Let Americans Prosper Project: Ensuring Fiscal Sustainability for America's Future by Vance Ginn, Ph.D.

Executive Summary

The United States faces a critical fiscal crisis due to the lack of robust economic growth and excessive government spending. This leads to a mounting national debt that threatens economic stability. To achieve fiscal sanity, the Let Americans Prosper Project advocates for pro-growth policies like tax and regulatory reforms, spending restraint, block grants to states, and work requirements for safety net programs. The economic literature shows that raising taxes reduces economic activity while spending restraint promotes growth. The Congressional Budget Office (CBO) projects the U.S. federal government's gross debt to reach $34.8 trillion in FY 2024, with unfunded liabilities exceeding $100 trillion. Federal outlays are 23% of GDP and are expected to rise to 28% by 2054. Historical data indicates that reducing spending and promoting growth can decrease debt Successful reforms in the late 1990s and early 2000s included slowing spending growth and promoting economic expansion. About 70% of the federal budget comprises mandatory outlays, which are challenging to reform due to political risks. However, significant reforms are possible, as evidenced by past Medicaid and welfare reforms.

Robust economic growth is crucial for a sustainable fiscal future. Lowering taxes and implementing pro-growth policies can stimulate economic activity and increase government revenues. Historical examples include the Reagan tax cuts and the 2017 Trump tax cuts, which led to significant economic growth. Adopting strict spending limits, similar to the Swiss debt brake or Colorado’s TABOR, can stabilize debt levels. A fiscal rule capping federal spending at the rate of population growth plus inflation could have significantly reduced the federal debt over the past two decades. Transitioning Medicaid and other welfare programs to block grants with work requirements can improve efficiency and reduce costs. This approach was successful in the welfare reforms of the 1990s, leading to decreased dependency and poverty rates. Introducing market forces and personal responsibility into programs like Medicare and Social Security can address the unsustainability of mandatory spending.

Advocating for limited government and economic freedom can drive prosperity and fiscal sustainability. The Let Americans Prosper Project outlines a bold fiscal reform approach focused on lower spending, lower taxes, and reduced taxpayer burden to foster economic growth and ensure fiscal sustainability. Disciplined fiscal management and economic freedom are essential to securing America’s financial future.

Introduction

The U.S. stands at a critical crossroads, burdened with a mounting national debt from excessive government spending. This fiscal crisis threatens economic stability and future prosperity. While various fiscal reform proposals have been floated over the decades, the most recent pro-growth

plan was former U.S. House Speaker Paul Ryan's FY 2012 budget. It avoided raising taxes and focused on reducing the deficit, reforming "entitlement" programs, and fostering economic growth. Today, these pillars have renewed significance and should be prioritized over any attempts to raise taxes. The Let Americans Prosper Project is vital, advocating for pro-growth policies such as tax and regulatory reforms, spending restraint, block grants to states, and work requirements for safety net programs so that America can achieve fiscal sanity before it is too late.

Spending Crisis Leads to Massive National Debt

The economic literature has clearly shown that there are better ways to reduce deficits than raising taxes because it disincentivizes work and productivity, thereby reducing economic activity and lowering tax collections. Instead, cutting or slowing government spending has a better track record and can be pro-growth as it reduces government distortions to economic activity. Renowned economists Alberto Alesina, Casey Mulligan, John B. Taylor, and others, including my work on the Sustainable Budget Project with Americans for Tax Reform, have found spending restraint is the best path forward.

The recent Congressional Budget Office (CBO) budget and economic outlook show the U.S. federal government's gross debt will likely reach $35 trillion in FY 2024. But it gets worse: American taxpayers face unfunded liabilities—the net present value of spending commitments above expected revenues for programs such as Medicare and Social Security—of more than $100 trillion. The U.S. debt was 119.8% of the Gross Domestic Product (GDP) following World War II. Today, the debt is about 125% of GDP and is projected to climb to 257% by 2043. Federal debt held by the public is about 100% of GDP in FY 2024 and is expected to be 116% by 2034. Excessive spending leads to these unsustainable rising costs. Federal outlays are 23% of GDP but are expected to increase to at least 28% by 2054. Net interest payments of more than $1 trillion on the national debt are 16% percent of the total budget, the highest share since 2001, and will continue to climb. These net interest payments are about 3.7% of GDP, the highest share since 1999, and will likely increase to 6.2% in 20 years.

When and how will this fiscal crisis end?

Other nations have inflated away their debt or defaulted on it. That has yet to work well. After the debt rose to 119.8% of the economy in 1946, it was down to 31% of GDP by 1981, even though the budget was only balanced or in surplus for 8 of those 35 years. This was achieved through more economic growth and less spending.

Past Budget Reform Effort Successes and Failures

In the last three years of the Clinton administration, the federal budget was in surplus, along with the first year of the Bush, Jr. administration. However, the gross federal debt continued to increase as they exchanged debt with different maturities. The public's debt decreased by about $430 billion from 1998 to 2000 and $128 billion in 2001. President Clinton and the Democrat Congress had plans to spend every dollar of the 1993 tax hike plus $200 billion, the amount they felt was politically acceptable. Reagan had run such deficits. When Republicans captured the House and Senate in 1994, they refused to spend as Clinton wanted because of the work of Speaker Newt Gingrich and others. The capital gains tax was cut in 1997 from 28% to 20%, and the economy was spurred. Slower spending and more growth gave America four years of surpluses.

Can we increase the economy's growth rate and slow the growth rate of federal spending again? We must!

About 70% of the federal budget comprises mandatory outlays, such as Social Security, Medicaid, Medicare, Veterans benefits, national defense, and other expenditures. These are considered on automatic pilot because politicians don't want to make necessary changes to these and risk upsetting voters, thereby not winning reelection. Unlike in the late 1990s, we cannot significantly cut spending by reducing domestic discretionary and military spending. The Clinton-Gingrich surpluses were largely made possible by the collapse of the Soviet Union and a decline in military spending from 5% to 4% of GDP, as well as by reforming safety net programs, which included beneficial work requirements for safety-net recipients.

In the Obama years, the U.S. House voted to block grant programs such as welfare, food stamps, and federal housing programs to the states and capped their outlay growth. This is what Republicans did during the Clinton years for Medicaid and traditional welfare, Aid to Families with Dependent Children, now known as Temporary Assistance to Needy Families (TANF). Clinton refused to block grant Medicaid, but after vetoing welfare reform—block granting it to the states—he was reportedly told he had to choose whether to sign the welfare reform bill or lose the 1996 presidential election. He signed it. Welfare spending fell substantially, by as much as 30%, in most states after that as people went to work and provided for their families.

