible for.

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

Source: Calculated using Sept. 2020 CBO (current-policy) Baseline.

Author: Brian Riedl,
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Major Components of the \$18.0 Trillion Deficit Projected Over 2020-2030 Period



Impact on 2020-2030 CBO Budget Deficit

Source: Calculated using Sept. 2020 (current-policy) Baseline and Long-Term Baseline.

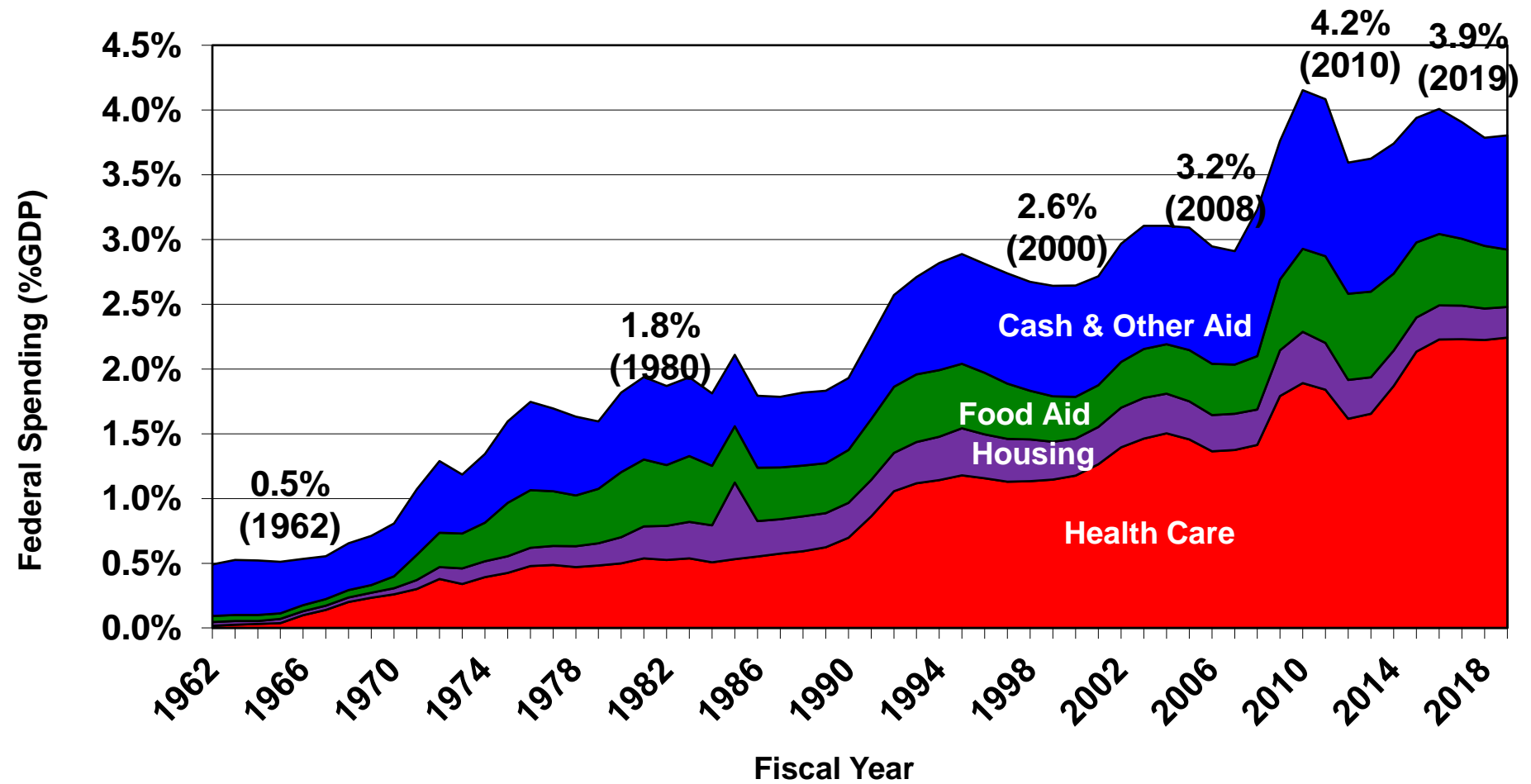
Assumes that new tax cuts are renewed.

Resulting interest costs are incorporated into each category.

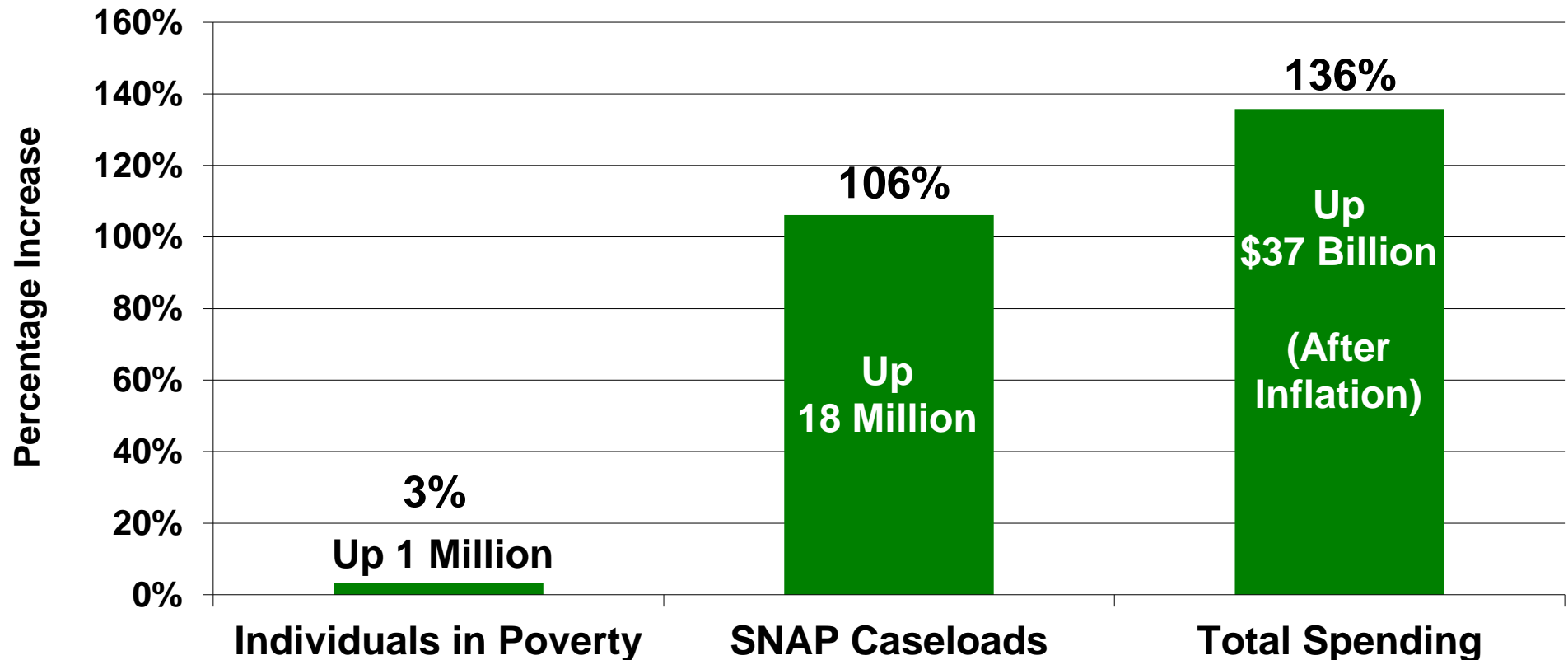
General revenues include interest payments on trust funds, as they represent a net cost to the rest of the budget.

Author: Brian Riedl,
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Anti-Poverty Spending Has Soared Regardless of Party Control of Government



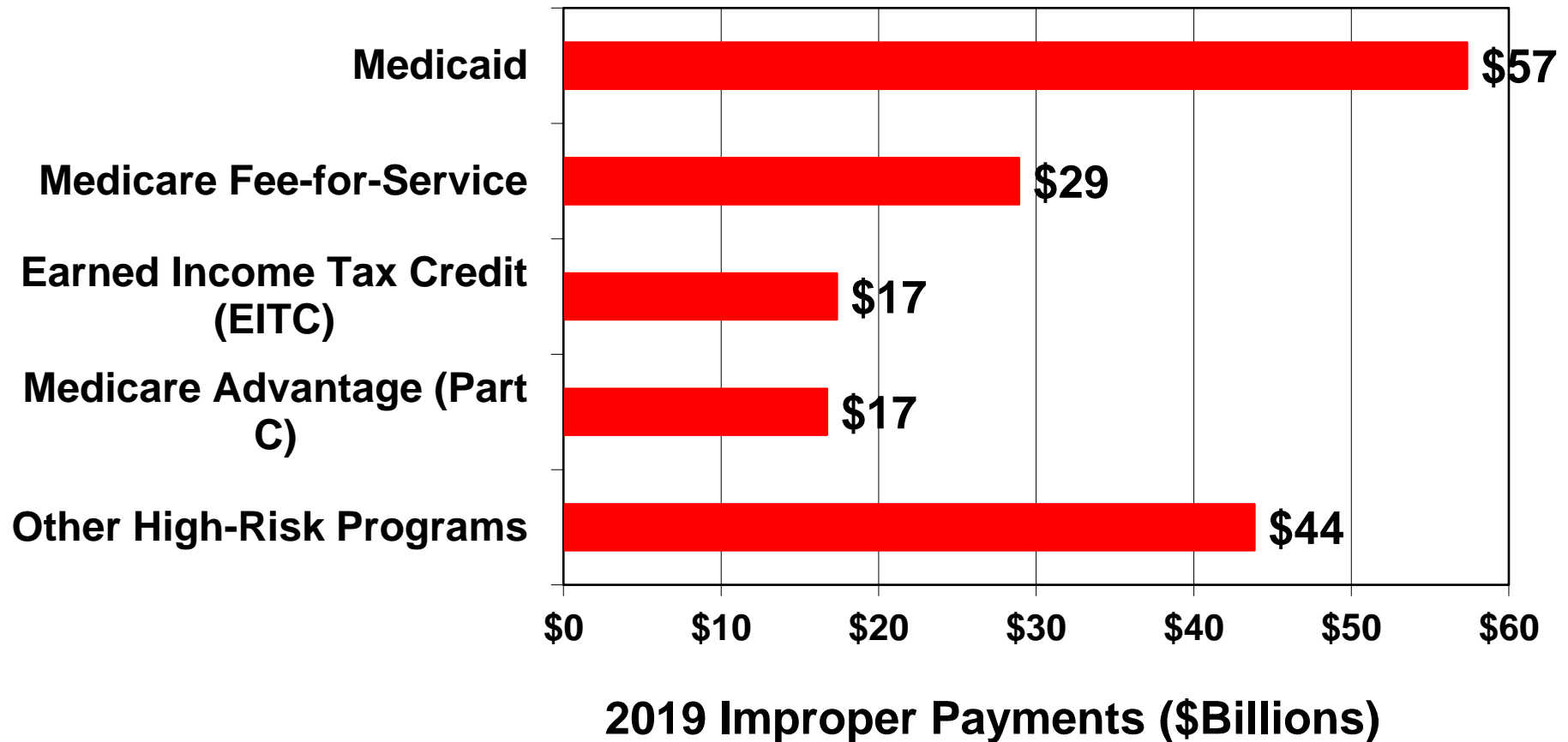
From 2001 through 2019, SNAP (Food Stamp) Caseloads Grew 17 Times as Fast as the Poverty Population



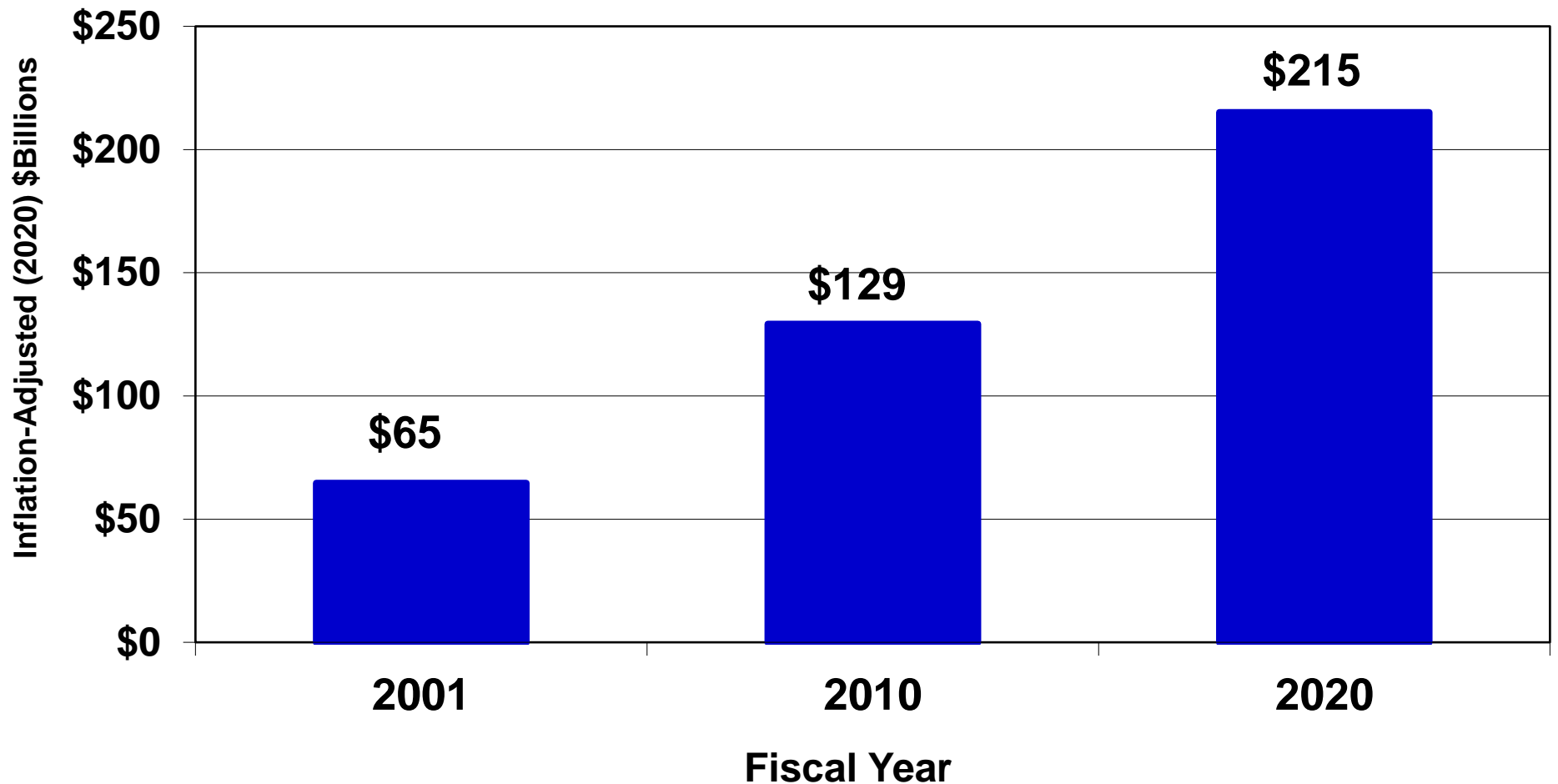
Sources: Department of Agriculture and Census Bureau. The poverty rate fell from 11.7% to 10.5% over this period.

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl

In 2019, Washington Made \$164 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 -- ⁴²@Brian_Riedl

Why the Debt Limit Matters

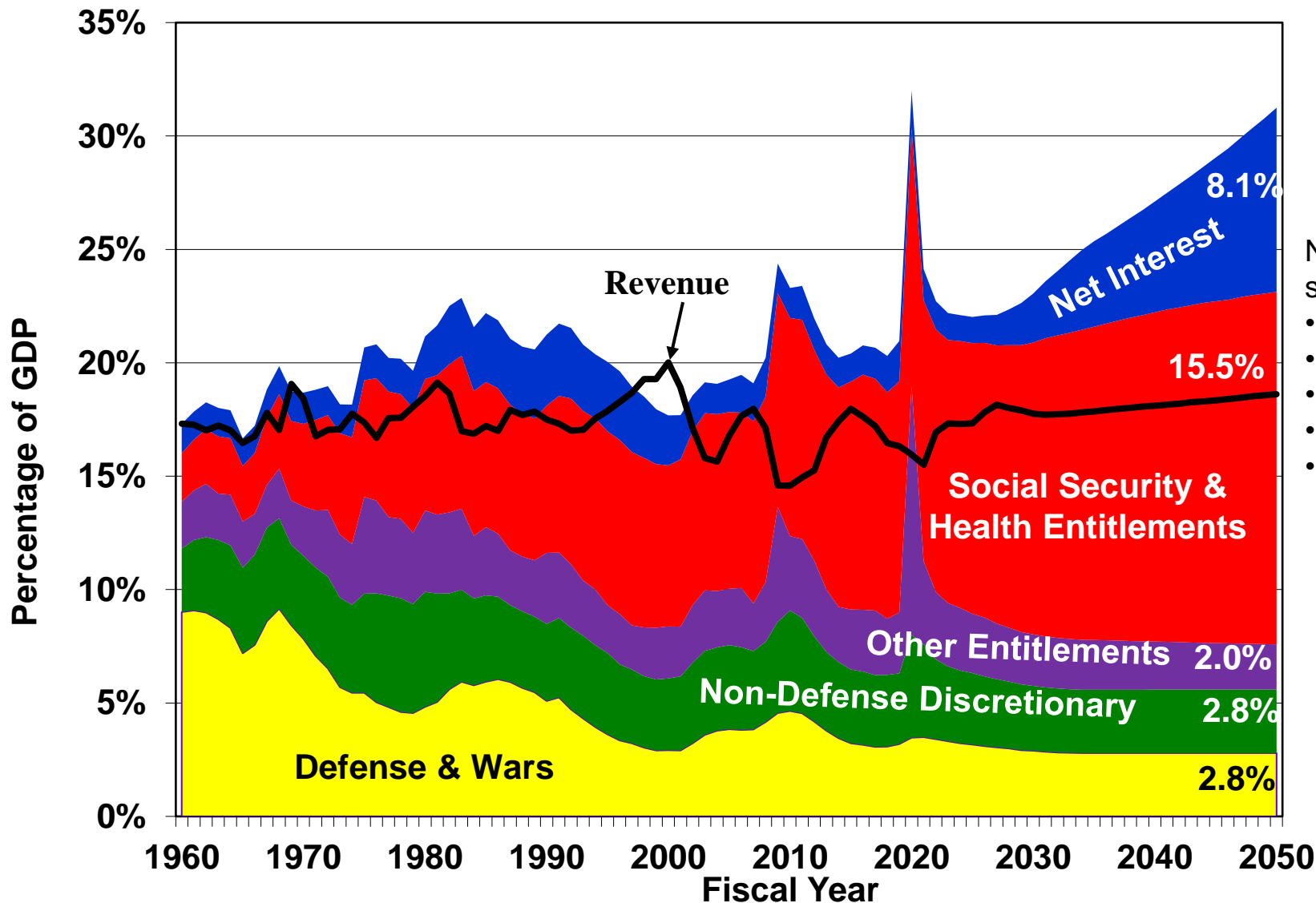
All 8 Major Deficit-Reduction Laws Since 1985 Were Attached to Debt Limit Legislation

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

**The 30-Year Debt Estimates are Driven by
Social Security and Medicare Shortfalls**

Federal Budget, 1960-2050 (Projected)



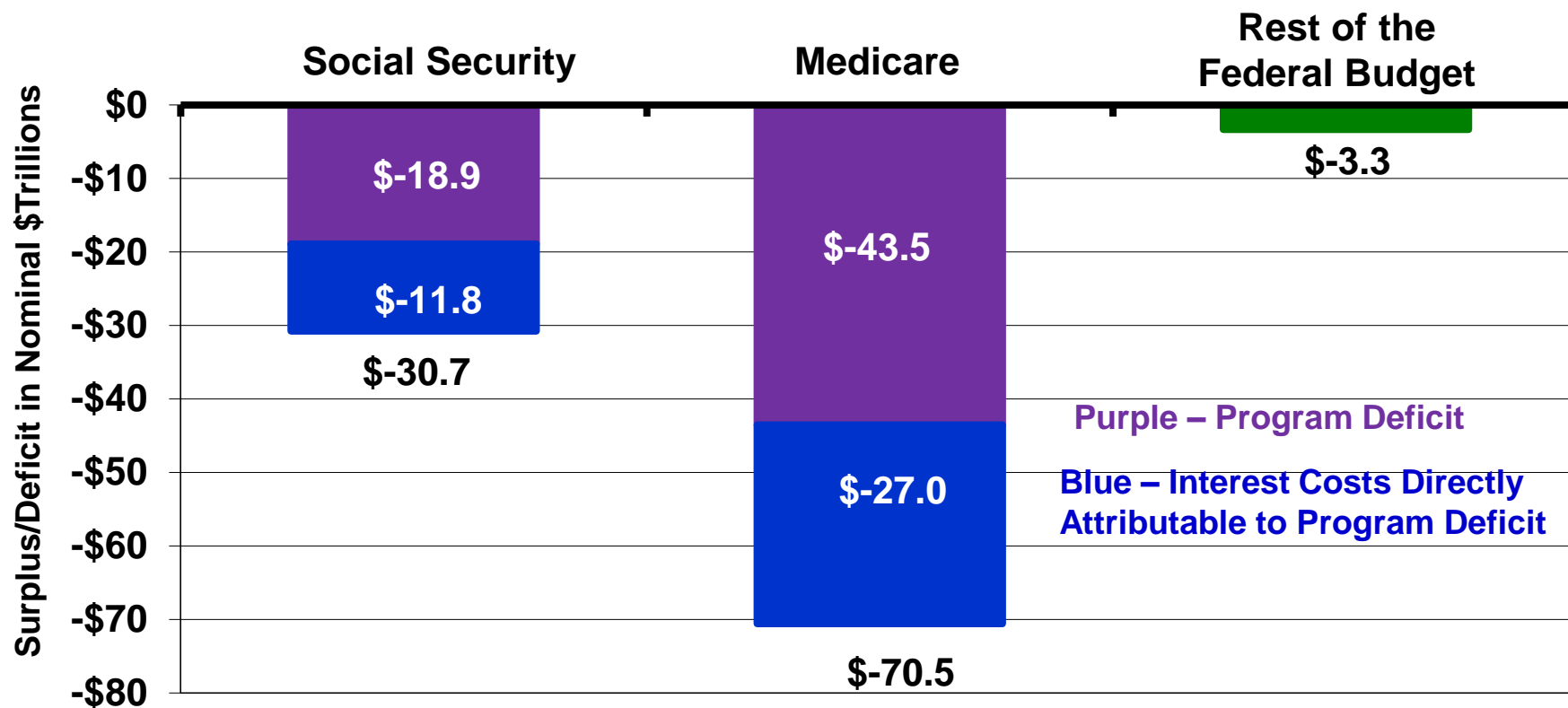
Note: This is the rosy scenario that assumes:

- no more wars
- no more recessions
- 2017 tax cuts expire
- health costs slow
- the interest rate paid on the national debt remains far below average even as the debt rises to 195% of GDP

What is Causing \$104 Trillion 2020-2050 Budget Deficit?

