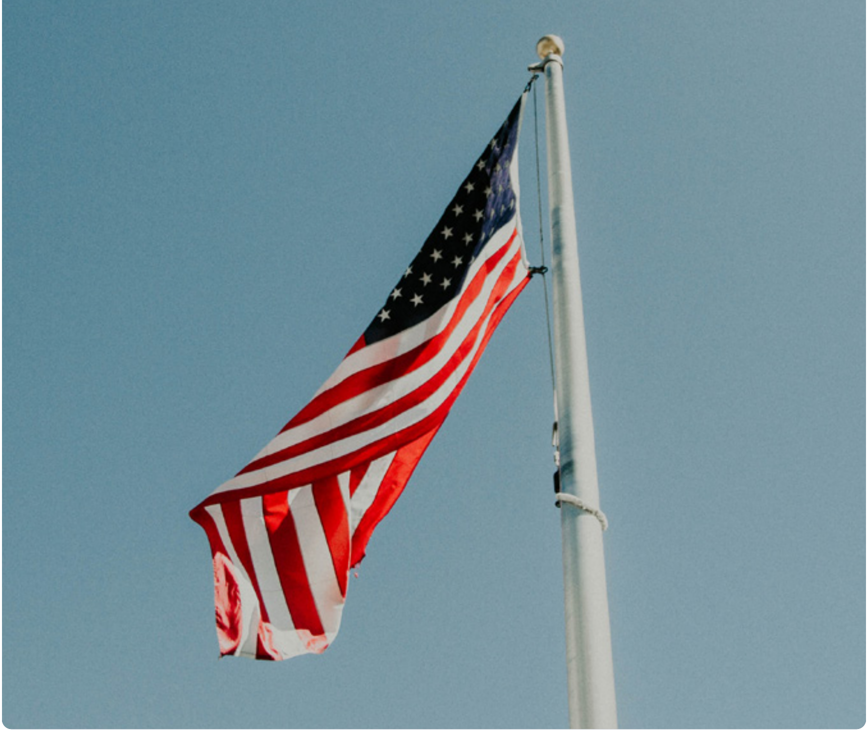
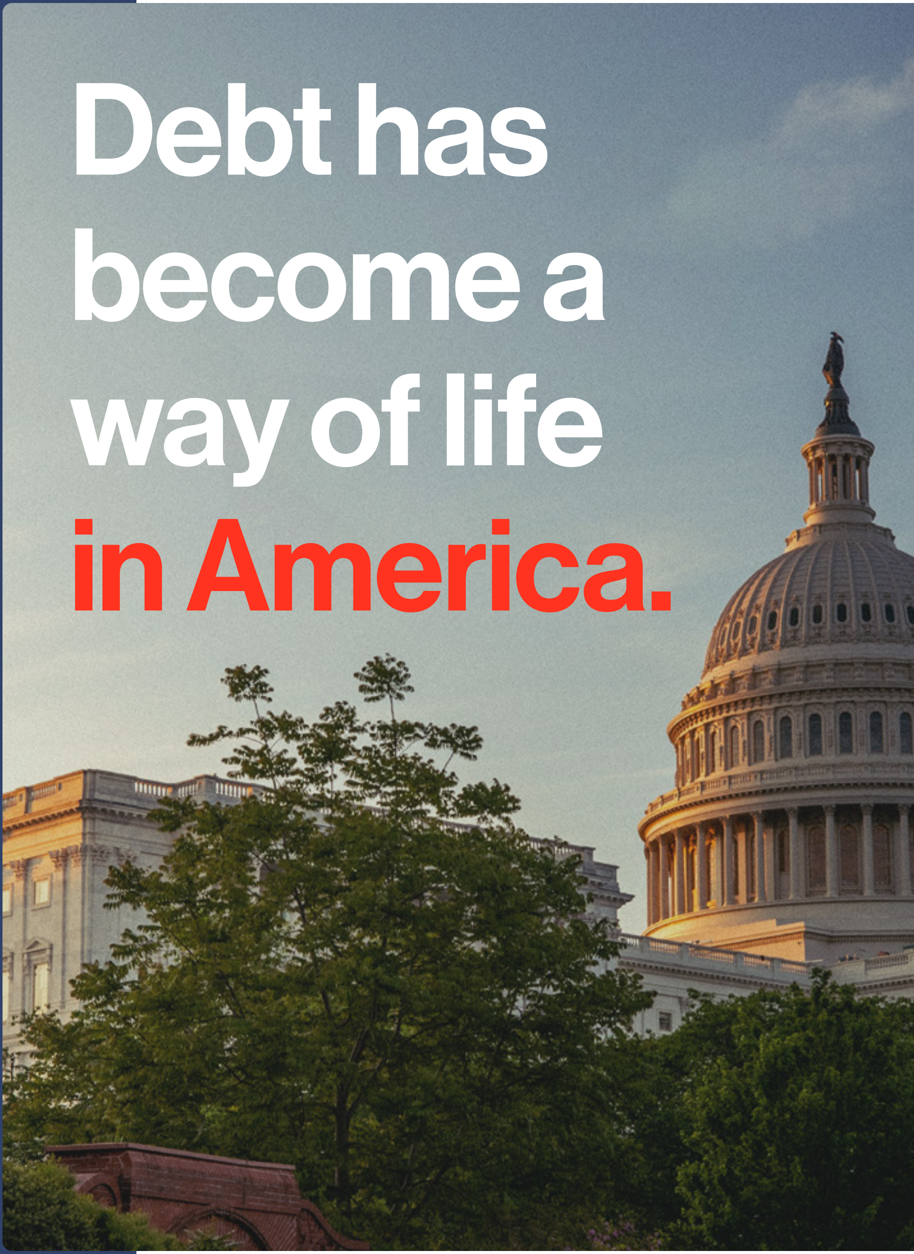
What We Owe the Future

The Recommendations of the Millennial Debt Commission



MILLENNIAL DEBT FOUNDATION

Debt has become a way of life in America.



It’s impossible to talk about debt without numbers. But as our mentor Senator Tom Coburn, MD, taught us, debt is about more than numbers. It’s about people. It’s about freedom. It’s about one generation answering the call of leadership to take responsibility and make hard choices that create more opportunity and liberty for future generations. Debt is about everything our founders cared about. It’s a barometer of the relationship between the state and individuals and a reminder of our responsibilities to each other.

Unfortunately, too few political leaders are answering the call of stewardship.

At gas pumps and grocery stores, the last two years are teaching Americans the consequences of a failed approach to the national debt and deficit.

A new wave of inflation, caused by Pandemic-era spending layered onto decades of kicking the fiscal can down the road, has sapped purchasing power, leaving far too many citizens with impossible choices between one need and another.

At the same time, efforts to curb inflation threaten to wipe out years of productivity, built wealth, and earning power.

Nevertheless, existing plans from many of our leaders promise little change in our tendency to finance the government with debt, even as growing interest payments look to choke a federal budget that will already struggle for air over the next two decades.

A crisis is on its way. In the best case scenario, Americans will get hounded from the pillar of inflation to the post of recession and back again. The worst case is too chilling even to imagine.

How did we get here, and what can be done about it?

Just over 20 years ago, Republicans and Democrats alike prioritized the concept of a balanced budget in Washington – a common-sense understanding that the Federal Government should spend the same as it brings in every year.

In the decade after Speaker Newt Gingrich, Senate Minority Leader Tom Daschle, and President Bill Clinton hammered out a balanced budget, two wars, an economic downturn, and growth in entitlement programs converged. This led to the first trillion-dollar deficits in our nation's history around the time of President Obama's stimulus package.

By 2011, the emergence of the Tea Party brought the national debt front and center amid four consecutive trillion-dollar deficits. Deficit hawks, some motivated more by politics than stewardship, warned of looming catastrophe without a balanced budget. But as the economy recovered and thanks to 2011's Budget Control Act, the deficit shrank from $1.4 trillion in 2009 to $442 billion in 2015.

At this point, the Republican Party largely moved on to other priorities, talking less and less about the national debt. Inaccurate and overzealous predictions, along with record low interest rates, caused widespread public concern over the nation's fiscal condition to ultimately fade.

Meanwhile, some continued to sound the alarm. Demographic trends alone, namely the retirement of Baby Boomers, pointed to looming debt concerns. In 2019, the Millennial Debt Foundation (MDF) was formed with Senator Tom Coburn, MD. The creation of the Millennial Debt Commission in early 2020 convened millennial business leaders with prominent members of the House and Senate to pursue a framework for debt stabilization. Around the same time, the Committee for a Responsible Federal Budget decried the coming "era of trillion-dollar deficits."

But without a Black Swan, it seemed unlikely public debt would take center stage any time soon.

Just weeks before the Millennial Debt Commission was set to meet for the first time, COVID-19 struck. Its mission to call attention to the potential perils of the national debt and offer solutions became timelier than we could have imagined. Record government stimulus and public health efforts ballooned the federal deficit from $984 billion in 2019 to more than $3 trillion in 2020 and nearly that again in 2021.

Experimental fiscal and monetary policy eased the jarring effects of lockdowns, but historic inflation throughout 2022 indicated the policies overheated the economy.

Already entering a period when trillion-dollar deficits were here to stay, America is now faced with $6 trillion more in federal debt, one political party proposing trillions more, and the other trying to regain its credibility on fiscal issues. In Washington, a "tax and spend" party fights with a "tax cut and spend" party. Champions of spending restraint are hard to find. Meanwhile, inflation is soaring and people are suffering. Unlike a decade ago when the national debt was hijacked for political gain, our country now needs a sober consideration of the consequences of debt. A fiscal reckoning will affect all of us.

Preserving the financial standing of our nation for future generations should be a priority for both political parties. Stewardship is an American ideal, not a partisan talking point.

Instead of blindly testing the limits of how much we can possibly borrow, we should debate the obligation one generation has to another, the potential consequences of excessive borrowing, and the ethics of saddling future generations with debt that must inevitably be refinanced.

The most likely consequences of imprudent fiscal policy —inflation followed by a reduction in government services—will disproportionately affect middle and lower income Americans. This is at the heart of the case for generational stewardship, but conservatives have mostly abandoned the tenants of fiscal conservatism. As a result, we've got a leadership problem on one of the most monumental challenges of our time.

That's why we formed the Commission—to bring a new generational voice into the conversation. We recruited prominent millennial business leaders from across the country and a cohort of millennial members of Congress. Over the course of 2020 and 2021, MDF was briefed by current and former elected officials, economists, and policy experts. These meetings were the most significant bipartisan conversations about fiscal policy during the pandemic.

One of the overarching takeaways of the Debt Commission's meetings was that we've got to change the way we define the problem.

Trillions of dollars are incomprehensible. A growing number of economists will argue that the current $30 trillion in debt isn't the problem, but rather it is the $100 trillion we are on pace to borrow over the next 30 years. For the purposes of understanding the problem of the national debt and the solutions posited in this document, we need to think about the debt in proportion to the size of the U.S. economy, or our gross domestic product (GDP).

Using America's "debt to GDP" ratio, which recently eclipsed 100%, to quantify our debt will allow us to compare the U.S. to other countries, to other points in history, and will serve as a guiding measurement when formulating goals for the future.

Under current law, the Congressional Budget Office projects the national debt will grow from ~98% of the U.S. economy to more than 185% by 2052. Under CBO's alternate scenario, debt to GDP could exceed 250%.

The path back to stewardship is not unrealistic.

The recommendations of this commission demonstrate that the path back to stewardship is not unrealistic. Without reform, however, it will become more difficult with every passing year.

With more than $100 trillion set to be added to the debt in the coming decades, we are no longer in a position where balancing budgets, let alone eliminating debt, is feasible. Instead, a patriotic call to stewardship should aim to stabilize the debt, targeting a debt to GDP ratio, and emulating the fiscal measures enacted by other countries to hold Congress accountable to that goal. While higher inflation has slightly improved the nation's debt to GDP trajectory, rising interest rates threaten to consume a larger portion of the federal budget annually, leaving less room for the government to provide essential services.

In the pages ahead, the Millennial Debt Commission has proposed ten recommendations to move the debt to GDP baseline from 185% to 128.8%. **With the turn of each page you will see America's fiscal trajectory improve.**

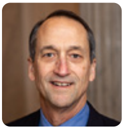
To be sure, the reforms we recommend are not all going to be popular on the campaign trail. But as our early advisor, Senator. Tom Coburn, MD, proved throughout his career, the American people will support leaders who place the country's best interest over their own.

WESTON WAMP

Founder, Board Chairman,
Millennial Debt Foundation
Mayor, Hamilton County, Tennessee

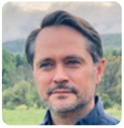
Millennial Debt Foundation engaged several subject-matter experts to produce this work.

Austin Smythe brought valuable policy insights to the Commission in estimating the budget impact of the proposed policies. John Hart shared his unique perspective as the former communications director for one of MDF's heroes. We are so grateful for their time, passion, and abilities.



AUSTIN SMYTHE
Former Policy Advisor,
Speaker of the House

Austin Smythe has over 30 years of experience advising the Federal Government on policy – having worked on the Senate Budget Committee staff, as Executive Associate Director of the Office of Management and Budget, and as Policy Director for House Speaker Paul Ryan (R-WI).



JOHN HART
Co-founder, *C3 Solutions*
Former Communications Director,
Sen. Tom Coburn, MD

Alongside his service as Senator Coburn's communications director and co-author of his books *Breach of Trust* (2003) and *The Debt Bomb* (2012), John has also worked with Representative Steve Largent and Senator Jim DeMint. His commentary and publications have been featured on Fox News, MSNBC, CNN, Politico, and Forbes, among others.

Senior Advisors

IN MEMORIAM

TOM COBURN, MD (OK)
Former U.S. Senator

REID RIBBLE (WI)
Former U.S. Congressman

JIM DEMINT (SC)
Former U.S. Senator

ZACH WAMP (TN)
Former U.S. Congressman

DOUG HOLTZ-EAKIN
President, *American Action Forum*
Former CBO Director

JONATHAN BYDLAK
Director, *Fiscal and Budget Policy Project*, *R Street Institute*

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As an advisor to the Millennial Debt Foundation, I am incredibly proud of the hard work that produced this set of recommendations. It is an indispensable roadmap for those who care about fiscal policy and the future of our nation.

—

Doug Holtz-Eakin

Honorary Congressional Advisors

JONI ERNST (IA)
U.S. Senator

RON JOHNSON (WI)
U.S. Senator

MIKE LEE (UT)
U.S. Senator

MARCO RUBIO (FL)
U.S. Senator

DAN CRENSHAW (TX)
U.S. Representative

MIKE GALLAGHER (WI)
U.S. Representative

BRYAN STEIL (WI)
U.S. Representative

WILLIAM TIMMONS (SC)
U.S. Representative

Millennial Debt Commission

PARKER DUFFEY (AL)
Co-Founder/CEO,
Chptr Social Management
Founder/former CEO, *Tailgate Guys*

