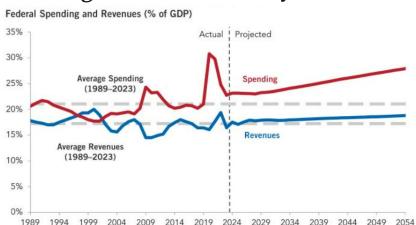


Current Fiscal Situation

- Debt to GDP ratio projected to reach a historical high of 106% by 2028 and 172% of GDP by 2050
- Three key drivers of increased spending:
 - Rising per capita healthcare costs
 - Strain on social security due to aging population
 - Rapidly increasing net interest outlays



Debt/GDP 172%

Sources: Peter G Peterson Foundation

Proposal Overview

•

Cruise Control

3 Soft Landing



1 Takeoff



Taxation

Automatic Stabilizers

Social Security

Healthcare

Immigration

Agricultural R&D

How do we invest in sources of long run economic growth?

How can we proactively prepare for contractions?

How can we avoid last-resort bailouts?

1 Takeoff



A strong takeoff requires fresh fuel...

Fund Research and Development

Increase Skilled Immigration

Agricultural R&D

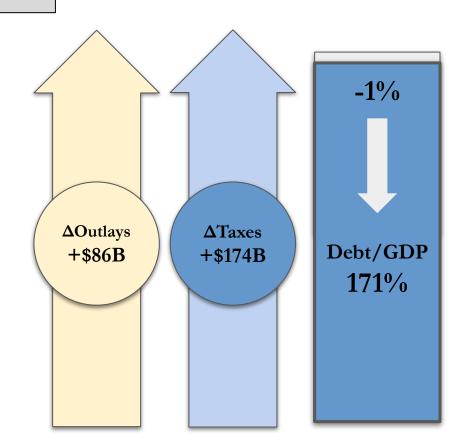
- Expand existing USDA programs
- Agriculture contributes significantly to climate change
- Promising technologies and methods
- Lack of public investment lagging behind other countries





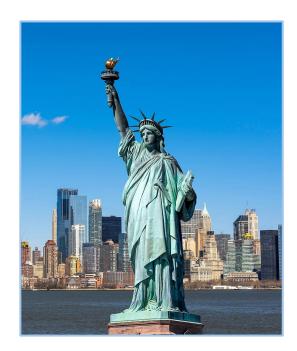
Expand Existing USDA Programs

- Institute of Food and Agriculture
 Capacity Grants
- Agricultural Research Service
 Programs
 - Sustainable AgriculturalSystems
 - Aquaculture
- Investments lead to increases in taxable productivity over time



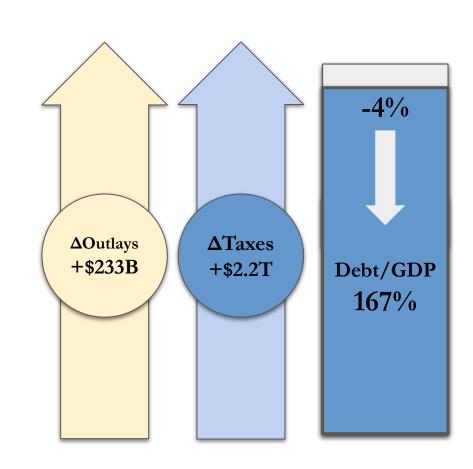
Immigration

- **♦** Increase green cards to immigrants with graduate STEM degrees
- Aging population
- Increases tax base
- Bridges skill gaps in the labour force to respond to emerging industries
- Fills continuing labor shortage in underserved regions





- Expansion of employment based
 Green Cards for STEM degrees
- \$233 billion short run increased outlays from health insurance subsidies
- Long term revenue of around ten times the necessary investment







Maintain our economic altitude by...

Introducing taxes on forms of consumption

Eliminating tax leaks

Introducing stabilizing, counter-cyclical policy

Taxes

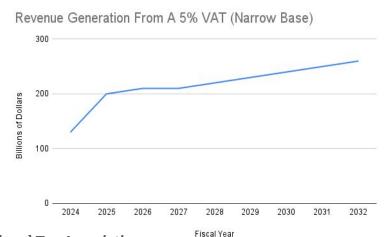
- **♦ VAT**
- Carbon Tax
- Itemized Deductions
- Federal deficit higher than in previous years
 - Insufficient tax revenue
- Revenue generation through sustainability efforts and targeted taxation policy

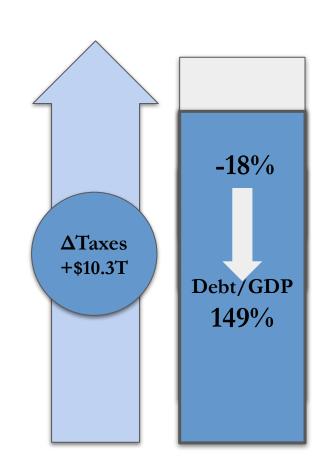




Value Added Tax (VAT)

- 5% applied to a narrow base
- Credit invoice method
- Fully forward shifting
- Revenue of \$1.95 trillion over 8 years (2024-2032)

