

About the Debt...

The Deficit Mess

And Other Upcoming Landmines

So You Are a Republican, Huh?



November 14, 2019

by Dan Regenold

Managing Board Member



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ONE DOLLAR

About the Debt...

Thesis

- *This is not just a Spending Problem.**
- *This is not just a Democrat Problem.**
- *This is a Simple Problem to Solve.**

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About the Debt...

Goal of the Class

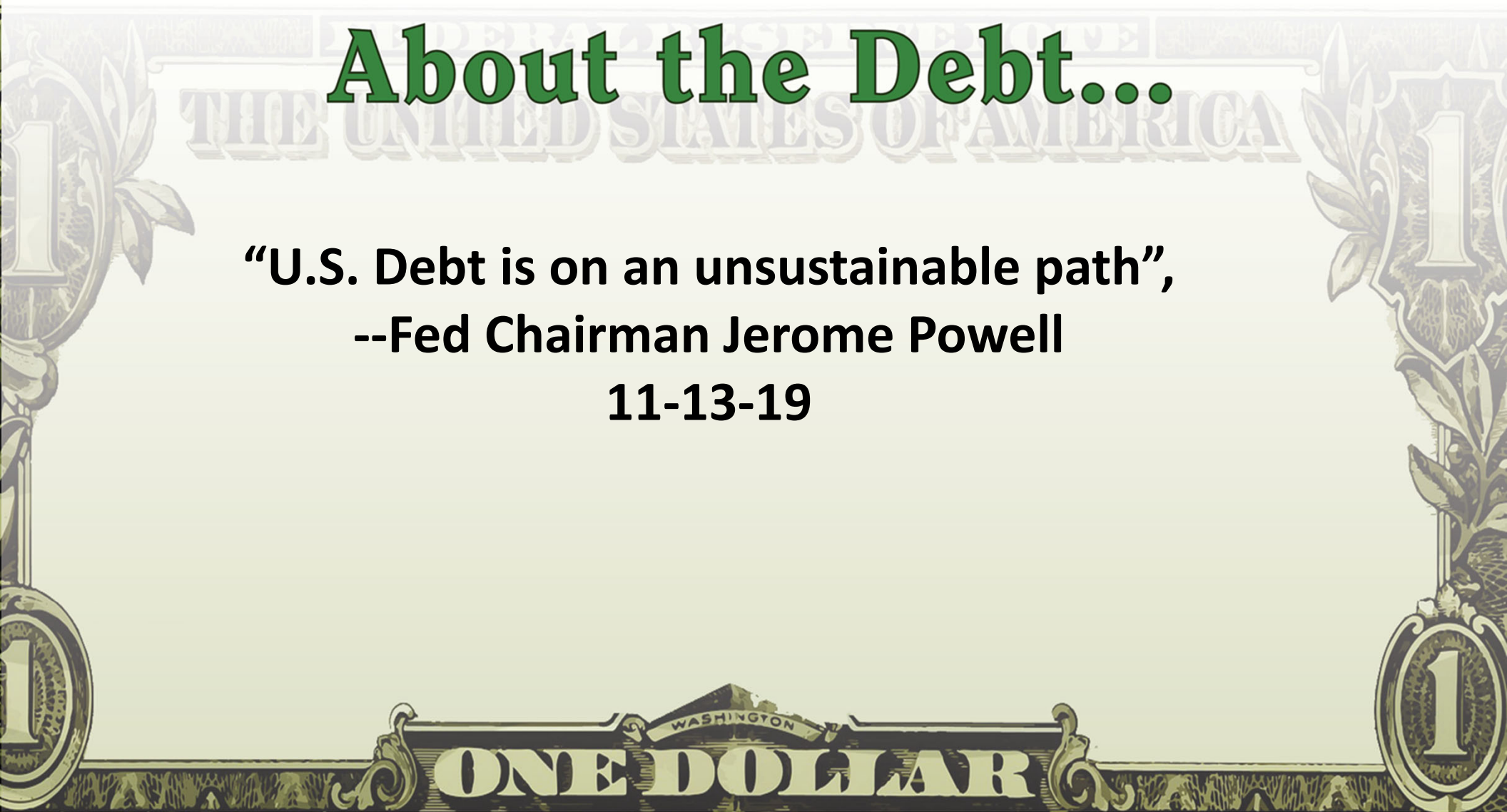
My Goal is to EmpowerU to learn this subject, at least the basics, so that you can talk a good game.

(Because: We need each of you in the game)

About the Debt...

**“U.S. Debt is on an unsustainable path”,
--Fed Chairman Jerome Powell**

11-13-19



About the Debt...

**Want to Start Out With a Few Thoughts
from Democrats on How They Feel
About Deficits...**



**NEWS
ALERT**

KUDLOW ON ECONOMIC GROWTH

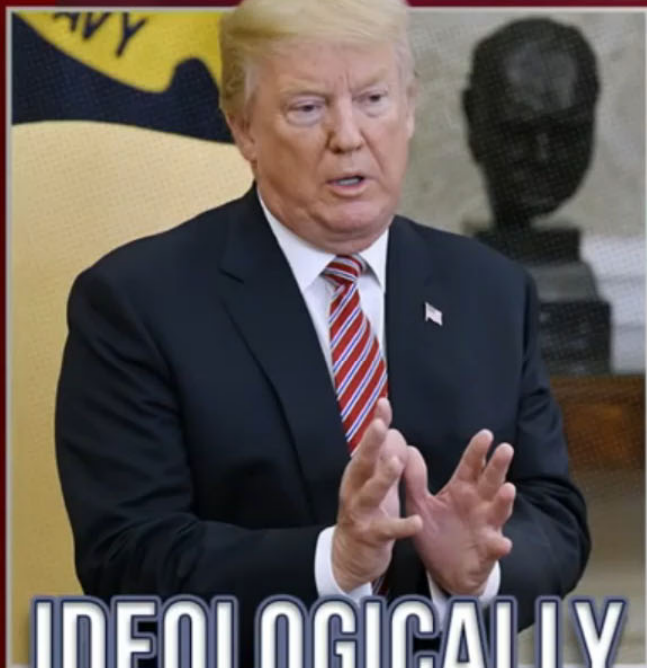
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THE YOUNG TURKS



**IDEOLOGICALLY
BANKRUPT**

THE YOUNG TURKS



About the Debt...

**Deficits Always Go Up Under Republicans
Reagan Did It, Bush Did It, Trump Is Doing It???**

About the Debt...

“The GOP isn’t even pretending anymore on fiscal responsibility. It’s daming.”

--Tiana Lowe,

Commentary Writer for the Washington Examiner

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About the Debt...

Definitions—National Debt

- The national debt of the United States is the total debt, or unpaid borrowed funds, carried by the Federal Government of the United States, which is measured as the face value of the currently outstanding Treasury securities that have been issued by the Treasury and other federal government agencies.
- National Debt at end of 2018 was **\$22 Trillion, now \$23 Trillion.**
- 29% of the Debt is owned by Foreigners (About \$6.6 trillion)
- Debt to GDP* we were the 43rd highest out of 207 Countries

About the Debt...

Definitions—Deficit

- How much more \$\$\$ we spend as compared to what we take in

Example: 2019 Total Revenue = \$3,472 Trillion

2019 Total Spending= \$4,472 Trillion

2019 Total Deficit = **\$1,000 Trillion**

This \$1 Trillion Dollars is now added to the National Debt

(So National Debt would be \$1 Trillion Higher—or **\$23 Trillion**)

About the Debt...

