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U.S. Senate Committee on Homeland Security and Governmental Affairs

"Examining the Root Causes of America's Unsustainable Fiscal Path"

Tuesday, January 28, 2020

Chairman Johnson, Ranking Member Peters, and Members of the Committee,

On behalf of FreedomWorks' community of more than 5 million grassroots activists, thank you for holding this hearing examining the root causes of America's unsustainable fiscal path. We welcome this discussion and hope to see more conversations on this very topic in the coming weeks and months.[1]

Federal spending should be a concern for every American. Put simply, the path on which Congress has put the United States is fiscally unsustainable and reckless. We disagree, in the strongest terms, with President Donald Trump's recent comments about federal spending, in which he reportedly said, "Who the hell cares about the budget? We're going to have a country."[2]

Budget deficits and debt impact Americans by creating a damper on the economy known as "debt drag." We may already be experiencing this.[3] However, they can impact Americans in an even more serious and tangible way should those who purchase our debt begin to lose confidence in our ability to pay it back. This will lead to higher interest rates and an increase in the cost of debt service, which will, in turn, crowd out private investment in the economy. As Kurt Couchman of the Committee for a Responsible Federal Budget explained,[4] "For the federal government, each one percentage point increase in interest rates implies an additional $1.8 trillion increase in [the budget deficit] over the next decade."

The estimate on the impact of interest rates come from the Congressional Budget Office. The agency estimates that the budget deficit would grow by $182 billion over ten years if interests rise by 0.1 percent.[5] Extrapolated over ten years for a 1 percent increase in interest rates, the budget deficit would grow by $1.82 trillion.

Sadly, previous administrations, and the current administration, and Congress have ignored the growing problem with federal spending, choosing instead to increase discretionary outlays while allowing mandatory spending programs to grow on autopilot. Addressing the United States'

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[1] While preparing this written statement, I learned that the Congressional Budget Office is expected to release an updated Budget and Economic Outlook during the week of January 27. For purposes of this written statement, I am relying on the Budget and Economic Outlook released on August 21, 2019.

[2] Colby Itkowitz and David A. Fahrenthold, "Trump privately told donors new details about Soleimani airstrike at Mar-a-Lago fundraiser," The Washington Post, January 18, 2020 https://www.washingtonpost.com/politics/trump-privately-detailed-the-soleimani-airstrike-to-donors-at-mar-a-lago-fundraiser/2020/01/18/ab0c2414-3a03-11ea-bb7b-265f4554af6d_story.html

[3] Romina Boccia, "Cutting the U.S. Budget Would Help the Economy Grow," The Heritage Foundation, November 20, 2013 https://www.heritage.org/budget-and-spending/report/cutting-the-us-budget-would-help-the-economy-grow

[4] Kurt Couchman, "When will cheap credit dry up?," The Hill, January 16, 2020 https://thehill.com/opinion/finance/478625-when-will-cheap-credit-dry-up

[5] Congressional Budget Office, "The Budget and Economic Outlook: 2019 to 2029," January 2019 (Table B-3, p. 128) https://www.cbo.gov/system/files/2019-03/54918-Outlook-3.pdf

fiscally unsustainable path must be an immediate priority, and must be done in a way that encourages economic growth to ensure that we remain internationally competitive.

Congress has tried to address federal spending before. In August 2011, lawmakers passed the Budget Control Act (BCA).[6] The BCA was the product of bipartisan negotiations between President Barack Obama and Speaker John Boehner (R-Ohio) to reduce the budget deficit over time, while immediately increasing the debt limit by $400 billion.

Spending had grown rapidly, and the United States saw budget deficits of more than $1 trillion for four consecutive years, between fiscal years 2009 and 2012. The deficit as a percentage of gross domestic product reached a peak of 9.8 percent during this time frame.

The deficit reduction part of the Budget Control Act set defined levels for discretionary spending and created the Joint Select Committee on Deficit Reduction, also known as a "super-committee," which was tasked under the law to develop a deficit reduction package of $1.5 trillion for FY 2012 through FY 2021. The package would receive expedited consideration in Congress.

If the Joint Select Committee on Deficit Reduction failed to agree on a deficit reduction package of at least $1.2 trillion, split evenly between defense and nondefense discretionary spending, an enforcement mechanism called sequestration would kick in to reduce defense and nondefense discretionary spending. The super-committee held five hearings but was unable to reach an agreement on a package, which triggered the enforcement mechanism that statutorily required reduced discretionary spending between fiscal years 2013 and 2021.

Speaker Boehner hailed the Budget Control Act. "I got 98 percent of what I wanted," he said. "I'm pretty happy."[7] President Obama pledged to "veto any effort to get rid of those automatic spending cuts."[8]

What has happened since this law was enacted has been a tremendous disappointment. In January 2012, Congress delayed the auto-enforcement discretionary spending cuts required by the BCA as part of the American Taxpayer Relief Act.[9] With the passage of the Bipartisan

[6] Public Law 112-25
[7] Scott Pelley, "Boehner: I got 98 percent of what I wanted," CBS News, August 1, 2011 https://www.cbsnews.com/news/boehner-i-got-98-percent-of-what-i-wanted/
[8] Agustino Fontevecchia, "Obama: I Will Veto Attempts To Get Rid Of Automatic Spending Cuts," Forbes, November 21, 2011 https://www.forbes.com/sites/afontevecchia/2011/11/21/obama-i-will-veto-attempts-to-get-rid-of-automatic-spending-cuts/
[9] Public Law 112-240

Budget Act[10] in December 2013, Congress began the often biennial process of busting the spending caps,[11] and Republicans and Democrats alike share the blame.