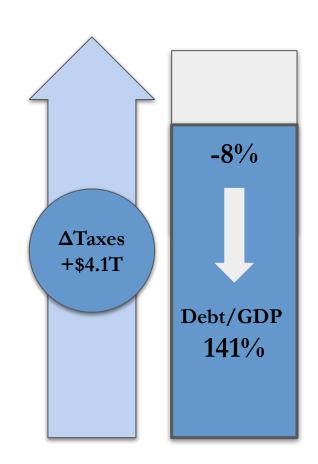




Sources: CBO, National Tax Association



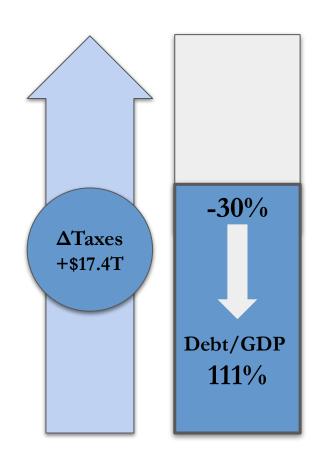
- Multi-step implementation
 - Initial tax of \$30/metric ton of CO2
 - o Increased by 3% per year until 2035
 - Pegged to inflation from 2035 onward
- Generates \$4.1 trillion in total revenue by 2050
- Aids in prevention of climate shocks





Removing Itemized Deductions

- Eliminates Schedule A itemized deductions
- Created \$1.4 trillion in tax losses in 2017 alone
- Historically benefits the wealthy
 - o Top 1% received 11% of gains
- Revenue generation primarily progressive
 - 75% of the increase is paid by top 10%



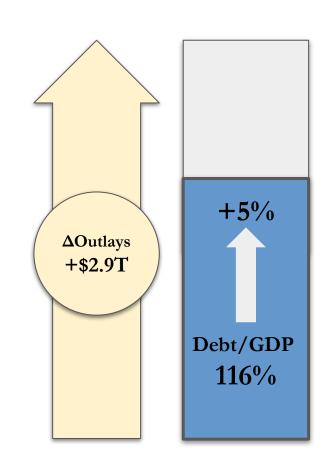
Automatic Stabilizers

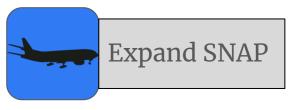
- Child Tax Credit
- **♦** SNAP
- Housing Vouchers
- Inefficient policy amplifies debt-GDP impacts during recessions
 - PPP was expensive and had pervasive fraud
 - o 2008 Response was late and its effects were diminished
- Biden's American Rescue Plan reduced child poverty



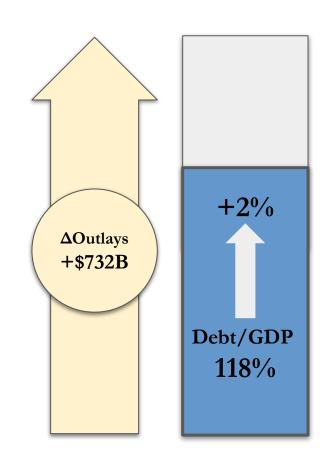


- Expansion of the CTC was integral to the success of the American Rescue Plan (2021)
 - Resulted in 46% reduction in the child poverty rate
- Our plan:
 - permanently increase the CTC from \$2000/child to \$3600/child
- Budgetary Effect:
 - Costs \$97 billion/year
 - Generates societal benefit of \$982 billion/year



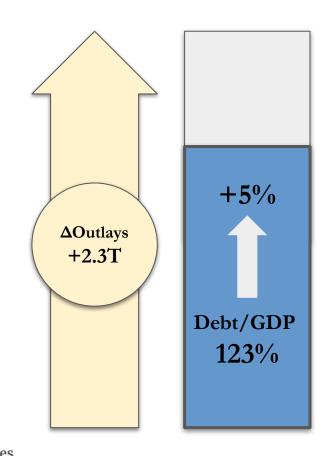


- SNAP is an effective stabilizer with a high economic multiplier of 1.5
 - For every \$1 billion spent on the program, \$1.5
 billion are spent in the economy
- Our plan:
 - Relax work requirements and boost SNAP benefits by 15% during recession
- Budgetary Effect:
 - Cost \$3.5 billion/year





- Section 8 Vouchers cap rent payments for low-income families at 30% of income
 - o Only 23% of eligible families receive
- Our Plan:
 - Make Section 8 an entitlement
 - Expand to 100% of eligible households
- Budgetary Effect
 - Costs \$75 billion per year
 - Reduces poverty by 17.8%
 - o Reduces homelessness by 80%



Soft Landing

Preparing for an economic soft landing by...

