



## **Economic Policy Institute Policy Center**

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# **THE 'BACK TO WORK' BUDGET**

## **Analysis of the Congressional Progressive Caucus budget for fiscal year 2014**

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## Executive summary

The Congressional Progressive Caucus (CPC) has unveiled its fiscal year 2014 (FY2014) budget, titled *Back to Work*. It builds on recent CPC budget alternatives in prioritizing near-term job creation, financing public investments, strengthening the middle class, raising adequate revenue to meet budgetary needs while restoring fairness to the tax code, protecting social insurance programs, and ensuring fiscal sustainability.

The *Back to Work* budget is focused on ending the ongoing jobs crisis, and it provides substantial upfront economic stimulus for that purpose. This paper details the budget baseline assumptions, policy changes, and budgetary modeling used in developing and scoring the *Back to Work* 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>

We find that the *Back to Work* budget would have significant, positive impacts in the following areas:

- **Promoting job creation and economic recovery.** The *Back to Work* budget would sharply accelerate economic and employment growth; it would boost gross domestic product (GDP) by 5.7 percent and employment by 6.9 million jobs at its peak level of effectiveness (within one year of implementation), while ensuring that fiscal support lasts long enough to avoid future fiscal cliffs that could throw recovery into reverse.<sup>2</sup>
- **Targeting a full-employment economy.** The budget would rapidly restore the unemployment rate near to pre-recession levels of 5 percent. The unemployment rate would be expected to range between 5.0 and 5.6 percent by 2014, in line with what the Congressional Budget Office (CBO) regards as full employment.
- **Restoring full economic health.** U.S. economic output is currently \$985 billion (5.9 percent) below potential, and the economy is projected to remain 6 percent below potential in 2013 under current law. The budget would effectively use fiscal stimulus to restore actual GDP to potential GDP—the key barometer for restoring full employment in the economy.
- **Financing job creation and public investments.** The budget finances roughly \$700 billion in job creation and public investment measures in 2013 alone and \$2.1 trillion over 2013–2015.<sup>3</sup> This fiscal expansion is consistent with Economic Policy Institute estimates of the fiscal support needed to rapidly restore the economy to full health (Bivens, Fieldhouse, and Shierholz 2013).
- **Strengthening social insurance.** The *Back to Work* 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 programs. Instead, it uses government purchasing power to lower health care costs (health care costs are the largest threat to long-term fiscal sustainability) 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>4</sup>
- **Making targeted spending cuts.** The budget focuses on modern security needs by returning Defense Department spending to 2006 levels. It ends emergency overseas contingency operation spending in FY2015 and beyond, and cuts non-emergency Defense Department spending by \$897 billion over 10 years.

- **Raising revenue progressively.** 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, and enacting a financial transactions tax, among other tax policies.
- **Reducing the deficit in the medium term.** The budget increases near-term deficits to boost job creation, but reduces the deficit in FY2015 and beyond relative to CBO's alternative fiscal scenario (AFS) current policy baseline. The budget would achieve primary budget balance (excluding net interest) and sustainable budget deficits below 2 percent of GDP in FY2016 and beyond. The deficit would gradually fall to 1.2 percent of GDP by FY2023.
- **Targeting a sustainable debt level.** After increasing near-term borrowing to restore full employment, the budget gradually reduces the debt ratio to a fully sustainable 68.7 percent of GDP by FY2023. Relative to CBO's AFS, the budget would reduce public debt by \$4.4 trillion (equal to 16.9 percent of GDP). Relative to current law, the budget would reduce public debt by \$2.1 trillion (8.3 percent of GDP).<sup>5</sup>

## I. Introduction

The *Back to Work* budget diverges from prior CPC budget alternatives by directly addressing the nation's most pressing economic challenges and targeting a rapid return to full employment using expansionary fiscal policy, which is currently the most effective policy lever for boosting employment (Bivens 2011a). The budget was developed from the evidence-based conclusion that the present economic challenge of joblessness results from a large demand shortfall—the result of the housing bubble bursting—and that the depressed state of economic activity is largely responsible for increased budget deficits and the recent rise in public debt. High unemployment in turn is exacerbating the decade-long trend of falling working-age household income and the three-decades-long trend of markedly increased income inequality. Moreover, since mid-2010 contractionary fiscal policy has increasingly slowed economic growth to the point that the U.S. economy is projected to move further away from full employment in 2013.

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 *Back to Work* 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—notably the expiration of the payroll tax cut, the ratcheting down of discretionary spending caps, and the sequestration spending cuts—the *Back to Work* budget substantially increases near-term budget deficits to finance targeted stimulus, including infrastructure investment, aid to state and local governments, targeted tax credits, and public works programs. These types of investments would yield enormous returns—particularly by reducing long-run economic scarring that is resulting from underutilization of productive resources—and raise national income and living standards.

Beyond improving middle-class living standards, using expansionary fiscal policy to ensure a rapid return to full employment is fiscally responsible. Much of the sticker price of fiscal stimulus will be recouped through higher tax collections and lower spending on automatic stabilizers, such as unemployment insurance. Higher levels of economic activity will also decrease near-term budget deficits and public debt as a share of GDP. Unlike the non-imminent risk that future budget deficits will decrease future living standards, high joblessness and depressed levels of economic activity

are decreasing both present and future living standards alike. 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. The *Back to Work* budget would further promote fiscal responsibility and a sustainable public debt trajectory by raising revenues progressively, exploiting health care efficiency savings, and reducing spending by the Department of Defense (DOD).

After increasing near-term borrowing to restore full employment, the budget gradually reduces the debt ratio to a fully sustainable 68.7 percent of GDP by FY2023. Relative to CBO's AFS current policy baseline, the budget would reduce public debt by \$4.4 trillion (equal to 16.9 percent of GDP). Relative to current law, the budget would reduce public debt by \$2.1 trillion (8.3 percent of GDP).

The CPC solicited the assistance of the Economic Policy Institute Policy Center (EPIPC) in analyzing and scoring the specific policy proposals in the *Back to Work* budget and in modeling their cumulative impact on the federal budget over the next decade. The policies in the *Back to Work* budget reflect the decisions of the CPC leadership and staff, not those of EPIPC.<sup>6</sup> Upon CPC's request, the nonpartisan Citizens for Tax Justice (CTJ) independently scored the major individual income tax reforms proposed in the *Back to Work* budget. All other policy proposals have been independently analyzed and scored by EPIPC based on a variety of other sources, notably data from CBO, the Joint Committee on Taxation (JCT), the Office of Management and Budget (OMB), and the Tax Policy Center (TPC).

## II. Economic context for a *Back to Work* budget

The most pressing objective for macroeconomic policy, particularly fiscal policy, is rapidly restoring the economy to full health. More than five years have passed since the onset of the Great Recession in December 2007, but growth in the 3.5 years since the recession's end has been too sluggish to restore full employment. Unemployment as of February 2013 stands at 7.7 percent, the lowest rate seen since 2008 but still three percentage points higher than the annual rate in 2007, when the recession hit, and the highest rate since 1992. Further, the unemployment rate actually understates how sluggish labor market recovery has been. 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 exactly equal to the level (at 75.9 percent) of June 2009, the month the recession officially ended.

As of February 2013, the “jobs gap”—the number of jobs needed to restore the labor market to prerecession health—remained a staggering 8.9 million jobs (Shierholz 2013).<sup>7</sup> Despite sustained growth since mid-2009, economic output remains depressed as well. The output gap—the difference between actual economic activity and what the economy could be producing with higher, noninflationary levels of employment and industrial capacity utilization—was \$985 billion (5.9 percent of potential output) in the fourth quarter of 2012 (CBO 2013c). The economy has operated at least 5 percent below potential for more than four years; consequently, the United States has cumulatively forfeited \$4.5 trillion in national income because of resource underutilization (Bivens, Fieldhouse, and Shierholz 2013).

Depressed levels of output and employment are a direct consequence of the bursting of the housing bubble, which erased trillions of dollars of wealth from household balance sheets. The effects rippled through the economy as consumers pulled back their spending, construction spending cratered, businesses stopped investing and expanding, financial intermediation broke down, and state and local governments cut spending as tax receipts fell. In short, households, businesses, and governments stopped spending enough to keep their workers and resources employed.

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 fiscal policy has slowed growth rates below what is needed to close this demand shortfall. The American Recovery and Reinvestment Act (ARRA) arrested the economy's sharp decline and spurred reasonably robust growth during the first year of the recovery, but economic performance has since deteriorated as fiscal policy became increasingly contractionary. Annualized real GDP growth decelerated from 2.7 percent in the last six months of 2009 to 2.4 percent in 2010, 2.0 percent in 2011, and 1.6 percent in 2012 (Bivens, Fieldhouse, and Shierholz 2013).<sup>8</sup> Similarly, the pace of employment growth since the labor market turned around in February 2010 has been too slow to restore full employment. While the national unemployment rate has fallen from 10 percent in October 2010 to 7.7 percent in February 2013, much of this decline reflects workers dropping out of the labor force due to the unavailability of jobs. If these workers were still in the labor force and unemployed, the unemployment rate would be closer to 10 percent. Additionally, if the average monthly job gains seen in 2012 persisted, it would take until 2019 to close the jobs gap (Bivens, Fieldhouse, and Shierholz 2013).

While policymakers should be pursuing renewed fiscal expansion to accelerate the inadequate pace of economic and employment growth, Congress has instead enacted austerity measures—largely ignoring the economic and budgetary damage wrought by austerity budgets in the United Kingdom and other developed countries. This turn toward fiscal contraction has been largely 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. Discretionary spending cuts preceding the BCA, the recent expiration of the payroll tax cut, and decreased emergency unemployment benefits have also intensified fiscal drags. Regrettably, the budget deal passed by the lame-duck Congress in January 2013 (the American Taxpayers Relief Act, or ATRA) failed to address the fundamental challenge posed by the “fiscal cliff” of legislated spending cuts and tax increases and instead accelerated the pace of deficit reduction relative to current policy (Fieldhouse 2013).

By prematurely pulling away from fiscal support, policymakers are condemning the economy of the future to depressed output, anemic growth, high unemployment rates, and large cyclical budget deficits (Bivens, Fieldhouse, and Shierholz 2013). Instead of prioritizing recovery, the Washington budget debate remains 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.

