

THE REAL COST OF SOCIALISM IN AMERICA

Scoring the Economic and Fiscal Impact of the DSA Agenda

The Council of Economic Advisers

October 2026





CONTENTS

Foreword 2

Executive Summary 3

Chapter 1. Student Debt Cancellation and Free College Tuition..... 8

Chapter 2. Open Borders and Mass Amnesty13

Chapter 3. Abolishing the Police and Prison System.....18

Chapter 4. Medicare for All30

Chapter 5. Universal Rent Control..... 42

Chapter 6. The Green New Deal59

Chapter 7. The 32-Hour Workweek..... 72

Chapter 8. Wealth Tax..... 82



FOREWORD

Upon taking office, the Trump Administration immediately worked to secure the border, unleash American energy, usher in a wave of new investment, make life affordable for working families, and right-size the federal government.

These policies have driven a manufacturing boom, turned America into an energy-producing powerhouse, and made the country more affordable for hardworking Americans. There is, of course, more to be done, but we finally have an economy built around rewarding the people who do the actual building.

The Democratic Socialists of America (DSA) have offered an alternative vision, one relying on taking resources from workers and entrepreneurs or taxing the income of future generations to finance massive spending today. The Council of Economic Advisers took them at their word, examined their policy proposals, and, in the chapters that follow, scored how much their economic agenda would cost the country.

EXECUTIVE SUMMARY

CEA analyzed the fiscal and economic effects of eight policy pillars of the Democratic Socialists of America (DSA): (1) cancellation of all student debt and free college tuition, (2) open borders and amnesty for illegal aliens, (3) abolishing the police and prison system, (4) Medicare for All, (5) universal rent control, (6) the Green New Deal, (7) a 32-hour workweek mandate, and (8) a 5 percent annual wealth tax on billionaires. The net fiscal burden of the seven programs that can be scored against the federal budget would total more than \$49 trillion over ten years, which would be financed either by debt or by tax increases on the American people. This amounts to approximately \$355,000 per American household.

Table ES-1. Net Fiscal Burden of DSA Agenda Proposals, 2027–2036

	Ten-year revenue (+) and costs (–) (trillions of constant 2026 dollars)
Wealth tax	3.94
Universal rent control	–0.0162
32-hour workweek	–0.918
Open borders and amnesty for illegal aliens	–0.53
Student debt cancellation and free tuition	–3.60
Green New Deal	–0.37
Medicare for All	–47.41
Net Total	–48.90
Gross total (excluding wealth-tax revenue)	–52.84

Note: Ten-year totals, 2027–2036, in constant 2026 dollars. Positive values are revenue; negative values are costs. Student debt cancellation reflects the upper bound of the Chapter 1 range (tuition covered at all institutions). Open borders and amnesty reflects the midpoint of the Chapter 2 range (\$440–613 billion). Wealth-tax revenue is the sponsors' estimate accepted for scoring in Chapter 8, before the estimated \$449 billion reduction in income tax receipts from lower wages. The public-safety platform (Chapter 3) is not scored in fiscal terms. Source: CEA calculations; see the chapter for each proposal.

If the DSA promises are financed by deficit spending—that is, by taking on additional government debt—CEA estimates that:

- Interest rates on 10-year Treasury bonds would rise by 5.8 percentage points, likely breaching 10 percent, and dramatically increasing not only the government's cost of borrowing, but also interest rates on mortgages and loans of hardworking Americans, families, and small businesses.
- Inflation would increase to double-digit levels, with cumulative excess inflation of 130 to 160 percentage points over ten years, increasing costs for Americans.

If the DSA promises are instead financed by increasing taxes on hardworking Americans, CEA estimates that:

- The tax hikes would lower U.S. economic output (real annual GDP) by 14.6 percent in perpetuity. This is driven by fewer machines, fewer factories, and less intellectual property, and by a 16.2 percent fall in total labor hours—less employment.

- U.S. economic output could fall by about 19.2 percent per year, roughly \$72.5 trillion in output lost over a decade, meaning fewer jobs and lower wages for Americans.
- After-tax hourly wages for the average household shrink by 28.4 percent, an average of \$22,000 in lost annual income in 2026 dollars.¹

Beyond these fiscal and macroeconomic effects, CEA assessed the DSA's public-safety platform—abolishing the police, reclassifying offenses as misdemeanors, eliminating cash bail, and shortening sentences (Chapter 3). The empirical literature finds that each of these policies raised crime where they were tried. Using a fifty-state panel, including Washington, D.C., with state and year fixed effects, CEA estimates that 1,000 additional crimes per 100,000 people per year (a 28.2 percent increase in the crime rate) are associated with:

- A 110-day decrease in the average life expectancy of the people living in these communities (2.5 years when the additional crime is violent).
- 173 more deaths per 100,000 people when the additional crime is violent.
- 730 more children in poverty per 100,000 children aged 5 to 17.
- 1,430 to 1,640 fewer children who out-earn their parents per 100,000 children.
- A \$112.90 increase in the average annual premium for employee-plus-one health insurance.

Details

Debt Financing

Debt financing the net \$49 trillion fiscal burden would risk a sovereign debt and monetary crisis. We follow Rachel and Summers (2019)² for the baseline impact of government borrowing on interest rates. The 2026 deficit-to-GDP ratio is 5.8 percent.³ A \$4.9 trillion annual increase in the deficit would increase the deficit-to-GDP ratio to 21.14 percent (a 15.34 percentage point increase). Using Rachel and Summers' average impact (38 basis points per 1 percentage point in the deficit-to-GDP ratio) translates to an increase of 5.83 percentage points in interest rates. That increase could push the 10-year Treasury yield above 10 percent and result in 30-year mortgage rates over 12 percent.⁴

With average debt maturing in about six years (Treasury Bulletin and JEC),⁵ the cost of refinancing existing debt would increase substantially. Under current law, CBO projects that the federal debt held by the public will increase to 120 percent of GDP by 2036.⁶ Adding \$49 trillion would increase the debt-to-GDP ratio to 254

¹ Based on United States Census Bureau estimate of real post-tax household income of \$76,060.

² Łukasz Rachel and Lawrence H. Summers, "On Secular Stagnation in the Industrialized World," NBER Working Paper 26198 (Cambridge, MA: National Bureau of Economic Research, August 2019), Table 2, <https://www.nber.org/papers/w26198> (an average across the studies surveyed of 38 basis points per percentage point of deficit-to-GDP and 3.5 basis points per percentage point of debt-to-GDP).

³ Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036* (February 2026), <https://www.cbo.gov/publication/61882>.

⁴ This estimate is likely a lower bound. When government debts and deficits rise to above-average levels, the impact on interest rates accelerates rapidly in a non-linear fashion. For example, Silvia Ardagna, Francesco Caselli, and Timothy Lane, "Fiscal Discipline and the Cost of Public Debt Service: Some Estimates for OECD Countries," *B.E. Journal of Macroeconomics* 7, no. 1 (2007), <https://doi.org/10.2202/1935-1690.1417>, show that a quadratic term is positive and statistically significant. The typical historic spread between 10-year Treasury yields and the 30-year mortgage rate is between 1.5 and 2 percentage points.

⁵ U.S. Department of the Treasury, Treasury Bulletin, "Public Debt Operations," via Fiscal Data, <https://fiscaldata.treasury.gov/datasets/treasury-bulletin/pdo-1-offerings-of-regular-weekly-treasury-bills>; Joint Economic Committee Republicans, "Debt Dashboard," <https://www.jec.senate.gov/public/index.cfm/republicans/debt-dashboard>.

⁶ Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036*.

percent (an increase of roughly 134 percentage points in ten years). With a 5.83 percentage point interest rate differential, annual debt service would be over \$6 trillion larger than otherwise would be the case in ten years. Added to the baseline, total interest payments would exceed CBO's projected government revenue in 2036.

This level of debt service-to-revenue burden could lead to a debt crisis, debt monetization, and inflation. While there is a large literature studying the effects of fiscal policy, few papers have examined its effects on inflation until recently, in an environment of increased interest in the fiscal theory of inflation. Barro and Bianchi (2026) take a cross-sectional approach,⁷ using variation across countries in fiscal responses to COVID to study the impacts of fiscal spending shocks on inflation. Bianchi, Faccini, and Melosi (2023) structurally estimate⁸ the impacts of spending changes using a model grounded in the fiscal theory of inflation.

The results from Barro and Bianchi (2026) imply that \$1 trillion in excess spending generates 2.6 percentage points of additional long-run inflation, of which 0.64 percentage point is the immediate (year 1) effect on prices. The results from Bianchi, Faccini, and Melosi (2023) imply 3.2 percentage points of additional long-run inflation, of which 0.9 percentage point is the immediate effect on prices. Using these separate estimates as lower and upper bounds, each year of \$4.9 trillion in additional deficit spending would add 12.7 to 15.6 percentage points to the long-run price level, of which 3.1 to 4.4 percentage points would be felt immediately in the year the spending occurs. In ten years, the cumulative price level would increase by about 130 to 160 percentage points.

Financing with Tax Hikes

In fiscal year 2025, the federal government collected \$2.66 trillion from individual income taxes and \$452 billion from corporate income taxes. Preserving that revenue ratio while raising an additional \$4.9 trillion annually would allocate approximately \$4.179 trillion of the increase to individual income taxes and \$711 billion to corporate taxes, producing annual revenue targets of \$6.835 trillion and \$1.163 trillion, respectively. Collections from each tax would therefore have to rise to approximately 2.573 times their current levels, before accounting for the projected GDP response. These baseline revenue figures come from the Congressional Budget Office's FY2025 revenue report,⁹ while the starting effective individual income-tax rate of approximately 14.1 percent of adjusted gross income comes from the IRS Statistics of Income tables.¹⁰

Using a dynamic revenue model in which taxable income contracts as the net-of-tax return declines, and using a current average effective corporate income-tax rate of approximately 11.1 percent¹¹ rather than the 21 percent statutory rate, the required effective corporate rate would rise to approximately 30.0 percent, an 18.9 percentage point increase. The economy-wide effective individual income-tax rate would rise from approximately 14.1 percent to about 39.6 percent of adjusted gross income, a 25.5 percentage point increase. This calculation assumes an individual taxable-income elasticity of 0.25, consistent with the central benchmark

⁷ Robert J. Barro and Francesco Bianchi, "Fiscal Influences on Inflation in OECD Countries, 2020–2023," *Economic Journal* 136, no. 674 (2026): 626–654, <https://doi.org/10.1093/ej/ueaf066> (earlier version circulated as NBER Working Paper 31838, 2023).

⁸ Francesco Bianchi, Renato Faccini, and Leonardo Melosi, "A Fiscal Theory of Persistent Inflation," *Quarterly Journal of Economics* 138, no. 4 (2023): 2127–2179, <https://doi.org/10.1093/qje/qjad027>.

⁹ Congressional Budget Office, "Revenues in Fiscal Year 2025: An Infographic," March 30, 2026, <https://www.cbo.gov/publication/61953>.

¹⁰ Internal Revenue Service, Statistics of Income, "Individual Statistical Tables by Size of Adjusted Gross Income," <https://www.irs.gov/statistics/soi-tax-stats-individual-statistical-tables-by-size-of-adjusted-gross-income>.

¹¹ Calculated as FY2025 corporate income-tax receipts of \$452 billion divided by BEA's 2025 corporate profits from current production of \$4.0775 trillion: \$452 billion / \$4,077.5 billion = 11.08 percent, rounded to 11.1 percent. This is an approximate average effective rate because it compares fiscal-year receipts with calendar-year profits, and receipts are not identical to accrued tax liabilities. Sources: Congressional Budget Office, FY2025 revenue report; Bureau of Economic Analysis, Corporate Profits.

discussed by Saez, Slemrod, and Giertz in their review of the taxable-income elasticity literature,¹² and a corporate taxable-income elasticity of 0.20, based on the U.S. estimate by Gruber and Rauh discussed in the subsequent corporate tax-base literature.¹³ Solving this equation for a 2.573-fold increase in collections produces the 39.6 percent individual rate and 30.0 percent corporate rate reported above.

Impact on GDP and Wages

To estimate the broader economic effects, CEA uses a Cobb-Douglas production function with a capital share of 0.34 and a labor share of 0.66, holding total factor productivity constant. For labor, the relevant incentive is the net-of-tax wage. The effective individual tax increase reduces the retained share of earnings from 85.9 percent to 60.4 percent. Applying a Hicksian aggregate-hours elasticity of 0.5 gives a labor-input ratio of $(0.604/0.859)$ raised to 0.5, or 0.838, implying that aggregate labor hours decline by approximately 16.2 percent. The use of a steady-state Hicksian elasticity, rather than a Frisch elasticity, follows Chetty, Guren, Manoli, and Weber's review of labor-supply elasticities.¹⁴

For capital, CEA relies on the same user-cost-of-capital model used in its analysis of OBBBA.¹⁵ The model begins with the user cost for asset i and sector s : the required return plus depreciation, multiplied by one minus the tax value of depreciation allowances, and divided by one minus the business tax rate. It assumes an investment elasticity of -1 with respect to the user cost. The model calculates the user-cost change separately for equipment, structures, intellectual property, and residential capital in the corporate and pass-through sectors, then weights those responses by their capital shares. Full expensing sets the present value of depreciation allowances to one for eligible equipment and R&D, sharply reducing the sensitivity of user cost to the tax rate. Aggregating the asset- and sector-specific responses yields the reduced-form elasticity of the long-run capital stock with respect to the effective business tax rate: $d \ln(K) / d \ln(t) = -0.123$. Thus, -0.123 is a model-implied composite elasticity, not the primitive UCC elasticity of -1 . Applying it here gives a capital-stock ratio of $(0.299/0.111)$ raised to -0.123 , or 0.885, so the long-run capital stock falls by approximately 11.5 percent.

Substituting the capital and labor responses into the Cobb-Douglas production function produces an output ratio of 0.885 raised to 0.34 multiplied by 0.839 raised to 0.66, or 0.854. Real GDP therefore declines by approximately 14.6 percent in the long run. With factor shares fixed, aggregate pre-tax labor compensation also declines by approximately 14.6 percent. Pre-tax hourly wages nevertheless rise by approximately 1.9 percent because labor contracts more than capital, increasing the capital-to-labor ratio by approximately 5.6 percent and raising the marginal product of the remaining labor hours. The pre-tax return to capital falls by approximately 3.5 percent because capital becomes more abundant relative to labor.

¹² Emmanuel Saez, Joel Slemrod, and Seth H. Giertz, "The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review," *Journal of Economic Literature* 50, no. 1 (2012): 3–50, <https://doi.org/10.1257/jel.50.1.3>.

¹³ Elena Patel, Nathan Seegert, and Matthew Smith, "At a Loss: The Real and Reporting Elasticity of Corporate Taxable Income," working paper, https://www.nathanseegert.com/papers/PatelSeegertSmith_AtALoss.pdf, discussing the 0.2 estimate in Jonathan Gruber and Joshua Rauh, "How Elastic Is the Corporate Income Tax Base?," in *Taxing Corporate Income in the 21st Century*, ed. Alan J. Auerbach, James R. Hines Jr., and Joel Slemrod (Cambridge: Cambridge University Press, 2007).

¹⁴ Raj Chetty, Adam Guren, Day Manoli, and Andrea Weber, "Are Micro and Macro Labor Supply Elasticities Consistent? A Review of Evidence on the Intensive and Extensive Margins," *American Economic Review* 101, no. 3 (2011): 471–475, <https://doi.org/10.1257/aer.101.3.471>.

¹⁵ Council of Economic Advisers, "The Economic and Fiscal Benefits of the One Big Beautiful Bill Act," chapter 1 of *Economic Report of the President* (Washington: April 2026), <https://www.whitehouse.gov/wp-content/uploads/2026/04/ERP-2026-1.-The-Economic-and-Fiscal-Benefits-of-the-One-Big-Beautiful-Bill-Act.pdf>.

The increase in the pre-tax hourly wage does not offset the larger individual tax wedge. After accounting for the reduction in the retained share of earnings, the after-tax hourly wage declines by approximately 28.4 percent. Combining that decline with the contraction in labor hours causes aggregate after-tax labor compensation to fall by approximately 40.0 percent. Similarly, combining the 3.5 percent decline in the pre-tax return to capital with the reduction in the corporate net-of-tax share from 88.9 percent to 70.0 percent produces an approximately 24.0 percent decline in the after-tax return to capital. The central results are therefore an 11.5 percent decline in the capital stock, a 16.2 percent decline in aggregate labor hours, and a 14.6 percent permanent decline in real GDP, alongside a 28.4 percent decline in after-tax hourly wages.

Total GDP Effects

Under the tax-financing scenario, using CBO's projected GDP for 2035 in constant 2026 dollars, a 14.6 percent decline in GDP corresponds to approximately \$5.5 trillion, or about \$55 trillion over a ten-year window if the full long-run effect applied in every year. In addition, some DSA proposals affect GDP directly. If their separate effects are treated as additive, total GDP could decline by \$72.5 trillion over a ten-year period, of which roughly \$17.3 trillion¹⁶ would come from their direct GDP effect and \$55 trillion from lower production due to higher taxes necessary to finance the DSA promises. The combined (direct plus indirect) effect would imply a permanent GDP reduction of about 19.2 percent per year.¹⁷

¹⁶ Adding up the \$8.6 trillion GDP reduction from the wealth tax, \$1.231 trillion from universal rent control (the average between the high and low estimates from the central policy specification), \$2.18 trillion from the Green New Deal, and \$5.243 trillion from the 32-hour workweek mandate. All figures are in 2026 dollars.

¹⁷ \$7.23 trillion a year decline divided by projected 2035 GDP of \$37.84 trillion in 2026 dollars.

CHAPTER 1. STUDENT DEBT CANCELLATION AND FREE COLLEGE TUITION

Key Findings

Student debt is concentrated among households with graduate degrees and above-median income. Because income-driven repayment already forgives much of what low earners owe, cancellation is worth the least to low-income households. Canceling outstanding student debt and funding a decade of free tuition cost about \$2.1 trillion if tuition is covered only at public institutions and \$3.6 trillion if private institutions are included. That equals roughly 5 to 9 percent of existing federal debt.

Background

Americans owe roughly \$1.9 trillion in student debt, with about \$1.7 trillion of it to the federal government across nearly 43 million loan recipients,¹⁸ and the Democratic Socialists of America (DSA) wants to cancel all of it. The DSA's 2026 program calls to "provide free, quality public education from pre-K to college and cancel all student debt."¹⁹ Cancellation does not change the value of anyone's education, but it changes who owes the money, moving it from borrowers to the Treasury. The value a household receives from cancellation depends on what that household would have paid otherwise. Borrowers' payments help fund the government, so the cost does not disappear; it shifts to the deficit and is carried by taxpayers.

Interest rates and borrowing limits on federal student loans are set by Congress and vary between undergraduate and graduate students.²⁰ Traditionally, most borrowers were on the Standard Plan, requiring fixed payments over up to a ten-year period.^{21,22} However, income-driven repayment (IDR) plans have since become the norm, tying payments to earnings instead, with monthly payment amounts changing based on income and family size. Payments under IDR can be as low as \$0 per month, and any remaining balance may be discharged after the required number of qualifying monthly payments over the relevant payment period, which runs 20, 25, or 30 years depending on the plan. Under Income-Based Repayment (IBR), one of the previously available IDR plans, borrowers pay 10 percent of discretionary income with forgiveness after 20 years.²³ Discretionary income is defined as income above 150 percent of the federal poverty guideline for the borrower's family size and state of residence. Under IBR, the monthly payment will never exceed the amount owed under

¹⁸ Melanie Hanson, "Student Loan Debt Statistics," Education Data Initiative, last updated July 16, 2026, <https://educationdata.org/student-loan-debt-statistics>.

¹⁹ Democratic Socialists of America, Workers Deserve More (2026 program), "Freedom to Flourish," <https://program.dsusa.org/#demand-freedom-to-flourish>.

²⁰ Alexandra Hegji, Direct Loan Program Student Loans: Loan Types and Limits, CRS In Focus IF12828 (Congressional Research Service, November 25, 2024), https://www.congress.gov/crs_external_products/IF/PDF/IF12828/IF12828.1.pdf.

²¹ Sylvain Catherine and Constantine Yannelis, "The Distributional Effects of Student Loan Forgiveness," *Journal of Financial Economics* 147, no. 2 (2023): 297–316, <https://doi.org/10.1016/j.jfineco.2022.10.003>; EdFinancial Services, "Repayment Plan Comparison," Income-Driven Repayment Information Center, U.S. Department of Education, <https://edfinancial.studentaid.gov/income-driven-repaymentinformation-center/repayment-plan-comparison>.

²² EdFinancial Services, "Repayment Plan Comparison," Income-Driven Repayment Information Center, U.S. Department of Education, <https://edfinancial.studentaid.gov/income-driven-repaymentinformation-center/repayment-plan-comparison>.

²³ Borrowers whose first loans were before July 1, 2014, pay 15 percent with forgiveness after 25 years.

the 10-year Standard Repayment Plan.^{24,25} Because IDR payments are tied to earnings rather than balances, two borrowers who owe the same amount may face different obligations.

The One Big Beautiful Bill Act (OBBBA) made significant changes to the federal student aid programs. The OBBBA replaced many IDR plans with the Repayment Assistance Plan for loans disbursed on or after July 1, 2026. Nearly all outstanding debt predates that cutoff, so the older plans remain the baseline for evaluating cancellation.²⁶

Who Owes the Debt?

The Federal Reserve’s Survey of Consumer Finances (SCF) records assets, debts, income, and demographics for each surveyed household. Education loans are recorded separately from other debt, so balances can be broken out by the household’s income, education, and race. The 2022 survey is the most recent available.

The DSA argues for eliminating student debt on the basis of equality, claiming “the burden of student loan debt is not held equally.”²⁷ Overall, just under 22 percent of all households hold student debt. Table 1-1 groups SCF households by percentile of income and shows the share of each group owing student debt. The rate is lowest among the poorest households, at 15 percent, and peaks in the seventh through ninth deciles at roughly 27 percent. Student debt is not concentrated among low-income households.

Table 1-1. Share of Households with Student Debt, by Income Percentile

Percentile of Income	Share with Student Debt
Less than 20	15%
20-39.9	19%
40-59.9	25%
60-79.9	28%
80-89.9	27%
90-100	17%
Source: Survey of Consumer Finances (2022).	

Students from the wealthiest households may not need loans at all, since their families can cover tuition outright. That fact feeds the perception that student debt is a low-income burden. But how much debt a household owes says little about its financial position without knowing what kind of debt it is.²⁸ Education debt is concentrated among households with high educational attainment, and educational attainment is positively correlated with

²⁴ Federal Student Aid, U.S. Department of Education, “Income-Driven Repayment Plans,” <https://studentaid.gov/manage-loans/repayment/plans/income-driven>.

²⁵ Federal Student Aid, U.S. Department of Education, “What Is Discretionary Income?,” Help Center, <https://studentaid.gov/help-center/answers/article/discretionary-income>.

²⁶ Federal Student Aid, U.S. Department of Education, “Big Updates to Federal Student Aid,” <https://studentaid.gov/announcements-events/big-updates>.

²⁷ Democratic Socialists of America, “Cancel All Student Debt,” statement, September 1, 2023, <https://www.dsusa.org/statements/cancel-all-student-debt/>.

²⁸ Adam Looney and David Wessel, “Who Owes the Most in Student Loans: New Data from the Fed,” Brookings Institution, October 9, 2020, <https://www.brookings.edu/articles/who-owes-the-most-in-student-loans-new-data-from-the-fed/>.

income and expected future earnings. Table 1-2 shows the share of student debt by education level. Broad forgiveness therefore worsens inequality by widening the gap between households that attended college and those that did not.

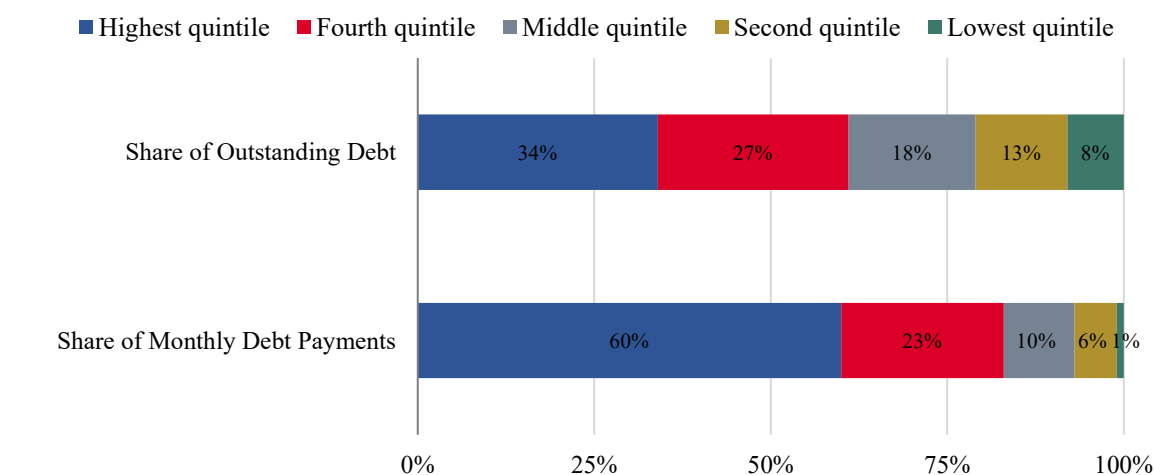
Table 1-2. Share of Student Debt, by Highest Level of Education in the Household

Highest Level of Education	2016	2019	2022
No college degree	14%	10%	7%
Associate's	12%	8%	7%
Bachelor's	29%	30%	27%
Master's	27%	35%	39%
Professional/Doctoral	19%	18%	21%
Source: Survey of Consumer Finances (2016, 2019, 2022).			
Note: Education level reflects the highest degree attained by any member of the household.			

Payment obligations diverge from balances because of income-driven repayment. Borrowers with low incomes owe little or nothing each month, and others are in deferment or forbearance because of financial hardship. Figure 1-1 shows the result. The highest income quintile holds 34 percent of outstanding student debt but makes 60 percent of monthly payments, while the lowest quintile holds 8 percent of the debt and makes 1 percent of the payments. Balances are spread more evenly across the income distribution than the payments those balances actually generate. The 2022 survey was fielded during the federal payment pause, when most borrowers owed nothing regardless of income, so the payment shares in Figure 1-1 may overstate the gap. The 2019 survey was fielded before the pause. There the top quintile made 36 percent of payments against 23 percent of balances, showing the same pattern but less pronounced.²⁹

²⁹ Looney and Wessel, "Who Owes the Most in Student Loans."

Figure 1-1. Shares of Outstanding Student Debt and of Monthly Debt Payments, by Income Quintile



Source: Survey of Consumer Finances (2022).

What Is the Debt Worth?

For low-income borrowers who were already likely to have much of their debt forgiven through existing income-based repayment programs, their current balance overstates the savings that cancellation would give them. Catherine and Yannelis (2023) quantify this. They project each borrower's payments under income-driven repayment until the loan is repaid or discharged, then discount those payments to present value. Across the full portfolio, present value comes to roughly 76 percent of face value. The discount is far steeper at the bottom of the earnings distribution than at the top, so forgiveness is worth close to the full balance for high earners and well under it for low earners. Table 1-3 reports their per-person gains by earnings decile. The top decile gains more than the bottom three deciles combined.³⁰

In separate work, Catherine, Pérez Clanton, and Yannelis (2024) find that income-driven repayment is more progressive than universal forgiveness.³¹ Rather than projecting the impact of loan forgiveness, Dinerstein, Earnest, Koustas, and Yannelis (2025) study the \$132 billion in cancellations beginning in March 2021. Evidence from realized forgiveness points in the same direction. Forgiven borrowers had the highest predicted monthly earnings, non-forgiven borrowers came next, and the general population was lowest. These findings show that student borrowers already out-earn the general population, and forgiveness went to the highest earners among them, further underscoring the regressive nature of student debt forgiveness.³²

Table 1-3. Present-Value Gains per Person from Full Forgiveness, by Earnings Decile

³⁰ Catherine and Yannelis, "The Distributional Effects of Student Loan Forgiveness."

³¹ Sylvain Catherine, Mark Pérez Clanton, and Constantine Yannelis, "The Distributional Effects of Student Loan Forgiveness: An Update on SAVE and the COVID-19 Moratorium," *National Tax Journal* 77, no. 3 (2024): 655–680, <https://doi.org/10.1086/731537>.

³² Michael Dinerstein, Samuel Earnest, Dmitri K. Koustas, and Constantine Yannelis, "Student Loan Forgiveness," NBER Working Paper 33462 (National Bureau of Economic Research, February 2025), <https://www.nber.org/papers/w33462>.

Earnings Decile	Full Forgiveness
1	\$1,276
2	\$1,414
3	\$2,181
4	\$2,708
5	\$3,867
6	\$6,784
7	\$6,570
8	\$9,079
9	\$8,274
10	\$6,267

Source: Catherine and Yannelis (2023).

What About Free Tuition?

In addition to canceling all student debt, the DSA also advocates for free college education. The DSA program does not specify what free college covers. We assume this means undergraduate tuition only (i.e., not room and board). Free tuition turns a one-time cost into a permanent annual appropriation. The National Center for Education Statistics reports there are roughly 15.5 million total undergraduates, with 10.5 million at public institutions.³³ Average tuition is nearly \$15,000 across all institutions and roughly \$8,000 at public institutions.³⁴ The DSA platform does not specify whether private students would be covered, though it does call for canceling “all” student debt, which would include debt from private schools. For that reason, we present estimated costs for covering tuition at both public institutions and all institutions (public and private), which creates a range of potential costs. Covering students at public institutions costs about \$84 billion per year, and extending coverage to all undergraduate students costs about \$233 billion per year. With tuition growing 2 percent annually, the ten-year totals range from \$921 billion to \$2.5 trillion. In 2026 dollars, the values range from \$823 billion to \$2.3 trillion. These estimates are likely conservative, as holding enrollment fixed understates the eventual cost, since eliminating tuition would draw in more students. Alternatively, if only public tuition is covered, students would likely shift from private to public institutions.

Applying the 76 percent recovery estimate from Catherine and Yannelis (2023), canceling the outstanding federal student debt portfolio costs closer to \$1.3 trillion in 2026 dollars than its \$1.7 trillion face value. Adding the estimates for a decade of free tuition, the total package ranges from \$2.1 trillion to \$3.6 trillion. That equals 5.3 to 9 percent of the current \$40 trillion in federal debt.^{35,36}

³³ Melanie Hanson, “College Enrollment Statistics,” Education Data Initiative, last updated September 7, 2026, <https://educationdata.org/college-enrollment-statistics>.

³⁴ National Center for Education Statistics, Digest of Education Statistics 2024, table 330.10, “Average Undergraduate Tuition, Fees, Room, and Board Rates Charged for Full-Time Students in Degree-Granting Postsecondary Institutions, by Level and Control of Institution: Selected Academic Years, 1963–64 through 2023–24,” https://nces.ed.gov/programs/digest/d24/tables/dt24_330.10.asp.

³⁵ U.S. Department of the Treasury, Fiscal Service, “Federal Debt: Total Public Debt” (series GFDEBTN), retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/GFDEBTN/>.

³⁶ U.S. Department of the Treasury, Fiscal Data, “Debt to the Penny,” <https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/debt-to-the-penny>.

CHAPTER 2. OPEN BORDERS AND MASS AMNESTY

Key Findings

- The Democratic Socialists of America (DSA) wants to introduce open borders and mass amnesty.
- CEA estimates that taxpayers currently bear a net lifetime fiscal cost of \$166,716 per illegal alien, amounting to between \$1.4 trillion and \$1.9 trillion in total.
- Granting amnesty to the existing illegal aliens would create new annual fiscal costs of \$36 to \$47 billion in SNAP, HUD housing vouchers, and Medicaid alone.
- DSA amnesty and free migration policies would reverse \$227 to \$287 billion in projected fiscal gains from President Trump's immigration enforcement actions and carry a net cost of \$79 to \$139 billion.
- A one log-point decrease in the previous month's ICE arrest rate is associated with a 0.48 percent rise in monthly rent prices for new leases.
- A one log-point decrease in the previous month's ICE arrest rate is associated with a 1.8 percent increase in the reported monthly property crime rate per 100,000 people.
- **Over ten years, the full suite of DSA immigration policies could cost taxpayers between \$440 and \$613 billion.**

DSA is planning a return to open borders, pledging to “[e]nd ICE detention and deportations” and to “[l]egalize migration, grant amnesty for all immigrants regardless of status.”³⁷ This chapter analyzes the fiscal costs of those commitments. Research shows that illegal aliens as a population are lifetime net recipients of government benefits. This is because they have lower incomes than the general population and evade taxes at higher rates than the general population. The Manhattan Institute has previously estimated the lifetime net fiscal burden for new illegal aliens at \$130,000.³⁸ CEA estimates that the average illegal alien imposes a net lifetime public cost of \$166,716 by age 78. In aggregate, CEA estimates the lifetime fiscal burden of the current illegal alien population at between \$1.4 trillion and \$1.9 trillion in 2026 dollars.³⁹

The Democratic Socialists of America's immigration agenda enlarges the fiscal costs of the population analyzed above through two principal means. First, DSA would greatly increase the cost of federal means-tested benefit programs by granting mass amnesty, turning the existing population of illegal aliens into legal residents eligible for federal social safety net programs. Second, DSA would reverse the fiscal savings created by President Trump's immigration enforcement policies.

Analysis

Federal Social Safety Net Program Costs

Illegal aliens today are barred from most federal means-tested social safety net programs, and lawfully present immigrants typically face a five-year waiting period. While illegal aliens can access emergency medical care and

³⁷ Democratic Socialists of America, Workers Deserve More (2026 program), “Abolish ICE,” <https://program.dsausa.org/#demand-abolish-ice>.

³⁸ Daniel Di Martino, *The Lifetime Fiscal Impact of Immigrants* (Manhattan Institute, 2024), <https://manhattan.institute/article/the-lifetime-fiscal-impact-of-immigrants>.

³⁹ This calculation abstracts from reverse migration and mortality.

some states allow them to access government medical benefits through state Medicaid programs, illegal aliens are currently barred from federally funded full-scope Medicaid, in addition to SNAP and HUD's Housing Choice Voucher program. Thus, it is instructive to analyze what it would cost to invite the existing illegal alien population into Medicaid, SNAP, and HUD's Housing Choice Voucher program. The Brookings Institution estimated the enrollment rate for these programs among citizens and noncitizen households.⁴⁰ CEA applies these estimates for noncitizen enrollment to the existing illegal alien population to estimate the new costs to these means-tested federal benefit programs.

