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## ‘The People’s Budget’

### Analysis of the Congressional Progressive Caucus budget for fiscal year 2018

EPI Policy Center • By [Hunter Blair](#) • May 2, 2017

**Summary:** For the seventh year in a row, the Economic Policy Institute Policy Center (EPIPC) has provided assistance to the Congressional Progressive Caucus (CPC) in analyzing and scoring the specific policy proposals in its alternative budget and in modeling its cumulative impact on the federal budget over the next decade. EPIPC finds that The People’s Budget would have significant positive impacts, including improving the economic well-being of low- and middle-income families, making necessary public investments, strengthening the social safety net, and increasing tax progressivity and adequacy while reducing the deficit in the medium term.

*This text reflects updates to the budget in September 2017 to provide funds to help communities recover from the destruction caused by Hurricane Harvey in late August and early September 2017.*

The Congressional Progressive Caucus (CPC) has unveiled its fiscal year 2018 (FY2018) budget, titled “The People’s Budget—A Roadmap for the Resistance.” It builds on recent CPC budget alternatives in setting the following priorities: near-term job creation, financing public investments, strengthening low- and middle-income families’ economic security, raising adequate revenue to meet budgetary needs while restoring fairness to the tax code, strengthening social insurance programs, and ensuring long-run fiscal sustainability.

This paper details the budget baseline assumptions, policy changes, and

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budgetary modeling used in developing and scoring The People’s Budget, and it analyzes the budget’s cumulative fiscal and economic impacts, notably its near-term impacts on economic recovery and employment.<sup>1</sup>

Figures A–C, showing the impact of The People’s Budget on debt, deficits, and nondefense discretionary funding compared with current law, the president’s “skinny budget,” and historical averages, appear in the body of the report.<sup>2</sup> Tables 1 and 2 detailing the policy changes within the budget, and Summary Tables 1 through 4 depicting budget totals as well as comparisons with the current law baseline, appear at the end of the report.

We find that The People’s Budget would have significant positive impacts. Specifically, it would:

- **Improve the economic well-being of low- and middle-income families by finally completing the economic recovery.** To close the persistent jobs gap that has plagued the U.S. economy since the start of the Great Recession, The People’s Budget provides an upfront economic stimulus large enough to go beyond closing the output gap—a measure of how far from potential the economy is operating). The People’s Budget would boost gross domestic product (GDP) by 2 percent and employment by 2.4 million jobs in the near term. This would both close the output gap as measured by the Congressional Budget Office (CBO) and further push unemployment down, to 4 percent, our estimate of genuine full employment. The budget would also ensure that the mixture of spending and revenue changes provides a net fiscal boost long enough to avoid a future fiscal cliff (i.e., a sharp drop in demand caused by budget deficits closing too quickly to sustain growth) that could throw recovery into reverse.<sup>3</sup>
- **Make necessary public investments.** The budget finances roughly \$371 billion in job-creation and public-investment measures in calendar year 2017 alone and roughly \$841 billion over calendar years 2017–2018.<sup>4</sup> This fiscal expansion more than provides the amount of fiscal support needed to rapidly reduce labor market slack and restore the economy to full health. Furthermore, The People’s Budget also aims to hit more ambitious long-term public investment targets, by returning nondefense discretionary spending (NDD) to its historical average as a percentage of GDP by 2022.
- **Facilitate economic opportunity for all.** By expanding tax credits and other programs for low- and middle-wage workers, boosting public employment, and offering incentives for employers to create new jobs, The People’s Budget aims to boost economic opportunity for all segments of the population.
- **Strengthen the social safety net.** The People’s Budget strengthens the social safety net and proposes no benefit reductions to social insurance programs—in other words, it does not rely on simple cost-shifting to reduce the budgetary strain of health and retirement programs. Instead, it uses government purchasing power to lower health care costs (health care costs are the largest threat to long-term fiscal sustainability)

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and builds upon efficiency savings from the Affordable Care Act. The budget also expands and extends emergency unemployment benefits and increases funding for education, training, employment, and social services as well as income security programs in the discretionary budget.<sup>5</sup>

- **Smartly cut spending.** The budget focuses on modern security needs by repealing sequestration cuts and spending caps that affect the Defense Department but replacing them with similarly sized funding reductions that are less front-loaded and will allow more considered cuts. It ends emergency overseas contingency operation (OCO) spending in FY2018 and beyond, and it ensures a slow rate of spending growth for the Defense Department for the remainder of the decade.
- **Increase tax progressivity and adequacy.** The budget restores adequate revenue and pushes back against income inequality by adding higher marginal tax rates for millionaires and billionaires, equalizing the tax treatment of capital income and labor income, restoring a more progressive estate tax, eliminating inefficient corporate tax loopholes, levying a tax on systemically important financial institutions, and enacting a financial transactions tax, among other tax policies.
- **Reduce the deficit in the medium term.** The budget increases near-term deficits to boost job creation, but it reduces the deficit in FY2019 and beyond relative to CBO's current law baseline. After increasing near-term borrowing to restore full employment, the budget gradually reduces the debt ratio in the now full-employment economy over time, almost reaching a key benchmark of sustainability (of a stable debt-to-GDP ratio during times of full employment). With the CPC budget as a starting point, reaching this benchmark of sustainability is not difficult. Any additional smart Social Security reform that closes that program's long-run actuarial financing gap would as a byproduct result in meeting this benchmark of sustainability. The People's Budget this year continues its longer-run stance of not specifying such a Social Security reform, as any fundamental reform of Social Security should be a stand-alone endeavor. But we can infer what a fundamental reform that closed the long-run Social Security financing gap would do to the overall budget balance. Relative to current law, the budget would reduce public debt by \$3.7 trillion (13.3 percent of GDP) by FY2027.

For the seventh year in a row, the Economic Policy Institute Policy Center (EPIPC) has provided assistance to the Congressional Progressive Caucus (CPC) in analyzing and scoring the specific policy proposals in its alternative budget and in modeling its cumulative impact on the federal budget over the next decade. The policies in CPC's fiscal year 2018 budget—The People's Budget: A Roadmap for the Resistance—reflect the decisions of the CPC leadership and staff, not those of EPIPC (although many of the policies included in the budget overlap with policies included in previous EPI budget plans). Upon CPC's request, the nonpartisan Citizens for Tax Justice (CTJ) independently scored the major individual income-tax reforms proposed in The People's Budget. All other policy proposals have been independently analyzed and scored by EPIPC based on a variety of other sources, notably data from Congressional Budget Office (CBO), the Joint Committee on Taxation (JCT), the Office of Management and Budget (OMB), and the Tax Policy Center (TPC).

Hunter Blair, the author of this year’s analysis, would like to acknowledge former EPI Policy Center staff members Thomas Hungerford, Joshua Smith, Andrew Fieldhouse, and Rebecca Thiess, whose analyses of previous CPC budgets served as the template for this report.

## Introduction

The People’s Budget is focused on both short- and long-term economic objectives. In the short run, The People’s Budget targets a rapid and durable return to genuine full employment through the use of expansionary fiscal policy. In the long run, The People’s Budget pushes back on decelerating productivity growth by making necessary and sustained public investments.

The budget was developed from the evidence-based conclusion that the present economic challenge of joblessness results from a continuing shortfall of aggregate demand—the result of the Great Recession and its aftermath—and that the depressed state of economic activity is largely responsible for elevated budget deficits and the recent rise in public debt. Further, much recent research indicates that aggregate demand is likely to remain depressed in coming years without a fiscal boost (this hypothesis about chronic ongoing demand shortages is often referred to as “secular stagnation”). Labor market slack resulting from this continuing demand shortfall is in turn exacerbating the decade-long trend of falling working-age household income and the almost four-decades-long trend of markedly increasing income inequality.

Moreover, since late 2011, contractionary fiscal policy (reduced government spending) has greatly contributed to the continuing slack in the labor market and stagnant earnings for most workers. The slack in the labor market can still be seen through the low labor-force participation rate, high labor-underutilization rate, and the low employment-to-population ratio of prime-age workers (ages 25–54). Expansionary fiscal policy can help ensure a prompt and durable return to a full-employment economy, which will in turn spur rising wages.

Accelerating and sustaining economic growth, promoting economic opportunity, and pushing back against the sharp rise in income inequality remain the most pressing economic challenges confronting policymakers. To directly address these issues, The People’s Budget invests heavily in front-loaded job-creation measures aimed not only at putting people back to work, but also at addressing the deficit in physical infrastructure and human capital investments. In stark contrast to the current austerity trajectory for fiscal policy, The People’s Budget substantially increases near-term budget deficits to finance a targeted stimulus program that would include aid to state and local governments, targeted tax credits, and public works programs.<sup>6</sup> These types of investments would yield enormous returns—particularly by reducing the long-run economic scarring caused by the underuse of productive resources—and raise national income and living standards. The People’s Budget also seeks to accelerate productivity growth through sustained public

investment—in part through \$2.0 trillion of much-needed infrastructure investments through 2027 and in part through returning NDD spending to historical levels of 3.5 percent of GDP by 2022 and keeping it there.

