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Macro Roundup Artcile

Headline: The Limits of Taxing the Rich

Article Link: https://manhattan.institute/article/the-limits-of-taxing-the-rich

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Tweet: Stabilizing US federal debt at 100% of GDP will require increased tax revenue and non-interest spending cuts of 5% of GDP going forward. @Brian_Riedl suggests that increasing tax rates on the rich could yield at most 2% of GDP and likely less.

Summary: Stabilizing the federal debt at 100% of GDP over the long term—which would far exceed the post-1960 average of 45% of GDP—would require non-interest savings beginning at 2% of GDP and ramping up to 5% of GDP over the next three decades. (The resulting interest savings from a smaller debt would provide the rest of the savings.) These figures assume the renewal of the 2017 tax cuts (as there is strong bipartisan support for extending the tax cuts for the bottom-earning 98% of earners) but do not assume any additional spending expansions, tax cuts, or economic crises—all of which would also have to be fully offset to meet this debt target. In short, the non-interest savings required to stabilize the debt will almost surely rise past 5% of GDP when accounting for additional spending and tax-cut legislation. Taxing the rich cannot close more than a small fraction of this gap. Related: Taxing Billionaires: Estate Taxes and the Geographical Location of the Ultra-Wealthy and American Gothic and The Economics of Inequality in High-Wage Economies

Primary Topic: Fiscal Deficits

Topics: Database, Fiscal Deficits, Fiscal Policy, Government/NGO, Important!, Politics, Taxation, Very Important, Weekly

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