If all current illegal aliens were to become eligible for these programs, they would create between \$3.6 and \$4.7 billion in new annual SNAP costs, between \$2.3 and \$3.0 billion in housing assistance costs, and between \$30 and \$40 billion in annual federal Medicaid costs. In total, illegal aliens could add \$36 to \$47 billion in new annual federal benefit spending in these three programs alone. Over a ten-year window, the additional costs of this DSA policy could total \$361 to \$475 billion in new federal fiscal costs.

Abolition of Deportations and ICE Detentions

Ending deportations and ICE detentions removes the principal incentive for voluntary departure of illegal aliens. DHS estimates that approximately 2.5 million illegal aliens left the country in 2025, delivering savings to the federal budget.⁴¹ This is inclusive of both deportations and self-deportations. If this rate is maintained from 2025 to 2029, the implied reduction in costs is \$6.7 to \$8.4 billion in 2025, \$13.3 to \$16.9 billion in 2026, \$20.0 to \$25.3 billion in 2027, and \$26.7 to \$33.7 billion in 2028 and thereafter.⁴² The DSA platform would reverse these gains with its promise of unlimited migration and mass amnesty. If these policies were to be implemented, CEA estimates ten-year taxpayer costs of \$227 to \$287 billion from lost savings compared to the current trajectory baseline. DSA would also end the Trump Administration's additional DHS spending for immigration enforcement, which amounts to \$148 billion.⁴³ CEA estimates the net cost to taxpayers of ending deportations and ICE detentions to be between \$79 and \$139 billion over ten years.

Quality-of-Life Benefits of ICE Arrests

Beyond the significant fiscal benefits, ICE arrests and deportations bring notable improvements to quality of life for Americans through improvements in safety and cooling prices. ICE arrests take potentially dangerous aliens, who have already violated U.S. immigration law, off the streets. In 2025, violent crime decreased an estimated 9.3 percent while property crime decreased 12.4 percent.⁴⁴ CEA staff analyzed the impact of President Trump's recent immigration restriction and enforcement actions on quality-of-life measures, including rent, home prices, and crime.

⁴⁰ Brookings Institution, "Immigrant Public Benefit Participation: Our Estimates," <https://www.brookings.edu/articles/immigrant-public-benefit-participation-our-estimates/>.

⁴¹ Department of Homeland Security, December 10, 2025, <https://www.dhs.gov/news/2025/12/10/thanks-president-trump-and-secretary-noem-more-25-million-illegal-aliens-left-us>.

⁴² These figures are obtained from CEA analysis of likely illegal aliens in the American Community Survey (ACS) and Current Population Survey (CPS), which accounts for both their use of public benefits/services and the tax revenue they generate.

⁴³ This figure reflects planned expenditure increases on immigration enforcement over the FY2025 to FY2029 period relative to FY2024. Because it is in nominal terms, not adjusted downward for inflation, if anything it overstates the real costs.

⁴⁴ The White House, "President Trump Delivers the Largest Drop in Violent Crime in American History," news release, August 18, 2026, <https://www.whitehouse.gov/releases/2026/08/president-trump-delivers-largest-drop-in-violent-crime-in-american-history/>.

ICE Enforcement and Removal Operations officers can make administrative arrests of individuals whom they have probable cause to believe are removable, as well as execute criminal arrest warrants and target fugitives.⁴⁵ The number of daily arrests in 2025 was higher than at any point in the previous decade.⁴⁶ There are a number of quality-of-life outcomes that may be affected by immigration enforcement. The removal of illegal aliens can free up other community resources, like housing and law enforcement. Remaining residents may in turn experience benefits like lower costs and increased safety. However, limited empirical analysis exists on the relationships between recent state-level ICE arrest rates and quality-of-life measures.

Data

Figure 2-1. State-Level ICE Arrest Rate per 100,000 Residents, November 2023–February 2026

ICE Arrest Rate Over Time

Average State-level ICE Arrest Rate/100,000 People



Note: CEA Analysis of U.S. Immigration and Customs Enforcement Data.

Figure 2-1 plots the state-level ICE arrest rate per 100,000 people from November 2023 through February 2026, which we constructed by combining Deportation Data Project data on ICE arrests⁴⁷ with Census population estimates.⁴⁸ We also use Census population estimates to measure the share of foreign-born residents. We obtain corresponding state-level data on the home value index from Zillow, median rent for new leases from Apartment List, and property crime⁴⁹ and violent crime⁵⁰ from the Federal Bureau of Investigation's Uniform Crime Reporting Program.⁵¹ We obtain Bureau of Labor Statistics monthly state-level unemployment rate

⁴⁵ U.S. Immigration and Customs Enforcement, "ICE Enforcement and Removal Operations Statistics," <https://www.ice.gov/statistics> (updated July 24, 2026).

⁴⁶ "ICE Enforcement Data," accessed September 26, 2026, <https://deportationdata.org/data/ice.html>.

⁴⁷ Deportation Data Project, "Immigration and Customs Enforcement," <https://deportationdata.org/data/processed/ice.html>.

⁴⁸ U.S. Census Bureau, Population and Housing Unit Estimates, "Datasets," <https://www.census.gov/programs-surveys/popest/data.html>.

⁴⁹ Property crime includes arson, burglary, larceny-theft, and motor vehicle theft incidents.

⁵⁰ Violent crime includes homicide, rape, robbery, and aggravated assault incidents.

⁵¹ Zillow Research, "Housing Data" (Zillow Home Value Index), <https://www.zillow.com/research/data/>; Apartment List, "National Rent Report," <https://www.apartmentlist.com/research/national-rent-data>; Federal Bureau of Investigation, Crime Data Explorer, <https://cde.ucr.cjis.gov/LATEST/webapp/>.

estimates to control for economic conditions.⁵² We include all 50 states, plus the District of Columbia, in our samples except when data are unavailable.

Methodology

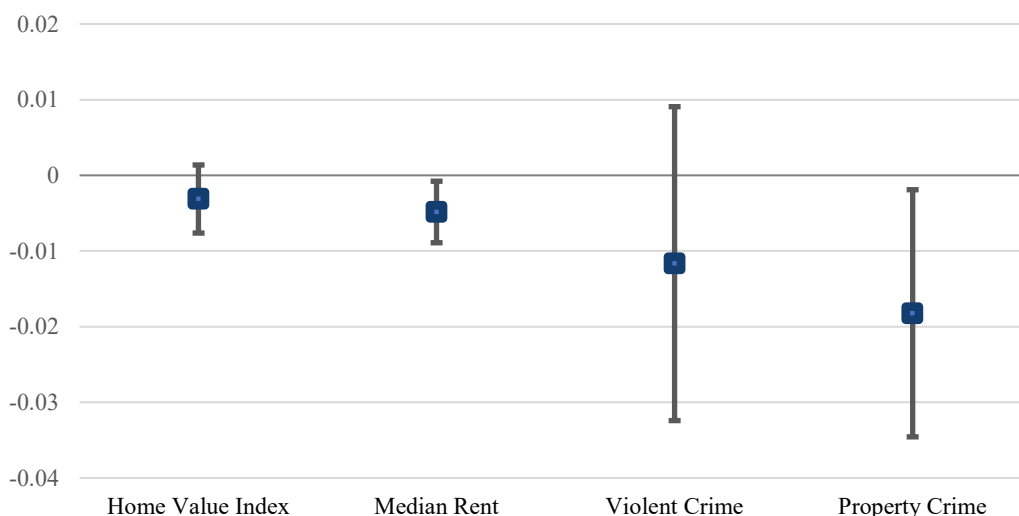
We estimate the impact of each 1 percent increase in the previous month's ICE arrest rate on the percent change in several quality-of-life variables, controlling for (1) fixed characteristics that are different between states, (2) monthly national trends that are applicable to each state, and (3) changing local economic conditions—namely, the prior month's state unemployment rate. For robustness, we also control for each state's share of foreign-born residents. One trade-off to be aware of regarding the inclusion of the controls in (1) is that they can increase the error bands around coefficient estimates, which makes it less likely to find a statistically significant result, even if one is actually present.⁵³

Results

Figure 2-2. Estimated Effect of a One Log-Point Increase in the Previous Month's ICE Arrest Rate on Quality-of-Life Outcomes

Coefficient Plot

Previous Month's ICE Arrest Rate and Quality of Life



Note: Estimates are from constant elasticity OLS regression models including state fixed effects, time fixed effects, and previous month's state-level unemployment rate. Points represent coefficient estimates for the logarithm of the previous month's ICE arrest rate. Whiskers indicate 95% Confidence Intervals based on robust standard errors clustered at the state level. N=1377 for Home Value Index . N=1350 for all other models.

Figure 2-2 shows the estimated association between the monthly ICE arrest rate and each monthly outcome. The vertical lines represent 95 percent confidence intervals. If the line crosses zero, it means there *may* not be an

⁵² U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, <https://www.bls.gov/lau/>.

⁵³ More precisely, we use constant elasticity two-way fixed effects regression models that express the dependent and independent variable in natural logarithms. We assess robustness by adding the state's share of foreign-born residents to the specification.

association between the ICE arrest rate and the outcome being studied, but as mentioned before, a lack of statistical significance can result from data and methodological issues.

Higher ICE arrest rates are associated with statistically significant declines in median rent for new leases and the property crime rate. Specifically, for the most recent Apartment List median national rent of \$1,379,⁵⁴ the model predicts that a one log-point increase (roughly 170 percent) in the previous month's ICE arrest rate corresponds with a 0.48 percent decline in median monthly rent for new leases (about \$7). At the peak in October 2025, the national monthly ICE arrest rate was up 448 percent year over year. Whether the observed relationship reflects primarily increased supply, decreased demand, or some other unobserved factor cannot be inferred from our results. While this study does not reveal a causal link between ICE arrests and home values, CEA previously estimated that the surge in illegal immigration is responsible for nearly half of the real house price increases during the Biden Administration across 227 metro areas.⁵⁵

We see a similar pattern with our crime models. We observe no statistically significant association between the previous month's ICE arrest rate and the state-level violent crime rate, though the confidence interval including zero may be driven by the nature of violent crime having relatively limited observations rather than the absence of a relationship. We find a significant association between the previous month's ICE arrest rate and the state-level property crime rate. The model predicts that a one log-point increase in the previous month's ICE arrest rate would coincide with a 1.8 percent decrease in the monthly property crime rate per 100,000 people, or approximately 2.4 fewer reported offenses (from a baseline of 130). Similarly, whether the observed relationship reflects a decrease in actual criminal behavior, a decrease in reporting, or some other unobserved factor cannot be inferred from our results.

For all specifications, the findings do not change when the share of the foreign-born population is added to the specification.

Conclusion

Taken together, the observed patterns suggest President Trump's immigration actions not only are fiscally sound but also lead to improved housing affordability and public safety. DSA policies that would introduce more immigrants or grant amnesty to those who have violated U.S. immigration law would make America less affordable and less safe. In all, CEA estimates the fiscal costs associated with DSA immigration policies at between \$440 billion (lower bound) and \$613 billion (upper bound) over ten years.

⁵⁴ Apartment List, "National Rent Report," <https://www.apartmentlist.com/research/national-rent-data>.

⁵⁵ Council of Economic Advisers, Economic Report of the President, Together with the Annual Report of the Council of Economic Advisers (Washington: Government Publishing Office, April 2026), <https://www.whitehouse.gov/wp-content/uploads/2026/04/2026-Economic-Report-of-the-President-1.pdf>.

CHAPTER 3. ABOLISHING THE POLICE AND PRISON SYSTEM

Key Findings

One of the stated objectives of the Democratic Socialists of America⁵⁶ is to “constrain, diminish, and abolish the carceral forces of the state—from prisons and police themselves, to their manifestations in all forms throughout society.” In this chapter, CEA assesses how the DSA’s platform is likely to impact crime and the implications of any resulting change in crime for the economy and social well-being. CEA finds:

- The DSA platform’s demands to (1) “defund” the police, (2) “end the criminalization of working-class survival,” and (3) secure “freedom for all incarcerated people” would increase crime and reduce the safety of communities across America.
- 1,000 additional crimes per 100,000 people per year (mean crime rate in our sample 3,544 per 100,000 people per year) are associated with:
 - A 110-day decrease in average life expectancy.
 - 173 more deaths per 100,000 people when the additional crime is violent.
 - 730 more children in poverty per 100,000 children aged 5 to 17.
 - 1,430 to 1,640 fewer children out-earning their parents per 100,000 children.
 - A \$112.90 increase in the average annual premium for employee-plus-one health insurance plans.

The DSA Platform

The public-safety plank of the DSA’s current program, *Workers Deserve More*, titled “End Mass Incarceration and Police Immunity,” reads in full:⁵⁷

“Demilitarize police departments, disempower police unions, and redirect funding to public services as steps towards fully abolishing the police and prison system which protects the rich and jails the poor. Treat drug addiction and mental illness as health issues, not crimes. End qualified immunity and empower civilian oversight bodies with real authority over the police.”

The operational detail sits with DSA’s National Abolition Working Group, whose stated purpose is “actualizing the demands outlined in DSA’s Political Platform.” Its framing paragraph commits the organization to “constrain,

⁵⁶ DSA National Abolition Working Group, “Abolition Working Group,” <https://www.dsausa.org/working-groups/abolition-working-group/> (quoting the DSA Political Platform).

⁵⁷ Democratic Socialists of America, *Workers Deserve More* (2026 program, released July 14, 2026), “End Mass Incarceration and Police Immunity,” <https://program.dsausa.org/>. Quoted in full.

diminish, and abolish the carceral forces of the state—from prisons and police themselves, to their manifestations in all forms throughout society.” Their demands follow:⁵⁸

- “Defund the police by rejecting any expansion to police budgets or scope of enforcement...
- End the criminalization of working-class survival
- Freedom for all incarcerated people
- Demilitarize the police and end colonial policing of our cities and neighborhoods”

Evidence That the DSA Platform Would Increase Crime

“Abolish[] the Police”

Public support for defunding the police is limited (an Ipsos/USA Today poll in March 2021 found 18 percent of Americans in favor and 58 percent opposed).⁵⁹ The 2021 national DSA platform calls for “defund[ing] the police” by reducing police budgets and scope of enforcement. Versions of this policy were adopted in several cities: in the FY2021 cycle, New York City shifted roughly \$1 billion from the NYPD; Los Angeles cut \$150 million; Austin cut approximately \$150 million from a \$434 million budget and eliminated cadet classes; San Francisco diverted \$60 million; Portland cut \$15 million and eliminated its school resource officers and the Gun Violence Reduction Team, which focused on gang policing; Minneapolis moved \$8 million and advanced a charter amendment to replace its police department.⁶⁰

Most of these were reversed within two budget cycles: New York moved to a \$200 million increase, Oakland added \$38 million after targeting a \$150 million cut, Austin passed a record \$442 million police budget by FY2022, and Minneapolis voters rejected the charter amendment in 2021.⁶¹ That reversal pattern is itself evidence about the political durability of the agenda. The empirical literature indicates that reductions in police staffing lead to higher, not lower, crime.

Mello (2019)⁶² studies the effects of the American Recovery and Reinvestment Act, which increased funding for the Community Oriented Policing Services (COPS) hiring grant program from less than \$20 million over 2005–2008 to \$1 billion in 2009. Consistent with canonical models of the economics of crime such as Becker (1968), which predict that police presence reduces crime by deterring potential offenders, Mello finds that each additional sworn officer reduces victimization costs by about \$352,000. Further, he finds that a 3.2 percent increase in police per capita led victimization cost-weighted crime rates (a measure of the impact of crime

⁵⁸ DSA National Abolition Working Group, “Abolition Working Group,” <https://www.dsausa.org/working-groups/abolition-working-group/> (demands reproduced verbatim).

⁵⁹ Ipsos/USA Today poll, March 2021, as reported in Mychael Schnell, “Poll Finds Only 18 Percent Support ‘Defund the Police,’” *The Hill*, March 8, 2021, <https://thehill.com/homenews/news/542108-poll-finds-only-18-percent-support-defund-the-police/>.

⁶⁰ Vera Institute of Justice, “Cutting Police Budgets,” *Policy Changes in US Policing*, July 2020, <https://www.vera.org/policy-changes-in-us-policing/cutting-police-budgets>.

⁶¹ WRAL News, “Fact Check: Did U.S. Cities Cut Police Funding by \$1 Billion?,” February 14, 2023, <https://www.wral.com/archive/20720091/>.

⁶² Steven Mello, “More COPS, Less Crime,” *Journal of Public Economics* 172 (2019): 174–200, <https://doi.org/10.1016/j.jpubeco.2018.12.003> (working paper version at <https://www.princeton.edu/~smello/papers/cops.pdf>).

calculated by combining the frequency of victimization with the estimated cost of the harm caused, rather than counting incidents alone) to decrease by 3.5 percent following the distribution of the 2009 hiring grants.

Mello also estimates that a decrease in the presence of police by 1 percent increases cost-weighted crime by about 1.17 percent, violent crime by 1.3 percent, and property crime by 0.8 percent. Increases in robbery and auto theft are particularly pronounced, with Mello's analysis suggesting that an additional police officer prevents 1.9 robberies and 5.1 auto thefts, and the hiring of an additional 9.5 police officers saves, on average, one life.

Further estimating the elasticity of crime with respect to police, Chalfin and McCrary (2018)⁶³ find that a 1 percent decrease in police presence is associated with a 0.34 percent increase in violent crimes and a 0.17 percent increase in property crimes. Additionally, the authors conclude that a 1 percent decrease in police presence increases murder by 0.67 percent, robbery by 0.56 percent, burglary by 0.23 percent, and motor vehicle theft by 0.34 percent.

Building on Mello's last claim about how many police officers it takes to save one life, Chalfin, Hansen, Weisburst, and Williams (2022)⁶⁴ find that each additional officer abates about 0.1 homicides. This means that hiring 10 police officers saves, on average, one life. In per capita terms, the authors demonstrate that this effect is twice as large for Black versus White victims. Reductions in police force size would therefore not distribute their costs evenly; per capita, the estimated homicide effects fall most heavily on Black victims.

Looking more specifically at theft, Di Tella and Schargrodsky (2004)⁶⁵ exploit the assignment of 24-hour protection to every Jewish institution in Buenos Aires after the 1994 Asociación Mutual Israelita Argentina bombing (an allocation unrelated to local crime trends) and find a large deterrent effect on auto theft, sharply localized to the protected block. Specifically, the authors find that police protection induces a 75 percent decline in auto theft. The DSA's 2021 Political Platform nonetheless describes incarceration, detention, and policing as "active instruments of class war which guarantee the domination of the working class."⁶⁶

"End the Criminalization of Working-Class Survival"

As an explanation of what this proposal means in practice, the DSA's New York City Chapter's 2020 "Agenda for Decarceration," calls for the (1) "decriminalizing [of] simple drug possession," the (2) "repeal of 'bump-up' statutes that allow misdemeanors to be charged as felonies based on past convictions for which sentences have been fully served," and the (3) "repealing of all sentencing enhancements based on predicate felony convictions."⁶⁷

⁶³ Aaron Chalfin and Justin McCrary, "The Effect of Police on Crime: New Evidence from U.S. Cities, 1960–2010," NBER Working Paper 18815 (National Bureau of Economic Research, February 2013), <https://www.nber.org/papers/w18815>. Published as Aaron Chalfin and Justin McCrary, "Are U.S. Cities Underpoliced? Theory and Evidence," *Review of Economics and Statistics* 100, no. 1 (2018): 167–186.

⁶⁴ Aaron Chalfin, Benjamin Hansen, Emily K. Weisburst, and Morgan C. Williams Jr., "Police Force Size and Civilian Race," *American Economic Review: Insights* 4, no. 2 (2022): 139–158, <https://doi.org/10.1257/aeri.20200792>.

⁶⁵ Rafael Di Tella and Ernesto Schargrodsky, "Do Police Reduce Crime? Estimates Using the Allocation of Police Forces after a Terrorist Attack," *American Economic Review* 94, no. 1 (2004): 115–133, <https://doi.org/10.1257/000282804322970733>.

⁶⁶ Democratic Socialists of America, Political Platform (2021), "Abolition of the Carceral State," archived copy at <https://archive.org/details/dsa-political-platform-decarceration/page/n3/mode/2up> (the quoted language does not appear in the version of the platform currently posted at <https://www.dsasusa.org/dsa-political-platform-from-2021-convention/>).

⁶⁷ Emma Whitford and David Brand, "DSA Challengers Push State Legislature on Criminal Justice Reform," *Brooklyn Eagle*, January 22, 2020, <https://brooklyneagle.com/articles/2020/01/22/dsa-challengers-push-state-legislature-on-criminal-justice-reform/>; Adam Lehodey, "This Decarceration Agenda Would Spell Disaster for New York City," *City Journal*, September 24, 2025, <https://www.city-journal.org/article/new-york-city-democratic-socialists-america-zohran-mamdani-decarceration>.

The most prominent attempt to effectuate this agenda was with the Safe Neighborhoods and Schools Act (2014), or Proposition 47,⁶⁸ a California ballot initiative that reclassified some drug and property felonies as misdemeanors and made most thefts of property worth \$950 or less misdemeanors, extending the \$950 line to offenses that could previously be charged as felonies regardless of value (the general grand-theft threshold had already been raised from \$400 to \$950 by statute in 2010).

Lofstrom and Martin (2024)⁶⁹ find that reclassification did, in fact, depress clearance rates (reported crimes that lead to an arrest and referral to prosecution) and lower prison populations: two years after Prop 47's implementation, California's jail and prison population had dropped by about 13,000. These reductions in clearance rates and incarceration had statistically significant, though modest, effects on crime rates. As a result of lower clearance rates for larceny, property crime increased by 1.6 percent, burglary by 2.7 percent, auto theft by 1.7 percent, and larceny by 1.1 percent. The Prop 47-driven reductions in the prison population also resulted in a 2.1 percent increase in overall property crime, driven by a 3.9 percent rise in auto thefts. Combined with the effect from the decrease in clearance rates, this suggests that Prop 47 contributed to roughly one third of the overall increase of close to 25,000 auto thefts in California between 2014 and 2016. And, while Bird, Lofstrom, Martin, Raphael, and Nguyen (2018)⁷⁰ find no evidence that Prop 47 raised violent crime, they estimate that larceny theft rose about 9 percent, meaning that there were consequently 135 additional thefts per 100,000 residents.

Crodelle et al. (2021)⁷¹ find that reclassified offenses in Santa Monica covered by Proposition 47 rose by approximately 15 percent citywide, compared to non-reclassified offenses, which either decreased or remained constant. The authors find that these reported crimes then fell sharply after the expansion of community-based policing measures in late 2018, evidence that enforcement intensity offsets a reclassification effect.

Simmons (2025)⁷² finds that Proposition 47 resulted in a 21 percent increase in low-level shoplifting, as well as a 24 percent to 30 percent increase in crimes within the reclassification threshold of \$450–\$950. Additionally, Simmons finds that the value stolen in crimes below the \$450 threshold increased by approximately 10 percent, indicating offenders' strategic responses to reduced penalties.

Taken together, the evidence indicates that reclassification increases crime and makes communities less, not more, safe.

“Abolish the... Prison System”

The 2021 DSA platform also calls specifically to “end pre-trial detention” and eliminate cash bail; CEA assesses this proposal by studying the effects of bail reform and pretrial release initiatives.

⁶⁸ California Board of State and Community Corrections, “Proposition 47,” <https://www.bscc.ca.gov/wp-content/uploads/Attachment-C-1.-Proposition-47.pdf>.

⁶⁹ Magnus Lofstrom and Brandon Martin, *Crime after Proposition 47 and the Pandemic* (Public Policy Institute of California, September 2024), <https://www.ppic.org/publication/crime-after-proposition-47-and-the-pandemic/>.

⁷⁰ Mia Bird, Magnus Lofstrom, Brandon Martin, Steven Raphael, and Viet Nguyen, *The Impact of Proposition 47 on Crime and Recidivism* (Public Policy Institute of California, June 2018), <https://www.ppic.org/publication/the-impact-of-proposition-47-on-crime-and-recidivism/>.

⁷¹ Jennifer Crodelle, Celeste Vallejo, Markus Schmidtchen, Chad M. Topaz, and Maria R. D’Orsogna, “Impacts of California Proposition 47 on Crime in Santa Monica, California,” *PLOS ONE* 16, no. 5 (2021): e0251199, <https://doi.org/10.1371/journal.pone.0251199>.

⁷² Ezra R. Simmons, “Criminal Behavior Responses to Changing Penalties: Estimating the Impact of Felony Theft Threshold Changes” (master’s thesis, Clemson University, 2025), https://open.clemson.edu/all_theses/4589/.

The most prominent such initiative is New York State's bail reform statute,⁷³ passed April 1, 2019, and effective January 1, 2020, which eliminated cash bail for most charges classified as misdemeanors or nonviolent felonies. This meant that most crimes that fell under those categories were subject to mandatory release, removing judicial discretion to set bail or detain on those charges. The *New York Times* wrote that while New Jersey, California, Illinois, and other states have limited the use of bail, "New York is one of the few states to abolish bail for many crimes without also giving state judges the discretion to consider whether a person poses a threat to public safety in deciding whether to hold them."⁷⁴ The statute was subsequently amended three times (effective July 2020, May 2022, and June 2023) to expand bail eligibility and restore judicial discretion in specified circumstances. The empirical evidence indicates that the initial bail reform law increased, not decreased, crime, lending credence to the State's decision to roll back several of its provisions.

Most recently, Koppel and Ropac (2026)⁷⁵ exploit the reform's offense-based eligibility rules as a natural cutoff and find a statistically significant increase in re-arrest across the full sample, with larger increases on every recidivism measure among high-risk defendants; their stated conclusion is that restricting bail and detention on the basis of offense type alone is associated with increased recidivism. Koppel and Ropac (2025)⁷⁶ recover a statistically significant increase in violent-felony re-arrest among defendants with recent criminal history. While Ropac (2025)⁷⁷ finds that the bail reform led to recidivism reductions in New York City, among those with recent criminal histories or prior violent felony arrests, recidivism rose across all outcomes, with the sharpest increases in the latter group.

Beyond bail reform, the evidence on sentence length also bears on the platform's "freedom for all incarcerated people" demand.

Owens (2009)⁷⁸ studies the effect of a 2001 change in Maryland's sentencing guidelines that reduced sentences of 23–25-year-olds with juvenile delinquent records by a mean of 222 days. She finds that, during this sentence disenchantment, offenders were, on average, arrested for 2.8 criminal acts and were involved in 1.4–1.6 serious crimes per person during the period when they would have otherwise been incarcerated, thereby further supporting the notion that more lenient sentencing increases crime.

Further literature examines the effect of truth-in-sentencing (TIS) laws that require offenders to serve a large portion (typically 85 percent) of their court-imposed sentence, limiting parole and other forms of early release.⁷⁹

⁷³ N.Y. bail reform, enacted April 2019 (effective January 1, 2020); amended April 3, 2020 (effective July 2, 2020), April 9, 2022 (effective May 2022), and May 2023 (effective June 2023). See Krystal Rodriguez and Michael Rempel, Explaining New York's 2023 Bail Reform Amendments (Data Collaborative for Justice, John Jay College of Criminal Justice, May 2023), <https://datacollaborativeforjustice.org/wp-content/uploads/2023/05/BailExplainer-2.pdf>.

⁷⁴ Jesse McKinley, Alan Feuer, and Luis Ferré-Sadurní, "Why Abolishing Bail for Some Crimes Has Law Enforcement on Edge," *New York Times*, December 31, 2019, <https://www.nytimes.com/2019/12/31/nyregion/cash-bail-reform-new-york.html>.

⁷⁵ Stephen Koppel and René Ropac, "Evaluating the Impact of New York's Bail Reform on Recidivism: A Difference-in-Differences Study," *Journal of Experimental Criminology* (2026), <https://doi.org/10.1007/s11292-026-09753-5>.

⁷⁶ Stephen Koppel and René Ropac, "Examining the Effects of New York's Bail Law on Pretrial Recidivism: A Controlled-Interrupted Time Series Analysis," *Criminal Justice Policy Review* 37, no. 1 (2026; published online 2025): 3–23, <https://doi.org/10.1177/08874034251363835>.

⁷⁷ René Ropac, Testing the Long-Term Impact of Bail Reform across New York State: A Quasi-Experimental Evaluation (Data Collaborative for Justice, John Jay College of Criminal Justice, 2025), <https://datacollaborativeforjustice.org/work/bail-reform/testing-the-long-term-impact-of-bail-reform-across-new-york-state-a-quasi-experimental-evaluation/>.

⁷⁸ Emily G. Owens, "More Time, Less Crime? Estimating the Incapacitative Effect of Sentence Enhancements," *Journal of Law and Economics* 52, no. 3 (2009): 551–579, <https://doi.org/10.1086/593141>.

⁷⁹ Paula M. Ditton and Doris James Wilson, Truth in Sentencing in State Prisons, Bureau of Justice Statistics Special Report NCJ 170032 (U.S. Department of Justice, January 1999), <https://bjs.ojp.gov/content/pub/pdf/tssp.pdf>.

Long (2016)⁸⁰ observes a statistically significant 7 percent deterrent effect of TIS on growth of violent crime two years after its passage. Expanding his analysis to include more years, Long finds 10 to 12 percent and 7 percent lower growth, respectively, in violent and nonviolent property crime rates in states that adopted TIS laws relative to states that did not adopt TIS laws in the long term. Much like Owens, then, Long’s results imply that more lenient sentencing increases crime.

In a similar vein, Kessler and Levitt (1999)⁸¹ study the 1982 California Proposition 8 (the Victims’ Bill of Rights), a law enacted by California voters that restricted the rights of convicts and those suspected of crimes. It imposed sentence enhancements on repeat offenders for serious felonies. Using Proposition 8 as evidence, the authors find that sentence enhancements decrease crime both via incapacitation (taking criminals off the street so that they cannot commit crimes) and deterrence (dissuading others from committing crimes). The authors report that the law reduced eligible crimes by 4 percent in the year following its passage and 8 percent in the three years after passage, consistent with deterrence (not merely incapacitation) given that the criminals would have been sentenced to prison in the one to three years after the law’s passage anyway. The impact of the law grows to a decline of over 20 percent in eligible crimes seven years after passage, suggesting that in the longer term, there is also likely an important role played by incapacitation in reducing crime.

These findings imply that reducing sentence length, even moderately, would increase crime, primarily through reduced incapacitation.

Summary of the Evidence

The evidence reviewed above indicates that the policies in the DSA platform—reducing police staffing, reclassifying offenses as misdemeanors, and shortening sentences—are associated with higher crime rates where they have been implemented.

Petersen, Mitchell, and Yan (2024)⁸² find that the inauguration of progressive prosecutors was associated with higher property (6.7 percent) and total index (7.0 percent) crime rates, relative to other jurisdictions, between 2000 and 2020, particularly between 2013 and 2020. In absolute terms, while crime rates fell in the period of interest, property and total index crime rates declined more markedly in counties with traditional prosecutors. While the authors found no reliable overall effect on violent index crimes across the entire study period, they found significant positive effects from 2014 to 2016.

In the next section, we estimate the association between crime and five outcomes: (1) life expectancy, (2) mortality rates, (3) poverty rates in children, (4) economic mobility, and (5) health insurance premiums.

⁸⁰ Wei Long, “Does Longer Incarceration Deter or Incapacitate Crimes? New Evidence from Truth-in-Sentencing Reform,” Tulane Economics Working Paper 1607 (Tulane University, August 2016), <http://repec.tulane.edu/RePEc/pdf/tul1607.pdf>. Published as Wei Long, “Does Longer Incarceration Deter or Incapacitate Crime? Evidence from Truth-in-Sentencing Reform,” *Applied Economics* 50, no. 24 (2018): 2664–2676, <https://doi.org/10.1080/00036846.2017.1406654>.

⁸¹ Daniel Kessler and Steven D. Levitt, “Using Sentence Enhancements to Distinguish between Deterrence and Incapacitation,” *Journal of Law and Economics* 42, no. S1 (1999): 343–364, <https://doi.org/10.1086/467428>.

⁸² Nick Petersen, Ojmarrh Mitchell, and Shi Yan, “Do Progressive Prosecutors Increase Crime? A Quasi-Experimental Analysis of Crime Rates in the 100 Largest Counties, 2000–2020,” *Criminology & Public Policy* 23, no. 2 (2024): 459–490, <https://doi.org/10.1111/1745-9133.12666>.

Linking Crime to Adverse Social and Economic Outcomes

We estimate the relationship between crime rates (total, property, and violent) and several outcomes of interest: average life expectancy, mortality rates, child poverty, economic mobility, and average health insurance premiums.

Crime Data

We use the Federal Bureau of Investigation's Uniform Crime Reporting (UCR) Program's Offenses Known and Clearances by Arrest dataset from 1960 to 2024,⁸³ which measures the number of crimes reported or otherwise known (e.g., discovered while on patrol) to a police agency. The dataset includes index crimes, which are broken down into property index crimes (burglary, theft, and motor vehicle theft; arson, added to the FBI's index in 1979, is not available in this dataset), violent index crimes (murder, rape, robbery, and aggravated assault), and total index crimes (a sum of both those numbers). The respective indices sum the crimes included in them (violent, property, or total) for that police agency.⁸⁴

We use data on the number of offenses that actually occurred, where *actually* means that a police investigation found that the crime report was accurate and *occurred* refers to crimes that came to the police's attention that month (even if they may have occurred earlier). Of note, when an incident involves more than one crime, such as a robbery and a murder, the dataset only counts the most serious crime.

To generate crime rates, we sum population (under each police agency's jurisdiction) and index data across every state and year; agency-years with no reported index counts contribute to the population sum but not to the crime sum, and a state-year with no reporting agencies is treated as missing. We then collapse the dataset to create total crime and population numbers for every state and every year in the time period of interest. We drop data that do not correspond to any state or the District of Columbia and exclude U.S. territories, divide each state's total crime index by the summed population data and multiply that by 100,000 to arrive at each state's total crime rate per 100,000 in every year with observable data, from 1960 through 2024.

The average crime rates across our sample are:

- 370 per 100,000 people per year for violent crime (0.370 per 100 people);
- 3,174 per 100,000 people per year for property crime (3.174 per 100 people); and
- 3,544 per 100,000 people per year for total crime (3.544 per 100 people).

We merge these data on crime rates with each of the datasets discussed below in evaluating the association between crime and the aforementioned outcome variables.

⁸³ Jacob Kaplan, "Jacob Kaplan's Concatenated Files: Uniform Crime Reporting Program Data: Offenses Known and Clearances by Arrest, 1960–2024," ICPSR 100707, version 22 (Inter-university Consortium for Political and Social Research), <https://www.icpsr.umich.edu/sites/icpsr/view/studies/100707/versions/V22/data-documentation>.