BENJAMIN WU (UT)
Partner, *Huntsman Family Investments*

RACHEL NEILL (WI)
CEO, *Carex Consulting Group*

GEORDY JOHNSON (SC)
CEO, *The Johnson Group*

JON NOVAK (FL)
CEO, *Boomerang Transportation*

CAM DOODY (TN)
Co-founder & General Partner, *Brickyard*
Co-founder, *Bellhop*

A. BEAUMONT ALLEN (GA)
Principal, *Braemont Capital*

JANE WU (NC)
CEO and Founder,
Panorama Holdings

JENNA KIMBERLEY (IA)
VP, *Kimberley Development Corp.*

MALACHI BOYULS (TX)
Managing Partner,
St. Augustine Capital Partners

TIANYI JOE ZHU (TX)
Managing Partner,
Playground Capital

CODY CAMPBELL (TX)
Co-CEO, *Double Eagle Energy*

NICK MACCO (TN)
Co-Founder, *Legacybox*

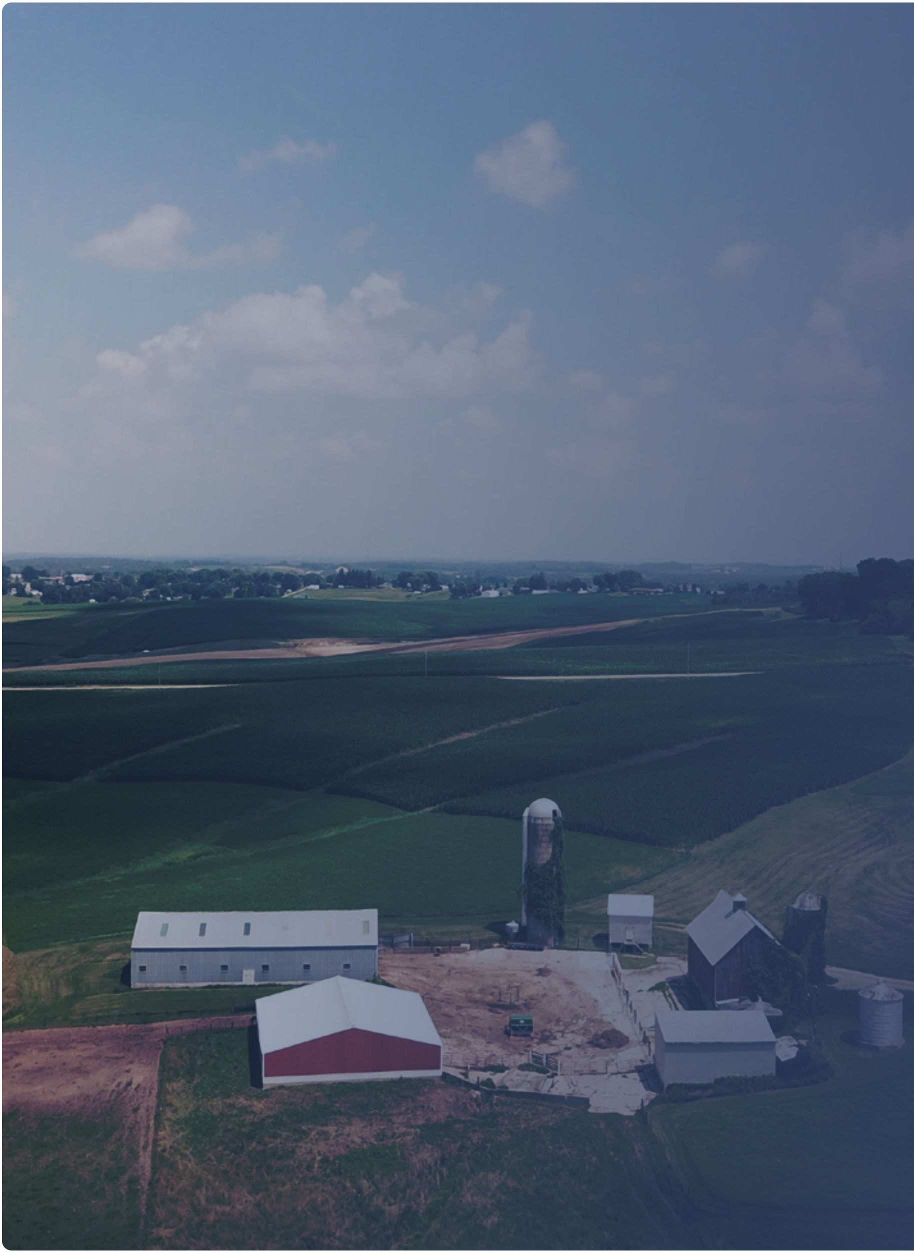
ROBERT HUGHES (SC)
President, *Hughes Development*

RICH WALTON (PA)
CEO, *Noble Environmental*
President, *Archaea Energy*

ALEJANDRO MENDIETA (FL)
CEO, *ELITE Family Office*

THARON JOHNSON (GA)
Founder & CEO,
Paramount Consulting

EVERETT LEBHERZ (CA)
CEO, *PointCare*



Debt Recommendations

The Millennial Debt Commission is a wonderful example of bipartisanship. I appreciate and respect so much the efforts you put forward.

U.S. Senator Joe Manchin (WV)

I

Revenues

The growth of the national debt has been fueled primarily by rising government spending, but righting the ship necessitates a more complex set of solutions: cutting spending, growing the American economy, and yes, increasing revenue. Over the past 50 years, federal revenues have averaged 17.3% of GDP. In 2021, federal revenues amounted to $4.0 trillion or 18.1% of GDP, significantly higher than historical averages. The Congressional Budget Office (CBO) projects a gradual growth in revenues to 19.1% of GDP by 2052. The plan presented here would further increase revenues to 19.9% of GDP by 2052.

Extend the $10,000 Cap on the Deduction for State and Local Taxes (SALT)

The Tax Cuts and Jobs Act of 2017 capped the federal tax deduction for state and local taxes (SALT) at $10,000 for single taxpayers and married couples filing jointly. That cap expires at the end of 2025 along with many of the other individual tax provisions. We propose permanently extending the cap. Based on an extrapolation of the estimates by the Joint Committee on Taxation (JCT) for the 2017 tax law, the extension of that provision would raise roughly $600 billion over ten years. The Brookings Institution and the Committee for a Responsible Federal Budget agree that the SALT deduction disproportionately benefits upper income taxpayers and have opposed repealing the cap.

Reduction in debt in 2052 (including debt service):
-9.7% of GDP

185%

175.3%

DEBT LEVEL

Reform the Health Care Tax Exclusion

Currently, employer-provided health insurance is excluded from federal taxation. This tax exclusion represents the largest tax expenditure in the federal budget, leading to an estimated $280 billion in forgone revenue in 2019. The health tax exclusion also provides a greater benefit to higher income taxpayers and contributes to health care inflation, a major driver in the growth of federal entitlement spending and an increasing burden on companies and individuals.

There are numerous options to limit the exclusion. These include capping it, replacing it with a tax credit, and ending it. Options to limit the exclusion or replace it with a credit would generate anywhere from $200 billion to $1.3 trillion in revenues over ten years. We recommend the phase in of a cap on the deduction for health insurance for higher cost health insurance plans. Based on previous CBO estimates it would generate additional revenue of a little over $250 billion over ten years.

Reduction in debt in 2052 (including debt service):
-7.5% of GDP

II

Spending Savings

Over the past 50 years federal spending has averaged 20.8% of GDP. In 2021, federal spending surged to $6.8 trillion driven by a series of spending packages to address the COVID pandemic and stimulate the economy. With COVID spending gradually coming to an end, CBO projects spending will fall from 30.5% of GDP in 2021 to 22.2% of GDP in FY 2024 and then begin a steady, and growing, increase relative to the economy, driven by growth in entitlement and net interest spending. By 2052, CBO projects federal spending will equal 30.2% of GDP.

a Social Security

With spending of $1.1 trillion in 2021, Social Security is the largest program in the federal budget. In that year, Social Security spending came to 5% of the U.S. economy. Government actuaries project Social Security's trust fund will be insolvent by 2035. CBO projects Social Security spending will total $17.3 trillion over the next ten years. And, CBO projects the program will grow more rapidly than the economy, rising to 6.4% of GDP by 2052. This plan proposes to gradually slow the spending growth in this program to 5.4% of GDP by 2052, which could be achieved through the following options.

