



Trillion-Dollar Deficit Deja Vu

After failing to pass any significant legislation during most of President Donald Trump's first year in office, the Republican-controlled Congress was finally able to pass a major tax reform bill in the waning minutes of 2017. But beyond not getting in the way of the administration's efforts to crack down on abusive federal regulations, the party that never missed an opportunity to bemoan the previous Democratic administration's profligacy continued to show little interest in addressing the country's spending-driven fiscal problems.

Will 2018 be any different?

The country is now \$20.6 trillion in debt, and a return to the annual trillion-dollar budget deficits that occurred under the Obama administration is on the horizon. Regardless of how one feels about the Tax Cuts and Jobs Act, a lack of revenue is not what's driving the mounting federal debt. The main culprit is simple: The federal government has gotten too big, and lawmakers on both sides of the aisle have a seemingly insatiable desire to borrow and spend.

Indeed, Republicans and Democrats have enabled an unsustainable explosion in so-called "entitlement" spending (i.e., Social Security, Medicare and Medicaid) while routinely teaming up to bust budget caps that were intended to provide a modicum of control over federal spending.

Spending on entitlement programs now consumes 60 percent of the federal budget. That share will grow as baby boomers continue their march toward retirement. Social Security, which is the federal government's largest program, has already been running a permanent cash flow deficit since 2010. Unless Congress intervenes, benefits will have to be cut by 25 percent in 2035 (or sooner, depending on the economy and other factors). Medicare is in even worse shape, and Medicaid isn't far behind.

Putting our country on sound financial footing requires reforming these programs in a way that reduces costs. There is no avoiding it, but the longer policymakers wait to act the more difficult it will be to tackle the problem. Yet at the end of December, Senate Majority Leader Mitch McConnell announced that he is unlikely to even discuss Social Security and Medicare this year. Not helping matters, President Trump appears to remain committed to his politically convenient campaign promise to not touch Social Security or Medicare while in office. Like most Republicans, he also supports further increasing military spending under the childlike notion that the bigger the price tag the better.



Written by [Veronique de Rugy](#) on January 4, 2018

The Trump administration decided to start off 2018 with a push for a package on infrastructure that will assuredly require more spending and debt. That additional debt will be of little concern to most members of Congress, given the opportunities that infrastructure legislation offers to shovel federal funds to various special interests back in their district or state. And given that this is a midterm congressional election year, it's not much of a surprise that Republican policymakers are more than interested in starting off the year by further opening the federal spending spigot.

Like the average Democrat, the average Republican views federal spending as an opportunity to buy votes for re-election. With talk that the Democrats could win back control of one or both houses of Congress, the temptation for Republicans to get playful with Uncle Sam's credit card will be even stronger. Just look at the GOP's open desire to (once again) blow past spending constraints to lard up the Pentagon's defense contractor-friendly budget. Democrats will gladly go along, as long as non-defense spending gets to bust the spending caps, as well. That's a trade that too many Republicans will be happy to make.

As a result, I sadly predict that 2018 will bring more federal spending — much to the pleasure of the special interest creatures lurking in the Beltway swamp that campaign Trump said he would drain. What Congress does with an infrastructure package in the early going will be telling. Preliminary policy announcements made by the Trump administration on infrastructure spoke of a need for market-based reforms. That offers a bit of hope, but I wouldn't count on it too much, given the growing desire in Congress to spend, spend, spend.

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