⁸⁴ Jacob Kaplan, Decoding FBI Crime Data, chapter 3, "Offenses Known and Clearances by Arrest," January 29, 2025, <https://ucrbook.com/offensesKnown.html>.

Estimation Approach

To estimate these relationships, we use a two-way fixed effects regression model:

$$Y_{s,t} = \beta_0 + \beta_1 \text{CrimeRate}_{s,t} + \alpha_s + \lambda_t + \varepsilon_{s,t}$$

where $Y_{s,t}$ represents the specific outcome of interest in state s and year t . β_1 captures the association between the crime rate and a given outcome while α_s controls for state fixed effects (time-invariant state characteristics) and λ_t controls for time (year) fixed effects. We estimate this value separately for total crime, total property crime, and total violent crime rates, with standard errors clustered at the state level. This same specification is applied to each of the five outcome variables discussed below, except that for economic mobility t indexes birth cohort rather than year and the crime rate is the state's average over the cohort's exposure window.

Life Expectancy

To estimate the association between crime rates and average life expectancy, we use data from the United States Mortality Database (USMDB),⁸⁵ which reports state-level annual life expectancy data derived from U.S. Census Bureau and National Center for Health Statistics (NCHS) data. We filter the life expectancy data at birth to construct a historical series of average life expectancy across all 50 states and the District of Columbia from 1960 to 2022.

We find that an increase in the total crime rate (across all categories) is associated with a decrease in average life expectancy. Regressing life expectancy on the total crime rate reveals that each additional crime per 100,000 people is associated with 0.0003 fewer years of life expectancy ($p = 0.001$). In other words, **1,000 additional crimes committed per 100,000 people per year are associated with a roughly 110-day decrease in average life expectancy.**

This relationship is driven more strongly by the violent crime rate (-0.0025 , $p < 0.001$) than by the property crime rate (-0.0003 , $p = 0.001$). This means that **1,000 additional violent crimes committed per 100,000 people per year are associated with a 2.5-year decrease in life expectancy, roughly 8 times the effect of an equivalent increase in the property crime rate.**⁸⁶

Given that homicide deaths enter the mortality rates from which life expectancy is computed, and no plausible mechanism runs from a state's life expectancy back to its crime rate, causation here is likely to run in one direction. We also report statistically significant and economically meaningful associations between property crime and life expectancy to alleviate concerns that the association between total crimes and life expectancy is definitional (with homicides being counted in both variables).

⁸⁵ United States Mortality Database (complete state life tables, 1959–present), University of California, Berkeley, <https://usa.mortality.org/>.

⁸⁶ As a robustness check, to alleviate concerns of omitted variable bias with respect to life expectancy, we also control for several economic indicators. Specifically, when controlling for state-level GDP, unemployment, and personal income, collected from the Bureau of Economic Analysis and Bureau of Labor Statistics, we find that an additional crime committed per 100 people per year is associated with an 84-day decrease in life expectancy ($p = 0.032$). Importantly, our results remain statistically significant for both total violent crime and total property crime as well. Each additional violent crime per 100 people per year is associated with a 2.7-year decline in life expectancy ($p = 0.002$). And, each additional property crime per 100 people per year is associated with a 73-day decline in life expectancy ($p = 0.041$).

These results make sense when considering the mechanism by which crime likely affects life expectancy. Crime of all kinds produces disability, chronic pain, and long-term health decline (both mental and sometimes physical). Exposure to violence, crime (both violent and nonviolent), and disorder raises stress and hypertension (diminishing mental health), suppresses physical activity as people stay indoors, and drives disinvestment: businesses and clinics close and grocery stores leave the area.

Mortality

In evaluating the association between increased crime rates and mortality rates in the United States, we utilize the Centers for Disease Control and Prevention's Wide-ranging Online Data for Epidemiologic Research (WONDER) database.⁸⁷ After appending individual datasets to arrive at a larger one covering every state from 1968 to 2016, we generate the death rate per 100,000 by state and by year (total deaths divided by each given state's population during that year, multiplied by 100,000).

Similar to the results for average life expectancy, we find that increases in all three crime rates are associated with higher mortality rates. Regressing mortality rates on the total crime rate, we find that every additional crime per 100,000 people is associated with a 0.016 increase in the mortality rate per 100,000 people. In other words, 1,000 additional crimes committed per 100,000 people per year are associated with 16 more deaths per 100,000 people ($p = 0.009$).

Regressing mortality rates on violent crime highlights the strongest association (0.173, $p < 0.001$), meaning that **1,000 additional violent crimes committed per 100,000 people per year are associated with 173 more deaths per 100,000 people. With respect to property crime, 1,000 additional crimes committed per 100,000 people per year are associated with 15 more deaths per 100,000 people ($p = 0.019$).**

Mortality rates are used to calculate period life expectancy, so these mortality results and the preceding results on life expectancy are closer to one finding reported in two units than to independent corroboration, although the crude death rate used here, unlike life expectancy, is not adjusted for age structure. We report both because years of life lost is the more legible welfare measure.

Child Poverty

In examining the association between crime rates and the number of children in poverty, we use data provided by the Substance Abuse and Mental Health Services Administration (SAMHSA), namely its state-by-state estimates of children with serious emotional disturbance from the Uniform Reporting System (URS).⁸⁸ This dataset includes Census Bureau data from the Current Population Survey⁸⁹ on the percent of children aged 5 to 17 in poverty. We use years 2014 through 2024 in our analysis.

We find that increases in the total crime rate and property crime rate are both associated with increases in the percent of children in poverty. This result differs from the health-related outcome variables, where increases in

⁸⁷ Centers for Disease Control and Prevention, CDC WONDER online database, <https://wonder.cdc.gov/>.

⁸⁸ Substance Abuse and Mental Health Services Administration, "Number of Children with a Serious Emotional Disturbance (SED), Age 9 to 17, by State,"

https://www.samhsa.gov/data/sites/default/files/reports/rpt56936/adults_with_smi_and_children_with_sed_prevalence_in_2024.pdf.

⁸⁹ Substance Abuse and Mental Health Services Administration, Uniform Reporting System, "Adults with SMI and Children with SED Prevalence in 2024," <https://www.samhsa.gov/data/data-we-collect/urs-uniform-reporting-system/smi-sed-prevalence-estimates>.

the violent crime rate have a larger impact on the outcome variables (average life expectancy and mortality rate) than property-related crime.

Regressing child poverty rates on total crime rates, we find that **1,000 additional crimes committed per 100,000 people per year are associated with a 0.73 percentage point increase in the share of children aged 5 to 17 living in poverty ($p = 0.039$; for property crimes, this number becomes 0.89 percentage points ($p = 0.040$)).** Concretely, this means that 1,000 additional crimes committed per 100,000 people per year are associated with 730 more children in poverty per 100,000 children aged 5 to 17. Poverty is a well-established predictor of crime, and crime can be reasonably understood to perpetuate poverty. Causation plausibly runs in both directions here, so we urge some caution in interpreting these results as more than correlational.

Economic Mobility

To estimate the association between crime and economic mobility, we use data compiled by Chetty et al. (2017)⁹⁰ on the mean probability for a child from a given birth cohort to earn more than their parents. The authors estimate marginal income distributions for parents and children of the 1940–1984 birth cohorts using cross-sectional data from the decennial Census and Current Population Surveys (CPS). In their baseline analysis, they measure income in pre-tax dollars at the household level when parents and children are approximately 30 years old, adjusting for inflation using the CPI-U-RS. They estimate the fraction of children who earn more than their parents in each birth cohort by combining the marginal income distributions with the copula in each cohort. State estimates are reported for decadal cohorts, and we use 1950, 1960, 1970, and 1980.

Each state-cohort is matched to the average crime rate in that state over the 35-year period following the cohort's birth year (drawn from the UCR database). Given that our crime data begin in 1960, the 1950 birth cohort averages the crime rate from ages 10 through 34. Because absolute mobility is measured against a fixed dollar threshold rather than a national rank, the relevant exposure period is the full span over which earnings capacity forms: childhood, schooling, labor market entry, and early career.⁹¹

The estimated coefficient on the total crime rate is -0.0000143 ($p = 0.061$), and on the property crime rate it equals -0.0000164 ($p = 0.033$). This means that **1,000 additional crimes committed per 100,000 people per year over the exposure window are associated with 1,430 to 1,640 fewer children out-earning their parents per 100,000 children in the cohort.** Violent crime carries the same sign but is not statistically significant.

Mobility is measured from adult incomes observed at roughly age 30, after most of the 35-year exposure window has elapsed, so this outcome cannot have increased crime during the bulk of those years, which limits the scope for reverse causality. However, states with high crime rates also tend to have weaker labor markets and less-resourced schools, features of a place that independently depress mobility and could account for the association discussed above. Sharkey (2010)⁹² addresses this by comparing children in the same neighborhood to one another, some tested shortly after a nearby homicide and some not. Because place is held fixed while exposure

⁹⁰ Raj Chetty, David Grusky, Maximilian Hell, Nathaniel Hendren, Robert Manduca, and Jimmy Narang, "The Fading American Dream: Trends in Absolute Income Mobility since 1940," *Science* 356, no. 6336 (2017): 398–406, <https://doi.org/10.1126/science.aal4617>; data and paper at <https://opportunityinsights.org/paper/the-fading-american-dream/>.

⁹¹ A 30-year specification yields results that have the same sign and comparable magnitude.

⁹² Patrick Sharkey, "The Acute Effect of Local Homicides on Children's Cognitive Performance," *Proceedings of the National Academy of Sciences* 107, no. 26 (2010): 11733–11738, <https://doi.org/10.1073/pnas.1000690107>.

to crime varies, the resulting decline in cognitive performance can be attributed to crime (the violence) itself rather than to the disadvantages surrounding it.

Crime is therefore not only a symptom of disadvantage, but a likely cause of it, a reading with which our results are consistent. As discussed below, it depresses property values, deters business formation, and pushes employers and services out of affected neighborhoods, so children grow up with thinner local labor markets and weaker adult networks, thereby diminishing social and economic mobility.

Health Insurance Premiums

To evaluate the association between crime rates and average health insurance premiums, we examine data on the average total employee-plus-one premium from the Medical Expenditure Panel Survey Insurance Component (MEPS-IC). This annual survey fields questions to both public and private employers to collect data on private health insurance plans, premiums, and other employer characteristics. We construct this dataset by filtering the MEPS-IC data to include only Private Sector State data, restricted to single-year (annual) intervals. The resulting series contains the average total employee premium paid (in dollars) per enrolled employee for standard employee-plus-one health insurance plans, spanning 2001–2024, excluding 2007, when the MEPS-IC was not fielded.

We find that increased crime rates, driven primarily by property crime rather than violent crime, are associated with a statistically significant increase in average health insurance premiums. Regressing average health insurance premiums on the total crime rate, we find that each additional crime per 100,000 people is associated with a \$0.1129 increase in the average premium ($p = 0.016$). In other words, **1,000 additional crimes committed per 100,000 people per year correspond to an approximately \$112.90 increase in the average annual employee-plus-one premium.**

Regressing average health insurance premiums on the total property crime rate produces a result of even larger magnitude (0.1495, $p = 0.003$). In this case, 1,000 additional property crimes committed per 100,000 people per year are associated with a \$149.50 increase in the average premium. Because premiums reflect what insurers expect to pay in claims, crime could affect health insurance premiums through the medical costs of treating injuries tied to those crimes.

Discussion

The estimates discussed above come from a fifty-state annual panel with state and year fixed effects. State fixed effects give each state its own baseline, so each state's crime rates and outcome variables are compared against their baseline rather than other states' baselines. Year fixed effects strip out any trends that moved across the entire country at once, like a recession or a pandemic. The relationships described above are therefore narrow: we study whether a state fares worse than it normally does in the years its crime rate runs above its own average, setting aside the national trend. Although this is a demanding test, it does not establish causality with complete certainty. Factors that vary within a state over time and move both crime and outcome remain uncontrolled.

The preceding section identifies associations between crime and each outcome and discusses the mechanisms through which crime plausibly produces them. The existing literature provides substantial evidence of these mechanisms and mediators by which crime affects the outcome variables of interest.

With respect to business and investment, for example, Barbieri and Rizzo (2022)⁹³ find that crime has a negative, sizable impact on overall propensity to engage in entrepreneurial activities as well as on new business creation. Krkoska and Robeck (2009)⁹⁴ find that crime has a large negative impact on micro enterprises that handle large cash balances. Brown and Hibbert (2017)⁹⁵ find that violent crime acts as a deterrent to foreign direct investment and that there is a negative effect of total crime on such investment. Using a panel of 29 Organisation for Economic Co-operation and Development countries from 2003–2012, Brown and Hibbert (2019)⁹⁶ find that crime deters investment in the service sector. Lacoë, Bostic, and Acolin (2018) find that private investment in urban neighborhoods, as represented by building permits, decreases on blocks where crime increased in the past year.⁹⁷

As it pertains to mental health, Dustmann and Fasani (2016)⁹⁸ find that crime causes considerable mental health distress for residents, driven primarily by property crime. Weisburd et al. (2018) find there are significantly more self-reported cases of depression and PTSD in places with more violent crime than in places with less.⁹⁹ Curry et al. (2008) find that violence is associated with psychological distress through perceptions of neighborhood disorder, and through experiences of violence.¹⁰⁰ And Awaworyi Churchill and Smyth (2022)¹⁰¹ find that local area crime lowers mental health for residents.

Conclusion

The evidence reviewed in this chapter indicates that the DSA's public-safety policies are associated with higher crime, and that higher crime is associated with many adverse social and economic effects. Namely, 1,000 additional crimes per 100,000 people are associated with: (1) a 110-day decrease in average life expectancy, (2) 173 more deaths per 100,000 people when the additional crime is violent, (3) 730 more children in poverty per 100,000 children aged 5 to 17, (4) 1,430 to 1,640 fewer children out-earning their parents per 100,000 children, and (5) a \$112.90 increase in the average annual premium for employee-plus-one health insurance plans.

⁹³ Nicolò Barbieri and Ugo Rizzo, "The Impact of Crime on Firm Entry," *Journal of Regional Science* 63, no. 2 (2023; published online 2022): 446–469, <https://doi.org/10.1111/jors.12628>.

⁹⁴ Libor Krkoska and Katrin Robeck, "Crime, Business Conduct and Investment Decisions: Enterprise Survey Evidence from 34 Countries in Europe and Asia," *Review of Law & Economics* 5, no. 1 (2009): 493–516, <https://doi.org/10.2202/1555-5879.1299>.

⁹⁵ Leanora Brown and Keva Hibbert, "The Effect of Crime on Foreign Direct Investment: A Multi-Country Panel Data Analysis," *Journal of Developing Areas* 51, no. 1 (2017): 295–307, <https://doi.org/10.1353/jda.2017.0016>.

⁹⁶ Leanora Brown and Keva Hibbert, "The Incidence of Crime on Industry-Level Foreign Direct Investment: An Assessment of OECD Member Countries," *Social Science Quarterly* 100, no. 4 (2019): 1228–1240, <https://doi.org/10.1111/ssqu.12624>.

⁹⁷ Johanna Lacoë, Raphael W. Bostic, and Arthur Acolin, "Crime and Private Investment in Urban Neighborhoods," *Journal of Urban Economics* 108 (2018): 154–169, <https://doi.org/10.1016/j.jue.2018.11.001>.

⁹⁸ Christian Dustmann and Francesco Fasani, "The Effect of Local Area Crime on Mental Health," *Economic Journal* 126, no. 593 (2016): 978–1017, <https://doi.org/10.1111/econj.12205>.

⁹⁹ David Weisburd, Breanne Cave, Matthew Nelson, Clair White, Amelia Haviland, Justin Ready, Brian Lawton, and Kathleen Sikkema, "Mean Streets and Mental Health: Depression and Post-Traumatic Stress Disorder at Crime Hot Spots," *American Journal of Community Psychology* 61, no. 3–4 (2018): 285–295, <https://doi.org/10.1002/ajcp.12232>.

¹⁰⁰ Aaron Curry, Carl Latkin, and Melissa Davey-Rothwell, "Pathways to Depression: The Impact of Neighborhood Violent Crime on Inner-City Residents in Baltimore, Maryland, USA," *Social Science & Medicine* 67, no. 1 (2008): 23–30, <https://doi.org/10.1016/j.socscimed.2008.03.007>.

¹⁰¹ Sefa Awaworyi Churchill and Russell Smyth, "Locus of Control and the Mental Health Effects of Local Area Crime," *Social Science & Medicine* 301 (2022): 114910, <https://doi.org/10.1016/j.socscimed.2022.114910>.

CHAPTER 4. MEDICARE FOR ALL

Key Findings

We examine the direct costs of Medicare for All (M4A), a health care reform proposed by many prominent members of the Democratic Socialists of America (DSA). CEA estimates \$49.4 trillion in single-payer health care costs over 2027–2036. Administrative savings of \$2.8 trillion and federal Medicaid savings of \$4.3 trillion offset only part of the new spending, while eliminating Medicare cost sharing and premiums adds further federal costs. CEA estimates that, in the absence of additional taxes and revenues, M4A would increase the federal budget deficit by approximately \$47.4 trillion over 2027–2036. Moreover, a large fiscal gap remains even after applying the revenue options that Senator Sanders’s office published alongside the bill for the full-operation period. The results also illustrate a central policy trade-off: universal first-dollar coverage increases the formal breadth of insurance and changes access across groups at the expense of medical productivity. CEA projects that the elimination of network and price-based incentives would reduce medical productivity, a measure of health status achieved relative to the amount invested in care, by 22 percent by 2036 (14 percent in the 2027 transition year). At the same time, federal financing replaces a large amount of private and state financing, creating a substantial increase in federal outlays. Since M4A virtually eliminates all premiums and patient cost sharing, and makes coverage effectively universal, we estimate a very large movement out of employer-sponsored insurance, the individual market, Medicaid, and the uninsured category and into “Other Public Insurance,” the category used to represent the new M4A program.¹⁰² Part of Medicare for All’s coverage would include so-called sex-change operations, which CEA estimates would cost taxpayers \$6 billion in a low case, \$30 billion in a base case, and \$68 billion in a high case over 2027–2036, measured in 2026 dollars.¹⁰³

Background

Medicare for All (M4A) proposals have been a persistent feature of Democratic health care policy since 2017, advanced through congressional legislation and presidential campaign platforms. A substantial share of successful Democratic House candidates, including Representative Alexandria Ocasio-Cortez of New York and Representative Rashida Tlaib of Michigan, campaigned on Medicare for All. Representatives Ocasio-Cortez and Tlaib are members of the Democratic Socialists of America (DSA), which adopted M4A as a national priority campaign at its August 2017 convention.

The current M4A legislative architecture took shape in early 2019. In February 2019, Representative Pramila Jayapal of Washington introduced the Medicare for All Act of 2019 (H.R. 1384) with more than 100 original cosponsors. In April 2019, Senator Bernie Sanders of Vermont introduced the Senate companion, the Medicare for All Act of 2019 (S. 1129), with 14 cosponsors, including four senators then seeking the 2020 Democratic presidential nomination: Kamala Harris of California, Cory Booker of New Jersey, Kirsten Gillibrand of New York, and Elizabeth Warren of Massachusetts. The proposal was reintroduced on April 29, 2025, in the House by Representatives Jayapal and Debbie Dingell of Michigan (H.R. 3069) and in the Senate by Senator Sanders (S. 1506).

¹⁰² Medicare for All Act of 2019, H.R. 1384, 116th Cong. (2019), <https://www.congress.gov/bill/116th-congress/house-bill/1384>.

¹⁰³ Medicare for All Act of 2025, H.R. 3069, 119th Cong. (2025), <https://www.congress.gov/bill/119th-congress/house-bill/3069>.

M4A proposes replacing nearly all existing public and private health insurance with a single, universal insurance program operated by the federal government. The bills preserve care delivered through the Department of Veterans Affairs, Indian Health Service, and military treatment facilities (Sec. 302(b)), continue Medicaid coverage of institutional long-term care (Sec. 901(a)(3)), and permit private insurance only for benefits the program does not cover (Sec. 107(b)). The central policy mechanism is unchanged from its original 2019 proposal: M4A replaces most existing sources of health insurance with a federally financed plan, eliminates premiums and patient cost sharing, and makes coverage effectively universal. Public discussion frequently conflates the *financing* of medical care with the *provision* of medical care, but the distinction is important. M4A is an insurance reform. It does not nationalize the provision of medical care, although it would set provider payment through federally negotiated global budgets and a national fee schedule (Secs. 611–612) and prohibit balance billing (Sec. 202).¹⁰⁴

Proponents of Medicare for All point to U.S. health expenditure per capita, which is higher than in other wealthy nations, and to the potential for a single payer’s monopsony purchasing power to drive down drug prices. Critics point to several limitations, including three major objections to the bill. First, the bill would abolish (rather than merely supplement) existing coverage that current beneficiaries like. The bill would make it unlawful to sell or provide insurance that duplicates the program’s benefits (Sec. 107). It would also absorb Medicare, Medicaid (other than institutional long-term care), the Children’s Health Insurance Program, and Federal Employees Health Benefits coverage (Secs. 107 and 901). Second, the bill would extend eligibility to noncitizens. Eligibility turns on residency, as defined through rulemaking by the Secretary of Health and Human Services (Sec. 102), and the bill’s nondiscrimination provision bars exclusion on the basis of citizenship status (Sec. 104). Third, the benefits package explicitly lists “comprehensive gender-affirming health care” as a covered benefit category (Sec. 201(a)(9)) regardless of age (Sec. 104(a)), meaning medical interventions designed to align a person’s outward physical traits and social presentation with their gender identity, including sex-change operations for minors and gender dysphoria treatments.¹⁰⁵

This chapter presents the quantitative implications of the M4A single-payer proposal. Our projection begins with a transition in 2027, reaches full implementation in 2028, and runs through 2036. This schedule is a modeling convention rather than the statutory timetable: the Senate bill makes benefits available on January 1 of the fourth calendar year after enactment and the House bill two years after enactment (Sec. 106 of each bill). We present coverage, medical productivity, provider access, and federal budget estimates for this projection period.

Literature Review

Cost estimates for M4A have been produced by academic research centers and policy institutes across the ideological spectrum; the Congressional Budget Office has not scored the Medicare for All Act, although in December 2020 it analyzed five illustrative single-payer designs for a single year (2030). Prior estimates of the additional federal outlays required over a ten-year window ending in 2029–2031 cluster between \$32 trillion and \$38 trillion (roughly equivalent to a \$43–51 trillion range for ten-year windows ending in 2036), while estimates of the effect on national health expenditure range from a reduction of roughly \$200 billion per year (Blahous

¹⁰⁴ Medicare for All Act of 2025, S. 1506, 119th Cong., text, <https://www.congress.gov/bill/119th-congress/senate-bill/1506/text>. Section citations in this chapter follow the Senate bill; the House companion, H.R. 3069, contains parallel provisions under different section numbers (for example, the federal-provider and long-term-care provisions appear at Secs. 302(d) and 201(a)(15)). House text: <https://www.congress.gov/bill/119th-congress/house-bill/3069/text>.

¹⁰⁵ Medicare for All Act of 2025, S. 1506, 119th Cong., text, Secs. 104(a) and 201(a)(9); the House bill (H.R. 3069) lists the same benefit category at Sec. 201(a)(9).

2018) to an increase of approximately \$720 billion per year (Urban Institute 2019), depending mainly on the assumed provider reimbursement rate.^{106,107}

Blahous (2018) estimated that the Medicare for All Act of 2017 (S. 1804), the direct predecessor of the 2019 bills, would require approximately \$32.6 trillion in new federal spending over the 2022–2031 period. The estimate incorporates the reduction in provider reimbursement implied by the legislation, which would move all payers to Medicare rates (roughly 40 percent below commercial rates for hospital services and approximately 25 percent below commercial rates for physician services). Blahous reports that if the reimbursement reduction is not sustained and payment rates remain closer to current levels, required new federal spending rises to approximately \$38 trillion.

The Urban Institute (2019) estimates that a comparable single-payer program would add approximately \$34 trillion in federal spending over 2020–2029 (\$2.8 trillion in 2020) and would increase national health expenditure by roughly \$720 billion in 2020 (Blumberg et al. 2019).

Evidence from Existing Single-Payer Systems

Under the proposed program, the price of medical care faced by the patient at the point of service is zero and the price received by the provider is set administratively below the current system's average. Demand for medical services rises while the quantity supplied falls. Because the resulting excess demand cannot be resolved through price, it is resolved through delay. Data from Canada, whose provincial single-payer plans with largely private delivery are the closest analog to M4A, and from England's publicly operated National Health Service provide evidence on the magnitude of that delay. The Fraser Institute (2025) reports a median wait of 28.6 weeks in Canada between referral by a general practitioner and receipt of medically necessary elective treatment from a specialist (Moir and Esmail, *Waiting Your Turn*, December 2025).¹⁰⁸ In England, the waiting list for consultant-led elective hospital treatment stood at about 7.1 million cases as of March 2026, corresponding to roughly 6.0 million distinct patients because some patients are waiting on more than one treatment pathway (House of Commons Library 2026; NHS England 2026).¹⁰⁹ Emergency response times in England have shown a similar pattern. Response times for Category 2 ambulance calls, a category that includes suspected heart attacks and strokes, averaged 32 minutes and 43 seconds in December 2025 and 35 minutes and 4 seconds in January 2026 against a national target of 18 minutes. For reference, in the United States, the roughly comparable time was 7 minutes.¹¹⁰ These delays impose real costs on patients that are not fully captured in financial data or GDP statistics.

¹⁰⁶ Charles Blahous, "The Costs of a National Single-Payer Healthcare System," Mercatus Working Paper (Mercatus Center at George Mason University, July 2018), <https://www.mercatus.org/research/working-papers/costs-national-single-payer-healthcare-system>.

¹⁰⁷ Linda J. Blumberg, John Holahan, Matthew Buettgens, Anuj Gangopadhyaya, Bowen Garrett, and Adele Shartzter, *From Incremental to Comprehensive Health Reform: How Various Reform Options Compare on Coverage and Costs* (Urban Institute, October 2019), <https://www.urban.org/research/publication/incremental-comprehensive-health-reform-how-various-reform-options-compare-coverage-and-costs>.

¹⁰⁸ Mackenzie Moir and Nadeem Esmail, *Waiting Your Turn: Wait Times for Health Care in Canada, 2025 Report* (Fraser Institute, December 2025), <https://www.fraserinstitute.org/studies/waiting-your-turn-wait-times-for-health-care-in-canada-2025>.

¹⁰⁹ NHS England, "Statistical Press Notice: NHS Referral to Treatment (RTT) Waiting Times Data, March 2026," May 14, 2026, <https://www.england.nhs.uk/statistics/wp-content/uploads/sites/2/2026/05/Mar26-RTT-statistical-press-notice-PDF-545K-Dc1i9U.pdf>.

¹¹⁰ The median interval from a 911 call to the arrival of emergency medical services in the United States was 7 minutes in 2015 data (Howard K. Mell, Shannon N. Mumma, Brian Hiestand, Brendan G. Carr, Tara Holland, and Jason Stopyra, "Emergency Medical Services Response Times in Rural, Suburban, and Urban Areas," *JAMA Surgery* 152, no. 10 (2017): 983–984, <https://doi.org/10.1001/jamasurg.2017.2230>).

Analysis

Policy and Modeling Framework

The M4A proposal modeled here is a national single-payer health system in which the federal government becomes the principal payer for covered medical services. The model assumes that premiums, deductibles, copayments, and other patient cost sharing are eliminated and financed through federal funds. Existing private-market coverage and major public coverage categories for the non-elderly are correspondingly displaced as enrollment migrates to the new federal program.

CEA follows the Center for Health and Economy (H&E) microsimulation approach. The under-65 model uses microdata to simulate insurance choices and resulting effects on coverage, federal spending, provider access, and medical productivity. Because a single-payer proposal changes the structure of insurance rather than simply modifying subsidies or plan parameters, the analysis requires assumptions about the transition of existing coverage, utilization when cost sharing is removed, and the federalization of spending that is currently private or state-financed.

We treat 2027 as a transition year and show full conversion to the new coverage structure beginning in 2028. The estimates should be interpreted as scenario projections rather than point forecasts. A policy change of this scale would alter utilization, provider behavior, labor compensation, tax bases, and potentially the supply of medical services, all of which create substantial uncertainty.

Coverage Effects

Table 4-1 shows the distribution of health insurance coverage under M4A. In 2027, the transition is still underway: 11 million people remain in the individual market and 79 million remain in employer-sponsored insurance, while 178 million non-elderly people are already classified in Other Public Insurance. By 2028, the transition is complete: individual-market and employer-sponsored enrollment fall to zero, Medicaid enrollment is zero, and all 281 million non-elderly residents are represented within Other Public Insurance.

Table 4-1. Health Insurance Coverage Under M4A (millions of people)

Coverage (millions)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Individual Market	11	0	0	0	0	0	0	0	0	0
Subsidized Insurance (Health Insurance Marketplace)	3	0	0	0	0	0	0	0	0	0
Other Non-group Insurance	0	0	0	0	0	0	0	0	0	0
Employer-Sponsored Insurance	79	0	0	0	0	0	0	0	0	0
Medicaid	0	0	0	0	0	0	0	0	0	0
Other Public Insurance	178	281	281	281	281	281	281	281	282	282



Coverage (millions)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Total Non-Elderly Population	281	281	281	281	281	281	281	281	282	282
Population aged 65 and over (currently Medicare)	64	65	66	68	69	70	72	73	74	76
Total Insured	332	346	347	349	350	351	353	354	356	358
Total U.S. Population	345	346	347	349	350	351	353	354	356	358
Uninsured	13	0	0	0	0	0	0	0	0	0

Notes: Insurance coverage estimates refer to the under-65 population except where otherwise identified. Other Public Insurance includes under-65 Medicare enrollment. Medicare estimates are based on the H&E MARCOLA microsimulation. The table assumes coverage for illegal aliens beginning in 2027.

The total insured population rises from 332 million in 2027 to 346 million in 2028, at which point the uninsured population equals zero. Thereafter, insured enrollment tracks total U.S. population growth, reaching 358 million in 2036. The elderly Medicare population separately rises from 64 million in 2027 to 76 million in 2036.

Table 4-2 expresses the same transition relative to the status quo. The largest displacement is employer-sponsored insurance: enrollment is 88 million below baseline in 2027 and 168 million below baseline in 2028, reaching a 170 million reduction by 2036. Medicaid enrollment is 59 million below baseline in 2027 and 52 million below baseline by 2036. These reductions are offset by growth in the new public insurance category, which is 274 million above baseline in 2028 and 279 million above baseline in 2036.

Table 4-2. Change in Coverage Relative to the Status Quo (millions of people)

Coverage (millions)	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Individual Market	-6	-17	-17	-18	-18	-18	-19	-19	-19	-19
Health Insurance Marketplace	-10	-13	-13	-14	-14	-14	-14	-14	-15	-15
Other Non-group Insurance	-4	-4	-4	-4	-4	-4	-4	-4	-4	-5
Employer-Sponsored Insurance	-88	-168	-168	-168	-169	-169	-169	-170	-170	-170
Medicaid	-59	-60	-60	-59	-58	-57	-56	-54	-53	-52
Medicare	0	0	0	0	0	0	0	0	0	0
Other Public Insurance (New M4A)	171	274	275	276	276	277	277	278	278	279
Uninsured	-17	-30	-30	-31	-32	-33	-34	-35	-36	-37

Notes: Negative values indicate enrollment below the status-quo baseline; positive values indicate enrollment above baseline.

The uninsured change is particularly important for interpreting the coverage result. Relative to baseline, the uninsured population is 30 million lower in 2028 and 37 million lower in 2036. Under M4A, the entire uninsured population gets automatic coverage, and therefore Table 4-1 records zero uninsured beginning in 2028. Thus, the coverage gain is not simply an expansion at the margin; it is produced by replacing the existing pluralistic

insurance system with a single federal coverage platform. Importantly, increases in coverage do not necessarily translate to gains in health care access.

Medical Productivity

The Medical Productivity Index is intended to summarize the efficiency implications of insurance design. In simple terms, it measures the health status achieved by a patient relative to the amount of resources invested in care. Plan designs differ in the extent to which networks, cost sharing, and other incentives encourage price-conscious use of medical resources. Moving to first-dollar federal coverage removes many of those mechanisms while simultaneously increasing utilization by people who were previously uninsured or faced financial barriers to care.

Table 4-3A. Pre-M4A Medical Productivity Index in Selected Categories

Index	2027	2028	2029	2030	2036
Individual Market	2.9	2.9	2.9	2.9	3.0
Marketplace	2.8	2.8	2.8	2.8	2.8
Other Non-Group	3.1	3.1	3.1	3.1	3.2
All Insured Population	2.5	2.5	2.5	2.5	2.6

Note: Productivity estimates refer only to the under-65, non-disabled population.

Table 4-3B. Change in Medical Productivity in Selected Categories

Index	2027	2028	2029	2030	2036
Individual Market (former)	-18%	-18%	-20%	-21%	-24%
Marketplace (former)	-17%	-18%	-19%	-19%	-22%
Other Non-Group (former)	-23%	-25%	-27%	-28%	-30%
All Insured Population	-14%	-15%	-17%	-18%	-22%

Note: Changes are relative to the pre-M4A index for the indicated populations.

Medical productivity decreases in markets where moral hazard increases because M4A's elimination of cost sharing makes benefits more generous on average. Table 4-3B shows a progressive decline in medical productivity relative to the pre-M4A baseline. For the total insured population, the reduction is 14 percent in 2027, 15 percent in 2028, 18 percent by 2030, and 22 percent by 2036. The former individual-market population experiences a 24 percent decline in medical productivity by 2036, while the former Other Non-Group population experiences a 30 percent decline.

The productivity result reflects the modeled effects of universal coverage combined with the dissolution of differentiated network structures and the elimination of patient cost sharing. These changes reduce incentives for price-conscious utilization. The productivity measure therefore captures a potential efficiency cost of moving from competing plan designs to a single first-dollar coverage structure.

Provider Access

Provider access is a separate concept from medical productivity. The access index reflects the breadth of physicians and facilities available to insured individuals under different insurance arrangements. It gauges the quality of physician networks and how easily enrollees can reach doctors and specialists. A single-payer plan can therefore increase measured access for groups currently enrolled in more restrictive coverage even if the overall system becomes less efficient.

Table 4-4A. Pre-M4A Provider Access Index

Index	2027	2028	2029	2030	2036
Individual Market	2.9	2.9	2.9	2.9	3.0
Employer	3.6	3.6	3.6	3.6	3.6
Medicaid	1.0	1.0	1.0	1.0	1.0
Total Insured	2.8	2.8	2.8	2.8	2.8

Note: Access estimates refer only to the under-65, non-disabled population.