Also during the Obama years, the Budget Committee Chairman and then-Republican House Speaker Paul Ryan led the House of Representatives to pass a budget called The Path to Prosperity: Restoring America's Promise that block-granted most means-tested welfare programs and capped their spending growth. Those reforms covered Medicaid and welfare programs but not Social Security and Medicare. The Senate passed such a budget once. But Obama would not sign such reforms. Ryan showed a better approach than the fiscal insanity today. He also showed that such a budget could be passed in the House multiple times and that Republicans could keep control of the House and Senate. Such reforms to mandatory programs focused on means-tested programs—not the ones people believe they have paid for (Social Security and Medicare)–without political backlash.

More recently, in 2017, Republicans passed a related Medicaid reform through the House and came within Senator John McCain's one-nay vote to pass such a reform that Trump had agreed to sign. Even a narrow majority of Republicans in the House and Senate with a Republican president could enact significant reform. This could include block-granting welfare programs to the states and removing federal mandates so states could experiment with different ways to keep costs down, which is paramount in our system of federalism. At the state level, several states are moving their government pensions from the traditional union-style defined-benefit system that runs up unfunded liabilities to defined-contribution plans—40lK-style—that do not create unfunded liabilities. As they grow in number and size–and in the private sector, most pensions are already 401K-style defined-contribution plans–the willingness of Americans to shift Social Security and Medicare to similar structures will grow. The idea first floated by Bush, Jr. remained popular with younger voters even as the Democrats refused to consider the reform in the 2000s. Chile shifted its social security system to an opt-in program like an IRA. Ninety percent chose to leave the traditional program, and the government option was eventually phased out. Since then, more than 30 other countries have privatized or partially privatized their retirement programs. Britain has a hybrid system similar to some U.S. state pensions. Over time,

the unfunded liabilities reduce to zero under this approach, and total spending bends down the cost curve.

Simply beginning the block granting of means-tested programs and later starting the longer phase-in to fully funded, individually controlled 401 K-style Social Security and Medicare would clarify that the U.S. was headed toward fiscal sustainability by reducing pressure on the budget and the economy.

Economic Growth: The Key to Prosperity
A robust economy is the bedrock of a sustainable fiscal future. By implementing pro-growth policies, we can bolster economic stability and create an environment that fosters job creation and wealth generation, ensuring a prosperous future for all.

The Impact of Tax Policy on Growth
We had strong economic growth after the Reagan tax cuts. This broad-based tax cut reduced the top individual tax rate from 70% to 50% in 1981 and then to 28% in 1986, which lasted until Bush, Sr. raised taxes. The capital gains tax reduction in 1978, 1981, 1997, and 2001 contributed to higher economic growth rates. More recently, the Trump tax cuts of 2017 cut the corporate income tax rate from 35%, the highest in the developed world, to 21%, making it near the European average. Over time, the entire Trump tax cuts and deregulation contributed to an inflation-adjusted median household income increase of 8.5% from 2017 to 2019. Lower individual tax rates and capital gains taxes (Coolidge, JFK, Reagan, Bush, Jr., and Trump) and the corporate tax rate in 2017 contributed to faster economic growth rates in the past and will again. Less spending and more economic growth are good ideas but are now required by the growing debt from years of uncontrolled spending and underperforming economic growth.

The Role of Pro-Growth Policies in Reducing the Deficit
To achieve long-term fiscal sustainability, it is essential to implement pro-growth policies that stimulate economic activity and increase government revenues without raising tax rates. Lowering taxes can increase incentives to work and invest, supporting higher economic growth and increasing tax revenues. This is the "Laffer Curve" effect, where reducing tax rates can sometimes increase total tax revenue by boosting economic activity. Regulatory relief can lower the cost of compliance for businesses, encouraging them to invest and expand. This increased investment increases productivity, job creation, and economic growth. By making the Trump tax cuts permanent, finding other tax reforms and relief to support more growth, and reducing regulations that inhibit economic growth, there is ample opportunity to support faster economic growth and increased tax revenues.

The CBO expects total outlays to be $6.4 trillion in FY 2024, $6.8 trillion in FY 2025, and $10.1 trillion in FY 2034. This is not sustainable because total revenue is expected to be $4.9 trillion in FY 2024, $5.0 trillion in FY 2025, and $7.5 trillion in FY 2034. **Figure 1** shows this under these caps, which would function like a strict fiscal rule for the entire budget and projected total revenue if there was a sustained 1-percentage point higher real GDP over the decade due to more pro-growth economic policy. The spending caps are explained further below.

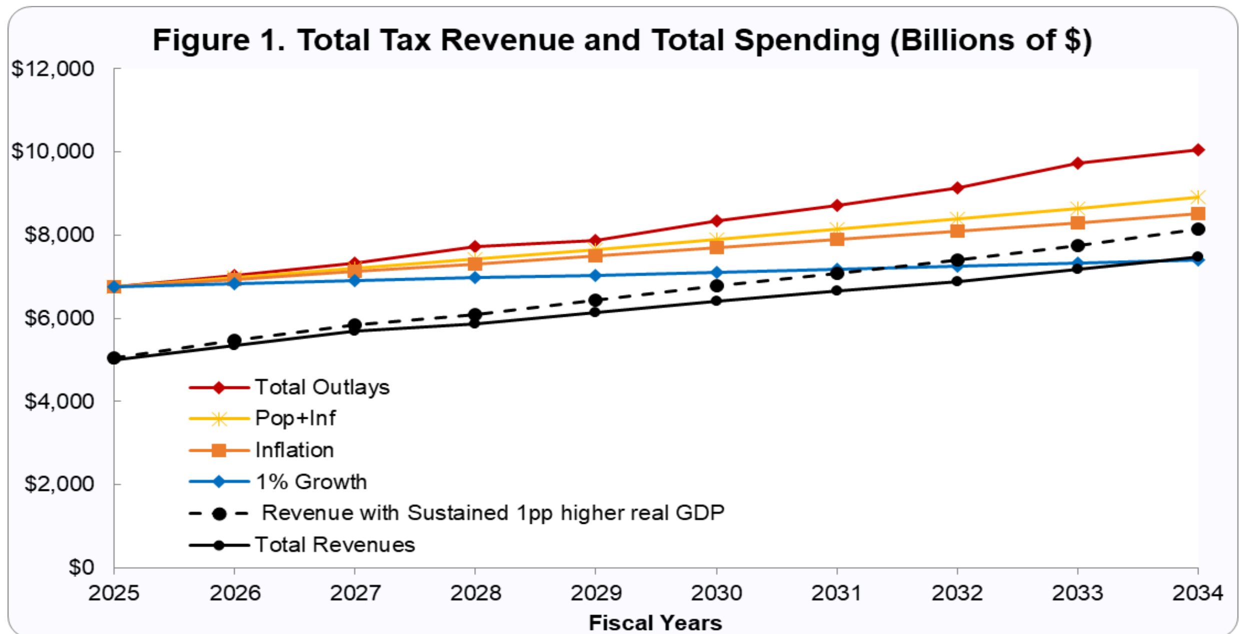


Table 1 shows the results of the CBO's projection of the total for mandatory outlays and our estimates for each growth cap scenario for the upcoming 10-year window.