Beyond improving middle-class living standards, using expansionary fiscal policy to ensure a rapid return to full employment is fiscally responsible. A significant portion of the sticker price of a fiscal stimulus package will be recouped through higher tax collections and lower spending on automatic stabilizers such as unemployment insurance (programs or policies that offset fluctuations in economic activity without direct intervention by policymakers). Higher levels of economic activity will also decrease near-term budget deficits and public debt as a share of GDP. Ensuring a rapid return to full employment hedges against many downside fiscal risks, notably slower-than-projected economic recovery, larger-than-projected cyclical budget deficits, and decreased long-run potential GDP due to economic scarring, long-lasting damage to individuals' economic situations, and the economy more broadly. The People's Budget would further promote fiscal responsibility and come near a sustainable public-debt trajectory by raising revenues progressively, exploiting health care efficiency savings, and maintaining the reduced spending trajectory of the Department of Defense (DOD). This means that worries that increased deficits in The People's Budget would put upward pressure on interest rates are misplaced. Interest rate pressure is normally thought to stem from anticipated future budget deficits run while the economy is forecast to be at full employment. But in future years when the economy is at full employment, deficits will be *smaller* under The People's Budget.

After increasing near-term borrowing to restore full employment, the budget nears the key benchmark of sustainability: stabilizing the debt-to-GDP ratio at full employment. Relative to current law, the budget would reduce public debt by \$3.7 trillion (13.3 percent of GDP) by FY2027.

## The economic context for The People's Budget

More than nine years have passed since the onset of the Great Recession in December 2007, but the economic context for The People's Budget remains unequivocally tied to the recession for the following reasons.

### Slack remains

Growth in the 7.5 years since the recession's official end has been too sluggish to restore the economy to prerecession conditions, let alone to genuine full employment. While the unemployment rate as of January 2017 stands at 4.8 percent, it likely overstates the extent of labor market recovery. The share of adults age 25–54 with a job—which fell an unprecedented 5.5 percentage points (from 80.3 percent to 74.8 percent) from its peak to trough due to the Great Recession—is now (as of January 2017) still just 78.2 percent.

Further, while there has been a recent uptick, nominal wage growth still remains below where it should be in an economy at full employment.

The pace of economic growth since the economy emerged from recession in July 2009 has been too sluggish to restore the economy to full health, and this slow pace of growth can be entirely explained by the drag from fiscal policy since 2011. While fiscal policy during and immediately after the recession—particularly the enactment of the American Recovery and Reinvestment Act (ARRA)—was strongly expansionary and arrested the economy’s sharp decline, economic performance has since deteriorated largely because fiscal policy became increasingly contractionary in 2011.

This turn toward fiscal contraction has largely been driven by the enactment of the Budget Control Act (BCA) of 2011, which cut and capped discretionary spending and established the automatic “sequestration” spending cuts that took effect March 1, 2013. Contractionary fiscal measures aside from the BCA—the expiration of the payroll tax cut in January 2013, the expiration of federal emergency unemployment benefits in December 2013, and two rounds of benefit cuts to the Supplemental Nutrition Assistance Program—have also intensified fiscal drags. The sheer size of the contraction of government spending over the current recovery is unprecedented. If public spending in the current recovery had simply matched the growth trajectory of that of the early 1980s recession and recovery, spending would be at least \$1 trillion higher now. When multiplier effects are taken into account, this level of spending would have induced a full recovery (Bivens 2016c). By prematurely pulling away from fiscal support, policymakers condemned the economy to years of unnecessarily depressed output, anemic growth, high unemployment rates, and large cyclical budget deficits (Bivens, Fieldhouse, and Shierholz 2013). Instead of making recovery the priority, the Washington budget debate remained entirely focused on the one policy intrinsically at odds with spurring near-term economic growth: reducing budget deficits. And deficits will remain high as long as the economy is depressed. It is safe to say that by now the Budget Control Act has been an anti-stimulus substantially larger than the stimulus provided by the ARRA.

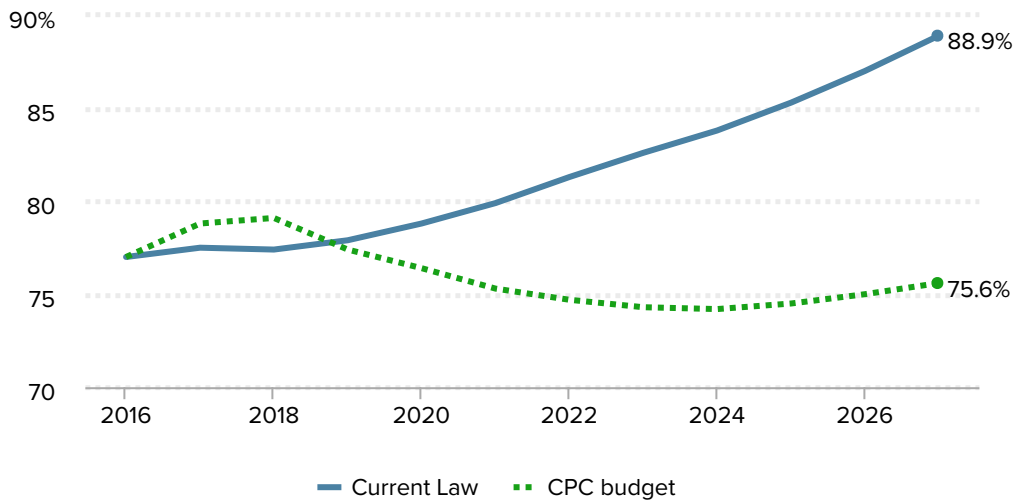
## **Fiscal expansion can restore genuine full employment**

The still-present slack in the labor market means that fiscal expansion could return the economy to genuine full employment. Targeting genuine full employment means more than just closing the CBO’s measure of the output gap. Instead, fiscal expansion should go further and target a 4 percent rate of unemployment. This can only occur if the Federal Reserve does not raise interest rates relative to baseline. In fact, we believe that the Federal Reserve should not raise interest rates again until inflation actually appears in the data. (Bivens 2016b explains the logic behind this recommendation; wage and price inflation remains below the levels that should spur interest rate increases.)

Using fiscal policy to boost aggregate demand is not only the key to achieving a durable return to full employment, it will also actually substantially finance itself and improve key metrics of fiscal health (notably the public debt-to-GDP ratio) in the near term, as the extra

Figure A

### Projected public debt as a share of GDP, FY2016–FY2027



**Note:** Data for 2016 represent actual spending.

**Source:** EPI Policy Center analysis of scores from the Congressional Budget Office, Citizens for Tax Justice, Joint Committee on Taxation, Office of Management and Budget, and Tax Policy Center

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economic activity it spurs leads to higher tax collections and lower safety-net spending.

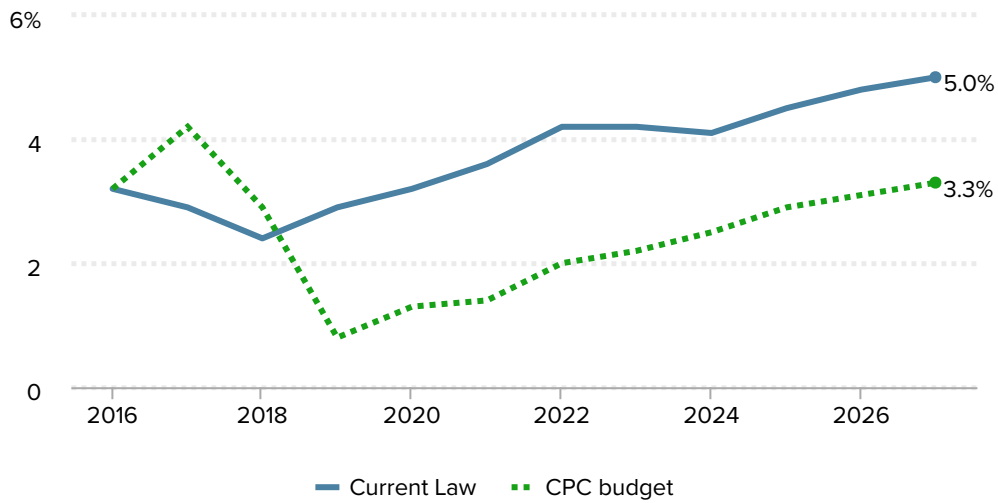
## Productivity growth has weakened

A worrisome trend that has emerged fairly recently is that productivity growth has decelerated over the course of the recovery. This means that the benefits of aggressive fiscal policy to restore the economy to full employment and hold it there for a while could be large indeed. Ball, DeLong, and Summers (2014) and Bivens (2014) have shown the damage to estimated long-run GDP by the extended period of running the economy below potential. Reversing the damage already done by—and preventing further damage from—the slack in demand is a key reason why further economic stimulus is needed and why policymakers should be aggressive in pursuing an extended period of full employment (Bivens 2016a). Likewise, in both the short and long run, another way to stem the tide of decelerating productivity growth is through sustained public investment.

The following sections describe the spending proposals and then the revenue policies in The People’s Budget (see Table 1 at the end of this report). The budget is modeled and all policies are scored relative to CBO’s January 2017 current law baseline (CBO 2017). Individual policies and net budgetary impacts, including projected debt-to-GDP (**Figure A**), deficit-to-GDP (**Figure B**), and NDD budget authority-to-GDP (**Figure C**) ratios are compared with CBO’s current law baseline, as well as President Trump’s FY2018 “skinny budget.”

