House Budget Committee

SOUNDING THE ALARM:

Tax Cuts Are Not the Driver of Our Out-of-Control Debt, CBO Confirms

A new report by the nonpartisan Congressional Budget Office confirms that tax cuts are not the driver of our debt, it's spending growing faster than the economy.

Nevertheless, Democrats are in a state of denial, claiming that if we just raised taxes on the rich, we could solve our fiscal problems.

This new CBO refutes that argument and highlights the real culprit of our out-of-control debt.

Spending Set to Reach Historic Highs

As outlined by House Budget Committee Republicans last week, CBO estimates that the share of debt is projected to grow to $1 million per American household over the next 30 years.

The cause of this projected level of debt is spending, particularly on health care entitlement programs, rising interest costs, and Social Security payments. CBO finds that spending by the federal government will soon "reach levels seen only twice in our nation's history: during World War II, and during the Covid lockdowns," as summarized by Christopher Jacobs of The Federalist.

Jacobs writes:

- "What will cause these deficits? As the CBO report notes, **it's not low levels of federal revenues. In fact, the budget gnomes believe that 'revenues measured as a percentage of GDP are projected to be higher than they have been, on average, in recent decades**.'"
- "Rising deficits will bring with it rising levels of debt. According to CBO, federal debt as a share of GDP will reach an all-time high in 2029, exceeding levels during and after World War II. But even after reaching 107 percent of the economy six years from now, the debt will rise still further, hitting 181 percent of GDP 30 years from now."

Tax Hikes Cannot Cure Reckless Spending

Over the long-run, CBO sees revenues remaining above historical norms. In other words: the government is bringing in more money now than ever before and that is only going to increase.

Adam N. Michel of The Cato Institute writes that: "tax increases cannot fix the underlying growth of health and retirement spending."

"Federal spending has been systematically higher than tax revenue for the last half-century. Revenues have fluctuated around an average of 17.4 percent of GDP," Michel says, "while spending has followed much larger swings around an average of 20.9 percent."

As Michel points out, the growing spending is the driver of debt.

- “Some commentators have claimed that ‘without the Bush and Trump tax cuts, debt as a percentage of the economy would be declining permanently.’ However, CBO budget projections from before the 2001 Bush tax cuts tell a different story.”
- “In 2000, when the U.S. was running budget surpluses, the first line of CBO’s long-term budget outlook begins by noting that ‘projected growth in spending on the federal government’s big health and retirement programs—Medicare, Medicaid, and Social Security—dominates the long-run budget outlook.’”
- “Even in its most optimistic scenario—in which the federal government saves the temporary surpluses—CBO still notes that ‘the growing expenditures projected for health and retirement programs would quickly push the budget back into deficit,’ and debt would again begin to grow exponentially.”
- “If Treasury collected as much revenue as it did in 2000 when it had a record 2.3 percent budget surplus, the U.S. would still have a 2022 budget deficit… **significant tax increases cannot compensate for fundamentally unsustainable spending growth**.”

The Bottom Line: We cannot tax our way of this debt crisis. We must, instead, continue to rein-in the reckless spending that is fueling unsustainable levels of debt and the slowest projected period of economic growth in our nation’s history.