Landmines

- Upcoming issues we face when discussing the Budget...
- Things that might make our budget situation worse than it is now.



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The background of the slide is a faded, light green image of a US one-dollar bill. The top portion of the bill is visible, showing the words "THE UNITED STATES OF AMERICA" in a large, serif font. The bottom portion shows the word "ONE" in a large, bold, serif font, followed by "DOLLAR" in a smaller, bold, serif font. The word "WASHINGTON" is visible in a small, curved banner above the word "DOLLAR". The bill is framed by ornate, leafy borders on the left and right sides.

About the Debt...

Reparations

About the Debt...

Reparations

- As the Civil War wound down in 1865 Gen. William T. Sherman made the promise that would come to be known as “40 acres and a mule”—redistributing a huge tract of Atlantic Coastline to black Americans recently free from bondage.
- President Abraham Lincoln and Congress gave their approval. After Lincoln was assassinated President Johnson rescinded the order and returned the land to its former owners.



Gen. William T. Sherman

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About the Debt...

Reparations

- Democrat Rep. John Conyers first introduced a bill in 1989 to study reparations.
- The idea is to pay reparations to today's African-Americans for economic losses from slavery. Idea is to put a number on the economic "value" of slaves.
- If that money had been reinvested, for example in Treasury bonds what would the total be?
- Ta-Nehisi Coates, the prophet of reparations said, "One cannot escape the question by hand-waving at the past, disavowing the acts of one's ancestors, nor by citing a recent date of ancestral immigration." He quotes George Washington and Thomas Jefferson who said "A nation outlives its generations."
- So therefore we are all responsible for paying.

About the Debt...

Idea

1. The idea of giving black people reparations for slavery dates back to right after the end of the Civil War.
2. Thomas Craemer, a University of Connecticut Assistant Professor says the value of labor for slaves was at least \$5.9 trillion and perhaps as much as \$14.2 trillion in 2009 dollars.
3. There are huge, wealthy families in the South today that once owned a lot of slaves. You can trace all their wealth to the free labor of black folks.
4. Nearly 47 million Americans identify themselves as black or African American. Many suggest two conditions 1) have a least one ancestor who was enslaved and having identified oneself as African-American on a legal document in the last decade.
5. 30 million people would be eligible under the above guidelines (Barack Obama would probably not be eligible—Obama's father was African, not a descendent of slaves).

About the Debt...

Arguments Against Reparations

1. All the slaves are dead, no white person living today owned slaves.
2. Not all black people living in American today are descendants of slaves.
3. It is almost impossible for most African-Americans to trace their lineage earlier than the Civil War. How could they prove it?
4. Reparations could create their own brand of inequality—what group would be next?
5. Would this be a same per person payment, same per family, or would their be an adjustment for need.
6. Right now 68% of Americans don't think the U.S. should pay reparations. 81% of whites are against reparations, while 58% of African Americans support them. 49% of millennials oppose them.

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Costs of Reparations

1. What would 40 Acres and a mule account for today?
2. Thomas Craemer says it would cost about \$123,000 per person
3. $\$123,000 * 30 \text{ Million} = \$ 3.69 \text{ Trillion}/10 \text{ years}$
4. Cost Per Taxpayer = **\$2,618** (assumes 140.9 million taxpayers)

What about Native Americans? How far do you carry this idea?

Native Americans were forcibly robbed of their land. Cost of land could be 10* higher than reparation cost.

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The background of the slide is a faded, light green image of a US one-dollar bill. The top portion of the bill is visible, showing the words "FEDERAL RESERVE NOTE" and "THE UNITED STATES OF AMERICA". The bottom portion shows the word "WASHINGTON" above "ONE DOLLAR". The large number "1" is visible in the corners and bottom center.

About the Debt...

Green New Deal

About the Debt....

Green New Deal

- Calls for the country to address climate change by:
- - 1) Reaching net zero greenhouse gas emissions through a “10 year national mobilization”
 - 2) Requires that the transition to clean energy be done in a way that is sensitive to vulnerable populations.
 - 3) Requires other large scale goals such as providing all Americans with health care, housing and economic security.



Alexandria Ocasio-Cortez

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About the Debt....

Key Components of the Deal

- Clean Energy (no natural gas)(10 yr transition)
- High-speed rail—make air travel unnecessary
- A Job Guarantee—Green Jobs!
- Universal Health Care
- Guaranteed Green Housing
- Food Security for every person
- Get to net-zero greenhouse gas emissions
- 100% renewable energy by 2030
- Economic Bill of Rights—Guaranteed Employment—Union Jobs
- 50% cut in Military spending



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Key Ingredients of Green New Deal

- Put a price on carbon. Add a carbon tax and use that money to reduce other taxes.
- One economist at University of Massachusetts says it is possible to get to a net zero emission (balancing carbon emissions with carbon removal) figure by 2050 by spending 2 percent of GDP each year or about \$18 trillion total. Another economist says we could spend about \$1 trillion a year over 20 years or \$20.5 trillion, this would permanently lower emissions.

About the Debt...

Democrat Talking Points

- Too Early to even pretend to put cost estimates on 'Green New Deal'
- Green New Deal is a set of ambitions, not policies, cost is dependent on what the policies are.
- It is premature to try and determine cost.
- Hard to be precise with a proposal that is so broad brush and vague (Cato Institute)
- **Theory** is that Green New Deal largely pays for itself in healthcare savings from the prevention of fossil fuel-related diseases, asthma, heart attacks, strokes and cancer.(???)

About the Debt...

Estimating Cost

- Group called the American Action Forum, call themselves a “center-right policy institute” Green New Deal is a set of ambitions, not policies, cost is dependent on what the policies are.
- AAF puts cost at \$93 trillion which includes banning airplanes, cows and cars.
- Holtz-Eakin from the Congressional Budget Office says the number would be closer to \$50 trillion.

About the Debt...