Congress has also routinely used the Overseas Contingency Operations (OCO) fund to bypass the discretionary spending caps for defense.[12] Although OCO is not off-budget spending, like Social Security or the Postal Service, the money spent through OCO does not count toward the discretionary spending caps; but it does result in higher discretionary spending.

Most recently, in July 2019, for example, Congress passed another two-year discretionary spending caps deal, covering fiscal years 2020 and 2021, that busted the previous spending caps by more than $320 billion. The Congressional Budget Office (CBO) projects a return to $1 trillion budget deficits in the current fiscal year. Those $1 trillion budget deficits will remain for the foreseeable future. In fact, projections provided by the CBO likely understate the budget deficit because of Congress's proclivity for increasing defense and nondefense discretionary spending.

As the Committee for a Responsible Federal Budget explained, the Bipartisan Budget Act of 2019 will have a $1.7 trillion impact on baseline discretionary spending that the CBO would not account for in its recurring ten-year budget and economic outlook report.[13]

> "By convention, the Congressional Budget Office (CBO) assumes that uncapped discretionary spending grows with inflation, so increasing the 2021 cap raises the level at which that spending would grow from, building in higher spending in future years as well. As a result, the two years of cap increases will actually raise spending by $1.7 trillion over ten years."

The fifty-year average of federal spending as a percentage of gross domestic product is 20.3 percent.[14] This range includes several higher-than-average years, such as fiscal years 2009 through 2012 when Congress attempted to spend the United States out of a lengthy recession. Outlays averaged 23.3 percent during this four-year period.

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[10] Public Law 113-67

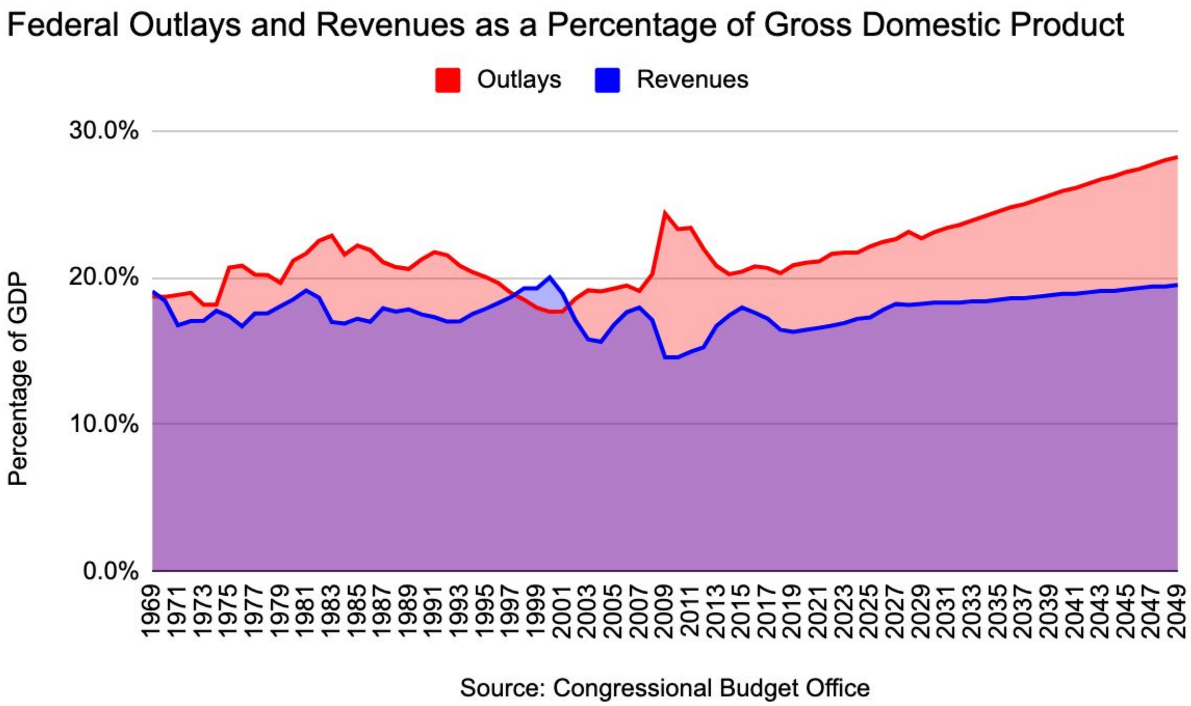
[11] After the delay of the auto-enforcement spending cuts in January 2013 and the passage of the Bipartisan Budget Act of 2013 in December 2013, which busted the caps for the first time, Congress busted the auto-enforcement spending caps in the Bipartisan Budget Act of 2015 (Public Law 114-74) , Bipartisan Budget Act of 2018 (Public Law No: 115-123), and, as noted in this statement, the Bipartisan Budget Act of 2019.

[12] Brendan W. McGarry and Emily M. Morgenstern, "Overseas Contingency Operations Funding: Background and Status," Congressional Research Service, September 6, 2019 https://fas.org/sgp/crs/natsec/R44519.pdf

[13] Committee for a Responsible Federal Budget, "Proposed Budget Agreement Could Cost $1.7 Trillion," July 23, 2019 http://www.crfb.org/blogs/proposed-budget-agreement-could-cost-17-trillion

[14] This reflects the average of federal outlays between fiscal years 1968 and 2017. The chart includes actual outlays in 2018 and the Congressional Budget Office's projections for fiscals 2019 through 2029.

