

LEGISLATIVE ACTION TO IMPROVE THE FISCAL HEALTH OF THE UNITED STATES AND  
REDUCE NATIONAL DEBT

by  
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## **ABSTRACT**

Fiscally focused policymakers and policy influencers raise concern over the increasing national debt of the United States. While the nation entered the twenty-first century in a state of relative low debt, debt has increased continuously since 2007. Advocates for debt control describe how increased national debt negatively impacts economic growth, income growth, insurance rates, crisis preparedness, and national security. These concerns have been substantially amplified as debt itself has been substantially amplified during the COVID-19 pandemic, and passage of the CARES Act. This memorandum proposes and recommends implementation of the debt reducing RODEO Act. RODEO will permit additional borrowing during the current health crisis, utilize debt control mechanisms which build upon tools used in previous such policies, and enforce a long-term implementation schedule which minimizes negative economic impacts. Targets will aim at a reduction of two percent annually; enabling economic growth and controlled spending to meet goals without additional taxes or programmatic cuts. CBO anticipates the debt to GDP ratio will be 105% by the close of 2022. The fourth of five RODEO targets requires the debt to GDP ratio to be 69% as early as 2046, or as late as 2060. The fifth target requires the ratio to be 60% by 2066. This gradual reduction of debt will create an enduring solution, improve the economic station and outcomes for citizens, and protect the position of the United States in the national stage.

**Keywords:** debt, deficit, debt control, CARES Act, United States

**Capstone Advisor:** Professor Paul Weinstein

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MEMORANDUM FOR PRESIDENT DONALD TRUMP

DATE: September 3, 2020

FROM: Eric Michael Biagioli

SUBJECT: Legislative action to improve the fiscal health of the United States and reduce national debt

## I. ACTION-FORCING EVENT

The White House Administration signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27<sup>th</sup>, 2020.<sup>1</sup> The passage of the CARES Act has accelerated the projected date wherein national debt will exceed GDP to next year.<sup>2</sup>

## II. STATEMENT OF THE PROBLEM

According to the Congressional Budget Office (CBO), United States national debt has seen continual growth since 2007.<sup>3</sup> The Committee for a Responsible Federal Budget (CRFB) described the increasing debt as unsustainable prior to the emergence of COVID-19, and as emergent thereafter. CRFB describes this as a product of both reduction in revenues and increases in program expenses.<sup>4</sup> CBO now projects a deficit of 3.3 trillion in fiscal year 2020, at 16% of GDP. This is an increase of more than three times the 2019 deficit of 984 billion, at 4.6% GDP.<sup>5</sup> As a result, CRFB predicts the debt will exceed the size of the economy in 2021, at 104%

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<sup>1</sup> Coronavirus Aid, Relief, and Economic Security Act of 2020, H.R. 748, 116<sup>th</sup> Congress (2020)

<sup>2</sup> Committee for a Responsible Federal Budget, *Analysis of CBO's September 2020 Budget Outlook*, (Washington DC: CRFB, 2020)

<sup>3</sup> Congressional Budget Office, *Federal Debt: A Primer*, (Washington DC: CBO, 2020)

<sup>4</sup> Committee for a Responsible Federal Budget, *CBO Projects Debt Will Reach a New Record*, (Washington DC: CRFB, 2020)

<sup>5</sup> Congressional Budget Office, *An Update to the Budget Outlook: 2020 to 2030*, (Washington DC: CBO, 2020)

GDP. CRFB also predicts the national debt to GDP ratio will reach a record high in 2023, at 107%.<sup>6</sup>

The CARES Act alone constitutes \$1.8 trillion of the \$4.9 trillion COVID relief funds currently disbursed or committed.<sup>7</sup> Disbursed and committed COVID relief funds represent a significant share of the \$3.3 trillion deficit projected for the current fiscal year.<sup>8</sup> In fact, growth in the deficit over the previous year is more than entirely attributable to this COVID-19 spending.

Regardless, Congressional action continues to request additional increases and disbursements of committed funds.<sup>9</sup><sup>10</sup> Projections made by CRFB include projections based on current law as of March 2020, current law as of September 2020, and an alternative scenario based on the presumption that spending will continue to expand. According to CBO's projection, the national deficit will be 109% of GDP by the year 2030.<sup>11</sup> (*See Figure 1 & Figure 2*)

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<sup>6</sup> Committee for a Responsible Federal Budget, *CBO Projects Debt Will Reach a New Record*, (Washington DC: CRFB, 2020)

<sup>7</sup> Committee for a Responsible Federal Budget, *COVID Money Tracker*, (Washington DC: CRFB 2020)

<sup>8</sup> Committee for a Responsible Federal Budget, *Analysis of CBO's September 2020 Budget Outlook*, (Washington DC: CRFB 2020)

<sup>9</sup> Petition or Memorial 2020, POM233, 116<sup>th</sup> Congress (2020)

<sup>10</sup> To extend the availability of amounts under the Coronavirus Relief Fund 2020, H.R.8318, 116<sup>th</sup> Congress (2020)

<sup>11</sup> Congressional Budget Office, *An Update to the Budget Outlook: 2020 to 2030*, (Washington DC: CBO, 2020)

**Fig. 1: CBO's Deficit Projections (Billions of Dollars)**

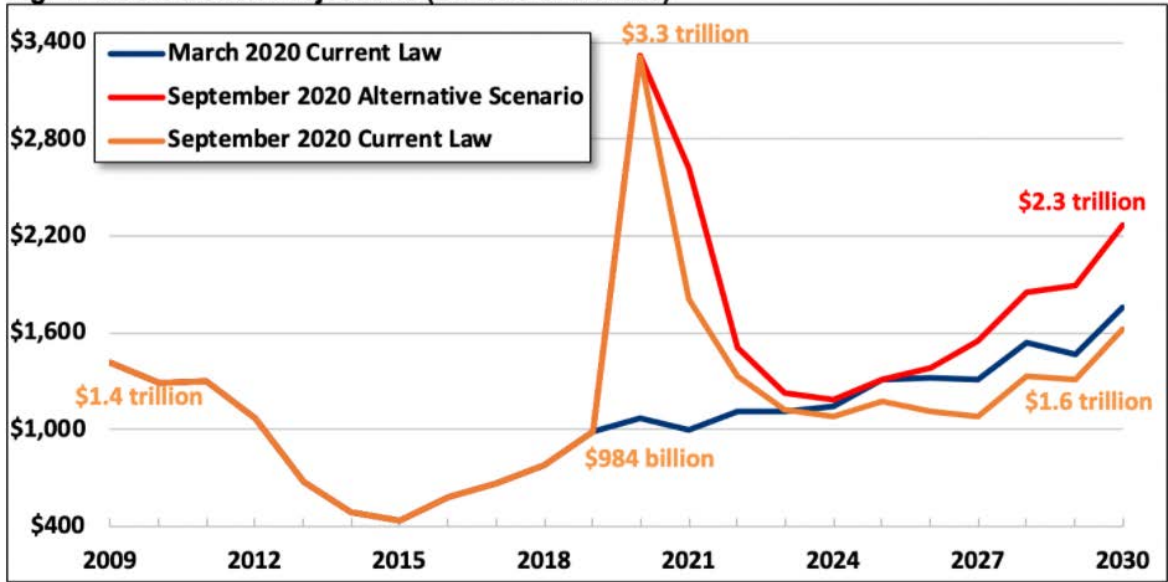


Figure 1 – CBO's Deficit projections, Source: CBO & CRFB

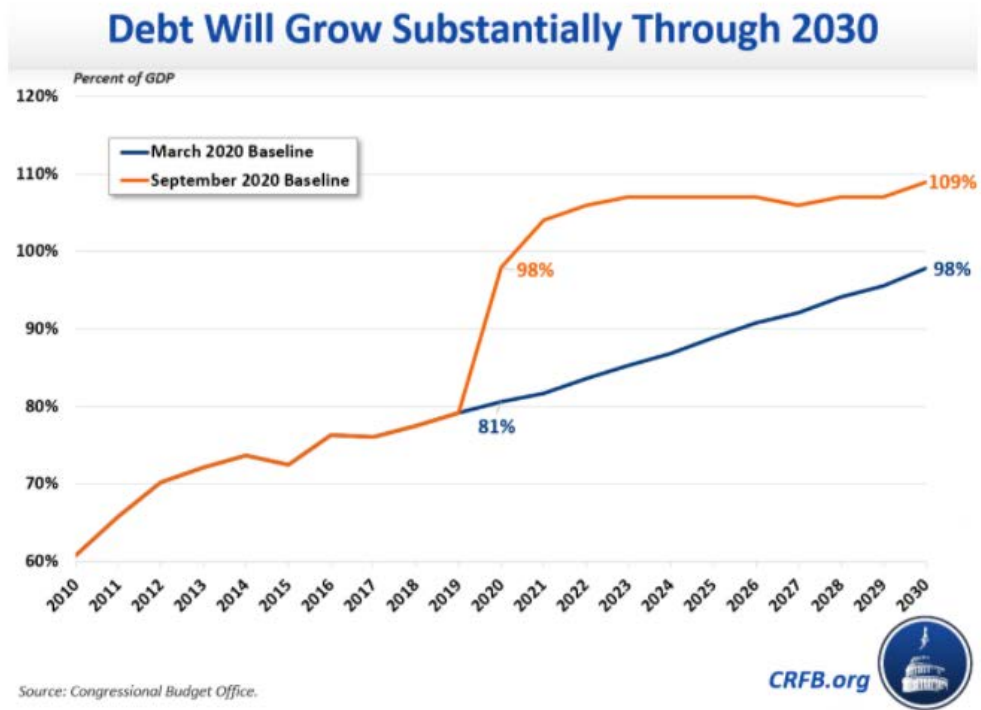


Figure 2 – Debt Will Grow Substantially Through 2030, Source: CRFB

A large national debt affects all Americans, with an especially high impact upon the underprivileged and the young. This population is likely to bear the brunt of an economic downturn and potential debt reducing program cuts. This in part results from an increasing share of tax dollars being committed to mandatory spending in Social Security, Medicare, and Medicaid. Mandatory spending constituted 28% of the budget in 1968, compared to 64% in 2018 (See Figure 3). The underprivileged and the aged are by design the most reliant upon these mandatory spending programs, and thus debt reducing cuts to these programs would impact them more significantly. The young and the underprivileged also bear additional burden due to mandatory spending crowding out education, research, and transportation programs from the budget.<sup>12</sup> Additional budgetary space is lost on interest payments, which subsequently crowd out additional programs. Moreover, today's borrowing will fall upon future generations to repay.

