DOGE Delusions

A Real-World Plan to Reject Elon Musk and Vivek Ramaswamy's Misguided Agenda, Crack Down on Corporate Handouts, Tax the Rich and Invest for the Future

Robert Weissman

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Contact Public Citizen

Main Office	Capitol Hill	Texas Office
1600 20th Street NW	215 Pennsylvania Avenue SE, #3	309 E 11th Street, Suite 2
Washington, D.C. 20009	Washington, D.C. 20003	Austin, Texas 78701
Phone: 202-588-1000	Phone: 202-546-4996	Phone: 512 477-1155

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Introduction

On November 12, 2024, President-elect Donald Trump announced that billionaires Elon Musk and Vivek Ramaswamy would co-chair a new entity, called the "Department of Government Efficiency" (DOGE). "Together," Trump asserted, "these two wonderful Americans will pave the way for my Administration to dismantle Government Bureaucracy, slash excess regulations, cut wasteful expenditures and restructure federal Agencies – Essential to the 'Save America' Movement. … It will become, potentially, the 'Manhattan project' of our time."[1]

The so-called Department of Government Efficiency is not a government department, but an advisory entity with no direct authority to make spending decisions, restructure government agencies or rescind or adjust governmental regulations.

Nor is the new entity concerned with anything approximating "government efficiency." Rather its intended purpose is to shrink government, benefit corporations by cutting regulations and advance a pre-determined ideological agenda, as comments from Musk, Trump and Ramaswamy indicate.

On the campaign trail in October, Musk said that DOGE would cut $2 trillion in annual spending as part of an anti-tax agenda: "I think we can do at least $2 trillion. … I mean, at the end of the day, you're being taxed. You're being taxed. All government spending is taxation. … All government spending, either it becomes inflation or its direct taxation. Your money is being wasted. And the Department of Government Efficiency is going to fix that. We're going to get the government off your back and out of your pocketbook."[2]

In December, Trump echoed the $2 trillion cuts figure: "We're looking to save maybe $2 trillion and it'll have no impact. Actually, it will make life better, but it will have no impact on people."[3]

Meanwhile, Ramaswamy stated that plans to slash the federal workforce aren't about saving money but to carry out a preconceived ideological agenda. Cutting the number of federal workers, he said, is not "really about saving costs," but addressing what he sees as an "overgrown federal government that is doing things that were never supposed to be done by the federal government in the first place."[4]

[1] Statement from President Donald J. Trump, November 12, 2024, https://truthsocial.com/@realDonaldTrump.
[2] Remarks of Elon Musk, October 28, 2024, https://www.bloomberg.com/news/videos/2024-10-28/elon-musk-we-can-cut-2-trillion-from-us-budget-video.
[3] Chris Matthews, "How Elon Musk and Vivek Ramaswamy teamed up to gut $2 trillion in government spending," Market Watch, December 16, 2024, https://www.marketwatch.com/story/how-elon-musk-and-vivek-ramaswamy-teamed-up-to-gut-2-trillion-of-government-spending-2b2a16b9
[4] Erin Doherty, "Vivek Ramaswamy: Firing federal workers will be good for them," December 4, 2024, Axios, https://www.axios.com/2024/12/04/ramaswamy-federal-employees-trump.

Many commentators have pointed out the effective impossibility of cutting $2 trillion annually from the federal budget, given that all federal discretionary spending – including the Pentagon budget and veterans' benefits – totals less than $2 trillion.[5]

Few would argue with the purported goal of "government efficiency," but there is nothing "efficient" about hitting a pre-determined target for spending cuts, least of all one that is infeasible. Nor is there anything "efficient" about ideologically driven notions of shrinking government or corporate profit-driven plans to roll back regulatory protections. Additionally, "efficiency" is not a primary value. Whatever the government does, it should strive to do efficiently (mindful of other considerations), but the real question is what the government should be doing in the first place.

All that said, if one were charitably to interpret the mission of the Department of Government Efficiency as saving money, reducing waste, efficiently raising revenue and getting an economic return for government spending – in short, to get a bang for the government buck – what is a reasonable policy agenda? In an enterprise as large as the federal government, there are undoubtedly many small examples of waste or ill-advised expenditures. But what are the big-ticket items to advance a legitimate, if narrow, "efficiency" agenda?

What Real Efficiency Looks Like

This report identifies a series of policy interventions to save Americans hundreds of billions of dollars every year and to raise hundreds of billions more, every year:

- Measures to reduce prescription drug prices can save $200 billion annually.
- Ending privatized Medicare can save $100 billion annually, while improving quality of care.
- Modest reductions to the Pentagon budget would save $100 billion every year; while more aggressive, evidence-based cuts could save $200 billion annually.
- Ending tax subsidies and handouts to oil and gas corporations would save about $20 billion annually.
- Fair taxes on the rich and corporations could raise $500 billion annually, or potentially much more, as compared with the baseline of the expected extension of the Trump tax cuts.

The report also examines the broad record of regulation and shows that major regulations generate a positive economic return, disproving the notion that the DOGE can find social

[5] Justin Lahart and Rosie Ettenheim "Musk Wants $2 Trillion of Spending Cuts. Here's Why That's Hard," Wall Street Journal, November 26, 2024, https://www.wsj.com/politics/policy/government-spending-doge-elon-musk-trump-administration-60477bc5.

savings through regulatory rollbacks. And it makes the case for large-scale public investments that will generate positive economic returns, separate and apart from their non-economic benefits:

- Major regulatory protections are already subject to careful scrutiny for their economic impact and – individually and collectively – strengthen the national economy. A government efficiency agenda should leave existing rules alone and promote an efficient and robust rule-making system.

- Many significant social investments, such as early childhood programs, provide a net positive return to the government and a much wider swath of social investments generate substantial positive returns in the economy. These are efficient investments that should be expanded, not rolled back.

- Large-scale public investments to speed the transition to a clean energy future and to adapt to the now-unavoidable impacts of climate change are needed to protect the health of the national and global economy and will return many times over in narrow economic terms. Investing to prevent climate catastrophe is one of the most efficient projects the federal government can undertake.

Ending Big Pharma's Price Gouging

The United States spends more – a lot more – than other countries on prescription drugs. Prescription drugs in the United States are three to four times the price in other rich countries.[6] The reason for the price discrepancy is simple: Other countries maintain policies to prevent price gouging by Big Pharma. In the United States, there are few restraints on Big Pharma's monopoly pricing.

The rip-off is even worse than it seems at first blush. The federal government pays for almost half of all drug purchases in the United States through the Department of Health and Human Services.[7] Governmental drug purchases overall – including by states and municipalities and covering governmental employees – constitute nearly 60 percent of spending on prescription drugs.[8] But with the important exception of the Veterans Health Administration, the U.S. government – the largest purchaser of medicines in the world – fails to leverage its purchasing power to lower drug prices. Compounding the outrage,

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[6] "U.S. prices for brand drugs were 422 percent of prices in the comparison countries, or at least 322 percent if we adjust for estimated rebates in the U.S., but not for estimated rebates in other countries (for which data are generally unavailable)." https://aspe.hhs.gov/sites/default/files/documents/d5541b529a379d1f908ed2f9c00a9255/aspe-cover-idr-pricing-availability.pdf.

[7] U.S. Department of Health and Human Services, Office of Inspector General, "Drug Spending," December 16, 2024, https://oig.hhs.gov/reports-and-publications/featured-topics/drug-spending.

[8] Elizabeth Schrier, David U. Himmelstein, Adam Gaffney, Danny McCormick and Steffie Woolhandler "Taxpayers' Share of US Prescription Drug and Insulin Costs: a Cross-Sectional Study," Journal of General Internal Medicine, October 2024, https://doi.org/10.1007/s11606-024-09032-x.

U.S. government funding contributes at least in some way to the invention and development of virtually every new drug[9] – and does not even demand reasonable pricing in return. In other words, the world's largest drug purchaser also funds the development of every new medicine – and then, with some exceptions, lets Big Pharma set whatever monopoly price it chooses. Then, the U.S. government agrees to pay that same inflated price.

There's no question the U.S. government could lower drug prices dramatically, if it chose. Canada pays about one third the U.S. price for branded drugs. France and Japan pay less than a quarter.[10] Before Medicare was empowered to undertake limited drug price negotiations, the Department of Veterans Affairs (VA) paid about half of what Medicare Part D did.[11]

The United States spends more than $400 billion annually on drugs.[12] If the country cut its drug spending by 40 percent it would save $170 billion from 2023 levels - and more over the next decade. Even with that savings, the U.S. would still be paying prices somewhat higher than the VA and considerably higher than other rich countries.

To appreciate how badly Big Pharma is price-gouging U.S. taxpayers and consumers, consider the case of the GLP-1 inhibitor semaglutide, sold by Novo Nordisk under the brand names Ozempic and Wegovy. Novo Nordisk charges Americans up to 15 times more than it charges other wealthy countries for Ozempic and Wegovy.[13] Novo Nordisk's pricing isn't justified by research and development costs. Since Ozempic's launch in 2018, the two drugs have made the company more than $50 billion in sales,[14] an order of magnitude higher than even the most generous estimates of research and development costs for drugs that take into account failed drug candidates and a reasonable return on

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[99] "NIH funding contributed to published research associated with every one of the 210 new drugs approved by the Food and Drug Administration from 2010-2016." Ekaterina Galkina Cleary, Jennifer M. Beierlein, Navleen Surjit Khanuja, Laura M. McNamee, and Fred D. Ledley, "Contribution of NIH funding to new drug approvals 2010–2016," *PNAS* 115, no. 10 (February 2018): 2329-2334, https://www.pnas.org/doi/10.1073/pnas.1715368115.

[10] Assistant Secretary for Planning and Evaluation (ASPE), U.S. Department of Health & Human Services, "Comparing Prescription Drugs in the U.S. and Other Countries: Prices and Availability," February 2024, https://aspe.hhs.gov/sites/default/files/documents/d5541b529a379d1f908ed2f9c00a9255/aspe-cover-idr-pricing-availability.pdf.

[11] Government Accountability Office, "Department of Veterans Affairs Paid About Half as Much as Medicare Part D for Selected Drugs in 2017," December 2020, https://www.gao.gov/assets/gao-21-111.pdf.

[12] IQVIA, "The Use of Medicines in the U.S. 2024," April 2024, https://www.iqvia.com/-/media/iqvia/pdfs/institute-reports/the-use-of-medicines-in-the-us-2024/the-use-of-medicines-in-the-us-2024-usage-and-spending-trends-and-outlook-to-2028.pdf.

[13] Letter from Senator Bernie Sanders to Novo Nordisk CEO Lars Fruergaard Jørgensen, April 24, 2024, https://www.sanders.senate.gov/wp-content/uploads/Letter-from-Sen.-Bernard-Sanders-to-Novo-Nordisk.pdf.