Using fiscal policy to boost aggregate demand remains the key to restoring full employment, and will actually prove largely self-financing in dollar terms and improve key metrics of fiscal health (notably the public debt-to-GDP ratio) in the near term, so long as interest rates remain historically low. Conversely, budget austerity—particularly cutting spending—is so economically damaging that it actually becomes fiscally counterproductive in current conditions. For example, sequestration spending cuts are projected to *increase* the debt ratio by the end of FY2013. The risks of austerity were also highlighted by concerns over the fiscal cliff in late 2012; if no congressional action were taken, budget deficits would have closed too quickly (meaning debt would not be allowed to rise fast enough) and the economy would have been pushed into an austerity-induced recession (CBO 2012a). Having avoided the crippling austerity that has driven much of Europe back into recession, the United States is now embarking on the austerity path despite a wide consensus among economic experts that austerity wreaks havoc on depressed economies (Blanchard and Leigh 2013). Too many policymakers have turned a blind eye to the mounting historical and international evidence which shows that premature deficit reduction would likely worsen the near-to-medium-term fiscal outlook.

Ensuring a rapid return to full employment requires larger near-term budget deficits to close the shortfall in aggregate demand through public investment, safety net spending, and federal support to state and local governments. The Economic Policy Institute estimates that between \$600 billion and \$700 billion of deficit-financed, targeted fiscal support would be needed in 2013 alone to close the output gap, and fiscal support totaling between \$1.5 trillion to \$2.2 trillion would be needed over 2013–2015 (Bivens, Fieldhouse, and Shierholz 2013).

U.S. macroeconomic policy is currently being driven by a misguided obsession with deficits that fails to address much of the cause of the recent rise in budget deficits: economic weakness. The *Back to Work* budget takes a strong stand against the harmfully misguided deficit-reduction fixation by pursuing policies that aim to close the output gap and return the economy to full employment, all while ensuring sustainable projected deficit and debt levels.

The following sections describe first the spending proposals and then the revenue policies in the *Back to Work* budget (see **Table 1**). The budget is modeled and all policies are scored relative to CBO's February 2013 current law baseline (CBO 2013a).<sup>9</sup> Individual policies and net budgetary impacts, including deficits (see **Figure A**) and the debt ratio (see **Figure B**), are compared with CBO's current law and AFS current policy baselines. (Tables and figures can be found at the end of this report.)

### III. Outlays in the *Back to Work* budget

The *Back to Work* budget makes targeted investments in job creation and infrastructure spending aimed at rapidly restoring full employment and supporting sustained recovery, while also making targeted cuts to reflect national priorities and improve efficiency in the budget. Although outlays would rise to 26.8 percent of GDP in FY2014, as the budget pursues expansionary fiscal policy, outlays would fall and average 22.9 percent of GDP over the last five years of the budget window (FY2019–2023), only 0.4 percentage points higher than the average under current law.

The *Back to Work* budget ramps up spending in the near term in order to support economic recovery and pursue full employment. Investments over the 10-year window are thus front-loaded to address current economic needs; 53 percent of total job creation measures between FY2013–2023 are allocated over FY2013–2016, when economic support is most needed (see **Table 2**).<sup>10</sup> In later years, increased spending largely consists of additional infrastructure spending to meet estimated needs, as well as sustained increases in nondefense discretionary (NDD) spending to keep it roughly in line with historical averages instead of letting it fall to a 60-year low, as is currently projected under current law (see **Figure C**).

#### ***Renewed fiscal expansion to restore full employment***

The *Back to Work* budget finances \$2.5 trillion in direct job creation measures over FY2013–2023 (\$2.0 trillion over FY2014–2023). Roughly three-quarters of these investments are front-loaded in order to target full employment; the remainder of the spending consists of sustained investments in infrastructure, green manufacturing, and research and development. Specifically, the *Back to Work* budget invests \$1.1 trillion in infrastructure over FY2013–2023, which is the level the American Society of Civil Engineers calls for to close the nation's investment shortfall (ASCE 2013). In each year, the *Back to Work* budget invests more in infrastructure than the increased levels President Obama called for in his FY2013 budget (OMB 2012). Other direct investments in job creation include \$792 billion over FY2013–2016 (\$485 over FY2014–2016). This is allocated between investing in teachers and K-12 schools (\$154 billion); providing block



grants to aid states in rehiring first responders, funding safety net programs, and funding Medicaid (\$179 billion); and funding public works jobs programs to boost employment, with particular emphasis on aiding distressed communities (\$459 billion). The public works jobs programs expand upon and more than fully finances initiatives proposed in Rep. Jan Schakowsky's (D-Ill.) Emergency Jobs to Restore the American Dream Act of 2011.<sup>11</sup>

To provide both an economic boost as well as individual assistance to the near-record numbers of long-term unemployed workers, the *Back to Work* budget restores the emergency unemployment compensation (EUC) program to support up to 99 weeks of benefits in calendar years 2013–2015. The ATRA financed a \$30 billion extension of the EUC program through 2013 at current benefit levels; however, the maximum duration of benefits was reduced to 73 weeks starting in August 2012 despite an acute long-term unemployment crisis.<sup>12</sup>

The *Back to Work* budget also funds a number of job creation tax measures. It reinstates an expanded Making Work Pay tax credit for 2013–2015—doubling the initial benefit—to cushion the expiration of the payroll tax cut on low- and moderate-income households with a better-targeted tax cut.<sup>13</sup> The budget also finances \$118 billion in tax credits for businesses over FY2014–2023, including continuation of the research and experimentation credit as well as green manufacturing incentives.

In addition to these targeted job creation measures, infrastructure investments, and tax credits, the *Back to Work* budget invests heavily in the NDD budget, which houses a range of critical public investments in areas such as education, energy, basic scientific research, workforce training, and health. The BCA enacted deep cuts to the NDD budget totaling \$668 billion over FY2013–2023 in the current law baseline, and the *Back to Work* budget would repeal these cuts (and, more generally, the BCA discretionary spending caps, sequester, and reduced disaster relief spending).<sup>14</sup> Beyond this repeal, the budget would finance a \$1.7 trillion increase in NDD budget authority over FY2013–2023 (this translates to a \$1.6 trillion increase in NDD outlays over this period).<sup>15</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).

Investments and job creation measures in the budget total \$2.5 trillion over FY2013–2016, which is in line with Economic Policy Institute estimates for the level of fiscal support needed to close the output gap (Bivens, Fieldhouse, and Shierholz 2013). These NDD investments bring total job creation and public investments in the *Back to Work* budget to \$4.7 trillion above the current law baseline over FY2013–2023, and \$4.1 trillion relative to repeal of the BCA (Table 2).<sup>16</sup> Critically, NDD outlays would average 3.8 percent of GDP over FY2013–2023, in line with historical averages and keeping pace with inflation as well as population growth, as opposed to averages of 3.0 percent under current law and 3.2 percent without sequestration.<sup>17</sup> By FY2023, NDD outlays under the *Back to Work* budget are projected to be 3.4 percent of GDP, compared with 2.7 percent under current law and 2.9 percent without sequestration (see Figure C).

### ***Targeted spending cuts and health efficiency savings***

The *Back to Work* budget also proposes realigning defense priorities and finding other targeted and efficient savings in the budget.<sup>18</sup> The CBO 2013 current law baseline includes a \$310 billion reduction in DOD outlays from the first BCA phase of discretionary spending caps and a \$553 billion reduction in DOD outlays from the second phase of sequestration cuts, both over FY2013–2023. The sequestration cuts in particular were intentionally poorly designed; annual cuts are frozen in nominal dollars so they actually decline as a share of GDP, creating front-loaded fiscal drags and complicating programmatic implementation. The *Back to Work* budget repeals these cuts and replaces them with a reas-

onable trajectory for defense spending. The budget provides \$102 billion in budget authority for overseas contingency operations (OCO) budget authority for FY2014—enough to fund full and safe withdrawal from Afghanistan—after which all OCO funding is ended. Responsibly reducing OCO spending would save \$939 billion over FY2014–2023 relative to current law. The *Back to Work* budget also gradually phases in reductions in non-emergency DOD funding, cumulatively reducing outlays by \$897 billion over FY2014–2023 relative to repeal of the BCA.<sup>19</sup> These savings are well within the bounds of those identified as reasonable by the Sustainable Defense Task Force (SDTF 2010).

The *Back to Work* 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: adoption of a public insurance option, 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 reforms, and efforts to reduce fraud and abuse in Medicaid. In total, implementing these policies would decrease budget deficits by an estimated \$349 billion over FY2013–2023. Along with health savings, the *Back to Work* budget would adopt a proposal by the Green Scissors coalition to save \$53 billion over FY2013–2023 by reducing agricultural commodity subsidies (Green Scissors 2012).

## IV. Revenue in the *Back to Work* 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), 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 *Back to Work* budget would reform the tax code by enacting policies that would restore lost progressivity (so that effective tax rates rise with income), push back against rising income inequality, raise sufficient revenue, and close inefficient or economically harmful loopholes. Although tax increases are contractionary in current conditions, the economic impact of a dollar of government spending (as shown by the fiscal multiplier) is about four to seven times higher than the economic impact of a dollar of revenue (Bivens and Fieldhouse 2012). Since 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, the relatively small fiscal drag from raising revenue would be more than mitigated by the other budget policies.

### *Individual income tax reforms*

The *Back to Work* budget raises individual income tax revenue relative to current law by enacting what was referred to as “Obama policy” prior to enactment of the ATRA; that is, it allows Bush-era tax rates to expire for tax filers with adjusted gross income (AGI) above \$200,000 (\$250,000 for joint filers).<sup>20</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 in the 25, 28, and 33 percent brackets and creating a new 35 percent bracket for taxable income up to a \$400,000 threshold.<sup>21</sup> Under the *Back to Work* 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 *Back to Work* budget would also permanently extend the ARRA expansion of refundable tax credits—the earned income tax credit, the child



tax credit, and the tuition tax credit—beyond their scheduled expiration on December 31, 2017, at a cost of \$177.1 billion over FY2018–2023.

