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 -- @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 -- @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.

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
The 2020 Budget Deficit is Set to Exceed the Combined 2016 Through 2019 Deficits

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

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
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, Manhattan Institute - @Brian_Riedl
The National Debt is Set to Surpass the Previous World War II Peak

Historical Debt Held by the Public as a Percentage of GDP

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

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
CBO Long-Term Baseline Shows Unsustainable Debt

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

Source: CBO 2020 Long-Term Budget Outlook
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

Surplus/Deficit in Nominal $Billions

Historical and CBO Current-Policy Baseline Deficits

$236 (2000)

$-2,025 (2030)

$-2,674 (2030)

$-3,243 (2030)

$-1,413 (2009)

$-161 (2007)

$-3,132 (2020)

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

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
Rising Interest Rates Could Push the National Debt Past 250% of GDP Within 30 Years

Average interest paid rate on national debt:
1980s – 10.5%
1990s – 6.9%
2000s – 4.8%
2010s – 2.1%
2020s – 1.4% (CBO projection)
2050 – 4.4% (CBO projection)

CBO Baseline
(Assumes rates gradually rise from 2.1% to 4.4% between 2030 and 2050)

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.

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

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
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_Riedl
Rising Spending – Not Falling Revenues – Drives the Long-Term Deficit

Source: CBO 2020 Long-Term Budget Outlook.

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
Coronavirus Pushed 2020 Federal Spending Past $50,000 per Household

Source: OMB Historical Table 1.1, September 2020
cbo Historical Table 1.1, September 2020
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 -- @Brian_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_Riedl
Since 1990, Non-Defense Discretionary Spending Has Grown 3 Times Faster than Defense

(Includes war spending)

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

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
Budget Deals Weakened the Budget Control Act (BCA) Discretionary Spending Caps

Black – 2008-2012 Actuals & Original 2013-2021 CBO Baseline
Blue – Original 2013-2021 BCA Caps
Red – Final Figures After Budget Deals

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

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
What Became of the $1,788 Billion in Promised 2013-2021 Discretionary Savings Under the Budget Control Act?

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

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.

Source: Calculations based on CBO Data, as of August 2019.

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
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

- New Taxes: 18.8%
- Interest Savings: 11.9%
- Medicare Provider Cuts: 8.4%
- Other Mandatory Savings: 8.0%
- Discretionary Savings: 52.8%

The 6 Largest Deficit Reduction Deals Since 1983 Were:

1. 1983 Social Security Deal (Saved 0.52% of GDP)
2. 1985 Gramm-Rudman Hollings Act (1.72%)
3. 1990 Bush “Andrew Air Force Base” Deal (1.45%)
4. 1993 Clinton Budget Deal (1.08%)
5. 1997 Balanced Budget Deal (0.72%)
6. 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

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

### 2019 Revenues

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

Source: OMB Historical Tables 2.1, 2.4, 2.5, 3.2, and 8.5

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
Mandatory Spending is Squeezing Discretionary Spending

1965

Mandatory (34%)  
Defense (43%)  
Domestic Discretionary (23%)

2019

Mandatory (70%)  
Defense (15%)  
Domestic Discretionary (15%)

Source: OMB Historical Table 8.3

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
Composition of Federal Spending, 1962-2019

- **Social Security & Medicare:** 38%
- **Net Interest:** 9%
- **Antipoverty Programs:** 18%
- **Other Programs:** 20%
- **Defense (including Antipoverty Programs):** 15%

Source: OMB Historical Tables 3.2, 8.5, and 10.1

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
Social Security, Health Entitlements, & Interest Costs Drive 90% of the 2008-2030 Spending Hikes

Inflation-Adjusted (2020) $Billions


$739 $732 $580 $304 $1,448 $467 $627 $757 $1,448 $2,000 $2,540 $3,289

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

Author: Brian Riedl, Manhattan Institute -- @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, Manhattan Institute -- @Brian_Riedl
Rising Social Security & Medicare Shortfalls Drive Nearly the Entire Rising Deficit Between 2019-2030

Annual deficit is projected to rise from $984 billion to $2,025 billion

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 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.
Major Components of the $18.0 Trillion Deficit
Projected Over 2020-2030 Period

$Trillions of Nominal Dollars

- General Revenue Transfers to Social Security & Medicare: -$10.6
- Pandemic Legislation: -$3.0
- 2017 Tax Cuts: -$2.2
- Higher Disc. Caps: -$2.0
- Rest of the Budget: -$0.2

Note: General revenue transfers to Social Security & Medicare will grow from $470 billion to $1,516 billion between 2020 & 2030.