Social Security & Medicare: \$101 Trillion Deficit

The Rest of the Budget: \$3 Trillion Deficit



Source of \$104.7 Trillion Budget Deficit Projected over 2020-2050 Period (\$Nominal)

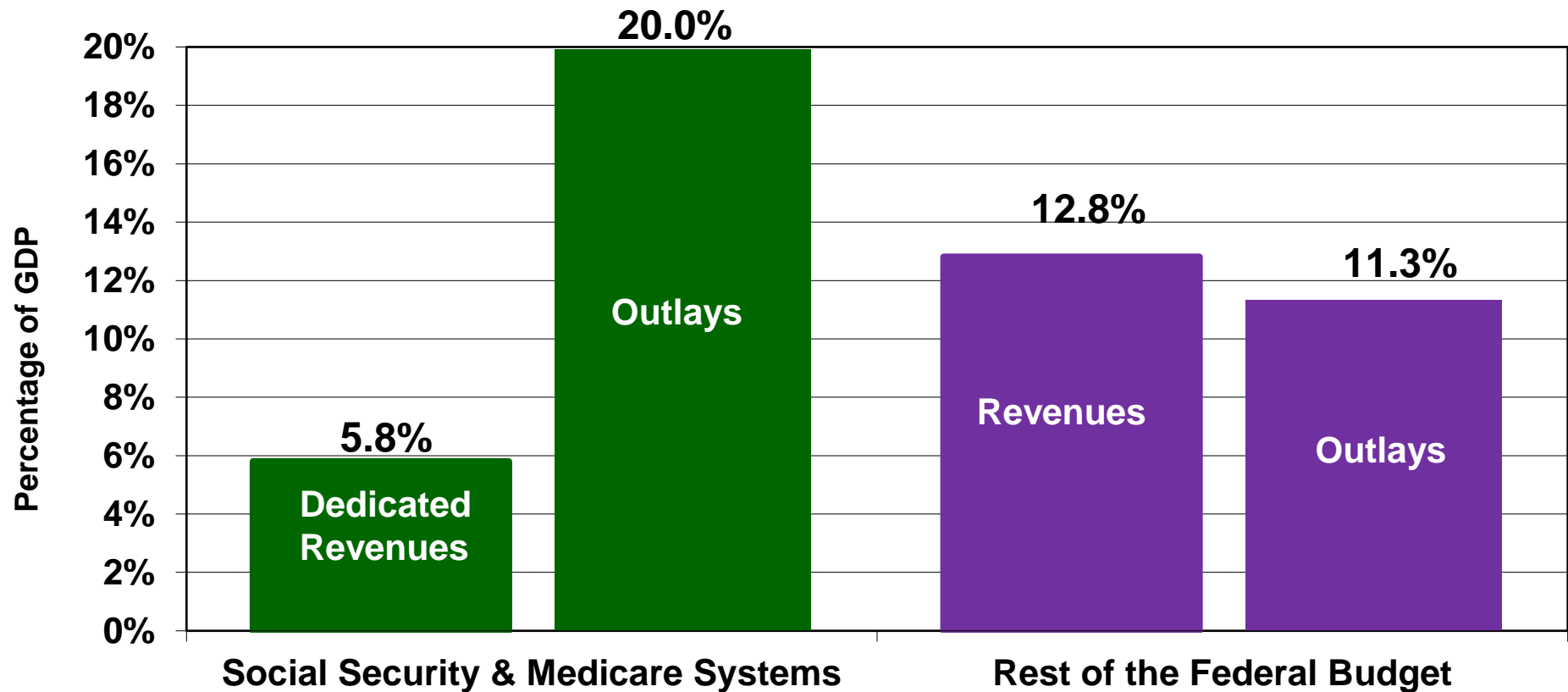
46

Source: Calculations from CBO 2020 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.

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Projected 2050 Budget Deficits are Entirely Driven by Social Security & Medicare Shortfalls



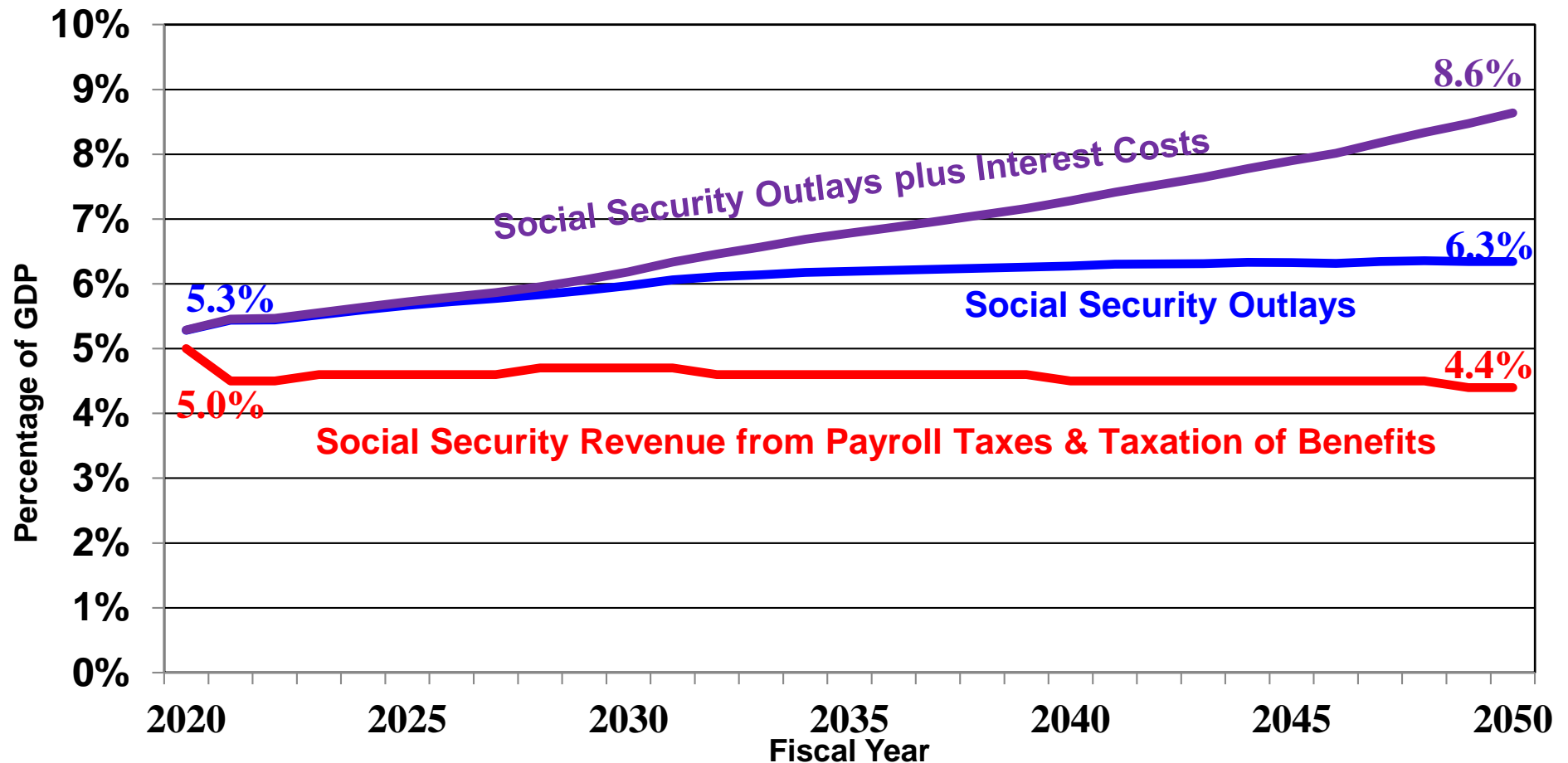
Note: 2050 is the final year of the latest CBO 30-year budget projection.

Source: CBO 2020 Long-Term Budget Outlook.

Each outlay category includes portion of national debt interest attributed to its 2020-2050 deficits.

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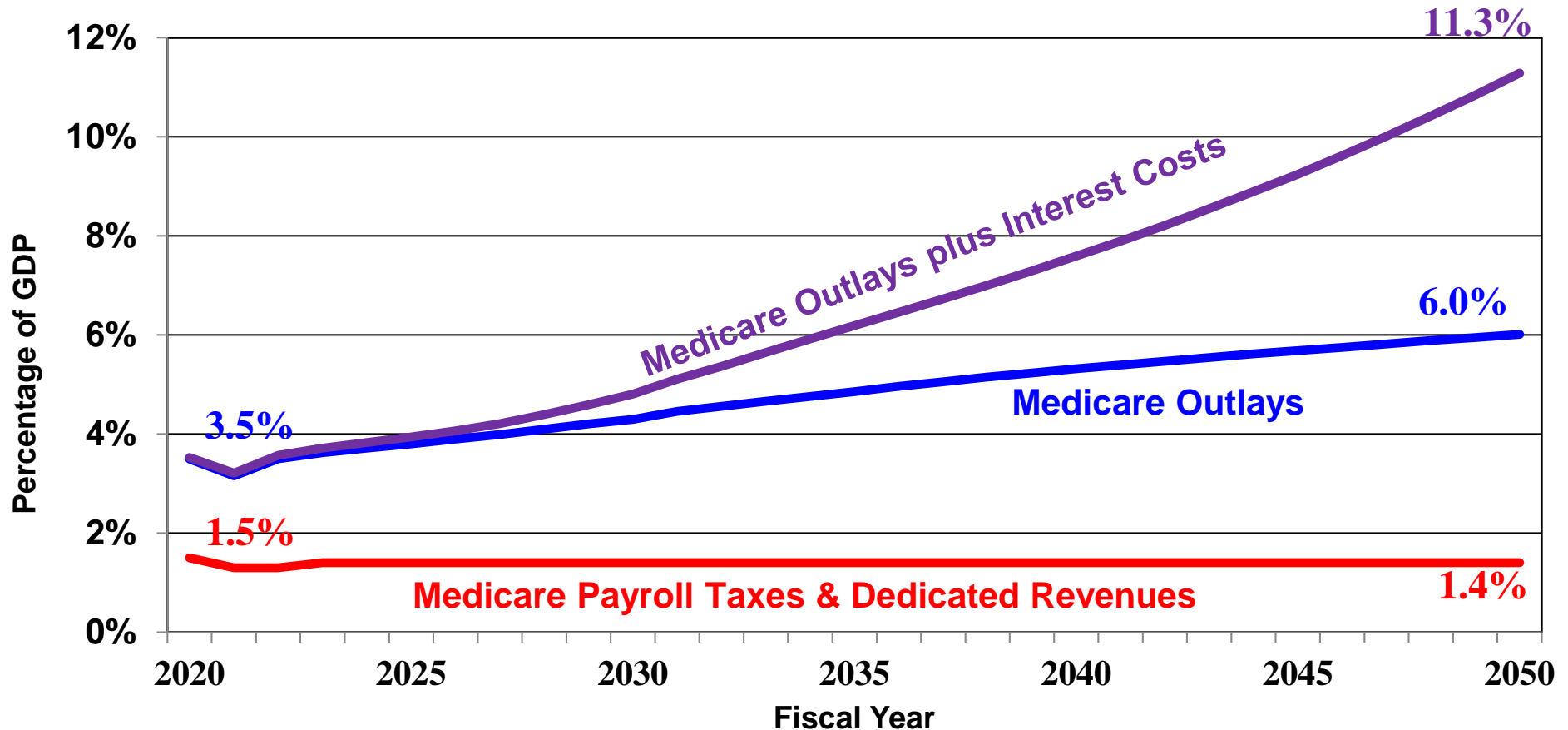
Social Security's Cash Shortfalls are Driven by Retiring Baby Boomer Costs and Resulting Interest Costs



Source: Calculated using CBO 2020 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.

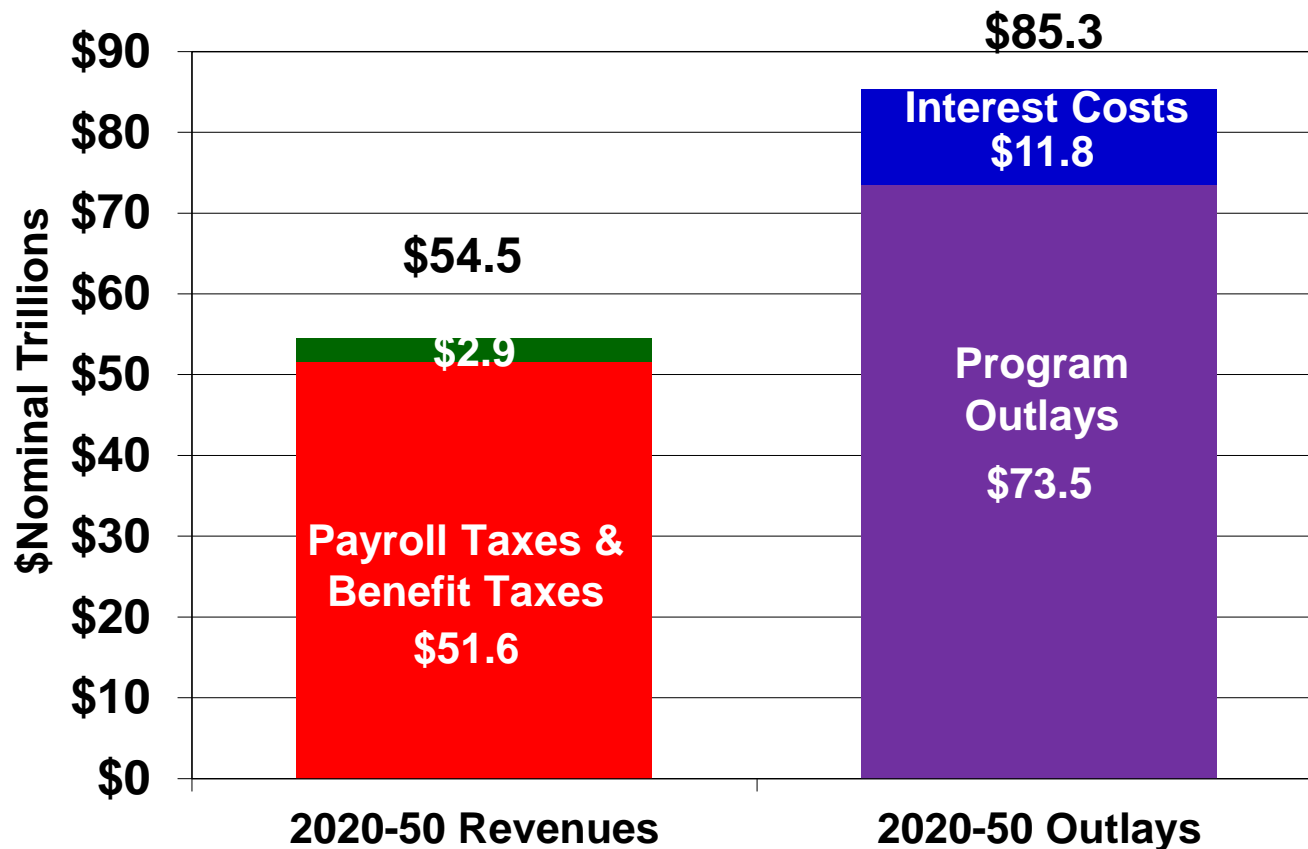
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Medicare's Cash Shortfalls are Driven by Soaring Benefit Costs and Resulting Interest Costs



Source: Calculated using CBO 2020 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.

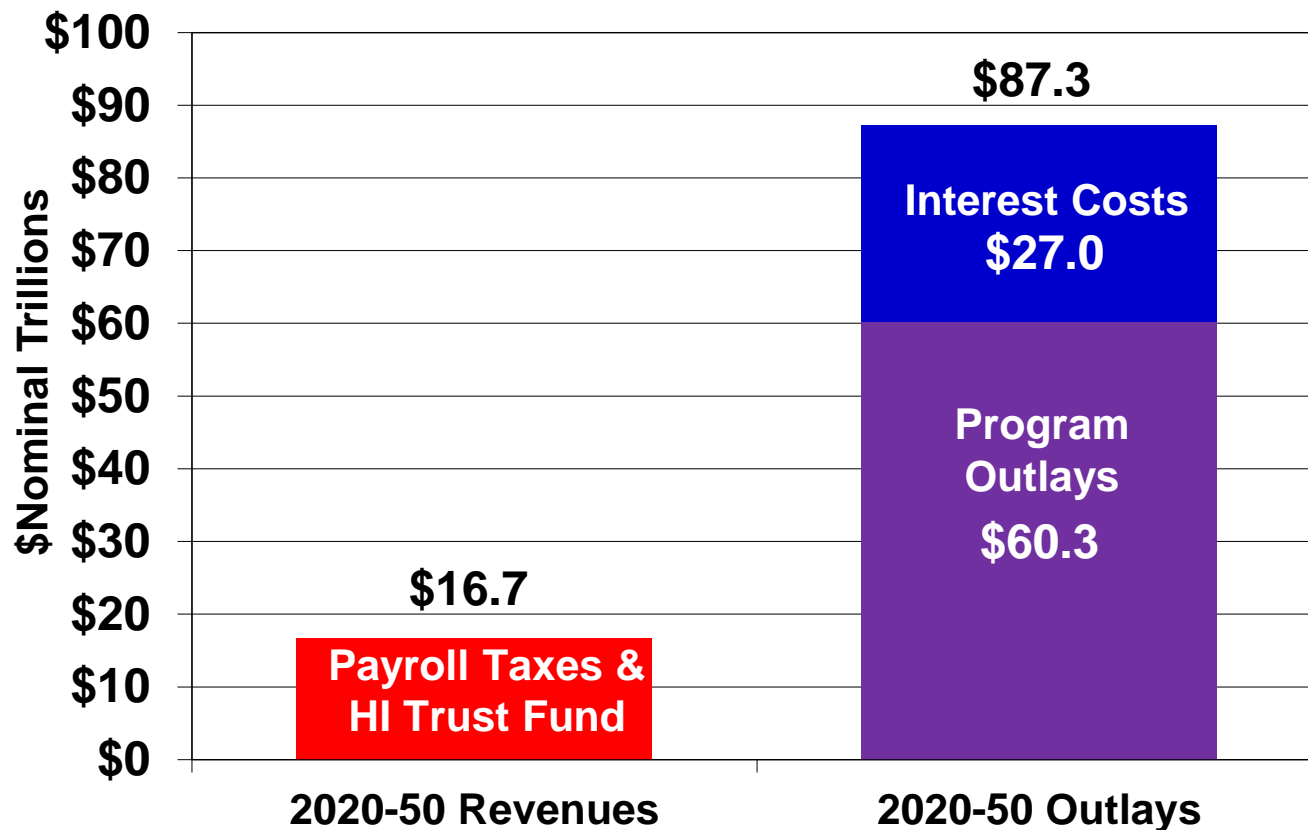
The Trust Fund contains no economic resources and must be redeemed by new taxes and borrowing.

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

Source: Calculated using the CBO 2020 Long-Term Budget Outlook. Interest costs reflect those directly attributable to 2020-2050 Social Security shortfalls.

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Medicare Faces a \$71 Trillion Cash Shortfall Over the Next 30 years



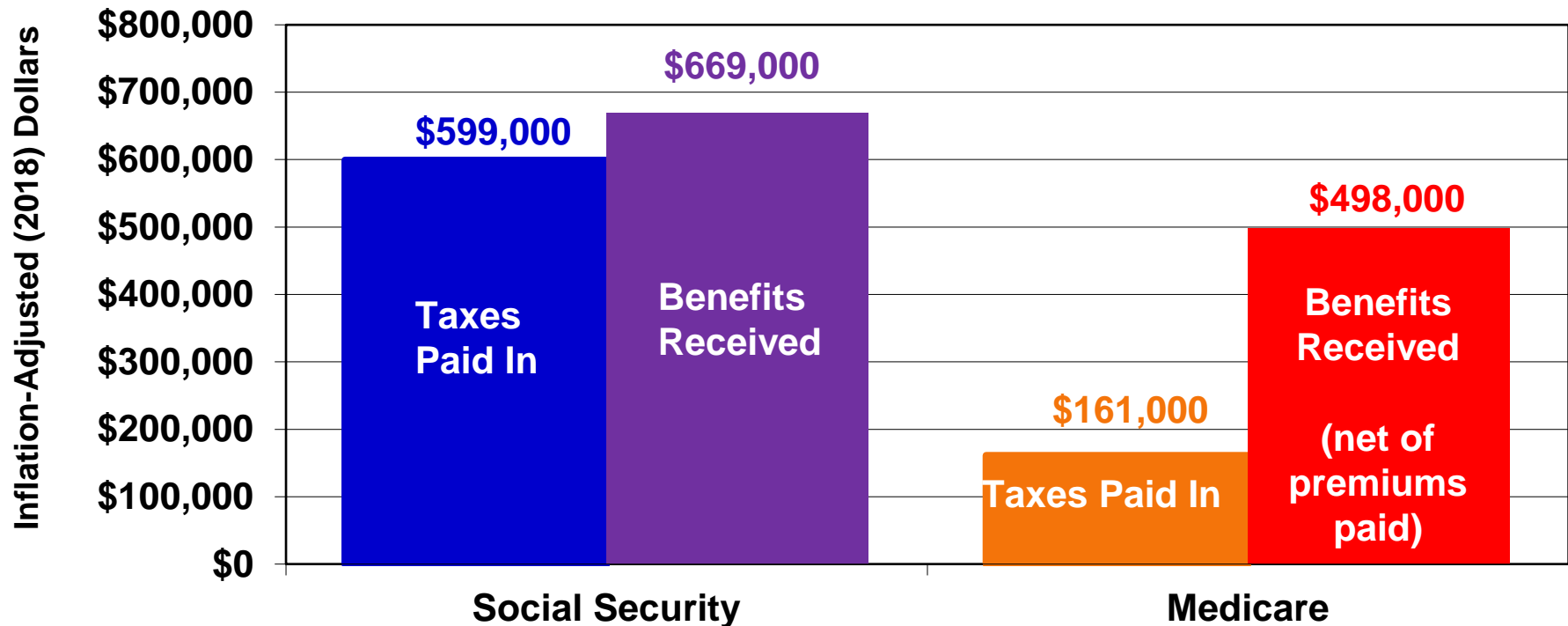
Medicare's \$71 shortfall equals 67% of the total federal budget deficit projected by CBO over the 2020-2050 period.