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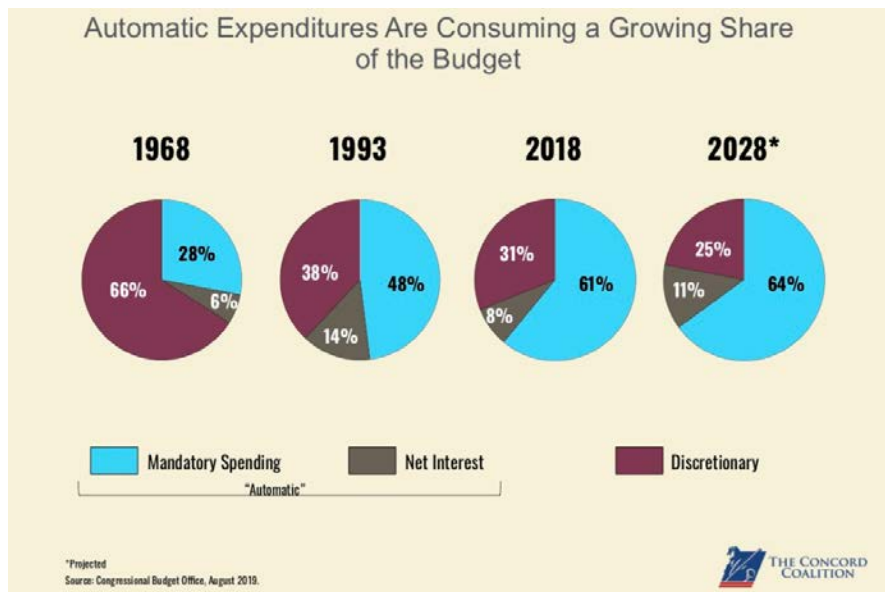


Figure 3 – Automatic Expenditures Are Consuming a Growing Share of the Budget Source: The Concord Coalition/CBO

<sup>12</sup> Peter G. Peterson Foundation, *The Fiscal & Economic Impact*, (New York, NY: Peter G. Peterson Foundation)

<sup>13</sup> Investopedia, *What the National Debt Means to You*, (New York City, NY: 2020)



CRFB describes times of crisis as appropriate to borrow heavily from the future to pay for programs which address emergent problems. A high national debt reduces the Nation's ability to address crises in this manner due to a reduced fiscal space in which to borrow. As the CARES Act was imperative to implement to address the pandemic, so too will future such borrowing.<sup>14</sup> If such emergencies arrive during a period of high debt, legislators will be forced to make challenging decisions between reducing the impact of the emergency, and minimizing risk of financial crisis.<sup>15</sup>

Increases in interest rates also result from a high national debt, as an abundance of government bonds may prompt lenders to seek higher interest rates. As investment in government debts crowd out investment in private debts, economic growth is slowed. This is exemplified in observations of Japan. The Debt to GDP ratio in Japan is 252% of GDP, and the average annual growth rate over the past thirty years is a mere 1%.<sup>16</sup> A policy brief from Mercatus Center at George Mason University reviewed twenty-four research papers published in the last ten years which explored the relationship between national debt and GDP growth. These studies evaluated 12 to 252 countries, and discovered that all but two studies found a negative relationship between high debt and economic growth.<sup>17</sup>

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<sup>14</sup> Sharon Parrott, Chad Stone, Chye-Ching Huang, et al, *Cares Act Includes Essential Measures to Respond to Public Health, Economic Crises, But More Will Be Needed*, (Washington, DC: Center on Budget and Policy Priorities, March 2020)

<sup>15</sup> Investopedia, *What the National Debt Means to You*, (New York City, NY: 2020)

<sup>16</sup> Hung Tran, *Do deficits matter? Japan shows they do*, (Washington, DC: Atlantic Council, July 2020)

<sup>17</sup> Veronique de Rugy, Jack Salmon, *Debt and Growth: A Decade of Studies*, (Fairfax, VA: Mercatus Center, April 2020)

Inflation and increased cost of goods and services may result from US corporations being viewed as riskier. Home values will decrease due to increased mortgage interest rates, which themselves result in a reduction in demand for home ownership. A combination of these affects upon the nation will erode the economic station, political station, and social station of the US, leading to a threat of fiscal crisis and to national security.<sup>18 19</sup> This reduction of station and of real, and perceived, economic strength will negatively impact foreign affairs. If allies and opponents view the United States as a declining power, both will be required to adjust their behaviors. The Brookings Institute even suggests allies may pursue nuclear arms, as to augment their strength and fill the void left by the declining strength of the United States. Additionally, an oppositional foreign nation which holds significant United States debt cannot be anticipated to repay such debt in a scenario of war.<sup>20</sup>

### III. HISTORY/BACKGROUND

To observe all types of trends in national public debt requires a brief look into its long history. National public debt has existed throughout much of the history of the United States. To gain an understanding of the scale of the debt in relation to economic production, debt has been measured as a ratio of GDP since its modern inception in 1934.<sup>21</sup> This ratio also permits policymakers to compare debts across time and across nations. The debt to GDP ratio has fluctuated throughout the history of the United States, typically peaking during times of crisis,

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<sup>18</sup> Investopedia, *What the National Debt Means to You*, (New York City, NY: 2020)

<sup>19</sup> Committee for a Responsible Federal Budget, *Why Should We Worry About the National Debt?*, (Washington, DC: 2020)

<sup>20</sup> Kenneth Lieberthal, Michael O'Hanlon, *The Real National Security Threat: America's Debt*, (Washington, DC: Brookings Institution, July 2012)

<sup>21</sup> Department of Commerce, *Letters to Congress, 1929-1932*, (Washington, DC: Library of Congress, 1934)

and periodically declining during times of prosperity.<sup>22</sup> Though debt has continued to climb in times of prosperity in the past two decades.

The United States national debt increased substantially during the Revolutionary War, the War of 1812, the Mexican-American War, the Civil War, World War I, World War II, and the Vietnam War. As demonstrated in Figure 4, the debt also increased as a result of the Great Society Act, the Great Depression, and the Great Recession. National debt increases substantially during times of war as they are often financed and won as a result of this borrowing. As a result, WWII saw the highest GDP to debt ratio yet experienced in the United States, at 106%.<sup>23 24</sup> In some scenarios of crisis, such as the Korean War, limited impact upon the debt to GDP ratio was experienced due to the crisis being principally financed by taxation rather than borrowing. In contrast to these fiscally conservative policies, the borrowing heavy public works projects created during the great depression created burdens upon the debt.

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<sup>22</sup> Congressional Budget Office, *Historical Data on Federal Debt Held by the Public*, (Washington, DC: CBO, 2010)

<sup>23</sup> Bureau of the Fiscal Service, *Historical Debt Outstanding – Annual*, (Washington, DC: TreasuryDirect, 2020)

<sup>24</sup> Congressional Budget Office, *Historical Data on Federal Debt Held by the Public*, (Washington, DC: CBO, 2010)

## Federal Debt Held by the Public, 1790 to 2000

(Percentage of gross domestic product)

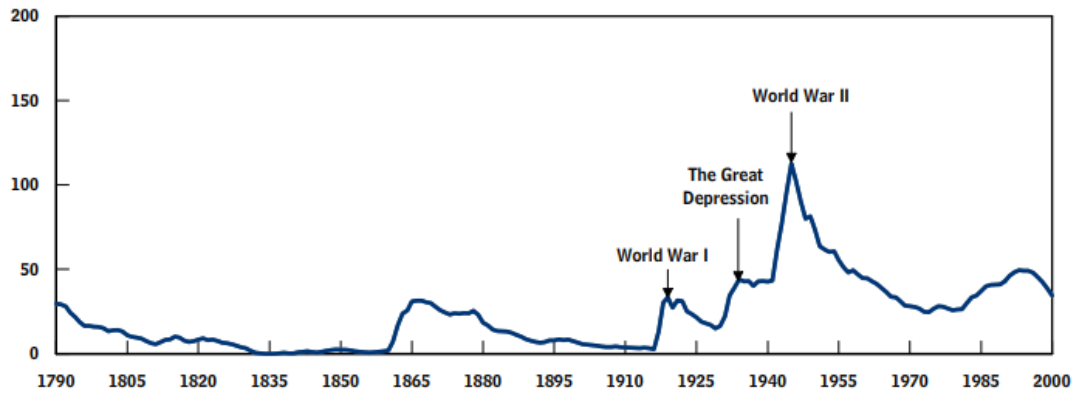


Figure 4 - Federal Debt Held by the Public, Source: CBO

## Federal Debt Held by the Public, 1900 to 2050

Percentage of Gross Domestic Product

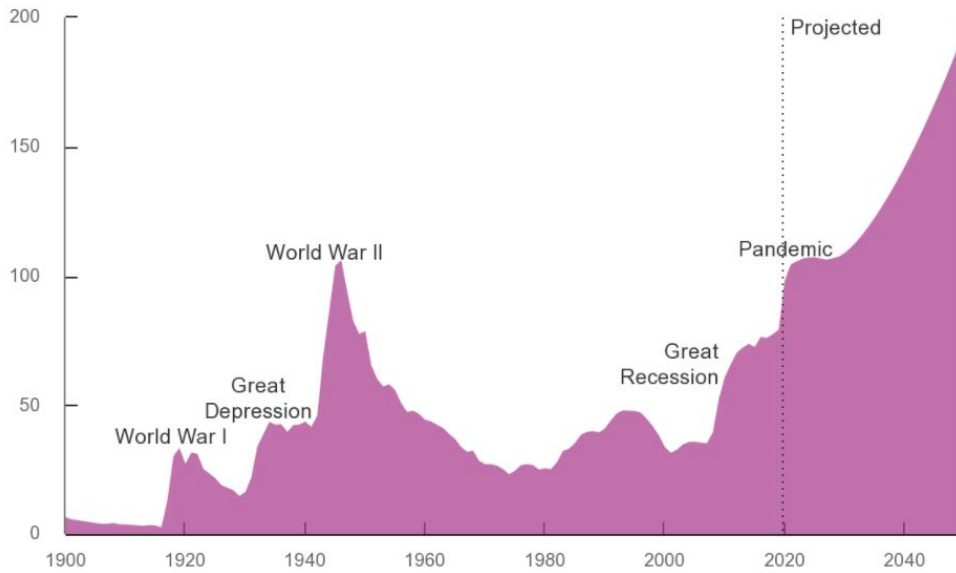


Figure 5 - Federal Debt Held by the Public, Source: CBO

Though the debt to GDP ratio peaked during WWII, surpluses and balanced budgets reduced the ratio by twenty eight percent over the following thirty-five years. The reduction approach to debts and deficits shifted after WWII, moving to the Keynesian model. This model utilizes government spending to create control over the economy, growth, and stability.<sup>25</sup> National debt increased in the 2000s due to Bush era tax cuts, a short recession in 2001, and increases in military spending during the Iraq War.<sup>26</sup>

As historic crises resulted in increased national debt, so too has the current health crisis. When projecting the economic impact of the COVID-19 pandemic, economists turn to the nearest similar pandemic: the Spanish Flu. A study in the international Journal of Infection Diseases found a strong relationship in the infection timeline, viral spread, and mortality between the Spanish Flu and COVID-19.<sup>1</sup> In an analysis of the economic impact potential of COVID-19, the National Bureau of Economic Research (*NBER*) reported the Spanish Flu killed 550,000 in the United States, or .5% of the population at the time.<sup>27</sup> In a similar analysis of economic impact potential of pandemics, the Federal Reserve Bank of St. Louis estimated the Spanish Flu killed 675,000 in the United States, or .8% of the population at the time.<sup>28</sup> NBER estimates the Spanish Flu produced a 1.5% decline in United States GDP. The Federal Reserve Bank of St. Louis describes a lack of availability of research upon the economic impact of the Spanish Flu, as it is often overlooked in the shadow of WWI.