[14] Public Citizen, "Novo Nordisk's $50 billion in Ozempic & Wegovy Sales Comes at the Expense of Healthcare Solvency," August 7, 2024, https://www.citizen.org/news/novo-nordisks-50-billion-in-ozempic-wegovy-sales-comes-at-the-expense-of-healthcare-solvency.

investment.[15] Over the past six years, Novo Nordisk has spent over $44 billion enriching its shareholders through stock buybacks and dividends—over twice as much as it spent on R&D across its entire portfolio. Novo Nordisk's price is also not justified by production costs. Generic Ozempic and Wegovy could be sold profitably for around $5 and $13 per month, respectively.[16] Novo Nordisk charges 100 times higher for Americans, while generics firms have indicated they would sell generics for less than $100 per month.[17]

Or consider Revlimid (generic name: lenalidomide), a drug for the treatment of multiple myeloma and other forms of cancer. Made and sold by a biotech company called Celgene until 2019, when Celgene was acquired by Bristol Myers Squibb, Revlimid is a super-expensive cancer therapy, costing more than $16,000 a month. The U.S. House Oversight Committee examined Revlimid pricing and found outrage after outrage.[18] "After launching Revlimid in 2005," the committee found, "Celgene raised the price of the drug 22 times – as many as three times in a single year." Internal documents obtained by the committee showed that pricing decisions were determined by the desire to hit earnings goals and executive compensation incentives. Celgene and now Bristol Myers charged the super-high prices even though the federal government underwrote virtually every stage of the research and development process. Celgene "contributed very little to the science first establishing that drugs like Revlimid could be an effective treatment for multiple myeloma," the committee found. "Rather, Celgene benefited from the acquisition of a decades-old product, academic and non-profit research, and at least eight federally funded studies." Yet Medicare must pay sky-high prices and some patients simply can't afford the medicine.

The U.S. government has tools under existing law to lower drug prices. It can license generic competition – which lowers prices dramatically, often as much as 90 percent – for drugs purchased by the U.S. government and for drugs invented with U.S. government support. And Medicare now has authority to negotiate prices for top-selling medicines, after they have already been on the market for seven or more years. There's a lot of room for much tougher Medicare negotiation – without waiting seven years, covering all drugs

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[15] Congressional Research Office, "Research and Development in the Pharmaceutical Industry," April 2021, https://www.cbo.gov/publication/57126#:~:text=Only%20about%2012%20percent%20of,than%20%242%20billion%20per%20drug.

[16] Melissa J. Barber, Dzintars Gotham and Helen Bygrave, "Estimated Sustainable Cost-Based Prices for Diabetes Medicines," JAMA Network, JAMA Netw Open. 2024;7(3):e243474, March 27, 2024, https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2816824; Melissa Barber, Joseph S. Ross, and Reshma Ramachandran, "To get a fair deal on Wegovy, buying Novo Nordisk might not be Medicare's worst option," Stat, July 23, 2024, https://www.statnews.com/2024/07/23/wegovy-medicare-medicaid-costs-why-not-buy-manufacturer-novo-nordisk.

[17] Bernie Sanders, "Sanders Announces Generic Pharma Companies Willing to Sell Ozempic for Less than $100," September 17, 2024, https://www.sanders.senate.gov/press-releases/news-sanders-announces-generic-pharma-companies-willing-to-sell-ozempic-for-less-than-100.

[18] "Drug Pricing Investigation Celgene and Bristol Myers Squibb—Revlimid," Staff Report, Committee on Oversight and Reform U.S. House of Representatives, September 2020, https://oversight.house.gov/sites/democrats.oversight.house.gov/files/Celgene%20BMS%20Staff%20Report%2009-30-2020.pdf.

and demanding greater price reductions. Even after negotiation, Medicare will be paying more than twice what other rich countries do.[19]

A more robust and comprehensive program to lower drug prices would build on these measures, leveraging the U.S. government role in supporting biomedical research and as the world's largest drug purchaser, and relying on generic competition to drive down prices that are unreasonably high. A combination of much stronger price negotiation and authorization of generic competition could easily move drug prices more in line with other countries – and the prices currently obtained by the VA – and save American consumers and taxpayers hundreds of billions annually.

Shutting Down Privatized Medicare

Medicare accounts for more than one-in-five dollars spent on health care in the United States – more than $800 billion annually and fast growing. Although Medicare is a public insurance program, the passage of the Medicare Modernization Act in 2003 launched the current era of privatized Medicare – "Medicare Advantage" – plans.[20]

Now, more than half of seniors enrolled in Medicare are now members of private plans paid for in large part with Medicare funds.[21] This partial privatization of Medicare is delivering inferior care to patients, fattening insurance corporation bottom lines and costing taxpayers hundreds of billions of dollars.

Just last year, private insurers offering Medicare Advantage plans cost Medicare an excess of $83 billion.[22] From 2007 to 2023, privatized Medicare overpayments totaled more than $600 billion.[23] Over the next decade, these excess payments to insurance companies that delay and deny care to seniors and people with disabilities are on track to exceed $1 trillion.[24]

[19] Deena Beasley, "US will still pay at least twice as much after negotiating drug prices," Reuters, September 3, 2024, https://www.reuters.com/world/us/us-will-still-pay-least-twice-much-after-negotiating-drug-prices-2024-09-03/.
[20] Yash M. Patel and Stuart Guterman, "The Evolution of Private Plans in Medicare," Commonwealth Fund, December 8, 2017, https://www.commonwealthfund.org/publications/issue-briefs/2017/dec/evolution-private-plans-medicare.
[21] Meredith Freed, Jeannie Fuglesten Biniek, Anthony Damico, and Tricia Neuman, "Medicare Advantage in 2024: Enrollment Update and Key Trends," Kaiser Family Foundation, August 8, 2024, https://www.kff.org/medicare/issue-brief/medicare-advantage-in-2024-enrollment-update-and-key-trends/#:~:text=More%20than%20half%20(54%25),enrolled%20in%20Medicare%20Advantage%20plans.
[22] Adam Gaffney, Stephanie Woolhandler and David Himmelstein, "Less Care at Higher Cost—The Medicare Advantage Paradox," JAMA Internal Medicine, JAMA Intern Med. 2024;184(8):865-866. doi:10.1001/jamainternmed.2024.1868, June 10, 2024, https://jamanetwork.com/journals/jamainternalmedicine/fullarticle/2819817.
[23] Adam Gaffney, Stephanie Woolhandler and David Himmelstein, "Less Care at Higher Cost—The Medicare Advantage Paradox," JAMA Internal Medicine, JAMA Intern Med. 2024;184(8):865-866. doi:10.1001/jamainternmed.2024.1868, June 10, 2024, https://jamanetwork.com/journals/jamainternalmedicine/fullarticle/2819817.
[24] Committee for a Responsible Federal Budget, "New Evidence Suggests Even Larger Medicare Advantage Overpayments," July 17, 2023, https://www.crfb.org/blogs/new-evidence-suggests-even-larger-medicare-advantage-overpayments.

Eliminating privatized Medicare could thus save $100 billion a year or more than $1 trillion over 10 years – with improved care for Medicare beneficiaries.

There is overwhelming evidence privatized Medicare Advantage companies are doing a worse job serving beneficiaries than traditional Medicare.[25] Companies offering privatized Medicare Advantage plans make it difficult for patients to get the care they need and for doctors to provide necessary care. With profit incentives to deny care, Medicare Advantage plans regularly refuse to authorize or reimburse care that patients need.[26] A study by the Department of Health and Human Services inspector general found that 13 percent of the Medicare Advantage denials for prior authorization were for services that met Medicare coverage rules, "likely preventing or delaying medically necessary care for Medicare Advantage beneficiaries." The inspector general emphasized that "these denials may be particularly harmful for beneficiaries who cannot afford to pay for services directly and for critically ill beneficiaries who may suffer negative health consequences from delayed or denied care." [27]

Just as denying patients needed care is part of the business model for privatized Medicare plans, so are a series of tricks to manipulate the system and impose extra costs on Medicare:

Cherry-Picking and Lemon-Dropping: The Medicare Advantage system is structured in a way to enable insurance companies to gain revenue and offload high-risk patients with expensive health conditions to traditional Medicare. Private insurers often limit their coverage pool to lower-risk parties – which, in the case of health insurance, means insuring only healthier people.[28] This "cherry picking" problem is pervasive in the seniors' health insurance markets and is practically unavoidable: Medicare Advantage insurers can attract those healthier people by offering lower premiums for plans with less access to the more expensive treatments and services that less healthy people need. The result is to leave traditional Medicare with a pool of less healthy people, raising its per-patient cost.

[25] Center for Medicare Advocacy, October 31, 2024, "Ongoing Medicare Advantage Overpayments and Barriers to Care Prompt More Congressional Interest in Oversight," https://medicareadvocacy.org/ongoing-medicare-advantage-overpayments-and-barriers-to-care; CMS Office for Minority Health in association with Rand Corporation, "Disparities in Health Care in Medicare Advantage Associated with Dual Eligibility or Eligibility for a Low-Income Subsidy and Disability," May 2023, https://www.cms.gov/files/document/2023-disparities-health-care-medicare-advantage-associated-dual-eligibility-or-eligibility-low.pdf.

[26] Christi Grimm, "Some Medicare Advantage Organization Denials of Prior Authorization Requests Raise Concerns About Beneficiary Access to Medically Necessary Care," Office of the Inspector General, April 2022, https://oig.hhs.gov/oei/reports/OEI-09-18-00260.pdf.

[27] Christi Grimm, "Some Medicare Advantage Organization Denials of Prior Authorization Requests Raise Concerns About Beneficiary Access to Medically Necessary Care," Office of the Inspector General, April 2022, https://oig.hhs.gov/oei/reports/OEI-09-18-00260.pdf.

[28] Adam Gaffney, David U. Himmelstein, and Steffie Woolhandler, "Medicare Dis-Advantage: Overpayments and Inequity," July 1, 2024, The Nation, https://www.thenation.com/article/society/medicare-advantage-privatization-inequity-fraud.

These same plans offer barriers and inferior care when people do become seriously ill. Sicker seniors are more likely to switch from Medicare Advantage to traditional Medicare.[29] A Government Accountability Office (GAO) analysis concluded that roughly one third of the Medicare Advantage plans with high dis-enrollment rates were biased against sick people, presumably prompting sick people to leave the plan when they become ill.[30] Similarly, seniors in the final year of life – when health care costs are disproportionately high – shift from Medicare Advantage and to traditional Medicare at more than twice the rate of other Medicare Advantage beneficiaries.[31] This pattern indicates that these patients were unable to receive necessary care and were incentivized to return to traditional Medicare where their choice of provider and access to services are guaranteed.[32] This phenomenon is often referred to as "lemon-dropping."

Upcoding: Medicare Advantage insurers drive overcharges by "upcoding," meaning they add medical codes to patient charts to make them appear to be sicker than they are.[33] With more diagnoses, they appear to be riskier patients, and Medicare pays the insurers more.[34] By way of illustration, Medicare Advantage plans "received an estimated $9.2 billion in payments in 2017 for beneficiary diagnoses reported solely on chart reviews or health risk assessments, with no other records of services for those diagnoses in the encounter data," according to Erin Bliss of the inspector general's office for the Department of Health and Human Services.[35]

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[29] Fred Schulte, "As Seniors Get Sicker, They're More Likely To Drop Medicare Advantage Plans," NPR, July 5, 2017, https://www.npr.org/sections/health-shots/2017/07/05/535381473/as-seniors-get-sicker-theyre-more-likely-to-drop-medicare-advantage-plans.