Restructuring healthcare spending

Ensuring social security solvency

Social Security

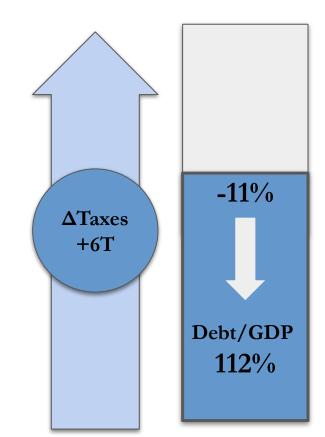
- Chain Weighting Benefits
- Elimination of FICA Cap
- **♦** Payroll to 14.4%
- Social Security Trusts are estimated to run out of money in early 2030s.
- Changes are difficult but necessary as millions of americans rely on social security programs.
- Currently operates on a pay-as-you-go system





Elimination of FICA Cap

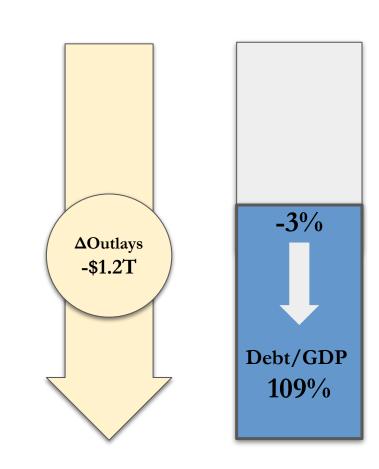
- Income over \$168,600 not currently subject to FICA payroll tax
- SSA and CRS estimate about 6% of US workers earn over cap
- Eliminate FICA payroll cap with a slow phase in
- Generate \$6 trillion in revenue





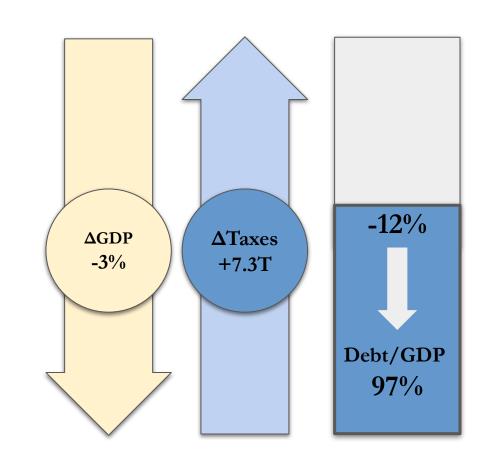
Chain-Weighting Benefits

- Social Security benefits are adjusted by the Consumer Price Index annually
- Chained CPI grows at a slower rate according to CBO and BLS
- Adjusting by chained CPI would reduce the rate of benefit growth
- This would save \$1.2 trillion through 2054





- The Current FICA tax of 12.4% is insufficient for Social Security to remain solvent
- Increases payroll tax funding Social
 Security to a rate of 14.4% from 12.4%
- This tax is necessary to ensure Social Security remains a safety net for generations to come



Healthcare

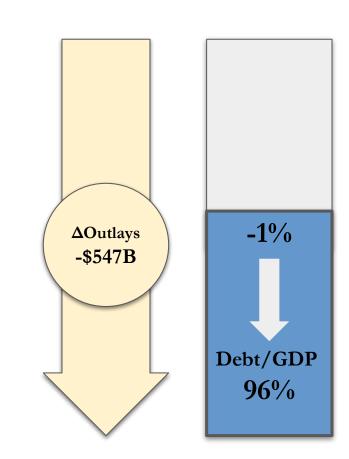
- Bundle certain service payments
- Drug manufacturing negotiation
- Aging population and worsening climate strain Medicare and Social Security
- CBO expects major healthcare program outlays to rise to 8.6% of GDP by 2054
- Healthcare will exceed all other mandatory spending by 2027 and Social Security costs by 2051
- Healthcare uses a wasteful fee-per-service system





Bundle Certain Service Payments

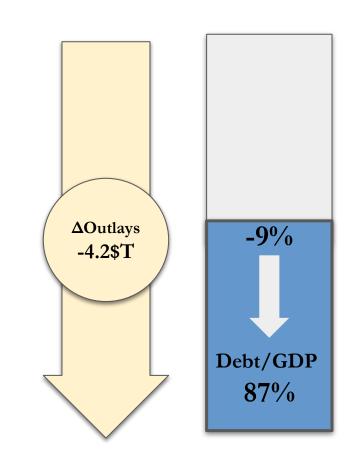
- Bundled payments for inpatient and post-acute services
- Pay healthcare providers a flat fee for each medical condition
- Incentivize healthcare providers to eliminate unnecessary services and reduce spending





Drug Price Negotiation

- The Inflation Reduction Act established a precedent for negotiation
- Extend to all FDA approved therapies
- Evidence suggests companies do not price drugs with respect to their R&D costs



Political Feasibility

<u>Liberal Goals</u> <u>Achieved</u>

- Efforts to address climate change
- Immigration increased
- Expansion of welfare programs

<u>Bipartisan Goals</u> <u>Achieved</u>

- Long-term R&D
 Investment
- Drug Price
 Negotiation

<u>Conservative Goals</u> <u>Achieved</u>

- Entitlement reforms
- Broad Based Taxes
- Tax Code
 Simplification

New Fiscal Outlook

1. Takeoff

- Increased Agricultural R&D
- Increased Skilled Immigration
- 2. Cruise Control
- Increased Government Revenues
- Improved Counter-Cyclical Spending
- 3. Soft Landing
- Solvency for Social Security
- Cutting Away Inefficiencies in Healthcare