Table 1. Results of Different Scenarios for Total Spending and Revenue (Billions of $)

Scenario	2025-2034	Cost/(Savings)	% Cost/(Savings)
Total Tax Revenue	$62,649		
Rev+Sustained 1pp higher real GDP	*$66,101 (+$3,452)*		
Total Outlays	$82,665		
1% Growth	*$70,806*	*-$11,859*	*-14.3%*
Inflation	*$76,142*	*-$6,522*	*-7.9%*
Pop+Inf	*$78,001*	*-$4,663*	*-5.6%*

Faster economic growth could come with such tax reforms as a simplified, broad-based, flat-income tax system. Based on the data from the President's latest budget estimates (see Table 2-4) of a sustained one percentage point higher real GDP over the 10-year window, there could be nearly $3.5 trillion more in tax revenue. The result would be that the federal government would nearly balance in 2031 with a 1% growth limit on spending or by nearly 2034 with a spending limit of inflation. A spending limit of the rate of population growth plus inflation would still run a deficit after a decade but would balance shortly after that.

Total Deficit

These sustainable budget approaches work well to support more economic growth and reduce spending growth over time. However, these will likely create tough political challenges, though

they should be considered rather than raising taxes. Of course, these budget improvements would be even more significant if there were pro-growth policies of less spending, lower taxes, reduced regulation, expanded free trade, and other efforts that limit government intervention in our lives and livelihoods. Given the above calculations, we can evaluate, based on our approaches, what could happen to the deficit over time. **Figure 2** shows what this looks like under these caps.

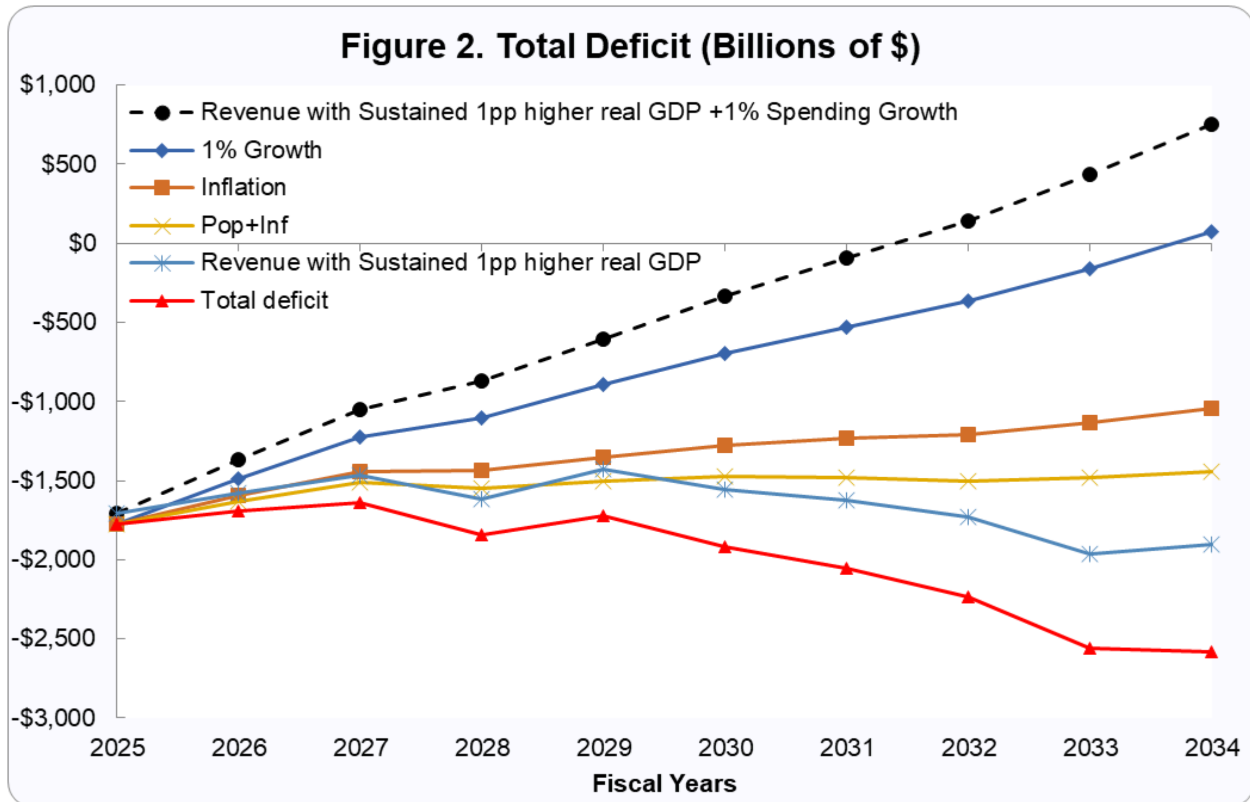


Table 2 shows the results of the CBO's projection of the total for the total deficit and our estimates for each growth cap scenario for the upcoming 10-year window.

Table 2. Results of Different Scenarios for Total Spending and Revenue (Billions of $)

Scenario	**2025-2034**	**Savings/(Cost)**	**% Cost/(Savings)**
Total Deficit	-$20,016		
Rev+Sustained 1pp higher real GDP	*-$16,564*		
1% Growth	*-$8,157*	*$11,859*	*-59.2%*
Inflation	*-$13,494*	*$6,522*	*-32.6%*
Pop+Inf	*-$15,353*	*$4,663*	*-23.3%*