[30] "Medicare Advantage: CMS Should Use Data on Disenrollment and Beneficiary Health Status to Strengthen Oversight," U.S. Government Accountability Office, April 2017, https://www.gao.gov/assets/690/684386.pdf. Other studies have reached very similar findings. One study found "that the switching rate from 2010 to 2011 away from Medicare Advantage and to traditional Medicare exceeded the switching rate in the opposite direction for participants who used long-term nursing home care (17 percent versus 3 percent), short-term nursing home care (9 percent versus 4 percent), and home health care (8 percent versus 3 percent). Momotazur Rahman, Laura Keohane, Amal N. Trivedi, Vincent Mor, "High-Cost Patients Had Substantial Rates Of Leaving Medicare Advantage And Joining Traditional Medicare," *Health Affairs.* 2015 Oct; 34(10): 1675-81, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4676406.

[31] "Medicare Advantage: Beneficiary Disenrollments to Fee-for-Service in Last Year of Life Increase Medicare Spending," U.S. General Accountability Office, last modified July 28, 2021, https://www.gao.gov/products/gao-21-482.

[32] Adam Gaffney, David U. Himmelstein, and Steffie Woolhandler, "Medicare Dis-Advantage: Overpayments and Inequity," July 1, 2024, The Nation, https://www.thenation.com/article/society/medicare-advantage-privatization-inequity-fraud.

[33] Paige Minemyer, "Medicare Advantage risk assessments driving billions in costs each year," Fierce Healthcare, May 9, 2024, https://www.fiercehealthcare.com/regulatory/medicare-advantage-risk-assessments-driving-billions-costs-each-year.

[34] Robert M. Kaplan and Paul Tang, "Upcoding: One Reason Medicare Advantage Companies Pay Clinicians to Make Home Health Checkups," Stat, January 19, 2013, https://www.statnews.com/2023/01/19/rein-in-upcoding-medicare-advantage-companies.

[35] Added Bliss: "This finding raises three concerns: (1) payment integrity – if the diagnoses were inaccurate, then Medicare Advantage organizations received inappropriate payments; (2) quality of care – if the diagnoses were accurate, then beneficiaries may not have received appropriate care to treat these often-serious conditions; and (3) data integrity–if the diagnoses were accurate and beneficiaries received care, then Medicare Advantage organizations may not have reported all provided services in the encounter data as required." "Protecting America's Seniors," Testimony Before the

A recent Wall Street Journal investigation found that privatized Medicare upcoding cost Medicare $50 billion from 2018-2021.[36] The Journal notes that insurers can add diagnoses that the treating physician does not, and that insurers have an incentive to add diagnoses that generate more income. UnitedHealth members were about 15 times more likely to be diagnosed with diabetic cataracts than patients in traditional Medicare, the Journal found, a ratio that experts said was implausible. The Journal found other elevated diagnosis rates among privatized Medicare providers for diseases such as morbid obesity, heart failure, depression and emphysema.

Other Tricks: Insurance corporation gaming of Medicare Advantage – and ripping off taxpayers – is a defining trait of the system. Regulators are completely unable to maintain pace with the gaming innovations of the industry, all of which end up imposing additional, wasteful costs on Medicare.

One of many examples: "crosswalking," where Medicare Advantage insurers carve up and merge plans in order to maintain high ratings from Medicare, ratings which translate into substantial bonus payments.[37] A Wall Street Journal analysis found that UnitedHealth, the biggest Medicare Advantage insurer, in 2016 merged plans covering 162,088 members, across more than 15 states including Indiana, Texas and Georgia, into a contract that had included just 1,729 members in Rhode Island and Massachusetts. By doing so, United Health was able to use the high rating for the small plans and apply it to the big plan, earning a $63 million bonus in the process. Analysts from JPMorgan Chase concluded that Humana generated an extra $600 million from employing the tactic, according to the Journal.[38]

Not all of the Medicare Advantage corporate manipulations are legal. In fact, illegality seems baked into the business model, with most Medicare Advantage insurers submitting improper bills or engaging in fraud.[39]

These problems are all specific to privatized Medicare. Medicare has its problems and needs to be improved, but all of the problems highlighted here would disappear

United States House Committee on Energy and Commerce Subcommittee on Oversight and Investigations, June 28, 2022 (testimony of Erin Bliss, Assistant Inspector General for Evaluation and Inspections), https://energycommerce.house.gov/sites/democrats.energycommerce.house.gov/files/documents/Witness%20Testimony_Bliss_OI_2022.06.28_1.pdf.

[36] Christopher Weaver, Tom McGinty, Anna Wilde Mathews and Mark Maremont, "Insurers Pocketed $50 Billion From Medicare for Diseases No Doctor Treated," Wall Street Journal, July 8, 2024, https://www.wsj.com/health/healthcare/medicare-health-insurance-diagnosis-payments-b4d99a5d?mod=hp_lead_pos7.

[37] Anna Wilde Mathews and Christopher Weaver, "Insurers Game Medicare System to Boost Federal Bonus Payments," Wall Street Journal, March 11, 2018, https://www.wsj.com/articles/insurers-game-medicare-system-to-boost-federal-bonus-payments-1520788658.

[38] Anna Wilde Mathews and Christopher Weaver, "Insurers Game Medicare System to Boost Federal Bonus Payments," Wall Street Journal, March 11, 2018, https://www.wsj.com/articles/insurers-game-medicare-system-to-boost-federal-bonus-payments-1520788658.

[39] Reed Abelson and Margot Sanger-Katz, "'The Cash Monster Was Insatiable': How Insurers Exploited Medicare for Billions," New York Times, October 8, 2022, https://www.nytimes.com/2022/10/08/upshot/medicare-advantage-fraud-allegations.html

immediately with the end of privatized Medicare, generating immediate savings – and improved patient care.

Cutting Pentagon Waste and Curbing Contractor Greed

The Pentagon budget is fast approaching $1 trillion, with the fiscal year 2025 budget set at a mind-blowing $895 billion.

This astonishing level of spending – which does not include military aid to Ukraine – is far more reflective of the political influence and power of the military-industrial complex than any legitimate national defense interest. In fact, the United States spends more on defense than the next nine largest military spenders combined.[40]

Eliminating waste, ending investments in failed weapons and curtailing spending above that requested by the Pentagon itself could easily save $100 billion annually. Even greater savings could be achieved by placing greater emphasis on diplomacy over weaponry, or by recognizing domestic and humanitarian spending priorities that are crowded out by Pentagon spending.

The constant upward pressure for more Pentagon spending is directly tied to the political power of Pentagon contractors. Pentagon contractors spent more than $38 million in the 2023-2024 federal election cycle.[41] In 2024 alone, they spent $110 million on lobbying, employing 896 lobbyists, nearly two thirds of whom had previously worked inside the government.[42] Pentagon contractors strategically deploy factories and source parts from factories spread around the country and in key districts, and then exaggerate their job creation, creating a powerful set of Congressional supporters, who fear disciplining Pentagon spending may cause job loss in their districts.[43] The result is more and more for the Pentagon, despite an unparalleled record of waste and misspending.

Pervasive Waste: The Pentagon itself has identified more than $100 billion of waste in its own budget in a 2015 study.[44] Instead of using its internal report on waste as a means to advance spending accountability, the Pentagon worked to suppress it, with top leaders (correctly) fearing it would undermine their case for more funding. The Pentagon removed the report from its website and, according to the Washington Post, "imposed

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[40] Stockholm International Peace Research Institute, "SIPRI Yearbook 2024," April 2024, https://www.sipri.org/sites/default/files/2024-06/yb24_summary_en_2_1.pdf.

[41] OpenSecrets, "Interest Groups," https://www.opensecrets.org/industries.

[42] Open Secrets, "Sector Profile: Defense," https://www.opensecrets.org/federal-lobbying/sectors/summary?cycle=2024&id=D.

[43] William Hartung, "More Money, Less Security: Pentagon Spending and Strategy in the Biden Administration," Quincy Institute, June 8, 2023, https://quincyinst.org/research/more-money-less-security-pentagon-spending-and-strategy-in-the-biden-administration/#obstacles-to-reform-contractor-capture-of-congress

[44] The study suggested $125 billion in savings over a 5-year period. Craig Whitlock and Bob Woodward, "Pentagon buries evidence of $125 billion in bureaucratic waste," The Washington Post, December 5, 2016, https://www.washingtonpost.com/investigations/pentagon-buries-evidence-of-125-billion-in-bureaucratic-waste/2016/12/05/e0668c76-9af6-11e6-a0ed-ab0774c1eaa5_story.html.

secrecy restrictions on the data making up the study, which ensured no one could replicate the findings."[45] The Pentagon has so much money that it literally can't keep track of it. Since being required to undergo an audit, the Pentagon has failed to pass on seven successive occasions.[46]

Congressional Servility: Under the influence of Pentagon contractors, Congress frequently throws more money at the Pentagon than the President requests, resulting in a steadily increasing base of funding.

In spring 2022, President Biden proposed a Pentagon budget for fiscal year 2023 of $813 billion, an increase of $30 billion from the previous year and $60 billion more than the final Trump Pentagon budget. Congress raised that funding level by $45 billion. In two years, the Pentagon budget grew more than $100 billion from the final year of the Trump administration.

Notably, the average campaign contribution from these Pentagon contractors to House and Senate Armed Services Committee members who voted "yes" on that increase was more than triple the average gift the complex gave to those who voted "no" – $151,722 for the yes-men and women, $42,967 for the naysayers. When the dust settled and Congress raised the Pentagon budget $45 billion above Biden's request, Pentagon contractors clinched a return of nearly 450,000 percent on their $10 million investment in campaign contributions to the armed services committees.

Useless Weaponry: The Navy's Littoral Combat Ship: The power of the contractor lobby and Congressional servility is so intense that, even when the Pentagon itself wants to cancel programs, contractors are often able to leverage their political power to keep the programs – and their corporate welfare subsidies – alive. The U.S. Navy's Littoral Combat Ship, for example, cannot protect itself from submarine threats, so the Navy proposed in the FY23 budget to retire nine of them.[47] Chief of Naval Operations (CNO) Admiral Michael Gilday testified to the House that "after about a year and a half study, I refuse to put an additional dollar against a system that wouldn't be able to track a high-end submarine in today's environment."[48] But the House Armed Services Committee didn't care. It passed an amendment to the defense authorization bill to keep five of the nine

[45] Craig Whitlock and Bob Woodward, "Pentagon buries evidence of $125 billion in bureaucratic waste," The Washington Post, December 5, 2016, https://www.washingtonpost.com/investigations/pentagon-buries-evidence-of-125-billion-in-bureaucratic-waste/2016/12/05/e0668c76-9af6-11e6-a0ed-ab0774c1eaa5_story.html.

[46] Brad Dress, "Pentagon fails 7th audit in a row but says progress made," The Hill, November 15, 2024, https://thehill.com/policy/defense/4992913-pentagon-fails-7th-audit-in-a-row-but-says-progress-made

[47] Melissa Nann Burke, "U.S. House debates future of littoral combat ships including the USS Detroit," Detroit News, July 14, 2022, https://www.detroitnews.com/story/news/politics/2022/07/14/house-debates-future-littoral-combat-ships-uss-detroit/10055378002.