Adopt a More Accurate Inflation Measure for Federal Spending

Current law makes automatic cost-of-living adjustments for many entitlement programs based on the consumer price index (CPI). The Bureau of Labor Statistics (BLS) adopted another measure of inflation, the chained CPI, designed to be a more accurate measure of inflation, by accounting for changes in spending patterns and to remove statistical biases. According to BLS, the chained CPI has been about 0.25 percentage points lower than the CPI since 2001. Congress has already adopted the chained CPI for much of the tax system, such as annual adjustments made to individual income tax brackets.

Our proposal would extend this more accurate measure of inflation to adjustments for federal spending programs. It would reduce the deficit by a little over $200 billion over ten years. About two-thirds of these savings would be realized in Social Security spending. Savings in other federal retirement programs (civil service and military retirement and veterans' pensions) and federal health programs (Medicare, Medicaid, and Affordable Care Act (ACA) exchange subsidies) would account for most of the remaining savings. The Bowles-Simpson Commission's 2010 report recommended adoption of the chained-CPI as one of its recommendations.

Reduction in debt in 2052 (including debt service):
-6.6% of GDP

Phase in Progressive Price Indexing

Social Security benefits are currently based on a beneficiary's lifetime earnings and are indexed for changes in wages in the entire economy, which tend to be higher than the change in prices. Under progressive price indexing, lower income workers would continue to have their benefits calculated based on changes in wages. Higher income individuals, however, would see their benefits calculated based on changes in prices (CPI) and not wages. As a result, higher income beneficiaries would see their benefits increase but at a slower rate than lower income beneficiaries. This reform would achieve a little over $50 billion in savings over ten years.

Reduction in debt in 2052 (including debt service):
-4% of GDP

Make Benefits More Progressive

Social Security's current benefit formula is progressive, where beneficiaries with lower lifetime earnings receive higher benefits compared to their earnings than those with higher lifetime earnings. There are a number of options to adjust the benefit formulas to slow growth in upper income benefits while maintaining or increasing benefits for lower income beneficiaries. MDF recommends the phase in of a reform to slow the growth of benefits for those with higher incomes (about 55% of beneficiaries) and maintain current law benefits for lower income beneficiaries. The reform would save nearly $40 billion over the next ten years.

Reduction in debt in 2052 (including debt service):
-1.7% of GDP

185%

155.4%

DEBT LEVEL

Adjust the Social Security Retirement Age for Life Expectancy (longevity indexing)

When Social Security was enacted in the 1930s, life expectancy for men was 58 years and the retirement age was 65. Today, life expectancy is about 80 years. In 1983, Congress gradually raised the retirement age to 67 over a 22-year period. This proposal would gradually raise the retirement age based on life expectancy. While this proposal would not produce any savings over the next ten years, over the long-run the savings in the Social Security program would grow substantially.

Reduction in debt in 2052 (including debt service):
-2.0% of GDP

Medicare

In 2021, Federal spending on Medicare amounted to $689 billion or 3.1% of GDP. Government actuaries project Medicare's hospital insurance trust fund will go insolvent by 2028. The Medicare program is growing rapidly due to demographics and the growing cost of health care. CBO projects Medicare spending will more than double by 2032. The program has grown faster than the economy and is projected to grow nearly twice as fast as the economy for the next 30 years. By 2052, CBO projects Medicare spending will equal 5.9% of GDP.

Medicare Premium Support

The Medicare program currently operates as a fee-for-service program which is causing the program to grow at an unsustainable rate. The plan assumes the program is reformed to bring more transparency and competition to Medicare, helping to lower its cost while maintaining quality health care. Under a premium support plan, health insurance plans would compete to provide health insurance to Medicare beneficiaries. The program's beneficiaries would choose from competing health care plans and the Federal Government would subsidize the cost of their health insurance. Currently, the health care plans offered to federal employees and retirees (the Federal Employees Health Care Program (FEHB)) share a similar design.

There are a number of options in the design of a Medicare premium support program. Our proposal would grandfather existing Medicare beneficiaries and phase in a premium support system for new beneficiaries. The government's subsidy would be equal to the average bid of all competing health care plans. Because the reform is slowly phased in, savings would initially be small but would grow rapidly as the reform was fully implemented.

Reduction in debt in 2052 (including debt service):
-3.4% of GDP

Phase in an Increase in the Eligibility to 67

In 1983, Congress reformed Social Security to gradually increase the normal retirement age to 67. Our recommendation would extend that reform to Medicare. Beginning in 2026, the retirement age would be increased by two months each year until it reached 67. After it was fully phased-in in 2036, the retirement age would remain at 67. Under Social Security, the retirement age will be fully phased in to 67 by 2027. Since 1965, when Medicare was originally enacted, life expectancy has increased by over four years and is projected to continue to increase. The MDF plan would save $15 billion over ten years and those savings would significantly increase over the long-run.

Reduction in debt in 2052 (including debt service):
-1.4% of GDP

Other Medicare

Medicare is an extraordinarily complex program, consisting of four parts that provide payments to health care providers to reimburse them for health care services or to health insurance companies to offset the cost of these services. There are numerous options to achieve savings in Medicare[1]. The plan assumes four reforms to bring more transparency and competition to the current program and a modest increase in Part B premiums for higher income beneficiaries, which combined would produce savings of nearly $200 billion over ten years.

The first reform applies to the Medicare Advantage program (MA). The Centers for Medicare and Medicaid Services (CMS) currently make payments to Medicare Advantage (MA) plans to provide health care coverage for Medicare beneficiaries that opt to participate in the program. Currently, those payments include an adjustment for risk factors based on the population the relevant plan serves. Research has indicated that these payments overcompensate for these risks. Currently, CMS makes a 5.9% reduction to reflect these overpayments. The Medicare Payment Advisory Commission (MEDPAC), a non-partisan agency that conducts analysis of the program for Congress, estimates that CMS is still making payments in excess of the actual risk. We favor a recent CBO proposal[2], which would reduce those payments by 8%.