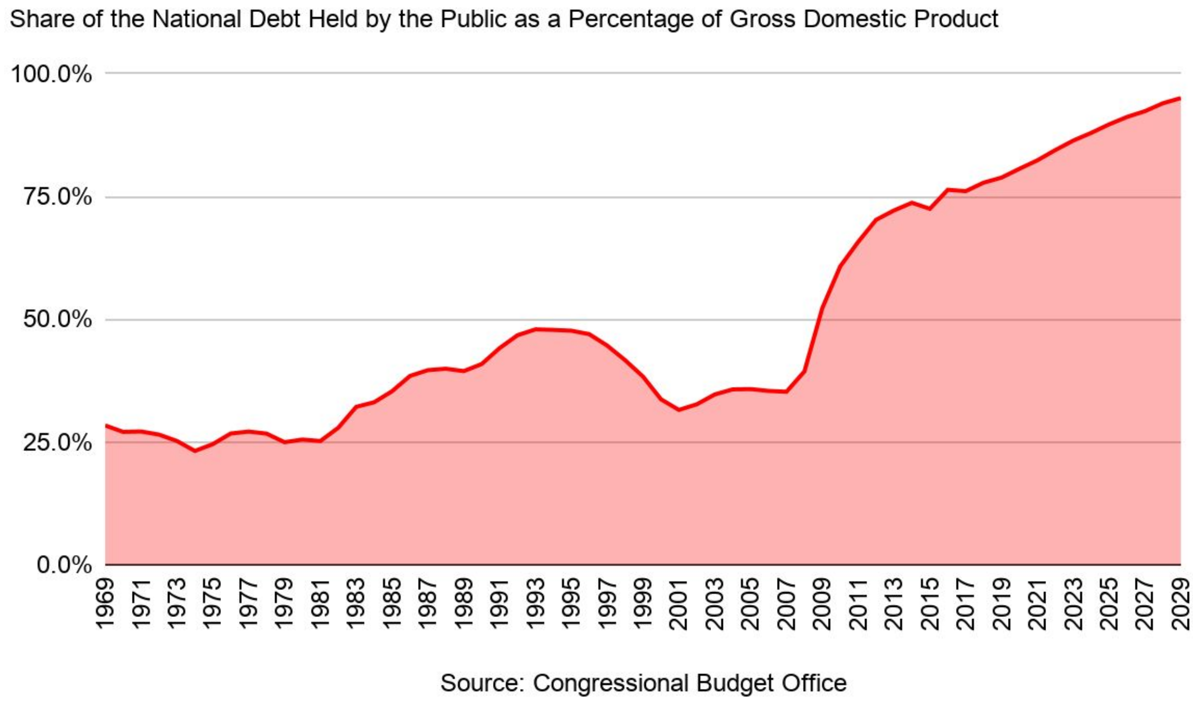
Federal outlays are projected to rise, even without the increased baseline caused by the Bipartisan Budget Act of 2019[15] factored into the equation. By fiscal year 2028, federal outlays will be 23.1 percent. Assuming the Tax Cuts and Jobs Act of 2017 is not made permanent and the individual tax changes expire at the beginning of calendar year 2026, revenues are projected to be 18.1 percent.



The fiscal picture gets worse the further out the CBO looks. Federal spending will rise to 25.6 percent of GDP in 2039 while revenues will come in at 18.8 percent.[16] The share of the national debt held by the public will be 113 percent. By 2049, federal outlays will consume 28.2 percent of GDP. Although near historically high revenues are projected, 19.5 percent of GDP, the deficit will be 8.7 percent of GDP and the share of the national debt held by the public will be 144 percent. Again, it is important to keep in mind that these projections are based on current law and does not make assumptions that current laws will be extended past their scheduled expiration.

[15] Public Law 116-37

[16] Congressional Budget Office, Long-Term Budget Projections, June 2019, Summary Extended Baseline (Note about the accompanying chart: There may be a slight discrepancy between the figures in the Summary Extended Baseline provided in June 2019 and the Budget and Economic Outlook provided in August 2019. The Congressional Budget Office has not yet updated its long-term projections.)



Although Congress has rarely passed up any opportunity to increase discretionary spending, this particular aspect of federal outlays represented 30.4 percent of all spending in fiscal year 2018. By 2029, based on current law, discretionary spending will represent 24.9 percent of all federal outlays. Discretionary spending should not be ignored, but spending cap battles over the past several years have avoided the larger problem with federal spending. Ultimately, the root cause of the United States' unsustainable fiscal path is mandatory spending.