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<sup>25</sup> Aspen Economic Strategy Group, *Fiscal Policy with High Debt and Low Interest Rates*, (Washington DC: Aspen Institute, 2020)

<sup>26</sup> Bureau of the Fiscal Service, *Historical Debt Outstanding – Annual*, (Washington, DC: TreasuryDirect, 2020)

<sup>27</sup> Steve Maas, *Social and Economic Impacts of the 1918 Influenza Epidemic*, (Cambridge, MA: The NBER Digest, May 2020)

<sup>28</sup> Thomas A. Garrett, *Economic Effects of the 1918 Influenza Pandemic*, (St. Louis, MO: Federal Reserve, November 2007)

Though data available from the time period of the Spanish Flu is incomplete, available data indicates the economic impacts of the pandemic were short lived.<sup>29</sup> As experienced during the COVID-19 pandemic, certain industries have prospered, including health care product manufacturers and retailers. The Spanish Flu also resulted in a reduction in economic activity in entertainment, restaurant, and service industries. Negatively impacted industries experienced loss percentages typically exceeding ten percent.<sup>30</sup> The infection fatality rate of the Spanish Flu was 2%, whereas the infection fatality rate of COVID-19 is approximately .5%.<sup>31</sup> Research also indicates that a Spanish Flu infection of pregnant women reduced the human capital of those in utero during infection.<sup>32</sup> Human capital is a principle factor in calculating long term GDP. Fatalities resulting from the Spanish Flu were distributed principally among the younger population, with 49% of deaths in ages 20-39, 18% under 5, and 13% over 50.<sup>33</sup> Conversely, fatality rates for COVID-19 are distributed as 31% ages 85 and over, 26% 75-84, 22% 65-74, and 13% 55-64.<sup>34</sup> Because COVID-19 has a lesser impact upon working age American's, and a death rate 1.5% lower than Spanish Flu, we expect the economic impact created by COVID-19 would

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<sup>29</sup> Steve Maas, *Social and Economic Impacts of the 1918 Influenza Epidemic*, (Cambridge, MA: The NBER Digest, May 2020)

<sup>30</sup> Thomas A. Garrett, *Economic Effects of the 1918 Influenza Pandemic*, (St. Louis, MO: Federal Reserve, November 2007)

<sup>31</sup> Daihai He, Shi Zhao, et al. *Comparing COVID-19 and the 1918-19 influenza pandemics in the United Kingdom*, (Brookline, MA: International Journal of Infectious Diseases, September 2020)

<sup>32</sup> Thomas A. Garrett, *Economic Effects of the 1918 Influenza Pandemic*, (St. Louis, MO: Federal Reserve, November 2007)

<sup>33</sup> Crosby, Alfred, *America's Forgotten Pandemic: The Influenza of 1918*, (Cambridge, UK: Cambridge University Press, 2003)

<sup>34</sup> Centers for Disease Control and Prevention, *Weekly Updates by Select Demographic and Geographic Characteristics, October 7, 2020* (Washington, DC: COVID-19 Data from NCHS, 2020)

be short lived the absence of lockdowns. Regardless, lifesaving lockdowns have created a longer-term fiscal impact.<sup>35 36 37</sup>

Notable attempts at debt to GDP ratio control have been implemented in recent history. These include the Joint Select Committee on Deficit Reduction (the Supercommittee), National Commission on Fiscal Responsibility and Reform (Simpson-Bowles), Ross Perot’s deficit-reduction movement, and the Gramm-Rudman-Hollings Balanced Budget Act. The Supercommittee was established in 2011 to address and resolve the looming debt ceiling crisis and creation of a bipartisan plan to reduce the national deficit by \$1.5 trillion over ten years.<sup>38</sup> The Supercommittee reached an impasse and failed to produce an agreement for vote. Political divisiveness and fallout resulted when legislators sought to blame one another for failure to achieve consensus.<sup>39 40</sup>

Simpson-Bowles was established under President Barack Obama in 2010 to address deficits and the debt in the mid and long term. This Commission proposed a wide array of methods for debt reduction, including increases to the Social Security retirement age, discretionary spending caps

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<sup>35</sup> Martin Eichenbaum, Sergio Rebelo, Mathias Trabandt, *The Macroeconomics of Epidemics*, (Cambridge, MA: NBER Working Paper Series, 2020)

<sup>36</sup> Committee for a Responsible Federal Budget, *Budget Projections: Debt Will Exceed the Size of the Economy This Year*, (Washington, DC: CRFB, 2020)

<sup>37</sup> Neil Page, *Experts Think the Economy Would Be Stronger if COVID-19 Lockdowns Had Been More Aggressive*, (New York, NY: Economist Survey, 2020)

<sup>38</sup> Jon Carson, *All about the So-Called “Super Committee”*, (Washington, DC: The White House, August 2011)

<sup>39</sup> Agustino Fontevicchia, *Deficit Supercommittee Officially Admits Failure*, (Jersey City, NJ: Forbes, November 2011)

<sup>40</sup> Mike Dorning, *Both Parties Set to Use Failure of Debt Deal for 2012 Campaign*, (New York, NY: Bloomberg, November 2011)

and cuts, tax changes, reduction in farm subsidies, and much else.<sup>41</sup> A notable aspect of Simpson-Bowles was its willingness to address mandatory spending. The plan created by the Commission was met with much support and opposition, and ultimately did not advance with the requisite supermajority vote. While some parts of Simpson-Bowles have since been enacted, debt reduction has not occurred. CRFB attributes this to lack of action on mandatory spending.<sup>42</sup>

Ross Perot spent substantial time championing the cause of debt and deficit reduction under the Tea Party. Perot suggested raising income taxes and gasoline taxes, and cutting defense spending. Cuts were also suggested in mandatory spending, including in Medicare. These were part of Perot's campaign for presidential election in 1992. The national deficit was positioned as the primary focus of his presidential campaign, as his forecast of economic crisis.<sup>43</sup> Though he did not win election, the Republican party assumed some of the fiscal focal points of his policies, and Perot remained politically active on the subject until his death in 2019.<sup>44</sup>

The Gramm-Rudman-Hollings Act was delivered in two parts. First as the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1986, and second as the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987.<sup>45 46</sup> The second Act was necessary after

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<sup>41</sup> National Commission on Fiscal Responsibility and Reform, *The Moment of Truth*, (Washington, DC: The White House, 2010)

<sup>42</sup> Committee for a Responsible Federal Budget, *Five Years Since Simpson-Bowles: How Much of It have We Enacted?* (Washington, DC: CRFB, December 2015)

<sup>43</sup> Steven Holmes, *The 1992 Campaign: Ross Perot; Perot Plan to Attack Deficit Thrusts Issue at Opponents*, (New York, NY: The New York Times, September 1992)

<sup>44</sup> USA Today, *Perot's economic stance resonates 20 years later*, (Plano, TX: USA Today, October, 2012)

<sup>45</sup> Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1986, H.R.5395, 99<sup>th</sup> Congress (1985-1986)

<sup>46</sup> Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987, H.J.Res.324, 100<sup>th</sup> Congress (1987-1988)



fundamental parts of the first were found unconstitutional. In *Bowsher v. Synar*, the Supreme Court found the Gramm-Rudman-Hollings Act delegated the power of interpreting and executing law to an agent within Congress's ability to remove through a process other than impeachment. The Court also ruled "the Comptroller General has been improperly assigned executive powers". As a result, the Act was ruled unconstitutional.<sup>47</sup> This was remedied in the 1987 Act by delegating the power of the Comptroller General and CBO into the auspices of the OMB. Gramm-Rudmann-Hollings used across the board sequestration when targets were not met. This Act was supplanted by the Budget Enforcement Act (*BEA*) of 1990, which is credited with a role in debt reduction in the proceeding decade.<sup>48</sup> BEA used budget controlling procedures and updated deficit targets from Gramm-Rudman-Hollings. Failure to meet these targets would result in sequestration only if the pay as you go (PAYGO) and spending caps were not abided by. BEA PAYGO required any increases in spending or cuts in taxes to be offset with an amount equal to or greater than the loss incurred. Spending caps were also placed on discretionary spending. These tools allowed BEA to be used within the process of consideration of a bill.<sup>49</sup>

On June 1<sup>st</sup>, 2020 Congressmen Scott Peters and Jodey Arrington submitted a letter to Speaker Pelosi and Leader McCarthy with bipartisan support from sixty lawmakers. This letter petitioned to focus short term policy on borrowing, economic preservation, and resolution of the COVID-19 public health crisis. It focused upon the necessity to address these urgent issues while creating

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<sup>47</sup> *Bowsher v Synar* (1986), No. 85-1377, United States Supreme Court

<sup>48</sup> Dan Crippen, *CBO Testimony, Extending the Budget Enforcement Act*, (Washington, DC: CBO Testimony, June 2001)

<sup>49</sup> Megan Suzanne Lynch, *Statutory Budget Controls in Effect Between 1985 and 2002*, (Washington, DC: Congressional Research Service, July 2011)

systems to resolve the longstanding, but now exacerbated, issues surrounding public debt.

Requests were made to improve fiscal transparency, accountability, and responsibility. Such was proposed to be accomplished through annual reports upon fiscal health, a commission to rescue trust funds, and fiscal goal setting. Fiscal goal setting was therein proposed to include targets in the debt to GDP ratio, in substitution of the debt ceiling approach.<sup>50 51</sup> Economists note the debt ceiling creates some focus upon fiscal responsibility, however it creates scenarios requiring urgent resolution, rarely functions as a barrier to borrowing, and has been increased roughly one-hundred times since its inception.<sup>52 53</sup>

Organizations which have played a key role in the history of debt/deficit reduction include the Concord Coalition, Committee for a Responsible Federal Budget, Common Sense Coalition, Brookings Institution, Peter G. Peterson Foundation, Bipartisan Policy Center, Congressional Budget Office, Office of Management and Budget, Government Accountability Office, Council on Foreign Relations, Center on Budget and Policy Priorities, Ross Perot, Phil Gramm, Warren Rudman, Fritz Hollings, Alan Simpson, Erskine Bowles, and more. Currently active players also include Minority Leader Kevin McCarthy, and Budget Committee ranking member Steve Womack.

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<sup>50</sup> Scott H. Peters, Jodey Arrington, et al., *Letters to Congress*, (Washington, DC: Library of Congress, 2020)

<sup>51</sup> Committee for a Responsible Federal Budget, *House Members Promote a Bipartisan Framework for Budget Reforms*, (Washington, DC: CRFB, 2020)

<sup>52</sup> Committee for a Responsible Federal Budget, *Q&A: Everything You Should Know About the Debt Ceiling*, (Washington, DC: CRFB, 2020)

<sup>53</sup> Sage Belz, David Wessel, *The Hutching Center Explains: The debt limit*, (Washington, DC: The Brookings Institution, 2020)

#### IV. POLICY PROPOSAL

Rectify Our Debt and Economic Outlook (*RODEO*) aims to return the United States to a position of fiscal stability and security via reduction of the publicly held national debt. This will be achieved through establishment of specific debt to GDP ratio targets with specific dates for target achievement. This approach will create a substantive alternative to the ineffectual debt ceiling, and will utilize in its place modern tools and research.<sup>54</sup> Reduction of debt using RODEO will create fiscal space to prepare for future crises, reduce volatility, manage interest rates, improve income growth, economic growth, and national security.

RODEO will establish fiscal policy which requires debt reduction over an established period of time. Dates of achievement allow for a gradual but prudent rate of debt reduction, reflecting upon rates proven manageable in past periods of debt repayment.<sup>55</sup> These reductions will be calculated as a flat percent of the debt to GDP ratio. Mandatory and specific target reductions will be scheduled for five dates, the first four with a six-year period in between. The fifth date will be scheduled twenty years beyond the fourth. This policy will begin after the current health and economic crises, and will contain provisions to allow borrowing during future crises. The final target for the fifth, and final payment, is a debt to GDP ratio of 60% or less by 2066 (*See Table 1*).