Figure B

### Projected deficit as a share of GDP, FY2016–FY2027



**Note:** Data for 2016 represent actual spending.

**Source:** EPI Policy Center analysis of scores from the Congressional Budget Office, Citizens for Tax Justice, Joint Committee on Taxation, Office of Management and Budget, and Tax Policy Center

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## Outlays in The People’s Budget

The People’s Budget makes targeted investments in job creation and infrastructure spending aimed at rapidly restoring full employment, supporting a sustained recovery, and using public investment to accelerate productivity growth, while also making targeted cuts to reflect national priorities and improve efficiency in the budget.

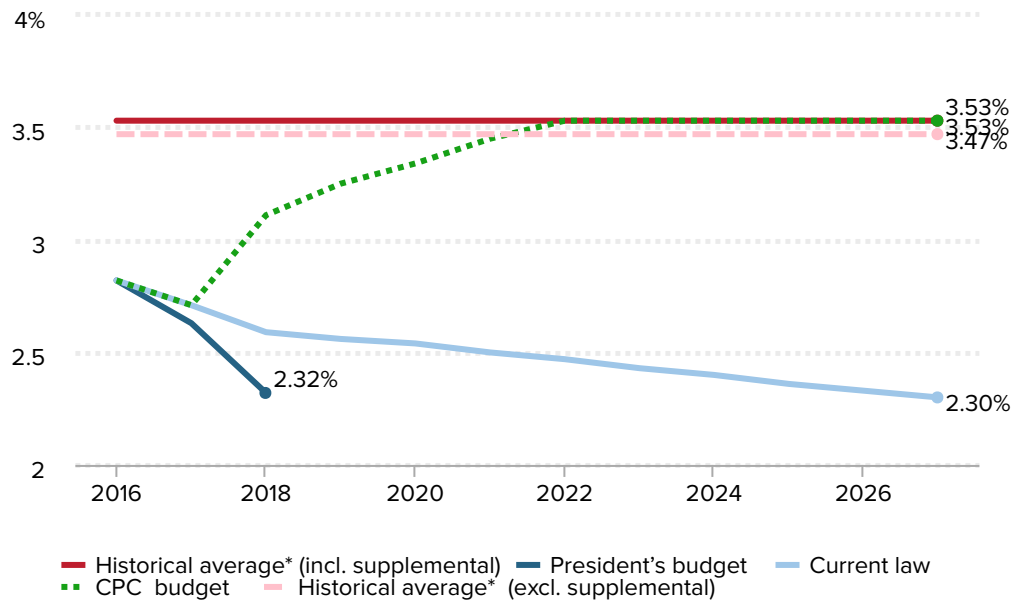
The People’s Budget ramps up overall spending in the near term to support economic recovery and pursue genuine full employment. The People’s Budget therefore heavily invests in stimulus measures over fiscal years 2017 and 2018 when economic support is most needed (see Table 2 at the end of this report).<sup>7</sup> Spending then supports the recovery by ensuring that the mix of spending and revenue changes still provide a fiscal boost relative to baseline. In later years, increased spending largely consists of additional infrastructure spending to help meet estimated needs, as well as sustained increases in NDD spending that return NDD spending to historical averages by 2022 and sustain it there, rather than letting it fall to a 60-year low of 2.3 percent of GDP in FY2027, as projected under current law (see Figure C).

As shown in Table 2, The People’s Budget finances \$3.5 trillion in mandatory job-creation measures and public investments over FY2017–2027 (\$3.3 trillion over FY2018–2027). A large share of the spending consists of sustained investments in infrastructure, child care subsidies, green manufacturing, and research and development.



Figure C

### Projected nondefense discretionary budget authority as a share of GDP, excluding supplemental spending, FY2016–FY2027



\* Historical average reflects the average nondefense discretionary budget authority as a share of GDP between FY1980 and FY2007 (the last year before the onset of the Great Recession).

**Note:** Supplemental spending includes war, disaster, emergency, and program integrity. For the president's budget, this figure uses CBO's projections of GDP. Data for 2016 represent actual spending. Data for 2017 exclude Changes In Mandatory Programs (CHIMPs).

**Source:** EPI Policy Center analysis of scores from the Congressional Budget Office, Citizens for Tax Justice, Joint Committee on Taxation, Office of Management and Budget, and Tax Policy Center

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## Renewed fiscal expansion to restore full employment

Among the spending measures are those that make up the targeted stimulus program phased in over two years. The stimulus package, which totals \$260 billion over FY2017–2018, includes investing in teachers and K–12 schools (\$70 billion); providing block grants to aid states in rehiring first responders, funding safety net programs, and funding Medicaid (\$70 billion); and funding public-works jobs programs to boost employment, with particular emphasis on aiding distressed communities (\$114 billion). The package of public-works jobs programs would fully finance one year of initiatives proposed by Rep. Jan Schakowsky's (D-Ill.) in her Emergency Jobs to Restore the American Dream Act of 2011.<sup>8</sup> To provide both an economic boost as well as individual assistance to the still-elevated number of long-term unemployed workers, The People's Budget substantially increases the generosity of the unemployment insurance (UI) system. The budgetary provision that restores the emergency unemployment compensation (EUC)

to 99 weeks implies a total investment of \$6 billion from FY2017.<sup>9</sup>

As shown in Table 2, The People’s Budget also funds a number of job-creation tax measures. The budget expands the Earned Income Tax Credit to greatly increase the credit’s generosity to childless workers, thus increasing the program’s work incentive for this group. The \$82 billion expansion (2018–2027) was highlighted in President Obama’s FY2017 budget (OMB 2016). Moreover, The People’s Budget finances \$106 billion in tax credits for businesses over FY2018–2027, including an enhanced and simplified research and experimentation credit as well as green-manufacturing incentives.

## **Strengthening the safety net and investing in education**

The People’s Budget expands and strengthens other key provisions of the social safety net as well. Supplemental Nutrition Assistance Program (SNAP) benefits are expanded by reestablishing the American Recovery and Reinvestment Act (ARRA) levels of SNAP benefits and undoing SNAP cuts from the farm bill (adjustments totaling \$21 billion in increased spending from FY2017–2027, as shown in Table 1). To ensure that federal civilian and veteran retirees do not experience a decline in their purchasing power, The People’s Budget indexes their retirement benefits to the Bureau of Labor Statistics’ experimental consumer price index for elderly households, or CPI-E, which more accurately reflects the buying patterns of American senior citizens. The change will result in additional outlays of \$110 billion over FY2018–2027 (see Table 1).

Other spending proposals adopted over FY2018–2027 in The People’s Budget include refinancing student loans and making college more affordable (\$443 billion) and adopting President Obama’s previously proposed Preschool for All (\$73 billion) and End Family Homelessness (\$13 billion) initiatives.

## **Significantly shrink the infrastructure funding gap**

Despite the worrying trend of decelerating productivity growth, the United States has allowed its stock of public capital to decay. To reverse both of these trends, The People’s Budget includes a nearly \$2 trillion investment in infrastructure over FY2018–2027. Updating the estimates of the American Society of Civil Engineers for inflation, this infrastructure investment would cover roughly 92 percent of the infrastructure funding gap—the funding necessary to close the nation’s investment shortfall while offering a sustained, continuing dedicated source of funding specifically for infrastructure investments (ASCE 2016).

## Returning NDD public investment to historical levels

In addition to these targeted job-creation measures, infrastructure investments, public investments, and tax credits housed under the mandatory spending portion of the budget, The People’s Budget invests heavily in the core nondefense discretionary (NDD) budget. The NDD budget houses a range of critical public investments in areas such as education, energy, basic scientific research, workforce training, and health. The Budget Control Act (BCA) enacted deep cuts to the NDD budget; repealing these cuts under The People’s Budget starting in FY2018 would result in an additional \$437 billion over FY2018–2027 in needed NDD investments. The People’s Budget would also repeal the entirety of the discretionary and mandatory BCA spending caps and sequester cuts.<sup>10</sup> Over FY2017–2027, the CPC budget policy changes translate to a \$1.5 trillion increase in NDD outlays over current law.<sup>11</sup> Sustaining these investments is critical for building the country’s stock of public and human capital, a key driver of long-run productivity growth (Bivens 2012a). This boost to long-run productivity is vital given the worrisome trend of decelerating productivity growth.

## Summarizing public investments and job-creation measures

Public investments and job-creation measures in the mandatory and NDD budgets total \$730 billion over FY2017–2018 (see Table 2), which, when combined with the other spending and revenue provisions within The People’s Budget, is more than enough fiscal support to fully close the remaining jobs gap. In addition to the \$2 trillion investment in infrastructure, mandatory public investment includes a \$993 billion investment in an “affordable child care for all” subsidy program over FY2018–2027. The NDD public investments as well as mandatory changes in The People’s Budget bring total job creation and public investments in The People’s Budget to \$5.8 trillion above the current law baseline over FY2017–2027 (see Table 2).<sup>12</sup> Critically, NDD budget authority would reach the historical average of 3.5 percent of GDP by 2022. By FY2027, under The People’s Budget, NDD budget authority is projected to remain at the historical average of 3.5 percent. In comparison, under current law, NDD budget authority is projected to reach 2.3 percent by 2027. Meanwhile, the president’s “skinny budget” would drastically reduce NDD budget authority, reaching 2.3 percent as soon as FY2018 (see Figure C). This classification of federal spending is especially vital because much of it is needed public investment—purchases the government can make now that will boost employment in the short run but provide lasting benefits, such as infrastructure and education. Under current law, such investment will soon reach its historical low as a share of GDP and continue to decline thereafter (Smith 2014a).