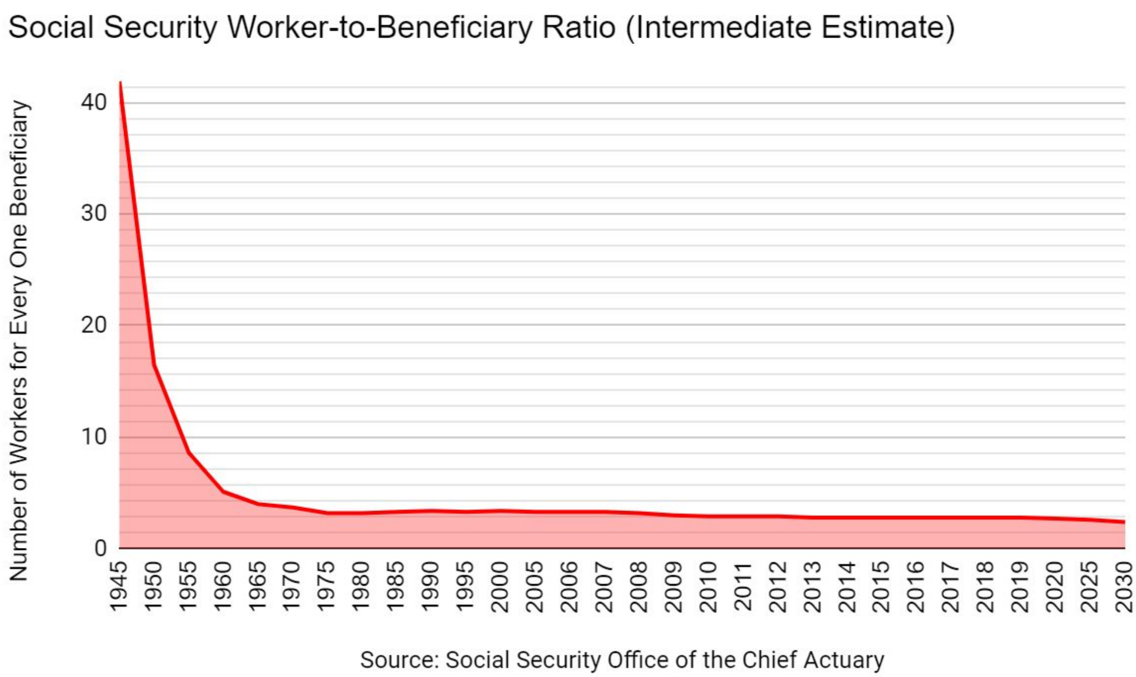
Mandatory Deficits

The runaway growth of mandatory spending (defined as outlays that are scheduled to occur outside of the annual Congressional budget process) is astonishing in its rapidity. In 1965, the first fiscal year of the existence of Medicare and Medicaid, net mandatory program spending and interest payments on the debt together constituted just over 34 percent of total federal outlays. For fiscal year 2019, that combined percentage was projected at over 70 percent and is expected to increase to more than 75 percent over the next ten years.

Social Security spending alone (including disability insurance) exceeded $1 trillion per year for the first time in fiscal year 2019, while Medicare is projected to do the same in fiscal year 2023. In addition to Medicare and Medicaid, which projected to clock in at $768 billion and $404 billion respectively for fiscal year 2019, the Affordable Care Act insurance premium subsidies have reached $57 billion and the Children's Health Insurance Program (S-CHIP) costs an additional $17 billion.

According to the GAO, the trust fund for Medicare Part A (traditional, fee-for-service hospital insurance) will be depleted by 2026, while the trust fund for Social Security pensions will be depleted by 2034. What were once alarming but distant deadlines are now looming ominously close.[17]

In the case of Social Security, the very structure of the program has set itself up for crisis, as its sustainability was tied to always being able to pass its costs along to the younger generations of taxpayers. As demographics have shifted and the massive Baby Boomer generation nears retirement, the ratio of taxpayers to retirees whose benefits their payroll taxes fund has shrunk to fewer than 3-to-1.[18]



More so than any of the entitlement programs, the time window is shrinking quickly to be able to fix social security in a way that doesn't sabotage the benefits of those already enrolled in the program. Any solution to the program's solvency is going to have to tamp down on future outlays, whether by adjusting eligibility requirements or the benefit formula.

[17] GAO, "Federal Trust Funds and Other Related Funds," January 2020 https://www.gao.gov/assets/710/704001.pdf
[18] Jason Pye, "House Democrats' Social Security Bill is an Assault on Taxpayers," Mar. 20, 2019 https://www.freedomworks.org/content/house-democrats-social-security-bill-assault-taxpayers

The combined health care entitlements are also structurally biased against containing costs, and not only because their rolls are rapidly increasing. Both Medicare and Medicaid, although very different programs, contain massive structural flaws that encourage overspending and fraud. Between overpayments and outright fraud, CMS estimates that there were over $103 billion in improper payments from just those two programs alone.[19]

Medicare's fee-for-service payment model practically begs for overuse, as it pays a set reimbursement rate per test or procedure, encouraging quantity of billable items over quality of care. Although its relatively low administrative costs are often touted as a superior feature compared to private insurance, Cato Institute scholar Michael Cannon points out that the lack of administrative overhead merely diminishes oversight over the rampant abuse of Medicare services.[20] Thus, reforming the payment model itself in a way that is less prone to abuse will be more efficient than simply policing the current system more aggressively.

Medicaid's growth has obviously been magnified by the expansion of eligibility for enrollment under the ACA, which saw an additional 13.1 million people sign up for benefits in the states which passed the expansion.[21] This has had a disproportionate impact on federal Medicaid expenditures because under the ACA the federal matching rate for Medicaid expansion enrollees is much higher (currently at 90 percent) compared to original Medicaid patients.[22]

The design of Medicaid's matching funds arrangement between the federal government and the states also incentivizes states to keep increasing spending under the program without any regard for misuse and outright fraud. This has combined with lax control over ineligible enrollees to result in an improper payment rate in Medicaid that may be as alarmingly high as ¼ of total federal spending on the program.[23]

As these behemoth programs continue to grow unconstrained, the deficit spending they grow increases the threat of the other giant on the mandatory spending side - interest on the national debt. These interest payments, currently projected to reach $390 billion just for fiscal year 2020, are projected to increase to over $800 billion annually by fiscal year 2029, even assuming that interest rates are not allowed to rise back to historical levels.