Involvement will be required from Congress, the Administration, Congressional Budget Office, Office of Management and Budget, Government Accountability Office, and the RODEO

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<sup>54</sup> Bipartisan Policy Center, *The Debt Limit: What You Need to Know*, (Washington, DC: BPC, 2017)

<sup>55</sup> Congressional Budget Office, *An Update to the Budget Outlook: 2020 to 2030*, (Washington DC: CBO, 2020)

commission. These institutions will see to the enactment, budgeting, and oversight of the policy until the final target is satisfied. RODEO must be authorized as a law through legislative action. As a policy which has great effect that takes place over a long time period, it is important to have bipartisan participation and broad support from the Government. Legislative action will ensure RODEO is perceived by the government and the public as having the highest degree of legitimacy, and will contain the strength which comes from this perception. Congress has constitutional authority to enact this legislation pursuant to Article 1, Section 8.

RODEO bill will be generated in the House and will be sent to the Budget Committee, which has already expressed debt reductions as a high priority via the Sustainable Budget Act.<sup>56</sup> This Committee will review RODEO and resubmit it to the House for review and approval. When meeting the satisfaction of the House, the bill will be forwarded to the Senate Committee on the Budget for review, revision, and presentation to the broader Senate. Thereafter, it will be referred to a joint committee of the Senate and House for review and approval. The product of the joint committee will be sent to the President to either be signed or vetoed.<sup>57</sup>

### **Program implementation**

A bipartisan commission will be established to monitor CBO and OMB fiscal reports, progress towards targets, assess and vote upon target date shifts, and to propose annual budgets for fast track voting by Congress. This commission may only shift the upcoming target date. Target dates may only be shifted forward by one year. If the upcoming target date is shifted forward, all

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<sup>56</sup> Sustainability Budget Act of 2019, H.R. 5211, 116<sup>th</sup> Congress (2019-2020)

<sup>57</sup> Will Kenton, Formal Tax Legislation, (New York, NY: Investopedia, 2018)

subsequent target dates will automatically shift forward by one year, aside from the fifth. All target dates are eligible for shifting forward, aside from the fifth. Targets may only be shifted once in any given year. No single target may be shifted forward more than fourteen times, the maximum allowable without reducing the date between the fourth and the fifth targets to a period less than six years. The commission will consider extending the next target date for any policy action required to address war, national crisis, or long-term debt reduction at the cost of short-term increases. Consideration of an extension will only occur through this commission if such scenarios threaten to make the upcoming target unachievable. The GAO, CBO, and OMB may designate such a threat, and thereby require the Commission to consider a date shift. In such scenarios, the GAO, CBO, and OMB must submit to the Commission a fiscal analysis and a debt to GDP projection with current and alternative scenarios. Approval of a shift will require a three-fourths supermajority. If targets are not shifted, they must be met. If they are not met sequestration will be triggered. *(See Table 1)*

<b>RODEO IMPLEMENTATION SCHEDULE</b>			
<b>Year</b>	<b>Estimate Debt to GDP ratio</b>	<b>Years of RODEO</b>	<b>Target debt to GDP ratio</b>
<i>Calculation based on an estimated annual decrease of 1.5%</i>			
2022	105.0%	0	<i>RODEO begins close of 2022</i>
2023	103.5%	1	
2024	102.0%	2	
2025	100.5%	3	
2026	99.0%	4	
2027	97.5%	5	
2028	96.0%	6	#1-96% or less
2029	94.5%	7	
2030	93.0%	8	
2031	91.5%	9	
2032	90.0%	10	
2033	88.5%	11	
2034	87.0%	12	#2-87% or less
2035	85.5%	13	
2036	84.0%	14	
2037	82.5%	15	
2038	81.0%	16	
2039	79.5%	17	
2040	78.0%	18	#3-78% or less
2041	76.5%	19	
2042	75.0%	20	
2043	73.5%	21	
2044	72.0%	22	
2045	70.5%	23	
2046	69.0%	24	#4-69% or less
2047	67.5%	25	
2048	66.0%	26	
2049	64.5%	27	
2050	63.0%	28	
2051	61.5%	29	
2052	60.0%	30	
2053	60.0%	31	
2054	60.0%	32	
2055	60.0%	33	
2056	60.0%	34	
2057	60.0%	35	
2058	60.0%	36	
2059	60.0%	37	
2060	60.0%	38	Last possible date for target #4
2061	60.0%	39	
2062	60.0%	40	
2063	60.0%	41	
2064	60.0%	42	
2065	60.0%	43	
2066	60.0%	44	#5-60% or less

Table 1. RODEO Implementation Schedule

The Commission will be established after the Presidential signature of the RODEO Act. Appointments to this commission will match the process in outlaid in the Sustainable Budget Act, H.R. 5211. Eighteen commissioners will be appointed, with six presidential appointees, three from House Democrat leaders, three from House Republican leaders, three from Senate Democrat leaders, and three from Senate Republican leaders. Of the six Presidential appointees, only four may be from the same party. Two bipartisan co-chairs of the commission will be appointed by the President.<sup>58</sup> The Vice-President will vote when tie-breaking is needed. This commission will be sustained for the duration of the policy. Term lengths will be seven years, and without limit to reappointments. Any vacancies must be filled by the same authority responsible for the original appointment. Facilitation of this Commission will be performed by the Government Accountability Office, providing staffing, office space, and supplies. Any policies and procedures not outlined herein will be established by the GAO.

Starting targets are as follows: a debt to GDP ratio of 96% or less by 2028, 87% by 2034, 78% by 2040, 69% by 2046, and 60% or less by 2056. With six years in between the first four target dates, and a nine percent reduction of debt to GDP over each six-year period, the rate of decline is one and a half percent annually. As the requirement does not go into effect until the close of fiscal year 2022, time is also permitted to address the current health and economic crises. The time between the fourth and fifth targets allow for the Commission to delay targets in the event of war, national crisis, or long-term debt reducing policies with short-term cost.

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<sup>58</sup> Sustainability Budget Act of 2019, H.R. 5211, 116<sup>th</sup> Congress (2019-2020)

RODEO will utilize enforcement protocols similar to those used in the Budget Enforcement Act of 1990. Caps will be placed on discretionary spending in an amount recommended by CBO to meet targets. Mandatory spending and taxes will operate on a PAYGO basis, requiring that changes be deficit reducing or deficit neutral. This PAYGO policy will supplant past PAYGO policies and eliminate loopholes. RODEO PAYGO will be self-executing, will require deficit neutrality in year one, and is subject to sequestration. Additionally, no legislation will be permitted which blocks sequestration that enforces PAYGO or spending caps. Achieving deficit neutrality to meet PAYGO policy may be achieved via program cuts or revenue increases. If these mechanisms fail, and targets are not achieved, the OMB will automatically sequester funds to raise revenue and meet targets. Sequestration will apply proportionately to all parts of the discretionary budget.

The RODEO Implementation Schedule will put the United States debt to GDP ratio below the American Economic Association's debt stability threshold of 90% as soon as 2032.<sup>59</sup> It will put the nation under the World Bank Group's 77% "tipping point" threshold as soon as 2041, eliminating the debts reduction upon real growth.<sup>60</sup> The United States will arrive at 60% as soon as 2052, in safe range of the International Monetary Fund's volatility threshold of 56%.<sup>61</sup> (See Figure 6)

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<sup>59</sup> Carmen M. Reinhart, Kenneth S Rogoff, *Growth in a Time of Debt*, (Pittsburgh, PA: American Economic Review, 2010)

<sup>60</sup> Thomas Grennes, Mehmet Caner, Fritzi Koehler-Geib, *Find the Tipping Point – When Sovereign Debt Turns Bad*, (Washington, DC: 2010)

<sup>61</sup> Andrea Pescatori, Damiano Sandri, John Simon, *Debt and Growth: Is There a Magic Threshold?*, (Washington, DC: 2014)



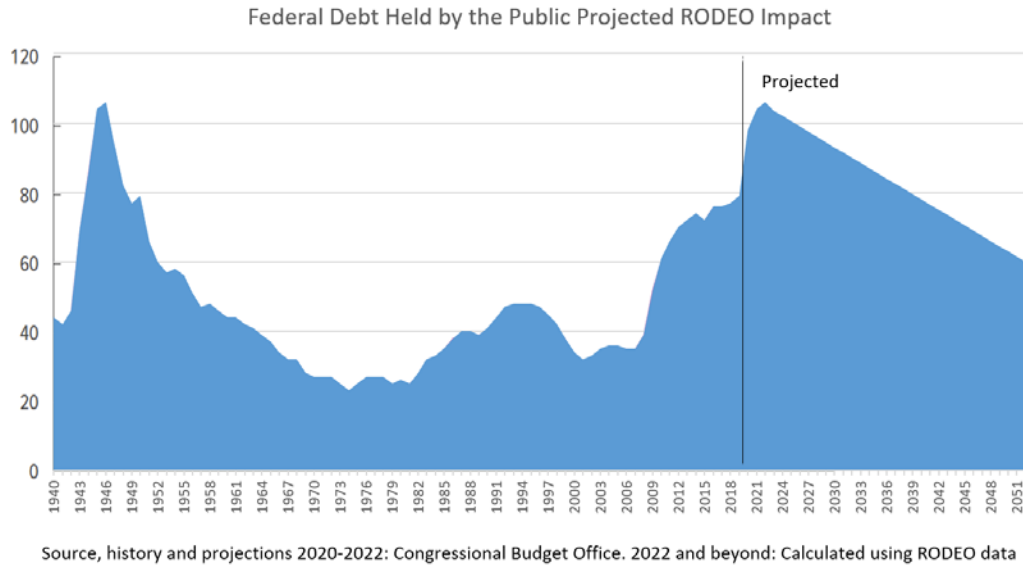


Figure 6 - Federal Debt Held by the Public Projected RODEO Impact, Source: CBO

**V. POLICY ANALYSIS**

The RODEO Act has costs and benefits which are broad in scope and range from easily measured to very challenging to measure. The costs of the Act effectively fall into either the realm of direct payments upon the debt or opportunity costs of programs which are unable to be enacted. As CBO predictions for GDP growth are greater in nominal value than RODEO requirements for nominal debt reduction, economic growth alone will result in target achievement if debt remains relatively steady. (See Table 2) If growth alone does not achieve such targets, direct costs will be required. The benefits of the Act include improved national security, economic growth, reduced wasteful spending on interest payments, and fiscal space to address emergencies. Placing these costs and benefits into a monetary form allows for a clearer understanding of the impact RODEO will have upon the United States.

This policy benefits anyone who participates in or is otherwise impacted by the United States economy. This broad effect is due to the many types of impacts an excessive debt may have. High volatility in the market impacts those with wealth due to unpredictable outcomes in their holdings, and impacts the broader economy due to a relationship between high volatility, declining markets, and movement toward more conservative investments.<sup>62 63 64</sup> Market investment also affects this population, as well as entrepreneurs, due to the effect of crowding out.<sup>65</sup> Increasing interest rates reduces consumer and business spending, and subsequently the size of the economy.<sup>66 67</sup> National security affects all Americans by its very nature.<sup>68</sup> While all Americans are impacted by a high national debt, the impact is especially profound for the young and future generations who will be paying for today's borrowing.<sup>69</sup> RODEO addresses these problems in a targeted and timely manner, without creating significant fiscal burden in any given year.

