The Daily Dish

Paying For It

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Let us begin with an Eakinomics Fun Fact (EFF): The Treasury has closed the books on fiscal year 2024 (October 2023—September 2024) and today will release the latest deficit figure. Eakinomics is betting on $1.95 trillion. What's your number? The reader closest to the actual ("Price Is Right" rules) gets a free subscription to the Daily Dish.

Now, regardless of whether it is $1.95 trillion, $2.0 trillion, or $2.05 trillion, the evidence is in that federal programs are not being paid for. But all of this is about to change if Vice President Harris is elected, according to her interview with "60 Minutes." She insists she will pay for the cost of her proposals, especially by making sure that "the rich" and "largest corporations" pay their "fair share."

Will that solve the problem? As an example, consider the proposal to expand the child tax credit to the size in the American Rescue Plan and pay for it by raising the corporation income tax rate. That is 100 percent in the wheelhouse of Harrisonomics, or Kamalanomics, or whatever. But AAF took a close look at exactly that proposal in recent research. Yes, the proposal does not increase the budget deficit (at least initially), but the impacts on the economy are nearly uniformly negative.

Summary Table
Best-Case Scenario Macroeconomic Impacts

	2025–2034	Long run
GDP	-0.6%	-0.4%
Consumption	0.2%	-0.1%
Investment	-4.2%	-1.2%
After-tax wage rate	0.0%	-0.3%
Labor supply	-0.4%	-0.4%
Private capital	-0.7%	-1.3%
Annual impacts relative to 2024 U.S. economy		
GDP ($ billions)	-$170	-$110
Employee compensation ($ billions)	-$60	-$100
Job equivalents	-690,000	-1,140,000

Note: See Appendix A for more information on how the impact of the CTC expansion was modeled. Figures are rounded.
Source: EY analysis.

The moral is pretty clear. If you pair an unwise economic policy with a destructive tax policy, the outcome will be bad news. Moreover, because gross domestic product is smaller, the tax revenue will be smaller, and the deficit will ultimately rise. Also, aiming the taxes at corporations ends up backfiring – after-tax wages fall for workers and consumption declines as well. No, thank you.

Unfortunately, that is the core of the Harris platform. It turns out that what she calls the “opportunity economy” is just the opportunity to line up at trough after trough of taxpayer dollars – a series of new programs of questionable growth impact and economic merit. And these are promised to be financed by higher taxes on affluent individuals, especially their interest, dividends, and (realized and unrealized) capital gains. It is a broadly anti-growth platform that will deliver results analogous to the table above. Not surprisingly, given her policy roots, it is reminiscent of the research on the Elizabeth Warren and Bernie Sanders wealth taxes. These proposals cost workers $0.60 for every dollar collected of wealth taxes.