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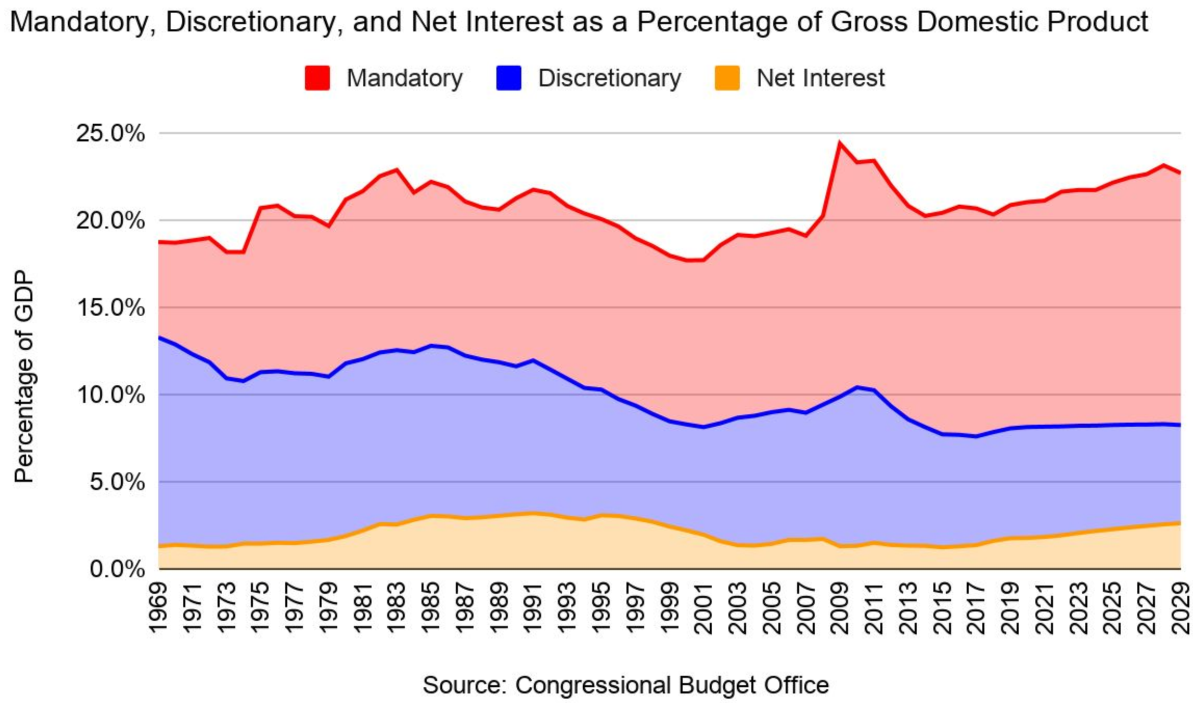
[19] CMS Fact Sheet, "2019 Estimated Improper Payment Rates for Centers for Medicare & Medicaid Services (CMS) Programs," Nov. 18, 2019 https://www.cms.gov/newsroom/fact-sheets/2019-estimated-improper-payment-rates-centers-medicare-medicaid-services-cms-programs

[20] Michael Cannon, "Medicare," in *The Cato Handbook for Policymakers*, Ch. 38. The Cato Institute, 2017.

[21] Medicaid and CHIP Payment and Access Commission, "Medicaid Enrollment Changes Following the ACA," Accessed Jan. 23 , 2020. https://www.macpac.gov/subtopic/medicaid-enrollment-changes-following-the-aca/

[22] Note that the average federal matching rate for Medicaid payments in a given state is just over 60% currently. Congressional Research Service, "Medicaid's Federal Medical Assistance Percentage (FMAP)," Apr. 25, 2018 https://fas.org/sgp/crs/misc/R43847.pdf

[23] Aaron Yelowitz and Brian Blase, "Medicaid Improper Payments are Much Worse Than Reported," Cato at Liberty, Nov. 20, 2019. https://www.cato.org/blog/medicaid-improper-payments-are-much-worse-reported



Tax Revenues Are Not the Problem

Overall, the economy is in generally good shape. The unemployment rate is 3.5 percent,[24] a low rate not seen in more than 50 years. In December 2019, the unemployment rate for women was 3.5 percent, which is near a historic low. The unemployment rate for African-Americans and the Hispanic-Latino community is 5.9 percent and 4.2 percent, respectively, both of which are near record lows set in August 2019 and September 2019.

In 2018, the most recent data available, the poverty rate was 11.8 percent. As the Census Bureau noted, 2018 was the "first time in 11 years" that "the official poverty rate was significantly lower than in 2007, the year before the most recent recession."[25] In fact, 1.4 million fewer people were in poverty in 2018 than in 2017.