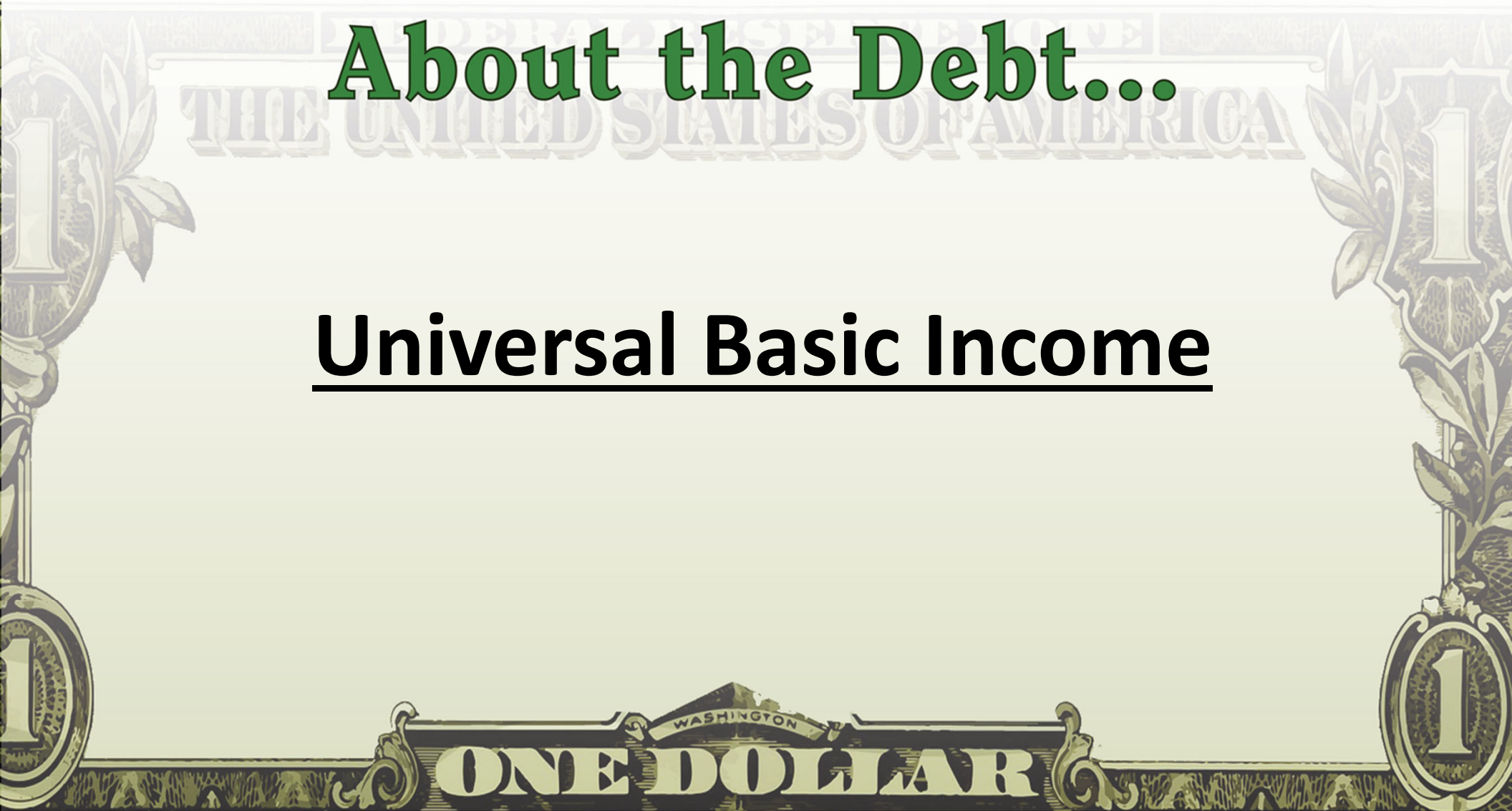
Costs

- We have costs between \$50-\$93 trillion over let's say 20 years although the costs are not specific.
- Let's take \$50 trillion over 20 years = \$2.5 trillion per year
- \$2.5 trillion per year/140.9 million taxpayers =
- Cost Per Taxpayer: **\$17,743** per taxpayer per year.

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Universal Basic Income



About the Debt....

Universal Basic Income

- Andrew Yang would like to give every American adult \$1,000 a month, \$12,000 a year in Universal Basic Income, as a way to offset job loss from automation (that is sure to come).
- Yang says 48% of Americans support Universal Basic Income.
- This will enable Americas to pay their bills, educate themselves, start businesses, be more creative, spend time with children.
- Yang plans to pay for the monthly distributions, by implementing a new 10 percent value-added tax (VAT) on goods and services.



Andrew Yang

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About the Debt...



About VAT Tax

- VAT is similar to a sales tax or consumption tax. It's a percentage of the price that gets added on to the goods and services you buy at the store or online. Collection method is different that a sales tax
- Here's how it works. To make a T-shirt, a clothing company would buy fabric from a supplier for \$5, for example. The supplier charges the clothing company the 10% value-added tax, or 50 cents for a total of \$5.50. The supplier then sends the 50 cents to the federal government.
- It's a brand new form of European taxation. **Easy to increase once in place.**

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About the Debt...

Yang's Arguments

- The VAT would generate income from the people and businesses that benefit from society the most.
- A VAT “makes it much harder for large companies (like Amazon) which are experts at reducing their taxes to benefit from the American infrastructure and citizenry without paying into it.”
- VAT would mean “slightly higher prices”, but advances in technology could help offset these mean prices for most items will come down because the cost to make them will be cheaper.
- Many are concerned that VAT is regressive—hurting the poor the most
- Yang would also pay for the UBI by:
 - Lifting the cap on max earnings on social security
 - Creating a financial transactions tax
 - Changing tax rates on capital gains and carried interests.

About the Debt...

Testing

- A handful of countries including India, Canada and most recently Finland have experimented with versions of Universal Basic Income.
- Preliminary results from Finland's nationwide test show that it did not lead to gains in employment but did improve beneficiaries' health and well being.
- The recipients of a basic income also had less stress symptoms.
- Being tried in the U.S. in Stockton, California which is distributing \$500/month to approximately 100 residents. First city in the U.S.



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About the Debt...

Costs

1. Universal Basic Income would cost \$2.8* Trillion
2. Yang's set-offs (VAT Tax, SS Max, Cap Gains) would raise \$1.3 Trillion of which \$950 billion would come from VAT.
3. That leaves a shortage \$1.5 Trillion/year.
4. Cost Per Taxpayer = **\$10,645**

*Some believe will cost up to \$3.8 trillion

About the Debt...

Cancel Student Loan Debt

About the Debt...

Cancel Student Loan Debt

- Elizabeth Warren has pitched Student debt cancellation as a way to tackle the racial wealth gap.
- It is also meant as a broader economic stimulus.
- Warren says that more than \$1.5 trillion of outstanding student debt “is a drag on our entire economy” as loan borrowers delay or forgo economic activity like buying a house or starting a business.
- Warren says the student debt crisis is real and “it’s crushing millions of people.”



Elizabeth Warren

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About the Debt...

Who Qualifies

- Loan forgiveness plan would cancel student loan debt for more than 95% of borrowers.
- It would entirely cancel student loan debt for more than 75% of Americans with debt.
- Student loan borrowers who have \$100,000 or less of gross household income would receive up to \$50,000 of forgiveness.
- Borrowers earning between \$100,001-\$250,000 would receive \$1 for Every \$3 of income over \$100,000. No forgiveness for income >\$250,000.
- The federal government would suspend the collection of student loan payments for a year while the Education Department carries out the forgiveness program.
- Forgiveness would not count as taxable income.

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About the Debt...

Free College

- To go along with the program Warren would pass the Universal Free College Program.
- This would eliminate tuition and fees at every public two and four-year college in America.

About the Debt...

Wealth Tax

- Warren plans to pay for College Student Loan Forgiveness with a Wealth Tax.
- Tax a family's wealth above \$50 million dollars at 2% a year, with an additional surcharge of 1% on wealth over \$1 billion.
- This would shift the burden of paying for government towards families with accumulated fortunes paying for governments.
- This would create BIG new challenges for I.R.S. ensuring compliance.
- Estimate is 75,000 households would owe a tax or about 1 out of 1,700 American families.
- A family worth \$60 million would owe the federal government \$200,000 in wealth tax.

About the Debt...

Big Question

- Would a wealth tax even be Constitutional?
- Scholars disagree if a tax on wealth while someone is living is constitutional.
- Wealth Tax hasn't worked in European Countries like Sweden, France, Germany, Austria*—not worth the work.
- Hard to measure wealth (business value)
- Administrative nightmare!
- Wealthy people leave the Country...