Table 4-4B. Change in Provider Access

Index	2027	2028	2029	2030	2036
Individual Market (former)	-31%	-31%	-31%	-31%	-33%
Employer (former)	-44%	-44%	-44%	-44%	-44%
Medicaid (former)	100%	100%	100%	100%	100%
Total Insured	-29%	-29%	-29%	-29%	-29%

Note: The table reports modeled changes relative to pre-M4A access by prior coverage category.

The provider access results are highly heterogeneous by prior source of coverage. Former Medicaid enrollees show a 100 percent increase in access because Medicaid begins from a substantially lower access index. By contrast, former employer-sponsored enrollees show a 44 percent reduction in access and former individual-market enrollees show a 33 percent reduction by 2036. For the total population of those who are under 65 and were insured prior to 2027, the introduction of M4A reduces access by 29 percent.

Federal Budget Impact Before New Taxes

Table 4-5 translates the coverage transformation into federal budget terms. “Sources of Funds” are offsets to federal costs, while “Uses of Funds” are new federal spending obligations or forgone federal receipts associated with the single-payer structure. The principal offsets are administrative savings and federal Medicaid savings. The principal cost is the federal assumption of health care spending for the non-elderly population, supplemented by the cost of eliminating Medicare cost sharing and Medicare premiums.

Table 4-5. Federal Budget Impact of the Coverage Provisions Before New Taxes (billions of dollars)

Budget item (\$ billions)	2027	2028	2029	2030	2035	2036	2027–2036
Sources of Funds							
Administrative Savings	142	243	255	268	342	359	2,821
Federal Medicaid Savings	340	358	376	395	504	529	4,288
Uses of Funds							
Single Payer Health Care Costs	2,637	4,303	4,516	4,697	5,892	6,131	49,394
Medicare Reduction in Cost Sharing	143	154	163	174	242	254	1,953
Medicare Premium Cost	217	236	259	282	400	420	3,172
Net Budgetary Impact	-2,515	-4,092	-4,307	-4,490	-5,689	-5,917	-47,410

Notes: Cost estimates for single-payer health care refer to the under-65 population. Positive source-of-funds values are offsets; the net budgetary impact is shown as a deficit when negative. Medicare costs use the H&E MARCOLA over-65 baseline; Medicare premium costs use the Medicare Trustees baseline.

The scale of the federalization is evident immediately. Single-payer health care costs rise from \$2.637 trillion during the 2027 transition to \$4.303 trillion in 2028, the first year of full implementation. The costs grow to \$6.131 trillion in 2036. Cumulatively, this category totals \$49.394 trillion over 2027–2036.

The model identifies \$2.821 trillion in administrative savings over the decade and \$4.288 trillion in federal Medicaid savings. These are meaningful offsets, but they are small relative to the amount of health spending transferred to the federal government. The plan also increases federal obligations by eliminating Medicare beneficiary cost sharing and premium collections. Those two items total \$1.953 trillion and \$3.172 trillion, respectively, over 2027–2036.

After accounting for these sources and uses of funds, the net federal budget impact is a deficit of \$2.515 trillion in 2027 and \$4.092 trillion in 2028. The annual deficit grows to \$5.917 trillion by 2036. Across the full 2027–2036 window, the estimate is a \$47.410 trillion federal deficit before the additional tax and revenue options considered in Table 4-6.

Potential Financing and Remaining Shortfall

The microsimulation model is designed primarily to estimate health insurance coverage and health-related federal spending. Many proposed M4A financing mechanisms operate through tax bases that lie outside that model. Table 4-6 therefore layers specified revenue options onto the health budget calculation to illustrate the magnitude of the remaining financing requirement rather than to provide a full macroeconomic tax score.



Table 4-6. Budgetary Impact with the Sponsors' Financing Options, 2028 and 2028–2036 (billions of dollars)¹¹¹

Budget item (\$ billions)	2028	2028–2036
Administrative Savings	243	2,679
Single Payer Insurance Cost	-4,303	-46,757
Federal Medicaid Savings	358	3,948
Medicare Reduction in Cost Sharing	-154	-1,810
Medicare Premium Cost	-236	-2,955
Subtotal	-4,092	-44,895
Employer Income Tax	444	4,513
Household Income Tax	399	4,050
Health Care Tax	485	4,446
Progressive Income Tax	205	2,081
Wealth Tax	150	1,524
Estate Tax	28	289
S-Corp Tax	28	286
Revenue Subtotal	1,740	17,189
Net Budgetary Impact	-2,352	-27,706

Notes: The table applies the specified financing options to 2028 and to the 2028–2036 full-operation period. Health-program rows equal the 2028–2036 sums of the corresponding Table 4-5 series; negative values denote federal costs or remaining federal deficits.

In 2028, the health-program subtotal is a \$4.092 trillion deficit. The listed financing mechanisms generate \$1.740 trillion, led by a \$485 billion health care tax, \$444 billion from the employer income tax, and \$399 billion from the household income tax. Additional revenues are attributed to progressive income, wealth, estate, and S-corporation taxes. Even with all of these revenue sources, the 2028 net budgetary impact is a \$2.352 trillion deficit.

Over the 2028–2036 full-operation period, the health-program subtotal is a \$44.895 trillion deficit and the listed revenue mechanisms total \$17.189 trillion. The resulting cumulative net budgetary impact is a \$27.706 trillion deficit. Put differently, the specified financing options cover less than half of the health-program shortfall shown in the table, leaving a very large residual financing requirement.

This calculation should not be interpreted as a complete macroeconomic estimate. Large tax increases can alter labor supply, compensation, investment, capital realization, business organization, and the taxable bases

¹¹¹ The specific funding sources come from Senator Sanders's office [Options to Finance Medicare for All](#), adjusted for inflation: a 7.5 percent payroll-based premium paid by employers (Employer Income Tax); a 4 percent income-based premium paid by households (Household Income Tax); elimination of existing health-related tax expenditures, principally the exclusion of employer-paid premiums from income and payroll taxes (Health Care Tax); a proposal to make the personal income tax more progressive (Progressive Income Tax); a wealth tax on the top 0.1 percent (Wealth Tax); a proposal to make the estate tax more progressive (Estate Tax); and a tax reform proposal for S-Corporations (S-Corp Tax).

themselves. Conversely, households and employers would no longer pay many of the premiums and cost-sharing amounts that exist under the status quo. A complete welfare or incidence analysis would need to consider both sides of that transformation.

Interpretation and Uncertainty

These results describe a policy that achieves universal insurance coverage by changing who finances health care and how access to medical services is organized. The coverage result is mechanically strong because enrollment barriers and direct patient prices are removed. The fiscal result is correspondingly large because expenditures that are now paid through employer premiums, household premiums, state Medicaid contributions, and patient cost sharing are shifted toward the federal budget.

The productivity and access estimates deserve particular caution. They depend on behavioral responses to zero cost sharing, the elimination of existing network structures, and assumptions about provider capacity. The reported values should therefore be interpreted as modeled consequences of the assumptions embedded in the estimates.

Several limitations remain relevant. The M4A benefit package includes oral health, audiology, and vision services (Sec. 201(a)(10)) and home- and community-based long-term services and supports (Sec. 201(a)(16)) that are not fully captured in a conventional medical-insurance microsimulation; to the extent these benefits are omitted, the estimates understate the federal commitment. Utilization could also rise by more or less than assumed once financial barriers are removed. Finally, provider payment rates and provider supply responses could materially affect both budgetary cost and real access to care.

Accordingly, the estimates should be read as an internally consistent projection under a specified set of assumptions, not as a claim that any single ten-year fiscal outcome is certain. Their principal value is to illustrate the scale and direction of the coverage, delivery-system, and federal financing changes implied by a national first-dollar single-payer program.

Coverage of Sex-Change Operations

Part of the Medicare for All proposal includes funding sex-change operations for which the posted cash-pay prices of one large sex-change surgery practice range from \$1,500 for a minor revision to \$50,000 for a single procedure (Gender Confirmation Center, San Francisco, September 2026).¹¹² The procedures on that schedule are listed in Table 4-7.

Table 4-7. Posted Cash Prices for Selected Procedures at One Large Practice, September 2026 (dollars)

Procedure Costs	Lower Bound	Upper Bound
Chest reconstruction top surgery	\$8,500	\$11,500
Revision top surgery (scar revision, dog ears)	\$1,500	\$3,000

¹¹² Gender Confirmation Center, “Fees and Financing for Gender Affirming Surgery,” accessed September 2026, <https://www.genderconfirmation.com/about-us/fees-and-financing/>.

Procedure Costs	Lower Bound	Upper Bound
Breast augmentation (w/ implants)	\$8,500	\$10,000
Body masculinization (trunk, thigh, buttocks)	\$8,500	\$14,000
Body feminization (trunk, thigh, buttocks)	\$15,000	\$19,500
Facial surgery – upper third (hairline, frontal bone, brow)	\$10,000	\$50,000
Facial surgery – middle third (nose, cheeks)	\$6,000	\$18,000
Facial surgery – lower third (lip, jaw, chin, neck)	\$4,500	\$50,000
Metoidioplasty	\$19,000	\$42,000
Phalloplasty	\$35,000	\$50,000
Vaginoplasty	\$23,000	\$24,500
Vulvoplasty	\$20,500	\$22,000
Labiaplasty	\$8,500	\$15,500

CEA estimates the ten-year cost of covering sex-change operations beginning in 2027. The estimate covers surgical procedures only. It does not include hormone therapy, mental health services, or routine follow-up care.

We take as the population base the Williams Institute (2025) estimates: 2.8 million transgender-identifying individuals aged 13 and older, of whom roughly 724,000 are aged 13 to 17 and 2.1 million are adults; among the adults, 32.7 percent (698,500) are transgender women and 34.2 percent (730,500) are transgender men. The remaining third, who identify as nonbinary, are excluded from the surgical cohort.¹¹³ The population grows at 0.4 percent annually, in line with projected growth in the U.S. population.

Per-procedure costs are constructed as bundles of individual surgical procedures. For each cohort we define a low, a base, and a high bundle. The low bundles pair a genital procedure with a chest procedure at the bottom of each published range. The base bundles use midpoint prices and a more extensive genital procedure. The high bundles add body contouring at the upper bound.

We anchor uptake to current behavior: roughly 13,000 such surgeries were performed annually in the most recent national estimates (13,011 in 2019 and 12,818 in 2020; Wright et al., JAMA Network Open, 2023).¹¹⁴ Scaled to the population and adjusted upward for broader eligibility, this yields a long-run floor of 0.77 percent of the eligible pool per year in the low case and 5.36 percent in the high case, with the base case at the midpoint. Because coverage expansion releases demand that was previously priced out, we assume a surge rather than a

¹¹³ Jody L. Herman and Andrew R. Flores, How Many Adults and Youth Identify as Transgender in the United States? (Williams Institute, UCLA School of Law, August 2025), <https://williamsinstitute.law.ucla.edu/wp-content/uploads/Trans-Pop-Update-Aug-2025.pdf>.

¹¹⁴ Jason D. Wright, Ling Chen, Yukio Suzuki, Koji Matsuo, and Dawn L. Hershman, "National Estimates of Gender-Affirming Surgery in the US," JAMA Network Open 6, no. 8 (2023): e2330348, <https://doi.org/10.1001/jamanetworkopen.2023.30348>.

constant rate. First-year uptake is set at five times the long-run floor and decays halfway toward that floor each year thereafter. Individuals who receive surgery leave the eligible pool.

Discounting at 2.5 percent, the ten-year inflation-adjusted cost ranges from \$6.4 billion in the low case to \$29.9 billion in the base case and \$68.0 billion in the high case, covering roughly 249,000 to 1.24 million surgical episodes (Table 4-8). These estimates are front-loaded by construction: the first year alone accounts for 37 percent of base-case cost. They also assume no constraint on surgical capacity: base-case first-year volume runs roughly twenty-two times current annual volume. Capacity limits would spread the same caseload over a longer horizon and lower the cost.

Table 4-8. Sex-Change Operation Coverage Scenarios: Surgical Episodes and Cost, 2027–2036

Scenario	Total
Number of surgical episodes, 2027–2036	
Low	248,844
Base	838,816
High	1,244,025
Cost (billions of 2026 dollars)	
Low	6.41
Base	29.92
High	68.03

Note: Discounted at 2.5 percent. Source: CEA calculations.

Conclusion

Our estimate reinforces the scale of the transformation implied by Medicare for All. By 2028, the tables show universal coverage and the near-complete replacement of employer, individual-market, and Medicaid coverage for the non-elderly with a federal public insurance program. The model simultaneously projects lower medical productivity and, as shown in Table 4-4B, substantial redistribution of provider access across prior insurance groups.

The largest consequence is fiscal. The coverage provisions generate a \$47.410 trillion federal deficit over 2027–2036 before the additional taxes shown in Table 4-6. For 2028–2036, the listed financing options raise \$17.189 trillion but still leave a cumulative federal shortfall of \$27.706 trillion. The central policy question is therefore not only whether universal first-dollar coverage is desirable, but whether the associated federal spending commitment, tax burden, provider-market changes, and efficiency effects are sustainable.

CHAPTER 5. UNIVERSAL RENT CONTROL

Key Findings

The Democratic Socialists of America (DSA) wants to establish universal rent control in the United States. Although DSA does not offer a complete policy specification, the broad outlines of a universal rent control policy can be sketched from its recent statements, endorsements, and organizing efforts.

CEA constructed a model of the U.S. rental housing services market to estimate the effects of universal rent control. Under the central policy specification, where annual rent growth is limited to 1.875 percent, CEA finds that:

- The number of rental housing units would decline 3.4 percent over the first five years and 6.7 percent over the first ten years following policy implementation, resulting in 3.3 million fewer units after ten years; the reduction in rental housing units would make it more difficult for young adults to move to and take jobs in dynamic urban centers, which can be expected to reduce their lifetime earnings and delay family formation.
- The average quality of rental housing units would decline 2.3 percent over the first five years and 4.5 percent over the first ten years, reflecting reduced maintenance and upkeep as well as above-average conversions to condos or other exempted properties in high-rent, high-amenity neighborhoods; the annual decline in quality is roughly equivalent to a year's worth of quality improvements in the absence of the policy.
- The universal rent control policy would destroy around \$545.5 billion worth of economic value over the first ten years, equivalent to \$11,787 per controlled rental unit, as prospective tenants must spend more time and effort searching for fewer rental units and must ultimately settle for units that are less well-suited to their needs.
- Because tenants bear most of the resulting costs of reduced rental housing services, misallocation, and search, the universal rent control policy is a very inefficient way to transfer wealth to tenants; it destroys between \$0.83 and \$1.06 worth of economic value for every \$1 transferred.
- Some current and prospective tenants—likely those with lower incomes—would be made much worse off by universal rent control; they would bear substantial costs of reduced rental housing services, misallocation, and search and receive little or no transfers.
- CEA estimates universal rent control would reduce real GDP by 0.22 to 0.36 percent after one year and 0.33 to 0.54 percent after ten years under the central policy specification.

Background

The Democratic Socialists of America (DSA) calls for the United States to “establish universal rent control” as a central component of its Housing for All (H4A) agenda.¹¹⁵ DSA argues that rent control helps stabilize communities in rapidly gentrifying cities. DSA further contends that rent control transfers wealth from absentee landlords back to renters and local communities, serving as a tool to prevent cities “from becoming playgrounds

¹¹⁵ Democratic Socialists of America, Workers Deserve More (2026 program), “Housing for All,” <https://program.dsasusa.org/#demand-housing-for-all>.

exclusively for the white and rich.”¹¹⁶ An article by Ameer Chew and Katie Goldstein of the Center for Popular Democracy, listed as a resource by Young Democratic Socialists of America, holds that rent control disproportionately benefits low-income tenants, people of color, immigrants, seniors, women-headed households, and people with disabilities—and that a stronger and more universal rent control policy would do more for the most marginalized people in America.¹¹⁷

It is unclear precisely what DSA means by the phrase “universal rent control.” DSA does not specify what, if any, annual rent increase would be permitted; whether the cap would apply to existing rents or only future increases; whether newly constructed rental housing, single-family rentals, and/or small owner-occupied buildings would be covered; whether owners would receive adjustments for inflation, taxes, insurance, maintenance, and/or capital improvements; or whether the maximum permissible rent would reset to the market level when a tenant leaves. The precise details of the policy may substantially affect the cost.

Although DSA does not offer a complete policy specification, the broad outlines of a universal rent control policy can be sketched from its recent statements, endorsements, and organizing efforts.

In its endorsement of California’s Proposition 10 in 2018, DSA supported “two provisions currently outlawed by Costa-Hawkins: rent control on single-family homes, and vacancy control, which prevents landlords from raising rents to market-rate once a tenant vacates.”¹¹⁸

An article on DSA’s national blog described New York’s 2019 rent reform as “a super-sweet organizing success for DSA and its allies, who formed the core of the Upstate-Downstate Housing Alliance that made it happen.”¹¹⁹ Notably, the reform made the preferential rent agreed to at lease signing the base rent for the duration of tenancy and eliminated both the 20 percent increase in legal regulated rent following a vacancy and the reversion to market-rate rent following a vacancy for units above a statutory threshold (about \$2,775/month in 2019). The reform also removed exemptions for wealthy tenants in high-rent units and the sunset clause, which had previously required renewing the law periodically.¹²⁰

Young Democratic Socialists of America favorably cited the universal rent control policy proposed by Senator Bernie Sanders in 2019, which would have capped “annual rent increases at no more than 3 percent or 1.5 times the Consumer Price Index (whichever is higher)” at the national level and permitted “states and cities to pass even stronger rent control standards.”¹²¹

¹¹⁶ Democratic Socialists of America, “DSA Endorses California’s Proposition 10,” news release, October 24, 2018, <https://www.dsasusa.org/news/dsa-endorses-california-proposition-10/>.

¹¹⁷ Young Democratic Socialists of America, “Housing for All,” Socialism 101, <https://y.dsasusa.org/socialism101/housing-for-all/>; Ameer Chew and Katie Goldstein, “Universal Rent Control Now,” Jacobin, June 17, 2019, <https://jacobin.com/2019/06/universal-rent-control-now>.

¹¹⁸ Democratic Socialists of America, “DSA Endorses California’s Proposition 10.” <https://www.dsasusa.org/news/dsa-endorses-california-proposition-10/>.

¹¹⁹ Democratic Socialists of America, “Huge NY State Tenants Rights Victory: How It Happened,” blog post, June 25, 2019, <https://www.dsasusa.org/blog/nytenantsrightsvictory/>.

¹²⁰ Housing Stability and Tenant Protection Act of 2019, S. 6458.

¹²¹ Halsey H and Bill R, “YDSA Endorses the Public Housing Green New Deal Act,” The Activist (Young Democratic Socialists of America), November 14, 2019, <https://y.dsasusa.org/the-activist/ydsa-endorses-the-public-housing-green-new-deal-act/>; Bernie 2020, “Housing for All,” campaign platform, archived November 13, 2019, <https://web.archive.org/web/20191113144038/https://berniesanders.com/issues/housing-all/>.

In 2023, DSA celebrated its efforts to retain the “landmark rent control measures” in Portland, Maine.¹²² Those measures generally limited annual rent increases to 70 percent of inflation, and no more than 5 percent following a voluntary turnover or 10 percent with approval from the city’s rent control board.¹²³ Local DSA chapters have supported even more restrictive limits.¹²⁴

More recently, DSA has championed the June 25, 2026, decision by New York City’s Rent Guidelines Board, a majority of whose members were appointed by Mayor Zohran Mamdani, to set a 0 percent adjustment for both one- and two-year rent-stabilized leases commencing between October 1, 2026, and September 30, 2027—the first freeze ever applied to two-year leases.¹²⁵ Indeed, DSA appears to suggest the freeze does not go far enough:

Despite the freeze on future leases, the Board’s action does not address the 12% increases imposed on tenants during the preceding four years of the Eric Adams administration. Three representatives on the Board – including DSA member and labor union leader Brandon Mancilla – called for a rent rollback.

For comparison, the Consumer Price Index rose roughly 12.7 percent between June 2022 and June 2026, implying a slight *reduction* in the real rent paid by rent-stabilized tenants over the period.¹²⁶

Given the ambiguity regarding DSA’s proposed policy, CEA has estimated the effects of universal rent control under a range of potential specifications. All of the rent control policies considered herein apply to essentially all privately owned rental housing; remain in force indefinitely; and limit rent both during and between tenancies. The least restrictive policy caps annual rent growth at 3.75 percent, which is in line with the stabilization path proposed by Sanders when inflation is 2.5 percent, as assumed herein. The most restrictive policy caps annual rent growth at 0 percent, which is in line with an indefinite extension of Mamdani’s current rent freeze. The central policy specification is the midpoint, where annual rent growth is limited to 1.875 percent.

Analysis

To estimate the effects of universal rent control, CEA constructed a dynamic partial-equilibrium model of the U.S. rental housing services market. The model is described in Appendix A.1. The parameter table is presented in Appendix A.2.

¹²² DSA National Electoral Commission, “Wins from Coast to Coast!,” November 10, 2023, <https://electoral.dsausa.org/wins-from-coast-to-coast/>.

¹²³ Nick Schroeder, “Portland Residents Again Reject Effort to Roll Back Rent Control,” Maine Morning Star, November 8, 2023, <https://mainemorningstar.com/2023/11/08/portland-residents-again-reject-effort-to-roll-back-rent-control/>.

¹²⁴ For example, Marin DSA launched a rent control campaign in 2021 that ultimately led to a cap on “annual rent increases at 60% of the Consumer Price Index or 5%, whichever is lower” in Fairfax, CA. At 2 percent inflation, the policy requires a 0.8 percent reduction in real (inflation-adjusted) rents; at 3 percent inflation, it requires a 1.2 percent real reduction; at 4 percent inflation, it requires a 1.6 percent real reduction; and so on. Marin County Democratic Socialists of America, “Press Release: Fairfax Adopts Rent Control” (contact: Curt Ries), news release, November 3, 2022 (posted November 4, 2022), <https://marin.dsausa.org/2022/11/04/press-release-fairfax-adopts-rent-control/>.

¹²⁵ Cara Polte, “Housing, Tenancy, and Organizing for Dignified Living,” Democratic Left (Democratic Socialists of America), July 22, 2026, <https://democraticleft.dsausa.org/2026/07/22/housing-tenancy-and-organizing-for-dignified-living/>.

¹²⁶ U.S. Bureau of Labor Statistics, “Consumer Price Index for All Urban Consumers: All Items in U.S. City Average” (series CPIAUCSL), retrieved from FRED, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/series/CPIAUCSL>.

Baseline Model

CEA considers three universal rent control policy specifications. All three policies apply to essentially all privately owned rental housing; remain in force indefinitely; limit rent both during and between tenancies; and are adopted at the start of 2027. The policies differ only with respect to the maximum annual rent growth permitted: 0.0 percent, 1.875 percent, and 3.75 percent. All effects are expressed relative to the counterfactual baseline scenario, where nominal rents grow around 4.19 percent per year (or about 1.69 percent in real terms).

Because the maximum annual rent growth permitted under all three universal rent control policies is less than the counterfactual equilibrium annual rent growth, controlled rents progressively fall below counterfactual rents. Property owners respond by reducing the number of units available for rent. Moreover, the reduction in rental housing units increases as the gap between the maximum permitted rent and counterfactual equilibrium rent grows. The estimated percent difference in the number of occupied rental housing units following the adoption of a universal rent control policy is presented in Table 5-1.

Table 5-1. Number of Rental Housing Units Under Universal Rent Control, Percent Difference from Baseline

Annual Rent Growth Cap	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
0.0%	-1.3%	-2.5%	-3.7%	-4.9%	-6.1%	-7.3%	-8.5%	-9.6%	-10.8%	-11.9%
1.875%	-0.7%	-1.4%	-2.1%	-2.7%	-3.4%	-4.1%	-4.7%	-5.4%	-6.0%	-6.7%
3.75%	-0.1%	-0.3%	-0.4%	-0.5%	-0.7%	-0.8%	-0.9%	-1.0%	-1.2%	-1.3%

Under the central policy specification, where annual rent growth is capped at 1.875 percent, there are 0.7 percent fewer rental housing units at the end of the first year. There are 3.4 percent fewer rental housing units at the end of the fifth year and 6.7 percent fewer rental housing units at the end of the tenth year. Given the 49.7 million occupied rental housing units in the counterfactual baseline scenario, the central universal rent control policy eliminates around 3.3 million occupied rental housing units over the ten-year horizon.

Under the most restrictive policy specification, where annual rent growth is capped at 0.0 percent, there are 1.3 percent fewer rental housing units at the end of the first year. There are 6.1 percent fewer rental housing units at the end of the fifth year and 11.9 percent fewer rental housing units at the end of the tenth year. Hence, the most restrictive policy would eliminate around 5.9 million occupied rental housing units over the ten-year horizon.

Under the least restrictive policy specification, where annual rent growth is capped at 3.75 percent, there are 0.1 percent fewer rental housing units at the end of the first year and 0.7 percent fewer rental housing units at the end of the fifth year. At the end of the tenth year, there are 1.3 percent fewer, which amounts to around 0.7 million fewer occupied rental housing units.

CEA's estimates of the reduction in rental housing units are somewhat lower than those in the literature. For example, Rebecca Diamond, Tim McQuade, and Franklin Qian found that treated property owners reduced rental housing supplies by 15 percent in the two decades following the 1994 rent control expansion in San



Francisco.¹²⁷ Rents were permitted to grow just 1.8 percent per year on average over the period, set at 60 percent of the local Consumer Price Index. At least some of the difference is plausibly explained by faster demand growth, which results in a larger wedge between the maximum annual rent permitted under the policy and the market-clearing rent in the counterfactual baseline scenario, and the relative ease of converting rental units in the San Francisco case. CEA explicitly assumes slower demand growth for the United States as a whole and implicitly assumes it is more difficult to convert rental housing to condos or other excluded properties.¹²⁸

The reduction in rental housing units means young adults may have to delay moving out on their own or take on more roommates than they would otherwise deem suitable. Because rental housing demand growth is strongest in dynamic urban centers, the wedge between permitted and market-clearing rent also tends to be larger in these areas. Correspondingly, young adults will find it more difficult to move to and take jobs in dynamic urban centers, which can be expected to reduce their lifetime earnings and delay family formation.

Property owners also respond to the difference between maximum permissible and counterfactual equilibrium rent growth by reducing the quality of rental housing. The estimated percent difference in the average quality of occupied rental housing units following the adoption of a universal rent control policy is presented in Table 5-2.

Table 5-2. Average Quality of Rental Housing Units Under Universal Rent Control, Percent Difference from Baseline

Annual Rent Growth Cap	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
0.0%	-0.8%	-1.7%	-2.5%	-3.3%	-4.1%	-4.9%	-5.7%	-6.5%	-7.3%	-8.1%
1.875%	-0.5%	-0.9%	-1.4%	-1.8%	-2.3%	-2.7%	-3.2%	-3.6%	-4.1%	-4.5%
3.75%	-0.1%	-0.2%	-0.3%	-0.4%	-0.4%	-0.5%	-0.6%	-0.7%	-0.8%	-0.9%

Under the central policy specification, the average quality of rental housing units declines 0.5 percent by the end of the first year. It declines 2.3 percent by the end of the fifth year and 4.5 percent by the end of the tenth year.

Under the most restrictive policy specification, the average quality of rental housing units declines 0.8 percent by the end of the first year and 4.1 percent by the end of the fifth year. It declines 8.1 percent by the end of the tenth year.

Under the least restrictive policy specification, the average quality of rental housing units declines just 0.1 percent by the end of the first year. It declines 0.4 percent by the end of the fifth year and 0.9 percent by the end of the tenth year.

The reduction in the average quality of occupied rental housing units is not limited to reduced maintenance and upkeep. It also reflects a change in the composition of the rental housing stock. As Diamond, McQuade, and Qian note, property owners in “high-rent, high-amenity neighborhoods [...] have large incentives to remove tenants”

¹²⁷ Rebecca Diamond, Tim McQuade, and Franklin Qian, “The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco,” *American Economic Review* 109, no. 9 (2019): 3365–3394, <https://doi.org/10.1257/aer.20181289>.

¹²⁸ Demand growth is explicitly governed by the demand pusher. Conversions are implicitly governed by the price elasticity of the physical rental stock.

and convert rental housing to condos or other exempted properties.¹²⁹ They find that the “average tenant treated by rent control lives in a census tract with worse observable amenities, as measured by the census tract’s median household income, share of the population with a college degree, median house value, and share unemployed.”¹³⁰

The reduction in the quantity and quality of rental housing units following the imposition of a universal rent control policy means some gains from trade in the rental housing market go unrealized. This is an economic cost borne by property owners and current and prospective tenants, including would-be tenants unable to secure rental housing. As noted above, the reduction in rental housing units likely means young adults will have to delay moving out of their parents’ house or take on more roommates than they would otherwise deem suitable, which can be expected to reduce lifetime earnings and delay family formation. Over the ten-year horizon, CEA estimates the cost of reduced rental housing services at \$106.5 billion under the central policy specification, or \$2,300 per controlled rental unit. It is \$344.7 billion (\$7,799 per controlled rental unit) under the most restrictive policy specification and \$4.0 billion (\$82 per controlled rental unit) under the least restrictive policy specification.

Because the universal rent control policy reduces rental housing services, eliminates the usual market allocation mechanism, discourages incumbent tenants from economizing on rental housing services, and encourages property owners to screen would-be tenants more thoroughly, it tends to increase the search costs associated with finding and securing a rental housing unit. Diamond, McQuade, and Qian find that around 21.5 percent of treated tenants remain in their rent-controlled rental units after ten years, which is consistent with an annual hazard rate of 14.25 percent.¹³¹ Assuming that just 35 percent of the difference between the controlled rent and the shadow price of the controlled rental unit is dissipated by wasteful competition over the vacated unit and 14.25 percent of units are vacated each year, CEA estimates the search costs associated with the central policy specification over the ten-year horizon at \$126.7 billion, or \$2,737 per controlled rental unit. It is \$223.0 billion (\$5,019 per controlled rental unit) under the most restrictive policy specification and \$25.1 billion (\$350 per controlled rental unit) under the least restrictive policy specification.

As noted above, the universal rent control policy discourages incumbent tenants from economizing on rental housing services. For example, an older couple may continue to live in a three-bedroom rental unit conveniently located near schools long after their children grow up and leave the unit, despite valuing the additional space and location far less than a younger couple with young children. So long as the older couple values the unit at or above the controlled rent, they will remain in the unit and the unit will be misallocated in the sense that it is not occupied by the household that values it most. Likewise, a retiree may continue to live in a rental unit located in the central business district, thereby blocking a young worker who values the location close to his or her office much more from living there. More generally, people who want to rent a unit that is closer to school, work, or family; is more spacious; or offers better amenities will generally find it more difficult to do so despite valuing the unit more than the current occupant. The difference in the valuation of the rental unit by the occupant and the valuation of the rental unit by the household willing to pay the most for it reflects the forgone value of the misallocated unit. The sum of these forgone values across all units is the economic cost of misallocation.

¹²⁹ Diamond, McQuade, and Qian, “The Effects of Rent Control Expansion,” 3367.

<https://www.aeaweb.org/articles?id=10.1257/aer.20181289>.

¹³⁰ Diamond, McQuade, and Qian, “The Effects of Rent Control Expansion,” 3367.

<https://www.aeaweb.org/articles?id=10.1257/aer.20181289>.

¹³¹ Diamond, McQuade, and Qian, “The Effects of Rent Control Expansion,” 3367.

<https://www.aeaweb.org/articles?id=10.1257/aer.20181289>.

Edward Glaeser and Erzo F. P. Luttmer estimated the cost of misallocated rental housing under New York City's rent control policy to be "well over \$500 million annually" in 1993, with alternative assumptions yielding estimates from roughly \$300 million to \$3 billion.¹³² At the time, there were nearly 1.1 million rent-regulated units¹³³ with an average annual controlled rent of \$6,631.¹³⁴ Assuming the counterfactual equilibrium rent was around 28 percent higher than the controlled rent in 1993,¹³⁵ the Glaeser-Luttmer estimate implies around 46.4 percent of the potential misallocation cost (as defined in Appendix A.1.2) is actually incurred. With this in mind, CEA estimates the cost of misallocation associated with the central policy specification over the ten-year horizon at \$296.2 billion, or \$6,401 per controlled rental unit. It is \$348.2 billion (\$7,799 per controlled rental unit) under the most restrictive policy specification and \$76.5 billion (\$1,588 per controlled rental unit) under the least restrictive policy specification.

A binding universal rent control policy prevents households and property owners from making mutually beneficial exchanges in the rental housing services market. Correspondingly, the government incurs economic costs to administer and enforce the policy, while property owners and households incur economic costs associated with compliance and disputes. These costs do not include transfers, such as fines. They do include the economic value of time and other resources used to administer, enforce, comply with, or engage in disputes resulting from the policy.

Precise estimates of the per-unit cost of administration are unavailable. However, several lines from the New York City Housing Authority's (NYCHA) budget book suggest a plausible range. For example, the 2025 operating expense budget for Public Housing Tenancy Administration was \$26.5 million.¹³⁶ With around 167,700 public housing units, that amounts to around \$158 per public housing unit per year.¹³⁷ The 2025 operating expense budget for the Chief Compliance Officer was \$21.3 million, or around \$127 per public housing unit per year.¹³⁸ The Housing Litigation division had an operating expense budget of \$11.9 million, or \$71 per public housing unit per year.¹³⁹ These budget lines do not include administrative costs incurred by households.

With these budget lines in mind, CEA conservatively assumes the annual administrative cost of universal rent control is \$35 per controlled rental unit. Correspondingly, CEA estimates the cost of administration associated with the central policy specification over the ten-year horizon at \$16.2 billion, or \$350 per controlled rental unit. It is \$15.7 billion (\$350 per controlled rental unit) under the most restrictive policy specification and \$16.7 billion (\$350 per controlled rental unit) under the least restrictive policy specification.

¹³² Edward L. Glaeser and Erzo F. P. Luttmer, "The Misallocation of Housing under Rent Control," NBER Working Paper 6220 (National Bureau of Economic Research, October 1997), 29, <https://www.nber.org/papers/w6220>. Published as Edward L. Glaeser and Erzo F. P. Luttmer, "The Misallocation of Housing under Rent Control," *American Economic Review* 93, no. 4 (2003): 1027–1046.

¹³³ New York City Rent Guidelines Board, *Rent Stabilized Housing in New York City: A Summary of Rent Guidelines Board Research, 1994* (New York, 1994), 128, <https://rentguidelinesboard.cityofnewyork.us/wp-content/uploads/2019/08/94book.pdf>.