The *Back to Work* 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, 2014: 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>22</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), extending refundable credits, adding five additional high-income brackets, and equalizing treatment of investment and labor income—would generate \$1.2 trillion over FY2014–2023 relative to current law.<sup>23</sup>

The *Back to Work* 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 (\$452 billion in new revenue over FY2014–2023); increases progressivity in the tax code by capping the value of itemized deductions at 28 percent (\$513 billion); denies the home mortgage interest deduction for yachts and vacation homes (\$13 billion); and ends the exclusion of foreign earned income (\$75 billion). The budget narrows exceptions for withholding taxes, which would broaden the Medicare hospital insurance tax base to include income from S corporations for the employee-shareholders of businesses with three or fewer principal shareholders (\$14 billion in revenue over FY2014–2023). Finally, the *Back to Work* 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 \$25 billion over FY2014–2023).

### ***Corporate income tax loophole closers***

On the corporate side, the *Back to Work* 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, and reforms treatment of the foreign tax credit, for savings of \$606 billion over FY2014–2023 (CTJ 2013). It curbs corporate deductions for stock options, eliminates corporate jet provisions, and reduces the level of deductibility of corporate meals and entertainment (\$25 billion, \$2 billion, and \$70 billion, respectively, over FY2014–2023). It eliminates fossil fuel preferences by enacting Senator Bernard Sanders' (I-Vt.) and Rep. Keith Ellison's (D-Minn.) End Polluter Welfare Act (\$112 billion over FY2014–2023). The budget also ends tax deductions for the direct advertising of certain unhealthy foods to children (\$15 billion over FY2014–2023).

### ***Taxes on economic 'bads' and other tax reforms***

Besides increasing progressivity in the individual and corporate income tax codes, the *Back to Work* budget reflects the belief that government should levy Pigouvian taxes so that the consumption of certain goods reflects their true societal costs. The *Back to Work* 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 in the *Budget for All*, the FTT in the *Back to Work* budget would raise \$879 billion over FY2014–2023 (Fieldhouse and Thiess 2012). The budget would also impose a financial crisis responsibility fee on the

largest financial institutions, a move that would encourage firms to decrease their liabilities and help to address the issue of “too big to fail” financial institutions (\$90 billion raised over FY2014–2023).

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 2014 and indexed at a 5.6 annual rate. Because pricing carbon has the potential to be regressive, the *Back to Work* 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 over \$1.1 trillion of revenue over FY2014–2023.

Finally, the budget restores the progressive taxation of inherited wealth by instituting a progressive estate tax (\$160 billion over FY2014–2023). It enacts Sen. Sanders’ Responsible Estate Tax Act of 2010, 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 *Back to Work* budget raises \$5.7 trillion in additional revenue relative to current law. Revenue levels in the budget average 21.5 percent of GDP over FY2014–2023.

## V. Economic impacts of the *Back to Work* budget

### *Near-term impact on jobs and growth*

Closing the output gap between actual economic output and potential, noninflationary levels of output is the key barometer for restoring full employment, and the *Back to Work* budget would finance enough in job creation measures and public investments to roughly close the projected output gaps in calendar years 2013–2015. The U.S. economy would experience a sustained return to full employment under the *Back to Work* budget, with unemployment falling to roughly prerecession unemployment of about 5 percent.

If the full amount of increased outlays and other job creation measures in the *Back to Work* budget were passed and implemented in calendar year 2013, we project that on net GDP would grow by an additional \$934 billion (5.7 percent) and nonfarm payroll employment by 6.9 million jobs relative to the CBO’s alternative fiscal scenario.<sup>24</sup> Similarly, we project that the *Back to Work* budget would lower the unemployment rate to between 5.0 percent and 5.6 percent by the end of 2013, down from the 7.9 percent projected under current law. Given that calendar year 2013 is nearly a quarter gone, and given as well that some spending might create jobs only after an additional lag, the job creation numbers for 2013 might come in below these projections, but this means that our estimates for 2014 would rise as activity and job creation spilled over into that year. Our baseline forecast without additional lag considerations is 5.5 million jobs created by the *Back to Work* budget by the end of 2014. Similarly, the projected range of 5.0 percent to 5.6 percent unemployment by the end of 2013 might instead materialize in the first quarter of 2014, but we would nonetheless expect the unemployment rate to fall within a similar range throughout 2014–2015. In this analysis, we ignore these issues of potential lags and assume that the economic impact of the *Back to Work* 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 2013 and into early 2014. Either way, the *Back to Work* budget will both accelerate and guarantee an economic recovery that at the moment is coming too slowly, and too many policymakers are assuming to be inevitable and imminent.

Specifically, the *Back to Work* budget would increase primary outlays (excluding OCO and Hurricane Sandy relief appropriations) by roughly \$680 billion in calendar year 2013, \$701 billion in 2014, and \$547 billion in 2015, relative to CBO's AFS baseline.<sup>25</sup> This net increase in primary spending—totaling \$1.9 trillion over three years—is consistent with estimates that guaranteeing a return to full employment by the end of 2015 would require policymakers to fund an additional \$600 billion to \$700 billion of economic stimulus in 2013 and somewhere in the range of \$1.5 trillion to \$2.2 trillion over the next three years (Bivens, Fieldhouse, and Shierholz 2013). Job creation and public investment would total \$2.1 trillion including the Making Work Pay credit, relative to CBO's AFS current policy baseline. The associated boost to aggregate demand would be enough to close the output gap, taking into consideration lesser economic headwinds from raising additional revenue (which has a countervailing contractionary effect, albeit relatively small per dollar). The *Back to Work* budget would increase revenue by roughly \$36 billion in calendar year 2013, \$408 billion in 2014, and \$617 billion in 2015, relative to CBO's AFS.<sup>26</sup>

On net, the *Back to Work* budget would boost GDP by \$934 billion (5.7 percent) in 2013, \$778 billion (4.6 percent) in 2014, and \$457 billion (2.5 percent) in 2015, relative to CBO's AFS baseline. Sustaining stimulus for several years would be necessary to avoid creating a fiscal cliff demand shock (i.e., budget deficits closing too quickly to sustain growth) before the Federal Reserve began raising interest rates to cool demand-side inflationary pressure. (The U.S. economy's eventual emergence from the liquidity trap and return to full health will be signaled by the Federal Reserve's raising of short-term interest rates.) Note also that, while the economic boost relative to CBO's AFS baseline decreases with time, the boost from the AFS policy adjustment relative to current law increases beyond 2013 (largely the result of a larger drag from sequestration that is removed in the AFS policy adjustments). Furthermore, CBO's economic forecast assumes an acceleration of growth starting in 2014, thus shrinking the output gap and need for stimulus relative to current law; while CBO's forecasts have routinely and prematurely shown a burst of growth restoring the economy to full health four to five years from its forecasts' issuance, this would be a more reasonable assumption if fiscal policy is accommodative rather than contractionary (Bivens, Fieldhouse, and Shierholz 2013). Consequently, the projected output gap under CBO's AFS baseline decreases from 5.4 percent of potential in 2013 to 4.4 percent in 2014, and the \$778 billion boost in 2014 is enough to reduce the projected output gap to zero percent of potential GDP by year's end.

### ***Calculating the correct impact of fiscal support on deficits and debt***

By closing the output gap with deficit-financed stimulus, the *Back to Work* budget would effectively eliminate the cyclical portion of the budget deficit projected through 2017, when CBO is currently forecasting full recovery (CBO 2013a), and ensure that cyclical deficits don't persist beyond. When economic activity is depressed, tax receipts fall and government spending rises on means-tested "automatic stabilizers," such as unemployment insurance, food stamps, and Medicaid. As a rule of thumb, this cyclical budget deficit shrinks by \$0.37 for every dollar the U.S. economy moves back toward potential output (Bivens and Edwards 2010). Consequently, government policies to boost employment and growth are partially self-financing, depending on their net economic impact.

Taking into consideration this near-term "fiscal clawback" effect of greater economic activity boosting revenues and reducing spending, we estimate that the *Back to Work* budget would decrease *cyclical* budget deficits by \$262 billion in FY2013, \$321 billion in FY2014, \$199 billion in FY2015, and \$81 billion in FY2016, all relative to the AFS baseline. This \$863 billion decrease in cyclical deficits would cumulatively reduce public debt by \$1.1 trillion in FY2023, accounting for additional debt service savings. More significantly, ensuring a rapid return to full employ-

ment would *guarantee* that cyclical budget deficits do not persist into 2017 and beyond, when CBO projects the economy will have returned to full health. Extrapolating from trend economic performance, Bivens, Fieldhouse, and Shierholz (2013) estimated that sustained economic stagnation would increase primary budget deficits by \$3.1 trillion over FY2017–2023 and add between \$1.8 trillion and \$3.5 trillion to the public debt by FY2023, all relative to CBO’s budget forecast.

Consequently, the \$2.2 trillion “sticker price” of the expansion in government spending over FY2013–2016 used to rapidly restore full employment is overstated by at least \$863 billion, and likely substantially more if CBO’s estimates of full recovery remain premature. This is consistent with estimates that cost-effective deficit-financed fiscal stimulus is largely self-financing through direct demand responses. Over the long term, there is compelling evidence that such fiscal expansion would be more than self-financing when accounting for low interest rates and reduced long-run “economic scarring” from underutilized productive resources (DeLong and Summers 2012). Allowing productive economic resources to atrophy is exceptionally inefficient, and the output gaps exceeding 5 percent of potential GDP that have persisted since late 2008 are contributing to downward revisions of long-term economic potential (CBO 2012a).

In the near term, the combination of reductions in the cyclical budget deficit and increased GDP would substantially lower deficits relative to the size of the economy; the budget deficit in fiscal 2013 would fall to 6.9 percent of GDP, down 1.9 percentage points from the static budget deficit. Similarly, deficits would register at 5.0 percent of GDP in FY2014, 2.0 percent of GDP in FY2015, and 1.2 percent of GDP in FY2016, down 2.2 percentage points, 1.2 percentage points, and 0.5 percentage points, respectively, from static estimates (see **Figure D**). Comparably adjusting CBO’s AFS baseline for cyclical demand feedbacks and increased economic activity, relative to current law, the *Back to Work* budget would result in a budget deficit in FY2014 of \$870 billion (5.0 percent of GDP), compared with a deficit of \$717 billion (4.3 percent of GDP) under the AFS.