The second assumed reform would bring more competition to the provision of drugs via Medicare's Part B program. Medicare spent $37 billion in 2019 for Part B drugs with this spending concentrated on a limited number of drugs. Currently, there is a lack of competition among drugs and little incentive for providers to prescribe lower priced drugs. We commend a proposal by the Committee for a Responsible Federal Budget[3], which would reform the way providers are reimbursed for Medicare Part B drugs to strengthen incentives to select lower-cost drugs.

The third reform would permanently repeal a Medicare rule governing drug rebates and discounts. Medicare currently provides coverage for prescription drugs through its Part D program. Currently, drug manufacturers negotiate drug prices with health care plans and pharmacy benefit managers that include a rebate to lower the prices paid for those drugs. In 2019, the Department of Health and Human Services (HHS) proposed to modify rules governing drug rebates and discounts. The CBO concluded the rule would increase federal spending. The Inflation Reduction Act (IRA) suspended this rule through 2031, reducing Medicare spending on drugs by $122 billion for FY 2022-2031. This reform would permanently cancel this rule, producing Medicare savings beginning in 2032.

The fourth change would apply to premiums beneficiaries pay for Medicare Parts B (physician services) and D (prescription drugs) coverage. When the program was created in 1965, beneficiaries were charged premiums equal to 50% of the program's costs. Congress reduced those premiums and today they stand at 25% for Part B and 25.5% for Part D. Congress recently reformed these two programs to charge higher premiums for those beneficiaries with higher incomes. The income brackets to determine these increased premiums are adjusted annually for inflation. This assumption would freeze that adjustment for ten years, leading to a small increase in premiums for higher income beneficiaries.

Reduction in debt in 2052 (including debt service):
-5.1% of GDP

C Other Health Care Reforms
(Medicaid & Malpractice)

In addition to Medicare savings, the plan assumes savings in the Medicaid program and through malpractice reform. Medicaid is a joint Federal-state health care program that pays for the health care services for primarily low-income people. In 2021, the Federal spending for Medicaid amounted to $521 billion. Medicaid has grown rapidly since its creation in 1965, nearly doubling in just the past decade. The Federal Government provides a match for state spending which varies by state. To enhance the size of the Federal match, states began taxing Medicaid providers and then returned those collections to the providers in form of higher Medicaid payments, which had the effect of increasing the Federal match. Congress moved to limit provider taxes in the 1990s but also included a safe harbor provision that limits provider taxes to 6% of the provider's net patient revenues. Our proposal would eliminate that safe harbor and save a little over $400 billion over ten years.

In order to protect against medical malpractice lawsuits, medical care providers purchase malpractice insurance, which has the effect of increasing the cost of health care and can also limit the availability of health care services. We recommend a recent proposal by the CBO[4] which would cap awards for non-economic damages at $250,000 and cap punitive awards either at $500,000 or twice the amount of economic damages, whichever is greater. Adopting this change would produce a little over $60 billion in savings over ten years. In addition to reductions in federal spending, CBO estimates that the change would reduce health care costs generally by 0.5%, which would produce savings to the Federal Government, state governments, companies, and individuals.

Reduction in debt in 2052 (including debt service):
-6.8% of GDP

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To see people like you trying to tackle what is still ultimately going to be one of the biggest issues our country has to solve, is heartwarming. I think it’s time for the younger generation to take this on.

—

U.S. Senator Bob Corker (TN)
addressing the Millennial Debt Commission

Impact of the Recommendations of the Millennial Debt Commission on the National Debt

DEBT LEVEL 128.8%

As the government increases debt, it puts upward pressure on interest rates. In their economic July long-term economic projections, CBO projects the interest rate on all federal debt rises from 1.7% in 2021 to 3.1% by 2032 and to 4.2% by 2052. The debt reduction plan outlined in this document would reduce debt by an estimated 56.2% of GDP by 2052, just as millennials are retiring. This huge reduction in debt further illustrates the importance of fiscal stewardship now. Based on past CBO analyses, it uses a conservative estimate and assumes the debt reduction plan would gradually reduce interest rates reaching 75 basis points by 2052, producing an additional 8.0% for a total of 56.2% reduction in debt relative to GDP[5].

Reduction in debt in 2052 (as a result of lower interest rates):
-8.0% of GDP

A Working Economy

You guys are are going to have a real impact. You all are going to have a voice that we have really been lacking for quite some time.

Maya MacGuineas, Committee for a Responsible Federal Budget addressing the Millennial Debt Commission

Healthy economies need two things: capital investment and a strong workforce. In recent years, our nation has enjoyed surpluses in both low-cost capital and workers alike; however, the current economy is presenting a different scenario – capital is becoming more expensive and workers are becoming scarcer.

No longer is the challenge for average Americans a lack of jobs. With the strong economic rebound after pandemic shutdowns, unemployment rates have plummeted while job openings have soared. Nonetheless, the labor force participation rate remains subdued compared to pre-pandemic levels[6].

The problem is largely driven by demographics: lower birthrates and an aging population. The CBO projects the U.S. population (births less deaths) would begin declining in 2043 absent projected growth in net immigration levels which will further perpetuate labor shortages[7]. In addition to demographics, however, current federal tax and spending policies tend to discourage work, savings, and investment.

Under current law, federal tax rates rise with income and federal income support programs phase out benefits as income rises. While this ensures a progressive tax system and targets federal aid to low-income individuals and families, it also produces an incentive for people to remain on public assistance programs and discourages people from seeking work. The combined effect is to create an effective "marginal tax" on those who attempt to transition from relying on the government for support to getting a job and becoming self-reliant. That loss of benefits combined with an increased tax liability can lead to a marginal tax on work of more than 100%, where a recipient's loss of government benefits combined with paying taxes exceeds the amount of their paycheck[8].

