

Out Of The Deficit and Into The Future.

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The national deficit essentially entails the country's already incurred debt and obligations, amortized to reflect the portion of those debts and obligations that are scheduled to be paid over the course of the fiscal year, minus the annualized dollar amount of the revenues it projects to take in. The deficit is the shortfall, if any, between those projected revenues and expenses.

The U.S. projected deficit for the year ending September 30, 2011 is about \$1.2 Trillion. Other than destroying the fabric of the union, the path apparently to be taken by the Tea Party-led Republican Party is there a way to reduce if not eliminate that deficit, save the states from drowning in budget deficits and substantially reduce unemployment?

Let's think...

1. **The optional, voluntary military intervention into Afghanistan and Iraq** could end today, and save \$140 Billion annually. Let's take that bet.
2. **The tax rate reductions enacted to 2001 and 2003** were based on the assertion that the country had a budget surplus, and that those surplus revenues should be given back to the people in the form of reduced tax collections. A major consequence of that decision is that the tax rates were reduced too much, resulting in the government now having deficits, rather than surpluses. The only responsible thing to do is to return to the former tax rates, so that we are returning to our normal revenue streams **while** reducing abnormal expenditures. That's \$400 Billion annually, and now knocks \$540 Billion off the deficit.

3. **The Medicare Part D Prescription Drug** plan costs about \$54 Billion per year. The Obama Administration is already committed to finding savings in fraud, waste and overcharges to offset this cost. This added savings would reduce the deficit to about \$594 Billion.
4. **The President's Payroll Tax Holiday** costs \$56 Billion in annual revenue. Let's dump this as unaffordable. Now we're at \$650 Billion (<http://thehill.com/homenews/house/169077-ignoring-liberal-dems-obama-endorses-longer-payroll-tax-holiday>).
5. The President still has about **\$90 Billion in Business Tax Breaks** in his proposed budget. Cancel these for 2012 as unaffordable. Now we're at \$740 Billion off the deficit (http://abcnews.go.com/Politics/State_of_the_Union/obama-2011-budget-tax-proposals-president-proposes-tax-cuts/story?id=9719942)
6. **State Stimulus Grants - \$79 Billion.** Cancel these for 2012 as unaffordable. Now we're at \$819 Billion off the deficit (<http://www.creditloan.com/infographics/obamas-economic-stimulus-plan-mapped-out/>).
7. **State and Local Bond Tax Credit (\$42 Billion of the \$255 Billion allocated to state and local governments)** Cancel these for 2012 as unaffordable. Now we're at \$861 Billion off the deficit. (<http://www.accountablerecovery.org/resources/recovery-act-overview>)
8. **Extended Unemployment Insurance benefits - \$49 Billion.** Cancel these for 2012 as unaffordable. Now we're at \$910 Billion off the deficit (<http://www.ourfiscalsecurity.org/taxes-federal-budget/2010/2/2/understanding-the-presidents-fy-2011-budget.html>).
9. **Expanded Food Stamps (\$19B)** Cancel these for 2012 as unaffordable. Now we're at \$929 Billion off the deficit. (<http://www.ourfiscalsecurity.org/taxes-federal-budget/2010/2/2/understanding-the-presidents-fy-2011-budget.html>)

10. **Stimulus Tax Credits** (\$350 Billion) that have been continued in the 2011 Budget. Cancel these for 2012 as unaffordable. Now we're at \$1.279 Billion off the deficit. (<http://www.ourfiscalsecurity.org/taxes-federal-budget/2010/2/2/understanding-the-presidents-fy-2011-budget.html>)
11. Increase the **import tariffs on all imported goods** by 10%. Since the U.S. imports \$2.3 Trillion in goods, that will generate \$230 Billion in new revenues. Now we're way beyond deficit reduction. The 2011 deficit is projected at \$1.2 Trillion. This proposal would create a \$315 Billion surplus for 2012, as it reduces annual spending by about 1.509 Billion. (http://useconomy.about.com/od/tradepolicy/p/Trade_Deficit.htm)
12. Reduced Interest due to \$1.279T in reduced borrowing at a 3.7% interest rate generates an additional \$47.323 Billion in spending reductions. This would reduce spending by \$1.556 Trillion.

Now we could apply the net surplus of \$356 Billion. The federal government already pays about 60% of the \$400 Billion national cost of Medicaid. Picking up the rest of this bill will cost the federal budget about \$160 Billion over what it already spends. **The federal government could absorb all of the costs of Medicaid, and then use its centralized administration to lower costs for drugs, procedures, preventive health care and more.**

The states would share proportionately in about \$160 Billion in lowered state expenses, virtually wiping out the annual deficits of states like New York State. The Federal Government would retain a \$196 Billion surplus.

Finally, the President should commit \$100 Billion of that surplus each year for the next five years to a Public Works Jobs program. If employed workers are paid an average salary of \$20,000/year, this would create 5 million newly employed persons. Since 15.7% of these salaries return to

the government in the form of Social security Taxes, and at least 4% returns to the government in the form of federal unemployment Insurance taxes, the net cost to the federal government is \$80 Billion per year. Assuming that the unemployment rate of 9.2% represents 14.3 Million people, reducing that number to 9.3 Million would mean an unemployment rate of about 6%. It would mean fewer people receiving public assistance, using unemployment insurance, Medicaid and other cost savings and every level of government.

Excluding that \$20 Billion in returned funds through payroll taxes The Federal Government would still retain a \$96 Billion surplus in 2012, with a framework that rescues much of the state coffers from rising red ink, retains all of the Security, Medicare and Medicaid benefit structure, and allows any tweaks to the entitlement programs to be used entirely to improve solvency and cash flows in those programs.

Spending/Revenue Description	Total savings or revenue	Impact on federal deficit
Eliminate Expense of Voluntary Military Interventions in Afghanistan and Iraq	\$140 B	\$140 Billion
Rescind all of the 2001 and 2003 tax rate cuts	\$400 B	\$540 B
The Medicare Part D Prescription Drug	\$54 B	\$594 B
Rescind the Payroll Tax Holiday	\$56 B	\$650 B
Eliminate Stimulus Business Tax Breaks in 2012 Proposal	\$90 B	\$740 B
Eliminate State Stimulus Grants	\$79 B	\$819 B

Eliminate the State and Local Bond tax Credit	\$42 B	\$861 B
Eliminate Extended Unemployment Benefit	\$49 B	\$910 B
Eliminate Expanded Food Stamps Eligibility	\$19 B	\$929 B
Eliminate All Stimulus and Industry Specific Tax Credits (Ethanol, Oil, Green Jobs, et. Al.	\$350 B	\$1.279 T
Increase Import Duties on all imports by 10%	\$230 B	\$1.509 T
Reduced Interest due to \$1.279T in reduced borrowing at a 3.7% interest rate	\$47.323B	\$1.556 T in reduced spending and a balanced budget in the current year w/o destroying SS, Medicare, Medicaid and the country.
Spend \$100 B on public works jobs at \$20K ea., employing 5 million people	(\$100 B)	\$1.456 T
Spend \$160 B to absorb State Share of Medicaid	(\$160 B)	\$1.296 T
Net Budget Result	\$1.296 Trillion in net savings – 2011 deficit of \$1.2 Trillion	\$96 Billion net surplus in Fiscal Year 2012

Just Playing to win, all of the time.