Similarly, the combined effect of lower cyclical deficits and higher GDP from deficit-financed fiscal stimulus would actually lower the debt ratio in the near term. Any deficit-financed fiscal expansion with a multiplier of roughly 1.0 or more will have the effect of reducing the debt ratio (Bivens 2012b), while government spending cuts—notably discretionary spending caps and sequestration—will have the effect of increasing the debt ratio. Taking the fiscal-clawback effects of boosted economic activity into consideration, we estimate that the debt ratio would fall to 74.9 percent in FY2013, down 5.0 percentage points from static estimates. Moreover, this estimate compounds with time. The debt ratio would edge up to 77.1 percent in FY2014 and 76.9 percent in FY2015, down 7.6 percentage points and 6.8 percentage points from static scores, respectively. This compares with debt ratios of 76.1 percent of GDP in FY2013, 77.7 percent in FY2014, and 77.2 percent in FY2015 under the AFS baseline with comparable adjustments (see **Figure E**).

So while fiscal stimulus is more than half self-financing in dollar terms in the short run, it is entirely self-financing in terms of its footprint on the wider economy—which is universally agreed is the most relevant measure of deficits and debt.

# Appendix

## *Budgetary scoring and modeling*

The Economic Policy Institute Policy Center has scored the policies proposed by the *Back to Work* budget and modeled their cumulative impact relative to CBO's February 2013 baseline (CBO 2013a). Table 1 at the end of the paper stacks the major policy alterations to the February 2013 baseline and broadly separates policy proposals into three categories: baseline adjustments, 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 impulse to the primary budget deficit, and the unified budget deficit is adjusted accordingly.<sup>27</sup> The net impact of these policy changes on the budget, as well as relative to CBO's current law and AFS current policy baselines, can be found in **Summary Tables S1 to S6**.

In some instances it is necessary to extrapolate from existing official scores (e.g., those from CBO, JCT, and OMB) to adjust from a previous budget window to the FY2014–2023 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, 2014. Tax policies modeled from scores starting before FY2014 assume 75 percent of the revenue score for that year (the three quarters of FY2014 in calendar year 2014). 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 the 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 alternative fiscal scenario, excluding debt service, spending on overseas contingency operations, and inflation-adjusted continuation of emergency FY2013 appropriations for Hurricane Sandy relief. As CBO's AFS assumes sequestration will not occur, these are somewhat conservative estimates relative to current budget policy.

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. Moody's Analytics Chief Economist Mark Zandi's most recent publicly available estimate of the government spending multiplier is 1.4 (Zandi 2011), and this is robust to estimates by the International Monetary Fund, CBO, and the Council of Economic Advisors, among other forecasters (Bivens 2012b; CBO 2012c; 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 Obama policy) and corporations are lower, at 0.25 and 0.32, respectively, and almost all of the *Back to Work* revenue policies fall in 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.

For all dynamic comparisons with the AFS, adjustments are made for increased GDP and somewhat decreased cyclical budget deficits for an apples-to-apples comparison. The budgetary impact of AFS baseline policy adjustments for 2013 is calculated as sequestration cuts for FY2013 and 25 percent of the FY2014 budgetary impact (CBO 2013b). Policy adjustments for 2014 are calculated as 100 percent of FY2014 and 25 percent of FY2015 budgetary costs of the “doc fix,” and business tax extenders, as well as 75 percent of sequestration cuts scheduled for FY2014 and 25 percent of cuts for FY2015. All current policy adjustments for calendar year 2015 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, 1.0 to continuing the “doc fix,” and 0.32 to continuing the business tax extenders. In addition to AFS policy adjustments, a slight decrease in demand is made for Hurricane Sandy appropriations that (contrary to CBO's baselines) are not expected to continue beyond FY2013, assigning multiplier of 1.4. For employment and GDP impacts relative to the AFS, CBO's current law estimates of the output gap from the February 2013 baseline are also adjusted for positive demand effects from the AFS policy adjustments.

The impact on the unemployment rate is calculated as a range of estimates 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 2.5 for the low-end estimate and 2.0 for the high-end estimate. Estimates for the change in nonfarm payroll employment are based on the percent change in GDP, using the methodology outlined in Bivens (2011b).

Both the estimated impact on nonfarm payroll employment and the unemployment rate are robust to the “jobs gap” estimate that 8.9 million additional jobs would be needed to restore the prerecession unemployment rate of 5.0 percent (Shierholz 2013). Adding the 1.3 million jobs CBO projects will be added between the fourth quarter of 2012 and the fourth quarter of 2013 and an additional 725,000 jobs projected under the AFS policy adjustments (essentially removing sequestration from the current law baseline) to the 6.9 million jobs added by the CPC budget would produce a total increase of 8.9 million jobs relative to current law, enough to restore the unemployment rate to near 5.0 percent, as estimated.

## Endnotes

1. Where policies in the *Back to Work* budget have been carried over from previous CPC budgets (the *People's Budget* or *The Budget for All*), this paper draws accordingly from *The People's Budget: A Technical Analysis* (Fieldhouse 2011) and *The Budget for All: A Technical Report on the Congressional Progressive Caucus Budget for Fiscal Year 2013* (Fieldhouse and Thiess 2012), EPIPC's analyses of CPC's fiscal 2012 and 2013 budget alternatives.
2. These estimates are measured relative to CBO's alternative fiscal scenario (AFS) baseline. CBO's AFS baseline assumes that sequestration does not take effect, all expiring tax provisions are continued, and the Medicare sustainable growth rate formula



does not take effect (i.e., the “doc fix” is continued). In our estimates the peak macroeconomic effect occurs at the end of 2013. Given that nearly a quarter of 2013 has already gone by and given various lags in enacting policy, as well as lags in policy affecting the economy, it’s likely the case that this peak level of effectiveness could be reached in early 2014 instead. Regardless, if the job creation measures in the *Back to Work* budget were passed in coming months, there would be substantial near-term improvement in economic activity and jobs.

3. These estimates are measured relative to CBO’s AFS baseline (see appendix). This includes job creation measures, nondefense discretionary spending increases, and repeal of Budget Control Act discretionary spending caps (see Table 2). The budget would also repeal sequestration, as assumed in CBO’s AFS baseline.
4. The *Back to Work* budget apportions increases to the nondefense discretionary budget functions as follows: 10 percent for International Affairs (Function 150); 5 percent for General Science, Space, and Technology (F250); 10 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).
5. For an apples-to-apples comparison, projected debt under CBO’s AFS baseline has been downwardly revised assuming that emergency disaster relief for Hurricane Sandy is not continued in inflation-adjusted terms. The current law baseline is not adjusted.
6. Many of the policies included in the budget, however, overlap with policies in *Investing in America’s Economy: A Budget Blueprint for Economic Recovery and Fiscal Reasonability*, a progressive budget plan released by Our Fiscal Security (OFS), a partnership of The Century Foundation, Demos, and the Economic Policy Institute (see Fieldhouse and Thiess 2010).
7. This includes both the jobs lost and the jobs that should have been created during this time to absorb new labor market entrants, which requires roughly 100,000 jobs per month.
8. Real GDP growth should be between 2.0 and 2.5 percent to keep the labor market holding steady; thus, growth above this level should be targeted in efforts to ameliorate a jobs crisis.
9. The *Back to Work* budget does make several baseline adjustments to CBO’s current law baseline: repealing the Budget Control Act’s discretionary spending caps, sequester, and disaster relief funding cuts; removing the inflation-adjusted extrapolation of Hurricane Sandy emergency disaster relief beyond enacted appropriations for FY2013; and patching the sustainable growth rate (i.e., continuing the “doc fix”). Together, these policies cost \$1.5 trillion over FY2013–2023.
10. This includes undoing nondefense discretionary spending cuts included in the Budget Control Act.
11. The Emergency Jobs to Restore the American Dream Act of 2011 was included in the *Budget for All*, the Congressional Progressive Caucus FY2013 budget alternative. The jobs creation package invests \$113.5 billion in each of two years, and was estimated by Rep. Schakowsky’s staff to support the creation of two million jobs (Fieldhouse and Thiess 2012).
12. 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).
13. The initial benefit would be doubled, bringing the maximum benefit to \$800 for an individual and \$1,600 for joint filers. The phase-out rate would be increased to keep the cost of the expanded Making Work Pay tax credit at twice the budgetary cost of the lapsed credit.

14. The \$668 billion is the cost of repealing both the BCA NDD caps and the BCA NDD sequester over FY2013–2023.
15. Similar to the *Budget for All*, NDD budget authority is increased by \$75 billion for the remainder of FY2013, \$150 billion for FY2014, \$200 billion for FY2015, and sustained for the rest of the budget window.
16. This includes undoing both phases of NDD cuts in the BCA.
17. The *Back to Work* budget would reclassify surface transportation outlays (currently discretionary spending) as mandatory, but this policy change has been excluded from NDD outlays in Figure C for an apples-to-apples comparison with historical and projected spending levels.
18. See Fieldhouse and Thiess (2012) for more background on reducing spending by the Department of Defense.
19. Budget authority for National Defense (Budget Function 050) over FY2014–2023 was compiled by CPC staff and provided to EPIPC.
20. These AGI cutoffs are measured in 2009 dollars and were subsequently indexed to inflation in the administration's budget requests.
21. 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).
22. 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.
23. 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.
24. Comparisons with CBO's AFS baseline have been adjusted to exclude overseas contingency operation funding levels and the inflation-adjusted continuation of emergency FY2013 appropriations for Hurricane Sandy relief.
25. These calendar year increases are based on additional outlays of \$496 billion in FY2013, \$733 billion in FY2014, \$591 billion in FY2015, and \$370 billion in FY2016, relative to CBO's AFS baseline.
26. These calendar year increases are based on decreased revenue of \$30 billion in FY2013 (by reinstating the Making Work Pay credit) and increased revenue of \$322 billion in FY2014, \$606 billion in FY2015, and \$748 billion in FY2016 relative to CBO's AFS.
27. Debt service is calculated by the CBO's debt service matrix for the February 2013 baseline.