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, Manhattan Institute -- @Brian_Riedl
Anti-Poverty Spending Has Soared Regardless of Party Control of Government

Source: OMB Historical Tables 3.2, 8.5, and 10.1

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
From 2001 through 2019, SNAP (Food Stamp) Caseloads Grew 17 Times as Fast as the Poverty Population

- **Individuals in Poverty**: Up 1 Million (3%)
- **SNAP Caseloads**: Up 18 Million (106%)
- **Total Spending**: Up $37 Billion (136%)

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

- Medicaid: $57
- Medicare Fee-for-Service: $29
- Earned Income Tax Credit (EITC): $17
- Medicare Advantage (Part C): $17
- Other High-Risk Programs: $44

Source: OMB at https://paymentaccuracy.gov/
Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
Veterans’ Programs Have Earned Healthy Funding Increases

Source: OMB Historical Table 3.2, adjusted for inflation

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
### Why the Debt Limit Matters

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

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

Source: Compiled by the Committee For a Responsible Federal Budget

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
Chapter 5

The 30-Year Debt Estimates are Driven by Social Security and Medicare Shortfalls
Federal Budget, 1960-2050 (Projected)

Percentage of GDP

- Revenue
- Social Security & Health Entitlements
- Other Entitlements
- Non-Defense Discretionary
- Defense & Wars
- Net Interest

Fiscal Year

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

Author: Brian Riedl, Manhattan Institute
@Brian_Riedl

Source: CBO 2020 Long-Term Budget Outlook and OMB Historical Tables.
What is Causing $104 Trillion 2020-2050 Budget Deficit?

Social Security & Medicare: $101 Trillion Deficit
The Rest of the Budget: $3 Trillion Deficit

Social Security

- $18.9
- $11.8
- $30.7

Medicare

- $43.5
- $27.0

Rest of the Federal Budget

- $3.3

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

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.

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

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 2020 Long-Term Baseline. Outlays are net of premiums paid. Interest costs are those directly attributable to Medicare’s annual deficits over this period.

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
Social Security Faces a $31 Trillion Shortfall over 30 Years - $28 Trillion if Including the Trust Fund

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

Author: Brian Riedl, Manhattan Institute - @Brian_Riedl
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.

Author: Brian Riedl, Manhattan Institute @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

![Graph showing the comparison between Social Security and Medicare benefits and tax paid in for different income levels.]

- **Taxes Paid In**
  - Social Security: $599,000
  - Medicare: $498,000

- **Benefits Received**
  - Social Security: $669,000
  - Medicare: (net of premiums paid) $498,000

$161,000 of Taxes Paid In for Social Security

 Represents typical, average-income married couple turning 65 in 2020
Calculated present values.


Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
Cost of 2017 Tax Cuts vs. Major Entitlements Over 30 Years

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

Author: Brian Riedl, Manhattan Institute -53 @Brian_Riedl
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, Manhattan Institute -- @Brian_Riedl
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 -- @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