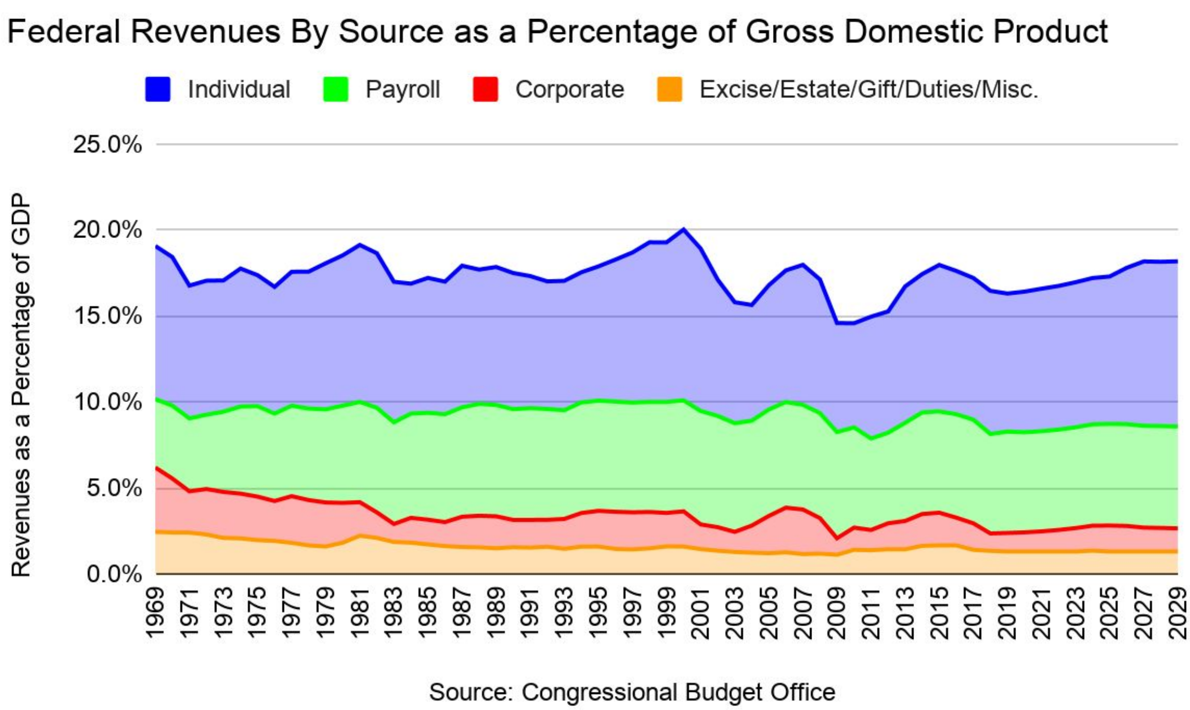
Hopefully, the passage of the United States-Mexico-Canada Implementation Act and the "phase one" deal with China will restore confidence in markets when it comes to trade, which has been one source of volatility.

[24] U.S. Bureau of Labor Statistics, "Employment Situation Summary -- December 2019," January 10, 2019

[25] Jessica Semega, Melissa Kollar, John Creamer, and Abinash Mohanty, "Income and Poverty in the United States: 2018," United States Census Bureau, September 10, 2019 https://www.census.gov/library/publications/2019/demo/p60-266.html

Of course, much work remains to be done to continue to grow the economy, but it is impossible to deny the benefits of the Tax Cuts and Jobs Act of 2017. This once-in-a-generation legislation reduced income taxes across the board, nearly doubled the standard deduction, simplified the tax code, boosted pass-through businesses, and slashed the corporate income tax to make the United States more competitive internationally.

Despite the success of the tax cuts, one of the frequent complaints heard from many in the House of Representatives and the Senate is that the Tax Cuts and Jobs Act of 2017 has exploded the budget deficit. It is almost as though the budget deficit did not exist before the passage of the tax cut.



The fifty-year average of the percentage of revenues to GDP is 17.4 percent.[26] Although revenues as a percentage of GDP are not as high as projected prior to the passage of the Tax Cuts and Jobs Act, the tax cut has spurred economic growth and increased tax receipts. Tax receipts, for example, were up 4 percent in fiscal year 2019 compared to fiscal year 2018. Spending, however, is growing at a faster rate, with year-over-year increase of 7.1 percent.[27]

[26] This reflects the average of federal revenues between fiscal years 1968 and 2017. The chart includes actual outlays in 2018 and the Congressional Budget Office's projections for fiscals 2019 through 2029.
[27] Congressional Budget Office, "Monthly Budget Review: Summary for Fiscal Year 2019," November 7, 2019

Put simply, the reason the deficit continues to grow is overwhelmingly due to federal outlays, with the primary driver being mandatory spending.

Some have complained that the higher income earners "need to pay their fair share." In tax year 2017,[28] the top 3 percent of income tax return filers earned 30.4 percent of adjusted gross income but paid 52 percent of all income taxes.[29] Those same voices have even advocated for a return to 70-plus percent marginal tax rates.

Those pushing this particular view claim that the level of taxation in the 1950s did not hurt the economy. They say that this debunks the free-market view that confiscatory taxation has a severely negative impact on Americans. Of course, their view misses some important things.