## Targeted spending cuts and health efficiency savings

The People’s Budget also proposes adjusting the pace of defense savings and finding other targeted and efficient savings in the budget. Over FY2018–2027, the CBO 2017 current law baseline includes a \$134 billion reduction in DOD outlays from the BCA spending caps and sequestration cuts. The People’s Budget repeals these cuts and replaces them with similarly sized cuts that allow for a more gradual and considered approach to spending reductions. The budget provides \$65 billion in budget authority for overseas contingency operations (OCO) for FY2017—the same as the baseline and enough to fund full and safe withdrawal from Afghanistan—after which all OCO funding is ended. Responsibly reducing OCO spending would save \$851 billion over FY2018–2027 relative to current law (see Table 1).

The People’s Budget achieves savings outside of the Defense Department as well, many of which would build on the efficiency reforms already enacted in the Affordable Care Act. The budget implements the following policies: the addition of a public insurance option to Affordable Care Act health insurance exchanges, negotiation of Medicare Part D pharmaceutical drug prices with pharmaceutical companies (similar to current negotiation of drug prices through Medicaid), reform of pharmaceutical drug development and patent rules, payment and administrative cost improvements, and efforts to reduce fraud and abuse in Medicaid. In total, implementing these policies would decrease budget deficits by an estimated \$790 billion over FY2018–2027 (see Table 1), much more than offsetting the \$132 billion revenue loss from repealing the excise tax on high-premium health insurance plans. Along with health savings, The People’s Budget would adopt a proposal from President Obama’s FY2017 budget to cut \$25 billion from crop insurance subsidies from 2018 to 2027—a proposal made necessary by the expansion of the subsidy program in the Agriculture Act of 2014.

## Revenue in The People’s Budget

The U.S. tax code is failing in a number of dimensions. Tax receipts have been deliberately driven down to levels that cannot support current national priorities (let alone commitments to an aging population in an economy plagued by high rates of excess health care cost growth). Tax policy has increasingly exacerbated income inequality, and complexity within the tax code means that an individual’s or corporation’s tax bill can too easily depend on the abilities of one’s accountant. The People’s Budget would reform the tax code by enacting policies that would restore lost progressivity (so that effective tax rates reliably rise with income), push back against rising income inequality, raise sufficient revenue, and close inefficient or economically harmful loopholes. Although tax increases are contractionary under current conditions, the economic impact of a dollar of government spending (as shown by the fiscal multiplier) is about three times higher than the economic impact of a dollar of revenue in our estimates. Much of the revenue would be raised from upper-income households and businesses (which have relatively low

marginal propensities to consume and thus particularly low fiscal multipliers even among tax changes) and used to finance high bang-per-buck job creation measures. Therefore the relatively small fiscal drag from raising revenue would be more than offset by the other budget policies.

The People's Budget increases revenues as a share of GDP by 3.8 percent over FY2018–2027, from 18.2 percent under current law to 22.0 percent. Though higher relative to GDP than the previous postwar high of 19.9 percent in 2000 (OMB n.d.), this percentage remains small relative to that of other developed economies (even when state and local tax rates are taken into account). Moreover, aside from the United States, the great majority of advanced economies have increased their revenue-to-GDP ratios in recent decades (OECD n.d.), a logical extension of greater national wealth and aging populations.

## Individual income tax reforms

The People's Budget raises individual income tax revenue relative to current law by enacting what was referred to as “Obama policy” prior to enactment of the American Tax Payer Relief Act of 2012 (ATRA); that is, it allows Bush-era tax rate reductions to expire for tax filers with adjusted gross income (AGI) above \$200,000 (\$250,000 for joint filers).<sup>13</sup> Though tax rates were scheduled to revert to Clinton-era levels at midnight on December 31, 2012, the ATRA extended the income tax cuts for those with AGI under \$400,000 (\$450,000 for married couples), making permanent the reduction to the 25, 28, and 33 percent brackets and creating a new 35 percent bracket for taxable income up to a \$400,000 threshold.<sup>14</sup> Under The People's Budget the 33 percent bracket would revert to 36 percent and the 35 percent bracket would revert to 39.6 percent. The AGI threshold at which the personal exemption phase-out and limitation on itemized deductions are triggered would be lowered from \$300,000 (\$350,000 for joint filers) to \$200,000 (\$250,000 for joint filers).

The People's Budget would increase progressivity of the individual income tax code by adding the five higher marginal tax rates at higher income thresholds from Rep. Schakowsky's Fairness in Taxation Act of 2011, effective January 1, 2018: a 45 percent bracket starting at taxable income above \$1 million; a 46 percent bracket at taxable income above \$10 million; a 47 percent bracket at taxable income above \$20 million; a 48 percent bracket at taxable income above \$100 million; and a 49 percent bracket at taxable income above \$1 billion.<sup>15</sup> Across this modified rate structure, the budget would also tax all capital gains and dividends as ordinary income. The collective impact of these policies—raising taxes on households with AGI above \$200,000 (\$250,000 for joint filers), adding five additional high-income brackets, and equalizing treatment of investment and labor income—would generate almost \$1.6 trillion over FY2018–2027 relative to current law.<sup>16</sup>

As Table 1 shows, The People's Budget makes a number of additional policy changes to the individual income tax code. The budget repeals the step-up basis for capital gains at death (\$166 billion in new revenue over FY2018–2027); increases progressivity in the tax code by capping the value of itemized deductions at 28 percent (\$577 billion); denies the

home-mortgage interest deduction for yachts and vacation homes (\$11 billion); and ends the exclusion of foreign earned income (\$84 billion). The budget would ensure all pass-through entities are subject to the self-employment tax and the 3.8 percent ACA Medicare tax (\$318 billion in revenue over FY2018–2027). Finally, The People’s Budget would enact comprehensive immigration reform that includes a path to citizenship, resulting in more taxpayers paying income and payroll taxes, and it would qualify these residents for refundable tax credits (on net saving \$301 billion over FY2018–2027).

## Corporate income-tax loophole closers

On the corporate side, The People’s Budget eliminates some of the most egregious loopholes and enacts other progressive reforms. The budget repeals voluntary deferral of taxes owed on U.S.-controlled foreign companies’ source income, ends the Subpart F active financing exception, reforms treatment of the foreign tax credit, and includes an anti-inversion proposal for savings of \$1.6 trillion over FY2018–2027. It curbs corporate deductions for stock options (saving \$31 billion), limits the deductibility of bonus pay (\$54 billion), eliminates corporate jet provisions (\$4 billion), and reduces the level of deductibility of corporate meals and entertainment (\$70 billion) over FY2018–2027. It saves \$145 billion over FY2018–2027 by eliminating fossil fuel preferences through enactment of the End Polluter Welfare Act (EPWA) sponsored by Sen. Bernie Sanders (I-Vt.) and Rep. Keith Ellison (D-Minn.). The budget also ends tax deductions for the direct advertising of certain unhealthy foods to children (\$20 billion over FY2018–2027).

## Taxes on economic ‘bads’ and other tax reforms

Besides increasing progressivity in the individual and corporate income tax codes, The People’s Budget reflects the belief that government should levy Pigovian taxes so that the consumption of certain goods reflects their true societal costs. The People’s Budget imposes a financial transactions tax (FTT) in order to raise significant revenue while dampening speculative trading and encouraging more productive investment. By adhering to the same tax base and rates as the FTT proposed by Bivens and Blair (2016), the FTT in The People’s Budget would raise \$1.8 trillion over FY2018–2027.<sup>17</sup> The budget would also enact an idea proposed by former House Ways and Means Committee Chairman Dave Camp (R-Mich.) by imposing a 0.35 percent tax on “systemically important financial institutions,” assessed quarterly, to address the issue of “too big to fail” (\$101 billion raised over FY2018–2027).

To reduce the emission of greenhouse gases and yield significant revenue on an annual basis, the budget would price carbon emissions starting at \$25 per metric ton in 2018 and indexed at a 5.6 annual rate. Because pricing carbon has the potential to be regressive, The People’s Budget would rebate 25 percent of the revenue from carbon abatement as refundable credits to low- and middle-income households. Net of this rebate, carbon pricing would raise \$762 billion in revenue over FY2018–2027. On a much smaller scale, The People’s Budget increases the federal excise tax on cigarettes by \$0.50 per pack, raising \$33 billion over FY2018–2027. The People’s Budget also includes President

Obama's FY2017 \$10.25 per barrel fee on oil and dedicates the \$299 billion to the Highway Trust Fund.

Finally, the budget restores the progressive taxation of inherited wealth by instituting a progressive estate tax (\$247 billion over FY2018–2027). It enacts Sen. Sanders's Responsible Estate Tax Act of 2015, which sets an exemption level of \$3.5 million and a graduated rate that rises to 55 percent for estates valued at over \$50 million. The bill would levy a 10 percent surtax on estates valued at over \$500 million.