The costs and disadvantages to RODEO are most easily measured as the opportunity costs of programs not implemented, sometimes referred to as a financial "straitjacket".<sup>70</sup> RODEO will go into effect in the start of 2023. At this date, the CBO projects the national debt held by the

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<sup>62</sup> Hangs Wagner, *Why Volatility Is Important for Investors*, (New York, NY: Investopedia, 2020)

<sup>63</sup> Committee for a Responsible Federal Budget, *The Case for a Debt Failsafe*, (Washington, DC: CRFB, 2011)

<sup>64</sup> Stuart Butler, Timothy Higashi, *Needed: Budgeting tools to address the fiscal aftermath of stimulus spending*, (Washington, DC: The Brookings Institution, 2020)

<sup>65</sup> Will Kenton, *Crowding Out Effect*, (New York, NY: Investopedia, 2019)

<sup>66</sup> Congressional Budget Office, *Updated Budget Projections: 2019 to 2029*, (Washington DC: CBO, 2020)

<sup>67</sup> Chris Seabury, *How Interest Rates Affect the U.S. Markets*, (New York, NY: Investopedia, 2020)

<sup>68</sup> Recognizing the National Debt as a Threat to National Security, H.R. 149, 116th Congress (2019-2020)

<sup>69</sup> Committee for a Responsible Federal Budget, *Why Should We Worry About the National Debt?*, (Washington, DC: 2020)

<sup>70</sup> Ed Dolan, *COVID-Related Spending Must Not Become an Excuse for a Post-Crisis Fiscal Straitjacket*, (Washington, DC: Niskanen Center, 2020)

public will be \$24.52 trillion.<sup>71</sup> Without accounting for broader macroeconomic factors, we may consider future reductions below this \$24.52 trillion as direct monetary costs of the RODEO Act, and any unrealized projected debt above that amount as opportunity costs in the form of programs which are not implemented. Accounting for inflation may permit a clearer understanding of the opportunity costs, in anticipation that additional dollars borrowed would not have the same programmatic buying power during the forty-three years this policy is in effect. This is demonstrated in Figure 7, where no direct costs are displayed due to those costs manifesting as additional principle payments if GDP growth, revenue increases, or program cutting alone are insufficient for meeting targets. (See Figure 7).

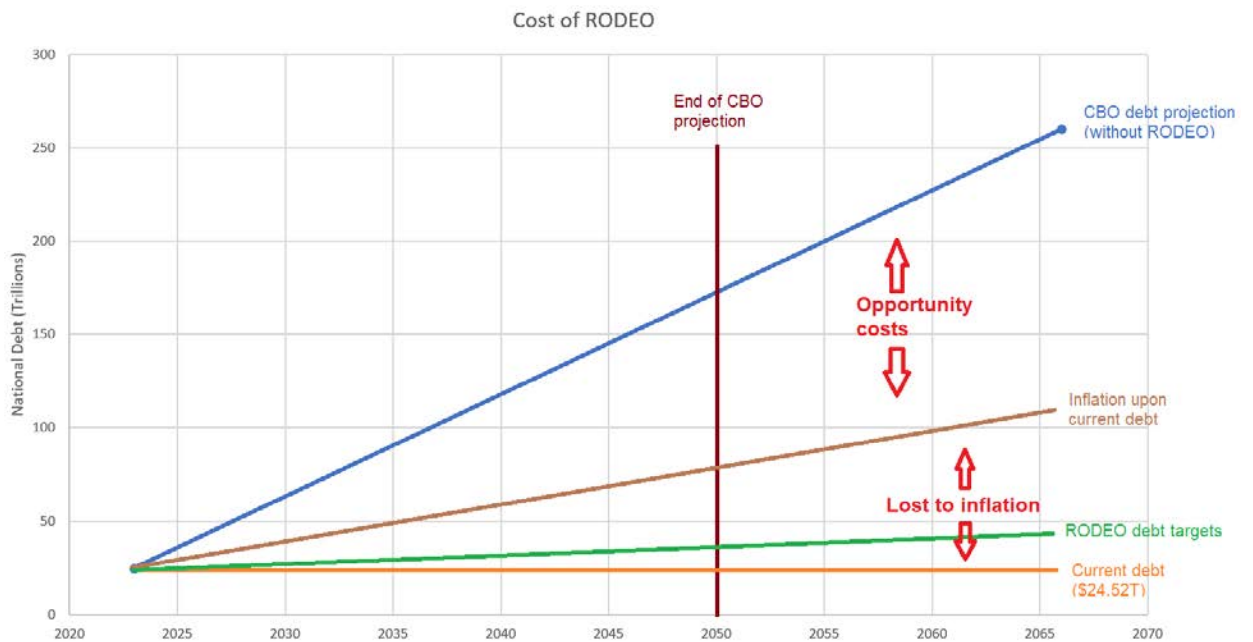


Figure 7 Cost Analysis of RODEO Act

<sup>71</sup> Congressional Budget Office, *The 2020 Long-Term Budget Outlook*, (Washington, DC: CBO, September 2020)

Though RODEO Act will be in effect until 2066, CBO's Long-Term Budget Outlook only extends to 2050. As a result, this cost benefit analysis extends only to 2050. This analysis will not lose efficacy as a result, as any projections beyond such a date would be highly speculative. Additionally, by 2050 four out of five RODEO target dates are scheduled to have passed and subsequently reduced the debt to GDP ratio to 69%. Should any additional principle payments manifest as direct costs, they would be aimed at achieving the same targets. As such, it is expected that any direct costs will be equal in value to opportunity costs. The CBO projects a nominal GDP growth rate of 3.6% between 2031 and 2040, and 3.5% between 2041 and 2050.<sup>72</sup> With a projected nominal debt of \$170.2 trillion by 2050 and GDP of \$62.27 trillion, we expect \$42.97 trillion in debt by the same date if RODEO remains on schedule. As a result, RODEO will include an opportunity cost of approximately \$127.23 trillion. (See Table 2)

The timeline for targets to be met creates a gradual debt reduction which could be achieved more expeditiously. CBO compared scenarios annual reductions to the primary deficit of 3.6% starting in 2025, 4.4% in 2030, and 5.9% in 2035 to reach a debt to GDP ratio of 100% by 2050. Such scenarios illustrate the need to take timely and substantive action.<sup>73</sup> The RODEO timeline could be delayed further if the Commission continuously shifts targets without due justification. If legislators do not continuously reduce the debt to GDP ratio during any given six-year period, a rush may be made to meet the target in the final year. Such a delay may be combined with a national emergency which together require a target shift, where independently they may not.

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<sup>72</sup> Congressional Budget Office, *The 2020 Long-Term Budget Outlook*, (Washington, DC: CBO, September 2020)

<sup>73</sup> Congressional Budget Office, *The 2020 Long-Term Budget Outlook*, (Washington, DC: CBO, September 2020)

Alternatively, delays may result in urgent budget drawdowns from unexpected areas of the budget.

Year	RODEO Targets (Debt to GDP ratio)	RODEO Targets (Nominal debt)	Current CBO Projected debt (Nominal)	CBO Projected GDP	CBO Projected debt to GDP	Nominal interest paid (CBO projection without RODEO)	Nominal interest paid (CBO projection with RODEO)
2023	103.50%	\$ 24.01	\$ 24.76	23.20	1.07	\$ 0.82	\$ 0.79
2024	102%	\$ 24.68	\$ 25.92	24.20	1.07	\$ 0.86	\$ 0.81
2025	100.50%	\$ 25.43	\$ 27.13	25.30	1.07	\$ 0.90	\$ 0.84
2026	99%	\$ 26.14	\$ 28.18	26.40	1.07	\$ 0.93	\$ 0.86
2027	97.50%	\$ 26.91	\$ 29.33	27.60	1.06	\$ 0.97	\$ 0.89
2028	96%	\$ 27.55	\$ 30.65	28.70	1.07	\$ 1.01	\$ 0.91
2029	94.50%	\$ 28.26	\$ 32.11	29.90	1.07	\$ 1.06	\$ 0.93
2030	93%	\$ 28.83	\$ 33.75	31.00	1.09	\$ 1.11	\$ 0.95
2031	91.50%	\$ 29.46	\$ 35.71	32.20	1.11	\$ 1.18	\$ 0.97
2032	90%	\$ 30.06	\$ 37.85	33.40	1.13	\$ 1.25	\$ 0.99
2033	88.50%	\$ 30.62	\$ 40.17	34.60	1.16	\$ 1.33	\$ 1.01
2034	87%	\$ 31.23	\$ 42.78	35.90	1.19	\$ 1.41	\$ 1.03
2035	85.50%	\$ 31.81	\$ 45.57	37.20	1.23	\$ 1.50	\$ 1.05
2036	84%	\$ 32.34	\$ 48.53	38.50	1.26	\$ 1.60	\$ 1.07
2037	82.50%	\$ 32.92	\$ 51.79	39.90	1.30	\$ 1.71	\$ 1.09
2038	81%	\$ 33.45	\$ 55.23	41.30	1.34	\$ 1.82	\$ 1.10
2039	79.50%	\$ 33.95	\$ 58.87	42.70	1.38	\$ 1.94	\$ 1.12
2040	78%	\$ 34.48	\$ 62.86	44.20	1.42	\$ 2.07	\$ 1.14
2041	76.50%	\$ 35.04	\$ 67.23	45.80	1.47	\$ 2.22	\$ 1.16
2042	75%	\$ 35.55	\$ 71.83	47.40	1.52	\$ 2.37	\$ 1.17
2043	73.50%	\$ 36.02	\$ 76.65	49.00	1.56	\$ 2.53	\$ 1.19
2044	72%	\$ 36.50	\$ 81.88	50.70	1.61	\$ 2.70	\$ 1.20
2045	70.50%	\$ 37.01	\$ 87.52	52.50	1.67	\$ 2.89	\$ 1.22
2046	69%	\$ 37.54	\$ 93.58	54.40	1.72	\$ 3.09	\$ 1.24
2047	67.50%	\$ 38.00	\$ 99.95	56.30	1.78	\$ 3.30	\$ 1.25
2048	66%	\$ 38.48	\$ 106.82	58.30	1.83	\$ 3.53	\$ 1.27
2049	64.50%	\$ 38.96	\$ 114.21	60.40	1.89	\$ 3.77	\$ 1.29
2050	63%	\$ 39.44	\$ 122.19	62.60	1.95	\$ 4.03	\$ 1.30
					<b>Total</b>	<b>\$ 53.89</b>	<b>\$ 29.85</b>
						<i>Interest payments calculated using CBO projected average 3.3% 2020-2050</i>	

Table 2 Projected Versus Targeted Debt and GDP

While debt reduction through RODEO includes a wide array of benefits, this analysis will focus on the most sizable. Primary impacts are expected from improved national security, management of interest rates, promotion of economic growth, and reduction of interest payments upon the national debt. These primary advantages of RODEO are enhanced by their measurability and the technical feasibility. Progress toward targets benefit from clear and distinct measurements of nominal and ratio values by comparing debt to GDP.