¹³⁴ Glaeser and Luttmer, "The Misallocation of Housing under Rent Control," NBER Working Paper 6220, A12.

¹³⁵ Roistacher (1992) estimates that counterfactual equilibrium rent was 26 percent higher than controlled rent in 1987. Glaeser (2002) reports average rent in uncontrolled units was 31 percent higher than rent-stabilized units in 1999. Roistacher, "Rent Regulation in New York City"; Edward L. Glaeser, "Does Rent Control Reduce Segregation?," *Swedish Economic Policy Review* 10, no. 1 (2003): 179–202, <https://glaeser.scholars.harvard.edu/publications/does-rent-control-reduce-segregation>.

¹³⁶ New York City Housing Authority, *Fiscal Year 2025–2029 Budget Book* (New York, 2025), 134, <https://www.nyc.gov/assets/nycha/downloads/pdf/financial-info/fy-2025-2029-budget-book.pdf>.

¹³⁷ New York City Rent Guidelines Board, *2025 Housing Supply Report* (New York, May 22, 2025), 4, <https://rentguidelinesboard.cityofnewyork.us/wp-content/uploads/2025/05/2025-HSR.pdf>.

¹³⁸ New York City Housing Authority, *Fiscal Year 2025–2029 Budget Book*, 151.

¹³⁹ New York City Housing Authority, *Fiscal Year 2025–2029 Budget Book*, 204.



CEA's estimates of the costs of universal rent control are presented in Table 5-3. The total cost under the central policy specification over the ten-year horizon is \$545.5 billion, or \$11,787 per controlled rental unit. It is \$931.7 billion (\$20,958 per controlled rental unit) under the most restrictive policy specification and \$122.3 billion (\$2,542 per controlled rental unit) under the least restrictive policy specification.

Table 5-3. *The Costs of Universal Rent Control over the Ten-Year Horizon (billions of 2026 dollars)*

Annual Rent Growth Cap	Reduced Rental Services Cost	Search Cost	Misallocation Cost	Administration Cost	Total Cost
0.0%	\$344.7	\$223.0	\$348.2	\$15.7	\$931.7
1.875%	\$106.5	\$126.7	\$296.2	\$16.2	\$545.5
3.75%	\$4.0	\$25.1	\$76.5	\$16.7	\$122.3

The universal rent control policy transfers wealth from property owners to tenants. Under the central policy specification, the composite-good approximation to the gross transfer from property owners over the ten-year horizon is \$1,014.0 billion—or \$21,909 per controlled rental unit. It is \$1,625.1 billion (\$36,535 per controlled rental unit) under the most restrictive policy specification and \$219.7 billion (\$4,560 per controlled rental unit) under the least restrictive policy specification.

The net transfer tenants receive is equal to the gross transfer from property owners less the tenants' share of the total cost of universal rent control. CEA assumes tenants are unable to make side payments to property owners, which implies that the gross transfer is equal to the difference between the controlled and counterfactual equilibrium rent multiplied by the controlled quantity of rental housing services. Tenants bear all of the cost of misallocation. The local incidence approximation implies tenants bear around 56 percent of the cost of reduced rental housing services. Evidence collected by Are Oust (discussed below) suggests much of the additional search cost is borne by tenants as well.¹⁴⁰

The net transfer tenants receive depends on the share of search and administration costs tenants incur. If none of the costs of search and administration are incurred by current and prospective tenants, the tenants' share of the total cost is \$355.4 billion—or \$7,678 per controlled rental unit—under the central policy specification. It is \$539.7 billion (\$12,127 per controlled rental unit) under the most restrictive policy specification and \$78.7 billion (\$1,634 per controlled rental unit) under the least restrictive policy specification.

If, instead, all of the costs of search and administration are incurred by current and prospective tenants, the tenants' share of the total cost is \$498.2 billion—or \$10,765 per controlled rental unit—under the central policy specification. It is \$778.4 billion (\$17,496 per controlled rental unit) under the most restrictive policy specification and \$120.6 billion (\$2,506 per controlled rental unit) under the least restrictive policy specification.

¹⁴⁰ Are Oust, "The Removal of Rent Control and Its Impact on Search and Mismatching Costs: Evidence from Oslo," *International Journal of Housing Policy* 18, no. 3 (2018): 433–453, <https://doi.org/10.1080/19491247.2017.1336876>.

The minimum net transfer is estimated under the assumption that tenants bear all of the costs of misallocation, search, and administration and 56 percent of the cost of reduced rental housing services.¹⁴¹ The maximum net transfer is estimated under the assumption that tenants only bear the cost of misallocation and 56 percent of the cost of reduced rental housing services. Under the central policy specification, the net transfer that tenants receive is between \$515.8 billion and \$658.6 billion—or between \$11,144 and \$14,231 per controlled rental unit. It is between \$846.7 billion and \$1,085.4 billion (\$19,040 and \$24,408 per controlled rental unit) under the most restrictive policy specification. It is between \$99.1 billion and \$141.0 billion (\$2,054 and \$2,926 per controlled rental unit) under the least restrictive policy specification.

The preceding estimates indicate that universal rent control is a very inefficient way to transfer wealth to tenants.¹⁴² Under the central policy specification, \$0.83 to \$1.06 worth of economic value is destroyed for every \$1 transferred to tenants. It is \$0.86 to \$1.10 under the most restrictive policy specification and \$0.87 to \$1.23 under the least restrictive policy specification. Note that these amounts are *in addition* to the \$1 tenants receive.

DSA's support for universal rent control is founded on the presumption that the policy will benefit disadvantaged tenants at the expense of privileged property owners. CEA's analysis casts doubt on that presumption. Under the policy, current and prospective tenants bear substantial costs of reduced rental housing services, misallocation, and search. Although some tenants receive large transfers that more than offset the costs they bear, others do not. Current and prospective tenants who bear substantial costs and receive little or no transfers are made worse off by the universal rent control policy.

CEA's model does not disaggregate tenants by type, but the mechanisms identified by the model suggest the distribution of gains and losses among tenants is unlikely to be neutral with respect to economic circumstances. The benefits of a universal rent control policy can be expected to flow disproportionately to relatively wealthy incumbent tenants who remain in their units. The costs will likely be borne disproportionately by relatively poor prospective tenants, including former incumbents who become prospective tenants.

Wealthier tenants tend to live in larger units located in more desirable neighborhoods, where demand and counterfactual rents are likely to grow more rapidly, increasing the value of the rent-control discount. They are also more likely to have the financial and personal stability necessary to remain in place, thereby preserving that discount. They might use a portion of the discount to finance repairs and improvements that would have been provided by property owners in the absence of the policy because they can expect to remain in the unit long enough to make those investments worthwhile. Hence, relatively wealthy tenants will find it easier to mitigate the reduction in rental housing quality and easier to avoid the costs of search and misallocation experienced by prospective tenants.

Poorer tenants, in contrast, tend to live in lower-quality units where demand and, hence, counterfactual rents grow more slowly, resulting in a relatively low rent-control discount. They are also more vulnerable to employment, family, health, and other disruptions that might necessitate a move. Hence, poorer tenants will generally receive a smaller discount with which they might finance the repairs and improvements no longer provided by property owners; find it less worthwhile to make those investments themselves on account of their shorter expected tenures; and be more likely to encounter the costly search and misallocation problems caused by the universal rent control policy. For those in especially vulnerable circumstances, the reduction in housing services may result in their being unhoused. Thus, even if the universal rent control policy were to transfer

¹⁴¹ The minimum net transfer tenants receive would be even lower if property owners can secure side payments from tenants.

¹⁴² Side payments from tenants to property owners would further reduce the efficiency of the transfer.

substantial resources to tenants in aggregate, as proponents claim, the largest and most persistent transfers would likely accrue to relatively wealthy incumbent tenants while the burden of diminished quality, search, misallocation, and homelessness would likely fall heaviest on the relatively poor.

A growing body of academic research finds that the effects of rent control diverge from DSA's stated distributional aims. Elizabeth Roistacher found that New York City's rent control policy tended to benefit higher-income and nonminority households.¹⁴³ Diamond, McQuade, and Qian found that San Francisco's rent control policy "ultimately led to a housing stock which caters to higher income individuals."¹⁴⁴ Kenneth Ahern and Marco Giacoletti find that the tenants capturing the largest gains had higher incomes and were more likely to be White, while the owners absorbing the largest losses had lower incomes and were more likely to be minorities.¹⁴⁵ Konstantin Kholodilin confirms these are not isolated findings in a recent review of the empirical literature.¹⁴⁶

Oust offers novel evidence on the distributional effects of rent control.¹⁴⁷ Prior to the removal of rent control in Oslo, the market was "dominated by 'housing wanted' advertisements," suggesting that prospective tenants incurred a large share of the search costs. After the removal of rent control, however, there was "a higher share of 'housing for rent' advertisements" and these advertisements were more likely to disclose "key characteristics like location, type, size and asking rent." Oust also reports that landlords were less likely to seek "a special type of tenant" or "some kind of extra service in addition to or instead of rent" and "started asking for a smaller deposit"¹⁴⁸ following decontrol. With all of this in mind, Oust concludes "that the removal of rent control reduced tenants' search and mismatching cost in the private residential rental market in Oslo."

Alternative Model

CEA's dynamic partial-equilibrium model of the U.S. rental housing services market assumes there is some exogenous growth in the supply schedule each period: $S_t = (1 + g_s)S_{t-1}$. In the baseline model presented above, g_s is calibrated to 0.39 percent, which generates outputs consistent with the historical data from 2013 to 2024. Because the annual increase in the supply schedule is exogenous, it is not affected by the change in policy.

Alternatively, one might assume that the introduction of a universal rent control policy reduces the growth rate of supply. In order to gauge the extent to which the exogenous growth in supply affects the change in the number of rental units, the average quality of rental units, and the quantity of rental housing services following the introduction of a universal rent control policy, CEA repeats the analysis under the alternative assumption that $g_s = 0.00\%$ in the policy treatments. The results are reported in Table 5-4.

¹⁴³ Elizabeth A. Roistacher, "Rent Regulation in New York City: Simulating Decontrol Options," *Journal of Housing Economics* 2, no. 2 (1992): 107–138, [https://doi.org/10.1016/1051-1377\(92\)90011-E](https://doi.org/10.1016/1051-1377(92)90011-E).

¹⁴⁴ Diamond, McQuade, and Qian, "The Effects of Rent Control Expansion," 3368.

¹⁴⁵ Kenneth R. Ahern and Marco Giacoletti, "Robbing Peter to Pay Paul? The Redistribution of Wealth Caused by Rent Control," NBER Working Paper 30083 (National Bureau of Economic Research, May 2022), <https://www.nber.org/papers/w30083>.

¹⁴⁶ Konstantin A. Kholodilin, "Rent Control Effects through the Lens of Empirical Research: An Almost Complete Review of the Literature," *Journal of Housing Economics* 63 (2024): 101983, <https://doi.org/10.1016/j.jhe.2024.101983>.

¹⁴⁷ Oust, "The Removal of Rent Control."

¹⁴⁸ If landlords secure side payments via larger deposits that are never returned, the net transfer to tenants is reduced by the present value of the unreturned deposit. A side payment made by a tenant in the form of extra services is a transfer to the landlord, but may include economic costs as well.

Table 5-4. Change in Number of Rental Units, Average Quality of Rental Units, and Rental Housing Services over the First Ten Years, Baseline and Alternative Models

Annual Rent Growth Cap	Number of Rental Housing Units		Average Quality		Rental Housing Services	
	Baseline	Alternative	Baseline	Alternative	Baseline	Alternative
0.0%	-11.9%	-14.0%	-8.1%	-9.4%	-19.0%	-22.1%
1.875%	-6.7%	-8.9%	-4.5%	-5.9%	-10.9%	-14.3%
3.75%	-1.3%	-3.7%	-0.9%	-2.3%	-2.2%	-5.9%

As anticipated, universal rent control has a larger effect on the number of rental units, the average quality of rental units, and the quantity of rental housing services when it is assumed to reduce exogenous supply growth as well. The central policy specification reduces the number of units by 8.9 percent over the ten-year horizon in the alternative model, compared with a 6.7 percent reduction when exogenous supply growth is unaffected. The number of rental housing units declines 14.0 percent (compared with 11.9 percent) over the first ten years under the most restrictive policy and 3.7 percent (compared with 1.3 percent) under the least restrictive policy.

The central policy specification reduces the average quality of rental housing units by 5.9 percent over the ten-year horizon in the alternative model, compared with a 4.5 percent reduction when exogenous supply growth is unaffected. Average quality declines 9.4 percent (compared with 8.1 percent) over the first ten years under the most restrictive policy and 2.3 percent (compared with 0.9 percent) under the least restrictive policy.

In the alternative model, rental housing services decline by 14.3 percent over the first ten years under the central policy specification, compared with a 10.9 percent decline when exogenous supply growth is unaffected. They decline 22.1 percent (compared with 19.0 percent) under the most restrictive policy and 5.9 percent (compared with 2.2 percent) under the least restrictive policy.

Universal Rent Control and Real Gross Domestic Product

CEA identifies two direct channels and one indirect channel through which universal rent control reduces real gross domestic product (GDP). A universal rent control policy directly reduces real GDP by reducing housing services and residential fixed investment. It indirectly reduces real GDP by making it harder for the most productive workers to cluster in cities.

Direct Effects on Real GDP

CEA constructs two estimates of the reduction in real GDP from reduced housing services and residential fixed investment for each policy specification. The low estimates use the baseline model's estimates for the change in rental housing units and average quality along with an assumption that 85 percent of the reduction in rental housing units is converted to owner-occupied housing. The high estimates use the alternative model's estimates for the change in rental housing units and average quality along with an assumption that 65 percent of the reduction in rental housing units is converted to owner-occupied housing.

Table 5-5. Direct Effects of Reduced Housing Services and Residential Fixed Investment on Real GDP, Central Policy Specification

		Difference in real GDP, percent									
		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Reduced Housing Services	Low	-0.01	-0.03	-0.04	-0.06	-0.07	-0.08	-0.10	-0.11	-0.12	-0.14
	High	-0.02	-0.05	-0.07	-0.09	-0.12	-0.14	-0.16	-0.18	-0.20	-0.22
Reduced Residential Fixed Investment	Low	-0.20	-0.20	-0.20	-0.20	-0.20	-0.20	-0.20	-0.20	-0.20	-0.19
	High	-0.34	-0.33	-0.33	-0.33	-0.33	-0.32	-0.32	-0.32	-0.32	-0.31
Total	Low	-0.22	-0.23	-0.24	-0.26	-0.27	-0.28	-0.30	-0.31	-0.32	-0.33
	High	-0.36	-0.38	-0.40	-0.42	-0.44	-0.46	-0.48	-0.50	-0.52	-0.54

The direct effects of reduced housing services and residential fixed investment on real GDP under the central policy specification are presented in Table 5-5. CEA estimates a 0.22 percent to 0.36 percent reduction in real GDP in the first year, due mostly to the reduction in residential fixed investment, which lowers real GDP by 0.20 percent to 0.34 percent. The gap between actual and counterfactual real GDP then widens by roughly 1 to 2 basis points per year. CEA estimates real GDP would be 0.33 percent to 0.54 percent lower after ten years under the central policy specification. The cumulative GDP lost in a decade, in 2026 dollars, would be \$935.3 to \$1,526.0 billion.

Table 5-6. Direct Effects of Reduced Housing Services and Residential Fixed Investment on Real GDP, Most Restrictive Policy Specification

		Difference in real GDP, percent									
		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Reduced Housing Services	Low	-0.03	-0.05	-0.08	-0.10	-0.13	-0.15	-0.17	-0.19	-0.21	-0.23
	High	-0.04	-0.08	-0.11	-0.15	-0.18	-0.22	-0.25	-0.28	-0.31	-0.34
Reduced Residential Fixed Investment	Low	-0.37	-0.36	-0.36	-0.35	-0.34	-0.34	-0.33	-0.33	-0.32	-0.32
	High	-0.54	-0.53	-0.52	-0.51	-0.50	-0.49	-0.49	-0.48	-0.47	-0.46
Total	Low	-0.39	-0.41	-0.43	-0.45	-0.47	-0.49	-0.50	-0.52	-0.53	-0.55
	High	-0.58	-0.61	-0.63	-0.66	-0.69	-0.71	-0.73	-0.76	-0.78	-0.80

The direct effects of reduced housing services and residential fixed investment on real GDP under the most restrictive policy specification are presented in Table 5-6. CEA estimates a 0.39 percent to 0.58 percent reduction in real GDP in the first year. The gap between actual and counterfactual real GDP then widens by roughly 1.5 to 2.5 basis points per year. CEA estimates real GDP would be 0.55 percent to 0.80 percent lower after ten years under the most restrictive policy specification.

Table 5-7. Direct Effects of Reduced Housing Services and Residential Fixed Investment on Real GDP, Least Restrictive Policy Specification

		Difference in real GDP, percent									
		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Reduced Housing Services	Low	0.00	-0.01	-0.01	-0.01	-0.01	-0.02	-0.02	-0.02	-0.02	-0.03
	High	-0.01	-0.02	-0.03	-0.04	-0.05	-0.06	-0.06	-0.07	-0.08	-0.09
Reduced Residential Fixed Investment	Low	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04
	High	-0.13	-0.13	-0.13	-0.13	-0.13	-0.13	-0.13	-0.13	-0.14	-0.14
Total	Low	-0.04	-0.04	-0.05	-0.05	-0.05	-0.06	-0.06	-0.06	-0.07	-0.07
	High	-0.14	-0.15	-0.16	-0.17	-0.18	-0.19	-0.20	-0.21	-0.22	-0.23

The direct effects of reduced housing services and residential fixed investment on real GDP under the least restrictive policy specification are presented in Table 5–7. CEA estimates a 0.04 percent to 0.14 percent reduction in real GDP in the first year. The gap between actual and counterfactual real GDP then widens by roughly one-third to 1 basis point per year. CEA estimates real GDP would be 0.07 percent to 0.23 percent lower after ten years under the least restrictive policy specification.

Indirect Effect on Real GDP

A universal rent control policy would reduce and misallocate housing services. Note that the difference between the controlled rent and the counterfactual equilibrium rent—and, hence, the reduction in housing services—is bigger in places with faster growth in the demand for housing services. Consequently, one should expect a significant degree of spatial misallocation under a universal rent control policy: productive workers who would otherwise move to economic hubs will be prevented from doing so by the artificial housing constraint.

By reducing housing services in high-growth areas and spatially misallocating housing services, a universal rent control policy would likely reduce productivity and, hence, real GDP. As Gerald Carlino notes, “dense locations, such as cities, encourage knowledge spillovers, thus facilitating the exchange of ideas that underlies the creation of new goods and new ways of producing existing goods.”¹⁴⁹ To the extent that a universal rent control policy makes it more difficult for the most productive workers to cluster in cities, it reduces those knowledge spillovers. The U.S. would produce less as a consequence.

CEA does not estimate the effect of the spatial misallocation resulting from a universal rent control policy on real GDP. However, the literature suggests the effect could be economically significant. Chang-Tai Hsieh and Enrico Moretti maintain that relaxing existing housing constraints in New York, San Francisco, and San Jose to the median-city level would increase real GDP in the U.S. by around 3.7 percent¹⁵⁰, whereas Brian Greaney finds it would increase real GDP by only around 0.02 percent.¹⁵¹ These estimates are not directly applicable to universal rent control, since they consider a broader suite of policies that constrain housing, and the range of estimates is far too large to confidently estimate an effect in any event. Nonetheless, they suggest that CEA’s estimates of the direct effects from reduced housing services and reduced residential fixed investment should be interpreted as conservative estimates of the effect on real GDP since they exclude any potentially meaningful productivity loss from the resulting spatial misallocation.

¹⁴⁹ Gerald A. Carlino, “Knowledge Spillovers: Cities’ Role in the New Economy,” Federal Reserve Bank of Philadelphia Business Review, Fourth Quarter 2001, 17, <https://www.philadelphiafed.org/-/media/FRBP/Assets/Economy/Articles/business-review/2001/q4/brq401gc.pdf>.

¹⁵⁰ Chang-Tai Hsieh and Enrico Moretti, “Housing Constraints and Spatial Misallocation,” American Economic Journal: Macroeconomics 11, no. 2 (2019): 1–39, <https://doi.org/10.1257/mac.20170388>.

¹⁵¹ Brian Greaney, “Housing Constraints and Spatial Misallocation: Comment,” American Economic Journal: Macroeconomics 18, no. 2 (2026): 409–428, <https://doi.org/10.1257/mac.20230141>.

Appendix

A.1 Model

CEA constructed a dynamic partial-equilibrium model of the U.S. rental housing services market. Households demand rental housing services. Property owners supply them through the number of rental units made available and the quality of services provided by each unit. The model focuses on the rental market and does not fully model the owner-occupied housing market, construction markets, credit markets, local public finance, or the broader macroeconomy.

The market is initially assumed to be in competitive equilibrium. In the absence of rent control, market rent adjusts so that the quantity of rental housing services demanded equals the quantity of rental housing services supplied. CEA then considers a universal rent control policy that limits the annual growth rate of controlled rents. The permitted rent-growth rate is less than the counterfactual growth rate of market rents. As a result, the controlled rent path falls progressively below the counterfactual market-rent path and property owners respond by reducing the quantity of rental housing services supplied.

The basic quantity in the model is the annual flow of housing services generated by an occupied rental unit. Aggregate rental housing services are decomposed into the number of occupied rental units and the average services supplied by each unit. These services reflect living space; building quality and amenities; location and access to schools, employment, transportation, and neighborhoods; and maintenance and management.

The model aggregates heterogeneous rental units into a single composite rental good. One unit of this composite good should be interpreted as one standardized unit of annual rental housing services. Correspondingly, the price of the composite good should be interpreted as the annual rental price of one standardized unit of rental housing services. This simplification allows the model to summarize the national rental market using a single price and quantity while separately accounting for the number of occupied rental units and the average services provided by each unit. The aggregation does not imply that all apartments and houses are identical. Differences in size, location, quality, and household preferences are incorporated indirectly through the demand curve and through imperfect matching between households and units in the misallocation module.

A.1.1 Competitive Model

Rental housing services demand can be expressed as $Q_{D,t}(P) = Q_0 D_t \left(\frac{P}{P_0^*}\right)^{-\epsilon_D}$, where $Q_{D,t}(P)$ is the quantity of rental housing services demanded in year t when the price of rental housing services equals P ; Q_0 and P_0^* are the base-period market-clearing quantity and price of rental housing services; D_t is a demand shifter normalized so that $D_0 = 1$; and $\epsilon_D = -\frac{\partial Q_{D,t}(P)}{\partial P} \frac{P}{Q_{D,t}(P)} > 0$ is the absolute value of the price elasticity of rental-housing-services demand.

Rental housing services supply can be expressed as $Q_{S,t}(P) = Q_0 S_t \left(\frac{P}{P_0^*}\right)^{\epsilon_S}$, where $Q_{S,t}(P)$ is the quantity of rental housing services supplied in year t when the price of rental housing services equals P ; S_t is a supply shifter normalized so that $S_0 = 1$; and $\epsilon_S = \frac{\partial Q_{S,t}(P)}{\partial P} \frac{P}{Q_{S,t}(P)} > 0$ is the price elasticity of rental-housing-services supply.

CEA decomposes the aggregate quantity of rental housing services into the number of occupied rental units and the average flow of housing services provided by each unit: $Q_t = N_t H_t$, where N_t is the number of occupied rental units and H_t is average rental housing services per occupied unit. The latter reflects differences in size, structural quality, amenities, maintenance, management, and other characteristics affecting the service flow generated by a rental unit.

Under the assumed constant-elasticity responses of occupied units and average services per unit, the aggregate supply elasticity is $\epsilon_S = \epsilon_N + \epsilon_H$, where $\epsilon_N > 0$ is the elasticity of occupied rental units with respect to rent and $\epsilon_H > 0$ is the elasticity of average rental housing services per occupied unit with respect to rent.

In the absence of rent control, the counterfactual competitive equilibrium satisfies $Q_{D,t}(P_t^*) = Q_{S,t}(P_t^*) = Q_t^*$, where P_t^* and Q_t^* are the counterfactual market-clearing price and quantity in year t . Aggregate rental housing services satisfy $Q_t^* = N_t^* H_t^*$, where N_t^* is the counterfactual number of occupied rental units and H_t^* is counterfactual average rental housing services per occupied unit. Equating demand and supply yields

$Q_0 D_t \left(\frac{P_t^*}{P_0^*} \right)^{-\epsilon_D} = Q_0 S_t \left(\frac{P_t^*}{P_0^*} \right)^{\epsilon_S}$. The counterfactual equilibrium price is therefore $\frac{P_t^*}{P_0^*} = \left(\frac{D_t}{S_t} \right)^{\frac{1}{\epsilon_D + \epsilon_S}}$. Substituting the counterfactual equilibrium price into either demand or supply gives $\frac{Q_t^*}{Q_0} = D_t^{\frac{\epsilon_S}{\epsilon_D + \epsilon_S}} S_t^{\frac{\epsilon_D}{\epsilon_D + \epsilon_S}}$.

If the demand and supply shifters grow at constant annual rates g_D and g_S , then $D_t = (1 + g_D)^t$ and $S_t = (1 + g_S)^t$.

The corresponding counterfactual annual growth rate of market rent satisfies $1 + g_P^* = \left(\frac{1 + g_D}{1 + g_S} \right)^{\frac{1}{\epsilon_D + \epsilon_S}}$, and the counterfactual annual growth rate of rental housing services satisfies $1 + g_Q^* = (1 + g_D)^{\frac{\epsilon_S}{\epsilon_D + \epsilon_S}} (1 + g_S)^{\frac{\epsilon_D}{\epsilon_D + \epsilon_S}}$.

A.1.2 Universal Rent Control Policy

Suppose the government adopts a universal rent control policy that limits the annual growth rate of the maximum permitted rental price. The controlled-rent path evolves according to $\bar{P}_{t+1} = (1 + g_{\bar{P}})\bar{P}_t$, where $g_{\bar{P}}$ is the maximum permitted annual growth rate of controlled rent.

CEA assumes that the controlled rent initially equals the counterfactual market-clearing rent: $\bar{P}_0 = P_0^*$. The counterfactual market-rent path evolves according to $P_{t+1}^* = (1 + g_P^*)P_t^*$. The effective rent-control wedge is $c_t = \max \left\{ 0, \frac{P_t^* - \bar{P}_t}{P_t^*} \right\}$. Thus, $c_t = 0$ when the maximum permitted rent is at or above the counterfactual market-clearing rent, and $1 - c_t = \frac{\bar{P}_t}{P_t^*}$ whenever the policy is binding.

When the policy is binding, the number of occupied rental units supplied is $\tilde{N}_t = N_t^* \left(\frac{\bar{P}_t}{P_t^*} \right)^{\epsilon_N} = N_t^* (1 - c_t)^{\epsilon_N}$.

Likewise, average rental housing services per occupied unit are $\tilde{H}_t = H_t^* \left(\frac{\bar{P}_t}{P_t^*} \right)^{\epsilon_H} = H_t^* (1 - c_t)^{\epsilon_H}$. The controlled quantity of rental housing services is therefore $\tilde{Q}_t = \tilde{N}_t \tilde{H}_t = N_t^* H_t^* (1 - c_t)^{\epsilon_N + \epsilon_H} = Q_t^* (1 - c_t)^{\epsilon_S}$. Since $1 - c_t < 1$, $\epsilon_N > 0$, and $\epsilon_H > 0$, $\tilde{N}_t < N_t^*$, $\tilde{H}_t < H_t^*$, and $\tilde{Q}_t < Q_t^*$.

The reduction in rental housing services in year t is $R_t = Q_t^* - \tilde{Q}_t$. The deadweight loss associated with the reduction in rental housing services can be expressed as $C_{R,t} = \int_{\tilde{Q}_t}^{Q_t^*} [P_{D,t}(Q) - P_{S,t}(Q)] dQ$.

Given the universal rent control policy, the rental price cannot fully perform the rationing function. Instead, units are allocated through mechanisms such as incumbent occupancy, waiting lists, search effort, landlord screening, income and credit requirements, personal connections, informal payments, and willingness to accept a poorly matched unit. These mechanisms may increase search costs and allocate units to households that value them less than unsuccessful applicants.

Prospective renters, including newly formed households, migrants, and existing renters seeking different units, do not automatically receive controlled housing and may bear substantial costs from search and misallocation. This distinction is central to the model: rent control can benefit incumbent tenants while harming prospective and future tenants, in addition to property owners.

The additional search costs resulting from the absence of rationing by rental price can be expressed as $C_{S,t} = \theta[P_{D,t}(\tilde{Q}_t) - \bar{P}_t]\tilde{Q}_t$, where $P_{D,t}(\tilde{Q}_t)$ is the inverse-demand price in year t associated with the controlled quantity of rental housing services and $0 \leq \theta \leq 1$ is the windfall-dissipation parameter. The intuition is straightforward. Under rent control, households that obtain housing services pay $\bar{P}_t$ for a standardized unit whose inverse-demand price is $P_{D,t}(\tilde{Q}_t)$. The gross windfall to households that obtain controlled rental housing services is therefore $[P_{D,t}(\tilde{Q}_t) - \bar{P}_t]\tilde{Q}_t$. If all controlled housing services are actively contested and all search activity consumes real resources, then $\theta = 1$ and the entire gross windfall is dissipated through wasteful competition. If no controlled housing services are actively contested, then $\theta = 0$ and incumbent tenants retain the full windfall. If controlled housing services are contested but households can make costless side payments to property owners, then $\theta = 0$ and the windfall is transferred to property owners rather than dissipated as a real resource cost. More generally, the reduced-form parameter θ incorporates several underlying mechanisms, including the share of controlled housing services that are actively contested in a given year, the intensity of competition among prospective tenants, and the resource cost of the search process.

Although the aggregate model uses a standardized rental price, the misallocation module allows individual units to differ in their unit-specific market and controlled rents. Incumbent renters occupy units when the policy begins and receive a unit-specific benefit $b_{i,t} = P_{u(i),t}^* - \bar{P}_{u(i),t}$, where $P_{u(i),t}^*$ is the counterfactual market rent of unit u occupied by household i in year t , and $\bar{P}_{u(i),t}$ is the maximum permitted rental price for the unit. Under the composite-good approximation, the gross annual transfer is $B_t = (P_t^* - \bar{P}_t)\tilde{Q}_t$. The transfer is not counted as an efficiency gain or loss. It is primarily a redistribution from property owners to households occupying controlled rental units and may be more than offset by the additional costs associated with the universal rent control policy.

An efficient allocation maximizes $\sum_i v_{i,u(i)}$, where $v_{i,u}$ denotes household i 's valuation of unit u . Under rent control, the actual allocation may not maximize this sum. An inefficient allocation results in a misallocation cost $C_{M,t} = V_t^* - V_{C,t}$, where V_t^* is the aggregate household valuation of rental housing services under the efficient allocation and $V_{C,t}$ is the aggregate household valuation of rental housing services under the actual rent-controlled allocation. CEA approximates this structural loss as $C_{M,t} \approx \gamma x_t A_t$, where A_t is the potential surplus subject to misallocation, $x_t = 1 - \frac{\tilde{Q}_t}{Q_{D,t}(\bar{P}_t)} = 1 - \left(\frac{\bar{P}_t}{P_t^*}\right)^{\epsilon_D + \epsilon_S}$ is an excess-demand parameter that indicates the intensity of non-price rationing, and γ is a parameter indicating the share of misallocation that is realized. $A_t = \int_0^{\tilde{Q}_t} [\min\{P_{D,t}(Q), X P_t^*\} - P_t^S]_+ dQ$, where $[z]_+ = \max\{z, 0\}$, X is the maximum willingness to pay as a multiple of the counterfactual equilibrium price, and $P_t^S = P_{D,t}(\tilde{Q}_t)$ is the shadow price.

The government incurs economic costs to administer and enforce the universal rent control policy, while property owners and households incur economic costs associated with compliance and disputes. These costs do not include transfers, such as fines. They do include the economic value of time and other resources used to administer, enforce, comply with, or engage in disputes resulting from the policy. CEA approximates these costs as $C_{A,t} = \alpha_t \tilde{N}_t$, where α_t is the average annual real resource cost of administration, enforcement, compliance, and disputes per controlled rental unit and $\tilde{N}_t$ is the number of controlled rental units.

The total economic cost of the universal rent control policy in year t is $C_t = C_{R,t} + C_{S,t} + C_{M,t} + C_{A,t}$.

A.2 Parameter Table

Baseline Model	
Initial market value of rental housing services (\$ billions)	\$764.93
Initial quantity of rental housing services (millions of standardized units)	46.10
Absolute demand price elasticity	0.40
Physical-stock price elasticity	0.30
Quality price elasticity	0.20
Annual demand-shifter growth	1.92%
Annual supply-shifter growth	0.39%
Counterfactual equilibrium annual rental-unit growth	0.75%
Welfare Implications	
Search dissipation rate	4.99%
Maximum willingness to pay as multiple of counterfactual equilibrium price	2.00
Misallocation realization rate	46.40%
Administration cost per unit	\$35.00
Real GDP Effects	
Share of reduced rentals converted to owner-occupied housing - high	65.00%
Share of reduced rentals converted to owner-occupied housing - low	85.00%
Initial housing services (\$ billions)	\$3,146.98
Counterfactual housing services growth	1.31%
Initial real GDP (\$ billions)	\$29,298
Counterfactual real GDP growth	2.46%
Initial residential fixed investment (\$ billions)	\$1,182.84
Counterfactual residential fixed investment growth	2.49%
Depreciation rate	2.30%
Replacement cost (\$)	\$234,000

CHAPTER 6. THE GREEN NEW DEAL

Key Findings

The Green New Deal (GND) agenda of the Democratic Socialists of America (DSA) is focused on two goals: “decarbonization,” which involves cutting the amount of carbon emissions produced by human activity, mainly by moving away from fossil fuels; and “electrification,” which means switching things that currently run on fossil fuels—like cars or home heating—to run on electricity instead. Given current technology and the state of the U.S. electrical grid, which still generates over 60 percent of its electricity using fossil fuels, these objectives are likely unattainable and certainly expensive. We estimate that reconfiguring over 80 percent of the nation’s grid and transportation energy sources according to DSA’s GND agenda would cost Americans and the U.S. economy **more than \$12 trillion over the next 25 years, or over \$91,000 per household**. About \$8.4 trillion of this is a direct cost to businesses and households, and another \$3.6 trillion accounts for the reduction in consumer utility and the increase in deadweight loss. The total breaks down as follows:

- The cost of net zero by 2050: \$335 billion per year between now and 2050 (\$8.4 trillion in aggregate, or about \$980 per person per year)
- The cost of building electrification mandates: \$195–288 billion per year in welfare losses
 - Part of the welfare loss manifests through higher residential electricity bills, which for the average gas household would rise by at least 16.3 percent (\$340 per household per year) for heating alone (about \$1.1 trillion in all).
- The cost of transportation electrification mandates: \$884 billion over the next ten years
 - About \$640 billion of this reflects higher vehicle purchasing costs for Americans, and
 - \$244 billion reflects sales that would not take place as some Americans find themselves unable to afford a car.

