View from the Beltway

DJT: Call Your Office!

By Owen Ullmann

A debt disaster could be sneaking up on you.

If one word were to sum up the reaction to President Donald Trump's chaotic tariff policy, it is "uncertainty." Businesses, Wall Street, consumers, other nations, the Federal Reserve, and the news media are all speculating about the potential economic costs of his tariffs, which seem to change on a daily basis. Yet while the world watches to see what Trump's next tariff move might be and the resulting economic repercussions, a greater, more certain danger to the economy is coming into view—one that could have far-lasting consequences. It is the budget plan that Trump and congressional Republicans have embraced.

Extending the Trump tax cuts first enacted in 2018 without sufficient offsets in spending cuts will surely result in explosive growth of federal deficits, the federal debt, and the interest payments on that debt to unprecedented levels. That will mean slower economic growth, a weaker dollar, and higher interest rates far into the future.

Republicans in Congress are trying to hide the true cost of their budget policies. In the House, they are using overly optimistic economic forecasts that are unreasonable. In the Senate, they are using an accounting gimmick called "current policy baseline" to show no cost for extending the Trump tax cuts. It's the most disingenuous budget scoring since the appearance of "Rosy Scenario" in 1981. That's when President Ronald Reagan's economic team used unrealistic economic assumptions to show his tax cuts and defense buildup leading to a balanced budget in 1984. In fact, the deficit soared to record levels. In the current round, Senate Republicans tipped their hand to the actual cost of the extended tax cuts by including a $5 trillion increase in the debt limit.

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An accurate picture of the Republican fiscal plan was outlined in April by the Committee for a Responsible Federal Budget, a bipartisan group founded in 1981 to provide honest accounting of government finances and to lobby for sensible fiscal policy. The committee estimated the Senate's budget plan would add $5.8 trillion in deficits through 2034. "Such a bill would be historically unprecedented in its fiscal irresponsibility, adding several times more debt than any reconciliation package or other recent piece of legislation," the CRFB concluded.

During Joe Biden's presidency, Republicans assailed the White

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House for extravagant spending and deficits that exacerbated inflation. Yet a bill adding $5.8 trillion to deficits would be unprecedented. The CRFB noted that it would add fourteen times as much to the deficit as the 2021 bipartisan infrastructure law ($400 billion), and more than three times as much as the American Rescue Plan ($1.8 trillion) that Biden pushed through early in his tenure to combat the economic chaos triggered by the Covid-19 pandemic.

The committee estimated that under the Senate budget plan, annual deficits could surpass $3 trillion by 2031 and rise to $3.5 trillion in 2034, or more than 8 percent of GDP. That would be up sharply from an already large $2.6 trillion deficit in 2034 under current law.

The CRFB's website—www.crfb.org—offers dozens of sensible ways to reduce federal spending and raise revenue that total in trillions over ten years. They leave no program untouched, including sacred cows such as Social Security and Medicare,

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whose trust funds are projected to be exhausted by 2035 and 2036, respectively. The committee proposes numerous ways of shoring up the finances of those entitlement programs with reasonable cost savings and revenue increases that preserve benefits for those most in need of them without squeezing taxpayers who can least afford to pay more. Yet both programs have been declared untouchable by Republicans for fear of being bludgeoned politically by Democrats, who surely would do just that.

OFFICIAL WHITE HOUSE PHOTO BY JOYCE N. BOGHOSIAN

President Donald Trump *celebrates the passage of the Tax Cuts and Jobs Act with* **Senate Majority Leader Mitch McConnell, Speaker of the House Paul Ryan,** *and* **Vice President Mike Pence** *in the Oval Office on December 20, 2017. Extending those tax cuts without sufficient offsets in spending cuts will surely result in explosive growth of federal deficits, the federal debt, and the interest payments on that debt to unprecedented levels. That will mean slower economic growth, a weaker dollar, and higher interest rates far into the future.*

"Instead of passing a bill with an historically large deficit impact, lawmakers should use this opportunity to rein in borrowing with a fiscally responsible package that can set the stage for a permanent package of thoughtful tax extensions and budget savings that grows the economy and improves our debt outlook," the CRFB said.

A sound economic argument can be made that letting the current tax law expire would amount to a $450 billion annual tax increase that would hurt many small- and medium-sized businesses and lead to slower economic growth. So if extending those tax cuts makes good sense, offsetting them with other revenue increases also makes good sense. There are many options worth considering, from raising taxes on corporate stock buybacks to lifting the ceiling on income subject to payroll taxes to raising the gasoline tax, which hasn't changed since 1993. None have to be onerous or a threat to economic growth. So far, Congress has shown no appetite to make such trade-offs.

As a result, the CRFB's dire outlook for the budget is echoed by Congress' own official scorekeeper, the non-partisan Congressional

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Budget Office. In an analysis published in March, it warned that the federal debt held by the public—which excludes federal trust funds—would reach its highest level ever in 2029 as a percentage of GDP and then continue to grow to an astounding 156 percent of GDP in 2055. It was 97 percent at the end of 2024. “Mounting debt would slow economic growth, push up interest payments to foreign holders of U.S. debt, and pose significant risks to the fiscal and economic outlook,” the CBO warned.