<table>
<thead>
<tr>
<th>Tax Proosals (static scoring)</th>
<th>10-Yr Savings ($Billions)</th>
<th>Long-Term Savings (%GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise Payroll Tax by 10 Percentage Points, no wage limit</td>
<td>$8,982</td>
<td>3.60%</td>
</tr>
<tr>
<td>Impose a 20% Value-Added Tax (VAT) – like a national sales tax</td>
<td>$7,680</td>
<td>3.35%</td>
</tr>
<tr>
<td>Raise Income Tax Rates Across-the-Board by 10 Percentage Points</td>
<td>$9,054</td>
<td>3.30%</td>
</tr>
<tr>
<td>Double 35% and 37% Tax Brackets to 70% and 74% (plus 15% state/payroll)</td>
<td>$4,504</td>
<td>1.70%</td>
</tr>
<tr>
<td>Impose Bernie Sanders’ 8% Wealth Tax (data from Penn-Wharton)</td>
<td>$2,809</td>
<td>1.07%</td>
</tr>
<tr>
<td>Eliminate FICA Cap – 15.3% Payroll Tax on All Wages (data from SSA)</td>
<td>$2,180</td>
<td>0.84%</td>
</tr>
<tr>
<td>Raise Corporate Tax Rate by 20 Percentage Points</td>
<td>$1,926</td>
<td>0.87%</td>
</tr>
<tr>
<td>Repeal All Itemized Tax Deductions</td>
<td>$1,312</td>
<td>0.99%</td>
</tr>
<tr>
<td>Carbon Tax of $25/Metric Ton – no rebate for households hit</td>
<td>$1,099</td>
<td>0.43%</td>
</tr>
<tr>
<td>Impose a 0.1% Tax on Financial Transactions</td>
<td>$777</td>
<td>0.37%</td>
</tr>
<tr>
<td>Repeal Entire 2017 Tax Law (data from CBO/JCT)</td>
<td>$455</td>
<td>(Mostly scheduled)</td>
</tr>
<tr>
<td>Tax Dividends &amp; CapGains as Income over $1M &amp; End Step-Up (data from TPC)</td>
<td>$448</td>
<td>0.19%</td>
</tr>
<tr>
<td>Impose Bernie Sanders’ 77% Estate Tax (data from Sanders)</td>
<td>$336</td>
<td>0.13%</td>
</tr>
<tr>
<td>Impose a 0.15% &quot;Bank Tax&quot; on Large Financial Institutions</td>
<td>$103</td>
<td>0.03%</td>
</tr>
<tr>
<td>30% Minimum &quot;Buffett Tax&quot; for Millionaires</td>
<td>$66</td>
<td>0.03%</td>
</tr>
<tr>
<td>Tax Carried Interest as Ordinary Income</td>
<td>$14</td>
<td>0.01%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Spending Proposals</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cut Defense Budget to European Target of 2% of GDP (data from CBO baseline)</td>
<td>$2,899</td>
<td>0.80%</td>
</tr>
</tbody>
</table>

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

CBO Forecasts $13 Trillion Deficit over 2021-2030

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

All figures in $billions

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

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

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 7

Progressive Proposals Would Dig the Debt Even Deeper
# Joe Biden has Proposed $11 Trillion in New Spending Over the Decade

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

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

CRFB = Committee for a Responsible Federal Budget

Figures do not include additional interest costs of new borrowing

Author: Brian Riedl, Manhattan Institute

-- @Brian_Riedl
Biden’s Spending Increase Proposals Dwarf Recent Democratic Pres. Candidates

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

Purple = Spending Increases
Red = Tax Increases

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

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
# Common Far-Left Proposals Would Cost Between $36 Trillion and $95 Trillion Over the Decade

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

## Popular Spending Offsets

<table>
<thead>
<tr>
<th>Popular Spending Offsets</th>
<th>Low*</th>
<th>High*</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cut Defense to European Levels</td>
<td>-2.9</td>
<td>-2.9</td>
<td>Baseline is 3% of GDP. NATO target is 2%</td>
</tr>
<tr>
<td>Medicare-For-All - Capture State Govt Savings</td>
<td>-3.0</td>
<td>-3.0</td>
<td>It is not clear Washington could capture this</td>
</tr>
</tbody>
</table>

**Remaining Budget Shortfall To Fill**

| Remaining Budget Shortfall To Fill           | **42.8** | **102.0** | Requires > Doubling $45T in Federal Revenues                         |

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

Author: Brian Riedl, Manhattan Institute
@Brian_Riedl
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.