Much of the electrification costs will manifest as higher electricity and vehicle prices. Decarbonization costs will affect families through both price and fiscal channels, as meeting the net zero objective will require the government to make substantial investments in new generation, transmission, and distribution, as well as transportation infrastructure and industrial processes—investments that will be financed in part through tax revenues. The higher direct costs of \$8.4 trillion over 25 years translate into more costly intermediate and capital goods, which depresses annual GDP by approximately \$218 billion and annual tax revenue by \$37.1 billion. Over ten years, this amounts to a \$2.18 trillion GDP loss and \$0.37 trillion in uncollected tax revenues.

Background

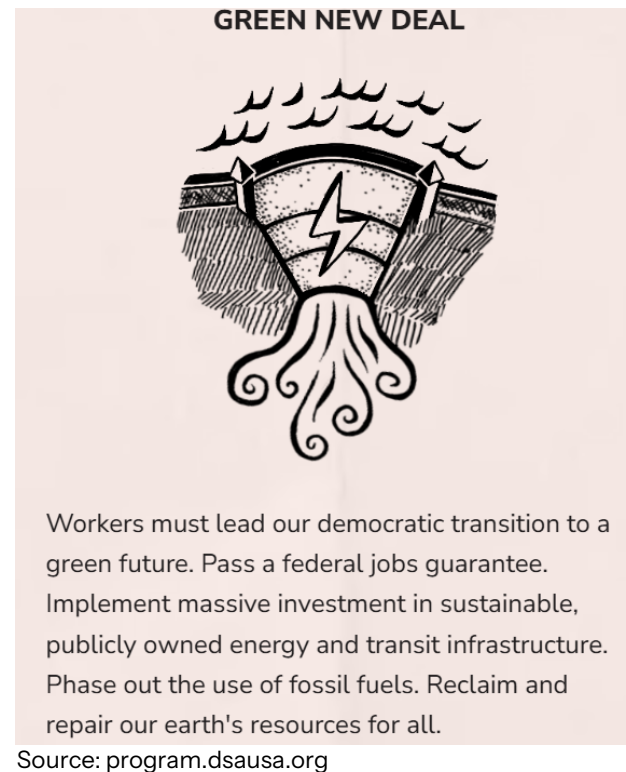
The Democratic Socialists of America’s (DSA) energy and environmental agenda was drafted in early 2019 and called for a complete decarbonization of the U.S. economy by 2030, among other goals.¹⁵² In August 2019, DSA endorsed Senator Bernie Sanders’s Green New Deal platform that underpinned his presidential campaign.¹⁵³ Sanders’s Green New Deal had a more lenient decarbonization timeline than the DSA agenda, calling for the

¹⁵² Democratic Socialists of America Green New Deal Campaign Commission, “DSA’s Green New Deal Principles,” February 28, 2019, <https://ecosocialists.dsasusa.org/dsas-green-new-deal-principles/>.

¹⁵³ Democratic Socialists of America, “National DSA Ecosocialists Support Bernie Sanders’ Green New Deal,” statement, August 2019, <https://www.dsasusa.org/statements/national-dsa-ecosocialists-support-bernie-sanders-green-new-deal/>.

elimination of fossil fuels from electricity and transportation by 2030 (and the rest of the economy by 2050); massive investment in renewable energy, batteries, and electric vehicles; restrictions on fossil fuel production (including bans on fracking and on new extraction on public lands); and a ban on fossil fuel imports and exports. The best-known Green New Deal proposal in Congress—the nonbinding resolution introduced by Representative Ocasio-Cortez and Senator Markey in February 2019 (H. Res. 109) and reintroduced in 2023¹⁵⁴—likewise called for a ten-year national mobilization to reach net-zero greenhouse gas emissions, 100 percent clean power, and upgrades to every building in the country. Actual legislation proposed by DSA-affiliated or -aligned members of Congress, however, stopped short of economy-wide decarbonization. Instead, between 2019 and 2023, members introduced a series of more narrowly defined and moderate legislative efforts, including Green New Deal legislation for Public Housing (2019), Public Schools (2021), and Health (2023).¹⁵⁵ Electrification and decarbonization are the two “green” threads running through these bills, urging public housing, schools, and hospitals and other health facilities to switch to fully electric appliances (including heating) and to invest in solar panels and batteries to meet their electricity needs.

Figure 6-1. DSA’s 2026 Green New Deal Program Statement



In March 2023, DSA’s Green New Deal Campaign Committee released a new campaign titled Building for Power¹⁵⁶ that appeared to move away from the aggressive decarbonization aims of the 2019 agenda. The 2023 campaign contained four aims:¹⁵⁷ to expand public transit; to increase the role of the public sector in power projects, especially low-carbon energy; to build or retrofit green public housing; and to increase green public spaces.

DSA’s latest Green New Deal program, drafted between April and June of 2026, once again calls for phasing out fossil fuels, alongside large-scale investment in sustainable, publicly owned energy and transit infrastructure, but this time without an explicit timeline.¹⁵⁸

¹⁵⁴ Recognizing the Duty of the Federal Government to Create a Green New Deal, H.Res. 109, 116th Cong. (2019); H.Res. 319, 118th Cong. (2023), <https://www.congress.gov/bill/118th-congress/house-resolution/319>.

¹⁵⁵ Green New Deal for Public Housing Act, discussion draft, 119th Cong., 2d sess. (2026), https://ocasio-cortez.house.gov/sites/evo-subsites/ocasio-cortez-evo.house.gov/files/evo-media-document/ocasny_045.xml.pdf; Green New Deal for Public Schools Act, H.R. 4442, 117th Cong. (2021), <https://www.congress.gov/117/bills/hr4442/BILLS-117hr4442ih.pdf>; Green New Deal for Health Act, discussion draft, 119th Cong., 2d sess. (2026), https://www.markey.senate.gov/imo/media/doc/green_new_deal_for_health.pdf.

¹⁵⁶ Democratic Socialists of America Green New Deal Campaign Commission, “Building for Power Campaign Summary,” June 14, 2023, <https://ecosocialists.dsausa.org/building-for-power-campaign-summary/>.

¹⁵⁷ Democratic Socialists of America Green New Deal Campaign Commission, “The Green New Deal Now: Theory & Praxis,” January 31, 2023, <https://ecosocialists.dsausa.org/the-gnd-now-theory-and-praxis/>.

¹⁵⁸ Democratic Socialists of America, Workers Deserve More (2026 program), “Green New Deal,” <https://program.dsausa.org/#demand-green-new-deal>.

In 2025, fossil fuels made up more than 80 percent of U.S. energy production and consumption.¹⁵⁹ Phasing out the use of fossil fuels will require unprecedented effort and time. While we cannot estimate the costs of phasing out fossil fuels without a specific timeline, we can provide a conservative estimate of the Green New Deal's cost by drawing on existing estimates of more modest or more narrowly defined programs previously implemented at the national and state levels, such as mandatory electrification programs and voluntary "net-zero by 2050" pledges.

The Cost of Electrification and Decarbonization

Decarbonization is the process of transitioning from fossil fuels to renewable energy, and electrification is the process of converting all machines (cars, space and water heaters, stovetops, etc.) to operate using electricity. Wide-scale electrification requires a more resilient grid with more "dispatchable" generation that can be turned on, ramped up, or ramped down to match changes in demand. Wide-scale decarbonization, by contrast, tilts the scales in favor of "intermittent" renewables that generate electricity only when the wind blows or the sun shines, regardless of whether the grid needs power at that moment. Over the past 20 years, the installed generation capacity of the U.S. power grid increased by 32 percent, but dispatchable capacity increased by only 1 percent.¹⁶⁰ As intermittent capacity (wind and solar) increased, its share rose from 1 percent of total capacity in 2005 to 24 percent in 2025. As the April 2025 blackout in Spain and Portugal showed, a high share of intermittent renewables can create operational challenges for the grid, increasing the potential for grid failure.¹⁶¹ Without substantial investment in reliable dispatchable generation, DSA's intent to electrify cars and homes and power them with renewables may create unstable grid conditions that will require costly redundancies that will raise the price of electricity for Americans.

Several studies have attempted to estimate the cost of electrification and decarbonization, together and separately, for different regions and on various timelines (see Table 6-3 in the appendix). The studies can be broadly categorized as those estimating the cost of electrifying transportation, those estimating the cost of broad electrification, and those estimating the cost of achieving net zero carbon emissions by 2050.¹⁶² All but two of these studies were published during the Biden Administration, and all but three rely on assumptions rooted in outdated policies and energy demand projections. Specifically, they rely on the renewable energy and electrification incentives (e.g., tax credits) included in the Inflation Reduction Act (IRA)—which lowered the cost of renewable energy projects, and many of which were repealed or curtailed by the One Big Beautiful Bill Act of 2025 (OBBBA)—and on electricity demand projections that predate the super intelligence (SI) and data center buildout—which has since necessitated substantially more investment in generation, transmission, and distribution projects. These assumptions therefore likely lead the authors to understate the true cost of electrification and decarbonization policies.

¹⁵⁹ U.S. Energy Information Administration, Monthly Energy Review, August 2026, table 1.1, <https://www.eia.gov/totalenergy/data/monthly/pdf/mer.pdf>.

¹⁶⁰ U.S. Energy Information Administration, "Electricity Generation, Capacity, and Sales in the United States," Electricity Explained, <https://www.eia.gov/energyexplained/electricity/electricity-in-the-us-generation-capacity-and-sales.php>.

¹⁶¹ See Financial Times coverage of the Iberian blackout, <https://www.ft.com/content/e6e1fe13-36f7-4fe5-84ba-77717dca68a8>, and ENTSO-E, "28 April 2025 Blackout" (expert panel investigation), <https://www.entsoe.eu/publications/blackout/28-april-2025-iberian-blackout/>. One key operational challenge in this case was voltage-control failure. At the time of the blackout, renewable plants in Spain were not required to provide voltage support, and so inadvertently enabled the blackout. See Pexapark, "Renewables to Provide Voltage Control in Spain," <https://pexapark.com/blog/renewables-to-provide-voltage-control-in-spain/>.

¹⁶² A recent [WoodMackenzie analysis](#) concluded that, globally, the 2050 horizon is no longer attainable.

The range of estimates is considerable, with transport electrification studies varying between \$1.1 billion per year across five U.S. states and \$3.6 billion per year just for California. Nation- and economy-wide studies of the net-zero transition estimate costs between \$57 billion and \$325 billion per year. The range reflects different assumptions about technology costs and the extent of the economy that is transitioned. The lower end of the range also expresses net present values, while the upper end reports nominal investment. Expressing all estimates in nominal terms raises the low end of the range to \$76 billion per year.¹⁶³ The most recent studies, at least one of which explicitly accounts for demand growth from super intelligence and data centers, estimate more consistently that reaching net zero would require additional annual investment—above business-as-usual spending—of between \$294 billion and \$325 billion.¹⁶⁴

Actual planned utility expenditures help to contextualize net-zero cost estimates. During the fourth quarter of 2025, 51 investor-owned utilities disclosed their intent to spend \$1.4 trillion on generation, transmission and distribution, and other grid projects between 2025 and 2030.¹⁶⁵ The primary justifications for the planned capital expenditure (capex) fell into three categories: supporting data centers and load growth, replacing aging infrastructure, and improving system resiliency for extreme weather events. Data centers and demand growth were cited by 32 of the 51 companies analyzed; 28 utilities cited resiliency; 16 cited aging infrastructure; and 13 cited none of these three justifications. Because these are actual spending plans, they more accurately reflect the current spending needs of the U.S. power grid. However, even though some utilities are preparing for growing demand from data centers and super intelligence, and even though for some utilities at least a portion of anticipated load growth is likely coming from strict local electrification and decarbonization targets, the \$1.4 trillion figure does not explicitly reflect the cost of reaching net zero by 2050. Annual planned utility spending, which likely addresses some local decarbonization and electrification initiatives, comes out to at least \$284 billion. The true cost of net zero will undoubtedly be more substantial. Taken together, the latest estimates suggest that nationwide electrification and decarbonization would require investment of more than \$300 billion per year in the best-case scenario. And if the transition is funded through tax revenues, the real cost will be even higher due to the distortionary effects of taxes.¹⁶⁶

Electrifying Buildings

DSA's Green New Deal agenda appears to combine aggressive energy transformation with less consumer choice—specifically, forced electrification. The Green New Deal for Public Housing, for instance, includes many elements of New York State's All-Electric Buildings Act (AEBA).¹⁶⁷ AEBA restricts the installation of fossil-fuel equipment in new homes and businesses, forcing homes and businesses into all-electric systems for basic needs such as space heating, hot water, and cooking. AEBA's projected impact on electricity demand has raised concerns about the reliability of the state's electric grid and led moderate Democrats, who generally support

¹⁶³ Nominal equivalents are calculated over 30 years using the studies' discount rate of 2 percent.

¹⁶⁴ Wood Mackenzie, "Global Power Demand Surge Puts Net Zero by 2050 Out of Reach as World Heads Toward 2.6°C Warming," press release, October 29, 2025, <https://www.woodmac.com/press-releases/global-power-demand-surge-puts-net-zero-by-2050-out-of-reach-as-world-heads-toward-2.6c-warming>; BloombergNEF, New Energy Outlook, <https://www.bnef.com/flagships/new-energy-outlook>.

¹⁶⁵ PowerLines, PowerLines CapEx Report (April 2026), https://powerlines.org/wp-content/uploads/2026/04/0413_PowerLines-CapEx-Report-1.pdf.

¹⁶⁶ See Emmanuel Saez, Joel Slemrod, and Seth H. Giertz, "The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review," *Journal of Economic Literature* 50, no. 1 (2012): 3–50, <https://doi.org/10.1257/jel.50.1.3> (marginal burden estimate at 8–9).

¹⁶⁷ New York State Assembly, "All Electric Buildings," https://nyassembly.gov/all-electric-buildings/?sec=what_it_does.

New York's broader decarbonization goals, to call on Governor Hochul to delay the law's implementation.¹⁶⁸ In November 2025, the state agreed in federal court to suspend the law's January 2026 effective date while an appeal is pending.

Electrification policies are fundamentally flawed within the current national decarbonization context. The U.S. electrical grid relies to a large extent on fossil fuels, particularly natural gas. Natural gas accounted for 41 percent of U.S. electricity generation in 2025.¹⁶⁹ In New York, the gas share was even higher, at 52 percent. Natural gas generators are also typically the "marginal" generators because they are relatively quick and easy to turn on or off as electricity demand rises and falls throughout the day. This means that whenever the grid needs a little extra power, a natural gas plant is typically the one that ramps up to fill the gap. Thus, the additional electricity demand created by the AEBA would, at the margin, be met largely by natural gas generation—increasing rather than decreasing the state's reliance on natural gas.

In 2020, natural gas was the main space heating fuel for nearly 63 million primary residences in the U.S., while electricity heated about 43 million primary residences.¹⁷⁰ Natural gas thus remains the main heating fuel in over half of American homes. Americans also have strong opinions about gas cooktops, with nearly 40 percent of U.S. households using gas to cook their meals and more than two-thirds of Americans opposing gas stove restrictions.¹⁷¹ By reducing consumer choice, mandatory electrification policies make Americans worse off.

A recently published study of heating choices by U.S. households over the last 70 years finds that consumers are willing to pay to avoid an electrification mandate.¹⁷² Paying to avoid a mandate is essentially the same thing as paying to retain choice. In this sense, the average willingness to pay (WTP) to be able to choose how to heat one's home is \$840 per year. Households in cold states are willing to pay more to avoid an electrification mandate than households in warm states (\$2,226–\$2,432 per year in Maine, New Hampshire, and Vermont vs.

¹⁶⁸ Several Democratic Members of New York State's Assembly cited concerns over consumer cost, grid reliability, and the pace of electrification (Kate Lisa, "Moderate Assembly Dems Push Hochul to Delay All-Electric Buildings Mandate," Spectrum News, October 21, 2025, <https://spectrumlocalnews.com/nys/central-ny/politics/2025/10/21/moderate-assembly-dems-push-hochul-to-delay-all-electric-buildings-mandate>); while the state's electrical grid operator, New York Independent System Operator (NY-ISO), wrote in its 2025 Power Trends Report, "What we do know with certainty is that as public policies drive more fossil generators into retirement to meet decarbonization goals and tighter emissions restrictions, new carbon-free resources are not being added to the grid fast enough to keep pace with expected demand growth. Meanwhile, the traditional fossil-fueled generation fleet is aging, increasing concerns for their ongoing ability to provide essential reliability services to the grid at a time when reliability margins are shrinking;" and "New York is projected to become a winter-peaking electric system by the 2040s, driven primarily by electrification of space heating and transportation. On the coldest days, the availability of natural gas for power generation can be limited, and interruptions to natural gas supply will introduce further challenges for reliable electric grid operations." (New York Independent System Operator, 2025 Power Trends (Rensselaer, N.Y., 2025), 1 and 4, <https://www.nyiso.com/documents/20142/2223020/2025-Power-Trends.pdf/51517a1b-36fa-4f3d-d44d-eabe23598514>.) In November 2025, the state stipulated in federal court to suspend the law's January 1, 2026 effective date pending appeal. See Luke Parsnow, "State Agrees to Delay New York's All-Electric Buildings Mandate Pending Appeals Court Ruling," Spectrum News, November 12, 2025, <https://spectrumlocalnews.com/nys/central-ny/politics/2025/11/12/new-york-agrees-to-delay-all-electric-buildings-mandate>.

¹⁶⁹ U.S. Energy Information Administration, "Electricity in the U.S.," Electricity Explained, <https://www.eia.gov/energyexplained/electricity/electricity-in-the-us.php>.

¹⁷⁰ The most recent data available; excludes second homes, vacant and seasonal units, military housing, and group quarters. U.S. Energy Information Administration, 2020 Residential Energy Consumption Survey (RECS), <https://www.eia.gov/consumption/residential/data/2020/>.

¹⁷¹ Share of households with a gas stove includes natural gas, propane, and dual fuel stoves, all of which would be banned under an electrification mandate. See U.S. Energy Information Administration, 2015 Residential Energy Consumption Survey, table HC1.1, "Fuels Used and End Uses in U.S. Homes by Housing Unit Type, 2015," <https://www.eia.gov/consumption/residential/data/2015/hc/php/hc3.1.php>. See Harvard CAPS/Harris Poll, June 2023 Key Results (field dates June 14–15, 2023), slide 48, https://harvardharrispoll.com/wp-content/uploads/2023/06/HHP_June2023_KeyResults.pdf.

¹⁷² Lucas W. Davis, "What Matters for Electrification? Evidence from 70 Years of U.S. Home Heating Choices," *Review of Economics and Statistics* 107, no. 3 (2025): 668–684, https://doi.org/10.1162/rest_a_01292.

\$227 per year in Florida). However, even in warm states consumers are not indifferent to the type of heating system they have (that is, the WTP is not zero), which means that electrification mandates unambiguously make Americans worse off. Applying these state-level WTP estimates to all 123.5 million primary residences, we estimate that the aggregate welfare loss from a nationwide heating electrification mandate covering existing as well as new homes would be over \$126 billion per year. The state of New York alone would face a welfare loss of more than \$14 billion per year. State-level estimates are reported in Table 6-4.

In 2020, 68 percent of residential natural gas consumption went toward space heating, 26 percent toward water heating, and 2 percent toward cooking.¹⁷³ Across commercial buildings, the split was 69 percent space heating, 17 percent cooking, and 10 percent water heating. If commercial tenants have a similar WTP to retain choice as residential households, then the adjusted welfare cost across residential and commercial sectors rises to between \$195 and \$288 billion per year.

The welfare loss associated with an electrification mandate is partly reflected in higher household energy costs. Replacing natural-gas furnaces with electric heating systems will increase demand for electricity. This will raise the cost of producing electricity and lead to higher annual electricity bills for all households, not just those switching from gas to electric heat. We estimate that an average household's annual electricity bill will increase by nearly \$340, or about 16 percent.¹⁷⁴ This estimate reflects only the operating cost and ignores the upfront cost of replacing equipment, upgrading electrical service, or converting other gas appliances, such as water heaters and stoves. It also excludes costs borne by businesses, which account for a substantial share of U.S. natural-gas consumption.¹⁷⁵

Electrifying Transportation

The term “zero-emission vehicle” is largely a misnomer in a country that generates over 60 percent of its electricity from fossil fuels (40 percent from natural gas alone). Most electric vehicles (EVs) in the U.S. do not eliminate emissions, but shift them from tailpipes to power stations. Some EV owners do invest in rooftop solar or sign up for 100 percent renewable electricity plans to charge their cars, effectively eliminating emissions. However, in 2025, small-scale solar (e.g., rooftop solar panels) accounted for only 2 percent of total net generation, and voluntary purchases of renewable electricity by retail customers made up just 8 percent of retail electricity sales.¹⁷⁶ It is fair to conclude, then, that most U.S. EV owners rely on the grid to keep their EVs charged.

Just like electrification policies for buildings, large-scale electrification of transportation would restrict choice and impose costs on Americans. EVs are more expensive than their gasoline counterparts across all weight classes (see Table 6-1). By restricting choice in the car market, EV mandates would force some to buy more expensive cars, and preclude others from buying a car at all. California was the first state to adopt an EV mandate, banning the sale of new gasoline-only passenger cars by 2035 and substantially restricting access to

¹⁷³ This is the latest data available. Full results of the 2024 survey will not be published until the spring of 2027. U.S. Energy Information Administration, 2024 Residential Energy Consumption Survey (RECS), <https://www.eia.gov/consumption/residential/data/2020/>.

¹⁷⁴ In 2020, an average electricity bill for a home with electric heating was \$226 (16 percent) higher than for a home with natural gas heating. Based on annual residential electricity consumption and prices between 2025 and 2050, detailed in EIA's Annual Energy Outlook, this 16 percent difference amounts to roughly \$340 per household per year.

¹⁷⁵ U.S. Energy Information Administration, “U.S. Natural Gas Consumption by End Use,” Natural Gas Data, https://www.eia.gov/dnav/ng/ng_cons_sum_dcu_nus_a.htm.

¹⁷⁶ Sushmita Jena, “Voluntary Energy Markets – Status & Trends (2024 Data),” presentation at Clean Currents 2025, Pittsburgh, October 14, 2025 (National Laboratory of the Rockies, NREL/PR-6A20-97562), slides 3 and 4, <https://docs.nlr.gov/docs/fy26osti/97562.pdf>.



medium- and heavy-duty trucks powered by diesel or gasoline.¹⁷⁷ Eleven other states and Washington, D.C., adopted California's zero-emission-vehicle rule before its federal waiver was revoked, and several more follow California's earlier vehicle standards.¹⁷⁸ Reduced choice lowers the supply of new cars and raises the price of options that remain available. It also increases the cost of doing business for firms by raising fleet ownership and transportation costs, and puts added stress on power grids. Mandating electric vehicles also stresses state budgets as states lose gas tax revenue, and puts additional strain on the roads because electric vehicles are heavier than their gasoline counterparts. These are just some reasons why, in May 2025, Congress voted to revoke the EPA waivers that allowed California to enforce its EV mandate.¹⁷⁹

Data show that a vast majority of U.S. car buyers prefer conventional gasoline cars. In 2025, hybrid and electric vehicles made up about one quarter of all vehicle sales.¹⁸⁰ Among new vehicles, EVs' share was only 7.4 percent, with plug-in hybrids accounting for another 1.6 percent.¹⁸¹ Price is one factor that drives the preference for gasoline cars. In 2025, the price of an electric vehicle was, on average, between \$11,800 and \$15,500 higher than the price of a gasoline car.¹⁸² Most EVs sold in the U.S. are SUVs, a vehicle class in which the price difference can be even higher, up to \$23,100.¹⁸³ Even after factoring in purchase incentives and other potential discounts, the average transaction price of an electric vehicle as of February 2026 was \$55,300—about \$6,500 more than the average gasoline or hybrid vehicle.¹⁸⁴ For a median U.S. household with an annual income of roughly \$83,730 and 1.83 cars, replacing those vehicles with new EVs at today's price gap would cost an additional \$11,895, equivalent

¹⁷⁷ California Air Resources Board, "Advanced Clean Cars II," <https://ww2.arb.ca.gov/our-work/programs/advanced-clean-cars-program/advanced-clean-cars-ii>. California's Advanced Clean Cars II (ACCI) rule required all new passenger vehicles sold in California to be zero-emission (electric, plug-in hybrid, and fuel cell) by 2035. Effectively, because fuel cell cars have not yet been commercialized at scale, the rule mandates all new cars sold from 2035 to be electric or hybrids. The Advanced Clean Trucks rule required that an increasing share of all medium- and heavy-duty trucks sold in California are zero-emission. The Heavy-Duty Low NOx (Omnibus) regulation required heavy-duty vehicles to comply with strict nitrogen oxide (NOx) emissions standards. See California Air Resources Board, Advanced Clean Trucks regulation orders, <https://ww2.arb.ca.gov/sites/default/files/2023-06/ACT-1963.pdf> and <https://ww2.arb.ca.gov/sites/default/files/2023-06/ACT-2012.pdf>, 5; California Air Resources Board, "California Receives Waivers to Reduce Pollution from Passenger and Heavy-Duty Vehicles," news release, December 18, 2024, <https://ww2.arb.ca.gov/news/california-receives-waivers-reduce-pollution-passenger-and-heavy-duty-vehicles>; and California Air Resources Board, letter to the Engine Manufacturers Association, December 15, 2023, https://ww2.arb.ca.gov/sites/default/files/2024-01/2023-12-15-CARB_Email_to_EMA_ADA.pdf.

¹⁷⁸ U.S. Department of Energy, Alternative Fuels Data Center, "Adoption of California's Clean Vehicle Standards by State," <https://afdc.energy.gov/laws/california-standards>. Virginia withdrew at the end of 2024.

¹⁷⁹ President Trump signed the resolutions into law on June 12, 2025. California and ten other states are challenging them in court.

¹⁸⁰ Wards Intelligence data as reported in U.S. Energy Information Administration, "Hybrid Vehicle Sales Continue to Rise as Electric and Plug-In Vehicle Shares Remain Flat," Today in Energy, May 30, 2025, <https://www.eia.gov/todayinenergy/detail.php?id=65384>.

¹⁸¹ Ronald Montoya and John O'Dell, "What Percentage of Cars in the U.S. Are Electric?," Edmunds, April 3, 2026, <https://www.edmunds.com/electric-car/articles/percentage-of-electric-cars-in-us.html>.

¹⁸² See U.S. Department of Energy, Vehicle Technologies Office, 2025 Incremental Purchase Cost Methodology and Results for Clean Vehicles (January 2025), https://www.energy.gov/sites/default/files/2025-01/2025.01.13_DOE_Incremental_Cost_Report_for_publication.pdf; International Energy Agency, "Global EV Data Explorer," accessed September 2026, <https://www.iea.org/data-and-statistics/data-tools/global-ev-data-explorer>; and John O'Dell, "Big Gap Remains in Average Price of Electric Car vs. Gas Car," Edmunds, May 8, 2024, <https://www.edmunds.com/car-buying/average-price-electric-car-vs-gas-car.html>.

¹⁸³ See, for example, Sara Lacey, "Bestselling EVs in 2026 (So Far)," U.S. News & World Report, <https://cars.usnews.com/cars-trucks/advice/bestselling-evs>.

¹⁸⁴ Kelley Blue Book, "Kelley Blue Book Report: New-Vehicle Price Gains Accelerate in February as Transaction Prices Increase 3.4% Year Over Year," news release, March 10, 2026, <https://mediaroom.kbb.com/2026-03-10-Kelley-Blue-Book-Report-New-Vehicle-Price-Gains-Accelerate-in-February-as-Transaction-Prices-Increase-3-4-Year-Over-Year>.



to 14 percent of a year's income.¹⁸⁵ EV sales fell about 27 percent year over year after the federal credit expired on September 30, 2025.¹⁸⁶

Table 6-1. Average Electric Vehicle Price Premium over a Comparable Gasoline Vehicle, by Vehicle Class (dollars)

Vehicle class	DOE (2025)	IEA (2025)	Edmunds (2024)
Compact car	\$7,948	\$5,000	\$8,237
Midsize car	\$9,620	\$14,000	\$17,519
Midsize SUV	\$10,982	\$15,000	\$23,130
Pickup truck	\$18,820	\$28,000	\$11,691
All class average	\$11,843	\$15,500	\$15,144

An EV mandate would have two types of economic impacts: some car buyers will have to pay higher prices (i.e., they will lose some “consumer surplus”) and other buyers will have to forgo a purchase altogether because they will no longer be able to afford a car (that is, the policy will create additional “deadweight loss”). We estimate the magnitude of each of these impacts and find that over the next ten years:

- An EV mandate would cost Americans roughly \$643 billion in upfront vehicle purchase costs (lost consumer surplus), or approximately \$4,800 per household (see Table 6-2), and
- About \$244 billion in car sales would not take place because of a U.S.-wide ban on gasoline vehicles (additional deadweight loss).¹⁸⁷ Annualized, that is \$24.4 billion per year, or about one-fourth of all U.S. electric vehicle sales in 2025 (approximately \$90.9 billion).

Table 6-2. Estimated Cost of a Nationwide Electric Vehicle Mandate, 2026–2035

Year	ZEV/PHEV share of annual sales	Average EV Premium	Annual Cost (million USD)	Cost Per Household (USD)
2026	35%	\$14,162	\$80,066	\$603
2027	43%	\$12,589	\$87,437	\$659
2028	51%	\$11,015	\$90,741	\$684
2029	59%	\$9,442	\$89,978	\$678
2030	68%	\$7,868	\$86,420	\$651
2031	76%	\$6,294	\$77,270	\$582
2032	82%	\$4,721	\$62,527	\$471
2033	88%	\$3,147	\$44,735	\$337

¹⁸⁵ Estimate of median income is based on Census Bureau's latest available 2024 data. U.S. Census Bureau, Income in the United States: 2024, Current Population Reports P60-286 (September 2025), <https://www.census.gov/library/publications/2025/demo/p60-286.html>. ACS reports 132 million households and 242 million vehicles for an average of 1.83 vehicles per household. U.S. Census Bureau, American Community Survey 1-Year Estimates, 2024, table B25046, <https://data.census.gov/table/ACSDT1Y2024.B25046>.

¹⁸⁶ Cox Automotive, “EV Sales Decline Slows in First Quarter of 2026, Share Stabilizes Near 6%,” April 10, 2026, <https://www.coxautoinc.com/insights/q1-2026-ev-sales-report-commentary/>.

¹⁸⁷ Estimates based on Stephen P. Holland, Erin T. Mansur, and Andrew J. Yates, “The Electric Vehicle Transition and the Economics of Banning Gasoline Vehicles,” American Economic Journal: Economic Policy 13, no. 3 (2021): 316–344, <https://doi.org/10.1257/pol.20200120>.

Year	ZEV/PHEV share of annual sales	Average EV Premium	Annual Cost (million USD)	Cost Per Household (USD)
2034	94%	\$1,574	\$23,893	\$180
2035	100%	\$0	\$0	\$0
Total			\$643,066	\$4,845

Savings on gasoline expenditures are often touted as one of the biggest benefits of EV ownership. However, at times of low gasoline prices, and in parts of the country where electricity prices are relatively high, fueling a gasoline car can be cheaper than charging an electric one.¹⁸⁸ To reduce strain on the grid, academics and policymakers have suggested that EVs should be subject to controlled charging—that is, that the hours during which EV owners are allowed to charge their vehicles should be limited to those hours in which the grid sees the lightest use. Demand for electricity is lower at night, and utilities have been offering rate discounts incentivizing nighttime EV charging. Recent research, however, has shown that nighttime charging can actually increase electricity sector emissions because baseload generation tends to be powered by fossil fuels.¹⁸⁹ Regardless of timing, however, subjecting EVs to controlled charging while allowing owners of gasoline cars to refuel whenever they wish reduces the use value of EVs.

Another, rarely discussed, social cost of EV mandates stems from inefficiency in retail electricity pricing. Gasoline prices change frequently, reflecting the actual cost of production, refining, transportation, and distribution, but also real-time demand conditions. Thus, gasoline prices at the pump represent the value of a gallon of gasoline to consumers. Most electricity consumers, by contrast, pay a fixed price that does not reflect the marginal value of a kilowatt-hour. In some parts of the U.S., the retail electricity price is lower than its marginal value, meaning that electricity is underpriced, and in other parts it is overpriced. Forcing consumers to shift away from energy sources that are priced according to their marginal use value to energy sources that are not makes consumption decisions less efficient. California presents an illuminating example. Research has shown that in California, residential electricity prices are two to three times higher than the social marginal cost of electricity, which is the cost that includes environmental externalities. Inefficiently high electricity prices give consumers a strong incentive to keep their gasoline cars and natural gas boilers and stovetops, undermining the state’s electrification and decarbonization objectives.¹⁹⁰

We purposefully limited this discussion to electrifying road transportation because, given existing technology, it is simply not possible to have a functional commercial aviation or maritime industry without fossil fuels.

¹⁸⁸ Anderson Economic Group, “2025 Q3 Fueling Cost Comparison: Mid-Priced Gas-Powered Cars Less Expensive than Electric Vehicles; Luxury EVs Have Cost Advantage,” December 22, 2025, <https://www.andersoneconomicgroup.com/2025-q3-fueling-cost-comparison/>.

¹⁸⁹ See, for example, Fiona Burlig, James Bushnell, David Rapson, and Catherine Wolfram, “Low Energy: Estimating Electric Vehicle Electricity Use,” AEA Papers and Proceedings 111 (2021): 430–435, <https://doi.org/10.1257/pandp.20211088>; Siobhan Powell, Gustavo Vianna Cezar, Liang Min, Inês M. L. Azevedo, and Ram Rajagopal, “Charging Infrastructure Access and Operation to Reduce the Grid Impacts of Deep Electric Vehicle Adoption,” Nature Energy 7 (2022): 932–945, <https://doi.org/10.1038/s41560-022-01105-7>.

