FISCAL CHALLENGE:
Reducing the debt-to-GDP ratio to 77% by Dec. 31, 2049
CBO’s current projected debt-to-GDP ratio through 2049
Overview of Our Five Policy Proposals

1. Reform social security.
   a. Remove contribution and benefits limits.
   b. Gradually increase ‘full age’ eligibility requirement to 70 years.

2. Financial speculation tax

3. GDP accelerators.
   a. Affordable Preschool.
   b. Paid Family Leave.

4. Reduce government costs.
   a. Medicare/Medicaid fraud and waste auditing.
   b. $15 min. wage.

5. U.S. Carbon Endowment Fund.
Our proposal’s projected debt-to-GDP ratio through 2049
Proposal I:
Social Security Reform
Proposal 1: Social Security Reform

Proposal 1a: Remove contribution and benefits limits immediately.

- Eliminating the ceiling on contribution and benefits resolves 65% of the projected 75 year social security shortfall.

Proposal 1b: Gradually increase full age eligibility requirement to 70 years.

- Two-months per birth year changes until reaching age 70
- $28 billion in savings per year.
Projected impact on the debt-to-GDP ratio

- Proposal 1
- Proposal 2
- Proposal 3
- Proposal 4
- Proposal 5
Proposal 2: Financial Speculation Tax
Proposal 2: Financial Speculation Tax

- A tax on high-frequency stock trading.
  - 0.5% for stocks
  - 0.1% for bonds
  - 0.005% for derivatives
- Generate $2.4 trillion in public revenue from wealthy investors over 10 years
- Benefits
  - Deters the high-frequency trading that increases the instability of the financial sector and produces no economic value, according to a press release issued by Sanders on Wednesday.
Projected impact on the debt-to-GDP ratio

![Graph showing projected impacts on the debt-to-GDP ratio over time with different proposals. The graph compares the current projection with two proposed scenarios: restructuring social security and implementing a financial speculation tax.]
Proposal 3: GDP Accelerators
Proposal 3: GDP accelerators to increase LFP of prime-age adult with children

**Primary Goal**
Use policy to motivate cultural shift to continue expanding the active labor force.

**Relevant Factors**
- Population expansion
- Opportunity cost of entering the labor market

Sources: Current Population Survey; CEA calculations.
Proposal 3: GDP Accelerators

Proposal 3a: Paid Family Leave
- 60 days of caregiver paid leave.
- 66% of individual worker compensation.
  - Benefits range between $800 and $4000 per month
- Parents of newborn could claim up successive benefits.
- $54.8 billion annual cost.
  - Universal 0.4% payroll tax.

Proposal 3b: Affordable Preschool
- Reduce childcare cost to 7% of family household income.
- Estimated cost of $70 billion.
  - 2% tax on household net worth above $50 million.
  - 3% tax on household net worth >$1 billion.

Proposal 4

Proposal 5
Projected impact on the debt-to-GDP ratio

- Proposal 1
- Proposal 2
- Proposal 3
- Proposal 4
- Proposal 5
Proposal 4: Reducing Government Fraud and Waste
Proposal 4: Reducing Government Fraud and Waste

Proposal 4a: Reducing Medicare/Medicaid Fraud and Waste
- Medicare/Medicaid cost estimates are projected to rise substantially
  - Part of these costs are attributed to government fraud

Proposal 4b: $15 Minimum Wage
- Firms may suppress wage growth of their low-wage workers so they qualify for government programs.
  - Government assistance is income-based.
  - Firms reduce costs by suppressing lower-wage workers’ compensation.
  - Workers maintain standard of living by participating government programs.
  - Firms transfer costs to the government.
Proposal 4a - Reducing Medicare/Medicaid Fraud

- Current fraud and billing mistakes in Medicare and Medicaid are over $98 billion annually.
- Improving fraud audits and cost control interventions, estimates suggest that half of the fraud and waste could be reduced annually.
**Proposal 4b – $15 Minimum Wage**

- Federal minimum wage would rise gradually:
  - Current federal minimum wage: $7.25 per hour
  - Immediately enactment of $8.40 an hour
  - Increase by $1.10 per year for the next six years
  - Index for inflation after year six

- Decrease spending towards government income-assistance programs
Effect of Increasing Minimum Wage on Monthly Income, Full-Time Worker

Projected impact on the debt-to-GDP ratio

- Proposal 1
- Proposal 2
- Proposal 3
- Proposal 4
- Proposal 5
Proposal 5:
The United States Carbon Endowment Fund
Proposal 5:
Sovereign Wealth Fund – The United States Carbon Endowment Fund

Invest hydrocarbon tax revenues to generate returns from foreign investments for the purpose of reducing the federal debt. Encourage and accelerate the shift to renewable energy sources.

- Carbon Taxes based on emissions, current federal taxes and average price of hydrocarbon products.
  - Gasoline
    - $0.425/ gallon
  - Coal
    - $6.00/Short ton
  - Jet Fuel
    - $1.00/ gallon
  - Natural Gas
    - $1.55/ 1000ft3
  - Diesel/Other Distillates
    - $0.50/ gallon

Other Contributions:
Foreign Aid Reallocation.
~$20 billion in 2020.

Based on recent consumption levels reported by the Energy Information Administration, this tax plan should raise just over $150 billion in the first year and should increase over time. Due to diminishing increases in hydrocarbon fuel use, we assume our input capital will increase by just 1% annually.
Generating modest annual returns of 4.5% is the most effective policy for debt reduction.

- No investments: Annual tax revenue only.
- Low Returns: Foreign Government and AAA bonds (2.5%)
- Target Returns: Foreign bonds/equity, real estate/infrastructure (4.5%)
Reliable | Sustainable | Investments for the Future

- Expected Returns by Asset Class
  - Foreign Equity (5.5%)
    - MSCI EAFE
  - Foreign Bonds (4%)
    - BBgBrC ex-US FIAd hedged
  - Real Estate/Infrastructure (5%)
    - Jp Morgan

- Initial Allocation Guidelines
  - Equities (35%)
  - Bonds (50%)
  - Infrastructure (15%)

- Expected Returns ~ 4.7%
  - Adjusted down to 4.5%
  - Conservative, reliable, sustainable

- Geographic Focus
  - Bonds/Equity
    - Europe, Asia, Oceania
  - Infrastructure
    - Developing nations
    - Trading partners
Managing Trillions of Dollars Effectively and Ethically

- Governance Practice
  - Managed by new Federal Reserve Office
  - Government agencies such as Treasury, Federal Reserve, State, can provide informational support.

- Dividend policy
  - Years 5+
    - 10% Dividend
    - Original dividend increases 5% annually

- Legislative Constraints
  - Allocation/Risk
  - No domestic investments
    - Concerns of procyclicality in domestic business cycles

Proposal 1
Proposal 2
Proposal 3
Proposal 4
Proposal 5
Looking Forward at the debt-to-GDP ratio

1. The current insolvency in Social Security is expected to even out by 2070. Our program will maintain social security well into 2070 and beyond.
2. Full economic benefits of universal pre-K and paid family leave will persist after 2049 through those who participated in these programs.
3. Reducing the federal debt will have direct impacts on the trade deficit, known as the twin deficits theory.
4. Makes recessions less likely.
Final Debt/GDP

All proposals result in Debt/GDP ratio of 74%.
Overview:


Proposal 1:

Proposal 2:
Proposal 3:


Proposal 4:


Proposal 4 (cont):

Proposal 5:
Proposal 5 (cont):
Looking Forward: