Getting to a Balanced Budget

I. Introduction

I am running to restore the American Dream for all Americans. Republicans promise lower taxes, and Democrats promise more spending as the path to better lives for all of us. Both of these approaches are not sustainable. I am running for US Senate to offer real courage for real solutions: hard solution, perhaps unpopular solutions. But the alternative is to bury our heads in the sand until our national debt crushes our economy and we end up with high interest rates and hyper-inflation, job losses, loss of our homes, perhaps worse.

We are running federal budget deficits approaching $2 trillion per year. Our national debt is increasing at the rate of billions of dollars per day. During the Biden administration, Democrats passed two massive spending bills. During the current Trump administration, Republicans passed a massive bill extending tax cuts. Each of these bills contain a few things we would agree were good for the country. But they mostly contained spending increases and tax cuts that we cannot afford. We must take truly impactful steps to reduce our deficit.

Some think we can solve our deficit by eliminating waste, fraud and abuse. Some think we can solve our deficit by jacking up tariffs. Some think we can solve our deficit by taxing billionaires – yet these same politicians also want free Medicare for all, free child care, universal basic income, etc. And the President is asking for a huge increase in defense spending. Who will pay for those things? Are we going to leave a legacy of debt to our children and grandchildren? Getting to a balanced budget won't be easy, but let's see what can be done.

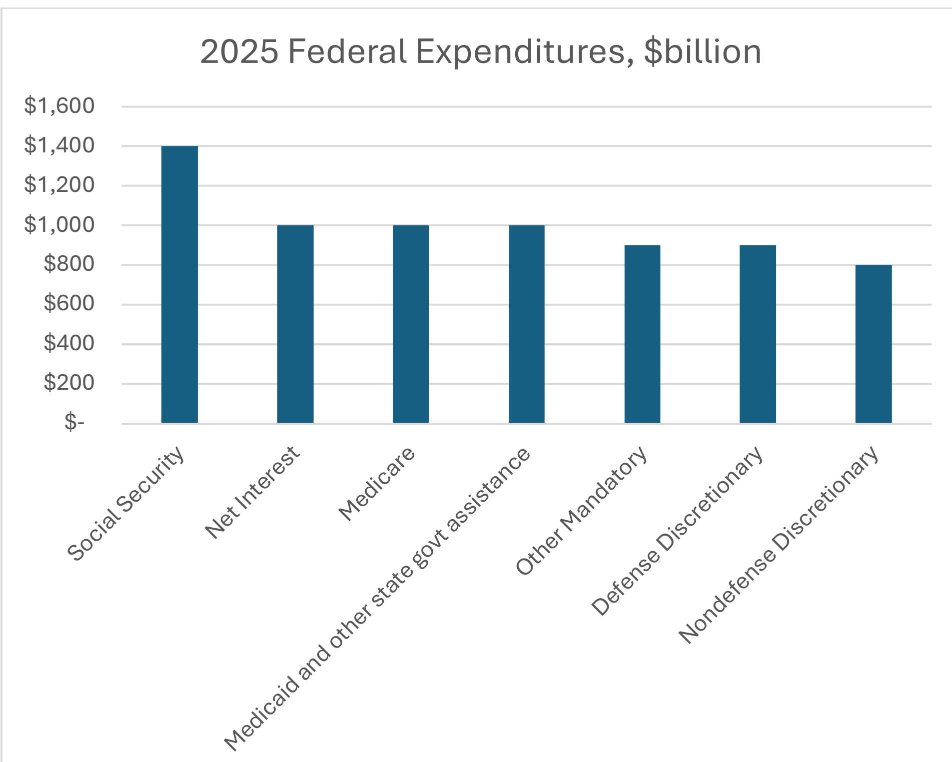
I have separately addressed our national debt, and I suggested that we look hard at closing loopholes the rich use to avoid estate taxes, and re-engineering our taxation of generational wealth transfer as the key to reducing our national debt. This will also serve to reduce the amount we pay in interest on the debt.

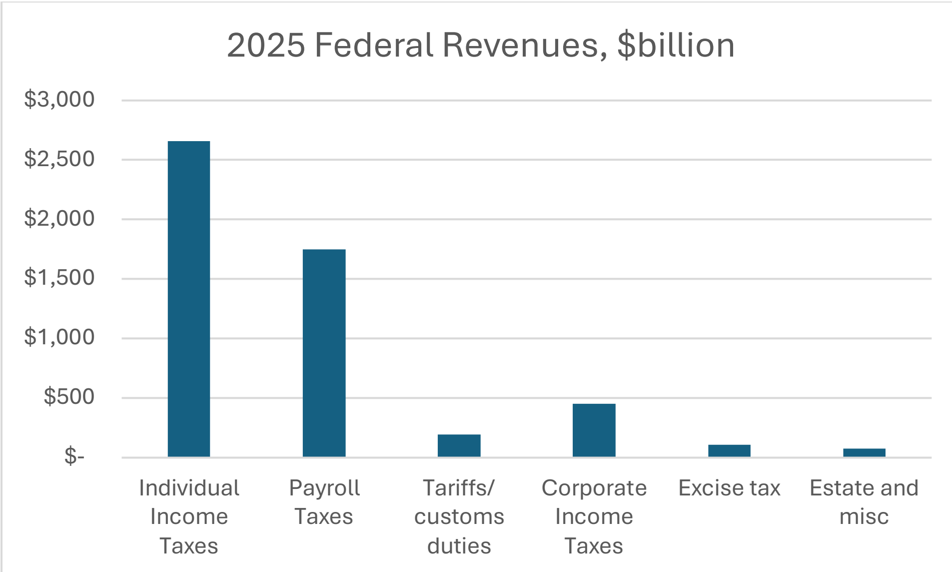
Besides debt reduction, better administration and enforcement could save us at least a half trillion dollars per year as follows:

Category	Estimated budget impact	Notes
Tax avoidance	$600 billion after recovery	IRS recovers around $100 billion of nearly $700 billion; if we increased the IRS budget for enforcement we might recover a lot more
Fraud	$250 - $500 billion	Wide ranging estimate, what might we recover with better administration?

Category	Estimated budget impact	Notes
Improper payments	$200 - $300 billion	Not fraud, just sloppy administration
Waste	Unknown and political	Duplicate, overlapping, or programs at cross purposes that could be consolidated
Total	**$400 - $800 billion annually**	**We can't expect to fully recover all the potential of these categories.**

The chart below provides relative amounts of each major spending category. The total is $7 trillion dollars. This compares to $5.2 trillion in taxes, leaving a deficit of almost $2 trillion. If we do nothing, interest on the debt is expected to double in 10 years. We will have fewer workers and more retirees, reducing payroll and income tax revenue and increasing what we pay out. Medical costs continue to skyrocket, meaning Medicare, Medicaid will require more funding. International bad actors mean we should not make major reductions in defense spending.

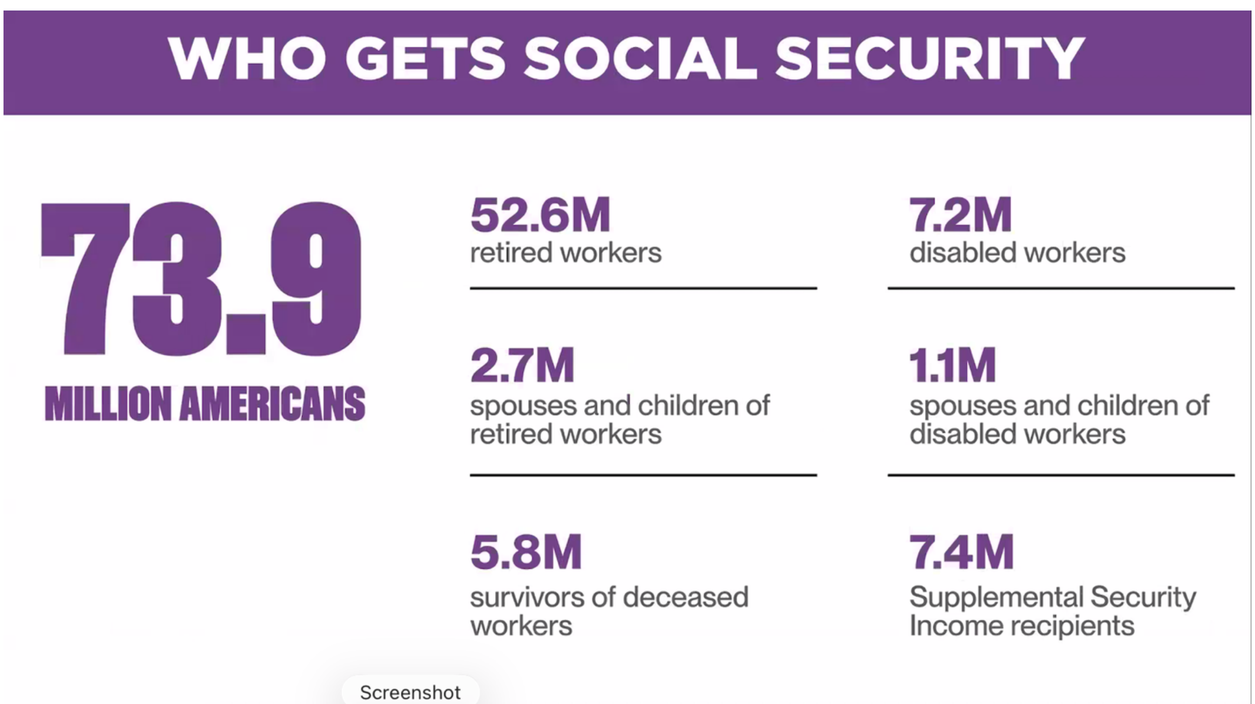




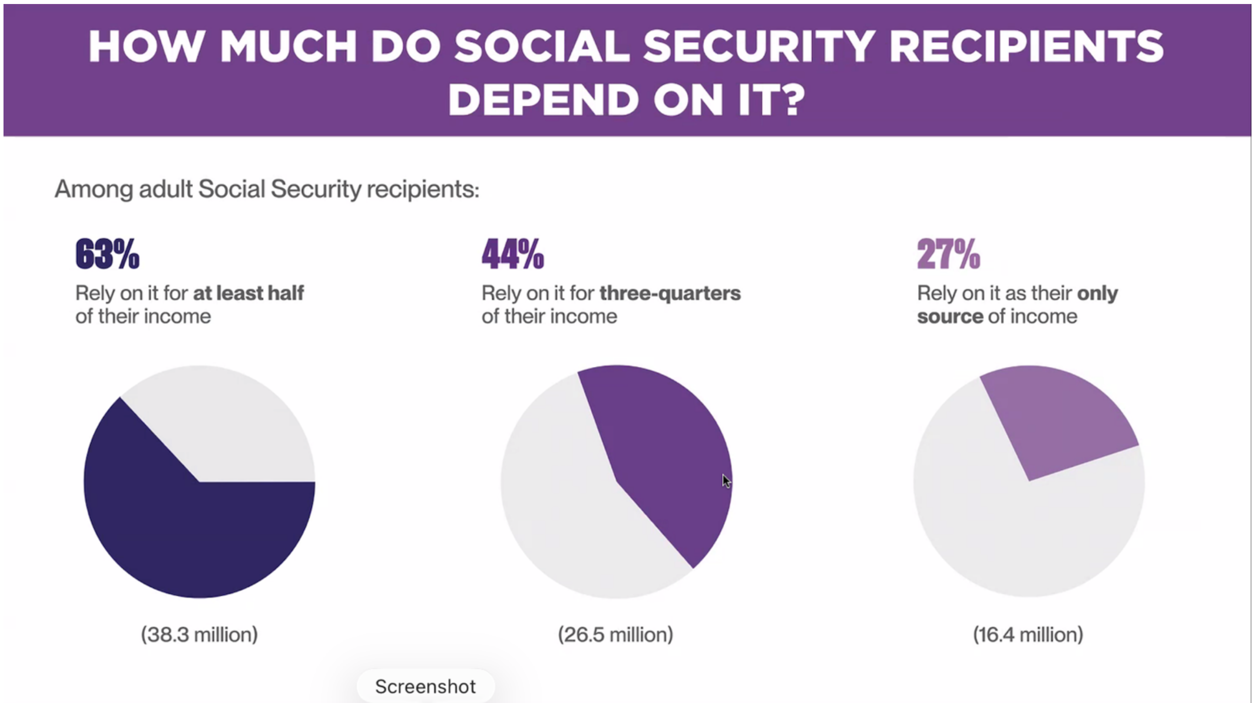
The next sections will deal with social security and healthcare spending and how to put those programs on a sustainable path. Only by tackling these vital yet very large programs can we hope to tame our deficit and get close to a balanced budget.

II. Social Security Funding

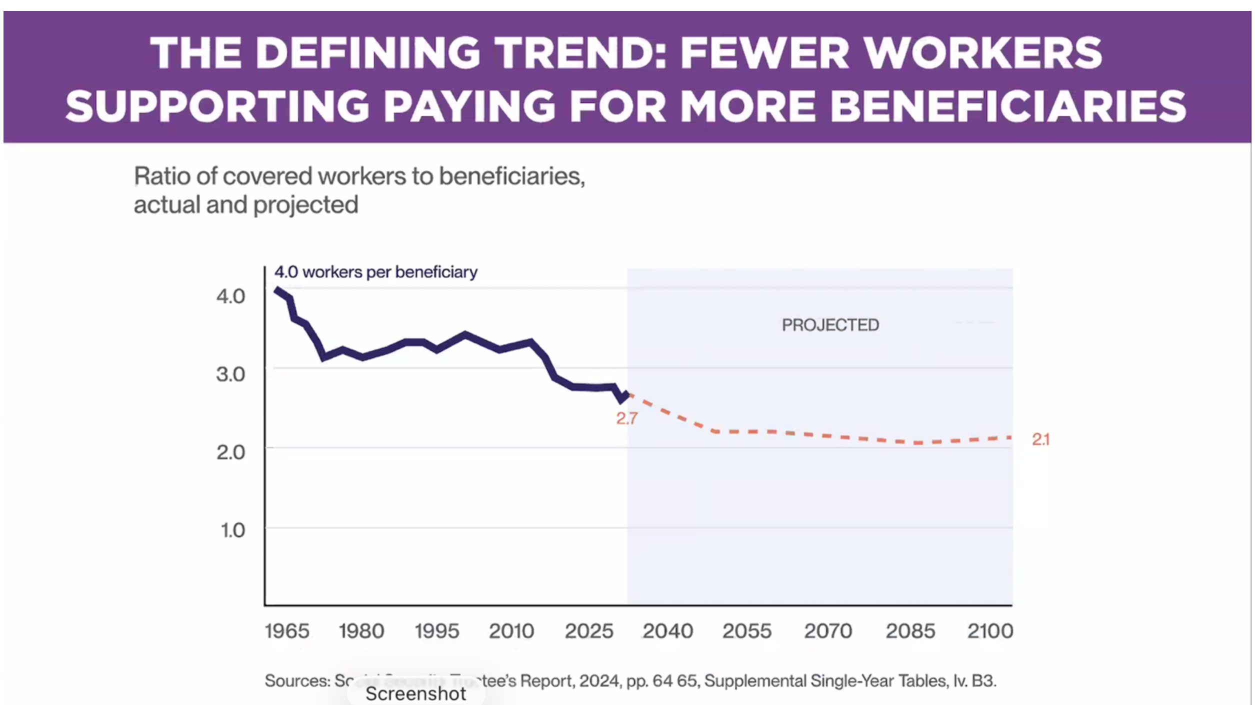
A lot of people depend on Social Security.



Most retirees depend on Social Security for much of their retirement income:



The major problems are that there are fewer workers per retiree, and also that with the current wage cap, only 83% of wages are subject to taxation, vs. 90% in the more distant past. These two factors are driving the system insolvent.



Not only do we have fewer births, but the percent of wages that are subject to social security taxes has slowly declined from around 90% to around 83%. This double-whammy has put us on the path to insolvency. We should revisit our immigration policy, as immigrants have been a source of new workers in recent times, and we should look to adjust the wage cap such that 90% of wages are taxed.

Social security is expected to go insolvent in the next six years. While the Trust Fund is current "solvent" it is only so because of IOUs the government has issued to itself. There is no fund containing money. If there are no changes to how benefits are funded, then when the trust fund goes insolvent, there will be an automatic cut in benefits, estimated at around 25%. We have three options to deal with this problem:

1. Raise social security taxes
2. Reduce benefits
3. Change our laws to fund social security out of general revenue. However, this doesn't solve the long-term sustainability of this program.
4. Shift to a partial or complete privatization of Social Security.

Long term, we need to get to a place where Social Security provides a basic floor income, with private accounts providing the majority of our retirement savings. However, it will be difficult and expensive to make the transition from our current funding approach to a true savings account approach.

I am in favor of a balanced approach consisting of the following:

- Adjust the wage cap so that we can get back to where 90% of total wages are subject to the tax as it was years ago.
- Means testing and reduction in payments for those in the top tier wealth bracket. When a person gets into their 80's, eliminate the means test or impose only a partial reduction instead of full elimination of the benefit.
- Increasing social security payments for those below the benefit mean, once they reach "old age" of their 80's. People in this age group generally have more health care costs that fall outside of Medicare and need the extra income.
- Starting the transition to a partial privatization, by giving the option to send a modest portion of social security taxes (employer and employee) to a private investment account.
- Imposing self-employment taxes on distributions from trusts benefiting individuals (trust babies).
- Imposing self-employment taxes on carried interest income.

- (last resort to balance the program long term): Raise the retirement age by a year or two.

We need to sit down and discuss the above, agree on the specifics, then score it from a budget perspective, and make further adjustments to revenue or benefits in order to create a long-term, sustainable program.

III. Health Care and Medicare/ Medicaid

The US spends about $5.3 trillion per year on healthcare of all types. About 40% is paid by government programs, 30% by employer programs, and the remaining 30% by families and employers directly out of pocket. While many of us want to see "Medicare for all" I would caution that this is not where we need to focus.

First, I used to run a global company, with employees in countries including Canada, Ireland, UK, Italy, Singapore, China and other places. My employees all wanted private insurance, from China to Singapore to Canada. In Switzerland, there is not a public insurance program, and you must buy your own private insurance. In Germany, you can pick between public and private insurance. Public insurance costs 14.6% of the first €65,000 or so, with the cost split between employer and employee. By contrast, health insurance for my employees in the USA cost around 10% of our total payroll. I therefore conclude that our problem is not simply "greedy insurance companies."

Second, the US spends 50% to 100% more on healthcare per person that our western peers, yet outcomes are not better. We spend $12,000 - $15,000 per person whereas Germany spends $8,000 - $10,000 and Japan spends less than $5,000 per person.

When I consider the above, I conclude that the focus of our healthcare reform needs to be on reducing how much we spend. Our system is inefficient and bloated. Hospitals make more profit dispensing medicine than do the pharmaceutical companies who discover and make the medicine. Even if we impose a Medicare for All approach (and basic Medicare only covers hospitalization, not all the other things), we will not be able to afford that program without cost controls. We must reduce what we spend, and that means a lot of special interest will need to "take a haircut" in how they bill and what they bill for. And we need to embrace technologies, including AI, for a variety of treatment approaches. Sweden is using AI to more effectively detect cancer for example.

We also have to recognize that there must be some method of preventing overuse of the healthcare system. Currently, that is done by insurance companies with government oversight and regulation. If we have a public option, that will be done by government employees. There should also be a bit of patient cost – i.e. "skin in the game" to provide for self-discipline in how healthcare is used. In other words, we cannot have completely free, unlimited healthcare for all, as that would be prohibitively expensive.

Overall, I am in favor of:

- A public option that at least covers major medical situations so that people don't have huge medical debt running in the tens, or hundreds of thousands of dollars. This is what basic Medicare is for seniors today.
- A concerted effort to reduce waste, fraud and abuse. A Dartmouth study pegged the opportunity at 4-5% of GDP, or about ¼ - 1/3 of what we spend in total.
- Better support to rural healthcare (hospitals, clinics, and doctors etc.). They are currently struggling financially.
- Better uses of technology for detection and treatment of disease
- Flexibility in how and where treatment is delivered. More and more procedures are out-patient.
- Competition and price transparency

IV. Summary

The biggest impact towards balancing our budget would be pro-business, pro-growth policies that generate more tax revenue while at the same time creating jobs and improving standards of living. And that includes less regulation, more flexible regulations, streamlined permitting processes at both the federal and state levels, and not throwing taxpayer money at favored industries.

If we can do all of the following…

- Reduce our national debt to reduce our interest expense by taxing inter-generational wealth transfers by the top 20%
- Reform social security, to include increases in payroll taxes by high earners
- Reduce what we as a nation spend on healthcare
- Continue to find and eliminate waste, fraud and abuse
- Act in a business-friendly way to create jobs, improve quality of life and the ability to afford better housing, life's necessities, and life's niceties, and increase tax revenues as a result of economic expansion.
- Recover a substantial portion of waste, fraud, tax avoidance and improper payments

…Then we can get pretty close to a balanced budget and meet our national obligations for defense, Social Security and Medicare, and to protect and take care of those less fortunate.

If we are going to implement new social programs, we need to be honest with ourselves as to the cost and how they get paid for. Europeans pay for them with a national sales tax of around 20%, AND everyday workers pay income taxes at very high marginal rates. And in countries such as Sweden, they have recognized the folly of rampant socialism and have reduced taxes, including reducing taxes on the wealthy, relying more on the private sector for everything from healthcare to education, and are enjoying higher standards of living as a result. Those who call for taxing billionaires are simply stoking class warfare, they are not offering a real solutions. Billionaires hold $8.3 trillion in wealth. If we took 10% of that amount, it would solve less than half our deficit, for just one year. If we took 100% of their wealth, it would fund our government for about 13 months. Then what? This is not a real solution, just the politics of envy at play.

I am pro-growth through strengthening, not burdening the private sector. I am for reducing healthcare spending through competition, price transparency, and overall efficiency gains. I am for making the hard decisions to ensure Social Security is there to provide security for our senior citizens.