*See Article

A18 | Tuesday, November 5, 2019

OPINION

REVIEW & OUTLOOK

Where Wealth Taxes Failed

Bernie Sanders often points to Europe as his economic model, but there's one lesson from the Continent that he and Elizabeth Warren want to ignore. Europe has tried and mostly rejected the wealth taxes that the two presidential candidates are now promising for America.

A lesson from Europe that Warren and Sanders ignore.

Senator Warren's plan sets an annual 2% tax on assets above \$50 million, and the rate rises to 6% for billionaires. Bernie Sanders wants to tax joint filers' wealth between \$32 million and \$10 billion at rates of 1% to 8%. His advisers brag that this could wipe out half a billionaire's wealth in 15 years. The candidates say these taxes will deliver "justice" and revenue to finance their vast new spending plans. That's also what Europe's socialists said only to find it didn't work.

- **Sweden.** The Nordic country had a wealth tax for most of the 20th century, though its revenue never accounted for more than 0.4% of gross domestic product in the postwar era. One reason is that the levy treated different assets differently. This distorted investment as the wealthy took on debt to buy tax-free assets. If the U.S. farm lobby convinced President Warren to remove farmland as a taxable asset, say, prepare for a property bubble.

The relatively small Swedish tax still was enough of a burden to drive out some of the country's brightest citizens. IKEA founder Ingvar Kamprad famously left Sweden for Switzerland in the 1970s over onerous taxation. In 2007 the government repealed its 1.5% tax on personal wealth over \$200,000.

- **Germany.** Berlin imposed levies of 0.5% and 0.7% on personal and corporate wealth in 1978. The rate rose to 1% in 1995, but the Federal Constitutional Court struck down the wealth tax that year, and it was effectively abolished by 1997. America's Founders banned "direct taxes" not apportioned by state population. Ms. Warren argues her law isn't a direct tax, but courts would get their say.

The German left occasionally proposes resurrecting the old system, and in 2018 the Ifo Institute for Economic Research analyzed how that would affect the German economy. The authors' baseline scenario suggests that long-run GDP would be 5% lower with a wealth tax, while employment would shrink 2%. Business investment could see more dramatic declines. The report concluded that the wealth tax's "burden is carried by virtually everyone, as indicated by the decline in GDP, investment, and employment."

- **France.** In 1982 Socialist President François Mitterrand imposed a wealth tax with a top rate of 1.5% on assets above \$1.5 million at the time. The tax was eliminated then reim-

posed several years later. In 2013 another Socialist President, François Hollande, tried to hit the wealthy even harder.

The results? Some 70,000 millionaires have left France since 2010, according to the South African research group New World Wealth. In 2017 French President Emmanuel Macron, a former economic adviser to Mr. Hollande, scrapped the scheme in favor of a property tax.

Ms. Warren expects her wealth tax to raise some \$3.6 trillion in the first decade, while Mr. Sanders promises \$4.35 trillion. France's experience suggests this is fanciful. In 2016 French economist Eric Pichet noted that the wealth tax caused a net revenue loss. Paris collected €5.4 billion from the wealth tax in 2015. Yet total tax receipts were at least €7.5 billion lower than they otherwise would have been, since investment declined and hundreds of billions of euros moved offshore.

Mr. Sanders and Ms. Warren have proposed a minimum 40% exit tax on anyone renouncing U.S. citizenship—a sort of financial Berlin Wall to block this inevitable capital flight.

- **Austria.** One difficulty of imposing a wealth tax is figuring out how much someone is worth. Valuing securities, homes or private jets is at least relatively objective. What about modern art, race horses or closely held companies? When Austria abolished its decades-old wealth tax in 1994, officials cited the administrative burden of calculating the exact levy.

While a dozen European states had wealth taxes in 1990, the number has fallen to three today. Nationally Spain taxes fortunes above €700,000 at 0.2%, rising to 2.5% at roughly €10.7 million. Rates can vary among Spain's regions, but does anyone think of Madrid as an economic model? Switzerland's wealth tax hits the middle class, starting in the low six figures inside most of the country's 26 cantons. Norway taxes wealth starting at about \$170,000 at 0.85%, but the country's oil reserves have let it get away with bad economic decisions for decades.

Despite the obvious flaws, the wealth tax stays alive in the socialist mind because it is the ultimate populist envy tax. Donald Trump popped off in support of a wealth tax when weighing a 2000 presidential bid, no doubt without much thought.

The best argument against a wealth tax is moral. It is a confiscatory tax on the assets from work, thrift and investment that have already been taxed at least once as individual or corporate income, and perhaps again as a capital gain or death tax. The European experience shows that it also fails in practice. The question is how much economic damage comes first.

About the Debt...

Costs—Student Loan Forgiveness

1. Student Debt Forgiveness Cost over 10 Years = \$1.5 Trillion
2. Elizabeth Warren's Wealth Estimate over 10 years = \$2.5 Trillion
3. This gives the government a surplus of \$1.0 Trillion over 10 years
4. Cost Per Taxpayer = **\$0**

About the Debt...

Medicare for All

About the Debt...

Medicare for All

- The Medicare for All Bill, which has 16 Democratic sponsors would expand Medicare into a universal health insurance program phased in over 4 years.
- Most experts looking at the bill, “would under conservative estimates, increase federal budget commitments by \$32.6 trillion over the first 10 years of implementation (\$3.26 Trillion Per Year).



Bernie Sanders

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About the Debt...

Assumptions

- Many feel the actual cost of Medicare for all could be much higher as Medicare for all assumptions assume:
 - Significant administrative and drug cost savings.
 - And also assume that health care providers will be reimbursed at rates more than 40% lower than those currently paid by private health insurance.
 - It is unclear how hospitals, physicians and other healthcare providers would respond to such a dramatic reduction in reimbursements.
 - Expert Charles Blahous, says achieving a 40% reduction is an “unlikely outcome” and actual costs will be substantially greater.

About the Debt...

Demand

- For health care services would increase by about 11%
- Most experts feel the Demand part is workable.
- The one savings that people think is feasible and that will happen is savings from lower prescriptions prices—because the government will deal directly with drugmakers.

About the Debt....

Increased Taxes

- If the federal government increases medical spending \$2.5 trillion-\$3 trillion a year. (\$220B for HC for Illegal Aliens.)
- Tax increases would have to be enormous.
- There will be many people that will pay more in taxes than they save on premiums.
- Most experts believe this new program would require Historic Tax Hikes (some suggesting \$7,773 to \$9,171 more in taxes per middle class family)

About the Debt...

Costs of Medicare for All Cost is \$3.6 Trillion Per Year

1. \$3.6 Trillion / 155.7 Million taxpayers Employed
2. Cost Per Taxpayer \$23,121
3. Less \$5,179 for Employer Coverage
4. Less \$5,179 for Employees Share of Coverage
Less \$3,000 being paid by employers to Medicare (2.9%)

Approximate Cost is: **\$9,762** per Taxpayer

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About the Debt...