Addressing ways to both encourage work and grow the workforce is vital to ensuring our healthy economy.

Earned Income Tax Credit (EITC)

Presidents of both parties have said the best anti-poverty program is a job. The Federal Earned Income Tax Credit (EITC), designed to promote work for lower-income workers, is probably the most effective anti-poverty program on the federal books. To receive the EITC, individuals must work and have an earned income. The program enjoys strong bipartisan support.

The EITC, however, has complicated eligibility rules that lead to high error rates. Its current structure includes economic disincentives for some workers and may include a marriage penalty for others. Despite these flaws, the overwhelming consensus is that the EITC is a highly effective and targeted mechanism to encourage work and reduce poverty.

The Biden Administration has proposed to extend a temporary expansion of the EITC that expired at the end of 2021 for childless workers that nearly tripled the credit and expanded eligibility.

While this expansion increased incentives to work for low-income individuals, there were concerns that it also had the effect of expanding a marriage penalty for those eligible for the EITC.

There are numerous proposals to expand the EITC but regardless of the proposal, it is going to have a significant cost. For example, a permanent expansion of the childless EITC would cost $135 billion over ten years according to the CBO. One means of offsetting the cost of expanding the EITC could be through work requirements or time limits for federal assistance for able bodied adults without children. Work requirements are controversial but tying work requirements to an expansion of the EITC would plow any savings into enhanced support for low-income workers. It would also enhance work incentives beyond just an expansion of the EITC.

Payroll Taxes

About two-thirds of taxpayers pay more in Social Security and Medicare payroll taxes than they do in income taxes[9]. While the EITC is a highly effective means to reduce poverty and encourage work, it is cumbersome in practice, may discourage marriage, and erases work incentives as it is phased out.

Since the EITC has the effect of offsetting a portion of the cost of payroll taxes, another approach would be to reduce payroll taxes. Currently, workers pay a 6.2% Social Security payroll tax and a 1.45% Medicare payroll tax with both matched by an equal tax paid by their employer, resulting in a combined payroll tax of 15.3% per worker.

While a critical program for retirement security, Social Security has evolved over time to produce growing disincentives for workers.[10] A reduction in the payroll tax would have an even broader and more powerful impact to encourage work.[11] Although a reduction in the payroll tax is a simpler, broader, and more effective way to encourage work than the EITC, it also comes with a much bigger price tag. A 1% reduction in the Social Security payroll tax would reduce revenues by roughly $700 billion over ten years. That reduction would reduce future Social Security benefits for workers and the revenue loss would boost the Federal debt and accelerate the Social Security Trust Fund's insolvency, which is already running a cash deficit and will be exhausted by 2035.

To preserve workers' Social Security benefits and maintain current revenue levels and not accelerate Social Security and Medicare trust funds' insolvency, the loss of revenue from a payroll tax cut could be offset by revenue from a carbon or consumption tax.[12] Both options tax consumption, dampen inflation, and do not have the detrimental effects of higher income taxes, which discourage work, savings, and investment that are critical for long-term growth. While consumption taxes are regressive, using the revenues to offset a payroll tax cut would help address the regressive impact of a consumption tax while encouraging work and long-term economic growth.

Another option would be to offset the loss of revenue through reforms in "tax expenditures," the estimated $1.9 trillion annual cost of various allowances, credits, and deductions that complicate the federal tax code, increase compliance costs, distort investment decisions, and reduce revenues to the Treasury[13].

A variant of cutting payroll taxes would be to reward work by using the revenue from a consumption tax or reforms in Federal tax expenditures to finance individual "add-on" retirement accounts for workers.[14] There are a number of ways to design add-on retirement accounts. As one example, companies could be given the option or be required to devote 1% of their Federal Insurance Contributions Act (FICA) taxes for an employee to a 401(k) retirement plan owned by the employee. The Social Security Trust Fund would be made whole from the proceeds from either a consumption tax or reforms to tax expenditures.

Immigration Reform

To grow the workforce, one opportunity is through increased immigation. Currently, our immigration system is best defined by chaos. The rule of law is being undermined due to an immigration system that has insufficient tools and capacity to enforce current laws. Current U.S. immigration levels are driven by antiquated laws, modified by court decisions, and impaired by border security and immigration capabilities that result in the entry of many immigrants that effectively skirt the law. Based on 2018 and 2019 data, an estimated 10 to 12 million people living in the U.S. are "unauthorized" or are not residing in the U.S. legally[15]. In May 2022, a record number of individuals crossed the border illegally[16]. The current system serves no one well.

Other countries' immigration systems range from those that have severe limits on immigration to those that have more accomodative immigration systems. However, those countries tend to have immigration systems that place a preference for individuals with the skills and abilities to meet worker shortages. A revision of immigration laws to secure the border and expand legal immigration that includes a preference for workers where the U.S. faces shortages can help address the growing shortage the U.S. faces.

The Economic Benefits of a Larger Workforce

Changes to federal tax laws, federal income support laws, immigration laws, or other policies that expand the labor force would fuel economic growth. The CBO projects the U.S. labor force growth rate to decline from an estimated annual 1.7% growth in 2022 down to a 0.4% annual rate by 2025. Based on a CBO analytical tool, if the labor force growth were to gradually increase reaching an annual growth rate of 1.1% in 2030-2032, that additional growth would add 8.8 million workers to the labor force by 2032. Those additional workers would increase the U.S. economy (GDP) by $4.4 trillion and reduce the federal deficit and debt by $445 billion over the 10-year period 2023-2032[17].

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I appreciate what you guys are doing because that’s where the conversation has to start. People have to actually care and refuse to be bought off by false promises of more stuff.

–

U.S. Congressman Dan Crenshaw (TX)
addressing the Millennial Debt Commission

The American experiment began with a suspicion as to whether the virtue of our founding could be maintained. Benjamin Franklin famously told a curious citizen in Philadelphia in 1776 that the form of government settled on by the Constitutional Convention was "a republic, if you can keep it."

A half a century later, French philosopher Alexis de Tocqueville assessed early America with great intrigue, but is said to have surmised, "The American Republic will endure until the day Congress discovers that it can bribe the public with the public's money."

Nearly 200 years have gone by since de Tocqueville criss-crossed the land of promise in its early days, and America has stood the test of time by any measure. Self-government, at first the wide-eyed hope of young Founding Fathers, is now more common throughout the world than not.

Though it has been the inspiration of a new world order, the American Republic has seemingly edged ever closer to its undoing by the abandonment of virtue in Washington. The late U.S. Senator Tom Coburn, MD, having spent the latter part of his career in Congress railing against "careerism" in Washington, concluded, "career politicians do not have the courage to prioritize spending and say no to the demanding special interest groups who do not reflect the best interest of the country."

The rise of the billion dollar "industry of influence" in Washington in recent decades, has coincided with an unprecedented rise in federal spending, far outpacing revenues, to fund the Federal Government.

The result is more than $30 trillion in national debt on a trajectory to dramatically worsen over the course of the next generation.

The recommendations offered here are a common-sense, material attempt to alter that trajectory. But to be realized, they require the political will to insist on the Republic's fiscal health. Structural reforms are past due; proposals like those contained in the Responsible Budget Targets Act (S. 4016/H.R. 7420) must be presented to the American people and demanded of their leaders. Nearly three out of every four American voters think that the national debt should be a top-3 issue for the President and Congress. It is time their voices be heard.

Since a pandemic hurled the world into chaos and historic economic stimulus, this set of recommendations is the first attempt to pick up the pieces and restore fiscal stewardship in America.

While these policy solutions will inevitably face opposition on Capitol Hill where lobbyists exclusively advocate for more spending, they represent a simple and straightforward path to stabilizing the national debt and, indeed, securing the solvency of the American experiment.

Here's to hoping these debt recommendations are read and considered by leaders from the left to the right, from Tennessee to Washington, and beyond.

The Millennial Debt Foundation

The Millennial Debt Foundation is the only millennial-led organization in America focused on stewardship within government and the only one with public support from millennial members of Congress. Located in Tennessee, not D.C., and founded by entrepreneurs, not lobbyists, MDF quickly built an extensive network of business leaders and political leaders based on personal relationships.

MDF’s mission is concentrated.

- **Raise awareness about growing structural deficits in Washington** and their generational consequences, by convening millennial business and political leaders.

- **Build support for specific policy changes** to fix Washington’s budgeting dysfunction while reforming the social safety net to preserve it for those in greatest need.

- **Reframe why the national debt matters** because the impacts of reckless fiscal and monetary politics will disproportionately affect poor and middle class Americans.

Launched in 2019 with the support of the pre-eminent fiscal conservative of the modern era, U.S. Senator Tom Coburn, MD, the Millennial Debt Foundation had unique DNA and credibility from day one.

2019

MDF is founded in Chattanooga, TN, by Weston Wamp with financial backing from Tennessee entrepreneurs.

2020

MDF unveils a business-led national debt commission made up of millennial business leaders from across the country. The commission is briefed by U.S. Senators, receives national media coverage, airs on C-SPAN, and gains the support of top budget economists.

2021

MDF launches its first Stewardship Series event in Texas with Land Commissioner George P. Bush, Representative Dan Crenshaw, and Representative Chip Roy. MDF goes on to host six more events, from Milwaukee to Miami, convening generational leaders.

2022

MDF launches *In the Black*, a Tennessee-based grassroots initiative to promote fiscally responsible state governance and celebrate states that accomplish it.

MDF Develops a debt-reduction recommendations plan, with support from Speaker Paul Ryan's long-time policy advisor, Austin Smythe.

2023

MDF convenes its first Washington, D.C. summit, in partnership with Maverick PAC, to roll out debt-reduction recommendations, urging federal policymakers to draft legislation to improve the fiscal outlook of the country.

Our Team

We've brought together a team of entrepreneurs and professionals that understand government, know marketing, and have built great organizations.

WESTON WAMP

Founder, Board Chairman

Seeing a need for generational leadership on America's growing debt crisis, Weston launched MDF in 2019 with the support of millennial business and political leaders. A former early stage investor, Weston currently serves as Hamilton County Mayor, the chief executive of Tennessee's fourth largest county. He's also a member of the Tennessee Board of Regents. Weston and his wife, Shelby, live in Chattanooga with their four young children.

LINDSAY CONRAD

Executive Director

Lindsay is MDF's Swiss army knife, bringing expertise in economics, development, and government. With a Masters in Economics from Vanderbilt and a background in state party politics, she is both credentialed and qualified to advance MDF's mission. Lindsay lives in Knoxville with her husband, Drew, and their two children.

NICK MACCO

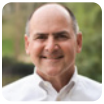
Board Secretary

As a co-founder of Legacybox, Nick's uncanny design and advertising savvy helped fuel $50 million in annual sales, attract over a million customers, and inspire national marketing campaigns.

TRAVIS TRUETT

Board Treasurer

Travis is co-founder and CEO of Ambition, a sales coaching software platform used across the Fortune 500 and profiled by the Harvard Business Review.



ZACH WAMP

Board Member

Congressman Wamp served in the U.S. Congress for eight terms from 1995-2011 representing Tennessee's Third District. In his early career, Wamp worked as a successful commercial real estate broker; since Congress, he has built a consulting and investment firm and partnered on an education start-up now serving ten states.

ADAM BOESELAGER

Board Member

As co-founder of Legacybox, Adam scaled a bootstrapped consumer company from his garage to 250 employees. His insights into digital media and public sentiment are invaluable as MDF seeks to change the narrative around the national debt.

www.MillennialDebt.org

Millennial Debt Foundation is a nonpartisan, Tennessee-based 501(c)(3) nonprofit
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