Annual projected shortfall:
2020: 2.0% of GDP
2050: 4.6% of GDP (9.9% including interest cost).

Source: Calculated using the CBO 2020 Long-Term Budget Outlook. Benefits are net of senior premiums. Interest costs reflect those directly attributable to 2020-2050 Medicare shortfalls.

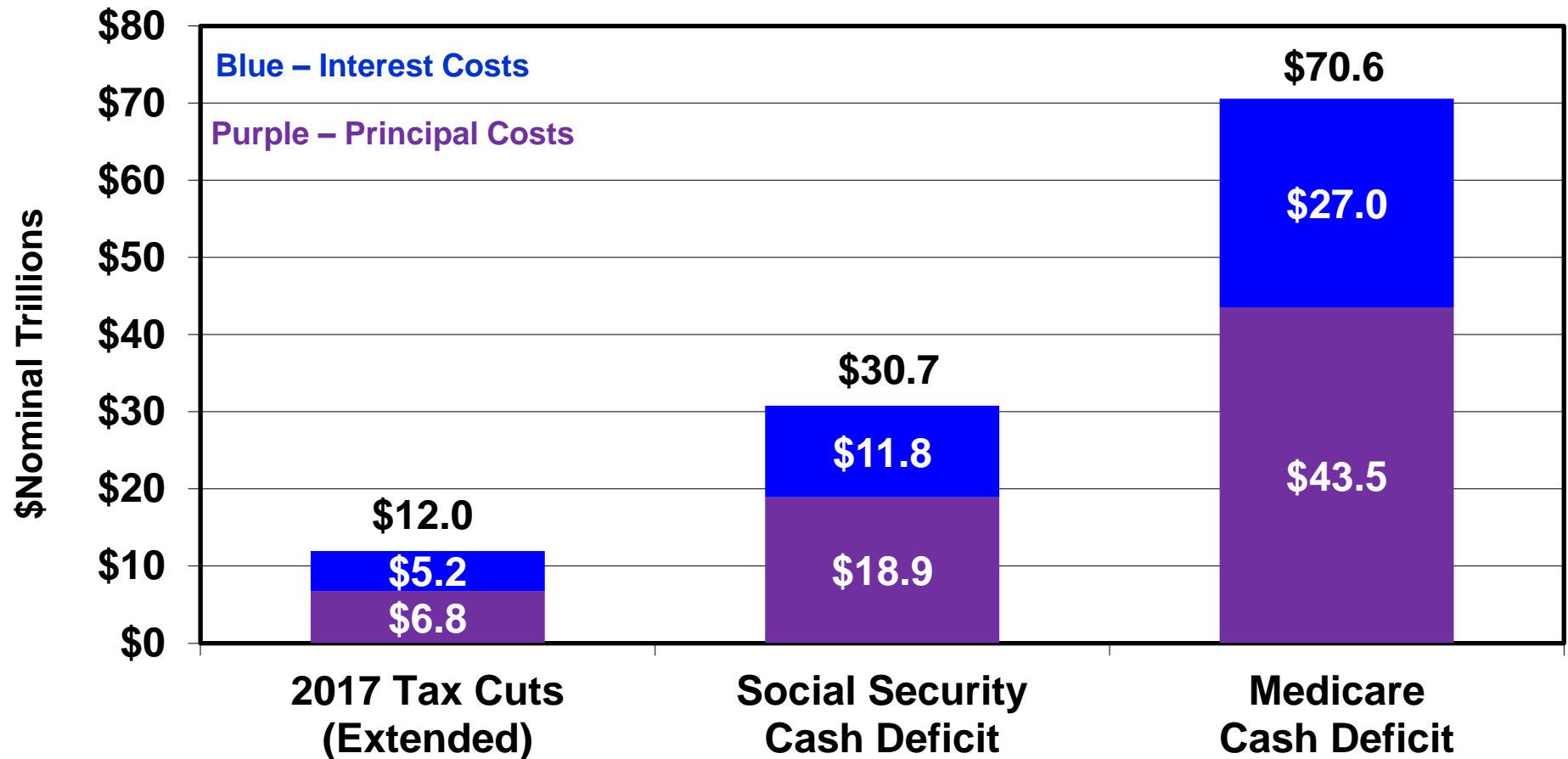
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The Typical Retiring Couple Will Receive \$3 in Medicare Benefits for Every \$1 Paid into the System – and Also Come Out Ahead in Social Security



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

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

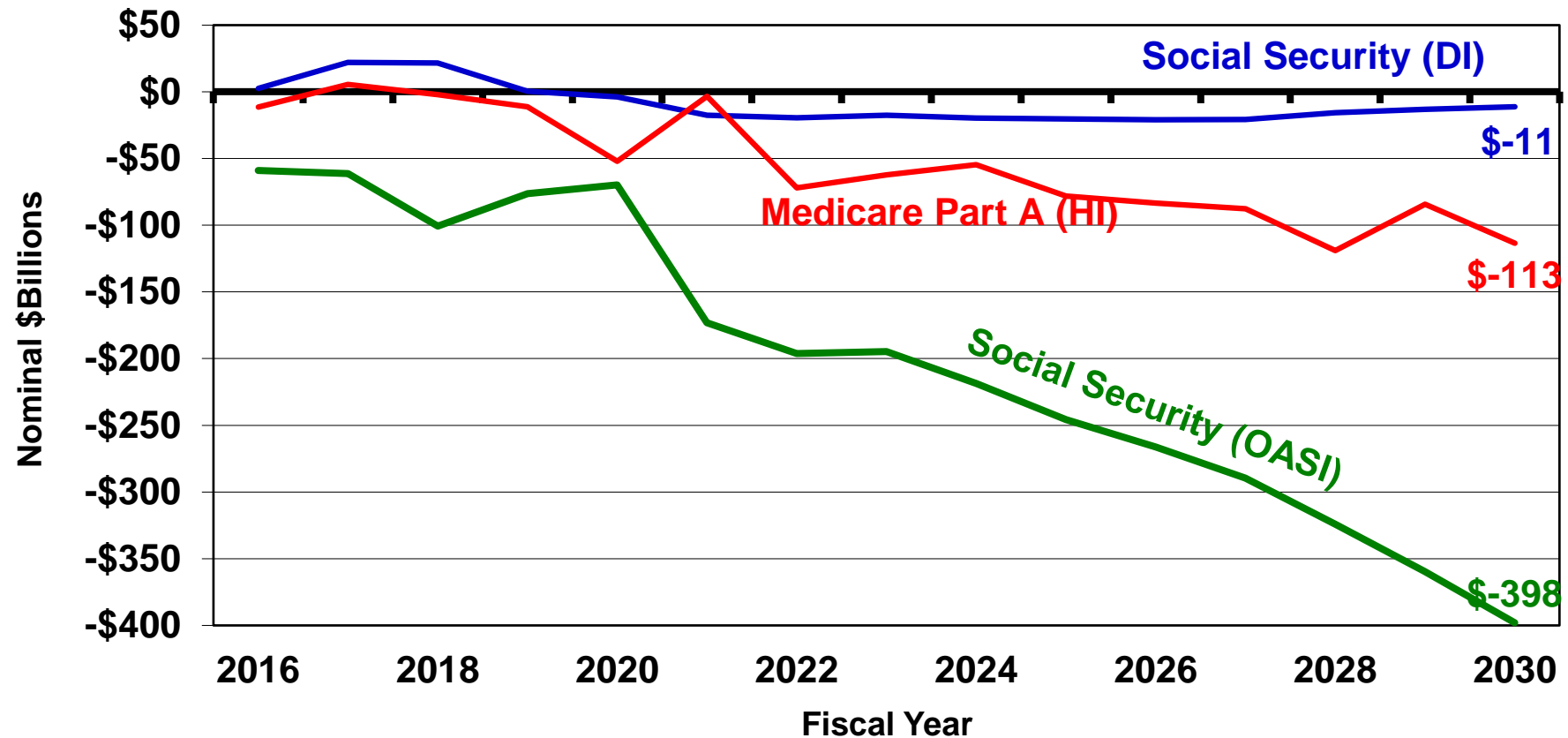


2020-2050 Projected Totals

Source: Calculated using the CBO 2020 Long-Term Budget Outlook earlier CBO tax estimates

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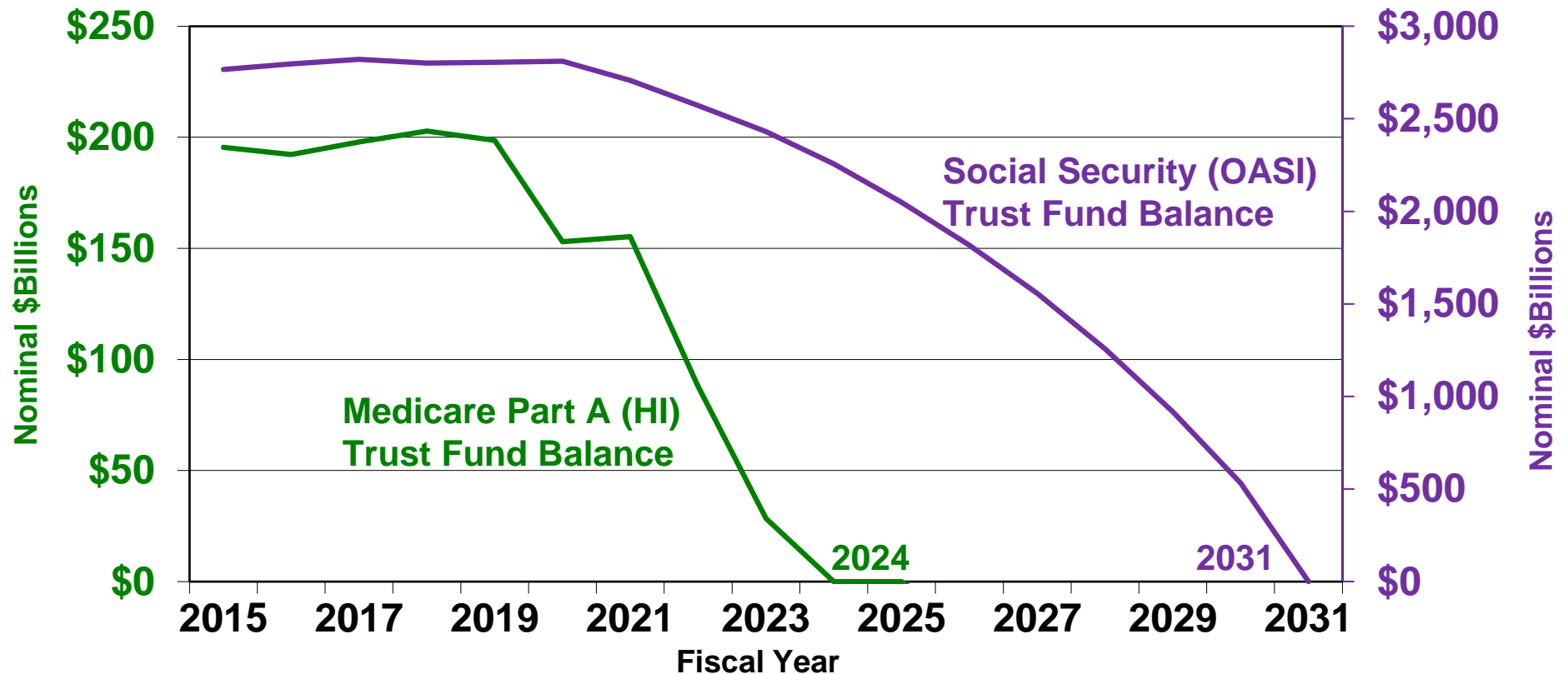
Social Security's Deficits Will Steeply Increase, While Medicare Also Faces Rising Deficits



Source: September 2020 CBO Baseline Supplemental Trust Fund Tables.
Excludes general revenue transfers into the programs, such as interest payments.

Author: Brian Riedl,
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Medicare and Social Security Trust Funds Face Bankruptcy in 4 and 11 Years, Respectively



Source: September 2020 CBO Baseline
Supplemental Trust Fund Tables.

Author: Brian Riedl, Manhattan Institute -- ⁵⁵@Brian_Riedl

Chapter 6

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

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%
Impose Bernie Sanders’ 8% Wealth Tax (<i>data from Penn-Wharton</i>)	\$2,809	1.07%
Eliminate FICA Cap – 15.3% Payroll Tax on All Wages (<i>data from SSA</i>)	\$2,180	0.84%
Raise Corporate Tax Rate by 20 Percentage Points	\$1,926	0.87%
Repeal All Itemized Tax Deductions	\$1,312	0.99%
Carbon Tax of \$25/Metric Ton – no rebate for households hit	\$1,099	0.43%
Impose a 0.1% Tax on Financial Transactions	\$777	0.37%
Repeal Entire 2017 Tax Law (<i>data from CBO/JCT</i>)	\$455	(Mostly scheduled)
Tax Dividends & CapGains as Income over \$1M & End Step-Up (<i>data from TPC</i>)	\$448	0.19%
Impose Bernie Sanders’ 77% Estate Tax (<i>data from Sanders</i>)	\$336	0.13%
Impose a 0.15% "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 Target of 2% of GDP (<i>data from CBO baseline</i>)	\$2,899	0.80% ⁵⁷

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.

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It Would Take Nearly All Progressive Hikes Just to Balance the Budget

CBO Forecasts \$13 Trillion Deficit over 2021-2030

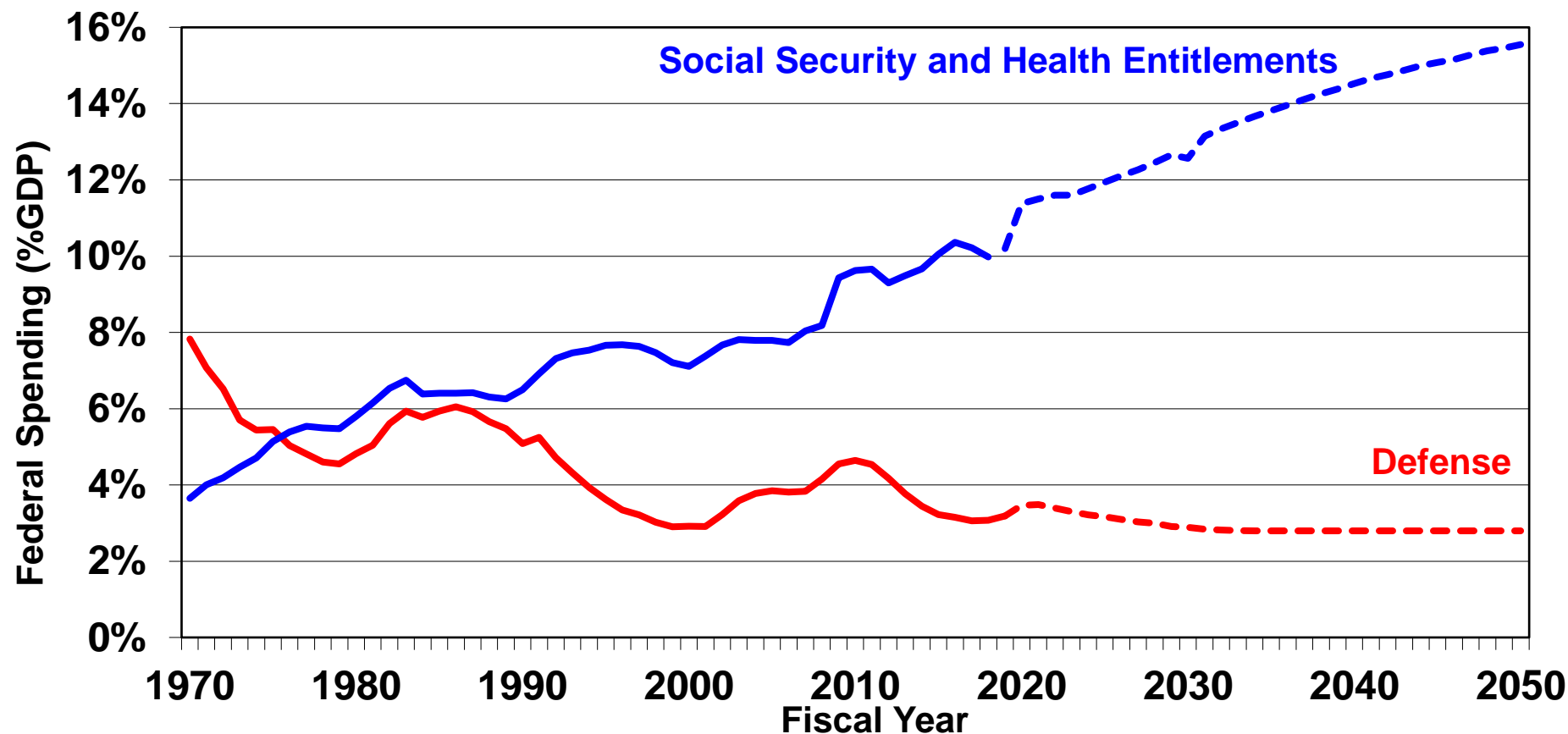
Progressive Tax Proposal	2021-2030	Source
Repeal All 2017 Tax Cuts, Including Low-Income	\$455	CBO Data (dynamic)
8% Wealth Tax (Sanders)	\$2,809	Penn-Wharton (dynamic)
Lift Social Security Tax Wage Cap	\$2,180	Social Security Admin.
70% Income Tax Rate Over \$10 Million (AOC)	\$189	Tax Foundation (dynamic)
Mark-to-Market Taxation & Higher Capital Gains Rates	\$2,000	CRS, Warren campaign
77% Estate Tax (Sanders)	\$336	Sanders campaign
“Real Corporate Profits Tax” (Warren)	\$476	Tax Foundation (dynamic)
Repeal Major Corporate Tax Preferences	\$2,000	Various (dynamic)
Financial Transactions Tax of 0.1%	\$777	CBO Options
Financial Institutions Tax of 0.15%	\$103	CBO Options
Repeal Oil & Gas Tax Breaks	\$9	CBO Options
Carbon Tax (\$25/metric ton) – No Household Rebate	\$1,099	CBO Options
Interest Savings (net of add'l econ/interaction losses)	\$500	Author estimate
Total Savings Over Decade	\$12,933	

All figures in \$billions

Policies would balance 10-year budget, but 2030s deficits would re-emerge.

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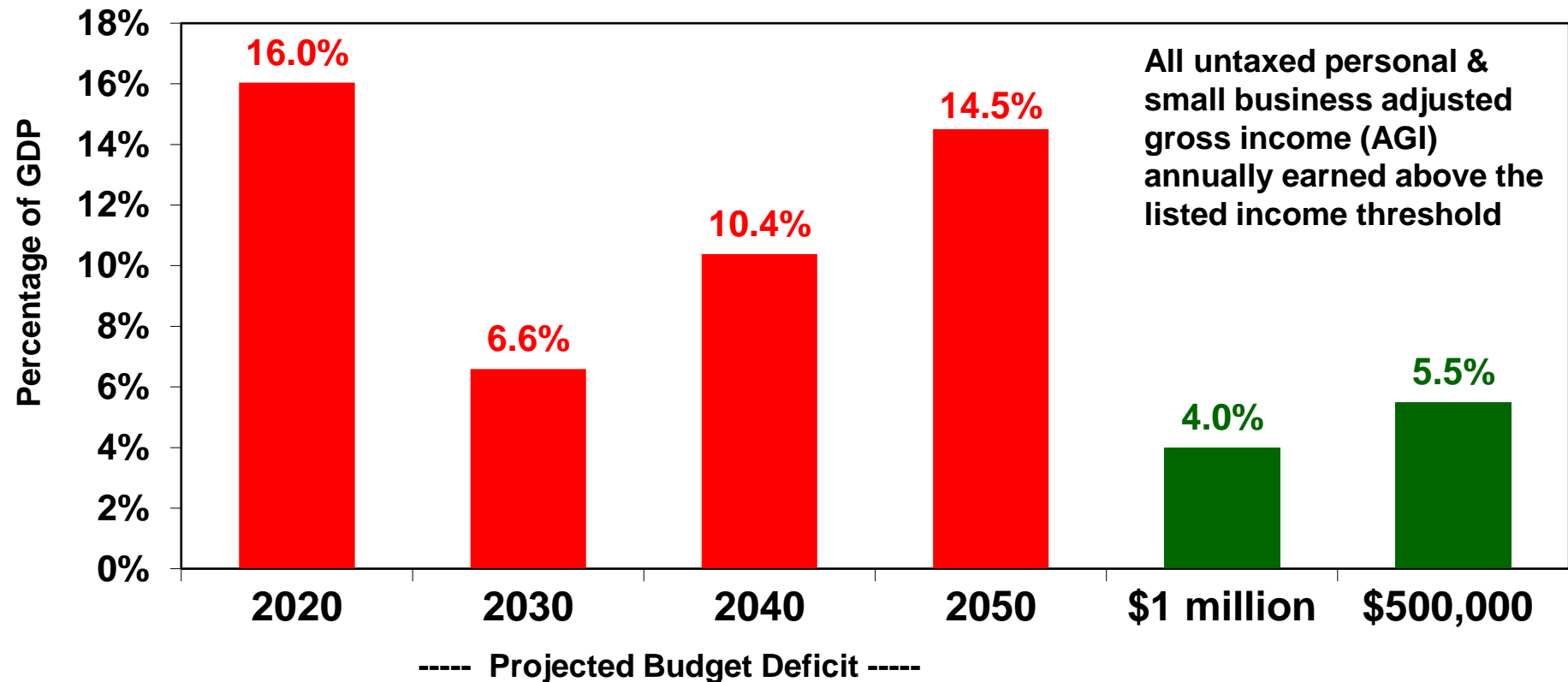
Defense is Not Driving the Deficit – and Even Eliminating It Completely Would Not Come Close to Financing Soaring Long-Term Entitlement Costs



Source: OMB Historical Tables 3.2, and 10.1;
and CBO 2020 Long-Term Outlook.

