



The Daily Dish

Get Ready for the Coming Budget Debate

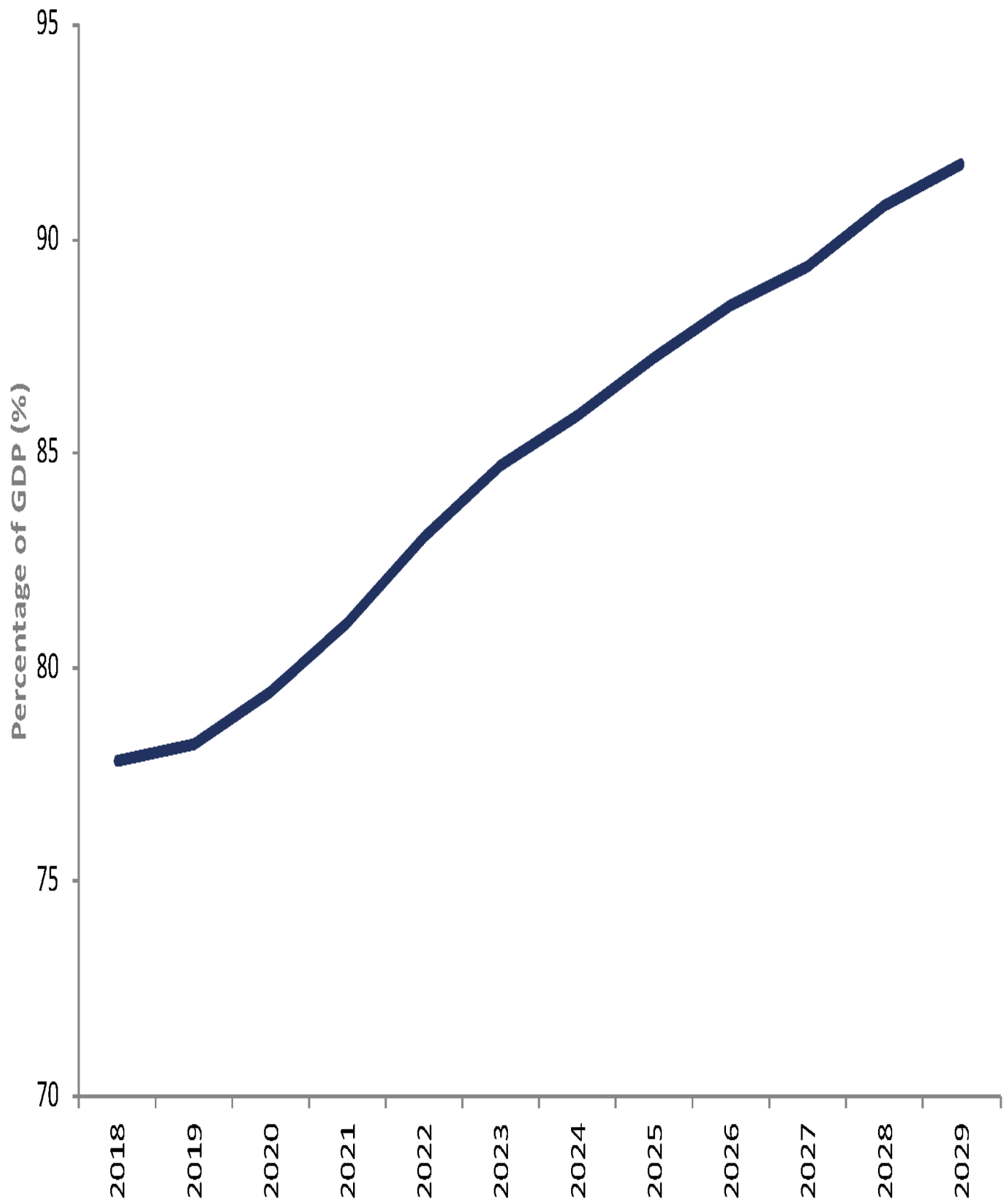
DOUGLAS HOLTZ-EAKIN | MAY 14, 2019

Eakinomics: Get Ready for the Coming Budget Debate

It won't happen this week. Or this year. Or even in 2020. But sometime shortly thereafter the federal budget outlook will consume policymakers. I promise.

The good news is that you will be ready, especially because AAF's Gordon Gray has put together the [11 essential charts](#) that will prep you for every setting, from happy hours to congressional hearings. I will share with you only the bottom line — below — of ever-rising debt-to-GDP (gross domestic product) for as far as the eye can see.

DEBT ULTIMATELY ON AN UPWARD TRAJECTORY



How does the United States get in this position? It begins by running a deficit of nearly \$1 trillion now, and over \$1 trillion for the foreseeable future. But that's just because of tax cuts, right? No. The unmistakable fact is that revenues will eventually rise well above their historic norm. Rising even faster, however, is mandatory spending — think of the entitlements, such as Social Security, Medicare, Medicaid, the Affordable Care Act, and others. In the process, they will steadily push out of the federal budget the annual discretionary decisions on defense and non-defense spending and guarantee that programmatic spending will exceed the revenues to finance it.

And then comes the interest. With large debts and rising deficits come the need for interest payments. Interest will be the third largest activity of the federal government within 10 years. As time passes, borrowing will increasingly be needed just to pay the interest — a new national credit card to pay off the old. Not a pretty picture.

But it doesn't have to play out that way. As Congresses increasingly realize that they have no room to pursue their priorities in the budget, there will be pressure to address entitlement spending. As beneficiaries realize that the retirement and health programs do not match their 21st century needs, there will be pressure to reform those programs. And you can be sure that there will also be a vigorous debate about how much more revenue the federal government will need.

So, start studying and bring on the budget debate. It is overdue.