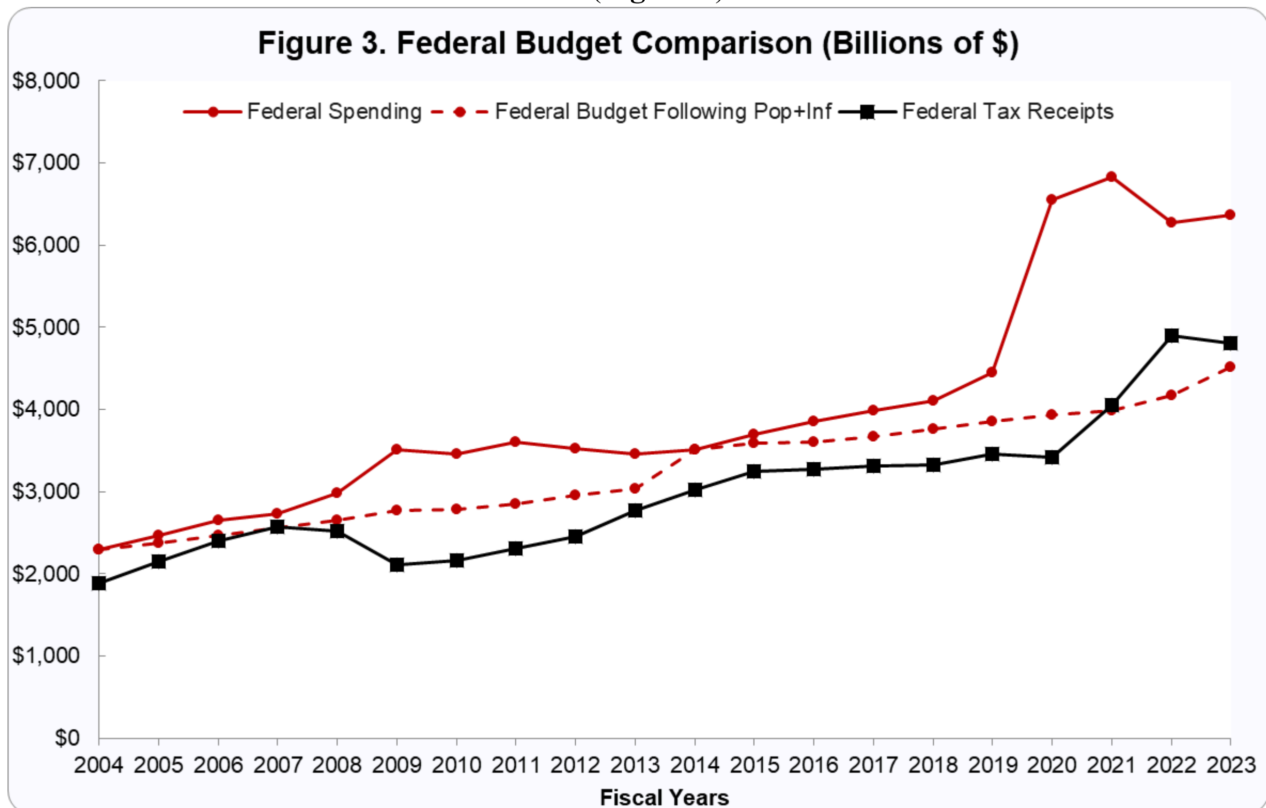
Overall, the only approach to a balanced budget by 2034 is the 1% growth cap, but faster economic growth would help the other two spending restraint approaches reach a balanced budget in about a decade. All three spending restraint approaches would improve the budget picture substantially compared with the CBO's baseline budget. Also, we have kept the CBO's projections for tax revenues or used the President's latest estimates with faster economic growth, so our approach is very conservative. The results would most likely be substantially higher tax revenues by limiting government spending in the productive private sector and not hurting economic activity by raising taxes, as noted above, but rather providing pro-growth tax reform.

Fiscal Reform Initiatives and Their Outcomes

Various fiscal reform initiatives have been proposed and implemented over the years, with varying degrees of success. The most effective have combined spending restraint with pro-growth economic policies.

Sustainable Budgeting Practices

Adopting sustainable budgeting practices involves setting strict limits on spending growth and focusing on essential services. This approach helps to stabilize debt levels and create a more predictable fiscal environment. The federal government's enactment of a sustainable budget would assist these reforms. This would be a fiscal rule of spending limit similar to the Swiss debt brake or Colorado's TABOR, whereby federal spending would be capped at no more than the rate of population growth plus inflation. Of course, federal spending should be much lower than this rate to correct for past excesses and bloated national debt. However, the spending limit will force Congress to reform mandatory programs and reduce the national debt. Had this spending limit been in place from 2004 to 2023, the federal debt would have increased by $700 billion instead of the actual increase of $20.2 trillion (**Figure 3**).



A cornerstone of our approach is establishing a strict federal spending limit, block-granting federal safety net programs, and mandating work requirements for recipients to receive taxpayer funds. This approach underscored the need for disciplined fiscal policy to curb the government's excessive spending tendency. By setting a clear ceiling on expenditures, our proposal sought to ensure that federal spending grows at a rate that does not exceed the taxpayers' ability to fund it, thereby addressing the root cause of the burgeoning national debt. The key pillars of our project are block grants and work requirements for safety net programs tied with spending restraint and other pro-growth policies.

Block Grants and Work Requirements

One successful reform has been the implementation of block grants for welfare programs, coupled with work requirements. This approach was central to the welfare reform of the 1990s, which led to significant decreases in welfare dependency and poverty rates. Medicaid, a significant component of the federal safety net, has been a focal point of fiscal scrutiny due to its rapidly expanding costs. As a joint federal-state program, Medicaid's current open-ended funding structure incentivizes higher spending, contributing to its unsustainable trajectory. We propose a transformative reform of Medicaid by transitioning it to a block grant program. This approach would allocate fixed amounts of funding to states, granting them greater autonomy over the administration of Medicaid. This decentralization is intended to spur innovation and efficiency as states tailor the program better to fit the needs and circumstances of their populations. Crucially, this block grant proposal includes stringent limitations on funding growth. These limitations ensure that Medicaid spending does not outpace the broader economy or the government's fiscal capacity. By imposing these constraints, the plan aims to make Medicaid more sustainable long-term, aligning its growth with realistic fiscal parameters and reinforcing the broader goal of government restraint.

Advancing Fiscal Responsibility: The Broader Implications

While Medicaid reform was a critical aspect of Ryan's fiscal strategy, it should be extended to a comprehensive overhaul of mandatory programs. By advocating for reforms that introduce more market forces and personal responsibility into programs like Medicare and Social Security, we could address the unsustainability of mandatory spending. These reforms are grounded in the principle that fiscal responsibility necessitates hard choices and innovative solutions to preserve the social safety net for future generations. At the heart of our proposal is a call for limited government. This means reducing the size and scope of federal programs and emphasizing the importance of unleashing the private sector's potential. By advocating for tax and regulatory reforms that encourage investment and job creation, our proposal reflects a belief in the power of economic freedom to drive prosperity.

Results from the Let Americans Prosper Project

Many areas of the federal budget need to be reformed or eliminated, as many are questionable under the Constitution. But without eliminating those areas right away, unless there is political will, the Sustainable American Budget approach block grants many of the programs that currently go to states and cap the growth rate of those to different rates. These growth rate caps include 1%, inflation rate, or the rate of population growth plus inflation. The inflation measure used is the chained-consumer price index, which accounts for substitution effects and has been

the index used to adjust federal income tax brackets since the Trump tax cuts. Our analysis uses the average growth rates from the last decade of 2.59% for chained CPI and 3.12% for population growth plus inflation. We consider different areas of the budget for the latest CBO projections for tax revenues and spending from 2025 to 2034. These projections from the CBO need to be more precise as they do not account for unforeseen recessions or other complications. Our projections do not account for the likelihood of faster economic growth from our pro-growth policy changes. Regardless, our projections provide helpful estimates when considering the best path forward to deal with the fiscal and economic crisis. **Table 3** provides the CBO's 10-year window estimates for the federal budget.

