The United States is going through its worst financial crisis in the past 200 years. The government's debt now exceeds 100% of GDP and government deficits are projected as far as the eye can see. We are in our current situation because for the past 50 years, Congress and the President have bought votes by increasing transfers through entitlements and lowering taxes for everyone. The people receiving the transfers don't want their benefits cut, and the people paying taxes don't want to pay more.

As can be seen in the battle over raising the debt ceiling in August, Congress provided no solution, but set up a Super Committee to talk more. Harry S Truman said "The Buck Stops Here". Congress is like a bunch of drunks at a bar who buy another round of drinks so they'll have more time to decide which A.A. meeting to go to. Taylor's Ten is a plan that will reduce the deficit while promoting growth so the United States can declare: "The Deficit Stops Here!"

THREE PRINCIPLES

The Tax Reform of 1986 simplified the US Tax system and improved its efficiency. But the financial bubbles of the 1990s and 2000s increased the revenue going to the government from capital gains. When the bubble burst, the financial crisis created the Tax Collapse of 2008. Instead of dealing with this problem, Congress and the President went on a spending spree, providing a fiscal solution to a financial problem. So how should Washington change things to solve existing problems and prevent future crises?

Any changes in fiscal policy should follow three principles:

1. Changes should increase economic efficiency because this will lead to growth in the economy.
2. Changes should introduce a greater role for the market to improve the allocation of resources.
3. Changes should be difficult to undo to prevent Washington from undoing changes for short term political benefits.

Following these principles will ensure that changes benefit the American economy as a whole, and promote long-term growth for decades to come.

There are ten changes to government fiscal policy that, when made, would follow these principles, solve the government's current deficit crisis and ensure that the economy is redirected on a path toward growth.

1. Eliminate the Corporate Income Tax. Corporations don't pay taxes, they collect taxes. Any taxes they collect are passed on to consumers, workers or shareholders. The US has one of the highest corporate income tax rates in the developed world, and eliminating the Corporate Income Tax would do more to stimulate the economy than all of the stimulus programs passed by Congress since the financial crisis began.
2. Eliminate tariffs. Tariffs bring in very little revenue, but distort the economy and reduce free trade. They impose costs on the economy and only benefit those with Congressional influence.

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3. Eliminate Tax Expenditures. The best way to increase revenues to the government is to eliminate the distortions in the tax code. This means removing the mortgage interest deductions and similar benefits that have accumulated over time. With the removal of the tax expenditures, there is no longer any need for a standard deduction. This will expand the tax base which has shrunk to only 50% of taxpayers for the Federal Income Tax.
4. Lower Marginal Tax Rates. The basic principle should be that marginal tax rates should be as low as possible, consistent with balancing the budget. The Alternative Minimum Tax should be eliminated as well. Although a flat tax is best, as long as tax rates are low, some progressivity can be included. I would change the tax break points to $50,000 and $500,000. With the elimination of tax expenditures, marginal tax rates could be lowered to 15%, 20% and 25%.
5. Tax both ordinary and passive (dividends, capital gains, etc.) income at the same low rates.
6. Eliminate the revenue redistribution between the Federal Government and States. If Cities and States need more revenue, they should raise it on their own, not depend upon the Federal Government. Federal transfers allow the Federal Government to impose mandates on States as the cost for returning the states' and cities' funds.
7. Require the Federal Government to balance its budget. Washington should provide four-year balanced budgets. Any deficit in the current year would be balanced by surpluses in future years. Keynes never said governments could run deficits forever, and the current system of 10- year Congressional Budget Office Scoring just pushes hard decisions to a future that never occurs because of changes that occur in the intervening years.
8. Reduce discretionary government spending to 2000 levels adjusted for inflation. 2000 was the last year the government ran a surplus, so cut spending back to those levels. Re-enact GrammRudman-Hollings to control growth in government spending in the future.
9. Raise the Retirement Age for Social Security to 70. The minimum retirement age should immediately be raised from 62 to 65 where it was originally. Over the next 10 years, the retirement age can be raised by one year every other year until the minimum retirement age is set at 70. This would solve most of Social Security's future financial problems.
10. Introduce progressivity in co-pays for Medicare. The only way to control medical spending is to make people share in the cost and make them aware of the cost of prescriptions, medical services and other medical expenses. The private sector does this by requiring co-pays. Medicare should do this as well by requiring them to pay 10%, 20% or 30% of their medical costs based upon their income.

NEVER LET A CRISIS GO TO WASTE

Congress and the President so far have been unable to solve our current financial crisis because of the intransigence of both sides. The Democrats and Republicans are like two criminals with guns to each other's' heads, daring the other to pull the trigger. It's no longer "The Buck Stops Here", but "Where's George?" It's time to declare: "The Deficit Stops Here!" This ten-point plan provides long term solutions that promote growth, and Congress and the President should work to implement them all.

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