¹⁹⁰ Severin Borenstein, Meredith Fowlie, and James Sallee, Designing Electricity Rates for an Equitable Energy Transition (San Francisco: Next 10 and Energy Institute at Haas, February 2021), <https://www.next10.org/sites/default/files/2024-05/Next10-electricity-rates-v2.pdf>; Severin Borenstein, Meredith Fowlie, and James Sallee, Paying for Electricity in California: How Residential Rate Design Impacts Equity and Electrification (San Francisco: Next 10 and Energy Institute at Haas, September 2021), <https://www.next10.org/sites/default/files/2024-05/Next10-paying-for-electricity-final-comp.pdf>.

Conclusion

Rather than making the lives of Americans better and fairer, DSA's GND agenda would impose rigid mandates and reduce choice, eliminating product options that many U.S. consumers continue to favor. This would not only raise direct costs (for example, by increasing vehicle prices and electricity bills) but also harm Americans by forcing them to adopt products they would willingly forgo—that they would even pay to forgo. By fundamentally misjudging the preferences and constraints of the average American, the DSA agenda would impose policies that leave Americans worse off.

Appendix

Table 6-3. Existing Cost Estimates of Electrification and Decarbonization

Author	Analysis period	Objective	State/Region	Estimated Total Cost (Billion USD)	Equivalent Annual Cost (Billion USD)
Kevala Inc (2023)	2021-2035	Electrification of transportation	CA	\$50	\$3.57
Cal Advocates (2023)	2021-2035	Electrification of transportation	CA	\$15-\$20	\$1.07-\$1.43
NREL, LBNL, Kevala Inc, DOE (2024)	2021-2032	Electrification of transportation	CA, IL, NY, OK, PA	\$12	\$1.09
Brattle (2025)	2024-2040	Electrification of transportation and buildings	Washington, D.C.	\$1	\$0.06
NREL (2022)	2020-2035	Net-zero electricity by 2035	U.S.	\$330-\$740	\$22.00-\$49.33
Williams et al. (2021)	2020-2050	Net-zero economy by 2050	U.S.	\$1,700	\$56.67
Princeton Net Zero America (2020)	2020-2050	Net-zero economy by 2050	U.S.	\$4,000-\$6,000	\$133.33-\$200.00
WoodMackenzie (2025)	2025-2060	Net-zero economy by 2050	U.S.	\$294 annually	\$294.00
BloombergNEF (2026)	2025-2050	Net-zero economy by 2050	U.S.	\$8,129	\$325.18

Table 6-4. Estimated Welfare Loss from a Nationwide Heating Electrification Mandate, by State

State	Homes (Millions)	Share With Natural Gas Heating	WTP to Avoid Electrification Mandate	Welfare Loss from Mandate (Millions 2026 USD)
Alabama	1.90	36%	\$398	\$756
Alaska*	0.26	87%	\$840	\$218
Arizona	2.68	49%	\$349	\$936
Arkansas	1.14	54%	\$516	\$588
California	13.18	80%	\$687	\$9,058



State	Homes (Millions)	Share With Natural Gas Heating	WTP to Avoid Electrification Mandate	Welfare Loss from Mandate (Millions 2026 USD)
Colorado	2.26	84%	\$1,474	\$3,332
Connecticut	1.38	81%	\$2,003	\$2,764
Delaware	0.38	60%	\$1,048	\$398
D.C.*	0.32	59%	\$908	\$291
Florida	8.06	34%	\$227	\$1,826
Georgia	3.88	54%	\$488	\$1,892
Hawaii*	0.47	95%	\$840	\$395
Idaho	0.66	74%	\$1,130	\$746
Illinois	4.90	83%	\$1,747	\$8,560
Indiana	2.60	74%	\$1,153	\$2,998
Iowa	1.28	84%	\$1,651	\$2,113
Kansas	1.13	79%	\$978	\$1,105
Kentucky	1.74	51%	\$617	\$1,073
Louisiana	1.73	38%	\$303	\$525
Maine	0.56	90%	\$2,226	\$1,246
Maryland	2.28	59%	\$1,010	\$2,302
Massachusetts	2.71	83%	\$1,950	\$5,286
Michigan	3.92	90%	\$1,844	\$7,229
Minnesota	2.23	86%	\$2,149	\$4,792
Mississippi	1.08	44%	\$402	\$434
Missouri	2.43	69%	\$857	\$2,084
Montana	0.43	76%	\$1,730	\$744
Nebraska	0.77	76%	\$1,302	\$1,002
Nevada	1.14	77%	\$605	\$690
New Hampshire	0.54	91%	\$2,388	\$1,290
New Jersey	3.39	84%	\$1,656	\$5,614
New Mexico	0.79	87%	\$818	\$646
New York	7.52	84%	\$1,877	\$14,118
North Carolina	4.01	38%	\$575	\$2,304
North Dakota	0.32	66%	\$1,912	\$612
Ohio	4.74	77%	\$1,432	\$6,788
Oklahoma	1.49	61%	\$535	\$797
Oregon	1.65	55%	\$697	\$1,151
Pennsylvania	5.13	74%	\$1,541	\$7,905
Rhode Island	0.42	87%	\$1,852	\$778



State	Homes (Millions)	Share With Natural Gas Heating	WTP to Avoid Electrification Mandate	Welfare Loss from Mandate (Millions 2026 USD)
South Carolina	1.97	36%	\$429	\$845
South Dakota	0.35	75%	\$1,647	\$576
Tennessee	2.66	40%	\$584	\$1,552
Texas	10.26	49%	\$433	\$4,438
Utah	1.04	87%	\$1,405	\$1,461
Vermont	0.26	94%	\$2,432	\$632
Virginia	3.24	50%	\$806	\$2,612
Washington	2.94	45%	\$736	\$2,163
West Virginia	0.70	55%	\$713	\$499
Wisconsin	2.39	86%	\$1,807	\$4,319
Wyoming	0.23	82%	\$1,624	\$374
Total **	123.54			\$126,857

* Alaska and Hawaii inherit an average WTP of \$840. WTP for DC is the average of Maryland and Virginia.

** Total number of households only includes primary residences.

CHAPTER 7. THE 32-HOUR WORKWEEK

Key Findings

- **The Thirty-Two Hour Workweek Act** requires employers to lower work hours to 32 hours per week without cutting weekly pay and to pay time-and-a-half overtime for every weekly hour over 32 hours.
- CEA estimates that the Thirty-Two Hour Workweek Act would:
 - Reduce employment among affected workers by between **8 and 12 percent**;
 - Increase the unemployment rate from 4.1 percent (August 2026) to between roughly 6.6 and 8.2 percent (assuming the laid-off workers continue to search for work);
 - Reduce annual GDP by about 1.5 percent, a loss of **\$5.2 trillion** over ten years in 2026 dollars;
 - Reduce federal, state, and local revenue by about \$1.4 trillion over ten years (\$918 billion of it federal); with first-year unemployment insurance outlays, the total fiscal cost is about **\$1.5 trillion**.

Background

The Thirty-Two Hour Workweek Act (H.R. 10323/S. 5384; hereafter the Act),¹⁹¹ emblematic of DSA's policy on working-time regulations, would be the first change to the federal standard workweek since 1940. Today, roughly 98 percent of hourly workers must be paid time-and-a-half for hours beyond 40 in a week.¹⁹² The bill lowers that threshold to 32 hours, phased in by two hours a year over four years, beginning no sooner than 180 days after enactment. It adds daily overtime (time-and-a-half beyond eight hours in a day and double time beyond twelve) and it bars employers from reducing a newly covered worker's "total workweek compensation rate, including the regular rate," or any other benefit on account of the change, the provision the sponsors describe as "no loss in pay or benefits." On the sponsors' reading, which we adopt here, a worker moved from 40 hours to 32 takes home the same weekly paycheck, which means a 25 percent raise in the hourly rate.¹⁹³

For example, suppose a worker works five days a week, eight hours each day, at \$20 per hour, or \$800 per week. Under the proposed law, the worker must be paid \$25 per hour for his first 32 hours, and \$37.50 (time-and-a-half) for each hour after that so that his new 32-hour workweek delivers the same pay as his previous 40-hour

¹⁹¹ Thirty-Two Hour Workweek Act, H.R. 10323, 119th Cong. (introduced September 8, 2026), <https://www.congress.gov/bill/119th-congress/house-bill/10323>; S. 5384, 119th Cong. (introduced September 14, 2026), <https://www.congress.gov/bill/119th-congress/senate-bill/5384>, text at <https://www.govinfo.gov/content/pkg/BILLS-119s5384is/pdf/BILLS-119s5384is.pdf>. The operative provisions, including the pay-protection clause, are unchanged from the Senate version introduced in the 118th Congress, S. 3947 (introduced March 14, 2024), <https://www.congress.gov/bill/118th-congress/senate-bill/3947>; the earlier House version, H.R. 1332, 118th Cong. (introduced March 1, 2023), <https://www.congress.gov/bill/118th-congress/house-bill/1332>, did not contain that clause.

¹⁹² 98% figure calculated by CEA from the Current Population Survey earning module. U.S. Census Bureau and Bureau of Labor Statistics, "Current Population Survey," 2022-2024, <https://www.census.gov/programs-surveys/cps.html>. Fair Labor Standards Act, 29 U.S.C. § 207, <https://www.law.cornell.edu/uscode/text/29/207>; U.S. Department of Labor, Wage and Hour Division, "Overtime Pay," <https://www.dol.gov/agencies/whd/overtime>. The remaining 2% consist of categorical exemptions that carry no salary test (e.g., teachers, physicians, lawyers, judges).

¹⁹³ Office of Senator Bernie Sanders, "Sanders Introduces Legislation to Enact a 32-Hour Workweek with No Loss in Pay," March 13, 2024, <https://www.sanders.senate.gov/press-releases/news-sanders-introduces-legislation-to-enact-a-32-hour-workweek-with-no-loss-in-pay/>. Reintroduction: Office of Representative Mark Takano, "Rep. Takano, Sen. Sanders Reintroduce 32 Hour Workweek Act," news release, September 8, 2026, <https://takano.house.gov/newsroom/press-releases/rep-takano-sen-sanders-reintroduce-32-hour-workweek-act>.

workweek. If the employer schedules the worker for 32 hours per week instead of the prior 40, the weekly cost to the employer stays the same but is 25 percent more per hour than before. If the employer keeps the worker at 40 hours per week, it costs the employer \$1,100 per week, or 37.5 percent more per hour.

Proponents argue that a 32-hour workweek would increase leisure, raise wages, and enable faster employment growth through work-sharing. Prior research suggests these benefits are far from assured: in theory a small reduction in hours can raise employment while a large one reduces it, and in practice the gains have depended on conditions the policy cannot dictate.¹⁹⁴

In prior cases of shortening the standard workweek in Germany (by collective agreement),¹⁹⁵ France,¹⁹⁶ and Portugal,¹⁹⁷ studies found no discernible employment effects, or modest declines.¹⁹⁸ One reason for these limited employment effects may be reductions in the base wage for new hires so the weekly pay remains the same while hours do not fall.¹⁹⁹ As an example, a worker who would have been offered \$20 an hour, or \$800 per week, for 40 hours may be offered instead \$18.18 for the same hours. The worker receives their lower base rate for the first 32 hours, then time-and-a-half (or \$27.27) for the last 8 hours, which delivers the same \$800 per week.²⁰⁰

We estimate the impacts of a 32-hour workweek based on findings from Carry et al. (2026), which studies a related policy in France. France reduced the statutory workweek from 39 to 35 hours, effective January 2000 for firms with more than 20 employees and January 2002 for smaller firms, with monthly pay protected.²⁰¹ The French government offered payroll tax subsidies to offset firms' costs. The authors find that, absent the accompanying payroll tax cuts, the mandate would have reduced employment 4 percent and total hours 9.5 percent, and that the tax cuts fully offset the employment loss (and about 60 percent of the wage increase) at a

¹⁹⁴ Ramon Marimon and Fabrizio Zilibotti, "Employment and Distributional Effects of Restricting Working Time," *European Economic Review* 44, no. 7 (2000): 1291–1326, [https://doi.org/10.1016/S0014-2921\(00\)00032-5](https://doi.org/10.1016/S0014-2921(00)00032-5), predict small reductions in working time regulations increase employment while large reductions decrease employment, yet conclude that these regulations benefit both employed and unemployed workers.

¹⁹⁵ Jennifer Hunt, "Has Work-Sharing Worked in Germany?," *Quarterly Journal of Economics* 114, no. 1 (1999): 117–148, <https://doi.org/10.1162/003355399555963>.

¹⁹⁶ Bruno Crépon and Francis Kramarz, "Employed 40 Hours or Not Employed 39: Lessons from the 1982 Mandatory Reduction of the Workweek," *Journal of Political Economy* 110, no. 6 (2002): 1355–1389, <https://doi.org/10.1086/342807>; Matthieu Chemin and Etienne Wasmer, "Using Alsace-Moselle Local Laws to Build a Difference-in-Differences Estimation Strategy of the Employment Effects of the 35-Hour Workweek Regulation in France," *Journal of Labor Economics* 27, no. 4 (2009): 487–524, <https://doi.org/10.1086/605426>.

¹⁹⁷ Pedro S. Raposo and Jan C. van Ours, "How Working Time Reduction Affects Jobs and Wages," *Economics Letters* 106, no. 1 (2010): 61–63, <https://doi.org/10.1016/j.econlet.2009.10.001>; Marta C. Lopes and Alessandro Tondini, "Firm-Level Effects of Reductions in Working Hours," FBK-IRVAPP Working Paper 2022-05 (Research Institute for the Evaluation of Public Policies, 2022), https://irvapp.fbk.eu/wp-content/uploads/2022/07/WP_IRVAPP_2022_05.pdf (superseded by Kentaro Asai, Marta C. Lopes, and Alessandro Tondini, 2024, which finds adverse employment and output effects in Portugal).

¹⁹⁸ For a study across European countries, see Cyprien Batut, Andrea Garnero, and Alessandro Tondini, "The Employment Effects of Working Time Reductions: Sector-Level Evidence from European Reforms," *Industrial Relations: A Journal of Economy and Society* 62, no. 3 (2023): 217–232, <https://doi.org/10.1111/irel.12323>. Pauline Carry, Claire Montialoux, Elio Nimier-David, Alexandra Roulet, and Nina Roussille, "The Effects of a Shorter Workweek on Employment, Output, and Productivity," slides presented at the NBER Summer Institute (Labor Studies and Public Economics), July 29, 2026, https://conference.nber.org/conf_papers/f246690.slides.pdf. The authors find that the pay-preserving workweek reduction would have reduced employment 4 percent, that the simultaneous payroll tax cuts fully offset that loss, and that total factor productivity gains (3.5 percent as measured, 2 percent after adjusting for skill mix and decreasing returns) mitigated output losses.

¹⁹⁹ On firms and hires negotiating over a package, rather than just the hourly rate, see Stephen J. Trejo, "The Effects of Overtime Pay Regulation on Worker Compensation," *American Economic Review* 81, no. 4 (1991): 719–740, <https://www.jstor.org/stable/2006639>.

²⁰⁰ $(\$18.18 \times 32) + (\$18.18 \times 1.5 \times 8) = 799.92$.

²⁰¹ Eurofound, "35-Hour Working Week Law Adopted," *EurWORK*, 2000, <https://www.eurofound.europa.eu/en/publications/all/35-hour-working-week-law-adopted>.

gross fiscal cost equal to 63 percent of an annual wage per job saved. We use these findings to model the Act's prospective impact on employment, GDP, and tax revenue.

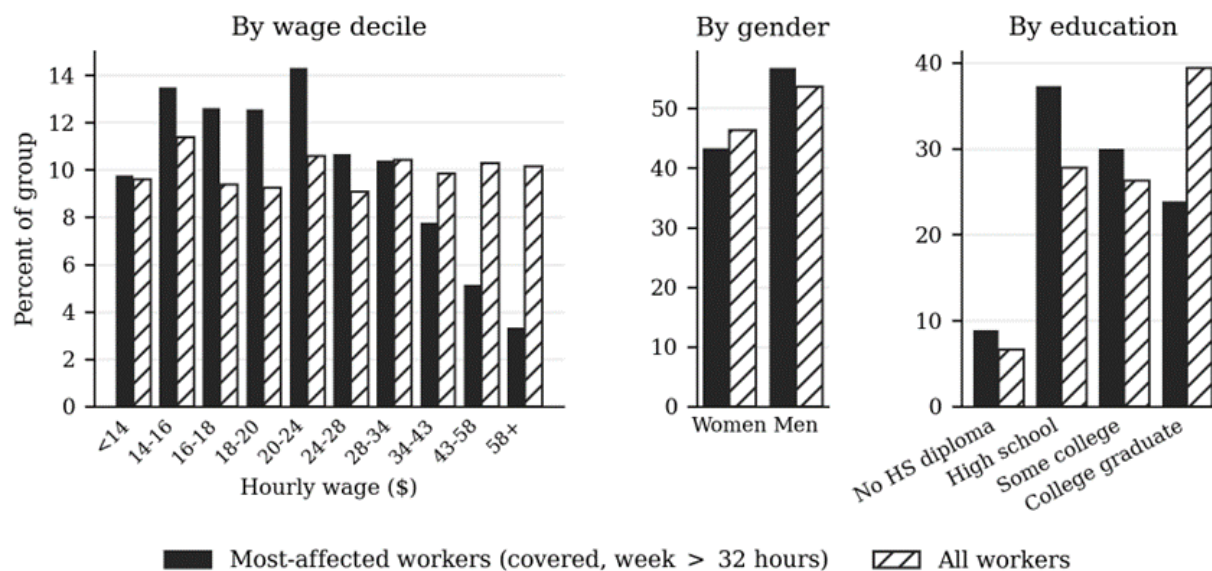
We estimate that employment among non-exempt workers who usually work more than 32 hours would decline between **8.1 and 11.9 percent**. This is a loss of **4.2 to 6.9 million jobs**. In our central case, GDP declines 1.5 percent, a loss of **\$5.2 trillion** over ten years, and the total fiscal effect across all levels of government would be a loss of about \$1.5 trillion.

Analysis

The Thirty-Two Hour Workweek Act primarily affects workers in the lower middle of the wage distribution: working-class, not poor, and not the professional middle. We identify them in the Current Population Survey earnings module for 2022 through 2024. Since the survey does not ask whether a worker is legally covered by overtime, we reconstruct coverage from the original FLSA's conditions: whether the worker is paid hourly, whether the salary is below the legal threshold, and whether the job's duties qualify for exemption. Combining coverage with usual hours, 58.4 million private-sector workers are paid hourly and usually work more than 32 hours, and would therefore be entitled to premium pay under the new overtime threshold. Figure 7-1 breaks down the categories of workers to whom the policy would apply.

Coverage falls as pay rises because managers and professionals are exempt. At the bottom decile of pay, many workers are part-time and already below 32 hours a week. The bill's reach is thus concentrated in the second through fifth wage deciles, roughly \$14 to \$24 an hour, where 62 to 70 percent of workers are affected. The lowest decile appears roughly in proportion to its population size, while the highest decile supplies just 3 percent of the affected group against 10 percent of all workers. By gender, men are slightly more affected than women. And, by education, individuals who have received less than a college diploma are overrepresented: high school graduates are 37 percent of the affected group versus 28 percent of all workers, while college graduates are 24 percent versus 39 percent.

Figure 7-1. Affected Workers by Hourly Wage, Gender, and Education, 2022–2024



Note: Solid bars show the composition of the most-affected population: workers covered by overtime law whose usual week exceeds 32 hours, the group whose schedules shorten (and whose leisure rises) under the reform. Hatched bars show all workers. Deciles are defined over all workers; because wages cluster at round numbers, the hatched bars deviate slightly from 10 percent (above in the \$14–16 bin, for example, and below in the \$24–28 and \$34–43 bins). The affected population is concentrated between about \$14 and \$24 an hour, or the second through fifth wage deciles, modestly more male than the workforce, and disproportionately made up of high school graduates; college graduates, who are more often exempt, are underrepresented. Data come from the Current Population Survey, 2022–2024.

The French Reform

France’s 35-hour workweek was an initiative of the Socialist-led Jospin government²⁰² announced in 1998, enacted in the Aubry laws of 1998 and 2000, and implemented in two stages: firms with more than 20 employees were mandated to move from a 39- to a 35-hour workweek in 2000, and smaller firms followed in 2002. Weekly pay was held constant, so the four-hour reduction amounted mechanically to an 11.4 percent increase in the hourly wage. The law was paired with cuts to employer payroll taxes on low wages, conditional on actually reducing hours and claimable only by firms that signed a workweek-reduction agreement. Managers and high-skill professionals (about 10 percent of jobs) took the reduction as additional holidays rather than shorter weeks, and hours worked above 35 carried a 25 percent overtime premium. The stated purpose was to reduce unemployment through work-sharing.

The authors study the reform using French administrative data: employer–employee files that cover private-sector workers and report earnings, annual hours, job spells, and occupation; firm balance sheets that give value

²⁰² Loi n° 98-461 du 13 juin 1998 d’orientation et d’incitation relative à la réduction du temps de travail, art. 1 (35 hours from January 1, 2000 for firms with more than 20 employees, and from January 1, 2002 for others), codified at former Code du travail art. L. 212-1 bis, <https://www.legifrance.gouv.fr/codes/id/LEGIARTI000006647235/1998-06-14>. Loi n° 2000-37 du 19 janvier 2000 relative à la réduction négociée du temps de travail (text as adopted, <https://www.assemblee-nationale.fr/11/pdf/ta/ta0403.pdf>). The 1997 legislative program of the Jospin government is described in the Assemblée nationale report cited there.

added, profits, and inputs; the register of workweek-reduction agreements; and a labor force survey that includes a 2001 supplement on working-time changes covering 14,000 workers. Their analysis exploits the staggered rollout: firms just above and below the 20-employee threshold (22 to 48 versus 10 to 18 employees in 1997) are compared before and after 2000, over a panel that ends in 2001. The law assigned firms by size, but not every mandated firm moved to a 35-hour week, so the authors scale their estimates by how much the mandate shifted adoption to recover the effect on firms that changed their hours because of the law. The 4 and 9.5 percent figures used below are the average effects across all mandated firms, not those rescaled estimates.

Since the mandate and the tax cuts arrived together, the authors separate the two using the joint variation in each firm's pre-reform full-time share and its exposure to the tax-cut schedule, which isolates the effect of mandating 35 hours absent the subsidy.

The authors find that the pay-preserving workweek reduction, taken on its own, would have reduced employment by 4 percent and total hours by 9.5 percent at mandated firms. The burden fell on lower-skill workers: under the reform as enacted, which included payroll tax cuts, employment of managers and professionals rose 2.6 percent while employment of other employees fell 2.7 percent, leaving the total roughly unchanged. The payroll tax cuts fully offset the employment loss that would have otherwise occurred, while total hours fell by 6 percent. The subsidies did not pass through to wages, and their gross cost was 63 percent of an annual wage per job saved. On the output side, the workweek reduction lowered value added by 1.6 percent, or 1 percent once the tax cuts were included. This is a smaller decline than the fall in hours because total factor productivity rose by 3.5 percent as measured and 2 percent after accounting for the change in skill mix and decreasing returns. The remaining output loss was borne roughly 30 percent by profits and 70 percent by the lower-skill wage bill. These results form the basis of our analysis of the Thirty-Two Hour Workweek Act.

The Thirty-Two Hour Workweek Act

CEA modifies the analysis above based on the differences between the French experience and the DSA proposal. France cut its standard workweek by about 10 percent; the Act would cut the American threshold by 20 percent. We express each French result as the impact per 1 percent reduction in the workweek (e.g., employment fell 0.38 percent for every percent cut from the workweek, total hours 0.92 percent, and value added 0.15 percent) and then apply those rates to a cut twice as large. Because the French payroll subsidies fully offset that country's job losses, and the Act contains no comparable provision, we use the study's estimate of the workweek reduction taken on its own. Applying these rates to the 58.4 million estimated American workers the Act would reach, drawn from the Current Population Survey (2022–2024), produces the employment and hours results reported below.

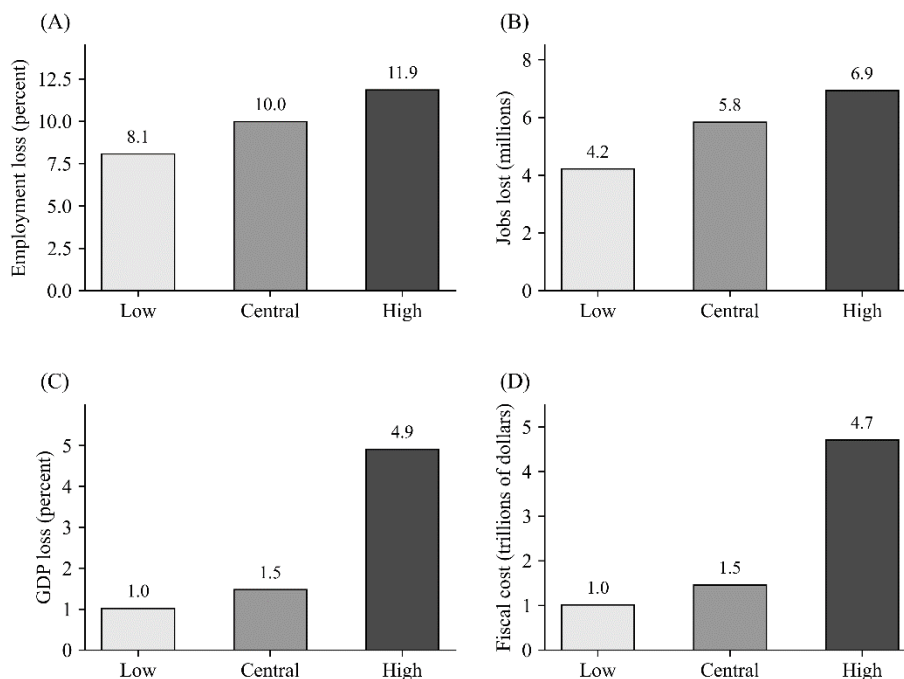
The methodology for assessing output and revenue impacts follows similar logic. The study measures the effect on value added directly, and because that estimate already accounts for the 2 percent productivity gain among the workers who remain, we transfer it rather than rebuilding output from a production function. Scaling that firm-level effect by the share of national output the affected group produces, which we proxy at 35.7 percent, the midpoint of their 30.8 percent share of the wage bill and their 40.6 percent share of hours worked, converts it into a GDP effect. We then apply that percentage loss to a \$31.9 trillion economy growing at 2 percent a year, adjusted for inflation, and sum over a decade. Tax consequences follow by applying the historical shares of GDP collected by the federal government, 17.5 percent, and by state and local governments, 9 percent, with a second estimate built from the lost wages of displaced workers as a cross-check. The appendix describes each step, its arithmetic, and its sources in full.

We estimate three cases, which differ by the judgments used to extrapolate the French results. The first is how sharply costs rise with the size of the hours cut, which matters most for employment. Our central case assumes costs rise faster than proportionally because we scale the estimated French elasticities by a quarter (from 0.38 to 0.47 for employment, and the same proportions for the hours, output, and productivity elasticities); the low case applies them unchanged so they scale proportionally, and the high case scales them by an additional quarter (1.5 instead of 1.25). The reason for this scaling is that we assume the adjustment costs to firms will be convex: a firm that cuts hours per worker must either replace those hours with new workers, which carries fixed hiring and training costs, or forgo the output. The deeper the cut, the more adjustment must come through headcount rather than trimming slack or reshuffling schedules. The second decision, which matters most for output, is how strongly output follows labor input: the French results imply that a 10 percent drop in hours worked produces a 3.6 percent drop in output, which the low and central cases use, while the high case substitutes labor's conventional 0.60 share of national income (or a 6.0 percent drop in output for a 10 percent drop in hours worked). The third is how much of the economy the affected group represents, bounded by their 30.8 percent share of the wage bill and their 40.6 percent share of hours worked, with the central case taking the midpoint. The fourth is how many workers the Act reaches, 52.2 million under a stricter reconstruction of overtime coverage or 58.4 million under ours.

The American proposal cuts the threshold about twice as deeply as the French reform did, so the transfer is a matter of applying the estimated elasticities at that larger scale. Moving from 40 hours to 32 is a reduction of 22.3 log points, 2.06 times the French cut. At that scale, employment among affected workers falls 10.0 percent in the central case, a loss of **5.8 million jobs**, with the three cases spanning 8.1 to 11.9 percent, or 4.2 to 6.9 million jobs. Total hours fall 22.7 percent, and hours per worker fall from 40.9 to 35.1, since roughly half of any mandated reduction historically reaches hours actually worked. Value added at affected firms falls 4.1 percent, considerably less than hours, because the workers who remain are more productive.

Because that loss recurs each year, it is worth valuing over a time horizon. In the central case, GDP falls 1.47 percent, about \$470 billion in the first year. Over ten years, with GDP growing at 2 percent annually in real terms, forgone output totals **\$5.2 trillion** in 2026 dollars. The low case gives 1.0 percent and \$3.6 trillion, the high case 4.9 percent and \$17.5 trillion. That upper figure is driven almost entirely by the choice of how strongly output follows labor input, which alone accounts for most of the distance between the cases. The calculation makes both adjustments explicitly year by year, so that the same percentage loss represents more dollars as the economy grows while each year's loss is discounted by the number of years elapsed.

Figure 7-2. Estimated Effects of the Thirty-Two Hour Workweek Act, Low, Central, and High Cases



Note: Panels report the low, central, and high cases from our estimates. The central case assumes the cost of the mandate rises faster than proportionally with the size of the cut by applying a convexity factor of 1.25 to the elasticities estimated for France. Affected workers are the 58.4 million paid hourly who usually work more than 32 hours from the Current Population Survey. The low case uses the 52.2 million implied by the duties-test definition of overtime coverage: white-collar workers (defined by major SOC group) and first-line supervisors are exempt. Fiscal cost is lost federal, state, and local revenue over ten years plus first-year unemployment insurance outlays, in 2026 dollars.

Lower output means lower tax receipts, which we estimate two ways. Applying the federal revenue share of 17.5 percent of GDP that CBO projects for 2026 (the 50-year average is 17.3 percent) to the ten-year output path gives a federal loss of \$918 billion in the central case; adding state and local taxes at 9 percent of GDP brings the combined loss to **\$1.39 trillion**, or \$124 billion in the first year. Working instead from the ground up, that is, 5.8 million lost jobs at average earnings of \$58,501, taxed at a combined payroll and income rate of 24.3 percent, gives \$829 billion over the same period. The second figure is smaller since it counts only the wage taxes of displaced workers and omits the taxes on capital income and consumption that also fall. Unemployment insurance adds roughly \$68 billion in first-year outlays, which brings the total fiscal effect to a loss of **\$1.46 trillion**, with the three cases spanning \$1.0 to \$4.7 trillion.

The cases above bracket how sharply costs might rise with the size of the cut, but none escapes the fact that the elasticities were estimated on a smaller change. The French estimates are averages across all mandated firms over the two years after the mandate took effect. The study's estimates for the firms that actually moved to 35 hours are roughly three times larger because by 2001 only about a third more mandated than unmandated firms had adopted the shorter week; if American employers shift to 32-hour schedules more uniformly than French firms had, the effects may be larger than those reported here. And because they compare mandated firms with

unmandated ones, applying them economy-wide assumes no offsetting gains at firms that escape the mandate, which would make the true aggregate effect smaller.

Conclusion

The Thirty-Two Hour Workweek Act would, by CEA's estimates, result in the loss of between 4.2 and 6.9 million jobs, reducing employment among affected workers by 10.0 percent in our central case. Moreover, total hours fall 22.7 percent. Instead of delivering greater leisure and work-sharing, Americans would experience a significant weakening in the labor market. As a result, output falls 1.47 percent, about \$470 billion a year and \$5.2 trillion over a decade in 2026 dollars, and the combined federal, state, and local fiscal cost is \$1.46 trillion. The measured increase in productivity comes not from any actual gains, but rather from the displacement of lower-productivity workers from the labor market.

If the United States were to try to mitigate these employment losses by adopting payroll tax subsidies in a manner similar to what France implemented, the fiscal cost would be roughly \$215 billion a year, or about \$2.1 trillion over the decade, which adds to the roughly \$1.5 trillion fiscal cost estimated above. Even then, the experience from France indicates that output would still fall.

Alternatively, firms could try to maintain employment by passing costs on to households in the form of higher prices or through evasion by reclassifying jobs as exempt. It is also unclear how the pay guarantee would be enforced for new hires for whom there is no pre-reform wage to anchor to. Either way, CEA's analysis here indicates that the Act would fail to deliver on its promises, and instead lead to some combination of lower employment, lower growth, and higher prices.

Appendix

Every input comes from one of three sources: the French study described above, the Current Population Survey, or standard macroeconomic aggregates. From the study we take the workweek before and after the reform, 39 hours and 35; the effect of the pay-preserving reduction on employment, a decline of 4 percent; on total hours, a decline of 9.5 percent; and on value added, a decline of 1.6 percent; together with the 2 percent productivity gain, and the subsidy's cost of 63 percent of an annual wage per job saved. From the Current Population Survey for 2022 through 2024 we take the group the Act would reach: 58.4 million workers who are paid hourly and usually work more than 32 hours, averaging 40.9 hours a week, earning \$54,168 a year, and producing between 30.8 and 40.6 percent of national output, measured respectively by their share of the wage bill and their share of hours worked. The remaining inputs are a \$31.9 trillion economy growing at 2 percent a year in real terms, 2.5 percent annual inflation, labor's 0.60 share of national income, and the revenue shares of GDP collected by the federal government, 17.5 percent (CBO's projection for 2026), and by state and local governments, 9 percent.

Because the French reform and the American proposal differ in size, the French results must be put in a form that can be rescaled. We convert each percentage change into a logarithmic one, which allows the pieces to be added: total hours equal employment times hours per worker, so the change in total hours is the sum of the other two. That identity recovers the drop in hours per worker, 5.7 percent, as the difference between the 9.5 percent drop in total hours and the 4 percent drop in employment. Dividing each effect by the size of the cut that produced it turns it into an elasticity, the change in an outcome per 1 percent reduction in the standard workweek: 0.38 for employment, 0.92 for total hours, 0.15 for value added, and 0.18 for productivity, which rose. Notably, only 55 percent of the mandated four-hour cut reached hours actually worked, with the remainder absorbed by holidays and overtime.

Cutting four hours from a 39-hour week while holding weekly pay fixed raises the hourly cost of a worker by 11.4 percent mechanically, though because firms delivered only half the cut in practice, the realized increase was 6.1 percent. The French subsidy was designed to absorb that, and its size follows from the study's own accounting: preserving the 4 percent of jobs otherwise lost, at 63 percent of an annual wage each, implies a subsidy worth roughly 2.5 percent of the total wage bill. That figure is what a U.S. act would have to spend to reproduce the French offset, and the American proposal contains no such provision.