Table 3. CBO's 10-Year Baseline Budget Window Totals (Billions of $)

Totals	**2025-2034**
Tax Revenue	$62,649
Outlays	$82,665
Mandatory	*$50,999*
Discretionary	*$19,231*
Net Interest	*$12,435*
Deficits	$-20,016

These data indicate that mandatory spending on things like Medicare and Social Security will account for 61.7% of the total outlays over the next decade, with discretionary spending comprising 23.2% and net interest of 15.0%. This provides further evidence that something must be done about mandatory programs before there is fiscal relief. Given this unsustainable trajectory, we consider the following scenarios for specific areas of the budget and others for comparison to help right the ship that is ready to crash if it has not already.

Medicaid Spending

We start by block-granting Medicaid expenditures to states. Medicaid has many problems, as recently outlined by the American Legislative Exchange Council, and those states that haven't expanded Medicaid should not. In short, coverage doesn't equal care, especially when it is covered by the government and paid for by taxpayers. Regardless, we consider what Medicaid could spend over the next decade if it was block-granted to states and then limited to the growth rate caps noted above. **Figure 4** shows what this looks like under these caps.

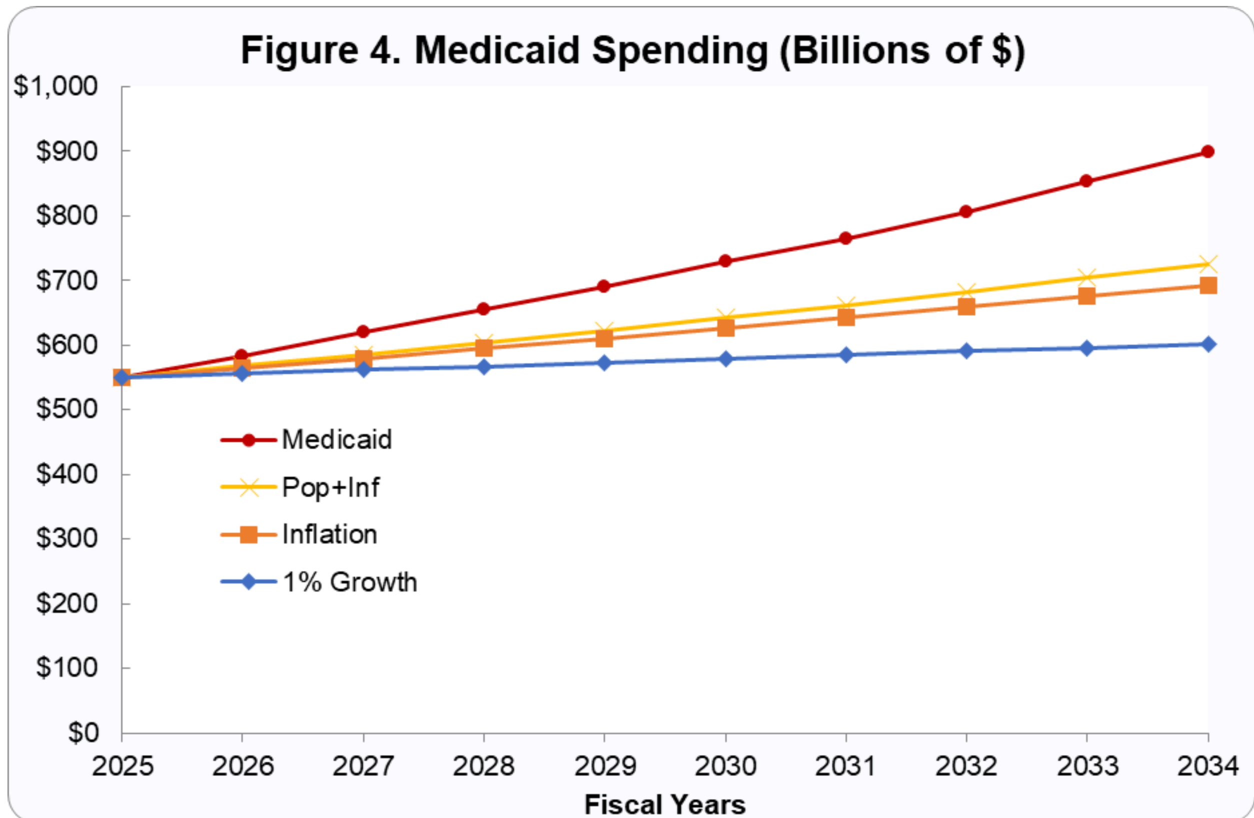


Table 4 shows the results of CBO's projection of Medicaid spending and our estimates for each growth cap scenario for the upcoming 10-year window from 2025 to 2034.

Table 4. Results of Different Scenarios for Medicaid Outlays (Billions of $)

Scenario	**2025-2034**	**Cost/(Savings)**	**% Cost/(Savings)**
Medicaid	$7,148		
1% Growth	*$5,760*	*-$1,387*	*-19.4%*
Inflation	*$6,915*	*-$953*	*-13.3%*
Pop+Inf	*$6,346*	*-$802*	*-11.2%*

Medicaid and Income Security Programs Spending

Expanding the block grant approach beyond Medicaid, we should include income security programs such as the Supplemental Nutrition Assistance Program (SNAP), earned income, child and other tax credits, supplemental security income, unemployment compensation, child nutrition, and family support, including housing vouchers and foster care. Consolidating these programs into block grants to states can significantly improve efficiency and accountability. States, being closer to the needs of their populations, are better positioned to administer these programs effectively, ensuring that aid reaches those who need it most while minimizing waste and fraud. **Figure 5** shows what this looks like under these caps.

