Economic Outlook

Without Legislative Change

- Reductions to public and private investment
- Decrease in policy flexibility

Continued Inaction

- Risk of economic instability
- Necessitated changes will be larger, more sudden
Economic Outlook

- Re-Prioritizing Government Spending
- Fiscal Responsibility
- Modernize U.S. Immigration System
- Progressive Tax Reforms
Re-Prioritizing Government Spending

- Defense
- Subsidies
- Post Office
Institute DoD requested Base Realignment and Closure (BRAC)

Replace some military employees with civilians
Defense

BRAC: Specifically supported by the DoD

DoD precedence for civilian replacements

Persistent savings, limited change in capability
Agricultural Subsidies: Problems

Support distorted to larger farms → Fosters inefficiency, excessive surpluses → Very high median income of farms
Agricultural Subsidies: Proposals

- **Title XI Insurance Cuts**: 17.6%
- **Title I Commodity Cuts**: 22.4%
- **Untouched**: 60.0%

**Proposals**:

- Reduce insurance subsidy support from 60% to 30%
- Do not extend most Title I agricultural programs (ARC and PLC)
Construction Subsidies: Repeal Davis-Bacon Act

Out of date “prevailing wages” distort costs

CBO sets net effect of repeal at $4.8 billion/year
Post Office: Fiscal Concerns

Given over $18 billion in preferential treatment per year

Posted losses for 11 consecutive years

$125 billion in unfunded liabilities and debt in pensions
Post Office: Proposal

- Sell off USPS capital and land
- Pay off pensions immediately
- Privatization to end tax burden
Currently Indexed to Inflation:

- Standard Deduction
- Personal and Dependent Exemptions
- Income Tax Brackets
- Gift Tax Size and Credit Phase Outs
- Alternative Minimum Tax
CPI Tax Reform: Proposals

CPI-U
- Substitution Bias
- Small Sample Bias
- Overestimates Cost of Living

Chained CPI-U
- Increases Tax Revenue
- Effects Spread Out over Tax Base
- Monthly Estimates are Accurate
CPI Tax Reform: Impact

Deficit Reduction of 7.5% in 2047
Tax on Financial Transactions: Proposals

0.02% of security or derivative contracts payments

Transactions within U.S., offshore transactions made by U.S. taxpayers

Does not apply to initial issuance
Tax on Financial Transactions: Impacts

- 37% pt reduction in Debt:GDP ratio
- Reduced volatility
- Direct resources to more productive uses
Social Security

2034: Only 77% of benefits will be paid

Largest Federal Spending Program
Social Security: Proposal

Subject earnings greater than $250,000 to the payroll tax

- Public supports raising taxes to support Social Security
- Does not affect benefits paid out
- Only affects decisions at the margins
- Makes the payroll taxes more progressive
Social Security: Impact

Debt Reduction is 26.6% of 2047 levels

71.9%

150%
Cumulative Effect after Taxes

2015  2020  2025  2030  2035  2040  2045  2050

- 150%
- 142.3%
- 71.8%
Immigration
Immigration

Legalization program for undocumented residents

Nonimmigrant & Immigrant Visa Reforms

Border Security, Interior Enforcement

20 year net decrease in federal deficit: $897 billion
Thank you for your time!
Economic Outlook

Federal Debt Held by the Public
Percentage of Gross Domestic Product

Source: Congressional Budget Office. For details about the sources of data used for past debt held by the public, see Congressional Budget Office, Historical Data on Federal Debt Held by the Public (July 2010), www.cbo.gov/publication/21728.
Normal Retirement Age
Social Security Sources


https://www.ssa.gov/oact/trsum/
Social Security Methodology

Numbers taken from CBO “Options for Reducing the Deficit: 2017 to 2026”
Projections made using Excel Software.

Reduction=6.4517*year-12943
Foreign Competitor Raising Subsidies

**U.S. agricultural exports to China rose rapidly as that country boosted its price supports**

WTO = World Trade Organization.  
Source: USDA, Economic Research Service using data from USDA/Foreign Agriculture Service, Global Agricultural Trade System.
## Oil and Gas Subsidies’ Impact

### Appendix

<table>
<thead>
<tr>
<th>U.S. Tax Policy Options</th>
<th>Baseline</th>
<th>Repeal of Oil Tax Preferences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Price, $2012/bbl</td>
<td>$72.00</td>
<td>72.31 (0.4%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Supply (mbd)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S.</td>
<td>11.7</td>
<td>11.3 (-3.9%)</td>
</tr>
<tr>
<td>OPEC</td>
<td>54.6</td>
<td>54.7 (0.2%)</td>
</tr>
<tr>
<td>ROW</td>
<td>44.2</td>
<td>44.3 (0.2%)</td>
</tr>
<tr>
<td>Global Demand (mbd)</td>
<td>110.6</td>
<td>110.4 (-0.2%)</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>U.S. Tax Policy Options</th>
<th>Baseline</th>
<th>Repeal of Gas Tax Preferences</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Price ($2013/ MMBTU)</td>
<td></td>
<td>$3.67 ($3.97 (8.20%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Supply (Tcf/year)</td>
<td>Production</td>
<td>42.72 (40.94 (-4.2%)</td>
</tr>
<tr>
<td></td>
<td>Exports</td>
<td>9.03 (8.35 (-7.6%)</td>
</tr>
<tr>
<td></td>
<td>U.S. Demand (Tcf/Year) (% change)</td>
<td>33.69 (32.6 (-3.2%)</td>
</tr>
</tbody>
</table>
Cut 40% of $12.1 billion for energy tax preferences (savings of $4.8 billion/year)