In total, The People's Budget raises \$9.0 trillion in additional revenue relative to current law (see Summary Table 3). Revenue levels in the budget average 22.0 percent of GDP over FY2018–2027 (see Summary Table 2).

## The People's Budget's near-term impact on jobs and growth

To eliminate the slack in the labor market—a precondition for real wage growth—The People's Budget would finance enough in job-creation measures and public investments to roughly close the projected jobs gap and push the unemployment rate down to 4 percent in calendar years 2017–2018, provided the Federal Reserve accommodates the expansion. The U.S. economy would experience a sustained return to genuine full employment under The People's Budget.

If the full amount of increased outlays and other job-creation measures in The People's Budget were passed and implemented in calendar year 2017, we project that on net GDP would grow by an additional \$386 billion (2 percent) and nonfarm payroll employment by 2.4 million jobs relative to CBO's current law baseline. Given that calendar year 2017 is a quarter gone, and given as well that some spending might create jobs only after an additional lag, the job creation numbers for 2017 might come in below these projections, but this means that our estimates for 2018 would rise as activity and job creation spilled over into that year. In this analysis, we ignore these issues of potential lags and assume that the economic impact of The People's Budget's changes in outlays and revenues are reflected in the calendar year that these budget changes are made. Again, the only real concern this raises is that some of the impacts will be pushed from the end of 2017 and into early 2018. Either way, The People's Budget will both solidify and accelerate an economic recovery that is clearly progressing, but is still coming too slowly, and that too many policymakers are assuming to be inevitable and imminent.

Specifically, The People's Budget would increase spending on job-creation and public-investment measures by \$371 billion in calendar year 2017 and \$469 billion in calendar year 2018 relative to CBO's current law baseline.<sup>18</sup> The associated boost to aggregate demand would be enough to substantially reduce labor market slack, taking into consideration minor economic headwinds from raising additional revenue (which has a countervailing contractionary effect, albeit relatively small per dollar). The People's Budget would increase revenue by roughly \$123 billion in calendar year 2017 and \$593 billion in

calendar year 2018, relative to current law.<sup>19</sup> If these revenue increases were not so progressive, one could worry that they would actually reduce the deficit too rapidly in 2018 and would drag on growth. But because progressive revenue increases drag much less on demand growth, and because extra spending with large multipliers is sustained in 2018, we are confident that the economy can accept these revenue increases without slowing markedly.

On net, The People's Budget would boost GDP by \$386 billion (2 percent) from calendar year 2017 to 2018 relative to CBO's current law baseline. Sustaining a fiscal boost for several years would be necessary to avoid creating a fiscal cliff demand shock. The People's Budget does that even with reduced deficits by mixing very-high-multiplier spending increases with progressive revenue increases that drag much less on demand growth. These effects are projected based on the assumption that the Federal Reserve accommodates the fiscal expansion by not raising interest rates relative to baseline. While in our view the Federal Reserve should be accommodating to this expansion, recent rate increases make it plausible that the Federal Reserve would respond by raising rates. For more information, see Bivens (2016b).

## About the author

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## Appendix

### Budgetary scoring and modeling

The Economic Policy Institute Policy Center has scored the policies proposed by The People's Budget and modeled their cumulative impact relative to CBO's January 2017 baseline (CBO 2017). Table 1 at the end of the paper lists the major policy alterations to the January 2017 baseline and broadly separates policy proposals into two categories: revenue policies and spending policies. All policies are depicted as the net impact on the



primary budget deficit (excluding net interest) rather than the impact on receipts and outlays. Note that many revenue policies in Table 1 include related outlay effects (i.e., refundable portions of tax credits), and some policies in the spending adjustments include revenue effects. Spending changes in Table 1 reflect outlays rather than budget authority. Debt service is calculated from the net fiscal change to the primary budget deficit, and the unified budget deficit is adjusted accordingly.<sup>20</sup> The net impact of these policy changes on the budget, as well as relative to CBO's current law baseline, can be found in Summary Tables 1 through 4. All figures in the tables and graphs are for fiscal years, but the text includes key calculations for calendar years.

In some instances it is necessary to extrapolate from existing official or trusted scores (e.g., those from the Congressional Budget Office, Citizens for Tax Justice, Joint Committee on Taxation, and Office of Management and Budget) to adjust from a previous budget window to the current budget window. In these instances, the out-year scores are adjusted as a rolling average of the change in revenue or outlays for the last three years of an official score. Where available, revenue and outlay effects, as well as on- and off-budget effects, are extrapolated separately. All policy changes affecting Social Security are modeled as off-budget revenue and outlay effects and are reflected in the summary tables as such.

Unless otherwise specified, all tax policies are assumed to be implemented on January 1, 2018. Tax policies modeled from scores starting before FY2017 assume 75 percent of the revenue score for that year (the three quarters of FY2017 in calendar year 2017). More broadly, fiscal year scores are calculated as 25/75 weighted-average calendar-year scores where necessary.

Finally, it should be noted that not all possible interaction effects between tax policies are taken into consideration in this budget model; stacking and running all of the tax policies through a microsimulation model was beyond the scope of our technical support for budget modeling. Many of the individual income tax proposals, however, were collectively modeled by CTJ using the Institute on Taxation and Economic Policy (ITEP) microsimulation and accordingly account for interaction effects, including those with the alternative minimum tax and refundable tax credits.

## Economic analysis

All economic impacts are estimated relative to CBO's current law baseline.

A fiscal multiplier of 1.4 has been assigned to government spending provisions, and a fiscal multiplier of 0.5 has been assigned to tax provisions. These are essentially rough median estimates of a range of studies. Some of these sources include Moody's Analytics Chief Economist Mark Zandi (Zandi 2011), as well as the International Monetary Fund, CBO, and the Council of Economic Advisers, among other forecasters (Bivens 2012b; CBO 2012; CEA 2011; IMF 2012). Best estimates for tax provisions' multipliers demonstrate greater variance, depending on how they are targeted to households or businesses more or less likely to spend an extra dollar of disposable income. Multiplier estimates of increased taxes on upper-income households (following policy of the Obama administration) and

corporations are lower, at 0.25 and 0.32, respectively, and almost all of The People's Budget revenue policies fall into one of these two categories. The multiplier for pricing carbon would be somewhat higher, even taking into consideration the refundable rebate, and 0.5 is assigned as a conservative estimate for all tax changes.

Policy adjustments for 2017 are calculated as 100 percent of FY2017 and 25 percent of FY2018 budgetary costs. All current policy adjustments for calendar year 2018 adopt a 75/25 fiscal year/calendar year split. Following the methodology in Bivens and Fieldhouse (2012), a multiplier of 1.4 is assigned to removing sequestration.

The impact on the unemployment rate is calculated as an estimate using Okun's rule of thumb. Specifically, the change in unemployment is projected by the percentage-point change in the relative output gap (actual output divided by potential output) divided by 2.0. Estimates for the change in nonfarm payroll employment are based on the percent change in GDP, using the methodology outlined in Bivens (2011b).

## Endnotes

1. Where policies in The People's Budget have been carried over from previous CPC budgets, this paper draws accordingly from EPIPC's analyses of CPC's fiscal 2012, 2013, 2014, 2015, 2016, and 2017 budget alternatives: *The People's Budget: A Technical Analysis* (Fieldhouse 2011); *The Budget for All: A Technical Report on the Congressional Progressive Caucus Budget for Fiscal Year 2013* (Fieldhouse and Thiess 2012); *The Back to Work Budget: Analysis of the Congressional Progressive Caucus Budget for Fiscal Year 2014* (Fieldhouse and Thiess 2013); *The 'Better Off Budget': Analysis of the Congressional Progressive Caucus budget for Fiscal Year 2015* (Smith 2014b); *The 'People's Budget': Analysis of the Congressional Progressive Caucus Budget for Fiscal Year 2016* (Hungerford 2015); *'The People's Budget': Analysis of the Congressional Progressive Caucus Budget for Fiscal Year 2017* (Blair 2016).
2. President Trump's "skinny budget" only includes spending proposals for fiscal year 2017 and fiscal year 2018, and those spending proposals only cover discretionary spending.
3. These estimates are measured relative to CBO's current law baseline. In our estimates the macroeconomic effect occurs at the end of 2017. Given that a quarter of 2017 has already gone by, and given various lags in enacting policy as well as lags in policy affecting the economy, it's likely that this level of effectiveness could be reached in early 2018 instead. Regardless, if the job-creation measures in The People's Budget were passed in coming months, there would be substantial near-term improvement in economic activity and jobs.
4. These estimates are measured relative to CBO's current law baseline. This includes job-creation measures, nondefense discretionary spending increases, and repeal of Budget Control Act discretionary spending caps (see Table 2).
5. The People's Budget apportions increases to the nondefense discretionary budget functions as follows: 15 percent for International Affairs (Function 150); 5 percent for General Science, Space, and Technology (F250); 5 percent for Energy (F270); 5 percent for Natural Resources and Environment (F300); 5 percent for Commerce and Housing Credit (F370); 5 percent for Community and Regional Development (F450); 15 percent for Education, Training, Employment, and Social Services (F500); 10 percent for Health (F550); 20 percent for Income Security (F600); 10 percent

for Veterans Benefits and Services (F700); and 5 percent for Administration of Justice (F750).