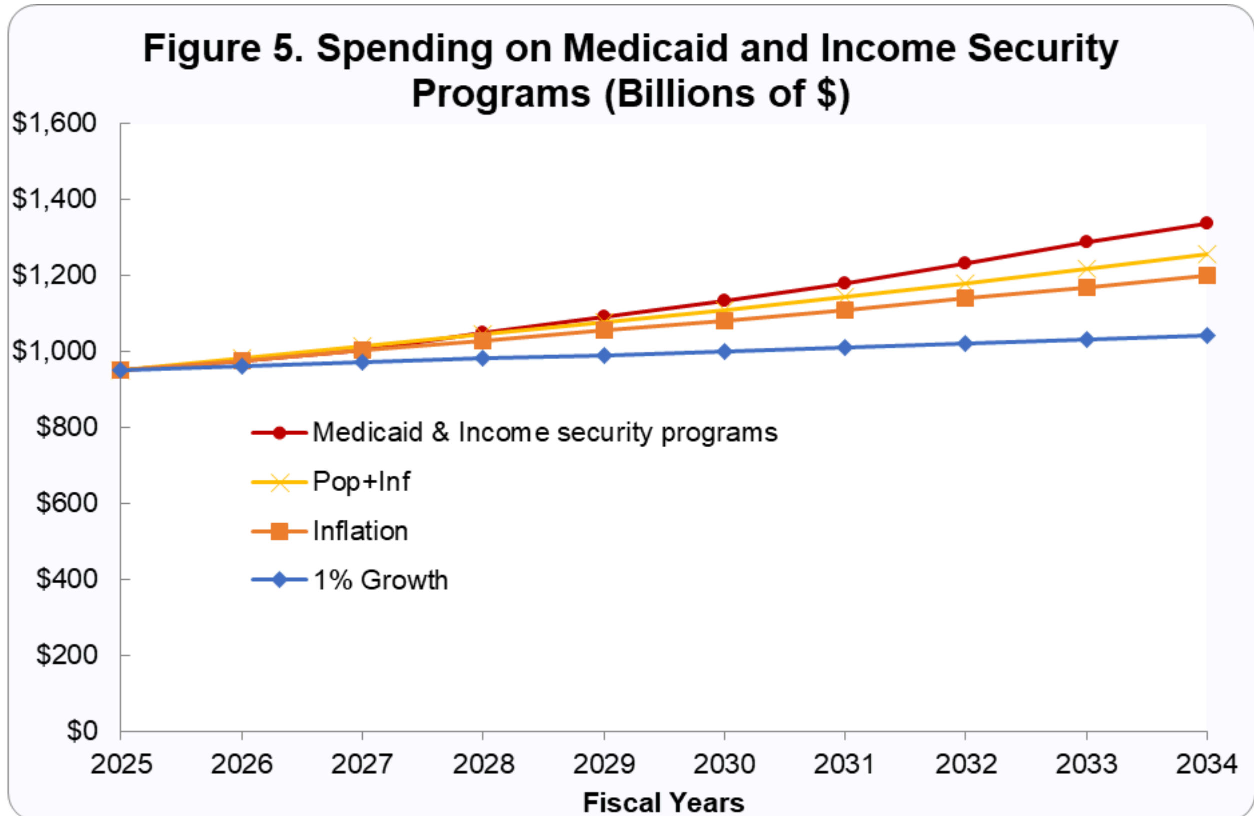


Table 5 shows the results of the CBO's projection of the total for Medicaid and income security program spending and our estimates for each growth cap scenario for the upcoming 10-year window.

Table 5. Results of Different Scenarios for Medicaid and Income Security Programs Outlays (Billions of $)

Scenario	2025-2034	Cost/(Savings)	% Cost/(Savings)
Programs	$11,239		
1% Growth	*$9,962*	*-$1,277*	*-11.4%*
Inflation	*$10,713*	*-$526*	*-4.7%*
Pop+Inf	*$10,975*	*-$264*	*-2.4%*

Because the CBO projects that spending on income security programs will decline in 2026 and 2027 and then increase again, its average growth rate is 1.1%. Hence, the primary savings from our approach is on Medicaid spending.

Discretionary Spending

Capping Medicaid and other safety net programs will help provide some fiscal relief but not much over time. We also consider our approach with discretionary spending, which is expected

to be $1.7 trillion or about 27% of $6.4 trillion in total outlays in FY 2024. **Figure 6** shows what this looks like under these caps.

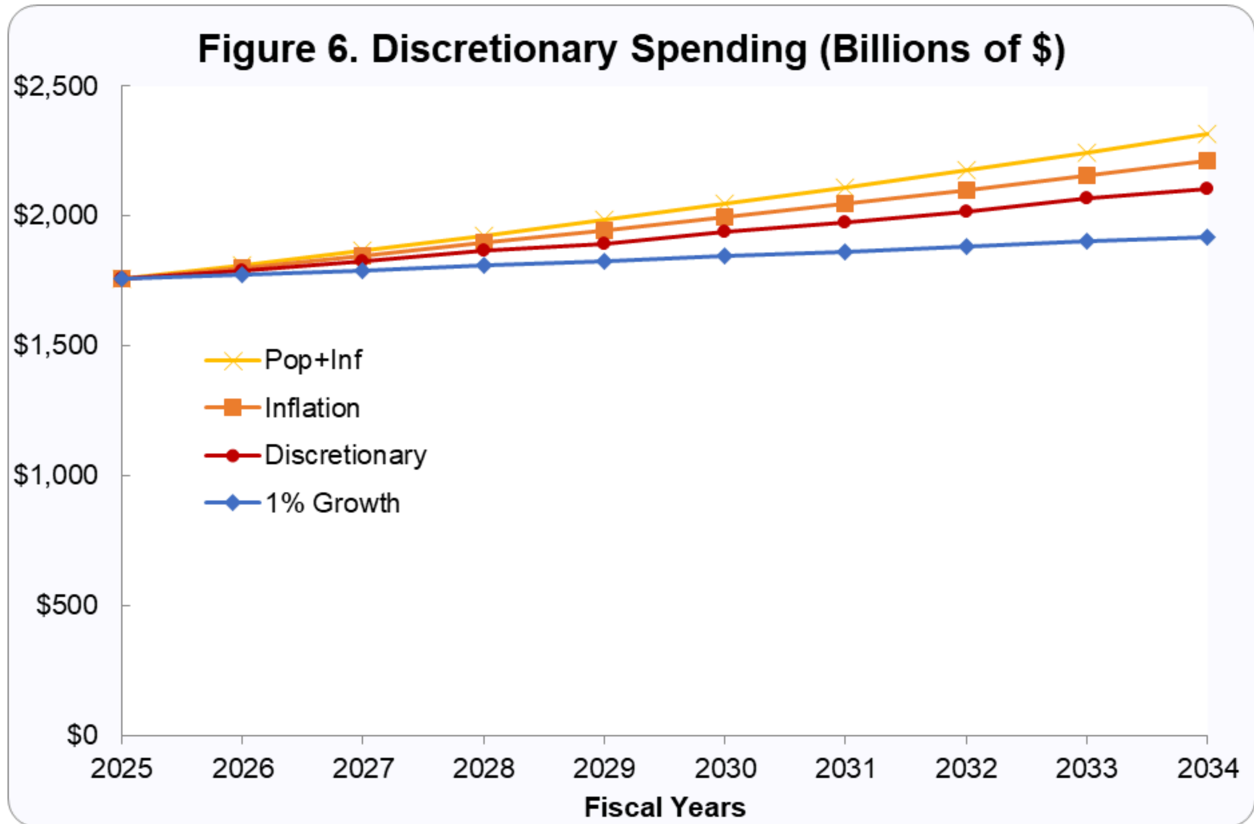


Table 6 shows the results of the CBO's projection of the total for discretionary outlays and our estimates for each growth cap scenario for the upcoming 10-year window.

