Current Outlook

Debt to GDP Ratio: CBO Projection

Source: Congressional Budget Office Report
Implications

Decreased GDP Growth Rate

Fiscal Constraint

Low Tax & High Spending

Increasing Interest Payment

Sources: “The 2017 Long-Term Budget Outlook” provided by Congressional Budget Office, Wall Street Journal
Tax Reform

10% Value Added Tax

Revenue Decreases
- Eliminate Brackets & Deductions
- Income Redistribution
  - 20% Flat Income Tax

Revenue Increases
- Reduced IRS
- 20% Capital Gains

Source: The Wall Street Journal, Federal Reserve Bank of St. Louis, University of Pennsylvania Law School
Updated Outlook

Debt to GDP Ratio: Tax Reform

Source: Congressional Budget Office Report
Carbon Tax

$40 per ton tax
- Increasing 2% above inflation annually for 10 years
- $180 billion average revenue

$500 per household dividend
- Reduces regressive nature of tax
- $8.11 billion initial expenditure

Source: Climate Leadership Council, Resources for the Future, US Department of the Treasury
Updated Outlook

Debt to GDP Ratio: Carbon Tax

150%

111%

Source: Congressional Budget Office Report
Reducing Defense Spending

United States Defense Spending (in Billions of Dollars)

- **RDT&E**
  - Current Spending: $83.30
  - Adjusted Spending: $68.30

- **Military Personnel**
  - Current Spending: $146.00
  - Adjusted Spending: $120.00

- **Procurement**
  - Current Spending: $125.20
  - Adjusted Spending: $97.20

- **O&M**
  - Current Spending: $271.90
  - Adjusted Spending: $231.90

Source: 2018 Department of Defense Budget Request, Cato Institute
Reducing Defense Spending

- **$40b** Reduce Administration and Active Personnel
  - Base Restructuring
  - Active Duty Troops

- **$43b** Reduce Acquisition Programs
  - F-35
  - Tactical Submarine

- **$40b** Reduce Nuclear Programs
  - Modernization and Decommission

Source: 2018 Department of Defense Budget Request
Updated Outlook

Debt to GDP Ratio: Defense

Source: Congressional Budget Office Report
Social Security

Taxable Maximum
- Raise the cap to cover 90% of all earnings
- Increase in benefits
- Less regressive

Changing CPI
- From CPI-W to Chained CPI
- 25 basis points lower
- Effects compound over time

Source: Congressional Budget Office Report
Updated Outlook

Debt to GDP Ratio: Social Security

Source: Congressional Budget Office Report
Opioid Intervention

Updated Outlook

Debt to GDP Ratio: With Opioid Policies

Source: Congressional Budget Office Report
Platform

Moderate Taxes
- Tax Overhaul

Streamline Outlays
- Carbon Tax
- Defense Spending
- Social Security
- Opioid Policies

Productivity Support
- Education
- Immigration

Fiscal Stability

Strengthen Output
Education Reform

**Investment:**
Increased Teacher Pay Scale

**Quality:**
Mentor Program & Career Model

**Growth:**
Human Capital, Innovation & TFP

2.2%
30-Year GDP Growth

Source: NBER.org, Bureau of Labor Statistics
Updated Outlook

Debt to GDP Ratio: Education Reform

Source: Congressional Budget Office Report
Immigration

1. Develop Path to Citizenship
2. Legalize 11 million Immigrants
3. Increase Availability of Work Visas

$14.7 Billion annual increase in Tax Revenue

$17 Billion annual Increase in GDP

Source: Congressional Budget Office Report, Congress.gov, Americanimmigrationcouncil.org
Final Outlook

Debt to GDP Ratio: Total

Source: Congressional Budget Office Report
Thank you for your time!
Appendix: Rising Interest Costs

**Budget Categories (% of GDP)**

- **2017**
  - Interest
  - Social Security
  - Medicare
  - Medicaid, CHIP & Exchanges
  - Defense Discretionary
  - Nondefense Discretionary
  - Other Mandatory

- **2026**
  - Interest
  - Social Security
  - Medicare
  - Medicaid, CHIP & Exchanges
  - Defense Discretionary
  - Nondefense Discretionary
  - Other Mandatory