[48] Full Committee Hearing: "Fiscal Year 2023 Defense Budget Request from the Department of the Navy," May 11, 2022, https://armedservices.house.gov/hearings?ID=0CE42E6D-9589-41CB-AC90-FF8CE0E827FF.

ships in the water. And the full House defeated an amendment that would have retired the ships.[49]

There was no mystery as to this result. Once the Navy made its recommendation, the New York Times reported, "the lobbying started." "A consortium of players with economic ties to the ships — led by a trade association whose members had just secured contracts worth up to $3 billion to do repairs and supply work on them — mobilized to pressure Congress to block the plan, with phone calls, emails and visits to Washington to press lawmakers to intervene."[50]

Failing Weaponry: The F-35 Fighter Jet: The F-35 jet is the Pentagon's costliest weapon system program and is expected to cost $1.7 trillion, even though the aircraft does not yet operate correctly, the program is rife with delays and cost overruns, and a substantial number of the aircraft will be procured before they are proved to have reached "an acceptable level of performance and reliability."[51]

The Pentagon's goal is that F-35s be available for operations 65 percent of the time – a mark the current fleet is falling far short of hitting. The more than 600 already delivered are in fact available – a term meaning a plane can do at least one of its assigned missions – only about half the time, according to the Pentagon's internal review.[52] Operational availability has declined in recent years.

Nuclear Waste: The Pentagon is rushing ahead with a $2 trillion plan to refurbish the nation's nuclear weapons arsenal, disregarding options to reduce the overall arsenal and abandon land-based intercontinental ballistic missiles – measures that would save money and increase national and global security.[53]

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[49] Melissa Nann Burke, "U.S. House debates future of littoral combat ships including the USS Detroit," Detroit News, July 14, 2022, https://www.detroitnews.com/story/news/politics/2022/07/14/house-debates-future-littoral-combat-ships-uss-detroit/10055378002.

[50] Eric Lipton, "The Pentagon Saw a Warship Boondoggle. Congress Saw Jobs," New York Times, February 13, 2023, https://www.nytimes.com/2023/02/04/us/politics/littoral-combat-ships-lobbying.html.

[51] "F-35 Joint Strike Fighter: Cost Growth and Schedule Delays Continue," U.S. Government Accountability Office, last modified April 25, 2022, https://www.gao.gov/products/gao-22-105128. See also Dan Grazier, "F-35 Program Stagnated in 2021 but DOD Testing Office Hiding Full Extent of Problem," Project on Government Oversight, March 9, 2022, https://www.pogo.org/analysis/2022/03/f-35-program-stagnated-in-2021-but-dod-testing-office-hiding-full-extent-of-problem.

[52] John Tirpak, "Report: F-35 Struggled With Reliability, Maintainability, Availability in 2023," Air and Space Forces, February 8, 2024, https://www.airandspaceforces.com/f-35-reliability-maintainability-availability-2023

[53] William Perry, "Why Its Safe to Scrap America's ICBMs," New York Times, September 30, 2016, https://www.nytimes.com/2016/09/30/opinion/why-its-safe-to-scrap-americas-icbms.html; William Hartung, "More Money, Less Security: Pentagon Spending and Strategy in the Biden Administration," Quincy Institute, June 8, 2023, https://quincyinst.org/research/more-money-less-security-pentagon-spending-and-strategy-in-the-biden-administration/#obstacles-to-reform-contractor-capture-of-congress.

Contractor Capture: The U.S. military has long relied on contractors, who have long ripped off taxpayers,[54] but that dependence has soared in the last two decades. By 2011, reports Brown University's Cost of War Project, "there were more private contract employees involved in the wars in Iraq and Afghanistan than uniformed military personnel. By 2019, the ratio of contractors to troops had grown to 1.5:1, or 50 percent more contractors than troops in the U.S. Central Command region that includes Iraq and Afghanistan.[55] "More than half of the annual Department of Defense budget is now spent on military contractors, and payments to contractors have risen more than 164 percent since 2001, from about $140 billion in 2001 to about $370 billion in 2019. A large portion of these contracts have gone to just five major corporations: Lockheed Martin, Boeing, General Dynamics, Raytheon and Northrop Grumman."[56]

Dramatic Pentagon savings are available from reducing reliance on these contractors, including for services the Pentagon could perform in-house, and by imposing basic standards of accountability to decrease waste, fraud and abuse.

Taxing the Rich and Corporations

U.S. tax rates on corporations and the wealthy are inefficiently low. Excessively low taxes on corporations and the wealthy are not only unfair, they undermine economic growth by starving the government of money for high-return investments and enabling wealth concentration that stunts economic growth.

An efficient U.S. tax policy would feature higher taxes on high earners and the wealthy, much stiffer taxes on corporations, and a meaningful tax on financial speculation. Such policy measures could generate $300 billion and as much as $500 billion or more annually in extra revenue.

What is notably not efficient is current tax policy as shaped by the Tax Cuts and Jobs Act (TCJA) of 2017. There is very little evidence that the tax cuts strengthened the economy. The benefits of the tax package were concentrated among the wealthy. Corporate taxes were slashed and government revenue was reduced:

- Taxes for the top 1 percent of income earners were projected to drop by $60,000 annually versus $500 for those in the bottom 60 percent of earners – meaning those

[54] Stacey Smith, "How A Law From The Civil War Fights Modern-Day Fraud," NPR, October 1, 2014, https://www.npr.org/sections/money/2014/10/01/352819369/how-a-law-from-the-civil-war-fights-modern-day-fraud.
[55] "Corporate Power, Profiteering, And The 'Camo Economy,'" Costs of War, https://watson.brown.edu/costsofwar/costs/social/corporate.
[56] "Corporate Power, Profiteering, And The 'Camo Economy,'" Costs of War, https://watson.brown.edu/costsofwar/costs/social/corporate.

at the top received 120 times as much benefit as the majority of Americans. (For the richest 0.1 percent, the benefit was $250,000 annually.)[57]

- Corporate tax revenues fell off a cliff after the bill's passage, costing the government an estimated $750 billion over 10 years and likely much more.[58]
- Overall, the TCJA was projected to reduce government revenues by $1.9 trillion, likely a low estimate, over 10 years.[59]

There is little doubt that the TCJA made the rich richer and drove corporate profits, share prices and CEO pay. But it wasn't efficient: It didn't drive meaningful economic growth, investment or rising wages. Among employees, all of the benefits from the corporate tax cuts were captured by the upper 10 percent of income earners: "Workers' earnings gains are concentrated in executive pay and in the top 10 percent of the within-firm income distribution, while workers in the bottom 90 percent of the distribution see no change in earnings," a leading analysis found. Even more startling is the overall allocation – which went overwhelmingly to investors and corporate executives: "56 percent of gains flow to firm owners, 12 percent flow to executives, 32 percent flow to high-paid workers, and 0 percent flow to low-paid workers."[60]

Similarly, extending the entirety of the expiring provisions of the TCJA would be massively inefficient. While costing more than $4 trillion over 10 years (nearly $5 trillion if extra interest payments are included),[61] the Congressional Budget Office finds that extension would have no impact on economic growth.[62]

Taxing high earners and the wealthy

An extra dollar is worth more to a minimum wage worker than it is to a millionaire – and an extra dollar to a low-income worker has a greater stimulative effect than an extra dollar to a corporate CEO. That's why it makes sense as a matter of both justice and efficiency to

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[57] Tax Policy Center, "Conference Agreement: The Tax Cuts and Jobs Act; Baseline: Current Law; Distribution of Federal Tax Change by Expanded Cash Income Percentile, 2025," December 18, 2017, https://taxpolicycenter.org/model-estimates/conference-agreement-tax-cuts-and-jobs-act-dec-2017/t17-0314-conference-agreement.
[58] Galen Hendricks and Seth Hanlon, "The TCJA 2 Years Later: Corporations, Not Workers, Are the Big Winners," Center for American Progress, December 19, 2019, https://www.americanprogress.org/article/tcja-2-years-later-corporations-not-workers-big-winners.
[59] Congressional Budget Office (CBO), "The Budget and Economic Outlook: 2018 to 2028," April 9, 2018, https://www.cbo.gov/publication/53651.
[60] Patrick J. Kennedy, Christine Dobridge, Paul Landefeld, Jacob Mortenson, "The Efficiency-Equity Tradeoff of the Corporate Income Tax: Evidence from the Tax Cuts and Jobs Act," October 31, 2022, https://economics.yale.edu/sites/default/files/2023-01/The%20Efficiency-Equity%20Tradeoff%20of%20the%20Corporate%20Income%20Tax.pdf.
[61] Congressional Budget Office, "Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues, May 2024, https://www.cbo.gov/system/files/2024-05/60114-Budgetary-Outcomes.pdf.
[62] Congressional Budget Office, "How the Expiring Individual Income Tax Provisions in the 2017 Tax Act Affect CBO's Economic Forecast," December 2024, https://www.cbo.gov/publication/60986.

maintain a progressive tax code. There's a lot of money to be raised with fair-share taxes on the rich, including with these illustrative examples:

- The TCJA reduced the marginal tax rate on the highest income earners to 37 percent from 39.6 percent. That tax break for the rich will expire at the end of 2025. Republican plans to extend the reduced rate would cost roughly $600 billion over the next decade.[63]
- A millionaire's surtax – a 5 percent tax on income above $10 million – would generate $228 billion over a decade,[64] paid for by around 22,000 families.[65]
- The TCJA created a "pass-through" deduction to lower the tax rate for partnerships, S corporations and proprietorships. Although touted as helping small businesses, half the benefits have been captured by the richest households (those with income above $800,000); only 4 percent went to households with income below $80,000. The pass-through loophole for the rich will expire at the end of 2025. Republican plans to extend the loophole would cost roughly $700 billion over the next decade.[66]

Taxing corporations

The Tax Cuts and Jobs Act of 2017 slashed the corporate tax rate from 35 to 21 percent. The lower rates, combined with various loopholes, deductions, tax credits and loopholes had shocking effects.

Manipulation of the tax code is enabling dozens of major corporations to pay ZERO in taxes. The Institute for Tax and Economic Policy (ITEP) found that from 2018 to 2020 – the first three years of the Trump tax cut—39 profitable major corporations paid no taxes at all. Collectively, the 39 companies reported $122 billion in profits during the three-year period. And they collectively paid nothing in taxes.[67]

The problem is systemic. After passage of the TCJA, the largest and consistently profitable corporations saw their effective tax rates fall from an average of 22.0 percent to an average

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[63] Americans for Tax Fairness, "Trump-GOP Tax Law Closeup: Restore The Top Tax Rate On The Highest-Income Households," September 4, 2024, https://americansfortaxfairness.org/trump-gop-tax-law-closeup-restore-top-tax-rate-highest-income-households.

[64] Congressional Budget Office, "Estimated Budgetary Effects of Title XIII, Committee on Ways and Means, H.R. 5376, the Build Back Better Act," November 18, 2021, https://www.cbo.gov/publication/57626.

[65] Jean Ross and Seth Hanlon, "The Millionaire Surcharge Would Improve the Fairness of the Tax Code," Center for American Progress, June 8, 2022, https://www.americanprogress.org/article/the-millionaire-surcharge-would-improve-the-fairness-of-the-tax-code/.