Table 6. Results of Different Scenarios for Discretionary Outlays (Billions of $)

Scenario	**2025-2034**	**Cost/(Savings)**	**% Cost/(Savings)**
Discretionary	$19,231		
1% Growth	*$18,372*	*-$858*	*-4.5%*
Inflation	*$19,757*	*$526*	*2.7%*
Pop+Inf	*$20,239*	*$1,009*	*5.2%*

The only scenario that reduces discretionary outlays compared with the CBO's baseline is the 1% growth approach. Of course, this is less than 30% of total outlays, so major cuts would be needed to improve the unsustainable fiscal trajectory.

Mandatory Spending

Capping discretionary spending alone will not solve the long-term fiscal problem. While we understand this will be politically challenging, evaluating what else must be done to provide a

sustainable fiscal path is important. We consider our approach for mandatory outlays, which includes Social Security, Medicare, and other programs. The CBO expects mandatory outlays to be $3.8 trillion, or about 73% of $6.4 trillion in total outlays in FY 2024. **Figure 5** shows what this looks like under these caps.

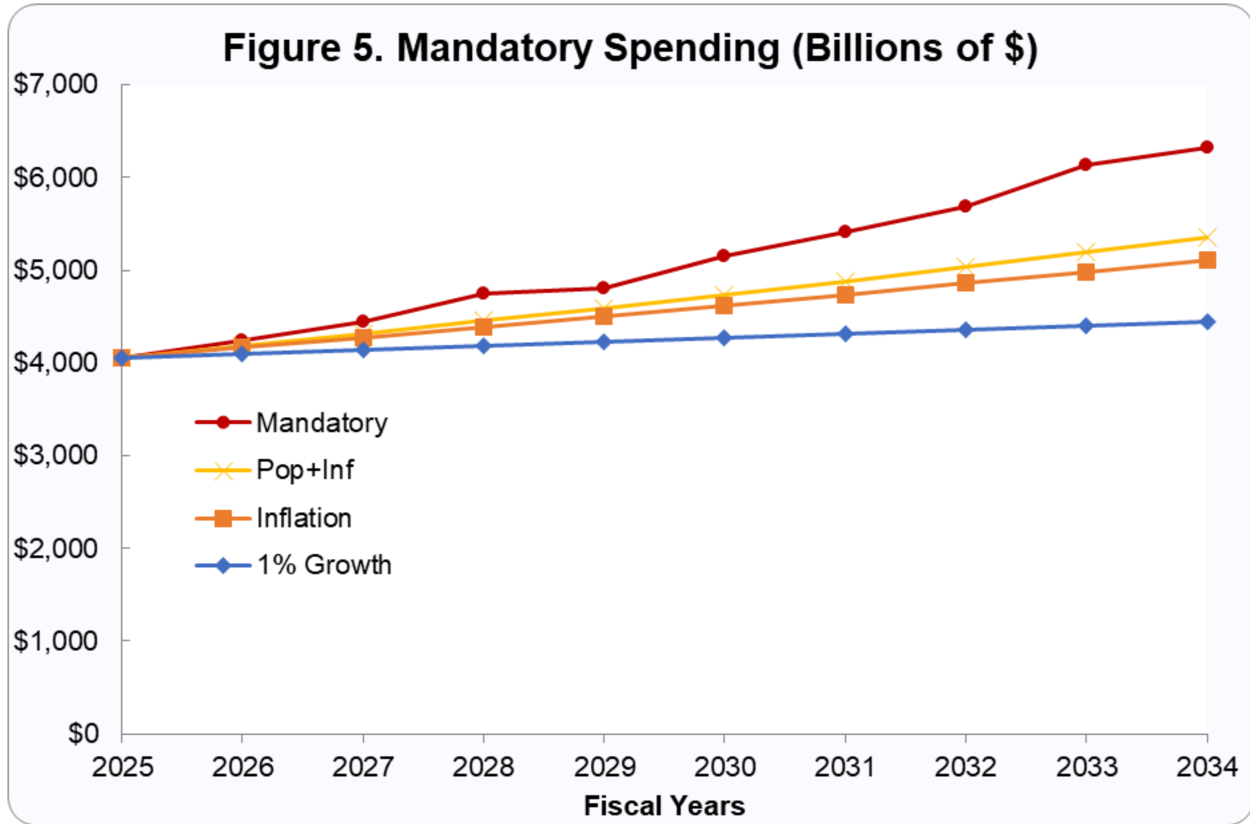


Table 5 shows the results of the CBO's projection of the total for mandatory outlays and our estimates for each growth cap scenario for the upcoming 10-year window.

Table 5. Results of Different Scenarios for Mandatory Outlays (Billions of $)

Scenario	2025-2034	Cost/(Savings)	% Cost/(Savings)
Mandatory	$50,999		
1% Growth	$42,486	-$8,513	-16.7%
Inflation	$45,688	-$5,311	-10.4%
Pop+Inf	$46,804	-$4,195	-8.2%

These sustainable budget approaches work well to reduce the long-term cost of mandatory outlays. However, these will likely create tough political challenges, though they should be considered rather than raising taxes.

Social Security
Regarding mandatory outlays, we consider our approach specifically for Social Security and Medicare. **Figure 6** shows what spending on Social Security looks like under these caps.