While interest rates are currently low, national debt continues to grow. As interest rates rebound the amount of interest being paid on the national debt will rise substantially. CBO projects interest rates paid upon the national debt will increase from one percent of GDP in 2023 to eight percent in 2049. This projection constitutes a total in interest payments of \$53.48 trillion to be paid upon the national debt between 2023 and 2050.<sup>74</sup> Meeting the first four RODEO targets by 2050 should enable a nominal debt reduction of over \$80 trillion. (See Figure 8). RODEO targets will keep the nominal debt value nearly flat, only increasing from \$24 trillion today to \$40 trillion by 2050. As a result, and with a CBO projection of 3.3% average interest payment between 2020 and 2050, we may expect to save \$24.04 trillion on interest payments between 2023 and 2050 by implementing RODEO. (See Figure 9 & Table 2)

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<sup>74</sup> Congressional Budget Office, *The 2020 Long-Term Budget Outlook*, (Washington, DC: CBO, September 2020)

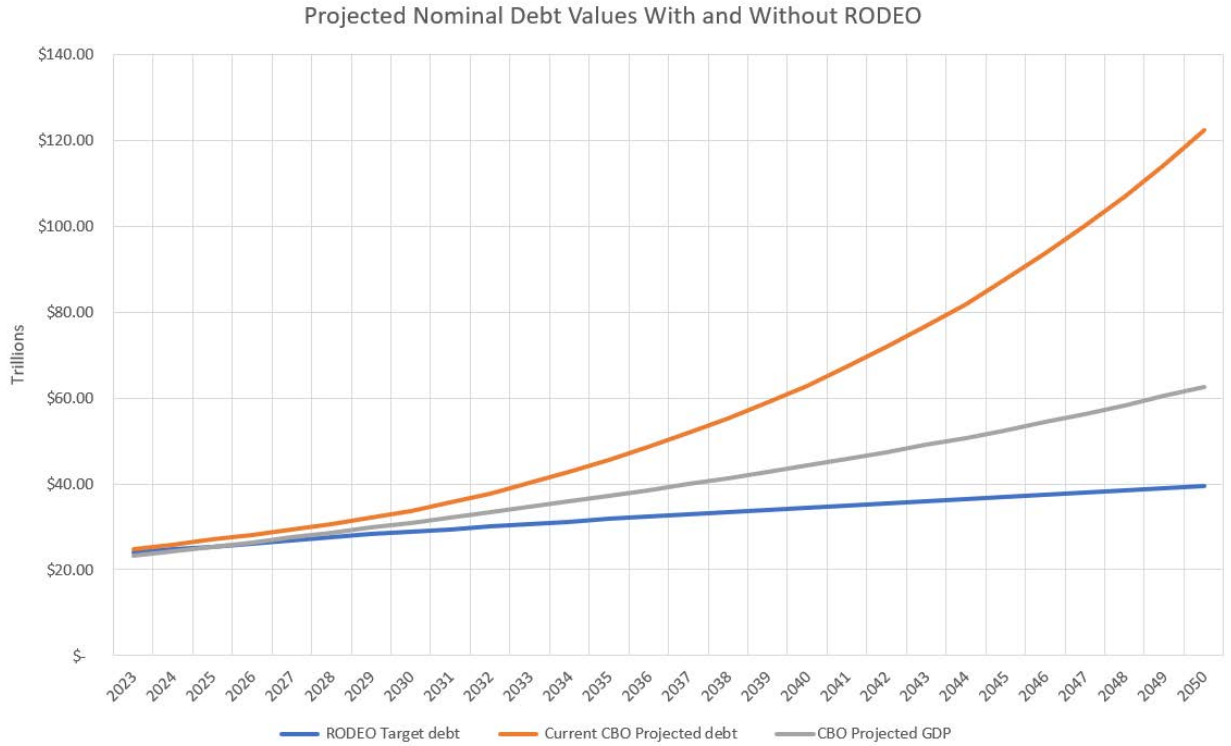


Figure 8 - Projected Nominal Debt Values With and Without RODEO, Source: CBO

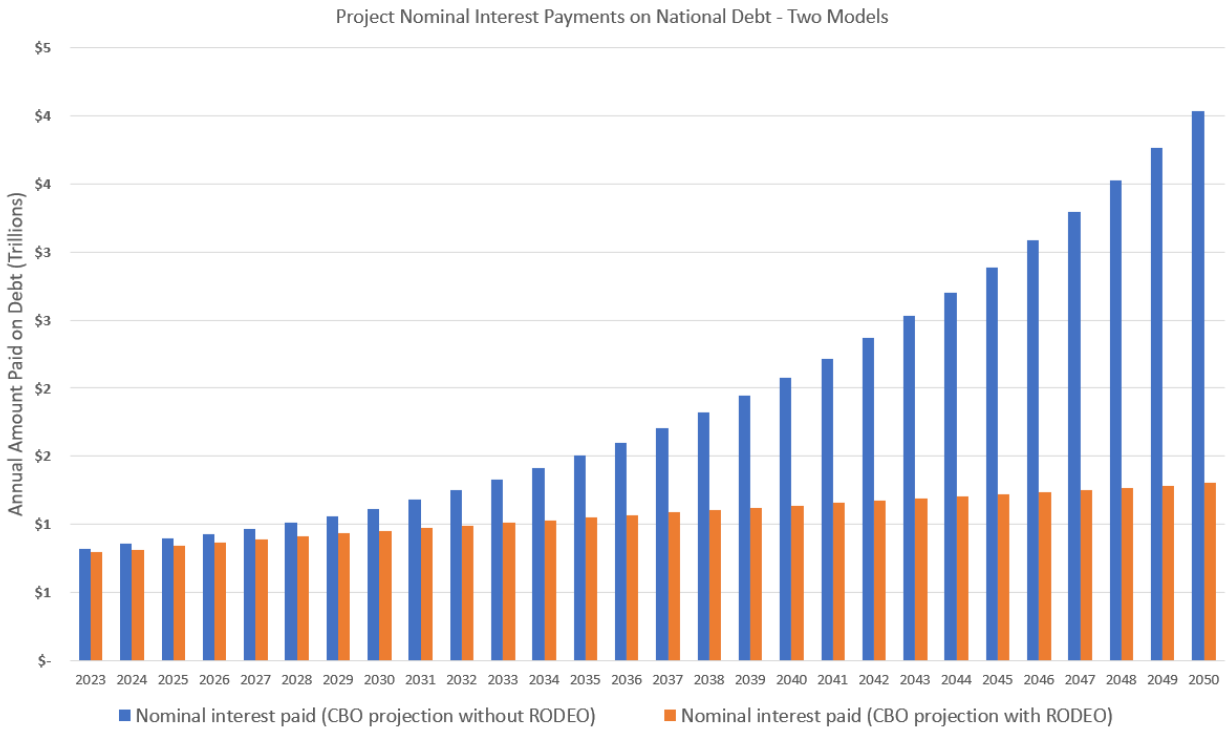


Figure 9 - Projected National Interest Payments on National Debt - Two Models, Source: CBO

Economic growth is inhibited by national debt by approximately .017% for every one percent the debt to GDP ratio exceeds 77%.<sup>75</sup> As such, we may measure the difference between CBO projected annual debt to GDP ratios, and RODEO projected debt to GDP ratios, and multiply that difference by .017%. In scenarios where RODEO targets are below 77%, we instead measure the difference between CBO projected debt to GDP ratios and 77%. This measurement indicates RODEO will promote economic growth via debt reduction in the amount of \$11.68 trillion by 2050. (See Table 3)

Year	Difference in Debt/GDP Ratio - RODEO vs CBO Projection	Difference in Growth Ratio - RODEO vs CBO Projection	Difference in Growth (Nominal)
2023	3.221	0.05%	\$ 0.01
2024	5.1	0.09%	\$ 0.02
2025	6.724	0.11%	\$ 0.03
2026	7.728	0.13%	\$ 0.03
2027	8.754	0.15%	\$ 0.04
2028	10.795	0.18%	\$ 0.05
2029	12.878	0.22%	\$ 0.07
2030	15.875	0.27%	\$ 0.08
2031	19.412	0.33%	\$ 0.11
2032	23.325	0.40%	\$ 0.13
2033	27.591	0.47%	\$ 0.16
2034	32.17	0.55%	\$ 0.20
2035	37.01	0.63%	\$ 0.23
2036	42.055	0.71%	\$ 0.28
2037	47.29	0.80%	\$ 0.32
2038	52.732	0.90%	\$ 0.37
2039	58.37	0.99%	\$ 0.42
2040	64.224	1.09%	\$ 0.48
2041	69.791	1.19%	\$ 0.54
2042	74.535	1.27%	\$ 0.60
2043	79.432	1.35%	\$ 0.66
2044	84.498	1.44%	\$ 0.73
2045	89.699	1.52%	\$ 0.80
2046	95.022	1.62%	\$ 0.88
2047	100.533	1.71%	\$ 0.96
2048	106.227	1.81%	\$ 1.05
2049	112.093	1.91%	\$ 1.15
2050	118.184	2.01%	\$ 1.26
	<b>Total:</b>		<b>\$ 11.68</b>

Table 3 - Growth Via Debt Reduction, Source: CBO

<sup>75</sup> Andrea Pescatori, Damiano Sandri, John Simon, *Debt and Growth: Is There a Magic Threshold?*, (Washington, DC: 2014)



Increased national debt reduces fiscal space to address crises and increases risk of financial crises. Institutions have failed to predict financial crises, and market forces can change the direction of what might appear to be a looming financial crisis. The scale to which a financial crisis may impact the United States economy is even harder to predict, and institutions are currently not making such predictions. However, the likelihood of such a crisis increases in tandem with increasing debt. We may turn to the financial crisis of 2008 to gain understanding of the cost of such crises, even if the United States economy was better positioned to address the crisis at that time. In 2012 the Treasury Department estimated the 2008 financial crisis cost the United States \$19.2 trillion, and in 2013 the Government Accountability Office estimated the costs at over \$22 trillion.<sup>76 77</sup>

The 2020 United States spending on national defense was projected by the White House to be \$750 billion in budget authority and \$726 billion in outlays. The United States thus spends more than any country on national defense, and national security is measurably a high cost priority of the Nation.<sup>78</sup> As of June 2020, \$7.04 trillion in United States securities is held by foreign nations. Japan holds \$1.26 trillion, China holds \$1.07 trillion, and the United Kingdom holds \$.446 trillion. Nations with moderate to poor relations with the United States hold over \$1.7 trillion in these securities.<sup>79</sup> Implementation of RODEO will reduce foreign held debt as a share of GDP by an average of 40%, and subsequently reduce the costs to national security already described.

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<sup>76</sup> The Department of the Treasury, *The Financial Crisis Response In Charts*, (Washington, DC: USDT, April 2012)

<sup>77</sup> Government Accountability Office, *Financial Regulatory Reform: Financial Crisis Losses and Potential Impacts of the Dodd-Frank Act*, (Washington, DC: GAO, January 2013)

<sup>78</sup> Michael E O'Hanlon, *Is US defense spending too high, too low, or just right?*, (Washington, DC: The Brookings Institution, October 2019)

<sup>79</sup> Statista, *Major foreign holders of U.S. treasury securities as of June 2020*, (Tokyo, Japan: statista, 2020)

Though the implementation timeline for RODEO is gradual, the timeframe creates room for adaptability and feasibility. This structure maximizes the potential of achieving targets and realizing benefits, while also creating fiscal space and time for unforeseen emergencies, and thus reducing the costs for those emergencies when they manifest. Interstitial goals may also improve the likelihood that debt will be gradually reduced rather than suddenly. Perhaps an advantage as much as a disadvantage, the incentive to achieve target goals will decrease over time as targets are met, and urgency continually reduces.

If targets are met, and sequestration avoided, opportunity costs will constitute the near entirety of the costs of this Act by 2050, at \$127.23 trillion. Real debt reduction (\$80 trillion) and nominal debt reduction (\$127.23) trillion are in not in inherently a benefit and are already a factor of cost, and thus will not be counted in this total. A reduction in interest payments (\$24.04), new economic growth via debt reduction (\$11.68 trillion), and the potential to avert a financial crisis (~\$22 trillion) create a total monetary benefit of \$57.2 trillion by 2050.

## **VI. POLITICAL ANALYSIS**

It is probable that the political climate will be increasingly receptive to debt reduction policies as the debt to GDP ratio continues to climb. While bipartisan support is likely to result when then the ratio reaches critical mass, the method for addressing the debt will be more difficult to find agreement upon. As experienced with Simpson-Bowles, such policies may be mutually agreed upon in purpose but difficult to pass. Republicans are generally opposed to tax increases, and all are opposed to programmatic cuts which negatively impact their constituents. Because RODEO

may be achieved without tax increases or programmatic cuts, these challenges may be minimized. This is achievable if GDP increases and limited spending alone result in improve debt to GDP ratios.