6. The characterization of current fiscal policy as “austere” is eminently justifiable when comparing spending growth over the current recovery with spending growth in all other post–World War II recoveries—particularly when the size of the output gap at the recession’s trough is taken into account.
7. This includes undoing nondefense discretionary spending cuts included in the Budget Control Act.
8. The proposed Emergency Jobs to Restore the American Dream Act of 2011 was included in the Budget for All, the Congressional Progressive Caucus’s FY2013 budget alternative. The jobs-creation package invests \$113.5 billion in each of two years, and it was estimated by Rep. Schakowsky’s staff to support the creation of two million jobs (Fieldhouse and Thies 2012).
9. Emergency unemployment benefits have a relatively large economic impact per dollar. Mark Zandi of Moody’s Analytics has estimated this policy to have an estimated \$1.52 impact per dollar spent (Zandi 2011).
10. The \$437 billion is the additional NDD outlays that result from repealing both the BCA NDD caps and the BCA NDD sequester over FY2017–2028.
11. This value differs from the subtotal of additional NDD increases in Table 2 because of decreases in NDD spending under The People’s Budget resulting from ending supplemental spending for war, disaster, and emergencies. NDD budget authority is increased gradually in order to reach historical levels of NDD budget authority by 2021 and then sustained at historical levels for the rest of the budget window. The associated budgetary outlays can be seen in Table 2.
12. This includes undoing both phases of NDD cuts in the BCA.
13. These AGI cutoffs are measured in 2009 dollars and were subsequently indexed to inflation in the administration’s budget requests.
14. These rates were scheduled to revert to 28, 31, 36, and 39.6 percent. ATRA levied a 39.6 percent rate only on income over \$400,000 (\$450,000 for married couples).
15. The taxable income thresholds for these rates are applicable to individual, head of household, and married filing jointly tax returns by filing status. The taxable income thresholds for these rates are halved for married couples filing separately.
16. The collective budgetary impact of these policy modifications to the individual income tax were scored by Citizens for Tax Justice using the Institute on Taxation and Economic Policy (ITEP) microsimulation model, which is similar to models used by official scorekeepers at the Treasury Department and the Joint Committee on Taxation. The score of taxing capital gains as ordinary income takes into account behavioral responses of capital gains realizations to higher tax rates.
17. These estimates do not match TPC’s updated score. For more details, see Bivens and Blair (2016).
18. These calendar year increases are based on additional outlays of \$252 billion in FY2017, \$478 billion in FY2018, and \$444 billion in FY2019, relative to CBO’s current law baseline (see Table 2).
19. These calendar year increases are based on a net increases in revenue of \$493 billion in FY2018 and \$894 billion in FY2019 relative to CBO’s current law baseline (see Summary Table 3).
20. Debt service is calculated by the CBO’s debt service matrix for the January 2017 baseline.

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Table 1

## Policy modifications for CPC FY2018 budget alternative (billions of dollars)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total		
												2018–2022	2018–2027	2017–2027
<b>Total deficit under CBO January 2017 current law baseline</b>	-559	-487	-601	-684	-797	-959	-1,000	-1,027	-1,165	-1,297	-1,408	-3,528	-9,426	-9,984
<b>Additional revenue policy adjustments (impact on primary budget deficit, billions of dollars)</b>														
Immediately revert to 36% and 39.6% rates for those above \$250k/\$200k. Leave in place other Bush tax cuts permanently. Enact Fairness in Taxation Act and tax rate equalization.	58	147	153	158	164	170	177	183	190	197	680	1,597	1,597	
Repeal the step-up basis for capital gains at death	6	11	12	13	15	17	19	22	24	27	57	166	166	
Cap the value of itemized deductions at 28%	38	48	51	54	57	60	63	66	69	72	248	577	577	
End exclusion of foreign-earned income	5	7	8	8	8	9	9	10	10	10	36	84	84	
Deny the home mortgage interest deduction for yachts and vacation homes	1	1	1	1	1	1	1	1	1	1	4	11	11	
Ensure all pass-through entities are subject to SECA and NIIT	17	26	28	30	32	33	35	37	39	41	133	318	318	
End deferral and reform foreign tax credit	241	238	181	196	210	135	59	67	77	86	1,066	1,491	1,491	
Anti-inversion provisions	2	3	3	4	4	5	5	5	6	6	16	44	44	
End Active Financing Exception	5	8	8	8	9	9	10	10	11	11	38	89	89	
Curb corporate deductions for stock options	2	3	3	3	3	3	3	3	3	4	14	31	31	
Limit deductibility of executive bonus pay	4	7	6	6	6	5	6	5	5	4	29	54	54	
Eliminate corporate jet provisions	0	0	1	1	1	0	0	0	0	0	3	4	4	
Reduce the deductibility of corporate meals and entertainment (25%)	5	7	7	7	7	7	7	8	8	8	32	70	70	
End direct advertising of certain foods	1	2	2	2	2	2	2	2	2	2	9	20	20	
Increase the excise tax on cigarettes by 50 cents per pack	3	4	4	3	3	3	3	3	3	3	17	33	33	
Eliminate fossil fuel preferences (EPWA)	10	14	14	14	15	15	15	16	16	16	67	145	145	
Price carbon at \$25 (refunding 25%)	51	70	72	74	76	78	81	84	86	89	343	762	762	
Reinstate Superfund taxes	1	2	2	2	2	2	2	2	2	2	10	21	21	
Unemployment Insurance Solvency Act	2	3	4	4	5	7	6	6	7	7	19	52	52	

Table 1 (cont.)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total		
												2018–2022	2018–2027	2017–2027
<b>Financial transactions tax</b>			179	184	189	195	200	206	212	218	225	746	1,808	1,808
<b>Excise tax on systemically important financial institutions</b>	8	10	10	10	10	10	10	10	10	10	10	49	101	101
<b>Progressive estate tax reform</b>	3	18	22	24	26	27	29	31	33	35	93	247	247	247
<b>Repeal excise tax on high-premium insurance plans</b>	0	0	-5	-9	-11	-14	-17	-20	-25	-31	-25	-132	-132	-132
<b>Eliminate highway fund shortfall with \$10.25 per barrel tax on oil</b>	7	15	21	28	35	38	38	39	39	39	106	299	299	299
<b>Enact comprehensive immigration reform (total budgetary effect)</b>	-12	19	20	24	30	32	38	44	50	57	80	301	301	301
<b>Additional spending policy adjustments (Impact on primary budget deficit, billions of dollars)</b>														
<b>Repeal BCA mandatory and discretionary cuts (both phases)</b>	-36	-57	-65	-70	-75	-78	-80	-91	-70	-69	-303	-692	-692	-692
<b>Infrastructure investments</b>	-254	-254	-254	-193	-193	-166	-166	-166	-166	-166	-166	-1,147	-1,975	-1,975
<b>Additional job creation credits and provisions</b>	-173	-123	-67	-84	-102	-120	-137	-155	-173	-189	-207	-496	-1,357	-1,530
<b>Investments (NDD increases over removing BCA)</b>	-79	-80	-90	-110	-142	-171	-194	-213	-232	-251	-271	-593	-1,754	-1,833
<b>Preschool for all</b>	-1	-3	-5	-7	-9	-10	-10	-10	-9	-9	-9	-25	-73	-73
<b>Affordable college and refinancing student loans</b>	-93	-35	-36	-37	-38	-39	-40	-41	-42	-43	-43	-239	-443	-443
<b>Extend CHIP funding through 2019</b>	-1	-2	1	0	0	0	0	0	0	0	0	-2	-2	-2
<b>Restore SNAP benefit levels and child nutrition</b>	-1	-1	-2	-2	-2	-2	-2	-2	-2	-2	-2	-9	-20	-21
<b>End OCO after FY17 (both 050 and 150)</b>	50	70	80	85	89	91	93	95	97	99	99	375	851	851
<b>End Supplemental after FY16</b>	-3	0	2	5	7	8	9	9	10	11	11	13	60	60
<b>Base DOD adjustments</b>	0	2	4	4	5	6	5	6	10	16	16	14	56	56
<b>Negotiate Rx payments for Medicare</b>	0	17	36	44	44	47	49	55	65	73	73	141	430	430
<b>Establish Paid Leave Partnership</b>	0	-1	-1	-1	0	0	0	0	0	0	0	-2	-2	-2
<b>Public option</b>	2	20	23	23	26	27	29	31	33	35	35	94	248	248
<b>Reform rules for Rx development/release</b>	1	1	2	2	2	2	3	3	3	3	3	8	22	22
<b>Reduce fraud, waste, and abuse in Medicaid</b>	0	0	0	0	0	0	0	0	0	0	0	1	2	2
<b>Bundle Medicare's payments to health care providers</b>	2	5	7	8	9	9	10	11	12	13	13	32	88	88
<b>Replace growth rate of civilian and veteran retirement programs with CPI-E</b>	0	-2	-4	-6	-9	-12	-14	-18	-21	-25	-25	-20	-110	-110

Table 1 (cont.)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total		
												2018–2022	2018–2027	2017–2027
End Family Homelessness Initiative	0	-1	-1	-1	-1	-1	-1	-2	-2	-2	-2	-4	-13	-13
Reduce agriculture subsidies	0	2	3	3	3	3	3	3	3	3	3	11	25	25
Public financing of campaigns	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-5	-11	-11
<b>Net policy adjustments (primary)</b>	<b>-253</b>	<b>-77</b>	<b>444</b>	<b>407</b>	<b>468</b>	<b>472</b>	<b>411</b>	<b>327</b>	<b>324</b>	<b>364</b>	<b>382</b>	<b>1,714</b>	<b>3,521</b>	<b>3,268</b>
Debt service impact of policy adjustments	-2	-3	1	8	20	36	52	66	79	93	109	60	460	458
Net impact of policy adjustments	-255	-81	444	415	488	508	463	393	403	457	491	1,774	3,981	3,726
CPC FY18 deficit	-814	-568	-158	-269	-308	-451	-537	-634	-763	-839	-916	-1,754	-5,444	-6,258
<b>Memorandum</b>														
CPC defense discretionary outlays relative to current law defense discretionary outlays (excluding OCO)		8	10	9	10	9	9	10	9	5	0	46	78	78
CPC defense discretionary budget authority relative to President's FY18 budget's proposed discretionary BA (excluding OCO)	-14	-30	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-30	-30	-44

**Note:** Figures are for fiscal years. Numbers may not add due to rounding. NIIT refers to net investment income tax; SECA refers to Self-Employment Contributions Act.