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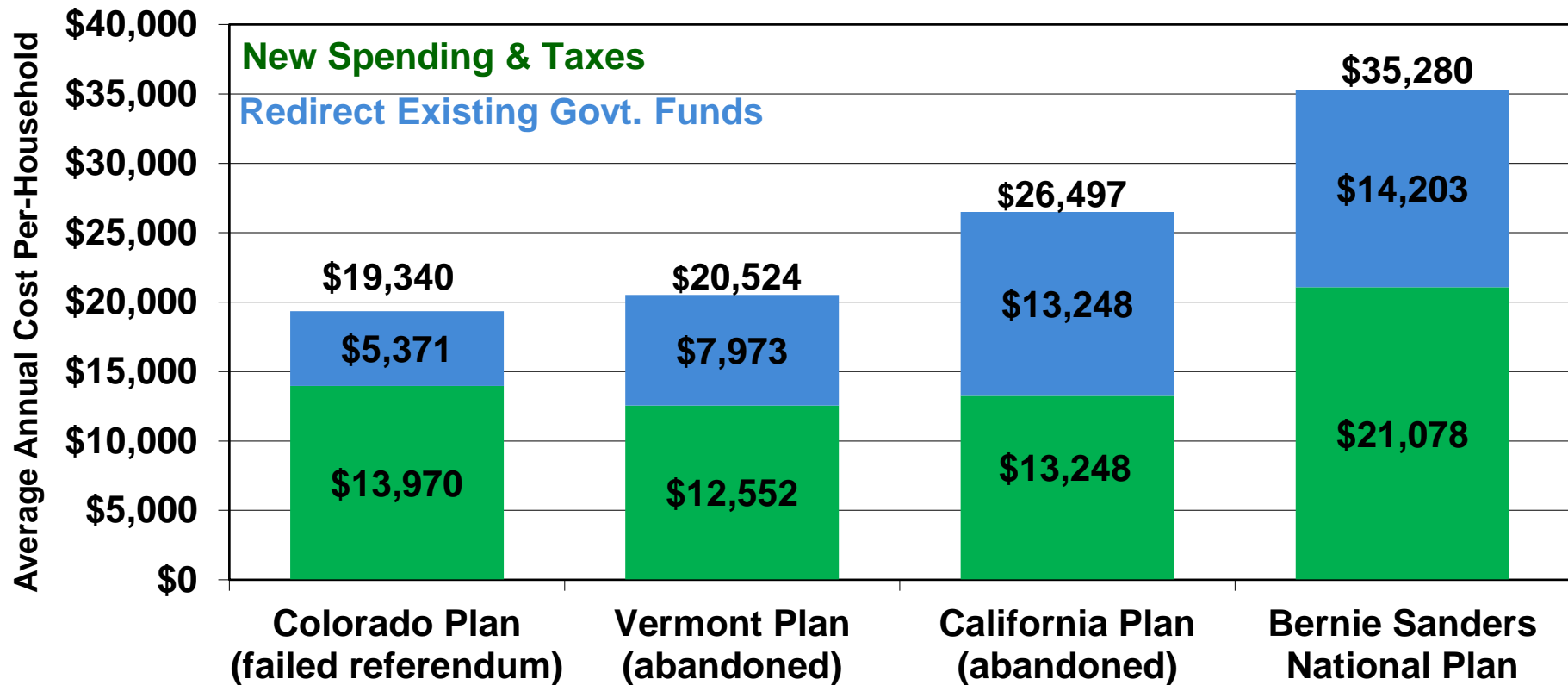
Even 100% Tax Rates on Small Businesses and Upper-Income Families Could Not Come Close to Balancing the Long-Term Budget



Source: CBO September 2020 Long-Term Budget Outlook adjusted into current-policy baseline and analysis of IRS 2018 (latest year) income tables.

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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

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Chapter 7

Progressive Proposals Would Dig the Debt Even Deeper

Joe Biden has Proposed \$11 Trillion in New Spending Over the Decade

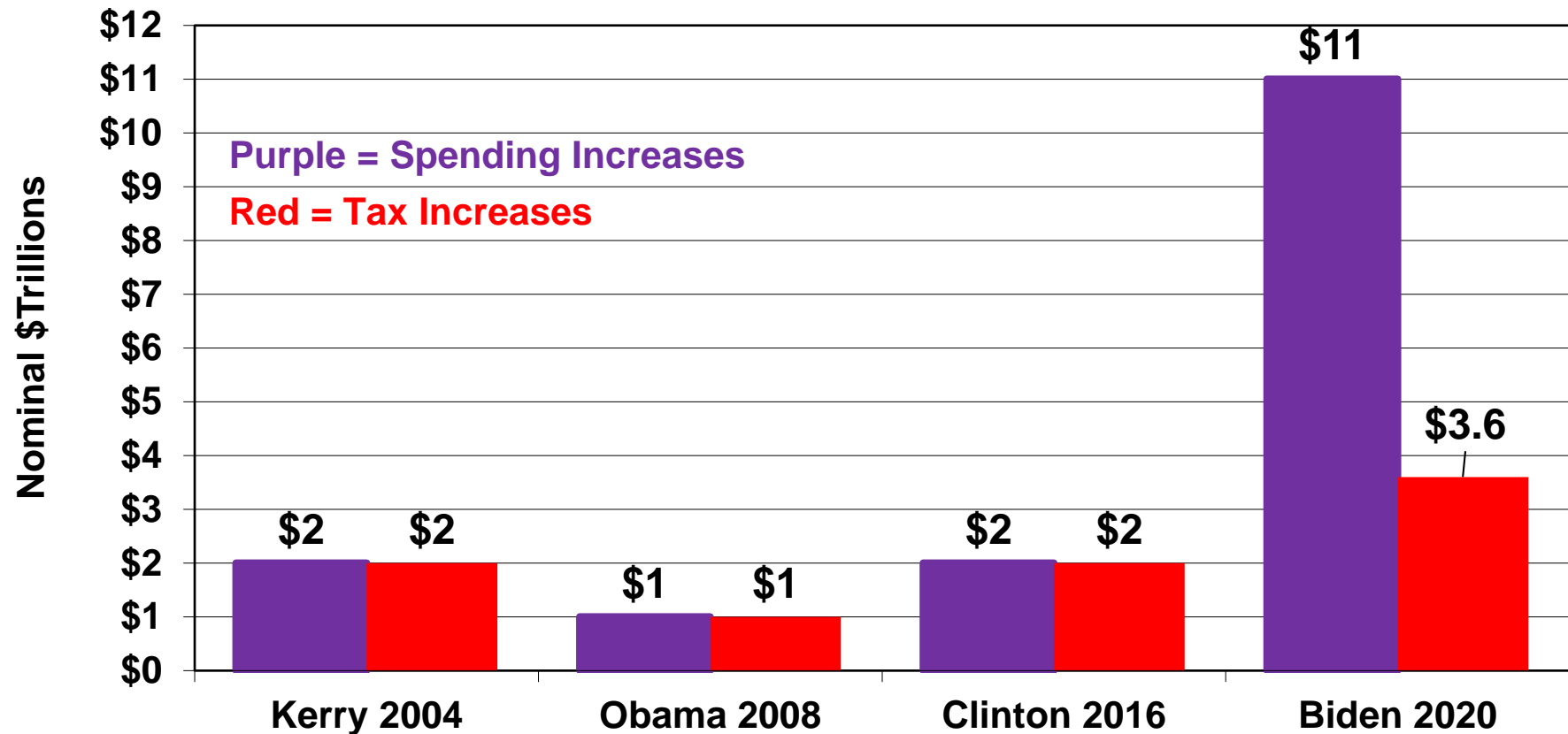
Spending Proposal (\$Billions)	2021-2030	Source
Health & ACA Expansions (net of spending offsets)	\$1,450	CRFB
Reduce Medicare Eligibility Age to 60	\$300	Author Estimate
Climate and Infrastructure Initiative	\$2,000	Biden Campaign Website
Expand Social Security and SSI	\$1,000	CRFB
K-12 and Preschool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

*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

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Biden's Spending Increase Proposals Dwarf Recent Democratic Pres. Candidates

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



Source: Tax Policy Center, Committee For a Responsible Federal Budget, American Enterprise Institute, and public scores of Biden plans

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Common Far-Left Proposals Would Cost Between \$36 Trillion and \$95 Trillion Over the Decade

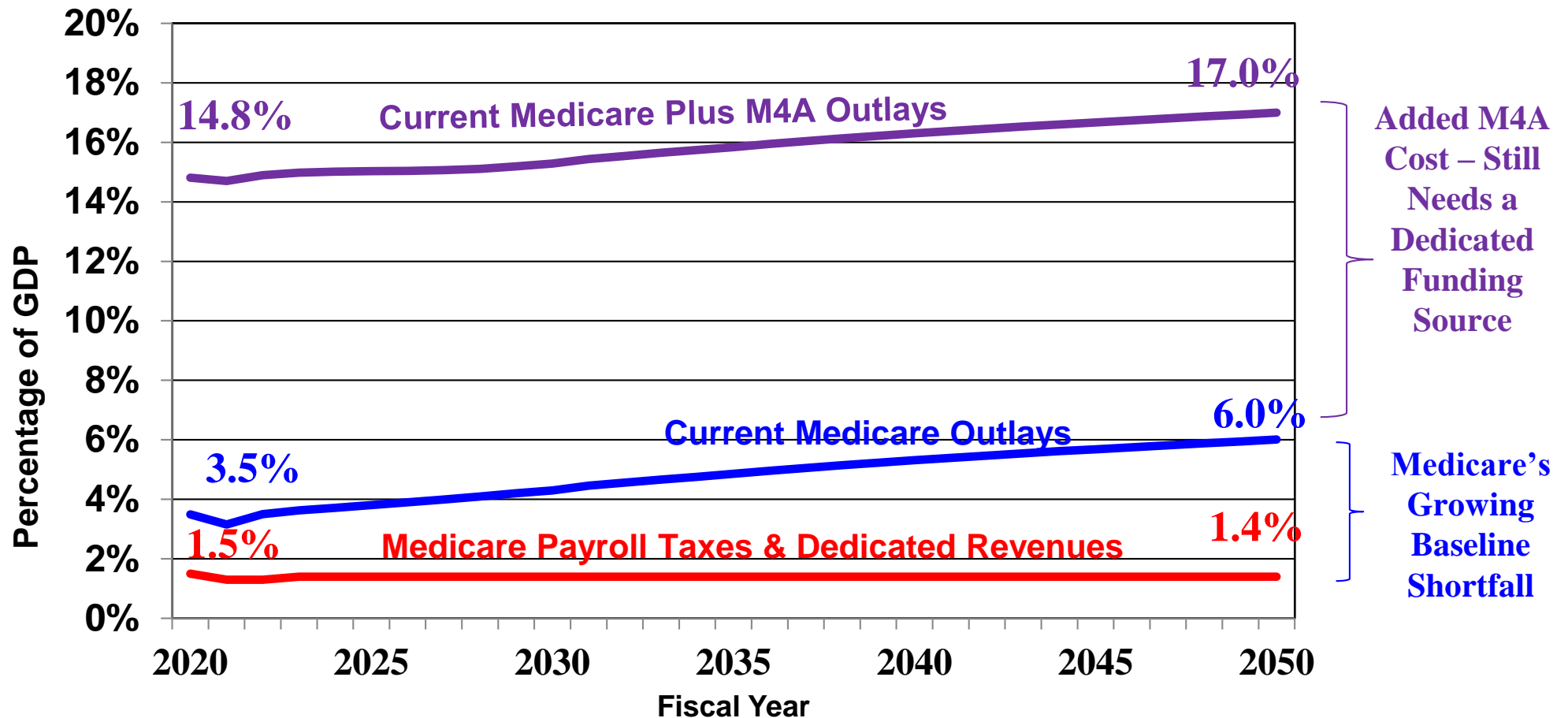
Common Spending Proposal	Low*	High*	Notes
Medicare-For-All	30.0	38.0	Sanders has conceded “between \$30 to \$40 trillion”
Government Job Guarantee	—	30.1	Sanders proposal
Climate and Clean Energy	2.0	16.3	Sanders is the high figure
Free Public College Tuition & Loan Forgiveness	1.5	3.0	Low figure reflects partial loan forgiveness
Affordable Housing	0.1	2.5	Sanders is the high figure
Social Security Expansion	0.5	1.8	Warren & Sanders are the high figure
Teacher Pay and K-12 funding	0.3	1.2	
Infrastructure Buildup	1.0	1.0	
Universal Child Care & Paid Family/Medical Leave	0.3	1.0	
Subtotal: New Spending Proposals	35.7	94.9	Baseline is \$60 trillion spending over 2020-2029
CBO Baseline Budget Deficit, 2021-2030	13.0	13.0	
Total Federal Budget Deficit	48.7	107.9	Out of a \$257 trillion projected GDP (CBO)
Popular Spending Offsets			
Cut Defense to European Levels	-2.9	-2.9	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	42.8	102.0	<i>Requires > Doubling \$45T in Federal Revenues</i>

65

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

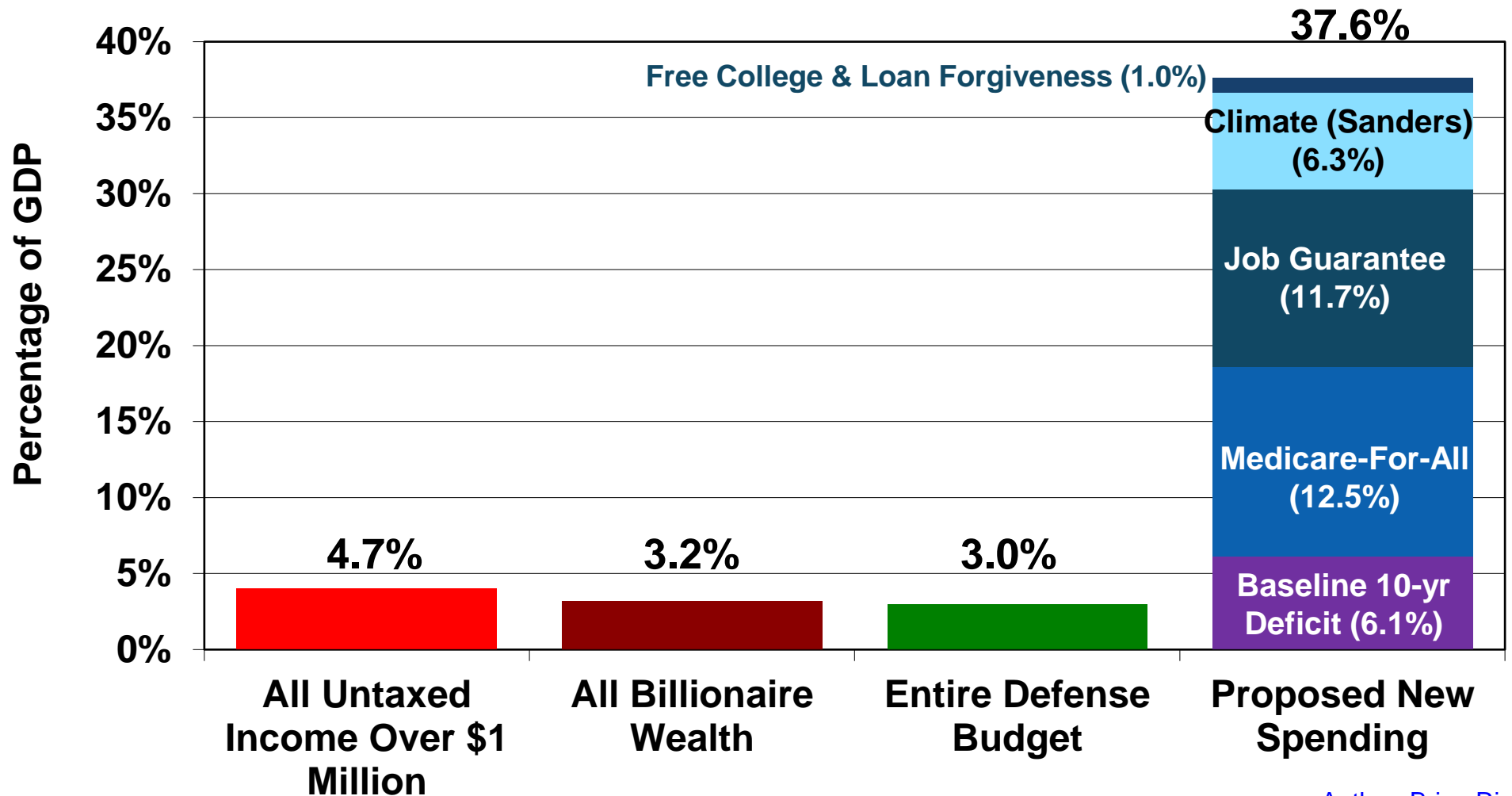
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Medicare-For-All's 11% of GDP Cost is on Top of Current Medicare's Large and Growing Shortfall



Source: Calculated using CBO 2020 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 2.6% to 3.2% of GDP, but that portion is already fully designed for general revenues.

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

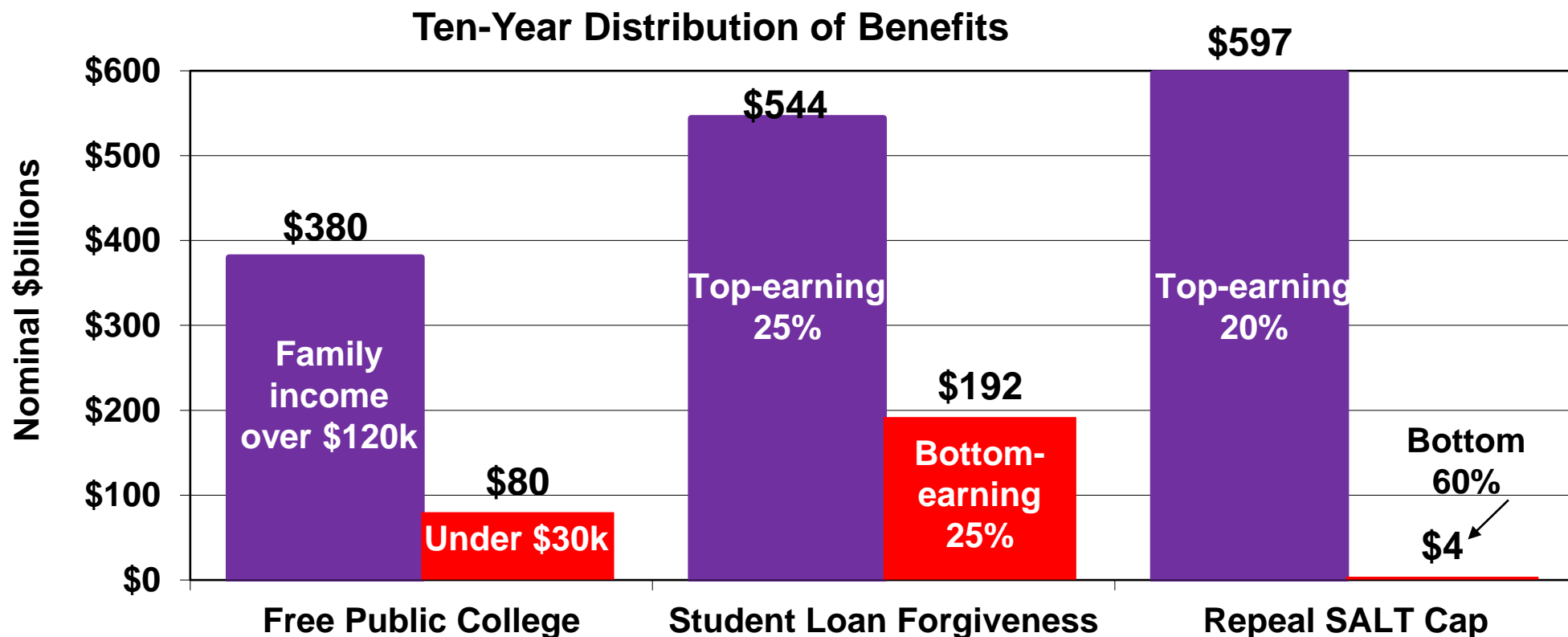


67

Author: Brian Riedl,
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Sources: Author calculations using data from CBO, IRS, liberal candidates, and liberal think tanks

Several Major Progressive Proposals Overwhelmingly Benefit Upper-Income Families



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.

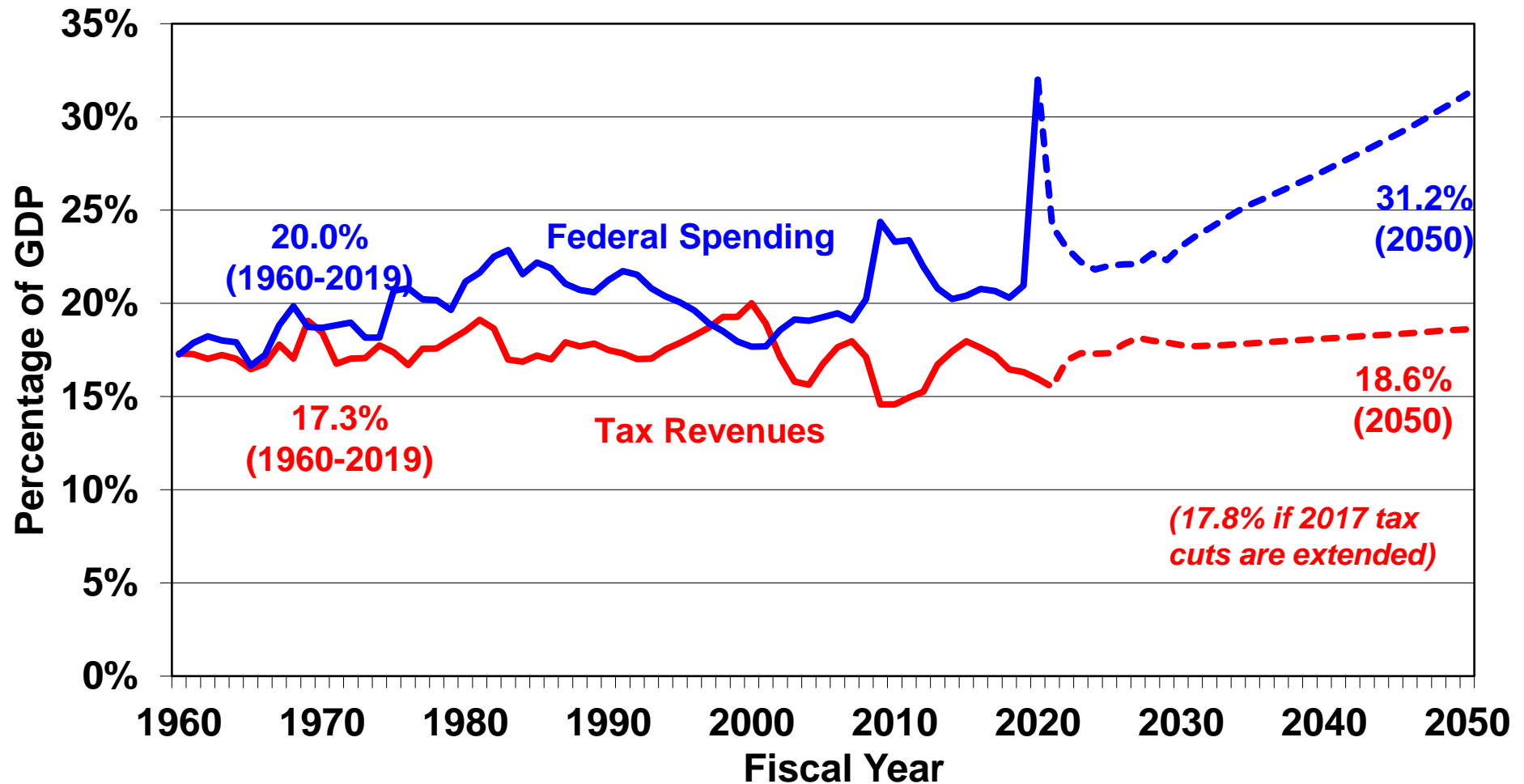
Zero-emission mandates will raise car/home prices & kill working-class fossil fuel jobs.