[66] Chuck Marr and Samantha Jacoby, "The Pass-Through Deduction Is Tilted Heavily to the Wealthy, Is Costly, and Should Expire as Scheduled," June 8, 2023, https://www.cbpp.org/research/federal-tax/the-pass-through-deduction-is-tilted-heavily-to-the-wealthy-is-costly-and#_ftn7

[67] "Corporate Tax Avoidance Under the Tax Cuts and Jobs Act," Institute on Taxation and Economic Policy, last modified July 29, 2021, https://itep.org/corporate-tax-avoidance-under-the-tax-cuts-and-jobs-act.

of 12.8 percent, according to ITEP. The 296 large, consistently profitable corporations in the ITEP study saw profits grow by 44 percent while their overall federal tax bill fell 16 percent. Overall, these companies paid $240 billion less in taxes from 2018 to 2021 than they would have paid under the effective rates they paid before the Trump law – that's $80 billion a year.[68]

Taxing Wall Street speculation

While consumers pay a sales tax when they buy a cup of coffee, investors don't pay a sales tax when they buy and sell stocks, bonds and derivatives. This inefficiency unfairly benefits the very rich, who are responsible for the overwhelming share of stock ownership, and encourages inefficient practices such as high-frequency trading. High-frequency trading creates risks for sudden crashes and panics and creates economically inefficient and counterproductive transfers of wealth from retirement and pension funds and everyday investors.[69] Globally, high-frequency trading has been shown to increase costs for investors by $5 billion annually.[70]

A tax on financial speculation – a sales tax on stocks, bonds and derivatives – would cool high-frequency trading and raise substantial revenues. A 0.1 percent tax on financial transactions would raise $100 billion a year, according to a 2018 Congressional Budget Office estimate; the number is surely much higher now.[71] In 2022, the Congressional

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[68] Matthew Gardner, Michael Ettlinger, Steve Wamhoff, Spandan Marasini, "Corporate Taxes Before and After the Trump Tax Law," Institute for Tax and Economic Policy, May 2, 2024, https://itep.org/corporate-taxes-before-and-after-the-trump-tax-law.

[69] Michael Lewis, *Michael Lewis Reflects on His Book* Flash Boys, *A Year After It Shook Wall Street to Its Core*, Vanity Fair, March 12, 2015, https://www.vanityfair.com/news/2015/03/michael-lewis-flash-boys-one-year-later; Matteo Aquilina, Eric Budish and Peter O'Neill, Financial Conduct Authority, Quantifying the High-Frequency Trading "Arms Race": A Simple New Methodology and Estimates, January 2020, https://www.fca.org.uk/publication/occasional-papers/occasional-paper-50.pdf.

[70] Matteo Aquilina, Eric Budish and Peter O'Neill, Financial Conduct Authority, Quantifying the High-Frequency Trading "Arms Race": A Simple New Methodology and Estimates, January 2020, https://www.fca.org.uk/publication/occasional-papers/occasional-paper-50.pdf.

[71] Congressional Budget Office, "Impose a Tax on Financial Transactions," December 13, 2018, https://www.cbo.gov/budget-options/54823.

Budget Office estimated that a tiny 0.01 financial transaction tax would generate more than $30 billion annually.[72]

Ensure the IRS has ongoing resources to enforce the law, implement and expand Direct File, and rebuild its ranks.

The return on investment in ensuring tax compliance is well-documented and saving filers money through free e-filing would have immediate positive impacts on Americans' lives.

Ensuring adequate funding for the Internal Revenue Service (IRS) to enforce the tax laws on the books generates far more revenue than it costs, while ensuring high-income earners cannot evade the taxes they owe. Each additional dollar spent by the IRS on audits of high-income earners generates more than $12 in revenue.

Direct File is a proven, commonsense tool that automatically populates tax returns with wage income and other information the IRS already possesses. For taxpayers with simple returns, Direct File saves time and stress and enables them to forsake overpriced tax return services. Direct File exemplifies government efficiency and should not only be maintained but scaled up.

Eliminating Oil and Gas Subsidies

The oil and gas industry doesn't just use drilling rigs to exploit natural resources, it rigs the tax code itself. From tax breaks for drilling operations to federal support for export infrastructure, fossil fuel subsidies take many forms.

It's hard to imagine anything more inefficient than public support for super-profitable corporations that are undermining planetary well-being, yet such supports are baked into the tax code and government policy.

Like many powerful industries, the oil and gas industry has deployed political power, backed by generous donations to political campaigns,[73] to win and maintain special tax treatment. A relatively modest investment in lobbying expenses has yielded huge rewards in tax benefits that save the industry billions. By one estimate, American taxpayers hand over $20 billion in tax breaks to fossil fuel companies every year.[74] These subsidies have

[72] Congressional Budget Office, "Impose a Tax on Financial Transactions," December 7, 2022, https://www.cbo.gov/budget-options/58708.
[73] "Oil & Gas Summary," Open Secrets, https://www.opensecrets.org/industries/indus?ind=E01.
[74] Environmental and Energy Studies Institute, "Fossil Fuel Subsidies: A Closer Look at Tax Breaks and Societal Costs," July 29, 2019, https://www.eesi.org/papers/view/fact-sheet-fossil-fuel-subsidies-a-closer-look-at-tax-breaks-and-societal-costs

a zombie-like status in the tax code and have proven incredibly difficult to kill outright.[75]

The most straightforward U.S. giveaway to Big Oil is allowing the companies to drill on public land for low prices. Starting in 1920, the U.S. government allowed oil and gas companies to drill on public lands at a rock-bottom rate of 12.5 percent of the value of oil and gas produced. That low royalty rate remained in place for more than a century until the Inflation Reduction Act, passed in August 2022, bumped it up to 16.67 percent. While that is an improvement for taxpayers, it still lags what states including Texas and Louisiana charge for oil and gas production on state lands, and far behind royalty rates imposed by other nations.

Oil and gas companies have been among the most effective industries at exploiting the complexity of tax rules to win esoteric provisions with enormous benefits. For example, Pioneer Natural Resources used tax breaks to zero out its federal income taxes in 2018, despite $1.2 billion in income; while Occidental Petroleum used a special tax credit to slash its taxes by $158 million, according to an analysis by the Institute for Taxation and Economic Policy.[76]

It's no accident that these provisions are both irrelevant to regular taxpayers and incredibly hard to understand. It's easier for oil drillers to accrue tens of billions in subsidies if regular Americans can't track what's happening. Following is a partial list of the ways oil and gas companies gouge the public and get special favors.

Deducting Drilling Costs: One especially lucrative special tax benefit for Big Oil, known as "intangible drilling costs," dates back to 1916.[77] Under regular tax rules, a company can deduct the cost of its investments over the period where the investment is expected to generate profits. But under the intangible drilling costs rule, oil and gas companies get treated differently than other industries. They can deduct many of their investment costs immediately, including expenses related to labor, surveying, or other costs unrelated to operating an oil or gas well. This carveout saves oil and gas companies billions on their tax bill; the Biden White House estimated that eliminating this one tax break would save taxpayers $9.8 billion by 2034.[78] Research from the Stockholm Environmental Institute

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[75] Lisa Friedman, "The Zombies of the U.S. Tax Code: Why Fossil Fuels Subsidies Seem Impossible to Kill," New York Times, March 15, 2024, https://www.nytimes.com/2024/03/15/climate/tax-breaks-oil-gas-us.html.
[76] Matthew Gardner and Steve Wamhoff, "Corporate Tax Avoidance Remains Rampant Under New Tax Law," Institute for Tax and Economic Policy, April 11, 2019, https://itep.org/notadime/#:~:text=Oil%20and%20gas%20tax%20breaks,by%20%24158%20million%20last%20year.
[77] Committee for a Responsible Federal Budget, "The Tax Break-Down: Intangible Drilling Costs," October 17, 2013, https://www.crfb.org/blogs/tax-break-down-intangible-drilling-costs.
[78] 'Budget of the U.S. Government Fiscal Year 2025," Office of Management and Budget, https://www.whitehouse.gov/wp-content/uploads/2024/03/budget_fy2025.pdf.

found that the deduction has made oil and gas drilling more profitable by increasing investors' rate of return by 11 percent (for oil fields) and 8 percent (for gas fields).[79]

A similar tax benefit, dating back to 1926, is known as the percentage depletion allowance. Under regular tax rules, when a business uses up a resource, it can deduct from its revenue the reduced value of the asset. Thus, if a business uses up 10 percent of the resource, it can take a tax deduction equivalent to that depletion. But special rules available to oil and gas producers permit them to make deductions greater than the amount they are actually depleting.[80] The White House estimated that getting rid of this deduction would result in nearly $16 billion in savings over the next decade.

Bonus Depreciation: The 2017 Trump tax cut law included a massive corporate giveaway: the ability to deduct capital expenditures immediately in a single year, as opposed to slowly over the life of an asset. This provision applies across the economy, benefiting technology companies as well as fossil fuel corporations. Energy companies including Coterra Energy, Williams Cos and Marathon Petroleum are among the 25 corporations that saved the most from this tax break.[81] Since the incentive began to phase out in 2023, major fossil fuel companies have lobbied for its renewal.

Foreign Drilling Benefits: U.S. companies that extract oil and gas overseas receive several benefits under obscure tax code provisions. These foreign drilling tax breaks are projected to cost taxpayers $86 billion over 10 years, one study found.[82] For example, the 2017 Trump tax cut imposed a minimum tax on the foreign profits of U.S.-based corporations. However, this system exempted income from foreign oil and gas extraction, resulting in a major tax windfall for the biggest of the Big Oil companies with large, multinational operations. Another tax break makes it easier for multinational companies to claim a credit against taxes owed in the U.S. for taxes paid to foreign governments, even if this tax break is not appropriate. While U.S. companies may take tax credits for foreign taxes paid, the tax break does not apply to payments like royalties. However, foreign countries may try to disguise non-tax payments as a tax, knowing that in many cases a multinational company may receive a foreign tax credit from its home country. Existing regulation gives corporate taxpayers vast latitude to assert what portions of their payments are taxes eligible to offset U.S. tax bills. The Biden administration proposed to close this loophole by placing a limit on foreign tax credits, but did not succeed.

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[79] Ploy Achakulwisut, Peter Erickson and Doug Koplow, "Effect of subsidies and regulatory exemptions on 2020–2030 oil and gas production and profits in the United States," Environmental Research Letters, July 29, 2021, https://iopscience.iop.org/article/10.1088/1748-9326/ac0a10.

[80] Taxpayers for Common Sense, "Getting the Facts on Oil & Gas Preferences," October 2021, https://www.taxpayer.net/wp-content/uploads/2021/10/TCS_Facts-on-Oil-Gas-Preferences_Oct.-2021_final.pdf

[81] Steve Wamhoff, "Corporations Reap Billions in Tax Breaks Under 'Bonus Depreciation'," Institute for Tax and Economic Policy, June 29, 2023, https://itep.org/corporations-reap-billions-in-tax-breaks-under-bonus-depreciation.

[82] Friends of the Earth, Bailout Watch, Oxfam, "12Guilty Fogeys: Big Oil's $86 billion offshore tax bonanza," September 2021, https://foe.org/wp-content/uploads/2021/09/FFS_12_Guilty_Fogeys_rd3.pdf.