Political advantages to implementing RODEO are reflected in stakeholders who would like to see fiscal responsibility, and whose constituency would support it. Political actors who favored Simpson-Bowles are likely to favor RODEO. These include the Committee for a Responsible Federal Budget, the Brookings Institution, Progressive Policy Institute, Jim Cooper, Third Way, Steny Hoyer, Ron Wyden, Greg Mankiw, the Concord Coalition, Rand Paul, and others.<sup>80 81</sup> Simpson-Bowles was also supported by current actors Nancy Pelosi, Chris Van Hollen, and other members of Congress.<sup>82 83</sup> Chase and JP Morgan have expressed support for past initiatives which used targets to address national debt, and thus are expected to support RODEO.<sup>84 85</sup> Implementing RODEO establishes favor among these groups, and secures a political position of the Republican party as the party of fiscal responsibility.

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<sup>80</sup> Brady Dennis, Lori Montgomery, *Deficit plan wins 11 of 18 votes; more than expected, but not enough to force action*, (Washington, DC: The Washington Post, December 2010)

<sup>81</sup> Jackie Calmes, *In a 11-7 Tally, the Fiscal Commission Falls Short on Votes*, (New York, NY: The New York Times, December 2010)

<sup>82</sup> Mike Lillis, Erik Wasson, *Pelosi flips, backs Bowles-Simpson plan she had called 'simply unacceptable'*, (Washington, DC: The Hill, March 2012)

<sup>83</sup> James Rowley, *Van Hollen Calls Simpson-Bowles a Framework for Debt Deal*, (New York, NY: Bloomberg, October 2012)

<sup>84</sup> Committee For a Responsible Federal Budget, *CRFB Comments the Excellent Work of the Fiscal Commission*, (Washington, DC: CRFB, December 2010)

<sup>85</sup> Agustino Fontevicchia, *JPMorgan Chief Jamie Dimon Asks For Simpson-Bowles Now*, (Jersey City, NJ: Forbes, May 2012)

As with congress, public opinion of RODEO is likely to fluctuate throughout the lifecycle of the act. This fluctuation will be driven by various components, including the scale of the ratio at the time the opinion is assessed. Deficit and debt reduction were a high priority among politicians in and around 2011. Additionally, a CBS and New York Times poll in April of 2011 showed an increase in public concern over the deficit, having risen from a steady 2-3% from 2009 to 2010 to 15% in 2011.<sup>86</sup> Comparing polls of public opinion of the national debt and deficits produce useful tools for anticipating the public opinion of RODEO.

In June 2020, the Pew Research center took a public opinion poll of the national deficit, and in September and October of 2020 the Peter G. Peterson Foundation conducted public opinion polls of the national deficit and debt respectively.<sup>87 88 89</sup> Pew's June poll found that 47% of adults in the United States consider the deficit a "very big problem". The Peterson Foundation poll found that 69% of respondents feel the national debt should be among the President and Congress' top three priorities. The Pew poll found 49% of Republicans described the deficit as a "very big problem", as compared to 45% of Democrats. Another Pew poll found that 54% of Republics and Republican leaning independents feel deficit reduction should be a priority, compared to 44% among their Democrat counterparts.<sup>90</sup> The Peterson Foundation found 56% of Republican respondents described the national debt as being on the wrong track, as

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<sup>86</sup> CBS News, The New York Times, *Poll: Reducing the Deficit*, (New York, NY: New York Times, January 2011)

<sup>87</sup> Amina Dunn, *As the U.S. copes with multiple crises, partisans disagree sharply on severity of problems facing the nation*, (Washington, DC: Pew Research Center, July 2020)

<sup>88</sup> Peter G. Peterson Foundation, *FT-Peterson US Economic Monitor*, (New York, NY: Peter G. Peterson Foundation, October, 2020)

<sup>89</sup> Peter G. Peterson Foundation, *Fiscal Confidence Index: September 2020 Results*, New York, NY: Peter G. Peterson Foundation, September, 2020)

<sup>90</sup> J. Baxter Oliphant, *Fewer Americans view deficit reduction as a top priority as the nation's red ink increases*, (Washington, DC: Pew Research Center, February 2019)

compared to 91% of Democrats. These polls reach somewhat counterintuitive conclusions, suggesting that Republicans, as compared to Democrats, are slightly more concerned with deficits, but far less concerned by the national debt. Conversely, that Democrats are slightly less concerned with deficits, but far more concerned by the national debt.

Pew's poll also found a declining overall concern with the national debt, with the percent of respondents who say the federal deficit is a "very big problem" dropping from 55% in 2018 to 47% in 2020.<sup>91</sup> (See Figure 10). An annual Gallup poll shows little to no change between 2011 and 2019 in respondent tendency to answer "Great deal" or "Fair amount" when questioned "How much do you personally worry about federal spending and the budget deficit?". Respondents have chosen "Great deal" or "Fair amount" at rates ranging from 76% to 87% in any given year. More notable is the movement of respondents away from "Great deal" into the "Fair amount" column. In 2011 64% of respondents answered "Great deal" and 23% answered "Fair amount", whereas in 2019 50% answered "Great deal" and 30% answered "Fair amount". Data for 2020 is not yet available from this poll.<sup>92</sup> Meanwhile, the Peterson Foundation poll found that 94% of voters feel the next president should ensure all programs created after the pandemic are paid for as to reduce increases to the deficit. Polls found no statistically significant difference in responses by gender or income, though a positive relationship was discovered between age and concern with deficits. Pew found 58% of Americans sixty-five and older consider the deficit to be a very big problem, compared to only 33% of those 18-29 years of age. As suggested in the Peterson Foundation poll, the desire to reduce deficits and debts are likely

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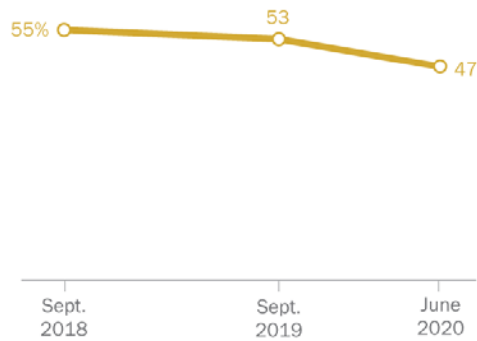
<sup>91</sup> J. Baxter Oliphant, *Fewer Americans view deficit reduction as a top priority as the nation's red ink increases*, (Washington, DC: Pew Research Center, February 2019)

<sup>92</sup> Gallup, *Federal Budget Deficit*, (Washington, DC: Gallup, March 2019)

to be greater following the close of the pandemic crisis, as has been seen at the close of WWII. These data suggest significant bipartisan public awareness and interest in the national debt and deficit, with greater concern among older constituents.

### Share of Americans who see the federal budget deficit as a very big problem has fallen since 2018

*% who say the federal budget deficit is a 'very big problem' in the country today*



Source: Survey of U.S. adults conducted June 16-22, 2020.

PEW RESEARCH CENTER

*Figure 10 - Share of Americans who see the federal budget deficit as a very big problem, Source: Pew Research Center*

Focus and messaging of the RODEO act should reflect the concerns the public has of the potential negative impacts of a high debt to GDP ratio. In a 2019 poll by Pew Research Center, 26% of the public rated the most significant impact of the national debt as “Could threaten programs like Social Security and Medicare”; 23% selected “Harms economic growth and the future incomes of U.S. households”; 14% “Interest on the debt limits resources available for other priorities”; 11% “Leaves government with less flexibility to respond to economic and other crises”; 6% “Undermines U.S. economic leadership role”; 7% “Reliance on foreign lenders

reduces our global power and influence”; 7% “Increases the risk of higher interest rates”; and 5% “Something else”.<sup>93</sup>

Numerous other polls of public opinion have tracked the general disposition toward the national debt and deficits. A poll by Democracy Journal found 52% of respondents rated the national debt and deficit as the biggest economic problem. In this poll, 77% of Republicans rated it as the biggest problem, compared to 31% of Democrats.<sup>94</sup> A Morning Consult and Politico poll found 47% of respondents naming deficit reduction as a desired top priority for Congress.<sup>95</sup> A July 2019 Economist/YouGov poll asked “How important is the budget deficit to you”, and found 45% of respondents answered “Very Important”, and 38% answered “Somewhat Important”. Republicans answered “Very Important” at a rate of 50% and Democrats at 42%, and “Somewhat Important” at a rate of 37% and 39% respectively.<sup>96</sup> A Harvard University School of Public Health poll asked respondents to rate the importance of “Taking steps to substantially reduce the federal budget deficit”. Republicans answered “extremely” or “very important” at a rate of 65%, and Democrats at a rate of 60%.<sup>97</sup> These polls corroborate earlier findings that Republican voters show slightly to significantly larger concern over public debt, and thus greater likelihood to support action for RODEO.

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<sup>93</sup> Pew Research Center, *Little Public Support for Reductions in Federal Spending*, (Washington, DC: Pew Research Center, April 2019)

<sup>94</sup> Michael Tomasky, *The Democracy Poll: Americans and the Economy*, (Washington, DC: Democracy A Journal of Ideas, 2019)

<sup>95</sup> Morning Consult, Politico, *National Tracking Poll*, (Washington, DC: Morning Consult and Politico, August 2019)

<sup>96</sup> The Economist, *The Economist/YouGov Poll*, (Longdon, England: The Economist/YouGov, July 2019)

<sup>97</sup> Harvard University, *Americans’ Domestic Priorities for President Trump and Congress in the Months Leading up to the 2020 Election*, (Cambridge, MA: Harvard University, February 2020)

As stated on the subject of Simpson-Bowles in a letter by the Committee For a Responsible Federal Budget “Of course [Simpson-Bowles] is filled with things that people don’t like-that is the nature of deficit reduction”.<sup>98</sup> As such, it is clear that any deficit reduction plan, RODEO not excluded, will have political disadvantages. If RODEO targets are not met due to GDP growth alone, programmatic cuts and increases in taxes will be required. Such will likely result in RODEO meeting with opposition from those who opposed Simpson-Bowles due to programmatic cuts and tax increases.<sup>99 100</sup>

In recent years Democrat politicians have proposed programs which would be almost mutually exclusive with RODEO. These programs include universal public health insurance, free college tuition, and cancelling student debt. Support for these programs arise from a combination of Bernard Sanders, Elizabeth Warren, Tulsi Gabbard, Tim Ryan, and others.<sup>101 102</sup> The cost of such programs would render them extremely difficult to implement while still achieving RODEO targets, if not virtually impossible. As such, opposition is expected from individuals advancing such proposals. Past attempts to address the debt using targets have been described as politically controversial due to programmatic cuts, elimination of popular tax incentives, and increases in taxes.<sup>103</sup> Political opposition may manifest due to the “straight jacket” effect

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<sup>98</sup> Committee For a Responsible Federal Budget, *CRFB Comments the Excellent Work of the Fiscal Commission*, (Washington, DC: CRFB, December 2010)

<sup>99</sup> Lori Montgomery, *Deficit panel leaders propose curbs on Social Security, major cuts in spending, tax breaks*, (Washington, DC: The Washington Post, November 2010)

<sup>100</sup> Ryan Ellis, *Simpson-Bowles Plan Is a \$5 Trillion Net Tax Hike in First Full Decade*, (Washington, DC: Americans for Tax Reform, October 2012)

<sup>101</sup> Medicare for All Act of 2019, H.R. 1384, 116<sup>th</sup> Congress (2019-2020)

<sup>102</sup> Committee for a Responsible Federal Budget, *Choices for Financing Medicare for All*, (Washington, DC: CRFB, March 2020)

<sup>103</sup> Jackie Calmes, *Panel Seeks Social Security Cuts and Higher Taxes*, (New York, NY: The New York Times, November 2010)



sometimes described as a product of such targets. As a result, political leadership of all types may be inclined to oppose RODEO, as it would limit power to implement new programs.

