Trick or Treat: More Like Tax and Spend

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House Speaker Nancy Pelosi set [Halloween](https://www.foxbusiness.com/media/kudlow-middle-class-inflation) as the deadline for passing multiple reckless budget increases. The latest new framework announced recently by President Biden has a claimed cost of [$1.75 trillion](https://www.foxbusiness.com/politics/biden-democrats-reconciliation-framework-pay-fors) ($1.85 trillion when you include $100 billion for “immigration”). That number may sound frightful, but the monster under the mask is ghastlier—the real figure likely remains closer to [$5 trillion](https://www.wsj.com/articles/build-back-better-tax-increases-subsidies-household-income-11634592447) over the next decade.

The scary specter of the president’s “[Build Back Better](https://www.whitehouse.gov/build-back-better/)” agenda seemed dead, a victim of the political infighting among the Democrat Party. But now, the monstrosity has been exhumed from the graveyard in a costume betraying its true cost.

The expenditures from the original bill are reported to have been reduced not by cutting wasteful programs but by budgetary gimmicks. For example, the new costs of the expanded Earned Income Tax Credit and Child Tax Credit is counted for only one year; universal pre-K and child-care subsidies are counted for only six; and extended Obamacare and Medicaid subsidies are tallied through only 2025 instead of scoring them over the normal decade as part of reconciliation. Meanwhile, the tax increases are all counted for the next ten years.

This was one of the tricks on taxpayers that got Obamacare passed in 2010, and that program has been haunted by substantial cost overruns.

This latest Washington tax-and-spending drama has morphed into a horror show.

With a recalcitrant Republican Senate minority disavowing a December debt-ceiling increase, Democrats are attempting to corral nearly their entire caucus—in both chambers—into supporting this new framework and the other [$1.2 trillion “infrastructure” bill](https://www.wsj.com/articles/biden-to-release-new-framework-on-1-75-trillion-social-spending-and-climate-package-11635422127?mod=hp_lead_pos1).

Amid the White House’s rush to announce an agreement before the president leaves for Europe that didn’t get done, we should ask: What would be the effects of passing this agenda? The recent skeleton bill gives little meat to provide a thorough comparison of how close it is to previous incarnations of the president’s 10-year plan but what’s available remains scary.

While Senators Kyrsten Sinema and Joe Manchin likely approve of this lower-topline-number facade, the radical progressives want it larger. The self-proclaimed socialists want their $5 trillion spending spree and have said they will not support anything less.

[Our analysis of the entire "Build Back Better" agenda](https://www.texaspolicy.com/reversing-the-recovery-how-president-bidens-build-back-better-plan-raises-taxes-kills-jobs-and-punishes-the-middle-class/) illustrates the true cost of pushing big-government socialism onto Americans that we don’t want and can’t afford.

Compared to baseline growth, the broader agenda will slow the economy by $3.7 trillion, including $663 billion in lost private investment. Job growth will decline by 5.3 million over that time, about 4.3% of the latest employment figures. Meanwhile, the nation will add $4.5 trillion more to the national debt, even after $1.7 trillion in tax increases.

These are spooky figures, but the worst effects are the financial injuries inflicted on hard-working Americans. This agenda will crush the middle class, as we estimate that real median household family income could lose about $12,000 compared with baseline growth. Biden’s promise to not raise taxes on those earning less than $400,000 a year is repeatedly broken, implicitly and even explicitly.

The new 15% corporate minimum tax is just one example. Despite the White House press secretary’s assertions, businesses do indeed raise prices when corporate taxes increase. Businesses also reduce wages and cut hours for workers, while Americans see a lower return on their investments.

The new IRS “investment” is another frightful facet. The administration has repeatedly advocated for spying by the IRS on everyday Americans—not just the wealthy—to collect $400 billion more in taxes over a decade. Virtually everyone with a direct deposit paycheck could find themselves under audit.

Nearly all the tax increases proposed by Democrats this year are heavy taxes on investment. Contrary to what the Biden administration believes, tax rates matter because people respond to incentives. Higher tax rates disincentivize investment, which in turn reduces the nation’s capital stock, real wages, and economic output.

Besides the horde of proposed tax increases, there are expansions of welfare programs and the removal of work requirements. Instead of obliging people to earn at least some income before receiving a refundable tax credit, these bills would redistribute dollars from productive activity to handouts for people to not work. The last year shows that is a proven recipe for disaster in people’s livelihood and the economy and economist Casey Mulligan, senior fellow at the Committee to Unleash Prosperity, notes this could cost [9 million jobs over the next decade](https://committeetounleashprosperity.com/wp-content/uploads/2021/10/CTUP_BuildBackBetterPenalties.pdf).

Neither Biden’s American Jobs Plan nor the American Families Plan that constitute the Build Back Better agenda have been passed, which is fortunate because both of their monikers seem to detail the things they attack.

But these scary specters have returned in this latest amorphous outline—and the devil is always in the details. Speaker Pelosi and Senator Majority Leader Chuck Schumer now must flesh out the monster and try to secure enough of their own party’s votes to revive the beast.

It is still possible that Congress passes some form of this legislation—a veritable Frankenstein’s monster. We will have to wait and see what kind of scary surprise Washington has in store for the rest of America. But the details we do have are Americans’ worst nightmare with this latest budget-busting that should die—and stay buried this time.

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