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## **Tables and Figures**

**Table 1. Policy modifications for CPC FY14 budget alternative****CBO February 2013 current law baseline**

(Billions of dollars)

													Total		
	FY2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-	2014-	2013-	
												2018	2023	2023	
<b>Total Deficit</b>	<b>-845</b>	<b>-616</b>	<b>-430</b>	<b>-476</b>	<b>-535</b>	<b>-605</b>	<b>-710</b>	<b>-798</b>	<b>-854</b>	<b>-957</b>	<b>-978</b>	<b>-2,661</b>	<b>-6,958</b>	<b>-7,803</b>	
<b>Baseline policy adjustments (impact on primary budget deficit, billions of dollars)</b>															
Repeal the BCA - both phases	-45	-110	-129	-142	-153	-165	-176	-186	-195	-192	-193	-699	-1,640	-1,685	
Adjust for Sandy Relief		2	9	18	26	33	38	41	43	45	47	88	302	302	
Patch SGR	0	-14	-16	-13	-12	-12	-13	-14	-14	-15	-16	-67	-138	-138	
Net baseline adjustments (primary)	<b>-45</b>	<b>-122</b>	<b>-135</b>	<b>-137</b>	<b>-140</b>	<b>-144</b>	<b>-151</b>	<b>-158</b>	<b>-166</b>	<b>-161</b>	<b>-161</b>	<b>-678</b>	<b>-1,476</b>	<b>-1,522</b>	
<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, equalization & Obama policy refundable tax credits	0	45	115	122	128	113	112	118	125	132	140	523	1,151	1,151	
Repeal the step-up basis for capital gains at death	0	27	38	41	43	45	47	49	51	54	56	195	452	452	
Cap the value of itemized deductions at 28%	0	15	40	44	48	52	55	59	63	66	70	200	513	513	
End exclusion of foreign-earned income	0	5	6	7	7	7	8	8	8	9	9	32	75	75	
Deny the home mortgage interest deduction for yachts and vacation homes	0	1	1	1	1	1	1	2	2	2	2	6	13	13	
Close S Corporation loophole	0	1	1	1	1	1	1	2	2	2	2	6	14	14	
End deferral and reform foreign tax credit	0	37	71	69	67	65	63	61	59	58	56	308	606	606	
Curb corporate deductions for stock options	0	2	2	2	2	3	3	3	3	3	3	11	25	25	
Eliminate corporate jet provisions	0	0	0	0	0	0	0	0	0	0	0	1	2	2	
Reduce the deductibility of corporate meals & entertainment (25%)	0	5	7	7	7	7	7	7	8	8	8	32	70	70	
End direct advertising of certain foods	0	1	1	1	1	2	2	2	2	2	2	7	15	15	
Eliminate fossil fuel preferences (EPWA)	0	12	15	15	13	10	9	9	9	9	10	66	112	112	
Price carbon at \$25 (refunding 25%)	0	70	98	102	107	112	118	125	131	138	145	489	1,147	1,147	
Reinstate superfund taxes	0	1	2	2	2	2	2	2	2	2	2	9	20	20	
Unemployment Insurance Solvency Act	0	-4	22	20	10	2	-3	-2	-3	-2	-3	51	38	38	
Financial transactions tax	0	57	79	82	86	88	91	94	97	100	103	393	879	879	
Financial crisis responsibility fee	0	6	9	9	9	9	9	9	10	10	10	42	90	90	

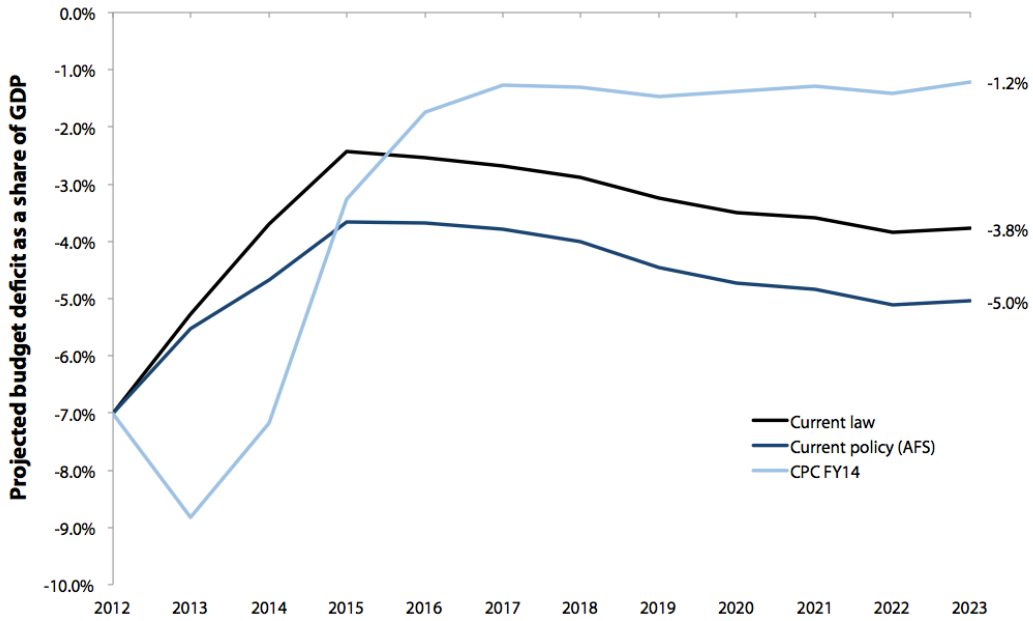


Progressive estate tax reform	0	6	10	12	14	15	17	19	21	23	25	57	160	160
Comprehensive immigration reform (non-discretionary)	0	1	5	0	-3	2	4	4	5	5	3	5	25	25
<b>Additional spending policy adjustments (impact on primary budget deficit, billions of dollars)</b>														
Infrastructure investments	-75	-175	-175	-175	-150	-125	-100	-50	-30	-30	-30	-800	-1,040	-1,115
Additional job creation credits and provisions	-411	-502	-320	-71	-11	-12	-12	-13	-14	-15	-16	-916	-985	-1,396
Investments (NDD increases over removing BCA)	-41	-103	-160	-171	-159	-153	-151	-149	-152	-158	-165	-746	-1,521	-1,562
OCO window (both 050 and 150)	0	0	63	90	101	107	110	113	116	119	121	360	939	939
Base DoD cuts (Project on Defense Alternatives)	0	24	45	64	83	95	104	111	116	123	130	313	897	897
Negotiate Rx payments for Medicare	4	9	10	12	14	16	18	21	24	28	32	61	184	188
Public option	0	3	6	8	11	14	15	15	15	16	17	42	121	121
Reform rules for Rx development/release	1	1	1	1	1	2	2	2	2	2	2	6	17	17
Reduce fraud, waste, and abuse in Medicaid	0	0	0	0	0	0	0	0	0	0	0	1	3	4
Payment and administrative cost improvements	0	2	2	2	2	2	2	2	2	2	2	9	20	20
Reduce agriculture subsidies	1	5	4	3	3	5	6	7	6	6	6	20	52	53
Public financing of campaigns	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-5	-11	-12
<b>Net policy adjustments (primary)</b>	<b>-568</b>	<b>-571</b>	<b>-134</b>	<b>163</b>	<b>299</b>	<b>343</b>	<b>391</b>	<b>470</b>	<b>514</b>	<b>550</b>	<b>581</b>	<b>100</b>	<b>2,606</b>	<b>2,038</b>
Debt service impact of policy adjustments	-2	-9	-11	-15	-19	-13	-4	12	31	55	82	-67	110	108
<b>Net impact of policy adjustments</b>	<b>-570</b>	<b>-580</b>	<b>-145</b>	<b>148</b>	<b>280</b>	<b>330</b>	<b>387</b>	<b>482</b>	<b>545</b>	<b>605</b>	<b>662</b>	<b>34</b>	<b>2,716</b>	<b>2,146</b>
CPC FY14 deficit	<b>-1,415</b>	<b>-1,196</b>	<b>-574</b>	<b>-328</b>	<b>-255</b>	<b>-275</b>	<b>-323</b>	<b>-317</b>	<b>-308</b>	<b>-352</b>	<b>-315</b>	<b>-2,627</b>	<b>-4,242</b>	<b>-5,657</b>
Memorandum:														
<b>CPC FY14 deficit less current law</b>	<b>-570</b>	<b>-580</b>	<b>-145</b>	<b>148</b>	<b>280</b>	<b>330</b>	<b>387</b>	<b>482</b>	<b>545</b>	<b>605</b>	<b>662</b>	<b>34</b>	<b>2,716</b>	<b>2,146</b>
<b>CPC FY14 deficit less CL ex Sandy adjustment</b>	<b>-570</b>	<b>-582</b>	<b>-154</b>	<b>130</b>	<b>253</b>	<b>293</b>	<b>345</b>	<b>434</b>	<b>493</b>	<b>548</b>	<b>601</b>	<b>-59</b>	<b>2,363</b>	<b>1,793</b>
<b>CPC FY14 deficit less alternative fiscal scenario</b>	<b>-528</b>	<b>-418</b>	<b>70</b>	<b>363</b>	<b>500</b>	<b>564</b>	<b>654</b>	<b>763</b>	<b>845</b>	<b>916</b>	<b>991</b>	<b>1,079</b>	<b>5,249</b>	<b>4,721</b>
<b>CPC FY14 deficit less AFS ex Sandy adjustment</b>	<b>-528</b>	<b>-420</b>	<b>61</b>	<b>345</b>	<b>473</b>	<b>527</b>	<b>611</b>	<b>716</b>	<b>793</b>	<b>860</b>	<b>930</b>	<b>986</b>	<b>4,897</b>	<b>4,369</b>
Note: Numbers may not add due to rounding.														