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Table 2

### Spending on public investments and job-creation measures in CPC FY2018 budget alternative, relative to CBO current law baseline (billions of dollars)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total		
												2018–2022	2018–2027	2017–2027
<b>Mandatory measures</b>														
Sustained infrastructure program	0	254	254	254	193	193	166	166	166	166	166	1,147	1,975	1,975
Restore EUC to 99 weeks	6	0	0	0	0	0	0	0	0	0	0	0	0	6
Public works jobs program and aid to distressed communities	76	38	0	0	0	0	0	0	0	0	0	38	38	114
Invest in teachers and K–12 schools	46	24	0	0	0	0	0	0	0	0	0	24	24	70
Block grants to states (first responders, Medicaid, safety net etc)	46	24	0	0	0	0	0	0	0	0	0	24	24	70
Job creation tax credits (R&E, green manufacturing)	0	4	7	8	10	11	11	12	13	14	15	39	106	106
Affordable Child Care for All subsidy program	0	22	46	61	77	92	108	124	139	155	170	993	993	993
Reform child care tax incentives	0	3	4	4	5	5	5	5	6	6	6	21	48	48
Improve UI extended benefits	0	2	3	3	3	4	4	5	6	5	6	14	41	41
Expand EITC for childless workers	0	6	8	8	8	8	8	9	9	9	9	38	82	82
<b>Subtotal, mandatory measures</b>	<b>173</b>	<b>377</b>	<b>320</b>	<b>338</b>	<b>295</b>	<b>313</b>	<b>302</b>	<b>320</b>	<b>338</b>	<b>355</b>	<b>373</b>	<b>2,339</b>	<b>3,332</b>	<b>3,506</b>
<b>Additional non-defense discretionary (NDD) public investments</b>														
Repeal BCA NDD cuts, both phases	0	21	33	39	43	46	48	50	52	52	53	182	437	437
Investments (NDD increases over removing BCA)	79	80	90	110	142	171	194	213	232	251	271	593	1,754	1,833
<b>Subtotal, additional NDD increases relative to current law</b>	<b>79</b>	<b>101</b>	<b>123</b>	<b>149</b>	<b>185</b>	<b>217</b>	<b>243</b>	<b>263</b>	<b>283</b>	<b>303</b>	<b>324</b>	<b>775</b>	<b>2,192</b>	<b>2,270</b>
<b>Total, job creation measures and public investments</b>	<b>252</b>	<b>478</b>	<b>444</b>	<b>487</b>	<b>480</b>	<b>530</b>	<b>545</b>	<b>584</b>	<b>621</b>	<b>658</b>	<b>697</b>	<b>3,115</b>	<b>5,524</b>	<b>5,776</b>

**Note:** Figures are for fiscal years. Numbers may not add due to rounding.

Economic Policy Institute

## CPC FY2018 budget totals (in billions of dollars)

	Actual, 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total	
													2018–2022	2018–2027
<b>Revenues</b>														
Individual income taxes	1,546	1,651	1,912	2,143	2,249	2,362	2,479	2,598	2,729	2,869	3,015	3,169	11,145	25,526
Payroll taxes	1,115	1,150	1,195	1,256	1,294	1,344	1,402	1,459	1,514	1,577	1,641	1,705	6,491	14,388
Corporate income taxes	300	320	607	626	599	608	626	557	492	511	536	562	3,067	5,724
Other	306	283	383	602	608	624	645	667	689	710	732	750	2,862	6,409
<b>Total</b>	<b>3,267</b>	<b>3,404</b>	<b>4,097</b>	<b>4,627</b>	<b>4,751</b>	<b>4,939</b>	<b>5,152</b>	<b>5,281</b>	<b>5,424</b>	<b>5,667</b>	<b>5,924</b>	<b>6,186</b>	<b>23,565</b>	<b>52,047</b>
On-budget	2,457	2,566	3,222	3,701	3,794	3,947	4,121	4,211	4,313	4,513	4,723	4,939	18,786	41,485
Off-budget <sup>a</sup>	810	838	875	926	957	991	1,031	1,071	1,111	1,154	1,200	1,247	4,780	10,563
<b>Outlays</b>														
Mandatory	2,429	2,659	3,146	3,205	3,369	3,500	3,759	3,885	4,039	4,318	4,563	4,816	16,979	38,599
Discretionary	1,184	1,288	1,220	1,247	1,278	1,333	1,390	1,435	1,481	1,534	1,580	1,628	6,467	14,126
Net interest	241	271	299	332	372	415	455	499	538	578	620	659	1,874	4,768
<b>Total</b>	<b>3,854</b>	<b>4,218</b>	<b>4,665</b>	<b>4,785</b>	<b>5,019</b>	<b>5,247</b>	<b>5,604</b>	<b>5,818</b>	<b>6,058</b>	<b>6,430</b>	<b>6,763</b>	<b>7,103</b>	<b>25,320</b>	<b>57,492</b>
On-budget	3,078	3,412	3,801	3,859	4,032	4,191	4,476	4,614	4,774	5,062	5,306	5,553	20,350	45,668
Off-budget <sup>a</sup>	776	806	864	925	988	1,056	1,128	1,205	1,284	1,368	1,457	1,550	4,969	11,823
<b>Deficit (-) or surplus</b>	<b>-587</b>	<b>-814</b>	<b>-568</b>	<b>-158</b>	<b>-269</b>	<b>-308</b>	<b>-451</b>	<b>-537</b>	<b>-634</b>	<b>-763</b>	<b>-839</b>	<b>-916</b>	<b>-1,754</b>	<b>-5,444</b>
On-budget	-621	-846	-579	-158	-238	-244	-355	-403	-461	-549	-583	-614	-1,573	-4,182
Off-budget <sup>a</sup>	34	32	11	0	-31	-64	-97	-134	-174	-214	-257	-303	-181	-1,262
<b>Debt held by the public</b>	<b>14,168</b>	<b>15,093</b>	<b>15,752</b>	<b>15,985</b>	<b>16,322</b>	<b>16,693</b>	<b>17,202</b>	<b>17,794</b>	<b>18,483</b>	<b>19,300</b>	<b>20,195</b>	<b>21,166</b>	n.a.	n.a.
<b>Memorandum</b>														
Gross domestic product	18,403	19,157	19,926	20,661	21,378	22,168	23,037	23,948	24,899	25,889	26,917	27,985	107,171	236,809

a. The revenues and outlays of the Social Security trust funds and the net cash flow of the Postal Service are classified as off-budget.