The CBO went on to note that the deficit would remain large by historical standards over the next thirty years, reaching 7.3 percent of GDP in 2055. That is double the fifty-year average deficit from 1974 through 2023. It estimated that outlays would reach 26.6 percent of GDP in 2055, compared to a fifty-year average of 23.4 percent of GDP, with—you guessed it—Social Security and Medicare the main spending drivers. By contrast, revenues would reach 19.3 percent of GDP in 2055, the CBO said, compared to a fifty-year average of 17.3 percent of GDP.

The Trump administration has tried to divert attention from this emerging fiscal nightmare by emphasizing all the savings uncovered by Elon Musk’s Department of Government Efficiency and the enormous revenue that Trump’s tariffs will bring in. Musk, who once boasted about rooting out $1 trillion in waste, fraud, and abuse, acknowledged in April that the actual savings are $160 billion, and even that number appears to be inflated, according to numerous budget analysts.

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Whatever the actual savings DOGE produces, they are likely to be squandered by a huge increase in defense spending. On April 7, Trump and U.S. Defense Secretary Pete Hegseth pledged a first-ever $1 trillion defense budget. Hegseth gushed that Trump “is rebuilding our military—and FAST.” Indeed, it would be a 12 percent jump from the $892 billion defense spending Congress approved for 2025. Apparently, DOGE can’t seem to find any “waste, fraud, or abuse” at the Pentagon, despite longstanding evidence that the military is bloated with unneeded and outdated weapons systems that always seem to encounter cost overruns but are always protected by lobbyists for military contractors and members of Congress who like the jobs and revenue that weapons programs generate for their states.

As for Trump trade adviser Peter Navarro’s claim of raking in $6 trillion from tariffs over the next ten years, let’s roll out a new “Rosy Scenario” award. That estimate, mocked as pure hype by budget experts across the ideological spectrum, assumes Trump would impose a high tariff against the rest of the world for a solid decade. Hmmm. That means Trump won’t change his mind about his tariff policy, as he appears to have done on a near-daily basis, and his successor(s) will keep them in place. Maybe Navarro thinks Trump will be around for not only a third term but a fourth one, as well.

A realistic assessment of the Trump administration’s initial fiscal results came from the *Wall Street Journal* on April 11. It found no

MOLLY RILEY/WHITE HOUSE

Tesla and SpaceX CEO and Special Government Employee **Elon Musk** *attends the first Cabinet meeting of Donald Trump’s second term. Whatever the actual savings DOGE produces, they are likely to be squandered by a huge increase in defense spending.*

slowdown in spending during Trump's first weeks in office. Specifically, a *Journal* analysis of daily financial statements issued by the Treasury Department found government spending since the inauguration was "$154 billion more than in the same period in 2024 during the administration of former President Joe Biden."

"DOGE claims cuts of $150 billion so far, but the *Journal* analysis found those efforts have yet to affect the bottom line," the article continued. "And while the government's income—taxes and revenues including tariffs—is also up, it isn't enough to keep pace with higher spending."

The newspaper noted that in the last fiscal year, "about 73 percent of federal spending went to interest on the debt and mandatory programs like Social Security and Medicare that operate on autopilot. That amounted to $4.9 trillion."

The certain failure of Trump and the Republican Congress to tackle the causes of our rapidly rising federal deficits can produce catastrophic results for the U.S. economy if the burgeoning debt undermines international confidence in the U.S. dollar, which has ruled as the dominant global currency for the past century.

Paul Blustein, author of a new history of the U.S. currency, *King Dollar* (Yale University Press, 2025), warns

China's total debt is a global explosion waiting to happen at any time.

that the dollar's prized status could be jeopardized if deficits grow too big. (See interview beginning on page 33). If they approach 8 or 9 percent of GDP or even higher, it means "the Treasury has to borrow even huger volumes. And there has to be some point at which foreigners' willingness to extend credit to the U.S. government has reached its endpoint."

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Mortgage rates rising: *"Markets will insist on very high interest rates for Treasuries," according to author* **Paul Blustein.**

"But I think the bigger thing to worry about is that markets will insist on very high interest rates for Treasuries," adds Blustein, a former reporter for the *Wall Street Journal* and *Washington Post.* "And when the government has to borrow at high interest rates, that means everyone else has to borrow at high interest rates, and there won't be so much productive investment and U.S. growth and prosperity will suffer. That to me is a bigger reason to worry about massive deficits than the possibility that foreigners will say, "We simply aren't gonna buy Treasuries anymore." At high rates I think they will. But if they're demanding extremely high returns on every investment, then that's going to be painful for the United States."

Of course, other major economies also are loading up on debt, which might allow the United States to escape severe penalties from lenders. Germany has sidelined its constitutional debt brake to stimulate its economy. Soon the rest of an already debt-ridden Europe will follow with dramatically increased spending that will push Europe's debt above that of the United States as a percentage of GDP. China's total debt—unknown because of a lack of transparency—is a global explosion waiting to happen at any time. And Japan, with the highest debt-to-GDP ratio among the leading economies, seems to have managed to carry such a heavy burden for decades without severe consequences. Even so, why put the U.S. dollar and debt at such a perilous risk? The prospect of higher interest rates, slower growth, and reduced investment and productivity well into the future is a gloomy prognosis that sensible fiscal policies can avoid. But if Trump and his enablers in Congress insist on going down the fiscal path they have charted, they will leave an economic mess that will darken this nation's future prospects. And there's no "uncertainty" about that. ◆