First, few people actually paid a 91 percent or 92 percent tax rate. Scott Greenberg of the Tax Foundation notes this is likely due to "significant tax avoidance and lower reported income."[30] There were also deductions and exemptions that allowed tax filers a way out of the highest marginal tax rate.[31]

Overall, as Greenberg explains, citing a study by Thomas Piketty, Emmanuel Saez, and Gabriel Zucman, "the top 1 percent of taxpayers in the 1950s only paid about 42 percent of their income in taxes." That 42 percent includes federal individual income taxes, as well as state and local taxes. "[T]he average effective tax rate of the top 1 percent has declined slightly overall," Greenberg writes. "In 2014, the top 1 percent of taxpayers paid an average tax rate of 36.4 percent."

Second, the economy of the 1950s was not the boom period those who advocate for confiscatory taxation would have us believe. Americans have an odd hindsight memory of the 1950s. This nostalgia is extended to the economy of the time.

The United States economy experienced two minor recessions in the 1950s, preceded by one in 1949 and capped off by another in 1960. As Brian Domitrovic noted, "[T]here wasn't significant economic growth in the 1950s. It only averaged 2.5 percent during the presidency of Dwight D. Eisenhower."[32]

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[28] Internal Revenue Service; Number of Returns, Shares of Adjusted Gross Income (AGI), Selected Income Items, Credits, Total Income Tax, AGI Floor on Percentiles, and Average Tax Rates, by Selected Expanded Descending Cumulative Percentiles of Returns Based on AGI, Tax Year 2017

[29] Jason Pye, "Rand Paul Is Right: Higher Income Earners Pay Enough Federal Income Taxes," FreedomWorks, October 18, 2019 https://www.freedomworks.org/content/rand-paul-right-higher-income-earners-pay-enough-federal-income-taxes

[30] Scott Greenberg, "Taxes on the Rich Were Not That Much Higher in the 1950s ," Tax Foundation, August 4, 2017 https://taxfoundation.org/taxes-on-the-rich-1950s-not-high/

[31] Phillip W. Magness, "The Rich Never Actually Paid 70 Percent," American Institute for Economic Research, January 7, 2019 https://www.aier.org/article/the-rich-never-actually-paid-70-percent/

[32] Brian Domitrovic, "How taxing the rich paradoxically resulted in more inequality for all," Learn Liberty, August 17, 2017 https://www.learnliberty.org/blog/how-taxing-the-rich-paradoxically-resulted-in-more-inequality-for-all/

Finally, individual income tax receipts as a percentage of the economy are actually higher today than they were during any point in the 1950s. Individual income tax receipts as a percentage of GDP reached a high point in the 1950s at 7.8 percent. Individual income tax receipts came in at 8.3 percent in fiscal year 2018. It is worth nothing that individual income tax receipts are at their third-highest point since 2001 and are expected to grow to 8.6 percent in fiscal year 2025, the last fiscal year before the individual tax cuts from the Tax Cuts and Jobs Act expire.

Another potential concern is pending legislation that would increase the payroll tax to address the $13.9 trillion unfunded liability that Social Security faces.[33] The most recent trustees report also noted that the combined trust funds will be depleted in 2035. The pending legislation, the Social Security 2100 Act,[34] would eventually phase out the wage cap -- which is outside the norm, as even Canada, Germany, Sweden, and many other countries have a wage cap[35] -- and gradually increase the payroll tax for employers and employees to 7.4 percent from 6.2 percent.

Although the payroll tax is paid by employees and employers, this still amounts to a tax on employees. As Andrew Biggs of the American Enterprise Institute noted in testimony before the House Ways and Means Committee, "Most economists, as well as both the SSA actuaries and the CBO Social Security analysts, assume that employers fund payroll tax or other employee benefit increases by holding back on employee wages. Thus, employees would bear the full cost of higher Social Security taxes."[36]

If Congress wants to address the budget deficit and the national debt in a meaningful way, raising tax rates, payroll taxes, or other existing taxes, or creating new taxes is not the right way to go about it. Tax increases reduce incentives to work and reduce investment. Addressing spending, which is driving budget deficits, through entitlement reform is the only way to accomplish the goal of reducing budget deficits without negatively impacting a growing economy.

We Need More Workers

Another benefit of a growing economy is that there were approximately 989,000 more available jobs than unemployed workers through November 2019. This is certainly good news, but it also highlights an area of concern in the economy that needs to be addressed.