Limited Partnerships: Master Limited Partnerships (MLPs) are a special corporate structure that are both exempt from corporate income taxes and publicly traded on stock markets. The benefits of this structure accrue overwhelmingly to fossil fuel companies, especially pipelines.

Marginal Wells: Oil and gas companies benefit from a tax credit for low-producing oil and gas wells triggered automatically by low prices. When it is in effect, the credit is worth $3 per barrel of oil and $.50 per thousand cubic feet of natural gas. This tax credit improves the economics of some of the oldest, most polluting oil and gas wells that would otherwise be shut down.[83]

Regulating Efficiency

A premise of the Department of Government Efficiency is that regulation is inefficient and stifling the American economy. That premise is wrong. Not a little bit wrong, but completely at odds with the facts.

First, the government measures major new rules for their effect on the economy – and doesn't adopt them unless the overall impact is positive. Second, regulatory protections have demonstrably improved the quality of life in America, and generated fast savings for consumers and taxpayers. Third, the counterfactual illustrates the crucial role of regulatory protections: weakened rules and inadequate enforcement have led to financial, environmental and other catastrophes that have imposed staggering costs on society.

Regulations are Economically Smart and Efficient

Although most regulations do not have economic objectives as their primary purpose, in fact regulation is overwhelmingly positive for the economy.

While regulators commonly do not have economic growth and job creation as a mission priority, they are mindful of regulatory cost, and by statutory directive or on their own initiative typically seek to minimize costs; relatedly, the rulemaking process gives affected industries ample opportunity to communicate with regulators over cost concerns, and these concerns are considered. As a result, very few major rules are adopted where projected costs exceed projected benefits, and those very few cases typically involve direct Congressional mandates.

Every year, the Office of Management and Budget analyzes the costs and benefits of rules with significant economic impact. In the most recent report, the agency finds that benefits exceed costs by ratio of 3-1 on the low end and 5-1 on the upper end of estimates. In 2001, annual benefits are projected at $30.7 billion to $49.0 billion and annual costs are estimated

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[83] Environmental Protection Agency, "Marginal Conventional Wells," July 9, 2024, https://www.epa.gov/natural-gas-star-program/marginal-conventional-wells.

at $9.6 billion to $11.9 billion.[84] These results are consistent year-to-year, with roughly comparable positive ratios recorded every year.

It is also the case that firms typically innovate creatively and quickly to meet new regulatory requirements, even when they fought hard against adoption of the rules.[85] The result is that costs are commonly lower than anticipated.

Regulations Deliver Massive Non-Monetary Benefits

The United States – and the world – have made dramatic gains through regulation, making the country safer, healthier, more just, cleaner, more equitable and more financially secure. Regulation has made all of our lives better in ways not typically "monetized." It has:

- Made our food safer.[86]
- Saved tens of thousands of lives by making our cars safer. NHTSA's vehicle safety standards have reduced the traffic fatality rate from nearly 3.5 fatalities per 100 million vehicles traveled in 1980 to 1.41 fatalities per 100 million vehicles traveled in 2006. [87]
- Made it safer to breathe, saving hundreds of thousands of lives annually. Clean Air Act rules saved 160,300 adult lives annually in 2010 and 230,000 lives annually starting in 2020.[88]
- Protected children's brain development by phasing out leaded gasoline. EPA regulations phasing out lead in gasoline helped reduce the average blood lead level in U.S. children ages 1 to 5. During the years 1976 to 1980, 88 percent of all U.S. children had blood levels in excess of 10 micrograms/deciliter; during the

[84] Office of Management and Budget, Office of Information and Regulatory Affairs Draft 2023 Report to Congress on the Benefits and Costs of Federal Regulations an Unfunded Mandates on State, Local, and Tribal Entities, November 2024, https://www.whitehouse.gov/wp-content/uploads/2024/11/Draft-FY23-Benefit-Cost-Report-Final.pdf.
[85] N. Mouzoon & T. Lincoln, "Regulation: The Unsung Hero in American Innovation," 2011, Public Citizen, http://www.citizen.org/documents/regulation-innovation.pdf.
[86] In addition to the historic advances through food safety regulation, implementation of the 2011 Food Safety Modernization Act will have tremendous benefits, eliminating most of the annual toll of 48 million illnesses, 128,000 hospitalizations, and 3,000 deaths that the Centers for Disease Control and Prevention estimates occur each year from contaminated food. M. Taylor, *Implementing the FDA Food Safety Modernization Act*, February 5, 2014, https://docs.house.gov/meetings/IF/IF14/20140205/101711/HHRG-113-IF14-Wstate-TaylorM-20140205.pdf.
[87] Rena Steinzor and Sidney Shapiro, The People's Agents and the Battle to Protect the American Public: Special Interests, Government, and Threats to Health, Safety, and the Environment: University of Chicago Press, 2010.
[88] See U.S. Environmental Protection Agency, "Benefits and Costs of the Clean Air Act 1990-2020, the Second Prospective Study," May 15, 2024, https://www.epa.gov/clean-air-act-overview/benefits-and-costs-clean-air-act-1990-2020-second-prospective-study.

years 1991 to 1994, only 4.4 percent of all U.S. children had blood levels in excess of that dangerous amount.[89]

- Empowered disabled persons by giving them improved access to public facilities and workplace opportunities, through implementation of the Americans with Disabilities Act.[90]

- Guaranteed a minimum wage, ended child labor and established limits on the length of the work week.[91]

- Saved the lives of thousands of workers every year. Deaths on the job have declined from more than 14,000 per year in 1970, when the Occupational Safety and Health Administration was created, to 5,400 at present. 690,000 lives have been saved since the creation of OSHA.[92]

- Protected the elderly and vulnerable consumers from a wide array of unfair and deceptive advertising techniques.[93]

- And much more.

These are not just the achievements of a bygone era. Regulation continues to improve the quality of life for every American, every day. Consider just the achievements of the Consumer Financial Protection Bureau (CFPB): Since its creation after the 2008 financial crash, the CFPB has returned $20.7 billion to consumers through law enforcement activity and aided more than 200 million Americans injured by illegal practices. The agency's rules on junk fees alone will save consumers $20 billion annually.[94]

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[89] Office of Management and Budget, Office of Information and Regulatory Affairs, 2011 Report to Congress on the Benefits and Costs of Federal Regulations an Unfunded Mandates on State, Local, and Tribal Entities," 2011, https://www.whitehouse.gov/wp-content/uploads/legacy_drupal_files/omb/inforeg/inforeg/2011_cb/2011_cba_report.pdf.
[90] National Council on Disability, "The Impact of the Americans with Disabilities Act," 2007, https://www.ncd.gov/report/the-impact-of-the-americans-with-disabilities-act-assessing-the-progress-toward-achieving-the-goals-of-the-americans-with-disabilities-act.
[91] There are important exceptions to the child labor prohibition; significant enforcement failures regarding the minimum wage, child labor and length of work week (before time and a half compensation is mandated). But the quality of improvement in American lives has nonetheless been dramatic. Jim Lardner, *Good Rules: 10 Stories of Successful Regulation*. 2011, Demos, https://sensiblesafeguards.org/assets/documents/report-good-rules-report-demos.pdf.
[92] *See* AFL-CIO. *Death on the Job: The Toll of Neglect*, 2024, https://aflcio.org/reports/dotj-2024; Mining deaths fell by half shortly after creation of the Mine Safety and Health Administration. Weeks, J. L., & Fox, M. (1983). Fatality rates and regulatory policies in bituminous coal mining, United States, 1959-1981. *American journal of public health, 73*(11), 1278.
[93] See 16 CFR 410-460.
[94] Rohit Chopra, "Opening Statement before the House Financial Services Committee," June 13, 2024, https://www.consumerfinance.gov/about-us/newsroom/opening-statement-of-director-rohit-chopra-before-the-house-financial-services-committee.

Industry Whining About Regulation is Not New – and Not True

Despite the historic and ongoing benefits of public regulation, there is a long history of business complaining about the cost of regulation — and predicting that the next regulation will impose unbearable burdens. Time and again, these predictions fall flat.

- Bankers and business leaders described the New Deal financial regulatory reforms in foreboding language, warning that the Federal Deposit Insurance Commission and related agencies constituted "monstrous systems," that registration of publicly traded securities constituted an "impossible degree of regulation," and that the New Deal reforms would "cripple" the economy and set the country on a course toward socialism.[95] In fact, those New Deal reforms prevented a major financial crisis for more than half a century — until they were progressively scaled back.

- Chemical industry leaders said that rules requiring removal of lead from gasoline would "threaten the jobs of 14 million Americans directly dependent and the 29 million Americans indirectly dependent on the petrochemical industry for employment." In fact, while banning lead from gasoline is one of the single greatest public policy public health accomplishments, the petrochemical industry has continued to thrive. The World Bank finds that removing lead from gasoline has a ten times economic payback.[96]

- Big Tobacco long convinced restaurants, bars and small business owners that smokefree rules would dramatically diminish their revenue — by as much as 30 percent, according to industry-sponsored surveys. The genuine opposition from small business owners — based on the manipulations of Big Tobacco — delayed the implementation of smoke-free rules and cost countless lives. Eventually, the Big Tobacco-generated opposition was overcome, and smokefree rules have spread throughout the country — significantly lowering tobacco consumption. Dozens of studies have found that smokefree rules have had a positive or neutral economic impact on restaurants, bars and small business.[97]

- Rules to confront acid rain have reduced the stress on our rivers, streams and lakes, fish and forests.[98] Industry projected costs of complying with acid rain rules

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[95] Taylor Lincoln, *Industry Repeats Itself: The Financial Reform Fight*. Public Citizen, 2011, http://www.citizen.org/documents/Industry-Repeats-Itself.pdf.
[96] Adam Crowther, *Regulation Issue: Industry's Complaints About New Rules Are Predictable — and Wrong. 2013*, http://www.citizen.org/documents/regulation-issue-industry-complaints-report.pdf.
[97] Adam Crowther, *Regulation Issue: Industry's Complaints About New Rules Are Predictable — and Wrong. 2013*, http://www.citizen.org/documents/regulation-issue-industry-complaints-report.pdf.
[98] Environmental Protection Agency. *Acid Rain Program Results*, April 5, 2024, https://www.epa.gov/acidrain/acid-rain-program-results.

of $5.5 billion initially, rising to $7.1 billion in 2000; ex-ante estimates place costs at $1.1 billion - $1.8 billion.[99]

- In the case of the regulation of carcinogenic benzene emissions, "control costs were estimated at $350,000 per plant by the chemical industry, but soon thereafter the plants developed a new process in which more benign chemicals could be substituted for benzene, thereby reducing control costs to essentially zero."[100]

- The auto industry long resisted rules requiring the installation of air bags, publicly claiming that costs would be more than $1000-plus for each car. Internal cost estimates actually showed the projected cost would be $206.[101] The cost has now dropped significantly below that. The National Highway Traffic Safety Administration estimates that air bags saved 2,790 lives in 2017, and more than 50,000 lives from 1975 to 2017.[102]

- Similarly, the auto industry threatened doom if forced to adopt catalytic converter technology, saying that as a result of such a mandate, "the prospect of unreasonable risk of business catastrophe and massive difficulties with these vehicles in the hands of the public may be faced. It is conceivable that complete stoppage of the entire production could occur, with the obvious tremendous loss to the company, shareholders, employees, suppliers, and communities."[103] The catalytic converter did not, in fact, impose business catastrophe on the auto industry.