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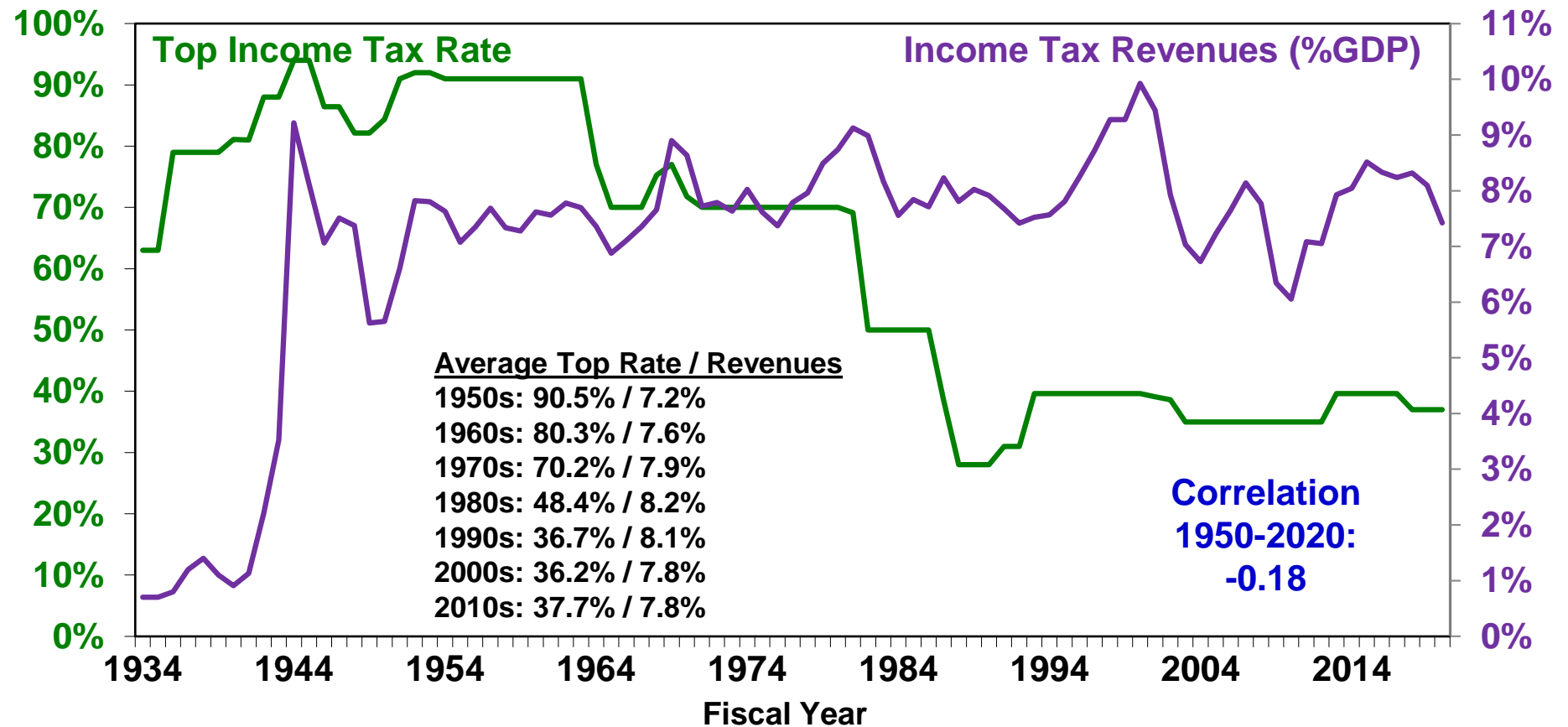
Chapter 8

Tax Revenues Will Continue Growing Faster Than the Economy

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



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

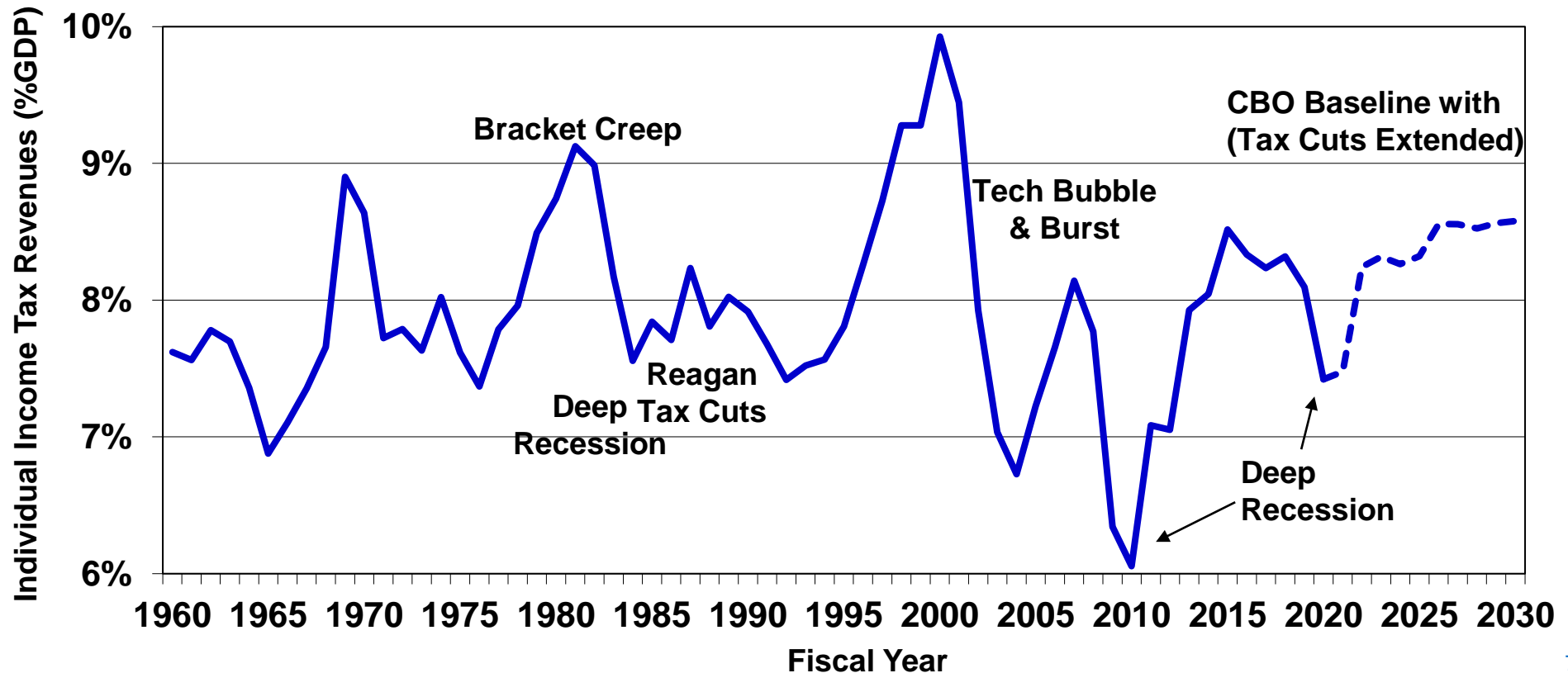


Source: OMB Historical Table 2.3, and
U.S. Treasury SOI Tax Stats – Historical Table 23

Author: Brian Riedl, Manhattan Institute -- ⁷¹@Brian_Riedl

Individual Income Tax Revenues Will Rise

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

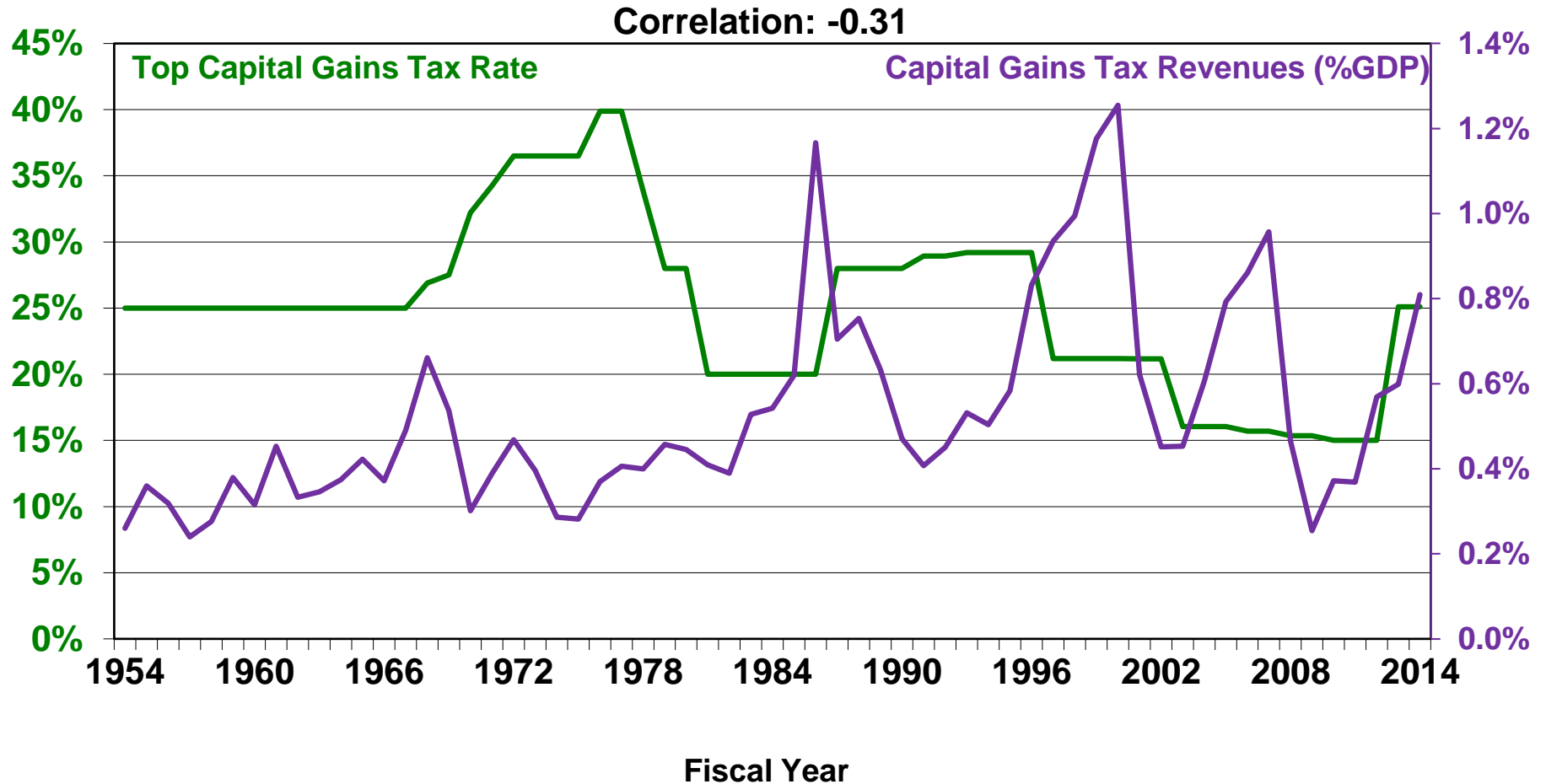


72

Source: OMB Historical Table 2.3, and September 2020 CBO (current-policy) Baseline. Real bracket creep is when rising incomes (above inflation) push taxpayers into higher tax brackets, raising their average tax rate.

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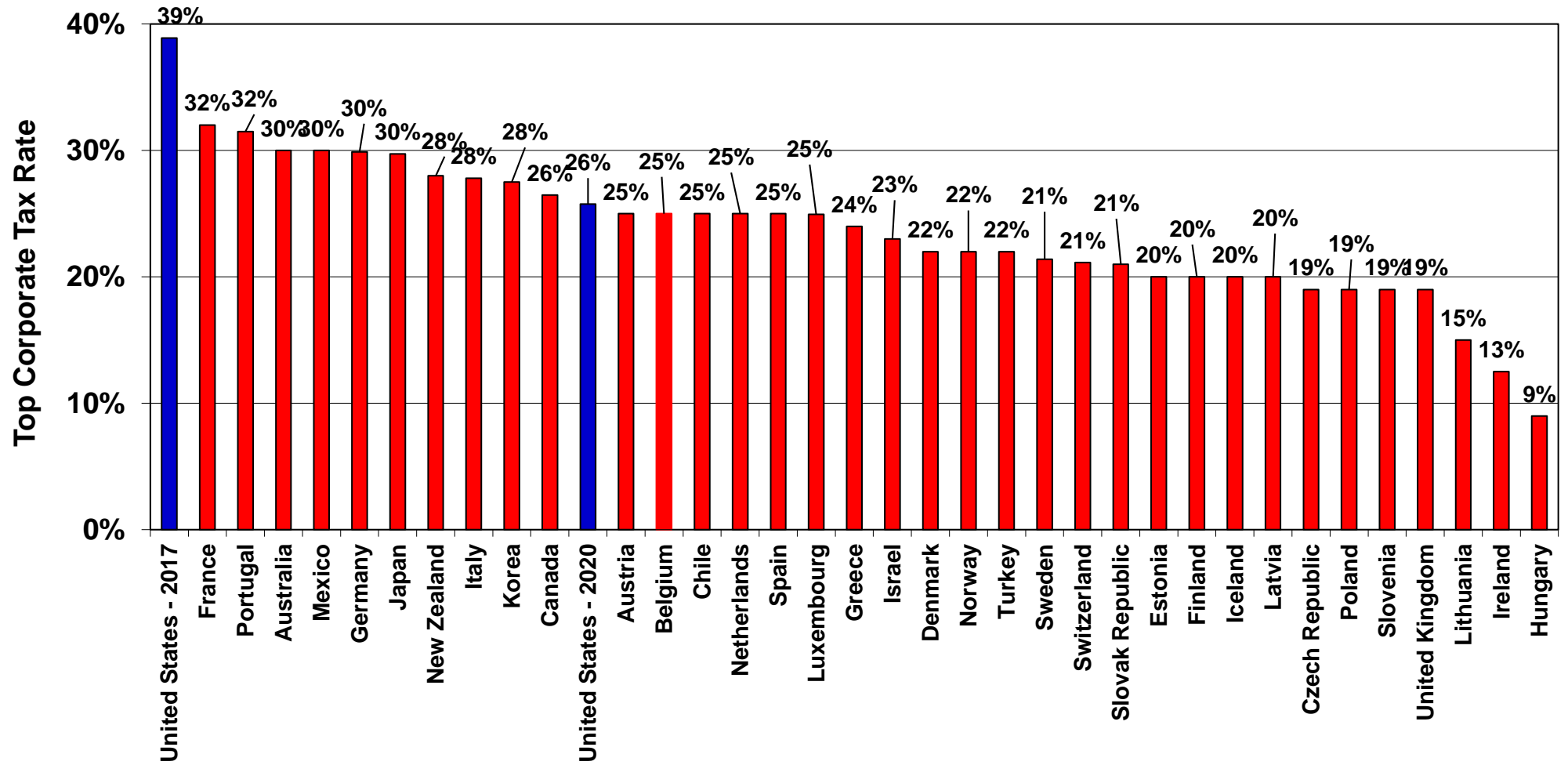
High Capital Gains Tax Rates Have Not Produced More Revenue



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

Author: Brian Riedl, Manhattan Institute -- ⁷³@Brian_Riedl

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



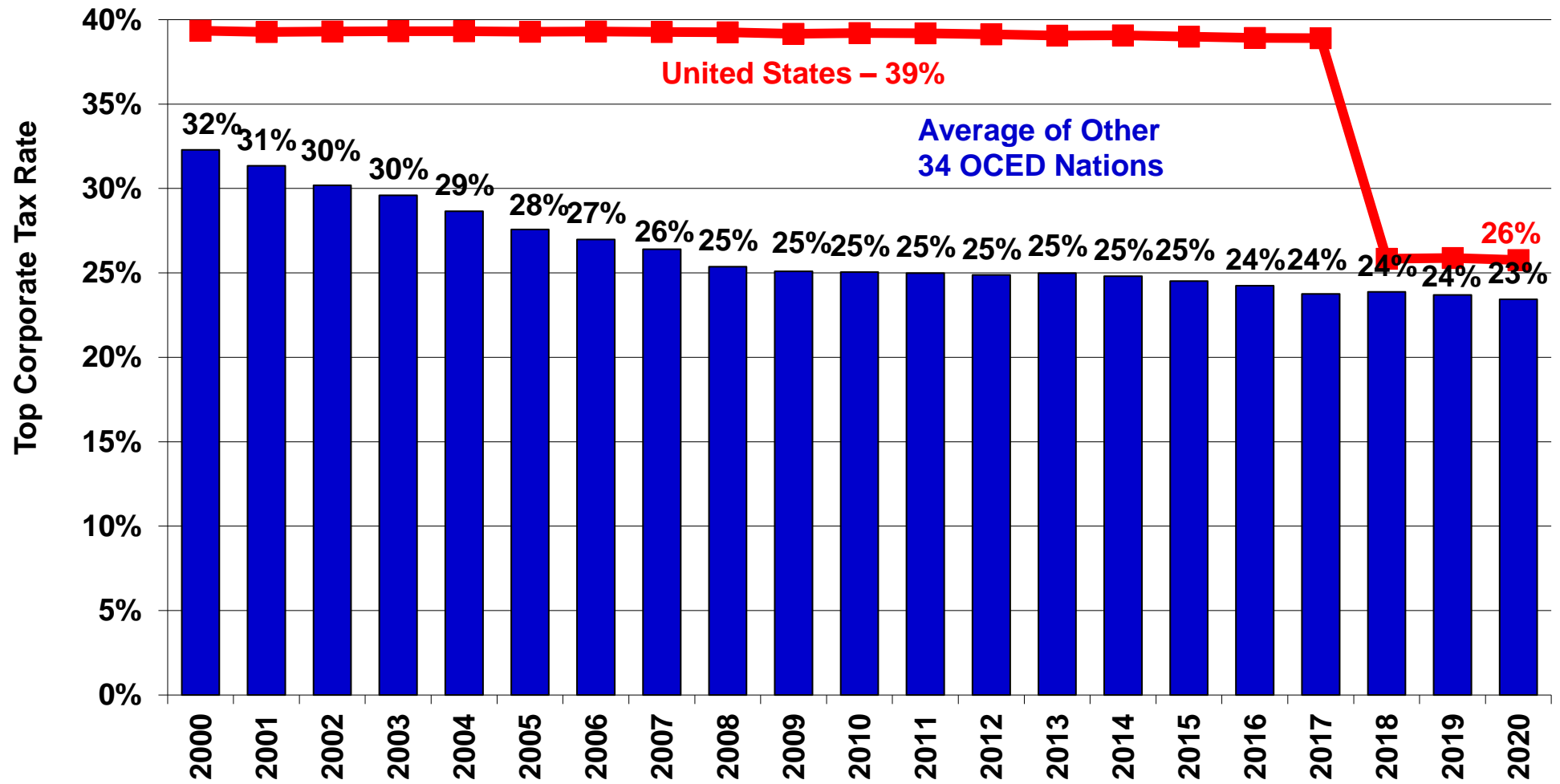
Source: OECD Stats (2020), Tax Table II.1. Tax rates include federal, state, province and local corporate taxes.

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.

74

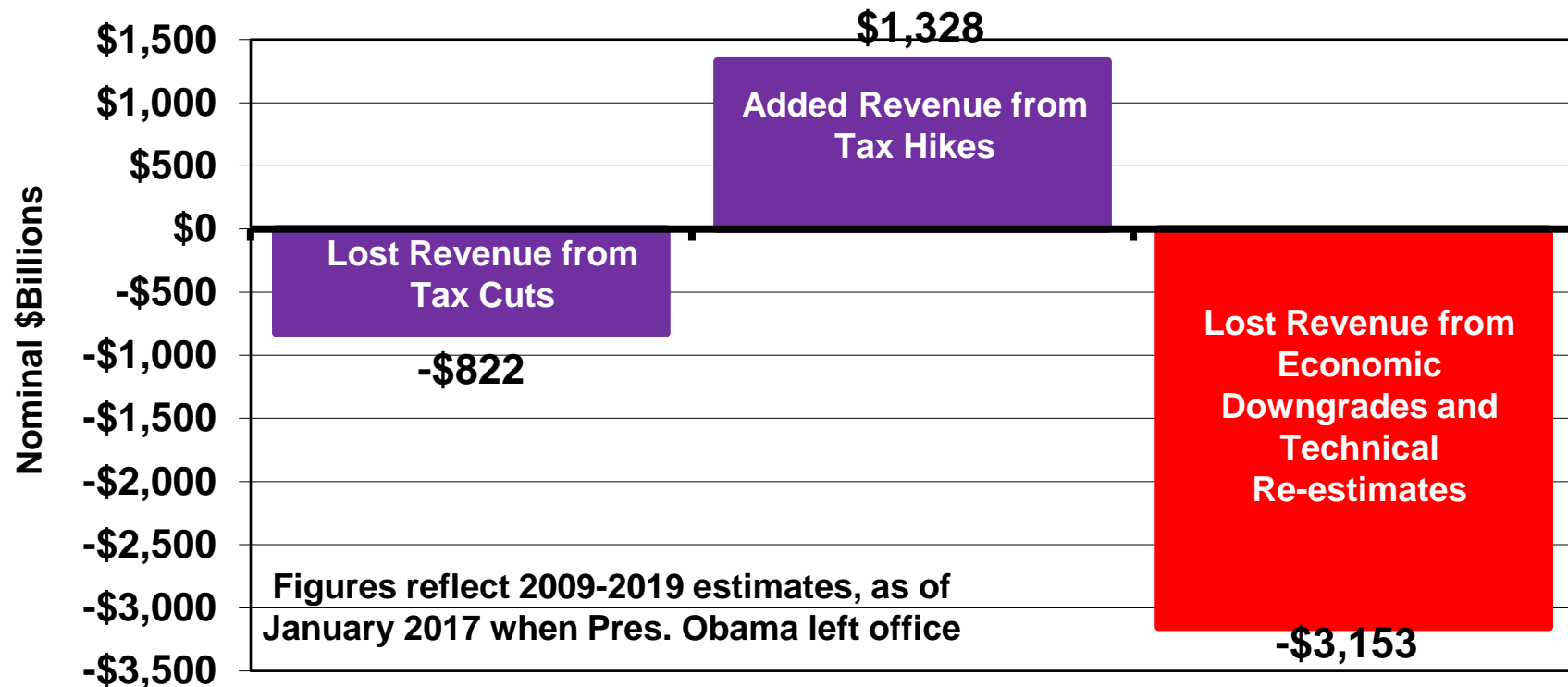
Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl

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



Source: OECD Stats (2020), 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

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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Repeal All Itemized Tax Deductions	\$1,312	0.99%
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Impose a 0.1% Tax on Financial Transactions	\$777	0.37%
Repeal Entire 2017 Tax Law (data from CBO/JCT)	\$455	(Mostly scheduled)
Tax Dividends & CapGains as Income over \$1M & End Step-Up (data from TPC)	\$448	0.19%
Impose Bernie Sanders' 77% Estate Tax (data from Sanders)	\$336	0.13%
Impose a 0.15% "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.