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
No, Defense Cuts & Taxing Millionaires Cannot Finance Current Deficit or Liberal Wishlist

- All Untaxed Income Over $1 Million: 4.7%
- All Billionaire Wealth: 3.2%
- Entire Defense Budget: 3.0%
- Medicare-For-All: 12.5%
- Job Guarantee: 11.7%
- Climate (Sanders): 6.3%
- Free College & Loan Forgiveness: 1.0%
- Baseline 10-yr Deficit: 6.1%

Total Proposed New Spending: 37.6%

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.
Chapter 8

Tax Revenues Will Continue Growing Faster Than the Economy
Rising Spending – Not Falling Revenues –
Drives the Long-Term Deficit

Source: CBO 2020 Long-Term Budget Outlook.

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

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
High Capital Gains Tax Rates Have Not Produced More Revenue

Correlation: -0.31


Author: Brian Riedl, Manhattan Institute -- @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.

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.

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

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
### Taxes Cannot Easily Close Security & Medicare Shortfall: Will Need Added Revenues of 6% of GDP by 2040s

<table>
<thead>
<tr>
<th>Tax Proposals (static scoring)</th>
<th>10-Yr Savings ($Billions)</th>
<th>Long-Term Savings (%GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise Payroll Tax by 10 Percentage Points, no wage limit</td>
<td>$8,982</td>
<td>3.60%</td>
</tr>
<tr>
<td>Impose a 20% Value-Added Tax (VAT) – like a national sales tax</td>
<td>$7,680</td>
<td>3.35%</td>
</tr>
<tr>
<td>Raise Income Tax Rates Across-the-Board by 10 Percentage Points</td>
<td>$9,054</td>
<td>3.30%</td>
</tr>
<tr>
<td>Double 35% and 37% Tax Brackets to 70% and 74% (plus 15% state/payroll)*</td>
<td>$4,504</td>
<td>1.70%</td>
</tr>
<tr>
<td>Impose Bernie Sanders’ 8% Wealth Tax (data from Penn-Wharton)</td>
<td>$2,809</td>
<td>1.07%</td>
</tr>
<tr>
<td>Eliminate FICA Cap – 15.3% Payroll Tax on All Wages (data from SSA)</td>
<td>$2,180</td>
<td>0.84%</td>
</tr>
<tr>
<td>Raise Corporate Tax Rate by 20 Percentage Points</td>
<td>$1,926</td>
<td>0.87%</td>
</tr>
<tr>
<td>Repeal All Itemized Tax Deductions</td>
<td>$1,312</td>
<td>0.99%</td>
</tr>
<tr>
<td>Carbon Tax of $25/Metric Ton – no rebate for households hit</td>
<td>$1,099</td>
<td>0.43%</td>
</tr>
<tr>
<td>Impose a 0.1% Tax on Financial Transactions</td>
<td>$777</td>
<td>0.37%</td>
</tr>
<tr>
<td>Repeal Entire 2017 Tax Law (data from CBO/JCT)</td>
<td>$455</td>
<td>(Mostly scheduled)</td>
</tr>
<tr>
<td>Tax Dividends &amp; CapGains as Income over $1M &amp; End Step-Up (data from TPC)</td>
<td>$448</td>
<td>0.19%</td>
</tr>
<tr>
<td>Impose Bernie Sanders’ 77% Estate Tax (data from Sanders)</td>
<td>$336</td>
<td>0.13%</td>
</tr>
<tr>
<td>Impose a 0.15% &quot;Bank Tax&quot; on Large Financial Institutions</td>
<td>$103</td>
<td>0.03%</td>
</tr>
<tr>
<td>30% Minimum &quot;Buffett Tax&quot; for Millionaires</td>
<td>$66</td>
<td>0.03%</td>
</tr>
<tr>
<td>Tax Carried Interest as Ordinary Income</td>
<td>$14</td>
<td>0.01%</td>
</tr>
</tbody>
</table>

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.
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

Author: Brian Riedl,
Manhattan Institute -
@Brian_Riedl
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)

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
The Federal Tax Burden (For All Combined Taxes) Has Grown More Progressive Over Time