There is a long list of other examples from the last century — including child labor prohibitions, the Family Medical Leave Act, the CFC phase out, asbestos rules, coke oven emissions, cotton dust controls, strip mining, vinyl chloride[104] — that teach us to be wary of Chicken Little warnings about the costs of the next regulation.

The important lessons here are that impacted industries have a natural bias to overestimate costs of regulatory compliance, and projections and claims of cost regularly discount the impact of technological dynamism. Indeed, regulation spurs innovation and

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[99] The Pew Environment Group, *Industry Opposition to Government Regulation*," October 2010, https://www.pewtrusts.org/~/media/assets/2011/03/industry-clean-energy-factsheet.pdf.

[100] Isaac Shapiro and John Irons, *Regulation, Employment, and the Economy: Fears of job loss are overblown*," Economic Policy Institute, 2011: http://www.epi.org/files/2011/BriefingPaper305.pdf.

[101] Peter Behr, "U.S. Memo on Air Bags in Dispute," Washington Post, August 13, 1981.

[102] National Highway Traffic Safety Administration, "*Traffic Safety Facts: Occupant Protection in Passenger Vehicles,*" May 2023, https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/813449.

[103] April 11, 1973, hearing transcript cited in Clarence Ditlow, Federal Regulation of Motor Vehicle Emissions under the Clean Air Act Amendments of 1970, Ecological Law Journal. 1975, pp. 495-504.

[104] Adam Crowther, *Regulation Issue: Industry's Complaints About New Rules Are Predictable — and Wrong. 2013*, http://www.citizen.org/documents/regulation-issue-industry-complaints-report.pdf; Hart Hodges, "Falling Prices: Cost of Complying With Environmental Regulations Almost Always Less Than Advertised," Economic Policy Institute, November 1, 1997, http://www.epi.org/publication/bp69 ; Isaac Shapiro and John Irons, *Regulation, Employment, and the Economy: Fears of job loss are overblown*," Economic Policy Institute, 2011: http://www.epi.org/files/2011/BriefingPaper305.pdf.

can help create efficiencies and industrial development wholly ancillary to its directly intended purpose.

The Costs of Not Regulating

In contrast to Big Business's self-interested and persistently disproved claims, the real efficiency threat comes from deregulation, under regulation and inadequate regulatory enforcement.

The most powerful illustration of this reality is the financial crash of 2008 and the Great Recession. A very considerable literature, and a very extensive Congressional hearing record, documents in granular detail the ways in which regulatory failure led to financial crash and the onset of the Great Recession. "Widespread failures in financial regulation and supervision proved devastating to the stability of the nation's financial markets," concluded the Financial Crisis Inquiry Commission.[105] "Deregulation went beyond dismantling regulations," noted the Financial Crisis Inquiry Commission. "[I]ts supporters were also disinclined to adopt new regulations or challenge industry on the risks of innovations."[106] The very extensive regulatory failures that contributed to the crisis include everything from the failure to stop toxic and predatory mortgage lending that blew up the housing bubble; the repeal of the Glass-Steagall Act; unregulated financial derivatives; and poorly regulated credit ratings firms.

To prevent the collapse of the financial system, the federal government provided incomprehensibly huge financial supports, far beyond the $700 billion in the much-maligned Troubled Assets Relief Program (TARP).

Even more significant, however, are the actual losses traceable to the regulatory failure-enabled Great Recession. A GAO study found that "[t]he 2007-2009 financial crisis, like past financial crises, was associated with not only a steep decline in output but also the most severe economic downturn since the Great Depression of the 1930s."[107] Reviewing estimates of lost economic output, GAO reported that the present value of cumulative output losses could exceed $13 trillion.[108] Additionally, GAO found that "households collectively lost about $9.1 trillion (in constant 2011 dollars) in national home equity between 2005 and 2011, in part because of the decline in home prices."[109]

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[105] Financial Crisis Inquiry Commission. (2011). *The Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States*. Washington, D.C.: Government Printing Office. p. 30.
[106] *The Financial Crisis Inquiry Report*. p. 53.
[107] U.S. Government Accountability Office, "*Financial Crisis Losses and Potential Impacts of the Dodd-Frank Act*," *January 13, 2013*, http://www.gao.gov/products/GAO-13-180.
[108] *Financial Crisis Losses and Potential Impacts of the Dodd-Frank Act*. p. 16.
[109] *Financial Crisis Losses and Potential Impacts of the Dodd-Frank Act*. p. 21. There is necessarily a significant amount of uncertainty around such analyses. Other estimates have placed the loss somewhat lower. A recent Congressional Budget

The recession threw millions out of work, and left millions still jobless or underemployed. "The monthly unemployment rate peaked at around 10 percent in October 2009 and remained above 8 percent for over 3 years, making this the longest stretch of unemployment above 8 percent in the United States since the Great Depression," GAO noted.[110]

As regards the impact of inadequate regulation and enforcement, the 2008 financial crisis and Great Recession are different in scale but not in kind from other corporate-caused problems. The 2010 BP oil disaster, the Wells Fargo fraudulent account scandal, predatory student loan ripoffs, the East Palestine train disaster, numerous food contamination outbreaks, the harmful effect of social media on children and much, much more could have been prevented or alleviated by smarter and stronger regulation and enforcement.

For the Department of Government Efficiency, all this should be good news: The regulatory process is working – except that it should be made stronger and more aggressive.

Investing in the Care Economy

The strongest argument for investing in childcare, paid parental leave, early education, nutrition programs and more is that these investments make our country kinder and better, fairer and more just. Such investments are profoundly democratic, evidencing a concern for every child and adult, for addressing gender imbalances and for redressing racial and economic disparities.

But set aside concerns for justice and equity. Such programs are smart investments in conventional economic terms. They are profoundly *efficient*.

A vast literature has developed to consider the return on investment in early childhood development, health care access and other social programs in monetary terms. These efforts are inherently imperfect and underestimate benefits, due to the impossibility of capturing in monetary terms many of the programs' direct and indirect benefits. But a sophisticated literature has evolved to subject social investments to cost-benefit analysis. For early childhood programs, these capture monetary benefits such as increased earnings in adulthood for participants, reductions in crime and avoided costs of repeated schooling. For health care investments, they capture health care costs averted. The

Office study estimates the cumulative loss from the recession and slow recovery at $5.7 trillion." (Congressional Budget Office. 2012. *The Budget and Economic Outlook: Fiscal Years 2012 to 2022*. p. 26.) One complicating issue is determining which losses should be attributed to the recession and which to other issues. For example, GAO notes, "analyzing the peak-to-trough changes in certain measures, such as home prices, can overstate the impacts associated with the crisis, as valuations before the crisis may have been inflated and unsustainable.[109] *Financial Crisis Losses and Potential Impacts of the Dodd-Frank Act*. p. 17.

[110] *Financial Crisis Losses and Potential Impacts of the Dodd-Frank Act*. pp. 17-18.

analyses apply a discount rate, so that dollars spent today are valued more than dollars generated or saved a decade hence.[111]

Early Childhood Education and Development: All parents want their kids to get off to a strong start in life, but opportunities are highly unequal based on family income, geography and more. A wide range of early childhood programs to ensure access for all children have been carefully studied for impact. They have a powerfully positive impact on kids' long-term educational attainment, lifetime earnings and quality of life. And, they pay off in monetary terms: "Early learning initiatives have provided total benefits to society, including reduced crime, lower anti-poverty transfers, and educational savings, of up to $8.60 over a child's lifetime for every $1 spent," an estimate that includes improved lifetime earnings of children who benefit from early education and development programs.[112] These programs include everything from early maternal home visits to quality childcare to preschool. A vast literature testifies to these programs' success and economic payback.[113] There are other important economic benefits from childcare and education programs, notably including increased labor force participation by mothers,[114] and including overall macroeconomic strength from the heightened contribution of better-educated workers; and many social, non-economic benefits, including family functioning, community cohesiveness and civic engagement.[115]

Access to Health Care: Ensuring all children have access to quality health care pays off. The wide-ranging benefits are well-established: "Those whose mothers gained eligibility for prenatal coverage under Medicaid have lower rates of obesity as adults and fewer hospitalizations related to endocrine, nutritional and metabolic diseases, and immunity disorders as adults, with particularly pronounced reductions in visits associated with diabetes and obesity. … Prenatal expansions improved educational and economic outcomes for affected cohorts. Cohorts who gained Medicaid eligibility in utero have higher high school graduation rates" and there is "evidence suggesting that they have higher incomes in adulthood."[116] Investing in kids' health care pays off directly to the government, not counting the social benefits, with each additional dollar invested in

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[111] See Lynn Karoly, "Toward Standardization of Benefit-Cost Analyses of Early Childhood Interventions," Rand, December 2010, https://www.rand.org/content/dam/rand/pubs/working_papers/2011/RAND_WR823.pdf;
[112] The Obama White House, "The Economics of Early Childhood Investments," January 2015, https://obamawhitehouse.archives.gov/sites/default/files/docs/early_childhood_report_update_final_non-embargo.pdf.
[113] Lynn A. Karoly, M. Rebecca Kilburn, Jill S. Cannon, "Early Childhood Interventions: Proven Results, Future Promise," Rand Corporation, 2005, https://www.rand.org/content/dam/rand/pubs/monographs/2005/RAND_MG341.pdf.
[114] "What the research says about the economics of early care and education," Washington Center for Equitable Growth, September 2021, https://equitablegrowth.org/wp-content/uploads/2021/09/091521-childcare-econ-fs.pdf.
[115] Lynn A. Karoly, M. Rebecca Kilburn, Jill S. Cannon, "Early Childhood Interventions: Proven Results, Future Promise," Rand Corporation, 2005, https://www.rand.org/content/dam/rand/pubs/monographs/2005/RAND_MG341.pdf.
[116] Sarah Miller and Laura R. Wherry, "The Long-Term Effects of Early Life Medicaid Coverage," August 20, 2015, https://websites.umich.edu/~mille/MillerWherry_Prenatal2015.pdf.

Medicaid returning $1.78 to the government.[117] Taking into account the social monetized benefits, returns are vastly higher.

Nutrition Benefits: Nutrition benefits alleviate hunger and provide access to healthy food, with massive multiplier effects for recipients.[118] Infants and children in families participating in the Supplemental Nutrition Assistance Program (SNAP) are more likely to see a doctor for periodic check-ups. Low-income adults participating in SNAP incur 25 percent less in medical care costs than low-income non-participants. Nutrition benefits improve birth outcomes and children's lifelong health outcomes. Nutrition benefits help older recipients live independently and make them less likely to skip medicine dosages because of cost. In narrow economic terms, nutrition benefits pay off immediately, generating an immediate economic return of 50 percent. "$1 billion in new spending induces further new spending in the economy that collectively increases GDP by $1.54 billion, supports 13,560 jobs, and creates $32 million in farm income."[119] Incorporating the benefits to recipients would suggest a far higher return on investment.