The Totals of All These Landmines

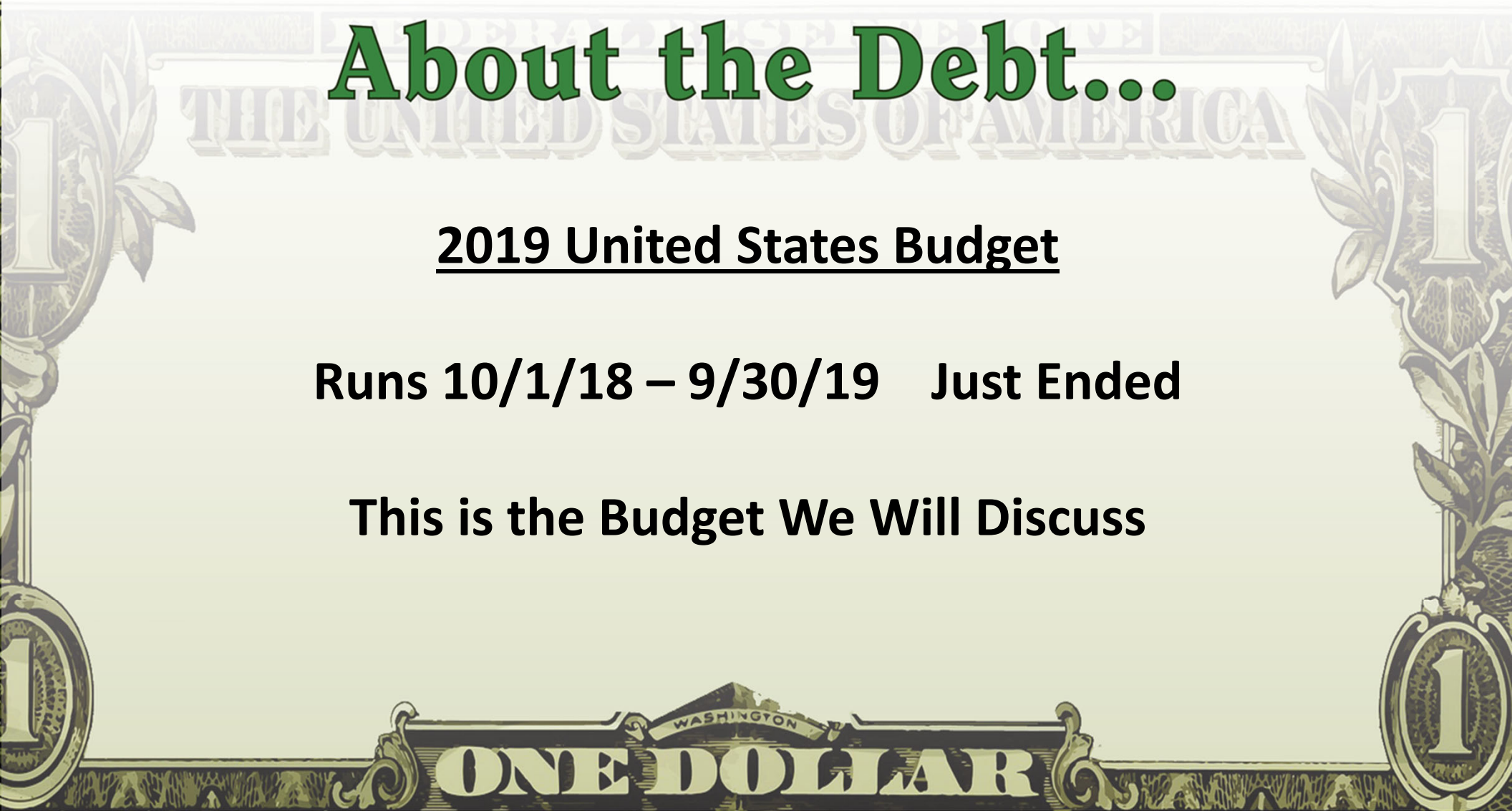
Reparations	\$ 2,618	
The Green New Deal	\$ 17,743	
Universal Basic Income	\$ 1,355	(12,000-10,645 offset)
Student Loan Forgiveness	\$ 0	(Wealth Tax)
Medicare for All	<u>\$ 9,762</u>	
Total Yearly Taxpayer cost	\$ 31,472	

About the Debt...

2019 United States Budget

Runs 10/1/18 – 9/30/19 Just Ended

This is the Budget We Will Discuss



About the Debt...

Revenue Collected

Income Tax	\$ 1,719,000,000,000 T	49.5%
Payroll Tax Collected	\$ 914,000,000,000 B	26.3%
Corporate Income Tax(21%)	\$ 221,000,000,000 B	6.4%
Medicare, Medicaid	\$ 282,000,000,000 B	8.1%
Excise Taxes(fuel,tobacco, alcohol)	\$ 98,000,000,000 B	0.028%
Misc. Revenue	\$ 96,000,000,000 B	0.028%
Tariffs	\$ 82,000,000,000 B	0.024%
Unemployment Insurance	\$ 43,000,000,000 B	0.012%
Estate Tax	\$ 17,000,000,000 B	0.005%
Total	\$ 3,472,000,000,000 T	100.0%

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About the Debt...

Federal Spending – Page 1 (Mandatory Spending)

*Health and Human Services	\$ 1,215,000,000,000 T	27.2% Medicare (70)/Medicaid (30)
*Social Security-Income Security	\$ 1,101,000,000,000 T	24.6% Retirement
*Interest on Debt	\$ 390,000,000,000 B	8.7%
*Veterans Affairs	\$ 204,000,000,000 B	4.6%
Department of Defense	\$ 658,000,000,000 B	14.7%
Agriculture Department	\$ 155,000,000,000 B	3.5%
Education Department	\$ 106,000,000,000 B	2.4%
Office of Personnel Management	\$ 103,000,000,000 B	2.3%
Department of Transportation	\$ 81,000,000,000 B	1.8%
Civil Defense	\$ 61,000,000,000 B	1.4%
Homeland Security	\$ 59,000,000,000 B	1.3%
Department of Justice	\$ 40,000,000,000 B	0.009%
Department of Labor	\$ 35,000,000,000 B	0.008%
Exxecutive and Misc.	\$ 33,000,000,000 B	0.007%
Housing and Urban Development	\$ 30,000,000,000 B	0.007% (continued)

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About the Debt...

Federal Spending –Page 2

Energy Department	\$	30,000,000,000 B	0.007%
State Department	\$	29,000,000,000 B	0.006%
Independent Agencies	\$	25,000,000,000 B	0.006%
Foreign Aid	\$	22,000,000,000 B	0.005%
NASA	\$	21,000,000,000 B	0.005%
Treasury Department	\$	20,000,000,000 B	0.004%
Corps of Engineers	\$	13,000,000,000 B	0.003%
Department of the Interior	\$	13,000,000,000 B	0.003%
Judicial	\$	8,000,000,000 B	0.002%
National Science Foundation	\$	7,000,000,000 B	0.002%
Environmental Protection Agency	\$	7,000,000,000 B	0.002%
Legislative	\$	6,000,000,000 B	0.001%
Total Expenses	\$	4,472,000,000,000 T	100.0%

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About the Debt...