Policymakers who consider themselves budget and fiscally minded will be likely to proudly support RODEO. However, political attacks have been staged against policymakers who have supported deficit/debt reduction. These attacks have been used during elections to make voters believe such policymakers aim to reduce programmatic benefits and increase taxes.<sup>104</sup>

Policymakers will understand the requested tradeoff in RODEO as fiscal solvency in the long term at the cost of stunted programs in the short and mid-term. Such tradeoffs may be offset by an improved political standing due to the public perception of policymakers supporting an issue that is of significant importance to them. Additionally, political impact will be reduced if the debt to GDP ratio continues along a trajectory to meet targets due to simply to GDP growth and limits on new spending. If such is achieved, tax increases and programmatic cuts can be minimized or avoided. In later years of such a scenario, fiscal space will exist to increase spending while remaining on track to meet targets.

## **VII. RECOMMENDATION**

The need to reduce the debt to GDP ratio is urgent, and therefore further development and adoption of RODEO is recommended. This policy action will be improve national security, reduce wasteful spending on interest payments, provide fiscal space for addressing future emergencies, control inflation and interest rates, promote income growth, preserve home values, and

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<sup>104</sup> *Brian Faler, The ghost of Simpson-Bowles*, (Arlington, VA: Politico, October 2014)

improve the quality of life for U.S. citizens. These benefits total an estimated \$57.2 trillion by 2050, and will come at the opportunity cost of approximately \$127.23 trillion by 2050. While this leaves \$70 trillion in uncompensated opportunity costs, those are costs the United States cannot afford.

RODEO is an important effort to address a large scale and pressing problem. Enactment of RODEO will create a resolution for the national debt while avoiding major cuts and tax increases, will minimize the “straight jacket” effect, and will thus reduce political challenges often associated with debt reduction. Implementation of this program will demonstrate to U.S. citizens the leadership and fiscal responsibility of the legislature and the Republican party.

Previous deficit reduction programs indicate the primary challenge facing RODEO are approval and enforcement. Support should be gathered for RODEO using messaging which focuses upon older and more conservative lawmakers and constituents, who rank debt as a higher priority. Messaging should still maintain focus on liberal and middle-aged constituents, who also show great concern over the fiscal state of the nation. These messages should focus on the potential impacts to Social Security, Medicare, economic growth, and income growth.

As the debt to GDP ratio declines, urgency to achieve targets will decline. It is thus expected that enforcement will have a role of increasing importance throughout the lifespan of RODEO. Similarly, enforcement may be relatively less significant in the short run due to significant urgency immediately following the pandemic. Though deficit reduction enforcement has been

met with challenges in the past, RODEO employs those which have proven most effective. Caps upon discretionary spending, PAYGO on mandatory spending, and sequestration triggers have contributed to debt reduction before, and may do so again. The timetable for targets and their achievability via mere economic growth permit a long-term solution which may avoid controversial taxes, cuts, and other political challenges. Regardless, any deficit reduction policy will face great political challenges, as such controversy is in the nature of deficit reduction. Enacting RODEO will send a message to the public and lawmakers that it is time to restore our solvency.

# Eric Michael Biagioli

## PROFESSIONAL EXPERIENCE

### Executive Director

10/2013 – Present

Maryland State Dental Association Foundation (MSDAF)

50 hours per week

8901 Herrmann Drive, Columbia, MD 21045

Supervisor: Dr. Diane Romaine

*Maryland State Dental Association Foundation is the largest dental access non-profit in the State of Maryland. The organization shifted focus to research in 2018, provides free dental care to over 3,000 individuals annually, and produces data to support expanded dental benefits under public insurances.*

**ANALYSIS OF DATA:** Collect, analyze, and interpret data to identify trends in MSDAF program areas. Structure programs during the setup phase to produce a high quality and quantity of data. Review existing, pending, and planned research to inform and evaluate current and pending projects.

**ADVISING STAKEHOLDERS:** Utilize existing research and data analyses to direct four research initiatives annually. Generate, advise, and foster relationships with high status partners in research, clinical, and public office settings. Coordinate research with partners, including hospitals in the University of Maryland Medical System, Health Service Cost Review Commission, CMS, University of Maryland School of Public Health, University of Maryland School of Dentistry, Maryland Department of Health, county health departments, and research grantees.

**EVALUATION OF PROGRAMS AND GRANT APPLICATIONS:** Receive, process, and evaluate forty or more grant applications for merit annually. Determine fund allocation in consultation with subject area experts, applicants, and organizational leadership. Allocate funds to best suited projects, and explain disbursement with political conscientiousness of maintaining relationships.

**MONITOR AND FACILITATE PROGRAMS AND GRANTEEES:** Maintain awareness of eight concurrent programs, and their challenges and successes, to ensure best chances for success. Build and sustain relationships with stakeholders and grantees to improve communications, oversight, and partnership. Establish communication with regulators, forge awareness of regulations affecting program areas, and advise program leads of any regulatory factors.

**LEADERSHIP OF STAFF:** Cultivate a culture of mutual empowerment and trust, and encourage shared decision making among staff and leadership. Function independently as subject area expert in dentistry when meeting with grantees, MSDAF leadership, and organizational partners. Lead development of various committees of technical experts and officials, and act as committee chair when needed. Direct teams of eight in-house staff persons, two technical/research project boards, and over one-hundred volunteers during events.

**IDENTIFYING OPPORTUNITIES:** Review existing research and programs to identify gaps in data and program services. Coordinate with grantees, project managers, and other stakeholders to

implement adaptations and fill identified voids. Utilize data to identify problems in current social safety net programs, and tailor changes to resolve problems.

**ADAPT PROGRAMS AND STRUCTURE TO CHANGES IN POLICY AND THE COMMUNITY:** Maintain awareness of current organizational policies, pending policies, and policies which are likely to change. Additionally, maintain awareness of current community needs, pending needs, and needs which are likely to change. Respond effectively to complex and changing situations. Prepare and enact organizational changes to maintain organizational health and ability to achieve the mission. Facilitate development of strategic plans with MSDAF Board to align goals and define vision and mission statements. Create an open and collaborative culture with a focus upon the mission.

**ACCOMPLISHMENTS:** As Executive Director of MSDAF, I found our grantees often supplied incomplete data, used ineffective or inconsistent data collection, or used unscientific measurement tools. This resulted in data which was typically impossible to analyze and always impossible to compare. Attempts had been made to resolve the issue; however entrenched systems prevented the problem from being resolved. To solve the problem, I gathered leaders from each grantee site, described the challenge and what could be achieved by resolving it. Having acquired buy-in from grantee leaders, I included them on a committee to establish a single collection form to be used at all sites. I designed a data measurement tool in partnership with two research institutes to standardize data collections and measurements. My efforts resolved the issue, and all grantees now use the same data collection, reporting, and measurement system. This has allowed grantees to have confidence in their outcome numbers. Moreover, research partners are excited to analyze the uniquely clean data. I received the Presidential Honors Award for these efforts.

**Volunteer Grant Reviewer**

Johns Hopkins Urban Health Institute (*UHI*)  
2013 E Monument St.  
Baltimore, MD 21205  
POC: Amy Gawad

**10/2019**  
20 hours

**EVALUATION OF GRANT APPLICATIONS AND PROGRAMS:** Served on volunteer team to review grant applications from Baltimore area non-profits. Evaluated and rated grants according to predetermined criteria, assembled reports to UHI, and made recommendation for disbursement of funds.

**Secretary of the Board**

Maryland Dental Action Coalition (*MDAC*)  
408 Crain Hwy S #5, Glen Burnie, MD 21061  
President: Donna Behrens

**1/2018 – 1/2019**  
4 hours per week

**FUNCTION AS SUBJECT AREA EXPERT:** Attended coalition meetings as expert in the areas of dental public health research, non-profits, and as the primary liaison between MDAC and the clinical community. Ensured discussions and decisions were informed in these areas.

**Executive Director**

Howard County Dental Association (HCDA)  
8808 Centre Park Dr. #210, Columbia, MD 21045  
Supervisor: Dr. Jonathan Lang

**3/2015 – 3/2017**  
25 hours per week

**STRATEGIC DEVELOPMENT:** Challenged assumptions and ensured daily work and strategic development were stakeholder and mission focused. Reviewed complex business operations, budgets, and programs for efficacy. Redesigned operations and programs to generate additional revenue, involvement from membership, and community impact.

**LIAISON TO PUBLIC:** Communicated with legislators and public policy influencers to convey the vision of HCDA. Developed relationships with stakeholders, members, and policy makers to influence positive change in public dental health.

**ACCOMPLISHMENTS:** HCDA holds programs once every two months, inviting speakers and sponsors. These programs were not generating surplus revenue and experienced decline in dentist participation. I surveyed similar programs and determined HCDA was underperforming in these two areas. I shared this data with the HCDA Board of Directors, and we addressed the problem through creation of an annual sponsorship program, interactive program elements, and by structuring programs to encourage communication among dentists. As a result, sponsorship revenues tripled annually, and dentist participation increased by forty percent.

**Membership Coordinator**

Maryland State Dental Association  
8901 Herrmann Drive, Columbia, MD 21045  
Supervisor: Francis McLaughlin

**3/2010 – 1/2014**  
40 hours per week

**ACCOMPLISHMENTS:** The elderly are increasingly the most underserved demographic in dentistry. I was appointed to run a project to improve access to dental care for Maryland's elderly. I recruited two State dental elder care experts onto a committee, and organized a mini-dental residency. I selected twenty dental teams as participants, our experts educated them on the provision of dental care to the elderly, and we dispatched them to long term care facilities Statewide. The teams returned over a period of four months to report on their progress and receive further education. Data was used to identify barriers to care in these settings. Our grantor at the Maryland Department of Health described it as "The best \$35,000 they've every spent". We won the Golden Apple Award from the American Dental Association for this project.

**EDUCATION****MASTERS IN PUBLIC MANAGEMENT, 2020**

Johns Hopkins University, Baltimore, MD

- Relevant coursework: Fundamentals of Quantitative Methods; Foundations of Organizational Leadership; Economics for Public Decision Making; Public Policy Evaluation & the Policy Process; Persuasive Communications: Theories and Practice; Intelligence: From Secrets to Policy; Financial Management and Analysis in Nonprofits
- Capstone for Public Management: Economics and Policy of Public Debt
- Course projects: Analysis of the economic impact of expanded Medicaid; Analysis of nonprofit programs; Modeling executive leadership; Economic impacts of programs and policies; Communication campaign for Medicaid expansion; Case study of nonprofit programs and function

**BACHELOR OF PSYCHOLOGY, 2009**

Towson University, Towson, MD

**CERTIFICATIONS**

**Project Management for Development Professionals, PMD Pro**, APMG International, 2020

**HONORS AND AWARDS**

**Partner of the Year Award**, United Way of Central Maryland, 2017

**Excellence in Leadership Award**, Howard County Dental Association, 2017

**Presidential Honors Award**, Maryland State Dental Association, 2016

**Golden Apple Award**, American Dental Association, 2015