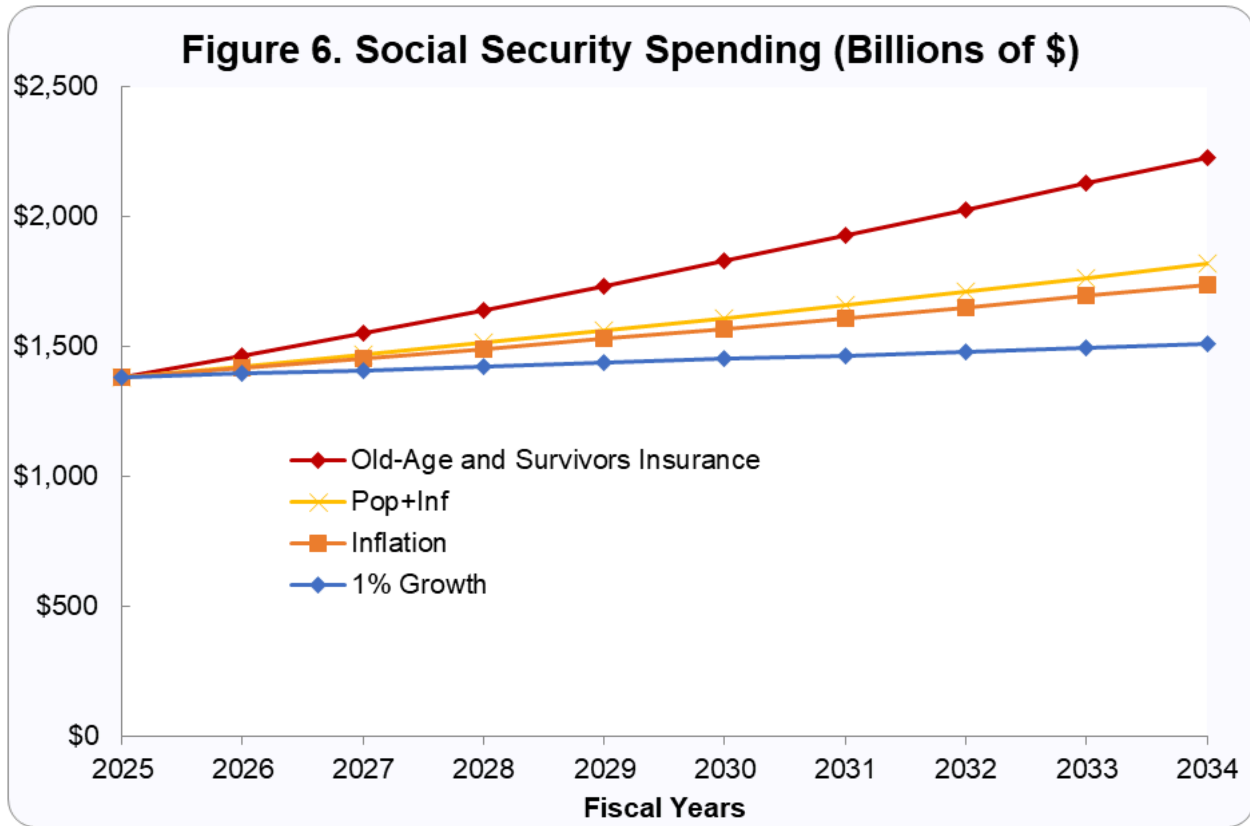


Table 6 shows the results of the CBO's projection of the total for Social Security and our estimates for each growth cap scenario for the upcoming 10-year window.

Table 6. Results of Different Scenarios for Social Security Outlays (Billions of $)

Scenario	2025-2034	Cost/(Savings)	% Cost/(Savings)
Social Security	$17,911		
1% Growth	*$14,448*	*-$3,463*	*-19.3%*
Inflation	*$15,538*	*-$2,374*	*-13.3%*
Pop+Inf	*$15,917*	*-$1,994*	*-11.1%*

Medicare
Regarding mandatory outlays, we consider our approach specifically for Social Security and Medicare. **Figure 7** shows what spending on Social Security looks like under these caps.

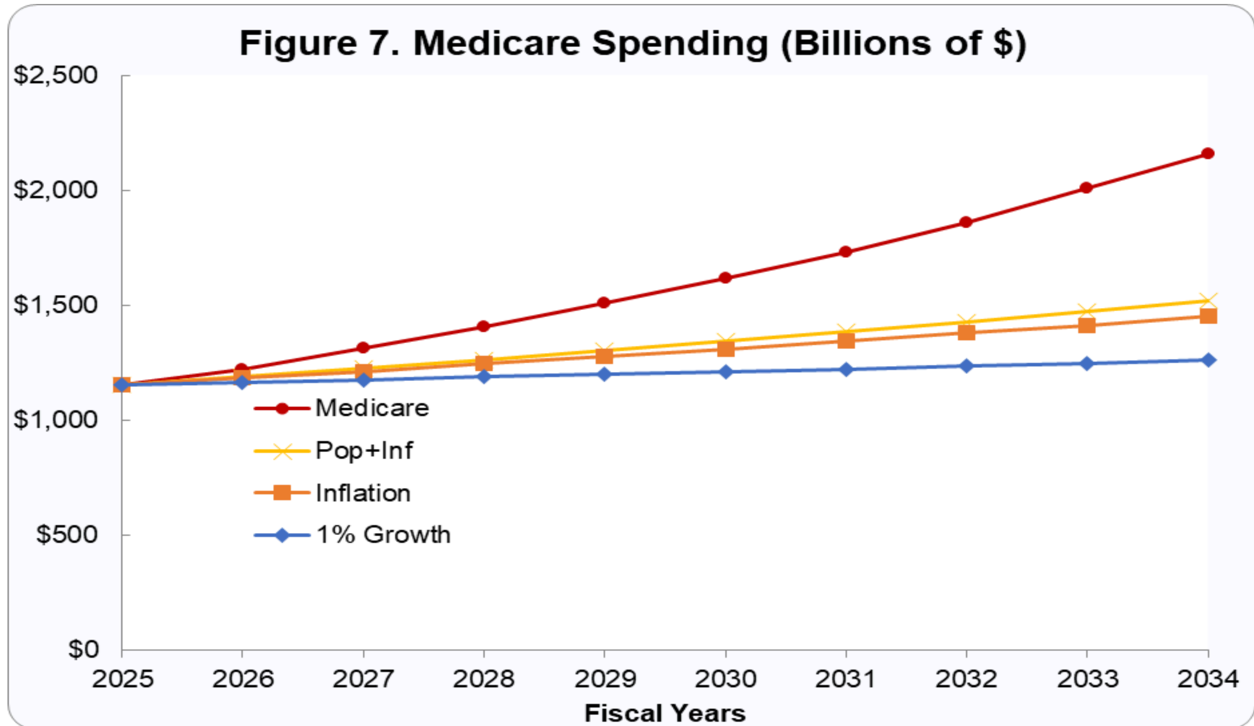


Table 7 shows the results of the CBO's projection of Medicare's total and our estimates for each growth cap scenario for the upcoming 10-year window.

Table 7. Results of Different Scenarios for Medicare Outlays (Billions of $)

Scenario	2025-2034	Cost/(Savings)	% Cost/(Savings)
Medicare	$15,983		
1% Growth	$12,056	-$3,927	-24.6%
Inflation	$12,965	-$3,018	-18.9%
Pop+Inf	$13,281	-$2,702	-16.9%

Conclusion: Envisioning a Sustainable Fiscal Future

The Let Americans Prosper Project provides a fiscal reform approach that boldly attempts to steer the U.S. from its unsustainable fiscal path. Government restraint, including a strict spending limit and targeted reforms like block-granting Medicaid and other safety net programs to states with work requirements, can provide a strong framework for achieving long-term fiscal sustainability. While requiring significant political will and public support, these measures underscore the imperative of disciplined fiscal management and the value of economic freedom in securing America's financial future with a sustainable budget.

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