Federal Spending

About Mandatory Spending

*Health and Human Services	\$ 1,215,000,000,000 T	27.2%	Medicare (70)/Medicaid (30)
*Social Security-Income Security	\$ 1,101,000,000,000 T	24.6%	
*Interest on Debt	\$ 390,000,000,000 B	8.7%	
*Veterans Affairs	\$ 204,000,000,000 B	4.6%	
Mandatory Spending =	\$ 2,910,000,000,000 T	65.1%	Of Total Spending
Defense Spending (Not Mandatory)	\$ 658,000,000,000 B	14.7%	
Total Mandatory + Defense	\$ 3,568,000,000,000 B	79.80%	

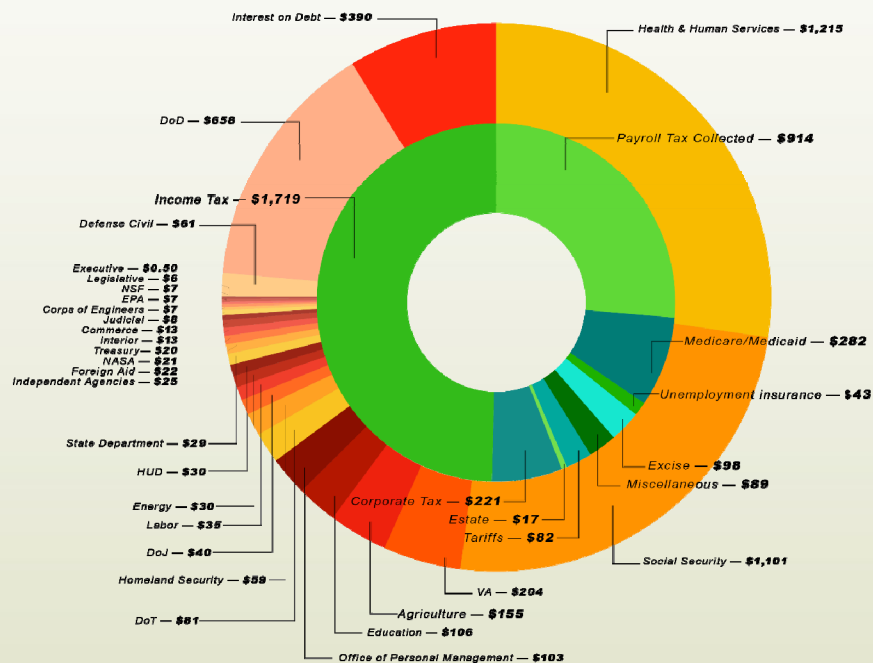
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About the Debt...

**Love this Graph Because It
Shows You The Extent that
Revenue is Totally Outpacing and
Swallowing Up Expenses...**

About the Debt....

Federal Spending / Revenue



Spending: **\$4,472 Billion** Revenue: **\$3,472 Billion**

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About the Debt...

Deficit – Fiscal 2019 (End 9/30/19)

Total Revenue \$3,472,000,000,000 T

Total Spending \$4,472,000,000,000 T

Deficit **\$1,000,000,000,000 T**



*Light Bulb Idea: We are Spending
25% More Than We Bring In!*

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▶ OMAHA, NE
2:06pm CT



**BREAKING
NEWS**

BUFFETT ON MINIMUM WAGE

FOX
BUSINESS



@FOXBUSINESS

About the Debt...

GDP-- 2019

- Gross domestic product (GDP) is one of the most common indicators used to track the health of a nation's economy. It includes a number of different factors such as consumption and investment.
- GDP represents the total dollar value of all goods and services produced over a specific time period, often referred to as the size of the economy. GDP is usually expressed as a comparison to the previous quarter or year.

About the Debt...

GDP-- 2019

- GDP in 2019 is estimated at : \$21.439 Trillion
- About the Same as the Current National Debt

About the Debt...

Warren Buffett—3% Deficit to GDP is OK

- Warren Buffet's Concept is a growing Economy can pay down debt
- But we aren't paying down anything—Debt only Grows
- Current Deficit= 1 Trillion / GDP of \$23 Trillion =4.3%
- 4.3% is the Percent of current Deficit
- Warren Buffett's 3% Figure would equal deficit of \$690 Billion, but not \$1 Trillion--

About the Debt...

Gut Check

Do you buy this Warren Buffett Debt
OK theory...???

_____ Yes

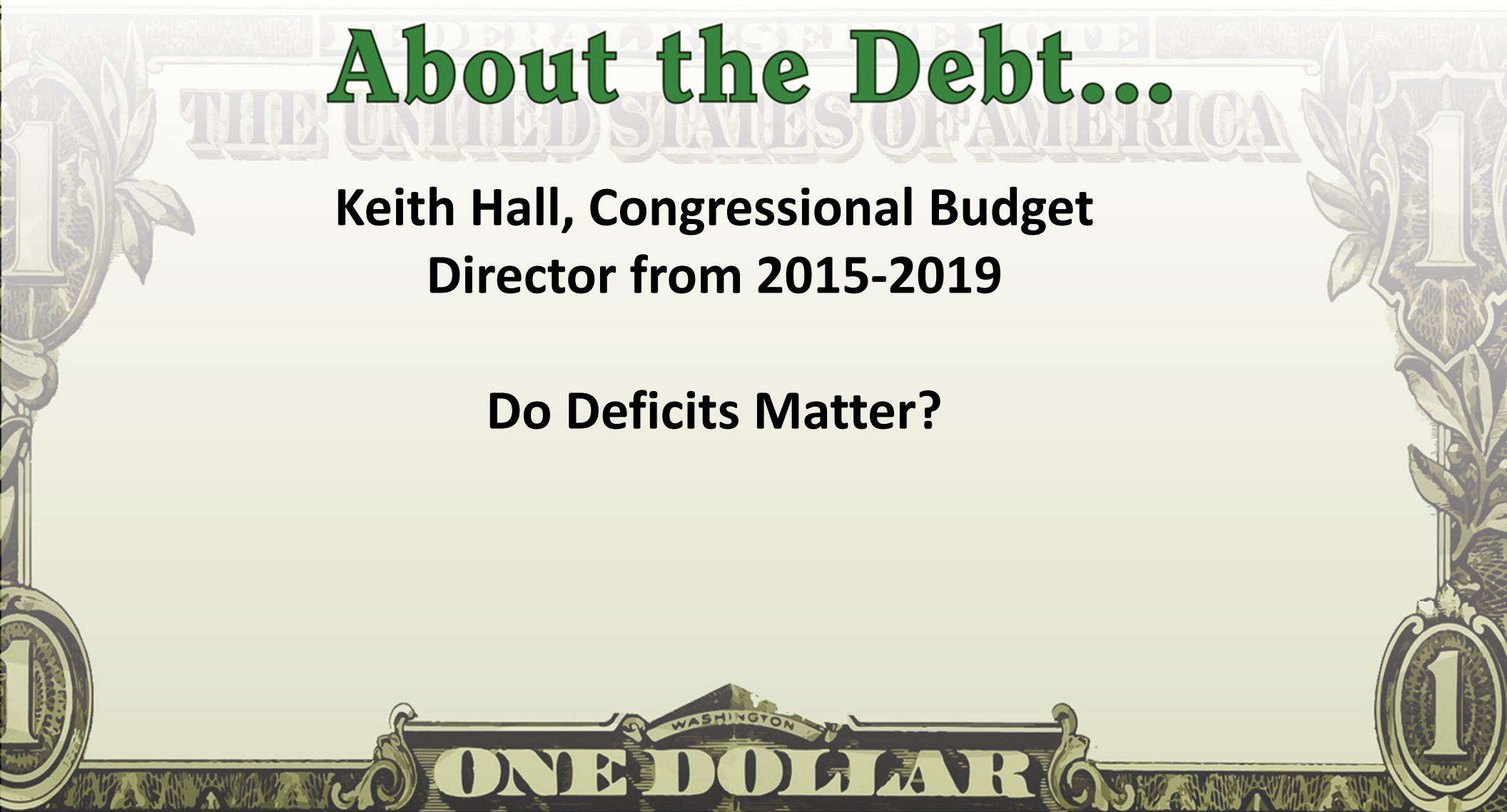
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About the Debt....