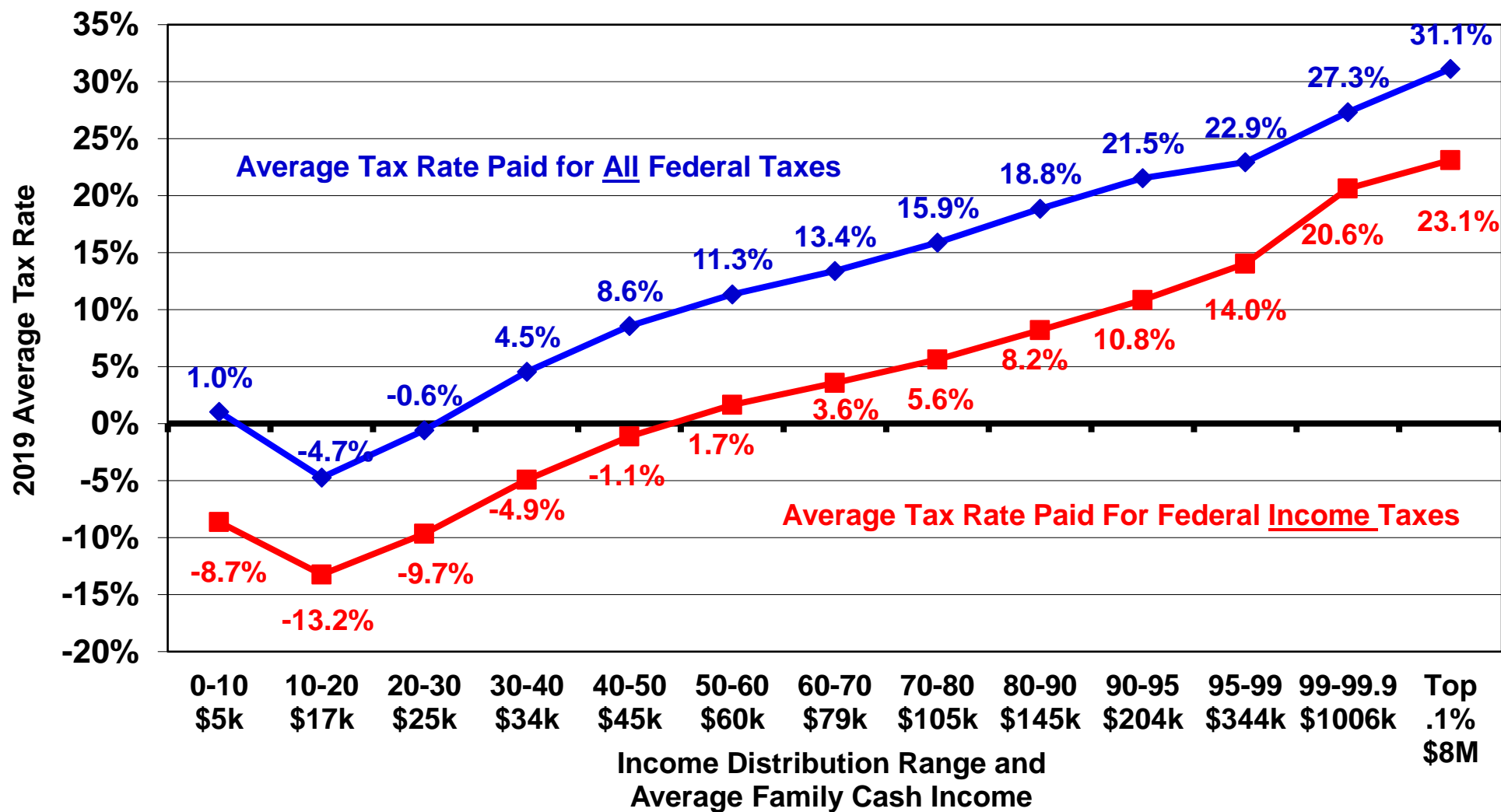
These static estimates do not account for revenues lost to the economic impact. Combining policies may also create interaction effects or duplicate the same policies, so these cannot be summed.

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Chapter 9

The Tax Code Has Become Increasingly Progressive

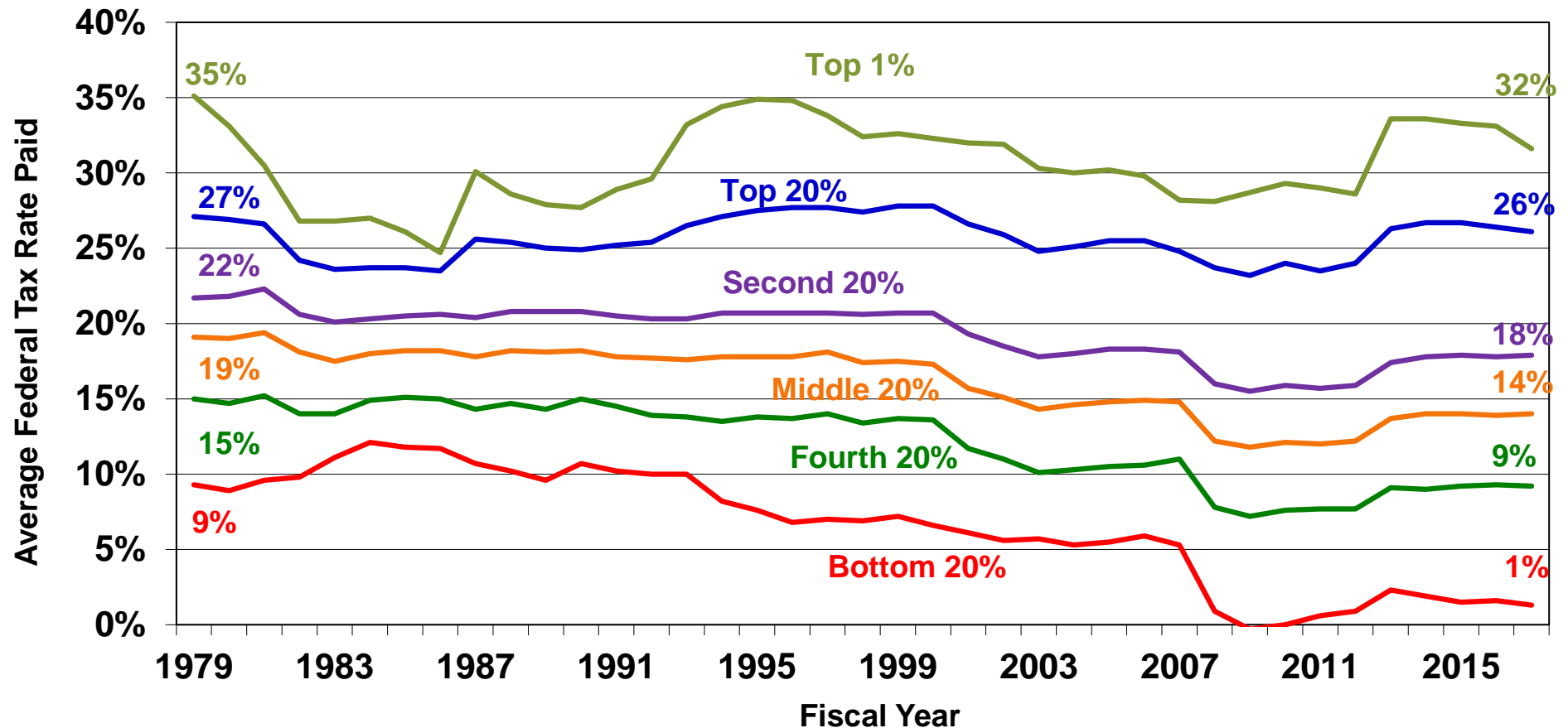
The Federal Tax Code Remains Progressive



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

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Average Federal Tax Rate Paid by Income Category, 1979-2017

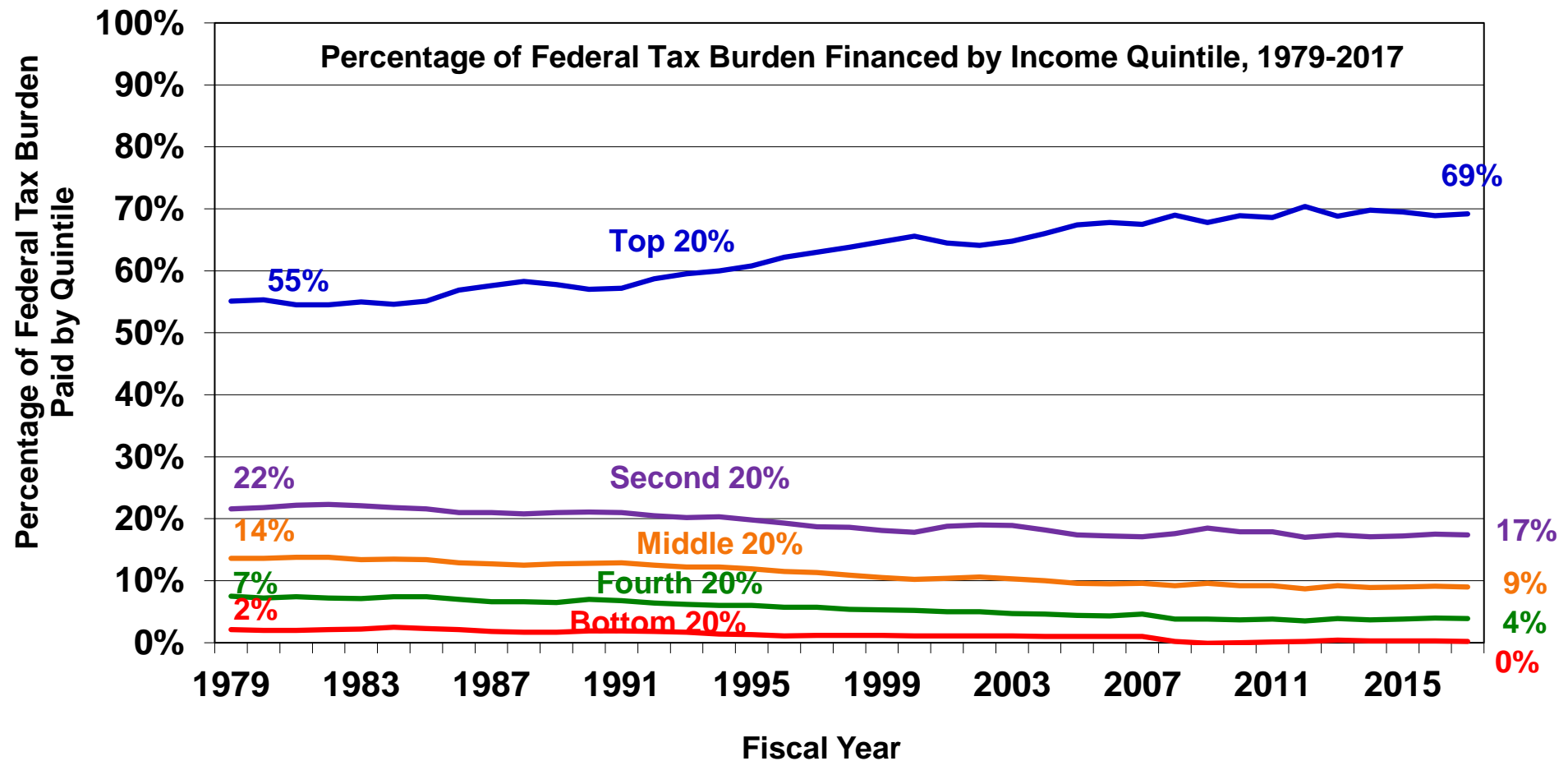


Note: Includes federal income, payroll, corporate, and excise taxes paid.

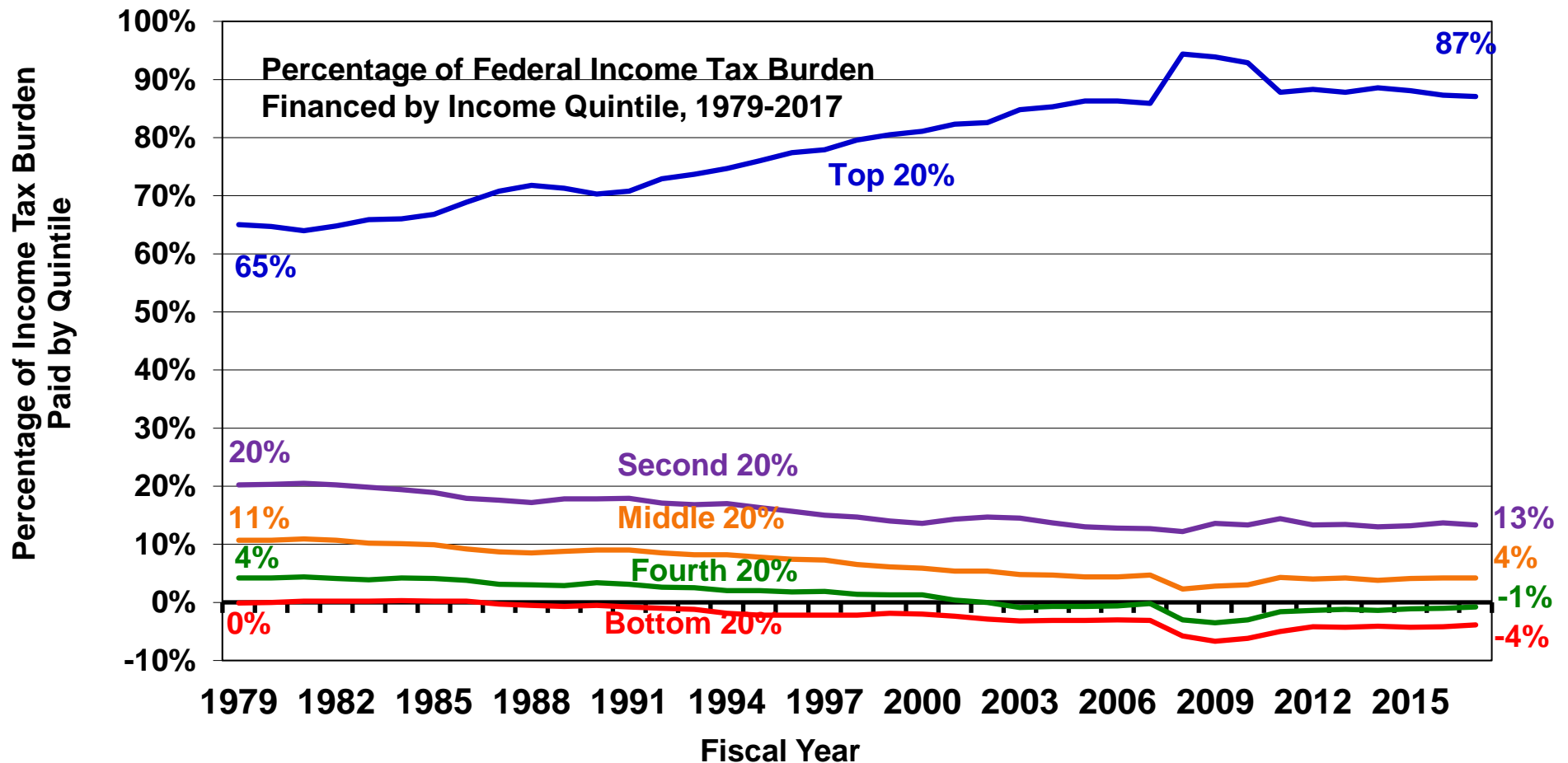
Source: Calculations using CBO "Distribution of Household Income, 2017" (2020)

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



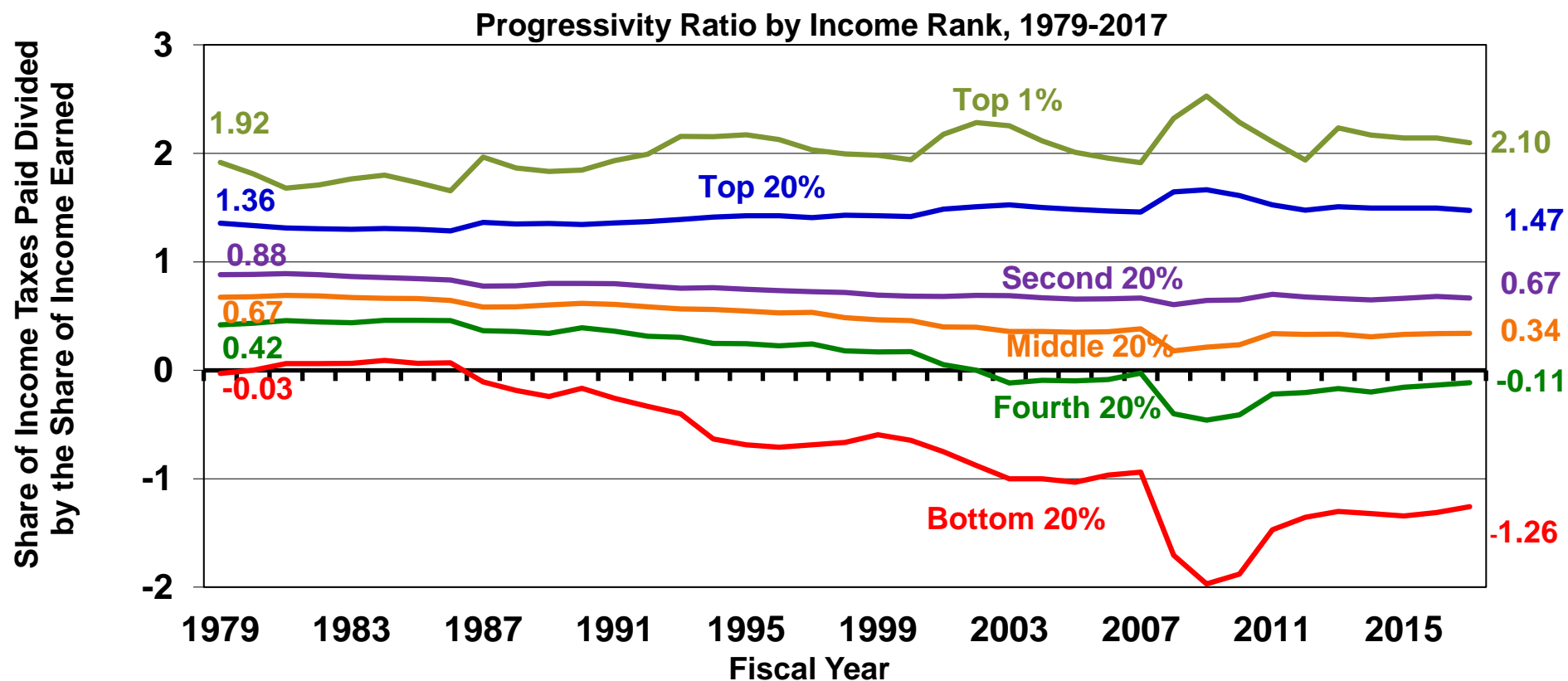
The Highest-Earning 20 Percent of Taxpayers Pay 87 Percent of All Federal Individual Income Taxes



Source: Calculations using CBO "Distribution of Household Income, 2017" (2020)

Author: Brian Riedl, Manhattan Institute -- ⁸²@Brian_Riedl

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

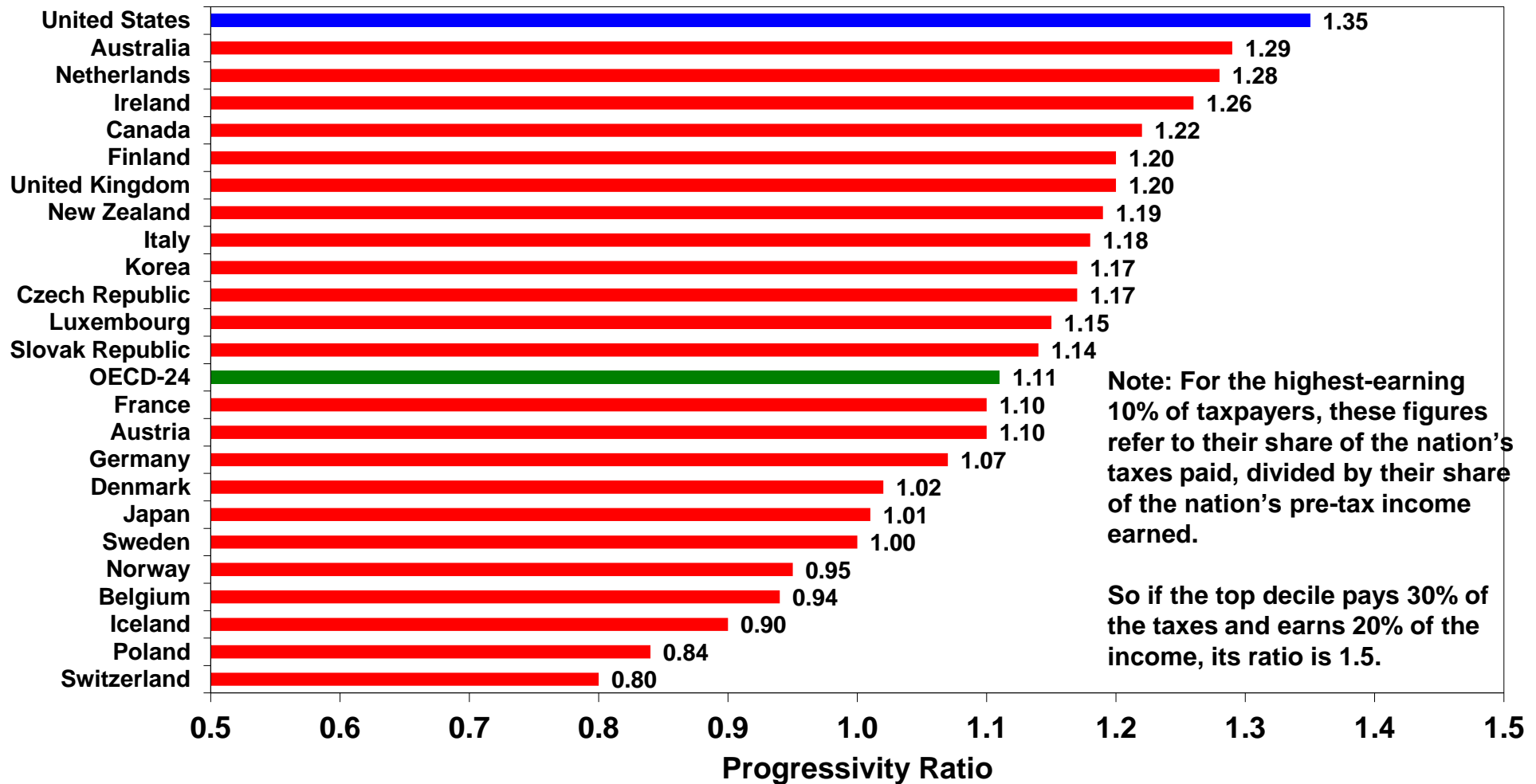


“Progressivity ratio” refers to the share of all individual income taxes paid divided by the share of pre-tax income earned. So a group that pays 40% of the taxes while earning 20% of the income has a progressivity ratio of 2. Ratios above 1 represent tax burdens exceeding their share of the income, while ratios below 1 represent tax burdens below their income share. Negative figures reflect a negative tax burden.