**Table 2. Public investments and job creation**

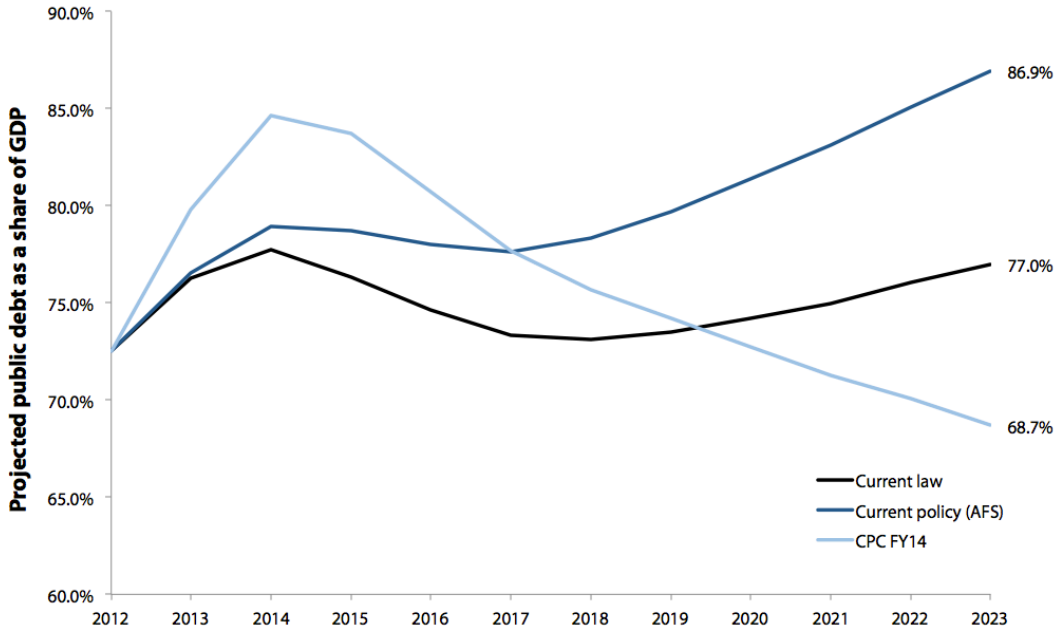
(Billions of dollars, relative to current law)													Total		
	FY2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023	2013-2023	
<b>Job creation measures</b>															
Sustained infrastructure program (ASCE)	75	175	175	175	150	125	100	50	30	30	30	800	1,040	1,115	
Restore EUC to 99 weeks (CY2013-2015)	13	40	49	12	0	0	0	0	0	0	0	101	101	113	
Reinstate expanded Making Work Pay (CY2013-2015)	92	124	126	32	0	0	0	0	0	0	0	281	281	373	
Public works jobs program and aid to distressed communities	155	217	79	7	0	0	0	0	0	0	0	303	303	459	
Invest in teachers and K-12 schools	80	43	21	10	0	0	0	0	0	0	0	74	74	154	
Block grants to states (first responders, Medicaid, safety net, etc.)	72	72	36	0	0	0	0	0	0	0	0	107	107	179	
Job creation credits (R&E, green manufacturing)	0	7	9	10	11	12	12	13	14	15	16	49	118	118	
<b>Subtotal, job creation measures</b>	<b>486</b>	<b>677</b>	<b>495</b>	<b>246</b>	<b>161</b>	<b>137</b>	<b>112</b>	<b>63</b>	<b>43</b>	<b>45</b>	<b>46</b>	<b>1,716</b>	<b>2,025</b>	<b>2,511</b>	
<b>Public investments in the NDD budget</b>															
Undo NDD cuts in the Budget Control Act (both phases)	17	38	48	54	59	65	69	73	78	82	85	263	651	668	
Increased investments (NDD increases beyond removing BCA)	41	103	160	171	159	153	151	149	152	158	165	746	1,521	1,562	
<i>Subtotal, NDD increases relative to current law</i>	<i>57</i>	<i>141</i>	<i>208</i>	<i>225</i>	<i>218</i>	<i>217</i>	<i>220</i>	<i>223</i>	<i>230</i>	<i>240</i>	<i>250</i>	<i>1,009</i>	<i>2,172</i>	<i>2,230</i>	
<b>Total, job creation and public investments relative to current law</b>	<b>544</b>	<b>819</b>	<b>702</b>	<b>471</b>	<b>379</b>	<b>354</b>	<b>332</b>	<b>286</b>	<b>274</b>	<b>285</b>	<b>296</b>	<b>2,725</b>	<b>4,197</b>	<b>4,741</b>	
Addendum: Job creation and investments relative to repealing BCA	527	781	655	417	320	289	263	212	196	203	211	2,462	3,546	4,074	
Note: Numbers may not add due to rounding.															

**Figure A. Projected budget deficit FY2012-23 relative to current law and current policy**



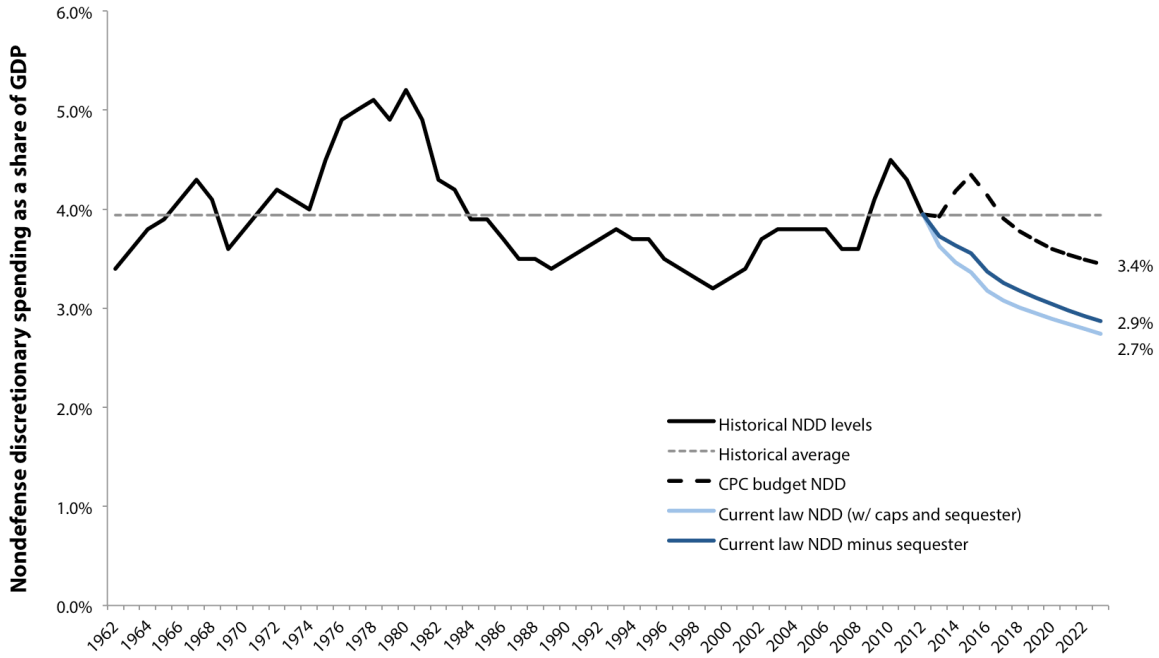
Source: Economic Policy Institute Policy Center analysis of CBO, JCT, OMB, CTJ, and TPC data

**Figure B. Projected public debt FY2012-23 Relative to current law and current policy**

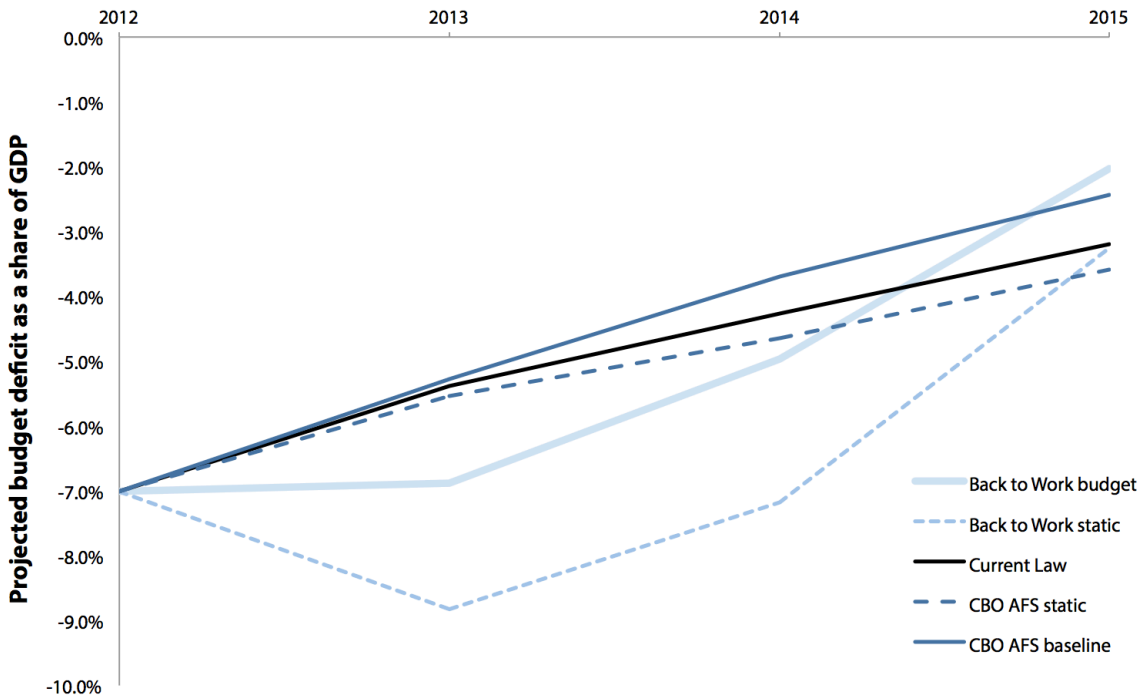


Source: Economic Policy Institute Policy Center analysis of CBO, JCT, OMB, CTJ, and TPC data