A wide range of additional social interventions are efficient for businesses but are beyond the capacity of many small businesses or pose collective action problems that require governmental intervention to solve. Paid leave policies, for example, not only benefit workers and their families; they enhance productivity, worker retention and overall economic strength.[120] Large companies recognize these benefits and are far more likely to offer paid leave for disability or family leave than smaller businesses. Many small businesses simply don't have the economic cushion to offer paid leave policy, no matter the long-term payoff to the firm. The result is a net loss to society and an unfair advantage for larger firms. States that have experimented with paid leave programs have shown they work, with one study attributing a 5 percent increase in productivity to such policies.[121]

The overriding challenge in considering the "efficiency" of social investments is that their primary purpose typically is not economic and their primary benefits are typically not monetary. In a wide range of cases, efforts to determine the pure economic value of these investments have proven their efficiency in narrow economic terms, even when applying

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[117] Nathanial Hendren and Ben Sprung-Keyser, "A Unified Welfare Analysis of Government Policies." Quarterly Journal of Economics 135 (3): 1209-1318, https://scholar.harvard.edu/hendren/publications/unified-welfare-analysis-government-policies

[118] See Steven Carlson and Joseph Llobrera, "SNAP Is Linked With Improved Health Outcomes and Lower Health Care Costs," Center for Budget and Policy Priorities, December 14, 2022, https://www.cbpp.org/research/food-assistance/snap-is-linked-with-improved-health-outcomes-and-lower-health-care-costs.

[119] Patrick Canning and Brian Stacy, "The Supplemental Nutrition Assistance Program (SNAP) and the Economy: New Estimates of the SNAP Multiplier," U.S. Department of Agriculture, July 2019, https://www.ers.usda.gov/webdocs/publications/93529/err265_summary.pdf.

[120] On the case for paid social leave and supporting research, see Molly Weston Williamson, "America's Small Businesses Need a National Paid Leave Program," Center for American Progress, September 19, 2024, https://www.americanprogress.org/article/americas-small-businesses-need-a-national-paid-leave-program/.

[121] Benjamin Bennett, Isil Erel, Léa H. Stern and Zexi Wang, "Paid Leave Pays Off: The Effects of Paid Family Leave on Firm Performance," National Bureau of Economic Research, 2020, https://www.nber.org/system/files/working_papers/w27788/w27788.pdf.

discount rates to the value of long-term payoffs. When a further step is taken and monetary value is applied to non-monetary benefits – an inherently imperfect exercise that relies heavily on "willingness to pay" surveys, underestimates the value of benefits and fails to capture their social advantages – an overwhelming number and diverse array of social programs demonstrate "efficiency" and pay for themselves.[122]

But even this approach underestimates the benefits of social investments, which are "social," not individual. On the one hand, the returns on investment often go beyond the value to a beneficiary, by strengthening family and community bonds and by creating societal economic benefits not captured by a person's higher wages. On the other hand, key social investments need to focus on communities, not just individuals, again with returns both to individual and overall community strength.[123]

Investing to Avert Climate Catastrophe

"Climate change is a threat to human well-being and planetary health" and "there is a rapidly closing window of opportunity to secure a livable and sustainable future for all."[124] That is the bottom-line conclusion from the world's leading climatologists, who together through the Intergovernmental Panel on Climate Change (IPCC) have consistently demonstrated a very conservative assessment of climate risks.

Climate science shows the imperative of immediate action to avert catastrophe. "Risks and projected adverse impacts and related losses and damages from climate change escalate with every increment of global warming," the IPCC finds.[125]

Climate impacts are diverse and compounding. They include: heat-related death and illness, coastal flooding and land loss, diminished agricultural production, water shortages, new and increased spread of infectious diseases, loss of biodiversity, more severe weather events, mass migration and much more. To take just one example of impacts, in the 2030s – the next decade – the number of people exposed to heat levels beyond the "survivability threshold" may total 10 million.[126] Risks will cascade across impacts and regions, the IPCC points out. "Climate-driven food insecurity and supply instability, for example, are projected to increase with increasing global warming,

[122] Nathanial Hendren and Ben Sprung-Keyser, "A Unified Welfare Analysis of Government Policies." Quarterly Journal of Economics 135 (3): 1209-1318, https://scholar.harvard.edu/hendren/publications/unified-welfare-analysis-government-policies.
[123] Raj Chetty, "I Have Studied Social Mobility for Years. Here's How Kamala Harris Can Build an 'Opportunity Economy,'" New York Times, September 20, 2024, https://www.nytimes.com/2024/09/20/opinion/kamala-harris-opportunity-economy.html.
[124] Intergovernmental Panel on Climate Change, "Climate Chage 2023 Synthesis Report," https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf.
[125] Intergovernmental Panel on Climate Change, "Climate Chage 2023 Synthesis Report," 2023 https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf.
[126] Daniel Quiggin, Kris De Meyer, Lucy Hubble-Rose and Antony Froggatt, Climate change risk assessment 2021. Summary of research findings. Chatham House, September 2021 https://www.chathamhouse.org/2021/09/climate-change-risk-assessment-2021.

interacting with non-climatic risk drivers such as competition for land between urban expansion and food production, pandemics and conflict."[127]

The monetary costs of climate inaction are hard to fathom but they will severely reduce the size of the global economy. Depending on how quickly we move and how severe we let climate chaos become, the insurance giant Swiss Re suggests the annual dollar costs could be 11 to 14 percent of total global economic output by 2050 – amounting to around $23 trillion annually – and around 7 percent of North American economic output.[128] These costs will compound and grow even worse over time.

In the face of these alarms, it should be plain that extraordinary investments to prevent the worst climate scenarios meet any standard of "efficiency." The IPCC's literature review concludes that climate change mitigation investments pay for themselves simply with enhanced efficiency and direct health benefits (e.g., improved air quality), not even counting averted climate-related costs.[129]

Mitigation efforts will pay off 10 times over in monetary terms alone, according to modeling from the consulting firm BCG. BCG projects annual global GDP loss of 16-22 percent by 2100 without increased action. Investments of 1-2 percent of global GDP can reduce the damage to 4-6 percent by 2100. "Overall, the net cost of inaction" – as against a course of investments now – "amounts to approximately 10% to 15% of lost global GDP by 2100," BCG concludes.[130]

Equally, study after study has found a very high economic return on investments in climate adaptation, all of which point out that acting sooner rather than later will cost less and protect more:

- The Global Commission on Adaptation "found that the overall rate of return on investments in improved resilience is very high, with benefit-cost ratios ranging from 2:1 to 10:1, and in some cases even higher Specifically, our research finds that investing $1.8 trillion globally in five areas from 2020 to 2030 could generate $7.1 trillion in total net benefits."[131]

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[127] Intergovernmental Panel on Climate Change, "Climate Chage 2023 Synthesis Report," 2023 https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf.
[128] Swiss Re Institute, "The economics of climate change: no action not an option," April 2021, https://www.swissre.com/dam/jcr:e73ee7c3-7f83-4c17-a2b8-8ef23a8d3312/swiss-re-institute-expertise-publication-economics-of-climate-change.pdf.
[129] Intergovernmental Panel on Climate Change, "Climate Chage 2023 Synthesis Report," 2023 https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf.
[130] Amine Benayad, Lars Holm, Hamid Maher, Edmond Rhys Jones, Sylvain Santamarta, Annika Zawadzki, and Kamiar Mohaddes, "Why Investing in Climate Action Makes Good Economic Sense," BCG, September 23, 2024, https://www.bcg.com/publications/2024/investing-in-climate-action.
[131] Global Commission on Adaptation, "Adapt Now: A Global Call for Leadership on Climate Resilience," September 2019, https://gca.org/wp-

- The National Institute of Building Sciences find that "public-sector investment in mitigation since 1995 by FEMA, EDA, and HUD cost the country $27 billion but will ultimately save $160 billion, meaning $6 saved per $1 invested.[132]

- The Climate Resiliency Report from the U.S. Chamber of Commerce, Allstate, and the U.S. Chamber of Commerce Foundation "finds that every $1 invested in resilience and disaster preparedness saves $13 in economic impact, damage, and cleanup costs after the event."[133]

Preventing catastrophic climate change and adapting to the inevitably worsening impacts will require very large investments, from diverse sources and across the global economy. But the U.S. government must be at the center of these investments.

While mitigating climate change requires global solutions, as the world's largest and most powerful economy and the historic greatest emitter of greenhouse gases, the United States must be the leader and driver of those solutions. And, along with helping fund adaptation in developing countries – a humanitarian as well as self-interested necessity, to lessen resource competition and help people stay in their homes and communities – the U.S. government will need to make large investments to adapt to domestic climate change impacts.

There will be many opportunities for corporations to profit from the clean energy transition, through selling new technologies, adopting more energy efficient systems and more. But climate change is in many ways a problem of the pollution of the global commons, which means public investment will unavoidably be central to addressing the issue.

Especially because of the immensity of what must be done, managing the transition to a clean energy future and adapting to now-inevitable impacts of climate change will require elaborate plans throughout the whole of the global economy.[134] The core concepts will include a rapid transition to 100 percent clean energy, with major restructuring of transportation, manufacturing and buildings to advance efficiency and eliminate reliance on fossil fuels; investments in soil-regenerative agriculture, transformation of the

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content/uploads/2019/09/GlobalCommission_Report_FINAL.pdf?_gl=1*1u8fzfk*_ga*MjA4MTk3OTIzMi4xNzM1MDg1MTA0*_up*MQ.

132 National Institute of Building Sciences, "Mitigation Saves: Mitigation Saves up to $13 per $1 Invested," 2020, https://www.nibs.org/files/pdfs/ms_v4_overview.pdf.

133 U.S. Chamber of Commerce, Allstate, and the U.S. Chamber of Commerce Foundation, "2024 Climate Resiliency Report: The Preparedness Payoff: The Economic Benefits of Investing in Climate Resilience," June 25, 2024, https://www.uschamber.com/security/the-preparedness-payoff-the-economic-benefits-of-investing-in-climate-resilience.

134 For examples of comprehensive plans, see "The Six Sector Solution to the Climate Crisis," UN Environment Program, 2020, https://www.unep.org/interactive/six-sector-solution-climate-change/; Vision for Equitable Climate Action, U.S. Climate Action Network, May 2020, https://equitableclimateaction.org/wp-content/uploads/2020/05/Vision-for-Equitable-Climate-Action-May-2020-final-1.pdf; "What is the Green New Deal?" Sunrise Movement, https://www.sunrisemovement.org/green-new-deal.

livestock sector and a serious commitment to reforestation; and attention to equity, within and among countries.

The details matter of clean energy plans matter, of course, but the top-line for thinking about government efficiency is simple: Large public investments in a clean energy future are imperative and profoundly efficient in narrow economic terms.

Conclusion

Every sign from DOGE suggests that it aims to use "efficiency" as a cover to drive a pro-corporate, anti-regulatory agenda and an ideologically driven social service cuts program. In total, this would constitute an *anti-efficiency* agenda. By contrast, if DOGE is interested in saving taxpayers and consumers money and making sound investments that will generate a positive return to the government and society, there is a clear set of evidence-based measures for it to pursue. The choice is as simple as that.