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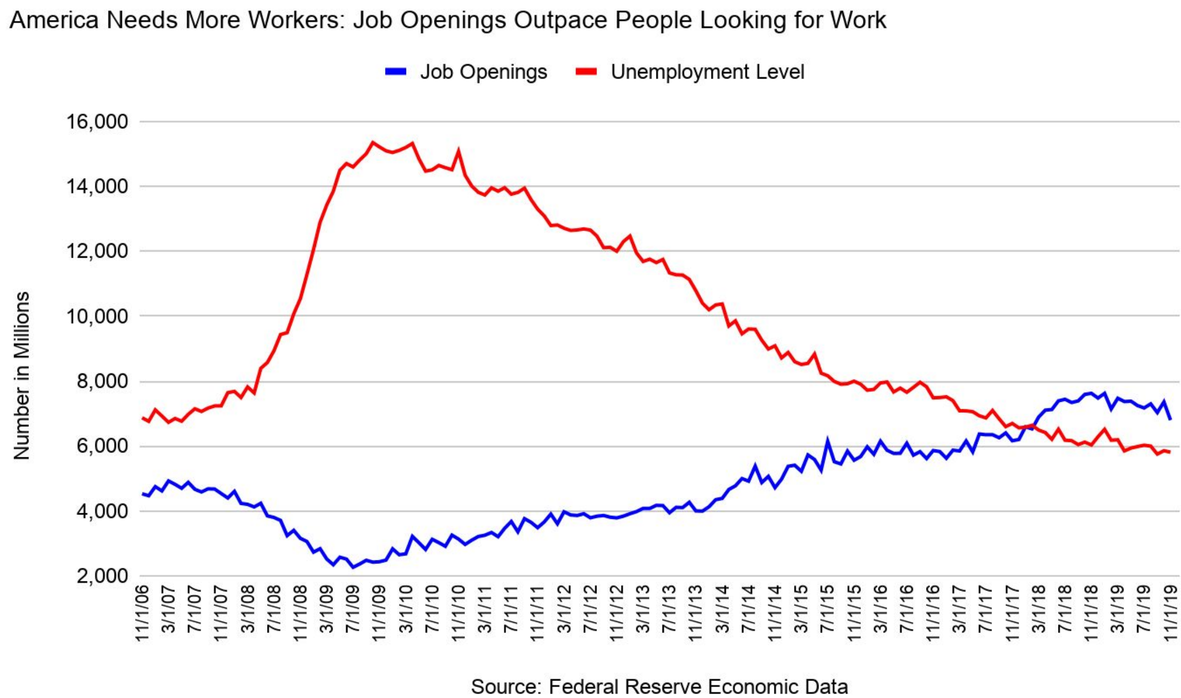
[33] Social Security Office of the Chief Actuary, "The 2019 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors and Federal Disability Insurance Trust Funds," April 22, 2019 (F. Infinite Horizon Projections, p. 200) https://www.ssa.gov/oact/TR/2019/tr2019.pdf
[34] H.R. 860, 116th Congress (2019) https://www.congress.gov/bill/116th-congress/house-bill/860
[35] Social Security Administration, "Social Security Programs Throughout the World," Accessed January 22, 2020 https://www.ssa.gov/policy/docs/progdesc/ssptw/index.html
[36] Andrew Biggs, Ph.D., "Social Security: The Need for Evidence-Based Policymaking," American Enterprise Institute, March 13, 2019 https://docs.house.gov/meetings/WM/WM01/20190313/109085/HHRG-116-WM01-Wstate-BiggsA-20190313.pdf



The United States is experiencing a problem that plagues many other developed economies; declining birth rates. According to the National Vital Statistics System at the Centers for Disease Control, the birth rate declined to a record low, 1.73,[37] below the replacement rate of 2.1.

Recently, Rep. David Schweikert (R-Ariz.), who regularly talks about the age-demographic crisis that the United States is experiencing, spoke on the floor of the House of Representatives about this concern:[38]

> "Now, we still have a spending problem around here. We have a tremendous demographics problem. That is one of the other things we never tell the truth about is the substantial portion of our spending is actually driven by our demographics, which isn't Republican or Democratic."
>
> "We are getting older very quickly as a society. But, once again, are we able to get up in front of our groups at home or fellow Members of Congress and not see the math through partisan lenses, because the math is the math."

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[37] Centers for Disease Control and Prevention, "Expected Number of Births over a Woman's Lifetime — National Vital Statistics System, United States, 1940–2018," January 10, 2020 https://www.cdc.gov/mmwr/volumes/69/wr/mm6901a5.htm

[38] 166 Cong. Rec. H53-H56 (2020)

The Census Bureau recently released new population data showing population growth slowed in 2019 when compared to 2018,[39] with the natural population increase falling to just under 1 million. Including immigration, the population grew by 1.552 million. Live births declined in 42 states and the District of Columbia. Eight states experienced an increase in live births. Deaths outnumbered live births in four states -- West Virginia, Maine, New Hampshire, and Vermont.

With an aging population and fewer available workers, this will pose problems for economic growth in the long-run, particularly if deaths outnumber live births. We need more workers, and one way to do that is through guest-worker programs and increased levels of legal immigration to fill the gaps in our economy. FreedomWorks has been supportive of an overhaul of the United States' immigration laws to move toward a merit-based immigration system similar to those of Canada and Australia.[40]

Rep. Schweikert is also a proponent of such an overhaul:[41]

> "So what do you do to encourage family formation? For some Republicans we are going to have to really step up and think about that. But also for immigration, you need to move to a talent-based system. The elegance of that is you don't care about someone's religion, their race, who they cuddle with, or where they come from. But what you do care about is what they bring to our society to maximize economic expansion. In many ways it is a much more honest and elegant system than this carve-out system that we have today."

FreedomWorks is not wedded to a specific plan that reforms the United States' immigration laws into a merit-based system. However, we believe that such reforms, designed to boost legal immigration and coupled with robust guest worker programs, could fill gaps in the United States' economy and boost tax revenues without a tax increase. Obviously, the budget deficit must still be addressed through entitlement reform and restraint on discretionary spending, but this may lessen at least some of the impact of the looming debt crisis that America faces.

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[39] United States Census Bureau, "2019 U.S. Population Estimates Continue to Show the Nation's Growth Is Slowing," December 30, 2019 https://www.census.gov/newsroom/press-releases/2019/popest-nation.html

[40] Adam Brandon, "Trump's immigration plan recognizes that we urgently need workers – Here's why it could work," Fox News, May 18, 2019 https://www.foxnews.com/opinion/adam-brandon-president-trumps-immigration-plan-resets-the-debate

[41] 166 Cong. Rec. H225-H229 (2020)