**Figure C. Historical nondefense discretionary spending (FY1962-2012) and projected levels (FY2013-2023)**

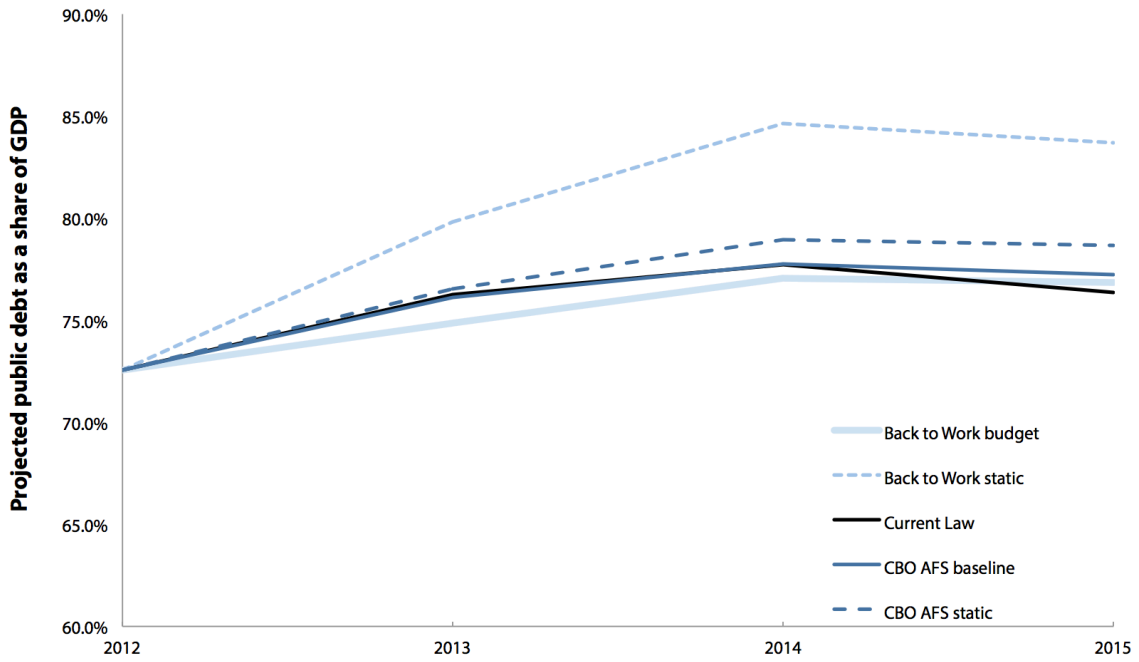


**Figure D. Projected budget deficit with "fiscal clawback" effects FY2012-15**



Source: Economic Policy Institute Policy Center analysis of CBO, JCT, OMB, CTJ, and TPC data

**Figure E. Projected debt ratio with "fiscal clawback" effects  
FY2012-15**



Source: Economic Policy Institute Policy Center analysis of CBO, JCT, OMB, CTJ, and TPC data

## **Summary Tables**



**Table S-1. Budget Totals (\$ billions)**

	<b>Actual,</b>												<b>Total</b>	
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2014- 2018</b>	<b>2014- 2023</b>
<b>In Billions of Dollars</b>														
<b>Revenues</b>														
Individual income taxes	1,132	1,233	1,409	1,705	1,882	2,041	2,155	2,272	2,404	2,543	2,689	2,842	9,193	21,944
Social insurance taxes	845	953	1,017	1,093	1,155	1,212	1,266	1,319	1,378	1,438	1,502	1,568	5,743	12,948
Corporate income taxes	242	251	406	536	574	591	587	569	561	560	564	569	2,694	5,517
Other	229	241	434	547	540	502	504	527	548	593	644	676	2,527	5,515
<b>Total</b>	<b>2,449</b>	<b>2,678</b>	<b>3,267</b>	<b>3,881</b>	<b>4,151</b>	<b>4,346</b>	<b>4,512</b>	<b>4,688</b>	<b>4,892</b>	<b>5,134</b>	<b>5,399</b>	<b>5,654</b>	<b>20,157</b>	<b>45,923</b>
On-budget	1,880	2,008	2,539	3,090	3,313	3,468	3,595	3,731	3,891	4,090	4,311	4,522	16,004	36,550
Off-budget	570	670	728	791	838	879	917	957	1,001	1,043	1,088	1,132	4,153	9,373
<b>Outlays</b>														
Mandatory spending	2,031	2,589	2,903	2,872	2,854	2,901	2,986	3,118	3,233	3,391	3,620	3,772	14,516	31,650
Discretionary spending	1,285	1,277	1,308	1,301	1,287	1,269	1,270	1,295	1,320	1,352	1,392	1,422	6,435	13,216
Net interest	223	226	252	282	338	431	530	597	655	699	739	776	1,833	5,300
<b>Total</b>	<b>3,538</b>	<b>4,093</b>	<b>4,462</b>	<b>4,455</b>	<b>4,479</b>	<b>4,601</b>	<b>4,787</b>	<b>5,010</b>	<b>5,208</b>	<b>5,442</b>	<b>5,751</b>	<b>5,969</b>	<b>22,784</b>	<b>50,166</b>
On-budget	3,031	3,450	3,745	3,692	3,666	3,737	3,872	4,041	4,179	4,348	4,589	4,734	18,713	40,604
Off-budget	508	643	717	763	812	864	915	969	1,030	1,094	1,162	1,235	4,071	9,562
<b>Deficit (-) or Surplus</b>	<b>-1,089</b>	<b>-1,415</b>	<b>-1,196</b>	<b>-574</b>	<b>-328</b>	<b>-255</b>	<b>-275</b>	<b>-323</b>	<b>-317</b>	<b>-308</b>	<b>-352</b>	<b>-315</b>	<b>-2,627</b>	<b>-4,242</b>
On-budget	-1,151	-1,442	-1,206	-602	-353	-270	-278	-310	-288	-258	-277	-212	-2,709	-4,054
Off-budget	62	27	10	28	26	15	3	-13	-29	-51	-75	-103	82	-188
<b>Primary Budget Deficit</b>	<b>-867</b>	<b>-1,189</b>	<b>-944</b>	<b>-292</b>	<b>10</b>	<b>176</b>	<b>255</b>	<b>274</b>	<b>339</b>	<b>390</b>	<b>387</b>	<b>460</b>	<b>-794</b>	<b>1,057</b>
<b>Debt Held by the Public</b>	<b>11,280</b>	<b>12,799</b>	<b>14,087</b>	<b>14,756</b>	<b>15,171</b>	<b>15,508</b>	<b>15,852</b>	<b>16,241</b>	<b>16,624</b>	<b>16,998</b>	<b>17,419</b>	<b>17,798</b>	<b>n.a.</b>	<b>n.a.</b>

**Table S-2. Budget Totals (% GDP)**

	Actual,												Total	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
<b>As a percentage of Gross Domestic Product</b>														
<b>Revenues</b>														
Individual income taxes	7.3%	7.7%	8.5%	9.7%	10.0%	10.2%	10.3%	10.4%	10.5%	10.7%	10.8%	11.0%	9.8%	10.3%
Social insurance taxes	5.4%	5.9%	6.1%	6.2%	6.1%	6.1%	6.0%	6.0%	6.0%	6.0%	6.0%	6.1%	6.1%	6.1%
Corporate income taxes	1.6%	1.6%	2.4%	3.0%	3.1%	3.0%	2.8%	2.6%	2.5%	2.3%	2.3%	2.2%	2.9%	2.6%
Other	1.5%	1.5%	2.6%	3.1%	2.9%	2.5%	2.4%	2.4%	2.4%	2.5%	2.6%	2.6%	2.7%	2.6%
<b>Total</b>	<b>15.8%</b>	<b>16.7%</b>	<b>19.6%</b>	<b>22.0%</b>	<b>22.1%</b>	<b>21.8%</b>	<b>21.5%</b>	<b>21.4%</b>	<b>21.4%</b>	<b>21.5%</b>	<b>21.7%</b>	<b>21.8%</b>	<b>21.4%</b>	<b>21.5%</b>
On-budget	12.1%	12.5%	15.3%	17.5%	17.6%	17.4%	17.2%	17.0%	17.0%	17.2%	17.3%	17.5%	17.0%	17.1%
Off-budget	3.7%	4.2%	4.4%	4.5%	4.5%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
<b>Outlays</b>														
Mandatory spending	13.1%	16.1%	17.4%	16.3%	15.2%	14.5%	14.3%	14.2%	14.1%	14.2%	14.6%	14.6%	15.4%	14.8%
Discretionary spending	8.3%	8.0%	7.9%	7.4%	6.8%	6.4%	6.1%	5.9%	5.8%	5.7%	5.6%	5.5%	6.8%	6.2%
Net interest	1.4%	1.4%	1.5%	1.6%	1.8%	2.2%	2.5%	2.7%	2.9%	2.9%	3.0%	3.0%	2.0%	2.5%
<b>Total</b>	<b>22.8%</b>	<b>25.5%</b>	<b>26.8%</b>	<b>25.3%</b>	<b>23.8%</b>	<b>23.1%</b>	<b>22.9%</b>	<b>22.9%</b>	<b>22.8%</b>	<b>22.8%</b>	<b>23.1%</b>	<b>23.0%</b>	<b>24.2%</b>	<b>23.5%</b>
On-budget	19.5%	21.5%	22.5%	20.9%	19.5%	18.7%	18.5%	18.5%	18.3%	18.2%	18.5%	18.3%	19.9%	19.0%
Off-budget	3.3%	4.0%	4.3%	4.3%	4.3%	4.3%	4.4%	4.4%	4.5%	4.6%	4.7%	4.8%	4.3%	4.5%
<b>Deficit (-) or Surplus</b>	<b>-7.0%</b>	<b>-8.8%</b>	<b>-7.2%</b>	<b>-3.3%</b>	<b>-1.7%</b>	<b>-1.3%</b>	<b>-1.3%</b>	<b>-1.5%</b>	<b>-1.4%</b>	<b>-1.3%</b>	<b>-1.4%</b>	<b>-1.2%</b>	<b>-2.8%</b>	<b>-2.0%</b>
On-budget	-7.4%	-9.0%	-7.2%	-3.4%	-1.9%	-1.4%	-1.3%	-1.4%	-1.3%	-1.1%	-1.1%	-0.8%	-2.9%	-1.9%
Off-budget	0.4%	0.2%	0.1%	0.2%	0.1%	0.1%	0.0%	-0.1%	-0.1%	-0.2%	-0.3%	-0.4%	0.1%	-0.1%
<b>Primary Budget Deficit</b>	<b>-5.6%</b>	<b>-7.4%</b>	<b>-5.7%</b>	<b>-1.7%</b>	<b>0.1%</b>	<b>0.9%</b>	<b>1.2%</b>	<b>1.3%</b>	<b>1.5%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.8%</b>	n.a.	n.a.
<b>Debt Held by the Public</b>	<b>72.5%</b>	<b>79.8%</b>	<b>84.6%</b>	<b>83.7%</b>	<b>80.7%</b>	<b>77.7%</b>	<b>75.7%</b>	<b>74.2%</b>	<b>72.7%</b>	<b>71.3%</b>	<b>70.1%</b>	<b>68.7%</b>	n.a.	n.a.