- **2046**
  - Interest
  - Social Security
  - Medicare
  - Medicaid, CHIP & Exchanges
  - Defense Discretionary
  - Nondefense Discretionary
  - Other Mandatory

- **2048**
  - Interest
  - Social Security
  - Medicare
  - Medicaid, CHIP & Exchanges
  - Defense Discretionary
  - Nondefense Discretionary
  - Other Mandatory

Source: Congressional Budget Office, Peterson G. Peterson Foundation
Appendix: Drug Poisoning Rate

Source: Evans Lieber (2018), Center for Disease and Control Prevention
Sources: Tax Overhaul

- Michael J. Graetz, 100 Million Unnecessary Returns: A Simple, Fair, and Competitive Tax Plan for the United States
- https://fred.stlouisfed.org/series/CPIAUCSL
- https://www.wsj.com/articles/should-the-u-s-adopt-a-value-added-tax-1456715703
- https://ec.europa.eu/taxation_customs/business/vat/what-is-vat_en
Appendix: Tax Overhaul

- Tax overhaul largely based off a plan outlined by Michael J. Graetz in 100 Million Unnecessary Returns: A Simple, Fair, and Competitive Tax Plan for the United States with FRED CPI data used to update projections
Sources: Education Investment

- https://openknowledge.worldbank.org/handle/10986/19583
- https://www.rand.org/content/dam/rand/pubs/working_papers/2006/RAND_WR378.pdf
Appendix: Education Investment

- Education Investment uses projection from Dessus (2001) to formulate a total change in the growth rate of GDP of .1
- “2.2% Average GDP Growth” refers to average year over year percentage change of GDP from 2017 to 2047 with the change in the GDP growth rate implemented.
- Previous average growth rate was 1.9%, according to CBO Data
Sources: Opioid Policy

- http://www.drugpolicy.org/issues/supervised-injection-facilities
Appendix: Defense policy


Due to the nature of defense and overseas contingency operations, it is difficult to anticipate what might be required in terms of annual increases in defense spending. Our model assumes a 2% nominal increase annually to compensate for inflation, however doesn’t make any other assumption.
Sources: Immigration Reform

- https://www.cbo.gov/publication/44346
Appendix: Immigration Policy

- Effects of the immigration policy on GDP were calculated by projecting the CBO’s projections forward 5 years and finding the average yearly change in GDP that would have to occur in order to meet the CBO’s projection. (ie. The CBO projected GDP will grow by 3.3% relative to predicted values under the new immigration policy in the year 2028. Therefore, I calculated the level of GDP that is 3.3% higher than the predicted value and divided that value by 10, because there are 10 periods between now and 2028. I repeated an identical process for the years leading up to 2038 and this projected this GDP growth value forward for all the years until 2047.

- To calculate the increase in tax revenue, I multiplied the tax revenue for a person in the lowest income bracket by 11 million because this is the number of newly-legalized citizens who will now be subject to income taxes. This is therefore a conservative estimate.
Sources: Social Security Policy

Appendix: Social Security Policy

- To find the decrease in outlays for switching to the chained CPI, I used the CBO’s estimates until the year 2026 and then used a parabolic line of best fit to project forward the values until the year 2047.

- To find the decrease in outlays for changing the taxable maximum, I once more used the CBO’s estimates until the year 2026 and then used a linear line of best fit to project forward the values until the year 2047.
Sources: Carbon Tax

- https://www.census.gov/quickfacts/fact/table/US/PST045217
- https://fas.org/sgp/crs/misc/R44451.pdf
Appendix: Carbon Tax

- Inspiration is drawn from the Climate Leadership Council. Their plan proposes a $40/ton tax, which is in line with the Paris Accords. The $500 per household dividend prevents the tax from being regressive, and this figure comes from the Congressional Budget Office.
- The revenue projections are done in two parts. The first ten years come from RFF projections with a carbon tax at stated level and increase rate. The second part starts with the 2028 projected revenue and then accounts for average carbon emission reduction as projected by the Congressional Research Service.
- The dividend cost projections come from census data and account for population growth projections.