Percentage of Federal Tax Burden Financed by Income Quintile, 1979-2017

- Top 20%: 69%
- Second 20%: 55%
- Middle 20%: 22%
- Fourth 20%: 14%
- Bottom 20%: 7%

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

Percentage of GDP

1950s 1960s 1970s 1980s

15% 16% 17% 18% 19% 20% 21% 22%

Red = Revenues
Purple = Spending

Source: OMB Historical Table 1.3
Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
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%

Federal Spending (Percentage of GDP)

- **Defense**
  - 1970s: 5.7%
  - 1980s: 5.6%
  - Fell during 1970s, rose back during 1980s

- **Non-Defense Discretionary**
  - 1970s: 4.3%
  - 1980s: 4.0%

- **Social Security & Medicare**
  - 1970s: 4.4%
  - 1980s: 5.8%

- **Other Entitlement Programs**
  - 1970s: 3.6%
  - 1980s: 3.6%

- **Interest on Debt**
  - 1970s: 1.4%
  - 1980s: 2.7%

1980s increase:
- 60% - added debt
- 40% - higher interest rates

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 - @Brian_Riedl
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

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
The 1990s Budget Was Balanced by an Economic Boom and the Cold War Peace Dividend (and by Washington Not Spending All the Savings)

Revenues Jumped 2.9% of GDP

Spending Fell 3.9% of GDP

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

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

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
The May 2003 Supply-Side Tax Rate Cuts Were More Successful Than They are Credited For

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

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

(All numbers in nominal $billions)

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<tbody>
<tr>
<td></td>
<td>281</td>
<td>313</td>
<td>359</td>
<td>397</td>
<td>433</td>
<td>505</td>
<td>573</td>
<td>635</td>
<td>710</td>
<td>796</td>
<td>889</td>
<td>5,891</td>
</tr>
</tbody>
</table>

**Legislative Changes**

- "Bush Tax Cuts" - Earners Over $250k: -22, -12, -48, -82, -74, -71, -72, -78, -81, -88, -71, -699
- 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, 0, 0, 0, 0, 0, 0, 0, -194, -16, -221
- TARP Financial Bailouts: 0, 0, 0, 0, 0, 0, 0, -160, -25, 3, 0, -181
- Economic Stimulus Act of 2008: 0, 0, 0, 0, 0, 0, 0, 0, 0, -160, -25, 3, 0
- Other Entitlement Reforms: -8, -14, -36, -29, -36, -51, -44, -41, -74, -52, -46, -432

**Economic & Technical Re-estimates**


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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>128</td>
<td>-158</td>
<td>-378</td>
<td>-413</td>
<td>-318</td>
<td>-248</td>
<td>-161</td>
<td>-459</td>
<td>-1,186</td>
<td>-703</td>
<td>-498</td>
<td>-4,394</td>
</tr>
</tbody>
</table>

**Memorandum**

- Legislative Changes: -87, -150, -358, -514, -540, -614, -696, -1,000, -1,199, -923, -867, -6,947
- Total Deficit Changes: -154, -469, -735, -809, -752, -754, -735, -1,095, -1,895, -1,500, -1,386, -10,285

- 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 2009-2011 figures represent estimates on January 2009 when President Bush left office.

Chapter 11

A Comprehensive Accounting of the Obama Fiscal Record
President Obama Oversaw 2009-2019 Budget Deficits $4.6 Trillion Beyond the Inherited Baseline

Nominal $Billions

Fiscal Year

CBO Baseline Deficit, January 2009

Actual Budget Deficits

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.

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.

Author: Brian Riedl, Manhattan Institute -- @Brian_Riedl
President Obama Oversaw a $4.6 Trillion Decline from the Inherited 2009-2019 Budget Projections

(All numbers in nominal $billions)

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

Legislative Changes

- **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

- **2019-19**: -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


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.

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.

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

Proposed Tax Increases & Immigration Revenues

$1,844

Proposed Spending Program Increases

$988

Net Interest Impact of Proposals

-$265

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

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.