**Note:** Figures are for fiscal years.

Economic Policy Institute

## CPC FY2018 budget totals (as a percentage of GDP)

	Actual, 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total	
													2018–2022	2018–2027
<b>Revenues</b>														
Individual income taxes	8.4%	8.6%	9.6%	10.4%	10.5%	10.7%	10.8%	10.8%	11.0%	11.1%	11.2%	11.3%	10.4%	10.8%
Payroll taxes	6.1%	6.0%	6.0%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Corporate income taxes	1.6%	1.7%	3.0%	3.0%	2.8%	2.7%	2.7%	2.3%	2.0%	2.0%	2.0%	2.0%	2.9%	2.4%
Other	1.7%	1.5%	1.9%	2.9%	2.8%	2.8%	2.8%	2.8%	2.8%	2.7%	2.7%	2.7%	2.7%	2.7%
<b>Total</b>	<b>17.8%</b>	<b>17.8%</b>	<b>20.6%</b>	<b>22.4%</b>	<b>22.2%</b>	<b>22.3%</b>	<b>22.4%</b>	<b>22.1%</b>	<b>21.8%</b>	<b>21.9%</b>	<b>22.0%</b>	<b>22.1%</b>	<b>22.0%</b>	<b>22.0%</b>
On-budget	13.3%	13.4%	16.2%	17.9%	17.7%	17.8%	17.9%	17.6%	17.3%	17.4%	17.5%	17.7%	17.5%	17.5%
Off-budget <sup>a</sup>	4.4%	4.4%	4.4%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
<b>Outlays</b>														
Mandatory	13.2%	13.9%	15.8%	15.5%	15.8%	15.8%	16.3%	16.2%	16.2%	16.7%	17.0%	17.2%	15.8%	16.3%
Discretionary	6.4%	6.7%	6.1%	6.0%	6.0%	6.0%	6.0%	6.0%	5.9%	5.9%	5.9%	5.8%	6.0%	6.0%
Net interest	1.3%	1.4%	1.5%	1.6%	1.7%	1.9%	2.0%	2.1%	2.2%	2.2%	2.3%	2.4%	1.7%	2.0%
<b>Total</b>	<b>20.9%</b>	<b>22.0%</b>	<b>23.4%</b>	<b>23.2%</b>	<b>23.5%</b>	<b>23.7%</b>	<b>24.3%</b>	<b>24.3%</b>	<b>24.3%</b>	<b>24.8%</b>	<b>25.1%</b>	<b>25.4%</b>	<b>23.6%</b>	<b>24.3%</b>
On-budget	16.7%	17.8%	19.1%	18.7%	18.9%	18.9%	19.4%	19.3%	19.2%	19.6%	19.7%	19.8%	19.0%	19.3%
Off-budget <sup>a</sup>	4.2%	4.2%	4.3%	4.5%	4.6%	4.8%	4.9%	5.0%	5.2%	5.3%	5.4%	5.5%	4.6%	5.0%
<b>Deficit (-) or surplus</b>														
On-budget	-3.4%	-4.4%	-2.9%	-0.8%	-1.1%	-1.1%	-1.5%	-1.7%	-1.9%	-2.1%	-2.2%	-2.2%	-1.5%	-1.8%
Off-budget <sup>a</sup>	0.2%	0.2%	0.1%	0.0%	-0.1%	-0.3%	-0.4%	-0.6%	-0.7%	-0.8%	-1.0%	-1.1%	-0.2%	-0.5%
<b>Debt held by the public</b>	<b>77.0%</b>	<b>78.8%</b>	<b>79.1%</b>	<b>77.4%</b>	<b>76.4%</b>	<b>75.3%</b>	<b>74.7%</b>	<b>74.3%</b>	<b>74.2%</b>	<b>74.5%</b>	<b>75.0%</b>	<b>75.6%</b>	n.a.	n.a.

a. The revenues and outlays of the Social Security trust funds and the net cash flow of the Postal Service are classified as off-budget.

**Note:** Figures are for fiscal years.

Economic Policy Institute

## CPC FY2018 budget vs. current law (in billions of dollars)

	Actual, 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total	
													2018–2022	2018–2027
<b>Revenues</b>														
Individual income taxes	0	0	131	272	292	310	331	350	374	399	425	456	1,336	3,339
Payroll taxes	0	0	5	26	29	32	38	43	47	52	58	65	130	395
Corporate income taxes	0	0	267	274	217	231	246	171	96	103	113	123	1,235	1,842
Other	0	0	90	322	335	347	361	372	381	389	396	402	1,454	3,393
<b>Total</b>	<b>0</b>	<b>0</b>	<b>493</b>	<b>894</b>	<b>872</b>	<b>920</b>	<b>976</b>	<b>935</b>	<b>897</b>	<b>943</b>	<b>992</b>	<b>1,046</b>	<b>4,156</b>	<b>8,969</b>
On-budget	0	0	488	868	844	888	938	893	850	891	934	981	4,025	8,574
Off-budget <sup>a</sup>	0	0	5	26	29	32	38	43	47	52	58	65	130	395
<b>Outlays</b>														
Mandatory	0	175	561	441	444	403	430	429	456	491	487	511	2,279	4,652
Discretionary	0	79	9	9	21	49	74	95	114	129	141	153	163	795
Net interest	0	2	3	1	-8	-20	-36	-52	-66	-79	-93	-109	-60	-460
<b>Total</b>	<b>0</b>	<b>255</b>	<b>574</b>	<b>451</b>	<b>458</b>	<b>431</b>	<b>468</b>	<b>472</b>	<b>504</b>	<b>540</b>	<b>535</b>	<b>555</b>	<b>2,382</b>	<b>4,987</b>
On-budget	0	255	574	450	457	431	468	471	502	538	532	553	2,371	4,976
Off-budget <sup>a</sup>	0	0	0	0	0	1	1	1	2	2	3	2	11	11
<b>Deficit (-) or surplus</b>														
On-budget	0	-255	-81	444	415	488	508	463	393	403	457	491	1,774	3,981
Off-budget <sup>a</sup>	0	0	4	26	28	32	37	41	45	50	55	63	128	382
<b>Debt held by the public</b>	<b>0</b>	<b>255</b>	<b>336</b>	<b>-108</b>	<b>-522</b>	<b>-1,011</b>	<b>-1,519</b>	<b>-1,982</b>	<b>-2,375</b>	<b>-2,778</b>	<b>-3,235</b>	<b>-3,726</b>	<b>n.a.</b>	<b>n.a.</b>

a. The revenues and outlays of the Social Security trust funds and the net cash flow of the Postal Service are classified as off-budget.

**Note:** Figures are for fiscal years.

Economic Policy Institute

## CPC FY2018 budget vs. current law (as a percentage of GDP)

	Actual, 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total	
													2018–2022	2018–2027
<b>Revenues</b>														
Individual income taxes	0	0.00%	0.66%	1.32%	1.37%	1.40%	1.44%	1.46%	1.50%	1.54%	1.58%	1.63%	1.25%	1.41%
Payroll taxes	0	0.00%	0.02%	0.13%	0.14%	0.15%	0.17%	0.18%	0.19%	0.20%	0.22%	0.23%	0.12%	0.17%
Corporate income taxes	0	0.00%	1.34%	1.33%	1.01%	1.04%	1.07%	0.71%	0.38%	0.40%	0.42%	0.44%	1.15%	0.78%
Other	0	0.00%	0.45%	1.56%	1.57%	1.56%	1.57%	1.55%	1.53%	1.50%	1.47%	1.44%	1.36%	1.43%
<b>Total</b>	<b>0</b>	<b>0.00%</b>	<b>2.47%</b>	<b>4.33%</b>	<b>4.08%</b>	<b>4.15%</b>	<b>4.24%</b>	<b>3.91%</b>	<b>3.60%</b>	<b>3.64%</b>	<b>3.69%</b>	<b>3.74%</b>	<b>3.88%</b>	<b>3.79%</b>
On-budget	0	0.00%	2.45%	4.20%	3.95%	4.00%	4.07%	3.73%	3.42%	3.44%	3.47%	3.51%	3.76%	3.62%
Off-budget <sup>a</sup>	0	0.00%	0.02%	0.13%	0.14%	0.15%	0.17%	0.18%	0.19%	0.20%	0.22%	0.23%	0.12%	0.17%
<b>Outlays</b>														
Mandatory	0	0.91%	2.82%	2.13%	2.08%	1.82%	1.87%	1.79%	1.83%	1.89%	1.81%	1.83%	2.13%	1.96%
Discretionary	0	0.41%	0.05%	0.04%	0.10%	0.22%	0.32%	0.40%	0.46%	0.50%	0.53%	0.55%	0.15%	0.34%
Net interest	0	0.01%	0.02%	0.00%	-0.04%	-0.09%	-0.16%	-0.22%	-0.27%	-0.31%	-0.35%	-0.39%	-0.06%	-0.19%
<b>Total</b>	<b>0</b>	<b>1.33%</b>	<b>2.88%</b>	<b>2.18%</b>	<b>2.14%</b>	<b>1.95%</b>	<b>2.03%</b>	<b>1.97%</b>	<b>2.02%</b>	<b>2.09%</b>	<b>1.99%</b>	<b>1.98%</b>	<b>2.22%</b>	<b>2.11%</b>
On-budget	0	1.33%	2.88%	2.18%	2.14%	1.94%	2.03%	1.97%	2.02%	2.08%	1.98%	1.98%	2.21%	2.10%
Off-budget <sup>a</sup>	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.00%
<b>Deficit (-) or surplus</b>														
On-budget	0	-1.33%	-0.41%	2.15%	1.94%	2.20%	2.21%	1.93%	1.58%	1.56%	1.70%	1.76%	1.66%	1.68%
Off-budget <sup>a</sup>	0	0.00%	0.02%	0.13%	0.13%	0.14%	0.16%	0.17%	0.18%	0.19%	0.20%	0.23%	0.12%	0.16%
<b>Debt held by the public</b>														
Debt held by the public	0	1.33%	1.69%	-0.52%	-2.44%	-4.56%	-6.59%	-8.28%	-9.54%	-10.73%	-12.02%	-13.32%	n.a.	n.a.
<b>Memorandum (debt held by the public as a share of GDP)</b>														
CPC	76.99%	78.78%	79.05%	77.37%	76.35%	75.30%	74.67%	74.30%	74.23%	74.55%	75.03%	75.63%	n.a.	n.a.
Current Law	76.99%	77.45%	77.37%	77.89%	78.79%	79.86%	81.26%	82.58%	83.77%	85.28%	87.04%	88.95%	n.a.	n.a.

a. The revenues and outlays of the Social Security trust funds and the net cash flow of the Postal Service are classified as off-budget.

**Note:** Figures are for fiscal years.