Before transferring any of this to the United States, it is worth asking what the French results imply about how output responds to labor. Output equals productivity times labor input raised to some power, and that power can be recovered directly: subtracting the 2 percent productivity gain from the 1.6 percent decline in value added and dividing by the 9.5 percent decline in hours gives 0.36. That is well below labor's 0.60 share of national income, the figure such calculations ordinarily use, which means French firms lost considerably less output than a conventional calculation would predict from losing 9.5 percent of their hours. We carry both values forward, since the gap between them is the largest source of uncertainty in the output estimate.

The transfer to the United States is a matter of applying these elasticities at the scale of the American proposal. Moving the threshold from 40 hours to 32 is a reduction of 22.3 log points, 2.06 times the French cut of 39 to 35 hours. Applying the elasticities at that scale unchanged would assume the effect grows in exact proportion to the size of the cut; our central case instead scales them upward by a further quarter, for the reasons given in the main body, with the low and high cases applying factors of 1.00 and 1.50. At the central factor, employment among affected workers falls 10.0 percent, or 5.8 million jobs against the base of 58.4 million; total hours fall 22.7

percent; and hours per worker fall from 40.9 to 35.1, since the French pass-through of 55 percent, scaled by the same factor, carries over. Value added at affected firms falls 4.1 percent.

Converting that firm-level effect into a national one requires knowing what share of output those firms produce. We use 35.7 percent, the midpoint of the two bounds described above, which gives a GDP decline of 1.47 percent, or \$470 billion against a \$31.9 trillion economy. Two checks confirm the step. Rebuilding the same figure through growth accounting by scaling the productivity gain by the same factor and applying the implied coefficient of 0.36 to the change in labor input reproduces it exactly, which confirms the chain is internally consistent. Substituting labor's 0.60 share instead raises the decline to 3.6 percent, and that substitution, rather than any other single choice, accounts for most of the distance between our low and high cases.

Because the loss recurs annually, we value it over a ten-year window. We calculate this explicitly year by year rather than through a formula: each year's nominal GDP level grows at 2 percent plus 2.5 percent inflation, the percentage loss is applied to that growing level, and the resulting dollar figure is divided by the price level, 1.025 raised to the number of years elapsed, to express the result in real 2026 dollars. Summing the ten losses adjusted for inflation gives a value of \$5.2 trillion. Both rates are held fixed across all three cases, so they contribute nothing to the range.

Tax consequences are estimated two ways. The first applies revenue shares of GDP to the ten-year output path: 17.5 percent for the federal government gives a loss of \$918 billion over ten years, and adding 9 percent for state and local governments brings the combined figure to \$1.39 trillion, or \$124 billion in the first year. The second works upward from lost wages: 5.8 million jobs at average earnings of \$58,501, that is, the 2022–2024 figure of \$54,168 raised by 1.08 to 2026 dollars, taxed at a combined payroll and income rate of 24.3 percent, gives \$83 billion a year and \$829 billion over the decade. The second is smaller by construction since it captures only the wage taxes of displaced workers and omits taxes on the capital income and consumption that also decline. Unemployment insurance, at 20 percent of an annual wage per job lost and counted once rather than annually, adds \$68 billion in first-year outlays, bringing the total fiscal effect to \$1.46 trillion. The low and high cases repeat this entire chain with the convexity factor set to 1.00 and 1.50, respectively, the production coefficient to 0.36 and 0.60, the output weight to 0.308 and 0.406, and the affected population to 52.2 and 58.4 million, yielding totals of \$1.0 and \$4.7 trillion.

CHAPTER 8. WEALTH TAX

Key Findings

The Democratic Socialists of America’s 2026 program calls for “aggressive wealth taxes on the richest individuals and corporations,”²⁰³ without specifying a rate or threshold. A concrete legislative proposal in this direction, the Make Billionaires Pay Their Fair Share Act (S. 3956; House companion H.R. 7767),²⁰⁴ was introduced by Senator Bernie Sanders and Representative Ro Khanna earlier this year. The bill levies a flat 5 percent annual tax on the entire net worth of any “applicable taxpayer,” defined as an individual, married couple, or trust whose net worth exceeds \$1 billion (a cliff threshold, indexed for inflation after 2026); the first \$1 billion is not exempt. CEA staff estimated the economic impacts of such a wealth tax on billionaires. We find that, relative to a baseline where the wealth tax is not implemented:

- The tax would lower real wages by about 2.5 percent—roughly \$1,700 a year for the median full-time worker (in 2026 dollars)—and reduce employment by roughly 1.1 million workers by the tenth year.
- Real GDP would be about 2.43 percent lower than baseline by the tenth year.
- The price level would be about 2.8 percent higher by the tenth year, equivalent to roughly 0.28 percentage point of additional inflation per year.
- Stock market capitalization would decline by around \$3.8 trillion (in 2026 dollars), equivalent to a \$2,100 loss for the median 401(k) retirement account.

We note that the key reason why the percent decline in GDP (2.43 percent) is much larger than the percent decline in employment (0.63 percent) is that taxing the wealth of billionaires at 5 percent reduces labor productivity, not just labor supply. That is, a tax on billionaire wealth leads to a decline in entrepreneurial activity and, therefore, a reduction in the benefits that come with plentiful activity by high-skilled entrepreneurs. Taxing billionaires is taxing the activities that create billionaires, which are activities that tend to produce growth for the broader economy and impact all Americans—not just the billionaires.

Table 8-1. Central Estimates of the Effects of the Sanders–Khanna Wealth Tax

Outcome	Sanders–Khanna wealth tax
Revenue	\$3.94 trillion in 2026 dollars (\$4.4 trillion nominal) over ten years (sponsors’ estimate, accepted for scoring; CEA alternatives ≈\$2.5 trillion) from the wealth tax, partially offset by an estimated \$449 billion loss of income tax revenue due to lower wages.
GDP	–\$8.6 trillion over ten years in steady state

²⁰³ Democratic Socialists of America, Workers Deserve More (2026 program), “Economic Democracy,” <https://program.dsusa.org/#demand-economic-democracy>.

²⁰⁴ Make Billionaires Pay Their Fair Share Act, S. 3956, 119th Cong. (introduced March 2, 2026), <https://www.congress.gov/bill/119th-congress/senate-bill/3956>, text at <https://www.govinfo.gov/content/pkg/BILLS-119s3956is/pdf/BILLS-119s3956is.pdf>; H.R. 7767, 119th Cong. (introduced March 3, 2026), <https://www.congress.gov/bill/119th-congress/house-bill/7767>.



Outcome	Sanders–Khanna wealth tax
Inflation	Price level +2.79 percent by year ten (≈ 0.28 percentage point per year)
Wages (2026 dollars)	–2.5 percent ($\approx$ –\$1,700 a year at median full-time earnings)
Employment	–1.1 million workers (participation) and –0.83 percent hours per worker, year ten
Stock Market	–\$3.8 trillion lost in market capitalization by 2035, equivalent to losses of roughly \$2,100 in the median 401(k) retirement account.

Source: CEA calculations; revenue estimate from Saez and Zucman (letter of Mar. 2, 2026).

The Proposal

The Make Billionaires Pay Their Fair Share Act, introduced March 2, 2026, as S. 3956 by Senator Bernie Sanders (I-VT), with a House companion (H.R. 7767) from Representative Ro Khanna (D-CA), would levy a 5 percent annual tax on the entire net worth of individuals and trusts whose net worth exceeds \$1 billion, with the threshold indexed for inflation after 2026; covered expatriates would pay a 60 percent exit tax in the year they renounce citizenship. The sponsors’ economists count 938 U.S. billionaires holding a combined \$8.2 trillion (Forbes real-time list, January 1, 2026) and cite a revenue estimate of \$4.4 trillion over ten years prepared by economists Emmanuel Saez and Gabriel Zucman.²⁰⁵ The bill establishes a federal wealth registry and directs an audit rate of no less than 50 percent of covered taxpayers. The bill pairs the tax with a one-time \$3,000-per-person rebate (Title II) and permanent expansions of health, child-care, and education spending (Titles III–VIII). For this scoring CEA assumes all wealth-tax revenue is spent rather than used for deficit reduction.

Table 8-2. Principal Provisions of the Make Billionaires Pay Their Fair Share Act

As introduced (S. 3956, Mar. 2, 2026); wealth-tax parameters from the bill text, Title I

Provision	Proposal
Statutory rate	5 percent per year on entire net worth of taxpayers with net worth above \$1 billion (cliff threshold, indexed)
Base	All assets net of debts, valued each December 31; 938 billionaires, \$8.2 trillion (Forbes, Jan. 1, 2026)
Revenue claimed	\$4.4 trillion over ten years (Saez–Zucman), equivalent to \$3.94 trillion in 2026 dollars.

²⁰⁵ Emmanuel Saez and Gabriel Zucman, letter to Senator Bernie Sanders on the proposed 5 percent billionaire wealth tax, March 2, 2026, <https://www.sanders.senate.gov/wp-content/uploads/saez-zucman-sanders2026wealthtax.pdf>. The letter reports 938 billionaires holding \$8,189 billion as of January 1, 2026 (Forbes real-time list), a 10 percent evasion/avoidance rate, first-year revenue of \$368.5 billion, and roughly \$4.4 trillion over ten years.

Provision	Proposal
Administration	Wealth registry; audit floor of 50 percent of covered taxpayers
Precedent	No federal net wealth tax has existed in the U.S. Abroad, annual net wealth taxes have generally carried top rates of 0.5–2.5 percent; the highest top rates on record were about 3.5–4 percent (Spain’s current 3.5 percent; Sweden’s 4 percent top marginal rate in 1983). A sustained 5 percent annual rate would be unprecedented.

Sources: S. 3956, Make Billionaires Pay Their Fair Share Act (introduced Mar. 2, 2026), Titles I–II; Saez and Zucman letter (Mar. 2, 2026); Sanders Senate office release (Mar. 2, 2026).

Revenue and Mechanism

Neither the Joint Committee on Taxation nor CBO has scored S. 3956, and no full dynamic estimate has been published; the Tax Foundation (March 2026) and the American Enterprise Institute (March 2026) have published alternative revenue estimates of roughly \$3.3 trillion and \$2.3 trillion over ten years, respectively, under higher avoidance assumptions.²⁰⁶ The sponsors’ scoring, set out in the Saez–Zucman letter accompanying the bill, estimates that a 5 percent annual tax on billionaires’ wealth would raise \$368.5 billion the first year and \$4.4 trillion in ten years. This calculation assumes an initial wealth base of \$8,189 billion (from 938 American billionaires as of Forbes’ January 1, 2026 list) and an evasion/avoidance rate of 10 percent. They implicitly assume that wealth avoided or evaded from tax authorities does not erode capital and stays productive in the economy at the same rate as the rest of the wealth. The letter assumes that the tax would slow billionaires’ wealth growth by about 5 percentage points per year, from the 6.5 percent real annual growth of Forbes 400 wealth over 1982–2025 to roughly the annual growth of average real family income over the same period, which the letter treats as the pace of the economy. CEA’s reconstruction of the letter’s figure uses a 4 percent nominal (1.5 percent real) growth path, which reproduces the \$4.4 trillion total. With these assumptions, they estimate that the decade’s nominal revenue would be \$4.4 trillion (\$3.94 trillion in 2026 dollars).

A Wealth Tax Is Equivalent to a Much Larger Tax on Income, Savings, and Capital Returns

A wealth tax rate understates the economic burden, which is conventionally measured relative to the return to wealth rather than the total stock of wealth. At the margin, for every additional dollar that a billionaire saves in safe assets (earning about 4 percent risk-free return), a 5 percent wealth tax is equivalent to a 130 percent tax on the return to savings. The billionaire would therefore need a much higher return to avoid losing money. At a nominal return of 9 percent (or a 6.5 percent return adjusting for inflation, following the sponsors’ assumptions), a 5 percent tax on wealth is equivalent to a 60.55 percent tax on income from savings and capital returns.²⁰⁷ This is in addition to any pre-existing taxation of the same income. Incorporating pre-existing federal taxes on capital

²⁰⁶ Garrett Watson and Alex Durante, “How Much Revenue Would Senator Sanders’ Wealth Tax Proposal Really Raise?,” Tax Foundation, March 5, 2026 (updated March 11, 2026), <https://taxfoundation.org/blog/bernie-sanders-wealth-tax-billionaires/> (about \$3.3 trillion under a 33 percent avoidance assumption); Kyle Pomerleau, “Senator Sanders’s Wealth Tax Won’t Raise \$4.4 Trillion,” American Enterprise Institute, March 2026, <https://www.aei.org/economics/senator-sanders-wealth-tax-wont-raise-4-4-trillion/> (about \$2.3 trillion).

²⁰⁷ With no pre-existing tax $\tau_k = 0$, the equivalent tax is $\tau_w \left(1 + \frac{1}{i}\right)$. Using $\tau_w = 0.05$ and $i = 0.04$, we get $0.05 \left(1 + \frac{1}{0.04}\right) = 1.3$. Using $i = 0.09$, we get $0.05 \left(1 + \frac{1}{0.09}\right) = 0.6055$. See the Appendix for details and derivation of the general formula.

income (23.8 percent on long-term gains and dividends; up to 40.8 percent on ordinary investment income) raises the combined effective rate to roughly 83–99 percent at a 9 percent return, and to well above 100 percent on safe assets and once state taxes are added. At returns below 5 percent—including current risk-free rates—the levy consumes principal rather than income; at the roughly 9 percent nominal return the sponsors’ economists assume, it absorbs over three-quarters of the real return.

A Wealth Tax on Billionaires Is a Tax on the Activities That They Do

Lucas’s 1978 foundational framework²⁰⁸ explains how wealth and firm size are driven by scarce managerial talent of individuals with exceptional entrepreneurial ability. Extending Lucas’s work, Cagetti and De Nardi (2006)²⁰⁹ explain that wealth concentration is not an accident of passive capital accumulation, but the result of high-ability entrepreneurs funding productive enterprises under borrowing constraints. They contrast entrepreneurs who create enormous wealth and social welfare (billionaires) with those who do not (typical self-employed persons). They argue that billionaire entrepreneurs flourish only where property rights are well protected, whereas self-employed entrepreneurs are associated with weak property rights, interventionist institutions, and poverty. The proposed 5 percent wealth tax would substantially weaken the process described by these authors by capturing a large share of the returns to billionaire-owned businesses. Therefore, it is not only a tax on billionaires’ wealth but also a tax on the activities that billionaires do, the effect of which is quantified in the following section.

The Effects of Declining Entrepreneurship

To estimate the effect of the tax, CEA applies Kitao’s (2008)²¹⁰ general-equilibrium model of entrepreneurship, taxation, and capital investment. The model divides households between workers with different levels of labor productivity and entrepreneurs with different levels of entrepreneurial ability. Each period, individuals decide whether to work for a wage in an existing business or to become entrepreneurs and run their own business, choosing how much capital to invest and how much labor to employ. Entrepreneurs do not supply labor of their own for a wage; instead, their income comes from the returns on their businesses. We assume that billionaire wealth is entrepreneurial rather than risk-free in nature, given that the Federal Reserve’s Distributional Financial Accounts²¹¹ show that, as of the fourth quarter of 2025, the top 0.1 percent held \$13.33 trillion in corporate equities and mutual funds and \$4.68 trillion in unincorporated businesses, which is approximately 71 percent of their gross assets; most of the remainder is also saved in real estate, deposits, pensions, and other assets.

Raising the marginal tax on business income lowers the after-tax return to entrepreneurship, causing some individuals to become workers instead of business owners and leading continuing entrepreneurs to invest less. The resulting reduction in entrepreneurial activity lowers the economy’s demand for capital and labor, affecting wages, investment, and output throughout the economy.

To assess the aggregate effects of the proposed wealth tax on the economy’s steady state, CEA extrapolates the relationships between the business-income-tax rate, aggregate capital, and output estimated across Kitao’s full

²⁰⁸ Robert E. Lucas Jr., “On the Size Distribution of Business Firms,” *Bell Journal of Economics* 9, no. 2 (1978): 508–523, <https://doi.org/10.2307/3003596>.

²⁰⁹ Marco Cagetti and Mariacristina De Nardi, “Entrepreneurship, Frictions, and Wealth,” *Journal of Political Economy* 114, no. 5 (2006): 835–870, <https://doi.org/10.1086/508032>.

²¹⁰ Sagiri Kitao, “Entrepreneurship, Taxation and Capital Investment,” *Review of Economic Dynamics* 11, no. 1 (2008): 44–69, <https://doi.org/10.1016/j.red.2007.05.002>.

²¹¹ Board of Governors of the Federal Reserve System, *Distributional Financial Accounts*, 2025:Q4 release, <https://www.federalreserve.gov/releases/z1/dataviz/dfa/compare/chart/index.html>.

tax range (0 to 40 percent) to the proposed wealth tax's estimated 60.55 percent effective marginal tax rate on entrepreneurial income. The relationships between the business-income-tax rate, aggregate capital, output, and wages are approximately linear across Kitao's modeled range. Extending these relationships to a 60.55 percent effective rate requires an extrapolation of only about 20 percentage points beyond Kitao's highest modeled rate of 40 percent, making a linear extrapolation a reasonable approximation. This extrapolation implies reductions of approximately 39.1 percent in capital, 19.1 percent in output, and 19.8 percent in wages if the model's tax applied across the entire entrepreneurial sector. Because billionaires account for an estimated 12.7 percent of entrepreneurial wealth, CEA scales these effects proportionally to the share of entrepreneurial activity assumed to be affected by the proposed tax.²¹² The resulting estimate implies that the tax would reduce the steady-state aggregate values of:

Capital stock by 4.97 percent, approximately \$6.26 trillion of the \$126.1 trillion of projected capital stock after ten years (in constant 2026 dollars);²¹³

Output (GDP) by 2.43 percent, approximately \$8.6 trillion over a ten-year period in steady state (in constant 2026 dollars); and

Real wages by 2.51 percent, approximately \$1,700 per year for the median full-time worker (in constant 2026 dollars).²¹⁴

Following these declines, the labor supply adjusts through both participation and hours per worker. To estimate the separate effects, we use a labor supply elasticity of 0.25 for participation and an elasticity of 0.33 for hours per worker, for a combined labor-input elasticity of $n=0.58$.²¹⁵ In the steady state, the resulting wage decline reduces labor-force participation by approximately 0.63 percent, equivalent to roughly 1.1 million fewer employed workers based on projected 2035 employment of 176 million,²¹⁶ and reduces hours per worker by approximately 0.83 percent.

²¹² Kitao varies the flat business-income tax from 0 to 40 percent in 5-point steps. In Figure 8, aggregate capital runs from an index value of approximately 1.23 at 0 percent rate to 0.90 at 40 percent. Output runs from 1.09 to 0.95, and wages run from roughly 1.09 to 0.945 across the same range. Extrapolating linearly to 60.55 percent gives capital at 0.730, output at 0.878, and wages at 0.871. Depending on the method used (linear or logarithmic) the percent decline in aggregate capital is 40.6 percent or 37.7 percent (averaging 39.1 percent), the percent decline in aggregate output is 19.4 percent or 18.8 percent (averaging 19.1 percent), and the percent decline in real aggregate wages is 20.1 percent or 19.4 percent (averaging 19.8 percent). We use the average percent declines from both methods and scale them down by the billionaires' share of total entrepreneurial wealth (\$8.2 trillion of \$64.8 trillion or approximately 12.7 percent). Because the aggregate effects are roughly linear within the modeled range, results are similar if the marginal tax increase is measured relative to 0 percent or to a pre-existing saving tax rate including Kitao's benchmark rate. However, doing so would involve a larger extrapolation.

²¹³ CBO's February 2026 Economic Projections report 2035 real GDP of \$28.600 trillion in chained 2017 dollars and a 2026 GDP price index of 132.299 (2017=100). Rebasing gives projected 2035 real GDP of approximately \$37.84 trillion in 2026 dollars. Using a 0.3 GDP-to-capital-stock ratio from PWT implies a 2035 capital stock of approximately \$126.1 trillion in 2026 dollars. Source: Congressional Budget Office, Key Budget and Economic Data, Economic Projections (February 2026), <https://www.cbo.gov/data/budget-economic-data>.

²¹⁴ Using a current wage of \$65,000 (BLS, second quarter 2026), and assuming real wage growth of around 0.5 percent over ten years.

²¹⁵ Raj Chetty, Adam Guren, Day Manoli, and Andrea Weber, "Are Micro and Macro Labor Supply Elasticities Consistent? A Review of Evidence on the Intensive and Extensive Margins," *American Economic Review* 101, no. 3 (2011): 471–475, <https://doi.org/10.1257/aer.101.3.471> (Hicksian elasticities of 0.33 on the intensive margin and 0.25 on the extensive margin); see also Raj Chetty, "Bounds on Elasticities with Optimization Frictions: A Synthesis of Micro and Macro Evidence on Labor Supply," *Econometrica* 80, no. 3 (2012): 969–1018, <https://doi.org/10.3982/ECTA9043>.

²¹⁶ U.S. Bureau of Labor Statistics, "Employment Projections: 2024–2034 Summary," news release USDL-25-1324, August 28, 2025, <https://www.bls.gov/news.release/ecopro.nr0.htm>. BLS projects total employment of 175.2 million in 2034; CEA extends the projection one year at the projected growth rate.

These figures also translate to lost income tax revenue of roughly \$449 billion over ten years after the wage effect reaches the steady state, assuming a 15 percent median effective income tax rate.²¹⁷

Inflation

CEA estimates that the policy would raise the price level by approximately 2.79 percent relative to the no-tax baseline by 2035, due to higher aggregate demand and decreased output.

The total revenue raised by the tax over ten years is \$4.4 trillion, or \$3.94 trillion in 2026 dollars when a 2.5 percent inflation rate is assumed. Parker et al. estimate that households spent between 50 and 90 percent²¹⁸ of the one-time 2008 stimulus payments when durable purchases were included. Using the midpoint estimate of 70 percent, recipients would consume approximately \$475.2 billion of the \$678.9 billion distributed through the one-time \$3,000 payments and save approximately \$203.7 billion. The \$678.9 billion cost is calculated by multiplying the proposed \$3,000 payment by approximately 226.3 million eligible people, based on a CEA tabulation of the Census Bureau's 2025 Current Population Survey Annual Social and Economic Supplement²¹⁹ identifying people living in households with annual income of \$150,000 or less. The remaining \$3.259 trillion would finance social spending that, by assumption, does not contribute to public or private capital formation. Consequently, the \$203.7 billion saved by transfer recipients would provide the main offset to the \$3.94 trillion withdrawn from billionaire saving and investment. There would also be a small reduction in consumption by billionaires: the Federal Reserve's "Wealth Heterogeneity and Consumer Spending" (Beach, Gamber, and Moran, August 2025)²²⁰ estimates that households in the top income quintile spend 0.8 cents per dollar of wealth, implying a \$31.5 billion reduction in billionaire consumption.

The estimated \$3.702 trillion cumulative increase in consumption is equivalent to approximately \$370.2 billion in additional annual spending over ten years. Relative to projected 2035 real GDP of \$37.84 trillion in 2026 dollars, based on CBO's February 2026 Economic Projections,²²¹ this represents a 0.98 percent increase in aggregate real demand. However, applying the 4.97 percent decline in the capital stock to the CBO's projection of \$5.25 trillion in nonresidential fixed investment a year yields a decline of roughly \$261 billion in investment a year, meaning the net increase in aggregate demand is somewhat offset, to \$109 billion, or 0.29 percent. At the same time, the estimated 2.43 percent decline in real output reduces the economy's capacity to supply goods and services. Dividing the resulting increase in aggregate spending by the resulting lower level of real output produces an estimated 2.79 percent increase in the price level; most of this reflects the lower level of real output rather than the additional spending. If this adjustment occurs gradually over ten years, it is equivalent to approximately 0.28 percentage point of additional inflation per year, rather than a recurring 2.79-percentage-point increase in annual inflation. This calculation assumes no offsetting monetary-policy response and that the additional consumption is distributed evenly across the ten-year period.

²¹⁷ \$1,700 multiplied by 176 million workers multiplied by the effective tax rate of 15 percent, aggregated over ten years.

²¹⁸ Jonathan A. Parker, Nicholas S. Souleles, David S. Johnson, and Robert McClelland, "Consumer Spending and the Economic Stimulus Payments of 2008," *American Economic Review* 103, no. 6 (2013): 2530–2553, <https://doi.org/10.1257/aer.103.6.2530>.

²¹⁹ U.S. Census Bureau, Current Population Survey, 2025 Annual Social and Economic Supplement, <https://www.census.gov/data/datasets/2025/demo/cps/cps-asec-2025.html>.

²²⁰ Samara Beach, William Gamber, and Patrick Moran, "Wealth Heterogeneity and Consumer Spending," FEDS Notes, Board of Governors of the Federal Reserve System, August 5, 2025, <https://www.federalreserve.gov/econres/notes/feds-notes/wealth-heterogeneity-and-consumer-spending-20250805.html>.

²²¹ Congressional Budget Office, "Budget and Economic Data: Economic Projections," February 2026, <https://www.cbo.gov/data/budget-economic-data>.

Stock Market and Retirement Saving Effects

Using estimates from a recent Federal Reserve study of S&P 500 earnings and returns over 1993–2023,²²² CEA applies a GDP-to-equity-value elasticity of approximately 1.8. The study finds that a 1 percent change in real GDP is associated with approximately a 4.15 percent change in S&P 500 earnings and that a 1 percent revision in expected current-quarter earnings is associated with an approximate 0.43 percent change in S&P 500 return. Combining these relationships implies that the estimated 2.43 percent reduction in real GDP would lower broad U.S. equity values by approximately 4.3 percent.²²³ Based on projected 2035 capitalization of approximately \$87.4 trillion in 2026 dollars,²²⁴ this represents a reduction of approximately \$3.8 trillion. This estimate isolates the effect of lower economic activity and does not include any additional decline caused by higher required returns, reduced entrepreneurship, or direct asset sales.

The decline in equity values would directly reduce household retirement wealth. Vanguard reports that the median participant balance in employer-sponsored defined-contribution plans was approximately \$44,000 in 2025.²²⁵ Projecting that balance to approximately \$69,300 in 2035, measured in 2026 dollars,²²⁶ and assuming that the median account holds roughly 70 percent of its value in U.S. equities,²²⁷ a 4.3 percent valuation decline would reduce the median balance by approximately \$2,100.

Other Assumption Concerns and Sensitivity Checks

The fixed evasion rate of 10 percent is a strong assumption. Proponents argue that this is achievable with strong enforcement and systematic audits. They also argue that migration responses would be very small because American billionaires would remain liable even if they moved abroad and because renouncing U.S. citizenship to avoid the tax would trigger a large exit tax (the bill sets a 60 percent rate on covered expatriates). Though CEA accepts the 10 percent for the purposes of this scoring, other literature has found much larger behavioral responses to wealth taxes imposed abroad. Brühlhart et al. (2022),²²⁸ for example, find that a 1 percentage point change in a Swiss canton's wealth tax rate moves reported taxable wealth by at least 43 percent after six years, with about a quarter of the response attributable to taxpayer mobility across cantons and a fifth to concurrent housing-price changes; the remainder is attributed largely to evasion in a setting with no third-party reporting of financial wealth. The bill's unprecedented 5 percent annual rate provides strong incentives for avoidance, evasion, and offshoring, meaning the real revenue could be even lower than the central case accepted by CEA. As an illustrative sensitivity, using a behavioral-response rate of 43 percent instead of 10 percent, the real decade revenue would be **\$2.50 trillion**.

²²² Steven A. Sharpe and Antonio Gil de Rubio Cruz, "Predicting Analysts' S&P 500 Earnings Forecast Errors and Stock Market Returns Using Macroeconomic Data and Nowcasts," Finance and Economics Discussion Series 2024-049 (Washington: Board of Governors of the Federal Reserve System, 2024), Tables 1 and 2, <https://doi.org/10.17016/FEDS.2024.049>.

²²³ Calculated by multiplying 2.43 percent by 0.43 by 4.15, a GDP to equity elasticity of roughly 1.78.

²²⁴ Calculated by using real 2035 GDP of \$37.84 trillion and holding the GDP to market cap ratio constant at roughly 0.43.

²²⁵ Vanguard, How America Saves 2026 (Valley Forge, PA: Vanguard, 2026), <https://workplace.vanguard.com/content/dam/inst/iig-transformation/has/2026/pdf/HowAmericaSaves2026.pdf> (median participant balance of \$44,115 at year-end 2025).

²²⁶ Assumes a 7 percent nominal return on the account with 2.5 percent inflation.

²²⁷ Sarah Holden, Steven Bass, and Craig Copeland, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2022," EBRI Issue Brief no. 606 (April 30, 2024), https://www.ebri.org/docs/default-source/pbriefs/ebri_ib_606_k-xsec-30apr24.pdf (71 percent of participants' assets invested in equities at year-end 2022).

²²⁸ Marius Brühlhart, Jonathan Gruber, Matthias Krapf, and Kurt Schmidheiny, "Behavioral Responses to Wealth Taxes: Evidence from Switzerland," American Economic Journal: Economic Policy 14, no. 4 (2022): 111–150, <https://doi.org/10.1257/pol.20200258>.

The sponsors implicitly assumed that wealth evaded in period 1 (\$819 billion in 2026) returns to (or stays in) the wealth stock the next period and remains productive at the same rate as non-evaded wealth while being hidden from tax authorities. That is, the sponsors' laws of motion for wealth $\{W_t\}$ and revenue $\{R_t\}$ are $W_{t+1} = 1.04W_t$ and $R_{t+1} = 0.05 \times 0.9W_t$, respectively, which yields \$4.40 trillion (\$3.94 trillion adjusting for inflation) in ten years. This is unlikely to hold: under the systematic enforcement that the sponsors simultaneously assume, wealth hidden in one year would expose the taxpayer to evasion liability if it reappeared on a later return. Instead, it would be more reasonable to assume that once wealth is evaded, it does not automatically come back to (or stay in) the productive and visible wealth stock. The law of motion for wealth and revenue would be $W_{t+1} = 0.9 \times 1.04W_t$ and $R_{t+1} = 0.05 \times 0.9W_t$, respectively. With this revised assumption, the visible stock of wealth subject to tax liability shrinks and the real revenue after a decade would be **\$2.54 trillion**.

In other words, using alternative assumptions, CEA estimates that the potential revenue from the tax would be significantly lower than it is claimed to be.

Appendix

1. A wealth tax is equivalent to a much larger tax on the income from savings and capital returns

Suppose a billionaire decides to eat one less unit of the consumption good at date t . This saves him

$$P_t(1 + \tau_c)$$

dollars, where τ_c is the constant tax on consumption. He allocates a share s of these dollars into risky assets (stocks) and the remaining $1 - s$ into risk-free assets. The return of stocks is:

$$R_{t+1} = r_f + \mu + \epsilon_{t+1}$$

where r_f is the risk-free return, μ is a risk premium, and ϵ_{t+1} is a stochastic term with $E(\epsilon_{t+1}) = 0$ and $V(\epsilon_{t+1}) = \sigma^2$.

The return of his entire portfolio is:

$$R_{p,t+1} = sR_{t+1} + (1 - s)r_f,$$

The expected portfolio return and variance are:

$$E(R_{p,t+1}) = s(r_f + \mu) + (1 - s)r_f = r_f + s\mu$$

$$V(R_{p,t+1}) = s^2\sigma^2.$$

His after-tax nominal wealth tomorrow increases by

$$P_t(1 + \tau_c)(1 + (1 - \tau_k)R_{p,t+1})(1 - \tau_w)$$

where τ_k is the tax rate on savings and investments and τ_w is the wealth tax. This allows him to increase his consumption at date $t + 1$ by

$$\frac{P_t(1 + \tau_c)}{P_{t+1}(1 + \tau_c)}(1 + (1 - \tau_k)R_{p,t+1})(1 - \tau_w)$$

which simplifies to

$$\frac{1}{1 + \pi_{t+1}}(1 + (1 - \tau_k)R_{p,t+1})(1 - \tau_w)$$

where π_{t+1} is the rate of inflation.

Let $\hat{\tau}_k$ be the tax rate on savings and investments that emulates this joint taxation of both savings and wealth. This requires

$$(1 + (1 - \tau_k)R_{p,t+1})(1 - \tau_w) = (1 + (1 - \hat{\tau}_k)R_{p,t+1})$$

which solves for

$$\hat{\tau}_k = \tau_w \left(1 + \frac{1}{R_{p,t+1}} \right) + (1 - \tau_w) \tau_k.$$

With no pre-existing tax on savings $\tau_k = 0$ and a risk-free return $i = R_{p,t+1}$, the equivalent tax is $\tau_w \left(1 + \frac{1}{i} \right)$. Using $\tau_w = 0.05$ and $i = 0.04$, we get $0.05 \left(1 + \frac{1}{0.04} \right) = 1.3$. Using $i = 0.09$, we get $0.05 \left(1 + \frac{1}{0.09} \right) = \mathbf{0.6055}$. Following the assumptions of the sponsors of the bill, we use 0.6055 as a baseline. However, in reality the returns have volatility that translates into a probability distribution for the portfolio return $R_{p,t+1}$ and the resulting equivalent tax $\hat{\tau}_k$. To investigate this effect, CEA performed simulations with different parameter combinations.

With $\tau_w = 0.05$, $r_f = 0.04$, $\mu = 0.0565$, and assuming $\epsilon_{t+1} \sim N(0, \sigma^2)$ with $\sigma = 0.01$, after 10,000 simulations we get the following means and standard deviations for $\hat{\tau}_k$.²²⁹

Table 8-3. Simulated Equivalent Tax Rates on Capital Income Under a 5 Percent Wealth Tax

Parameters	Mean of $\hat{\tau}_k$ (Equivalent Tax on Income from Savings or Capital Returns)	Standard Deviation of $\hat{\tau}_k$
$s = 0, \tau_k = 0$	1.300	-
$s = 0, \tau_k = 0.2$	1.490	-
$s = 0, \tau_k = 0.4$	1.680	-
$s = 0.5, \tau_k = 0$	0.7862	0.05410
$s = 0.5, \tau_k = 0.2$	0.9762	0.05410
$s = 0.5, \tau_k = 0.4$	1.166	0.05410
$s = 0.9, \tau_k = 0$	0.6054	0.05597
$s = 0.9, \tau_k = 0.2$	0.7954	0.05597
$s = 0.9, \tau_k = 0.4$	0.9854	0.05597

²²⁹ With $r_f = 0.04$, $\mu = 0.0565$ and $s = 0.9$ the expected portfolio return is 9.085 percent, slightly higher than 9 percent. The simulated mean (0.6054) lands near the deterministic mean of 0.6055 under no risk because of Jensen's inequality.