**Table S-3. The Back to Work Budget vs. Current Law (\$ billions)**

												<b>Total</b>		
												<b>2014-</b>	<b>2014-</b>	
		<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2018</b>	<b>2023</b>
<b>In Billions of Dollars</b>														
<b>Revenues</b>														
	Individual income taxes	-30	54	166	208	231	226	233	247	261	277	293	885	2,197
	Social insurance taxes	0	-4	25	26	17	9	5	6	4	4	3	73	95
	Corporate income taxes	0	50	87	85	80	75	72	69	67	65	63	377	712
	Other	0	164	230	241	253	265	277	290	305	319	334	1,153	2,678
	<b>Total</b>	<b>-30</b>	<b>264</b>	<b>508</b>	<b>560</b>	<b>581</b>	<b>575</b>	<b>587</b>	<b>612</b>	<b>638</b>	<b>665</b>	<b>693</b>	<b>2,488</b>	<b>5,682</b>
	On-budget	-30	268	484	534	564	566	582	606	633	661	690	2,415	5,587
	Off-budget	0	-4	25	26	17	9	5	6	4	4	3	73	95
<b>Outlays</b>														
	Mandatory spending	473	697	530	319	246	219	193	147	128	119	114	2,011	2,713
	Discretionary spending	64	138	112	78	36	13	2	-5	-4	-4	-2	376	364
	Net interest	2	9	11	15	19	13	4	-12	-31	-55	-82	67	-110
	<b>Total</b>	<b>539</b>	<b>844</b>	<b>653</b>	<b>412</b>	<b>301</b>	<b>245</b>	<b>199</b>	<b>131</b>	<b>92</b>	<b>60</b>	<b>30</b>	<b>2,454</b>	<b>2,967</b>
	On-budget	539	844	653	412	301	245	199	131	92	60	30	2,454	2,967
	Off-budget	0	0	0	0	0	0	0	0	0	0	0	0	0
	<b>Deficit (-) or Surplus</b>	<b>-570</b>	<b>-580</b>	<b>-145</b>	<b>148</b>	<b>280</b>	<b>330</b>	<b>387</b>	<b>482</b>	<b>545</b>	<b>605</b>	<b>662</b>	<b>34</b>	<b>2,716</b>
	On-budget	-570	-576	-169	122	263	320	383	476	541	601	660	-39	2,620
	Off-budget	0	-4	25	26	17	9	5	6	4	4	3	73	95
	<b>Primary Budget Deficit (-) or Surplus</b>	<b>-568</b>	<b>-571</b>	<b>-134</b>	<b>163</b>	<b>299</b>	<b>343</b>	<b>391</b>	<b>470</b>	<b>514</b>	<b>550</b>	<b>581</b>	<b>100</b>	<b>2,606</b>
	<b>Debt Held by the Public</b>	<b>-570</b>	<b>-1,150</b>	<b>-1,294</b>	<b>-1,146</b>	<b>-866</b>	<b>-536</b>	<b>-149</b>	<b>333</b>	<b>878</b>	<b>1,483</b>	<b>2,146</b>	<b>n.a.</b>	<b>n.a.</b>

**Table S-4. The Back to Work Budget vs. Current Law (% GDP)**

													<b>Total</b>	
													<b>2014-</b>	<b>2014-</b>
													<b>2018</b>	<b>2023</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2018</b>	<b>2023</b>	
<b>As a percentage of Gross Domestic Product</b>														
<b>Revenues</b>														
Individual income taxes	-0.2%	0.3%	0.9%	1.1%	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	0.9%	1.0%	
Social insurance taxes	0.0%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	
Corporate income taxes	0.0%	0.3%	0.5%	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.3%	
Other	0.0%	1.0%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.2%	1.3%	
<b>Total</b>	-0.2%	1.6%	2.9%	3.0%	2.9%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.6%	2.7%	
On-budget	-0.2%	1.6%	2.7%	2.8%	2.8%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.6%	2.6%	
Off-budget	0.0%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	
<b>Outlays</b>														
Mandatory spending	3.0%	4.2%	3.0%	1.7%	1.2%	1.0%	0.9%	0.6%	0.5%	0.5%	0.4%	2.1%	1.3%	
Discretionary spending	0.4%	0.8%	0.6%	0.4%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.2%	
Net interest	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	-0.1%	-0.1%	-0.2%	-0.3%	0.1%	-0.1%	
<b>Total</b>	3.4%	5.1%	3.7%	2.2%	1.5%	1.2%	0.9%	0.6%	0.4%	0.2%	0.1%	2.6%	1.4%	
On-budget	3.4%	5.1%	3.7%	2.2%	1.5%	1.2%	0.9%	0.6%	0.4%	0.2%	0.1%	2.6%	1.4%	
Off-budget														
<b>Deficit (-) or Surplus</b>	-3.6%	-3.5%	-0.8%	0.8%	1.4%	1.6%	1.8%	2.1%	2.3%	2.4%	2.6%	0.0%	1.3%	
On-budget	-3.6%	-3.5%	-1.0%	0.7%	1.3%	1.5%	1.7%	2.1%	2.3%	2.4%	2.5%	0.0%	1.2%	
Off-budget	0.0%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	
<b>Primary Budget Deficit (-) or Surplus</b>	-3.5%	-3.4%	-0.8%	0.9%	1.5%	1.6%	1.8%	2.1%	2.2%	2.2%	2.2%	0.1%	1.2%	
<b>Debt Held by the Public</b>	-3.6%	-6.9%	-7.3%	-6.1%	-4.3%	-2.6%	-0.7%	1.5%	3.7%	6.0%	8.3%	n.a.	n.a.	

**Table S-5. The Back to Work Budget vs. the Alternative Fiscal Scenario baseline (\$ billions)**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total	
												2014-	2014-
												2018	2023
<b>In Billions of Dollars</b>													
Revenues	-30	322	606	648	663	656	689	716	745	779	813	2,896	6,637
Non-interest Outlays	496	733	527	281	165	115	79	24	6	6	7	1,821	1,943
Non-interest Outlays ex. Sandy & OCO	496	731	581	353	239	189	152	96	78	80	81	2,093	2,579
<i>Net interest</i>	2	7	8	5	-2	-23	-44	-72	-106	-144	-186	-4	-555
<b>Deficit (-) or Surplus</b>	<b>-528</b>	<b>-418</b>	<b>70</b>	<b>363</b>	<b>500</b>	<b>564</b>	<b>654</b>	<b>763</b>	<b>845</b>	<b>916</b>	<b>991</b>	<b>1,079</b>	<b>5,249</b>
Deficit ex. Sandy relief	-528	-420	61	345	473	527	611	716	793	860	930	-2,709	-4,054
<b>Debt Held by the Public</b>	<b>528</b>	<b>946</b>	<b>875</b>	<b>513</b>	<b>12</b>	<b>-551</b>	<b>-1,205</b>	<b>-1,968</b>	<b>-2,814</b>	<b>-3,730</b>	<b>-4,721</b>	n.a.	n.a.
Debt ex. Sandy relief	528	948	887	542	69	-458	-1,070	-1,786	-2,579	-3,438	-4,369	n.a.	n.a.

**Table S-6. The Back to Work Budget vs. the Alternative Fiscal Scenario baseline (% GDP)**

												<b>Total</b>	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-	2014-
												2018	2023
<b>As a percentage of Gross Domestic Product</b>													
Revenues	-0.2%	1.9%	3.4%	3.5%	3.3%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Non-interest Outlays	3.1%	4.4%	3.0%	1.5%	0.8%	0.5%	0.4%	0.1%	0.0%	0.0%	0.0%	1.9%	0.9%
Non-interest Outlays ex. Sandy & OCO	3.1%	4.4%	3.3%	1.9%	1.2%	0.9%	0.7%	0.4%	0.3%	0.3%	0.3%	2.2%	1.2%
<i>Net interest</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>-0.1%</i>	<i>-0.2%</i>	<i>-0.3%</i>	<i>-0.4%</i>	<i>-0.6%</i>	<i>-0.7%</i>	<i>0.0%</i>	<i>-0.3%</i>
<b>Deficit (-) or Surplus</b>	<b>-3.3%</b>	<b>-2.5%</b>	<b>0.4%</b>	<b>1.9%</b>	<b>2.5%</b>	<b>2.7%</b>	<b>3.0%</b>	<b>3.3%</b>	<b>3.5%</b>	<b>3.7%</b>	<b>3.8%</b>	<b>1.1%</b>	<b>2.5%</b>
Deficit ex. Sandy relief	-3.3%	-2.5%	0.3%	1.8%	2.4%	2.5%	2.8%	3.1%	3.3%	3.5%	3.6%	-2.9%	-1.9%
<b>Debt Held by the Public</b>	<b>3.3%</b>	<b>5.7%</b>	<b>5.0%</b>	<b>2.7%</b>	<b>0.1%</b>	<b>-2.6%</b>	<b>-5.5%</b>	<b>-8.6%</b>	<b>-11.8%</b>	<b>-15.0%</b>	<b>-18.2%</b>	<b>n.a.</b>	<b>n.a.</b>
Debt ex. Sandy relief	3.3%	5.7%	5.0%	2.9%	0.3%	-2.2%	-4.9%	-7.8%	-10.8%	-13.8%	-16.9%	n.a.	n.a.