Projected production decrease of 4% (price fluctuations within normal cycle)
### Davis–Bacon and Market Wages, by City

<table>
<thead>
<tr>
<th></th>
<th>Long Island, N.Y.</th>
<th>St. Louis</th>
<th>San Diego</th>
<th>Tallahassee, Fla.</th>
<th>Philadelphia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Carpenter</strong></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Davis–Bacon Act</td>
<td>$37.21</td>
<td>$33.23</td>
<td>$37.15</td>
<td>$12.85</td>
<td>$37.40</td>
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<tr>
<td>Market</td>
<td>$28.62</td>
<td>$25.54</td>
<td>$23.35</td>
<td>$15.29</td>
<td>$25.16</td>
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<tr>
<td>% Difference</td>
<td>30%</td>
<td>30%</td>
<td>59%</td>
<td>−16%</td>
<td>49%</td>
</tr>
<tr>
<td><strong>Electrician</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Davis–Bacon Act</td>
<td>$44.75</td>
<td>$33.60</td>
<td>$37.40</td>
<td>$23.48</td>
<td>$46.85</td>
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<tr>
<td>Market</td>
<td>$30.76</td>
<td>$30.55</td>
<td>$24.22</td>
<td>$16.53</td>
<td>$34.26</td>
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<tr>
<td>% Difference</td>
<td>45%</td>
<td>10%</td>
<td>54%</td>
<td>42%</td>
<td>37%</td>
</tr>
<tr>
<td><strong>Sheet Metal Worker</strong></td>
<td></td>
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<tr>
<td>Davis–Bacon Act</td>
<td>$48.15</td>
<td>$34.82</td>
<td>$34.55</td>
<td>$11.64</td>
<td>$38.36</td>
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<tr>
<td>Market</td>
<td>$31.37</td>
<td>$27.65</td>
<td>$24.50</td>
<td>$16.38</td>
<td>$23.18</td>
</tr>
<tr>
<td>% Difference</td>
<td>53%</td>
<td>26%</td>
<td>41%</td>
<td>−29%</td>
<td>65%</td>
</tr>
</tbody>
</table>

### Davis-Bacon Sample Sizes

<table>
<thead>
<tr>
<th>WORKERS</th>
<th>PERCENTAGE OF DAVIS-BACON RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>6%</td>
</tr>
<tr>
<td>4-6</td>
<td>20%</td>
</tr>
<tr>
<td>7-12</td>
<td>23%</td>
</tr>
<tr>
<td>13-28</td>
<td>26%</td>
</tr>
<tr>
<td>29+</td>
<td>25%</td>
</tr>
</tbody>
</table>


### Many Davis-Bacon Surveys Are Out of Date

<table>
<thead>
<tr>
<th>County</th>
<th>Construction Type</th>
<th>Survey Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forsyth Co., NC</td>
<td>Residential</td>
<td>1981</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>Building</td>
<td>2009</td>
</tr>
<tr>
<td>Hillsdale Co., MI</td>
<td>Highway</td>
<td>2002</td>
</tr>
<tr>
<td>Sullivan Co., TN</td>
<td>Building</td>
<td>2009</td>
</tr>
<tr>
<td>Aransas Co., TX</td>
<td>Heavy - Pipeline</td>
<td>1997</td>
</tr>
<tr>
<td>Guadalupe Co., TX</td>
<td>Residential</td>
<td>1983</td>
</tr>
<tr>
<td>Aiken Co., SC</td>
<td>Residential</td>
<td>1980</td>
</tr>
<tr>
<td>Florida (statewide)</td>
<td>Heavy - Dredging</td>
<td>1990</td>
</tr>
</tbody>
</table>

Post Office Longevity Concerns

**NET LOSSES PILE UP OVER 10 YEARS**

USPS says volume decline, more delivery points and retiree payments contribute to annual loss.

**Total Letter Mail Volume**

*Figure showing total letter mail volume from 2006 to 2020.*

SOURCE U.S. Postal Service; GRAPHIC George Petras, USA TODAY
Appendix

Return from 2006 Postal Accountability and Enhancement Act

Pre-Funding Obligation Not the Cause of Postal Service Losses

Beginning in 2007, the U.S. Postal Service was required to prefund the Retiree Health Benefit Fund (RHBF). While those funds have been substantial—$29 billion through 2012—the Postal Service would still have lost billions over the past four years even if it did not have to pre-fund the RHBF.