**Keith Hall, Congressional Budget
Director from 2015-2019**

Do Deficits Matter?





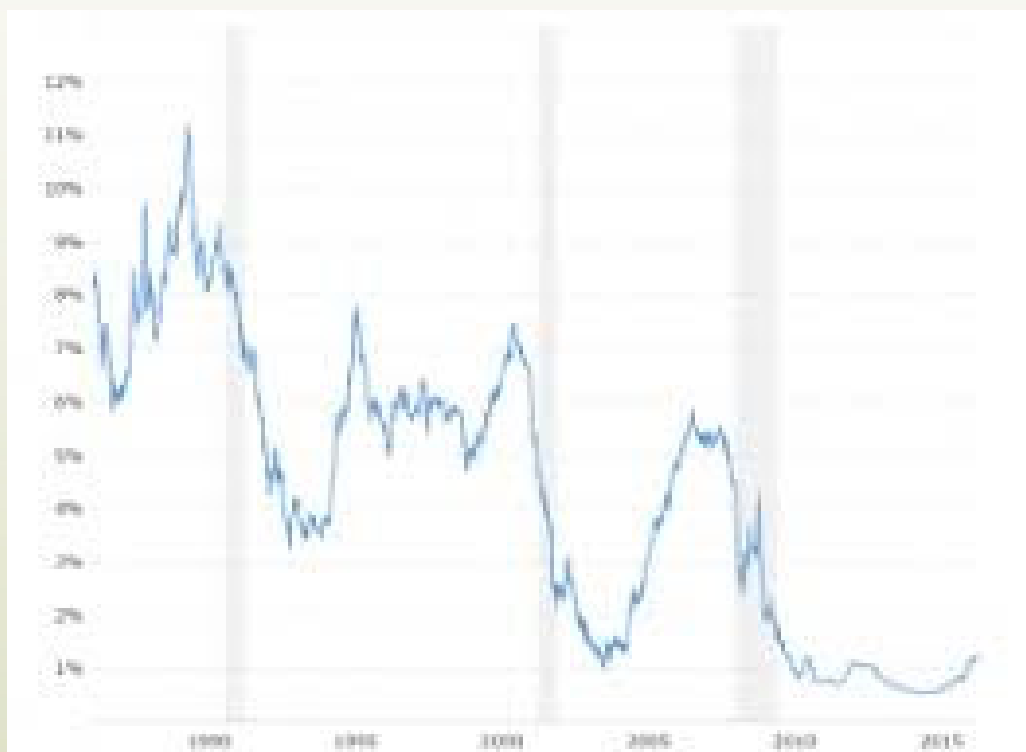
**SQUAWK ON
THE STREET**

CBO DIRECTOR REACTS TO Q4 GDP

 **CNBC**

About the Debt...

The Role of Interest Rates



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About the Debt...

- Currently the U.S. is paying about 1.8% interest on the debt it has—average.
- (\$390B Interest/ \$23T Debt = 1.8%).
- What happens when Interest Rates Rise
- Let's say to 3%?
- Let's say to the \$658 Level of Defense Spending cited by the Office of Mgt Budget Video
- That's an Extra \$268 B
- Where does it come from?

About the Debt...

How Can We Fix This Mess

About the Debt...

Idea #1: Budget Sequestration

- The budget sequestration in 2013 refers to the categories of outlays that were initially automatic spending cuts to United States federal government spending which began on January 1, 2013, as a fiscal policy as a result of Budget Control Act of 2011 (BCA).
- The cuts, which are projected to total \$1.2 trillion, began in 2013 and were to end in 2021, evenly divided over the nine-year period. The cuts are also evenly split between defense spending — with spending on wars exempt — and discretionary domestic spending, which exempts most spending on entitlements like Social Security and Medicaid.

About the Debt...

Budget Sequestration

- The reductions in spending authority were approximately \$85.4 billion during fiscal year 2013, with similar cuts for years 2014 until 2021.
- It worked for the first few years.
- To get around the sequestration caps in 2019, Congress passed a series of two-year budget deals, raising spending levels in the short-term by agreeing to extend sequestration out into the future.
- According to the Congressional Budget Office, the 2019 budget deal (\$1 Trillion deficit Bill) will take the nation's debt-to-GDP to its highest percentage since 1947 in 2020. Inevitably, lawmakers will have to make some very difficult choices on what to do about federal spending and revenues.

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About the Debt...

**It seemed like Budget Sequestration
Might Have Worked but we got too
tempted and gave up...**

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About the Debt...

Idea #2: Kill or Reduce the Tax Cut

About the Debt...

- Households with the median income of \$52,594 received an average tax cut of around \$1,354 according to a recent Tax Foundation report.
- Impact of removing tax cuts would be about \$2 Trillion over 10 years or \$200 Billion a year –20% of the Deficit—Worth It?
- (This would lower deficit to \$800B vs \$1 Trillion).
- Maybe Further Tax Hikes to reduce deficit?

About the Debt...

Idea #3: The Penny Plan...
Or Shall We Say the Two Penny Plan...



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About the Debt...

Penny Plan

- First introduced by Rep Connie Mack, R-Fl in 2011 and has been introduced several times
- Most recent introduction by Rand Paul, S-R-KY and Mark Sanford, H-R-SC
- Easy to understand. It would reduce spending by 1-2 percent per year.
- By doing this it would reduce federal spending sufficiently to balance the budget in about five years.
- The plan leaves it up to respective congressional committees to identify reforms and savings.

About the Debt...

Polls Show...

- 76% of Republicans Favor This (so why don't we do this?)
- 68% of Independents Favor This
- 63% of Democrats Favor This
- Americans seem to get that many people view the deficit problem is caused by spending too much rather than taxing too little.

About the Debt...

Problems with the Penny Plan

- It requires steep reductions in the projected growth in spending in specific programs
- It is easy to support the idea of balancing the budget without tax increases. It's harder to embrace actual policy reforms to do it.
- A lot of the federal government's fiscal problem results from the automatic growth in spending (rising cost of health care, increase in population eligible for benefits).
- Thus, for this to work it would require entitlement reform.
- Spending right now is growing 5-6% per year

About the Debt...

Under Rand Paul's Pennie(s) Plan...

- Spending still increases \$183.1 B in FY20 (4.5%)
- Spending increases by 18.2% over 10 years (1.82% per Year)
- Only in Washington could an 18.2% increase over 10 years be viewed as a “cut”
- Balances without making any changes to Social Security
- Makes no specific policy assumptions
- Provides a budget reconciliation approach to make sure we go back to budgeting for spending.
- Makes middle class tax cuts permanent
- Makes budget spending totals enforceable for 10 years.

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About the Debt...

What happened when Paul introduced plan

- Just 22 Republicans voted for the plan
- 69 Senators including 25 Republicans voted not to bring the bill to a final vote.
- Virtually all the 25 Republicans said they were for a balanced budget amendment.
- For instance: Sen. Tom Cotton who signed the modified Contract From America endorsing a constitution amendment to require a balanced budget—wouldn't even bring this Penny Plan to the floor for a vote.

About the Debt...