Source: Calculations using CBO "Distribution of Household Income, 2017" (2020)

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Even Controlling for Income Inequality, the U.S. Has the Most Progressive Income/Payroll Tax Code in the OECD

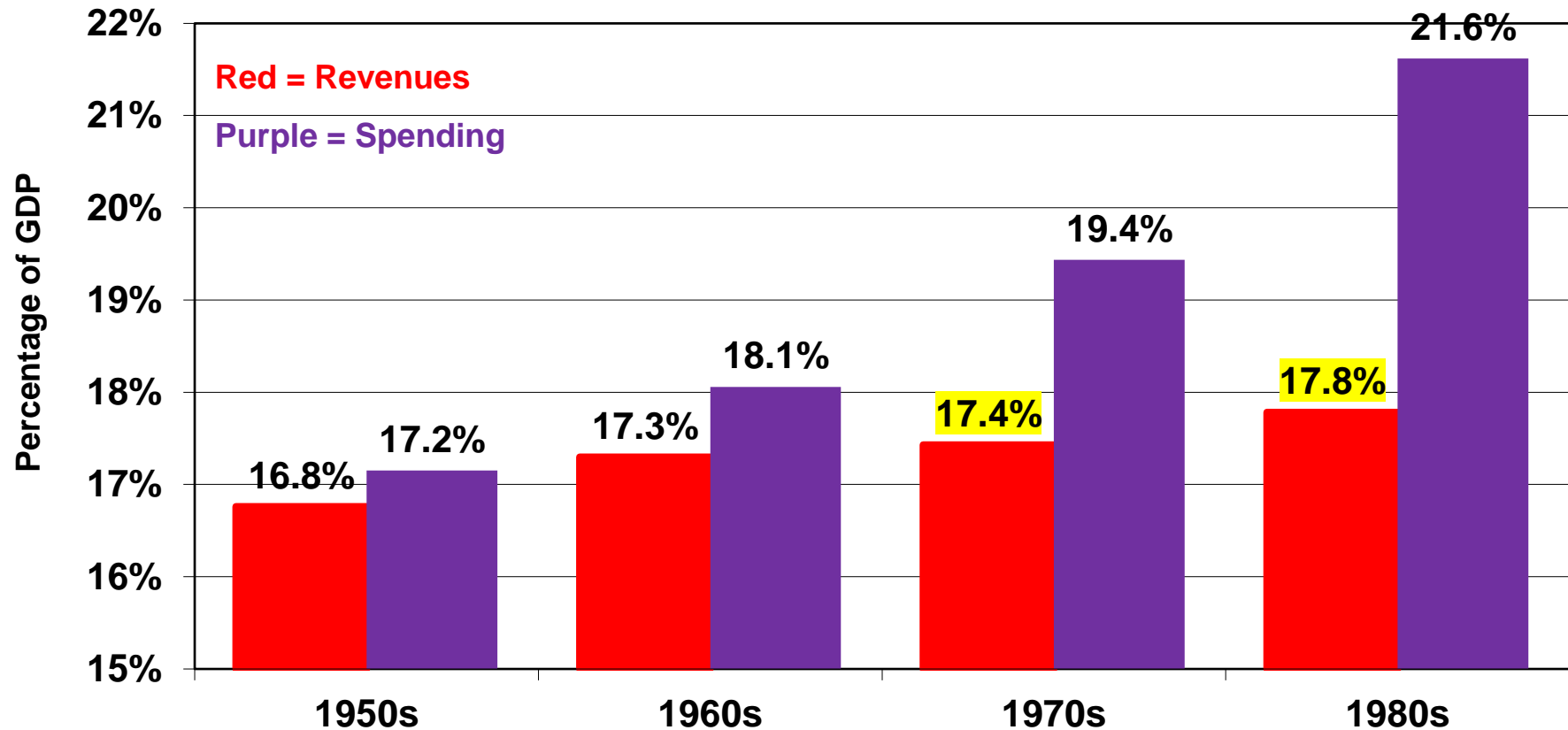


Source: OECD (2008) and Tax Foundation. The U.S tax code has since become even more progressive. Figures also exclude value-added taxes that make many other OECD nations' tax codes even less progressive.

Chapter 10

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

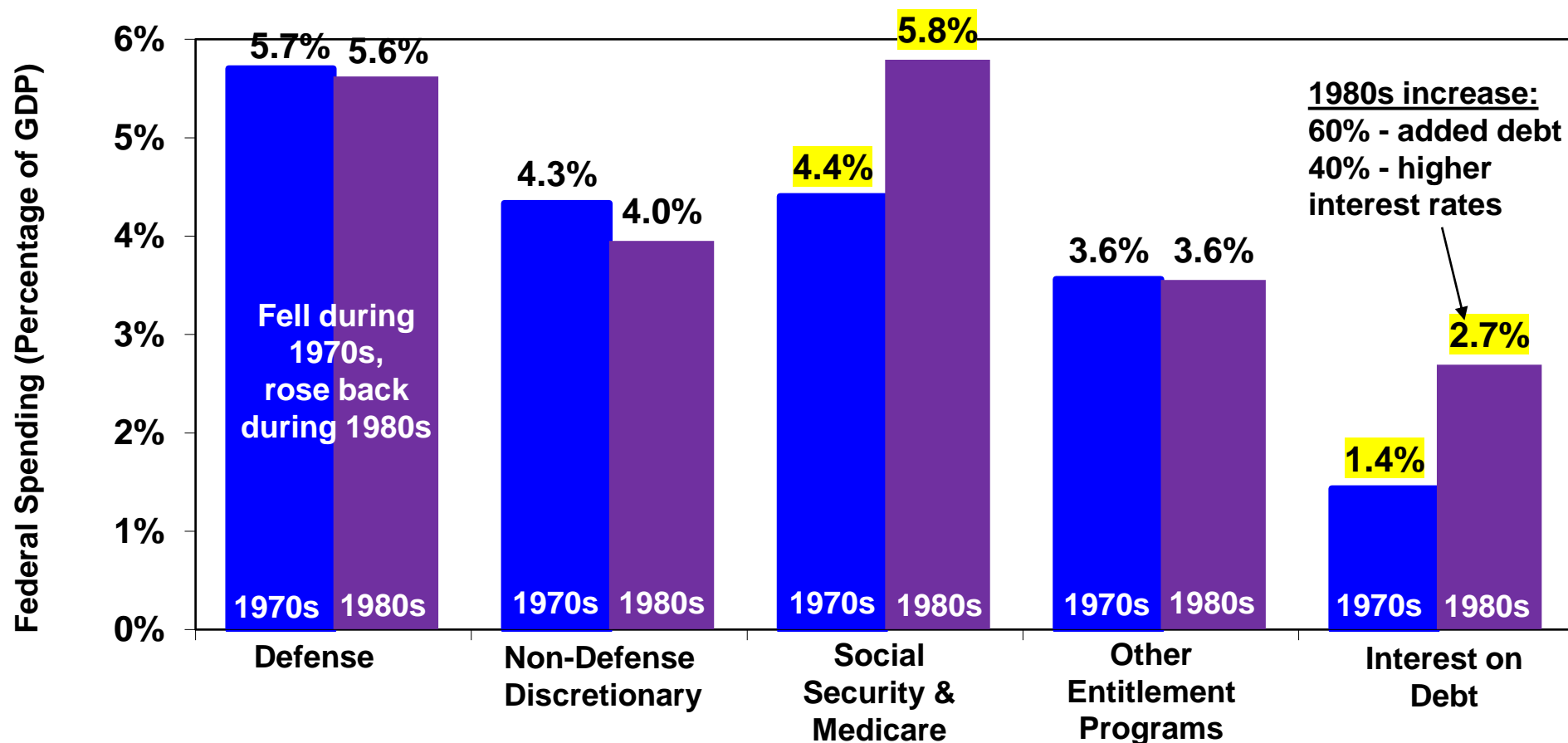
The Reagan Tax Cuts Did Not Starve the Government – Spending Worsened the 1980s Deficits



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

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

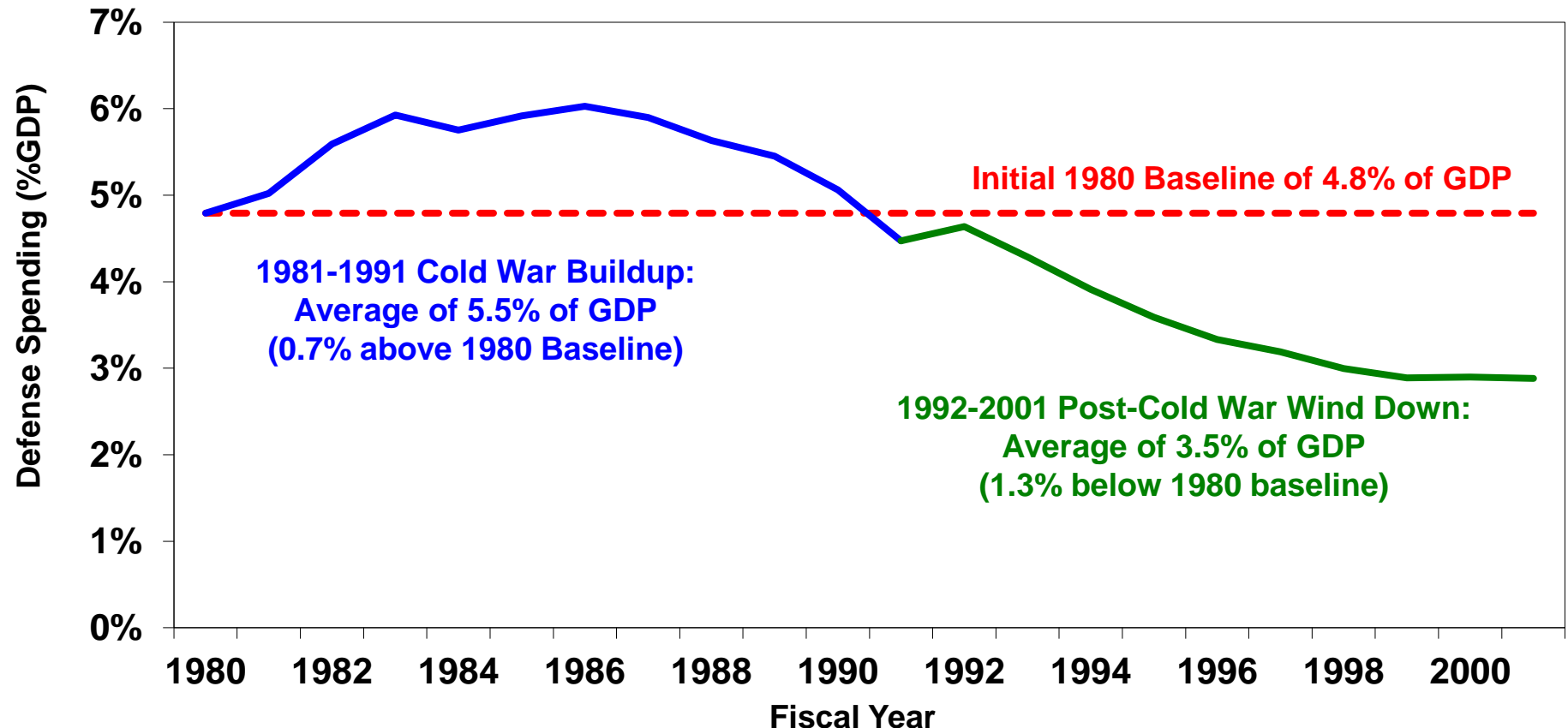
1980s Average Percentage of GDP: Revenue 17.8%, Spending 21.6%, Deficit: 3.8%



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

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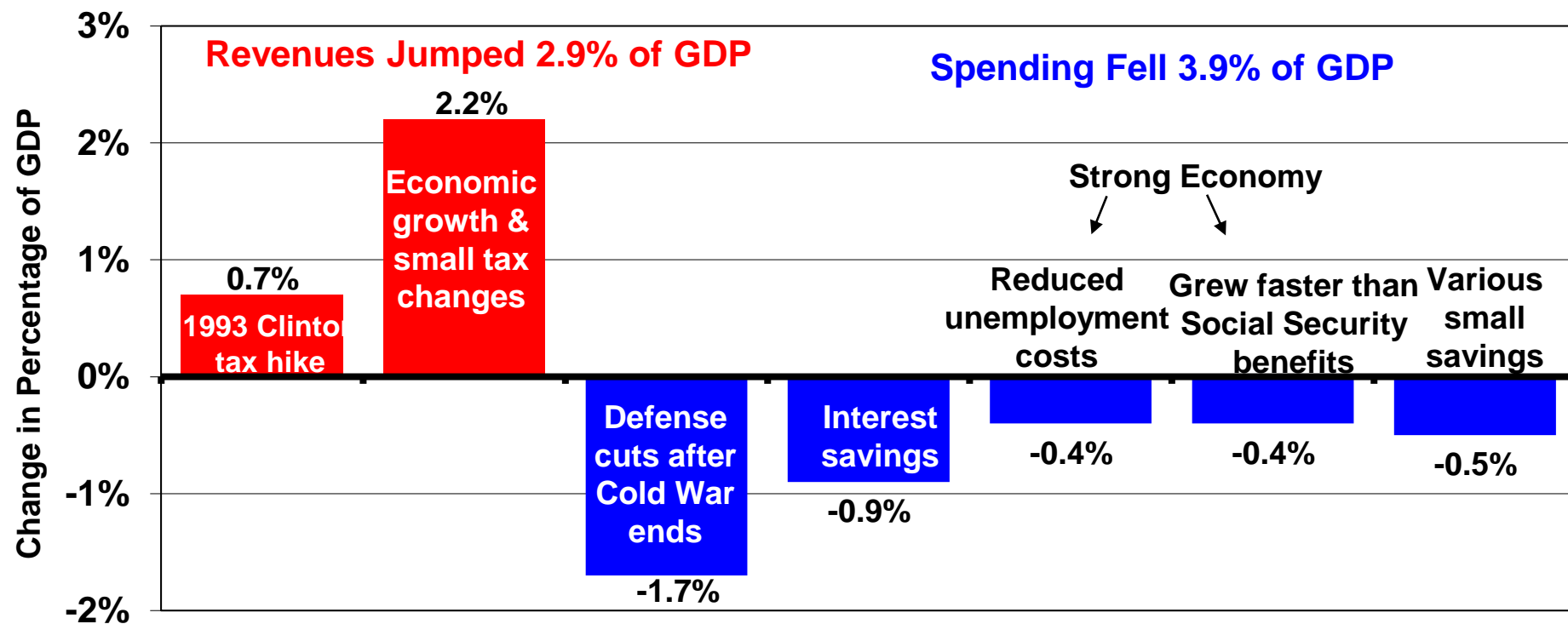
To the Extent it Contributed to the Soviet Collapse, the 1980s Defense Buildup Eventually Paid for Itself



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.

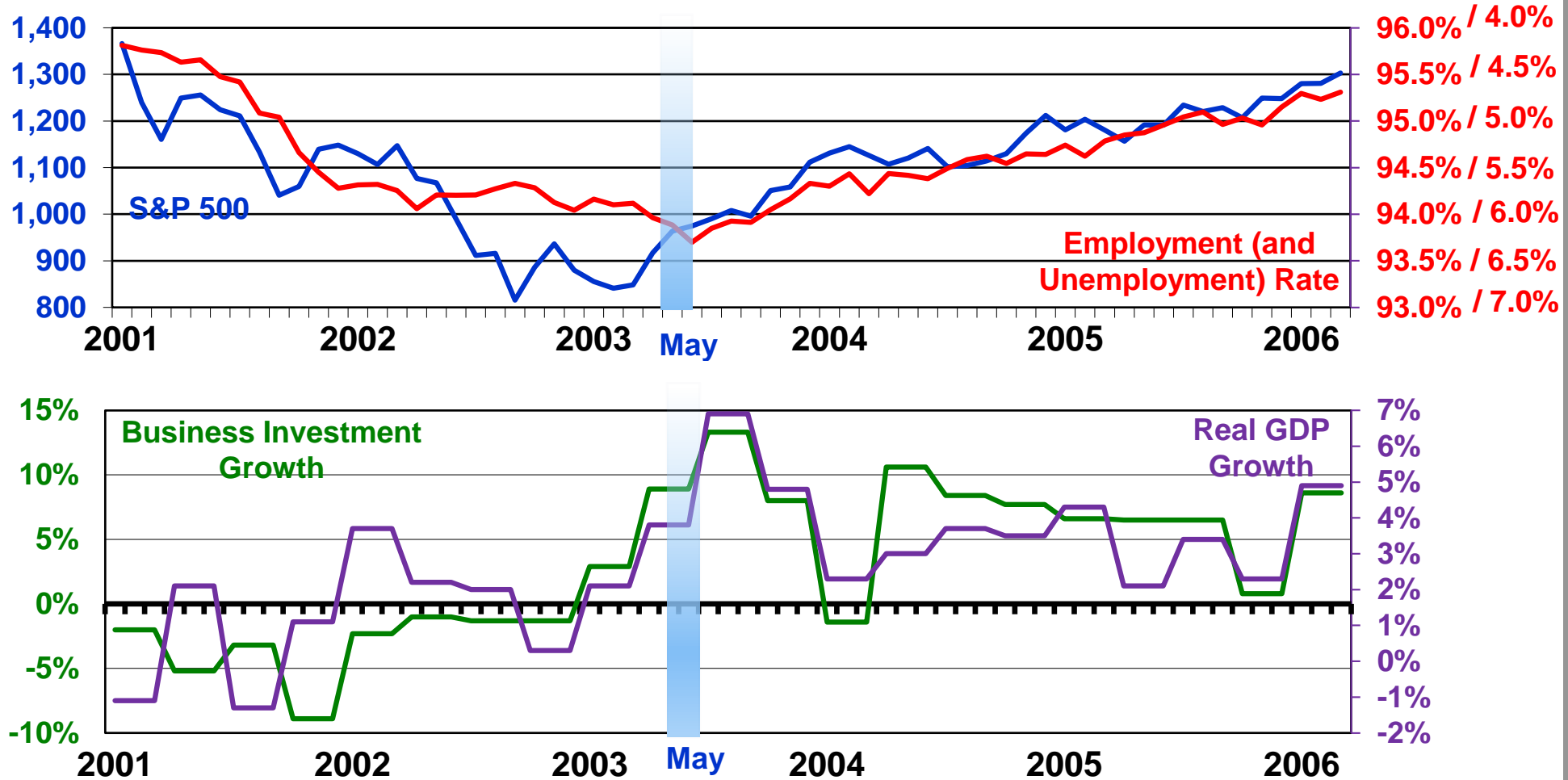
Source: OMB
Historical Tables
3.2, and 10.1

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



Source: OMB Historical Tables 2.3, 3.2, and 10.1;
and the CBO (1993) score of tax increases

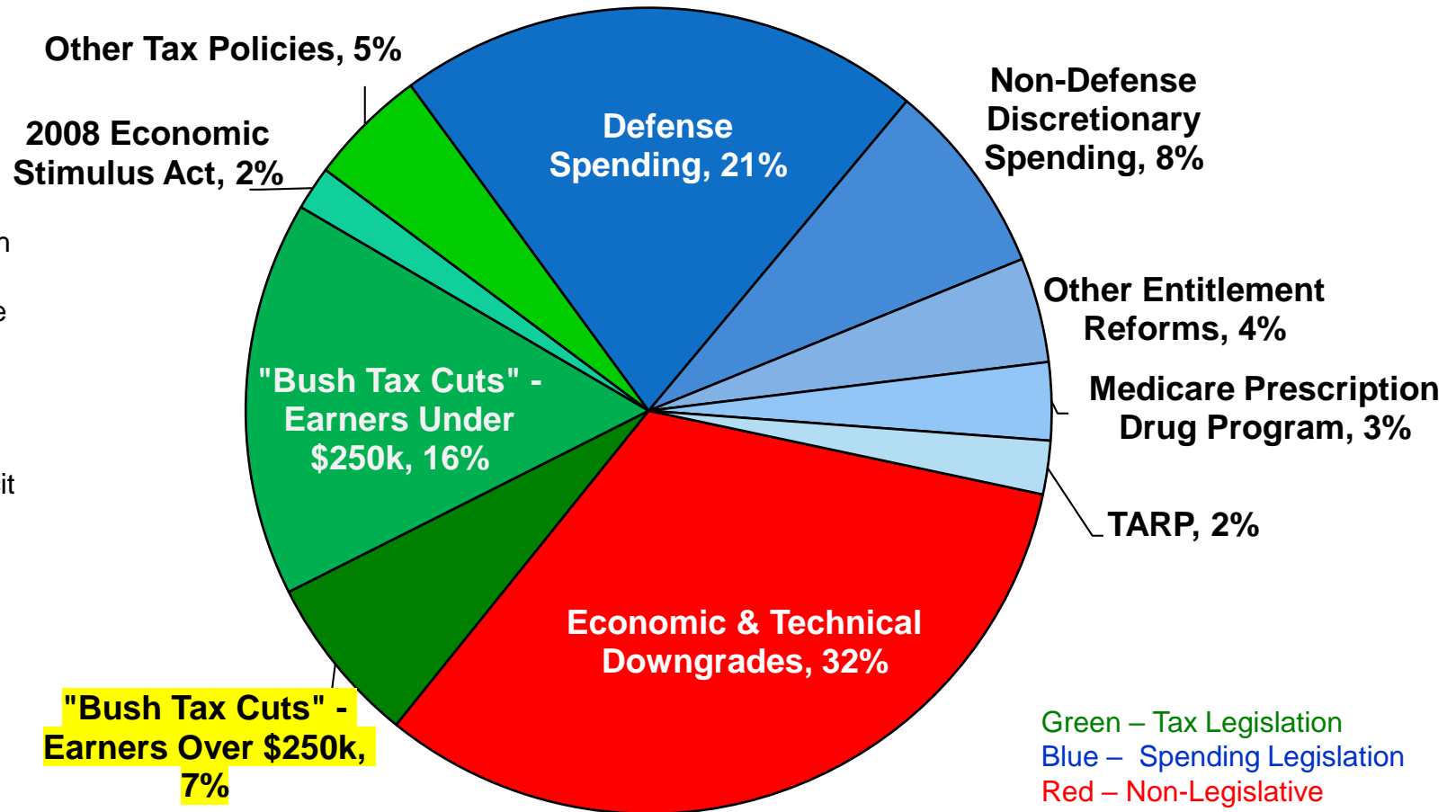
The May 2003 Supply-Side Tax Rate Cuts Were More Successful Than They are Credited For



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.

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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.

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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

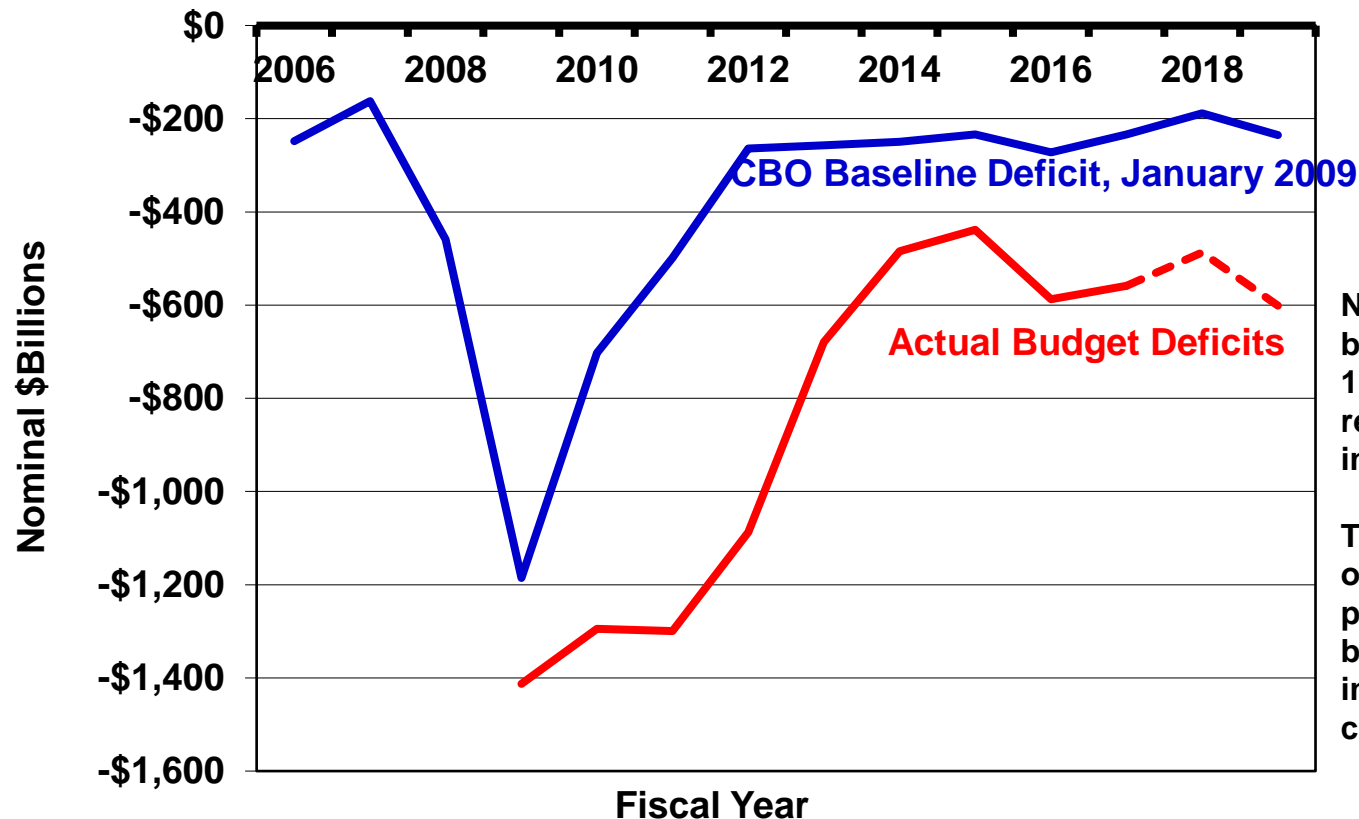
Source: Author calculations based on a CBO June 2012 report, and CBO baseline updates over 2001-11 period. Positive numbers add to deficit, negative numbers reduce deficit. Legislative changes include associated interest costs and savings. Ending 2090-2011 figures represent estimates on January 2009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

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Chapter 11

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.

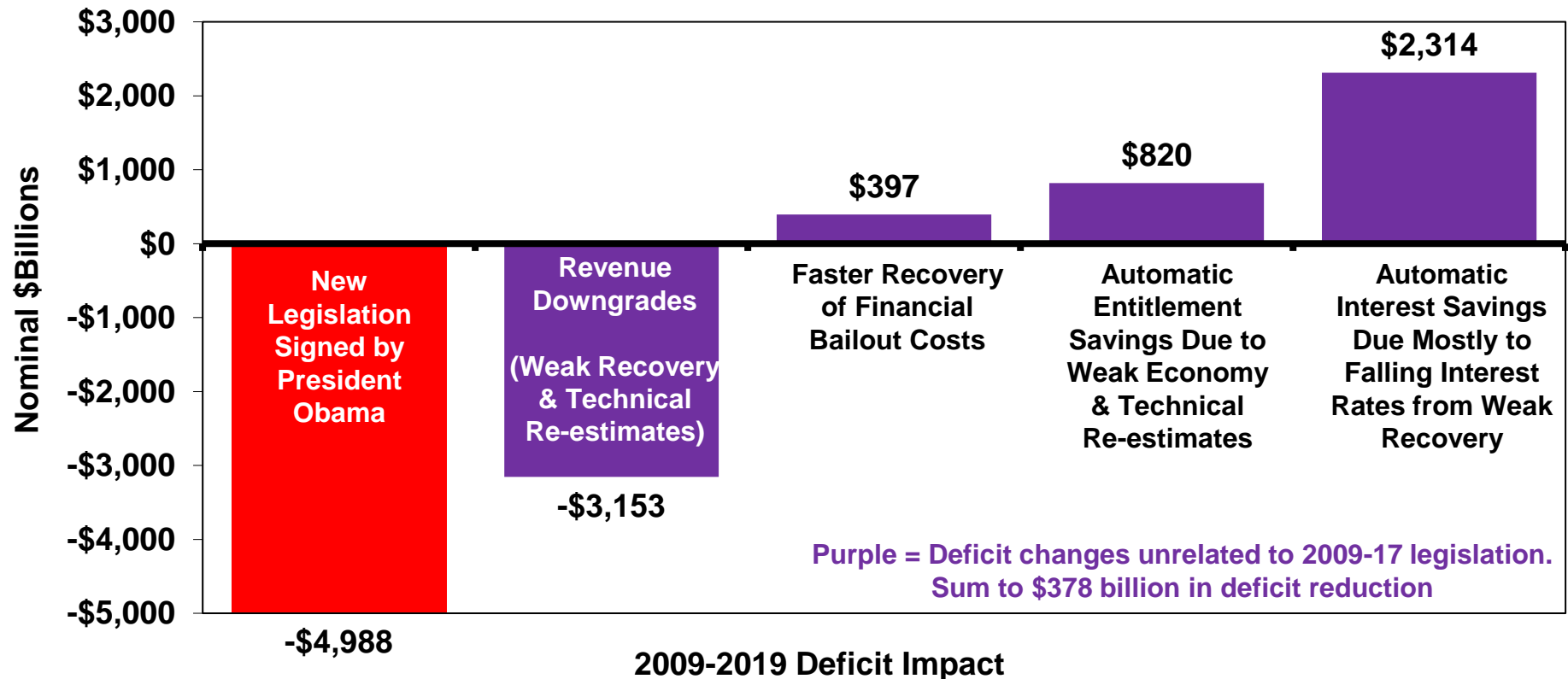
The added Obama deficits consist of \$5 trillion in new legislation, partially offset by \$400 billion saved by the sluggish recovery, as lower interest rates and thus interest costs offset the lower revenues

94

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.

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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.

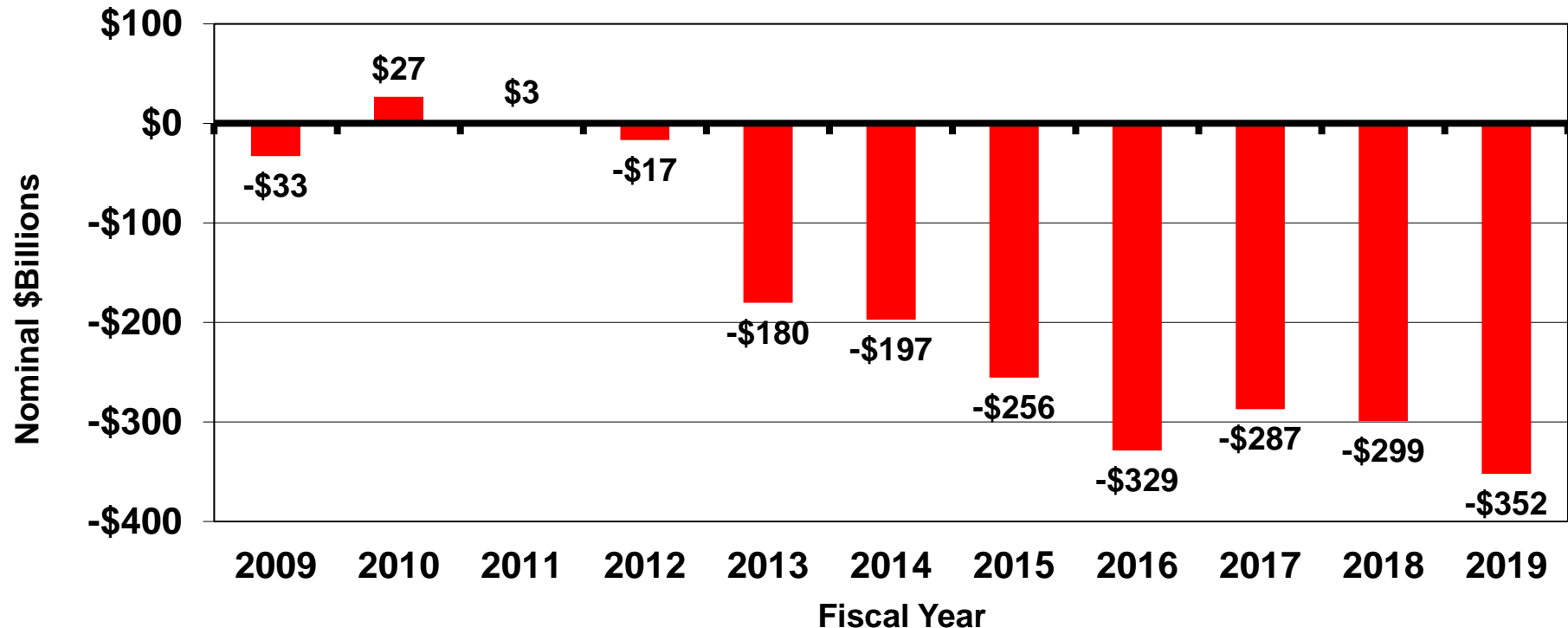
President Obama Oversaw a \$4.6 Trillion Decline from the Inherited 2009-2019 Budget Projections

(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.

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

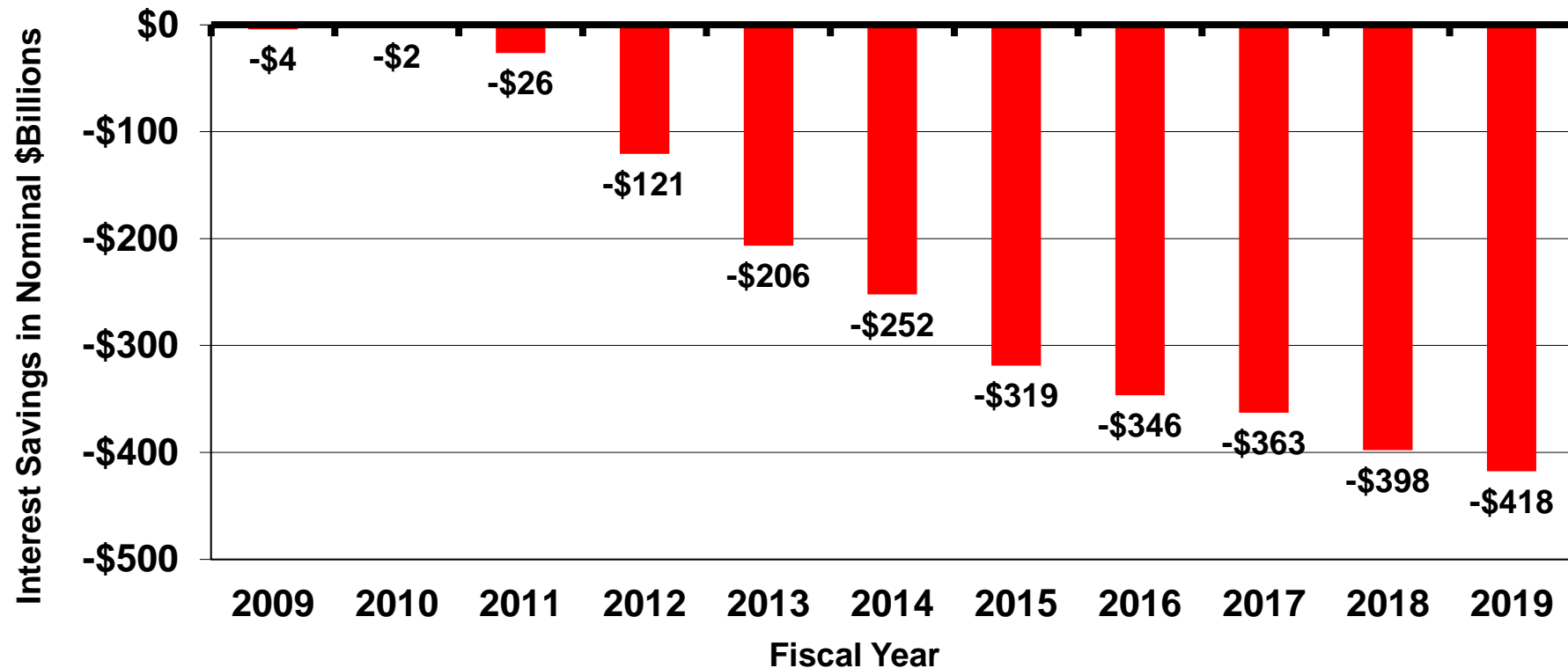


Note: Consists of gained/lost revenues specifically resulting from economic growth upgrades and downgrades between March 2009 and January 2017. Post-2016 figures reflect latest estimates.

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.

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

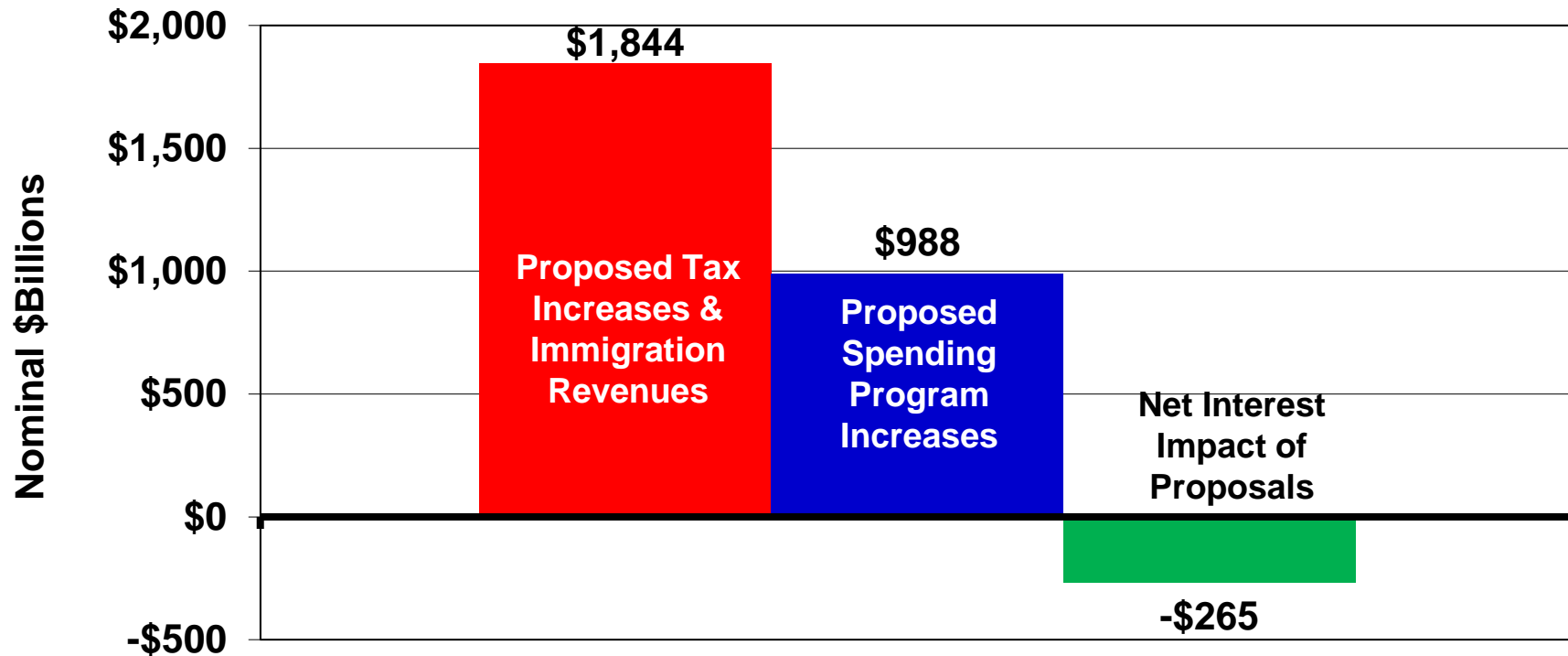


Note: Consists of net interest savings directly attributed to lower interest rates from economic downgrades occurring between March 2009 and January 2017. Post-2016 figures reflect latest estimates.

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.

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

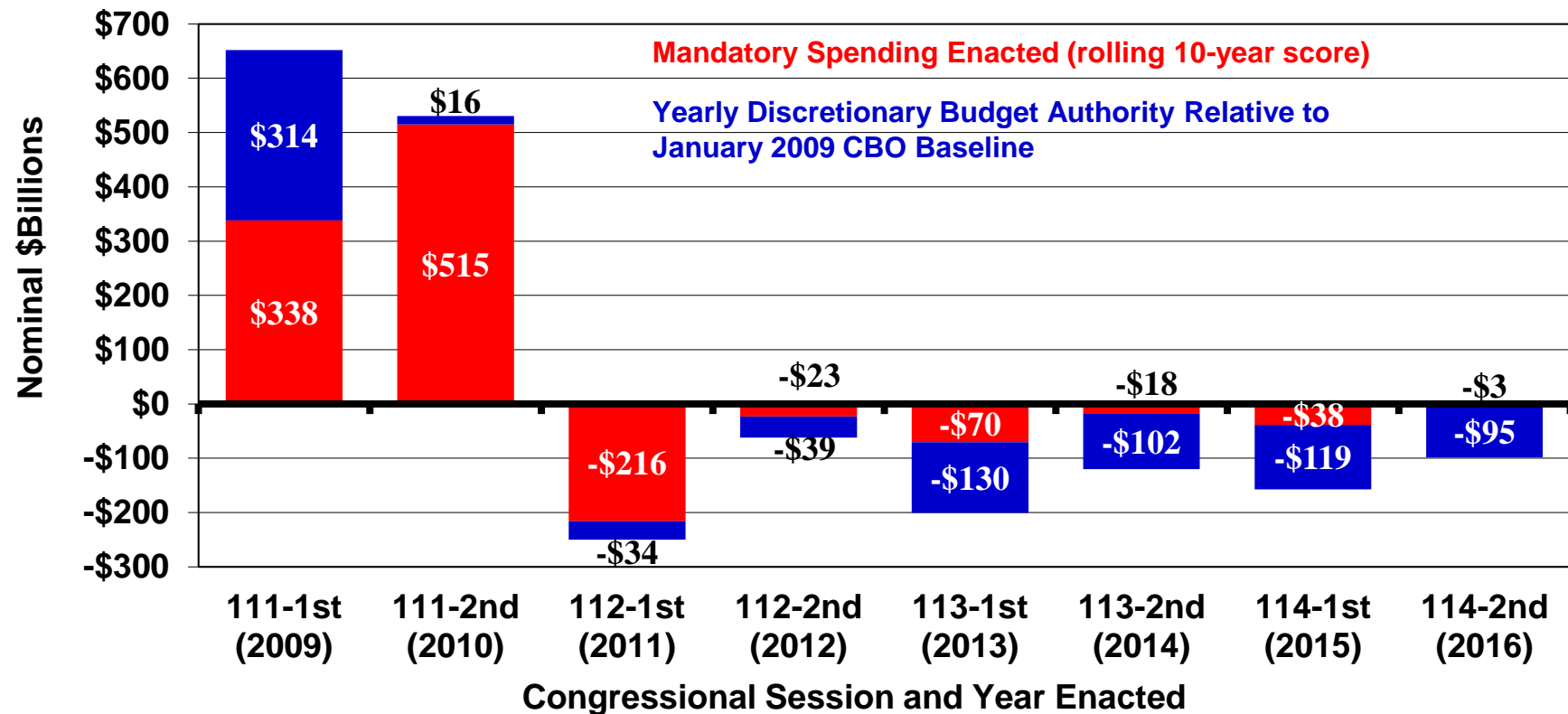


Source: OMB, President's Budget Proposals, FY 2010 - FY 2017. Includes new proposals hidden in the budget baseline, and excludes OCO proposals due to the lack of a plausible baseline to score them against. Also excludes current-policy extensions of long-time tax cuts and Medicare payment rates. See "Obama's Fiscal Legacy: A Comprehensive Overview of Spending, Taxes, and Deficits," by Brian Riedl.

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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



100

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.

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