How Ohio's Senator's Voted

Ohio:

Brown (D-OH), No

Portman (R-OH), No

(Also voting no: Josh Hawley, Tom Cotton, Marco Rubio, Lindsay Graham, Ron Johnson)

About the Debt...

Idea #4: Convention of the States

USA PENNSYLVANIA NEBRASKA IDAHO
OKLAHOMA MISSISSIPPI INDIANA
FLORIDA NEW MEXICO DELAWARE
WASHINGTON ILLINOIS WYOMING
VIRGINIA NORTH DAKOTA KANSAS
SOUTH CAROLINA OREGON TEXAS
ARIZONA NEW JERSEY VERMONT
CONNECTICUT ARKANSAS NEW HAMPSHIRE KENTUCKY
NORTH CAROLINA NEVADA WEST VIRGINIA UTAH HAWAII
MICHIGAN ALASKA MASSACHUSETTS CALIFORNIA IOWA
LOUISIANA MONTANA RHODE ISLAND WISCONSIN MAINE
MINNESOTA MARYLAND SOUTH DAKOTA GEORGIA OHIO
MISSOURI TENNESSEE NEW YORK COLORADO ALABAMA

CONVENTION
OF STATES

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About the Debt...

Two Ways to Change Constitution

1. Two-thirds of each house of Congress agrees to propose a particular amendment; or
2. Two-thirds of the state legislatures pass applications for an amendments convention (must pass in 34 states).

The Founders knew the federal government might one day become drunk with power. The most important check to this power is Article V. Article V gives states the authority to hold a convention for the purpose of proposing amendments to the Constitution.

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About the Debt...

How it Works....

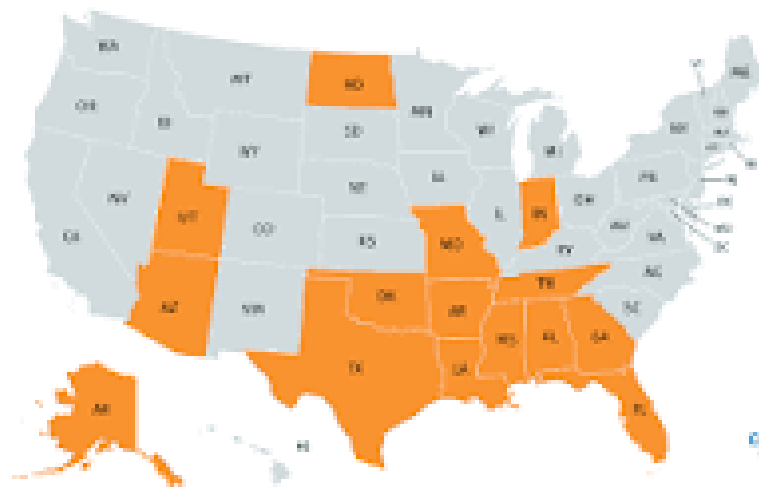
1. By calling a Convention the people have the ability to stop federal spending and the debt spree. (this is precisely what the founders were concerned about).
2. After the states propose, debate and vote upon the proposed amendments they will be sent to 50 state legislatures for ratification.
3. Congress then gets to choose one of the two “modes of ratification”.. They can either submit the amendments to state conventions elected for that purpose or to the state legislatures.
4. Either way $\frac{3}{4}$ of the states must agree for any of the proposed amendments to be ratified. (Ratification takes 38 states)
5. At this point Congress has no authority to stop the process.

About the Debt...

How Many States

1. In just the last five years, The convention of States resolution has passed in 15 States.

Convention of States Applications Passed in 15 States



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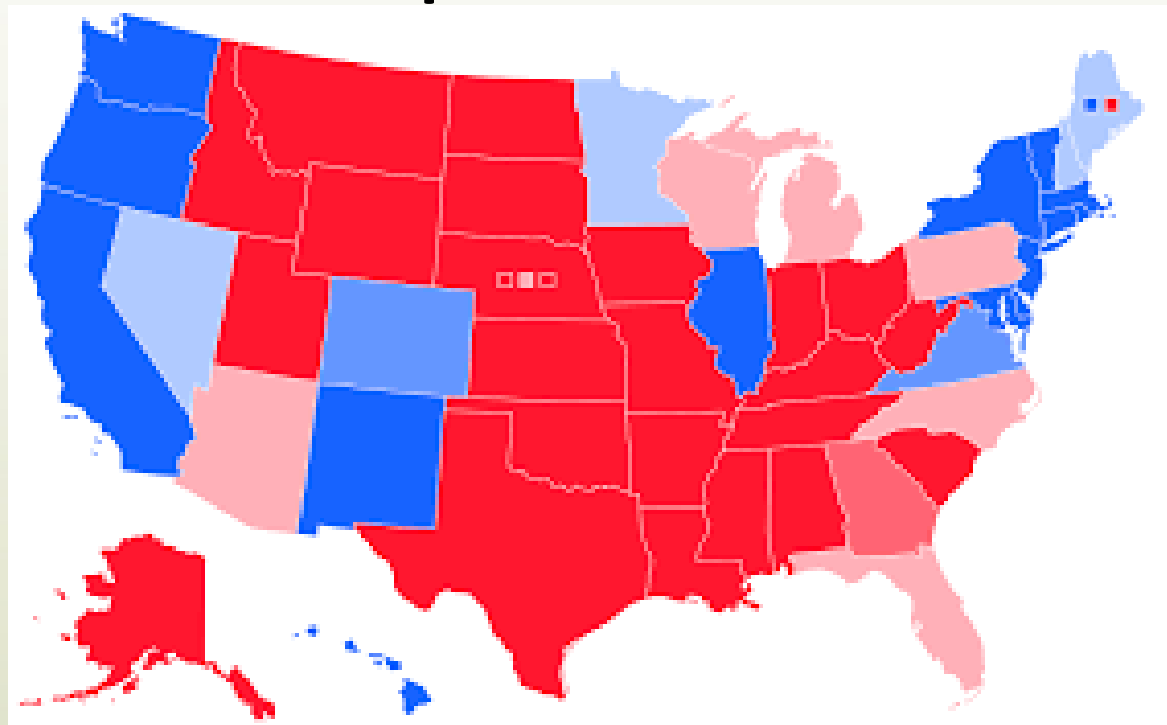
About the Debt...

Naysayers...

1. There are groups of people that are concerned that a Constitution Convention could lose control and open the Constitution up to things like losing gun and other rights.
2. Check here is that $\frac{3}{4}$ of states must approve.
3. To get involved with Consitution of the States go to: <http://conventionofstates.com>

About the Debt...

Map of Red States



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About the Debt...

- The Budget Has Very Little Wiggle Room-None
- Some of these Landmine Changes that we have discussed are going to happen--free Stuff is just too easy—A Matter of Time—my guess 5 Years—one of them will be passed, maybe less.
- Slowing this down is Up to Empowered Citizens
like you. You need to get out there—spread the word.
- Penny Plan Makes the Most Sense if we Could Self Control –
- But We Can't!
- Get Behind Convention of States—It's our fault line....Contact State Representatives to Get Ohio on Board.

About the Debt....

“A Republic, If You Can Keep it”

--Benjamin Franklin,

At the Close of the Constitution Convention in 1787

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About the Debt...

Thesis

- *This is not just a Spending Problem.**
- *This is not just a Democrat Problem.**
- *This is a Simple Problem to Solve.**



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