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## 8 Key Fiscal Facts



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Between tax debates, DOGE, government funding, and the debt limit, budget and fiscal issues are consuming Washington. Elevated prices and interest rates mean voters are tuned in too.

Republicans, despite previously championing budget-busting tax cuts, hold the confidence of voters on this issue, but that doesn't mean Democrats should shy away from fiscal responsibility. In fact, Democratic lawmakers need to do the opposite and seize the mantle of fiscal responsibility this year. Here are eight key facts:

### **1. Fiscal responsibility isn't a luxury any more—it's a necessity.**

*Did you know:* We will spend over \$1 trillion annually on interest costs next year—it's the fastest growing piece of the budget. Interest is also the second biggest thing the federal government spends money on, only bested by Social Security. Spending more on interest means having less to

spend on kids, bridges, food inspectors, and more. And if interest rates rise, this problem gets worse. <sup>1</sup>

## **2. Donald Trump is the king of debt—expect even more in Trump 2.0.**

*Did you know:* During his first term, President Trump added \$8.4 trillion to the national debt, and the debt-to-GDP ratio jumped 23 percentage points. <sup>2</sup> His upcoming agenda is also deeply fiscally irresponsible. According to the nonpartisan Committee for a Responsible Federal Budget, his campaign plans could add upwards of \$16 trillion to the debt. Of that, \$5-6 trillion would come from extending his signature 2017 tax cuts. <sup>3</sup>

## **3. Elon Musk may control Tesla, but only Congress controls spending.**

*Did you know:* As the Bipartisan Policy Center notes, “Presidents can only recommend to Congress to defer or rescind funding for discretionary programs.” <sup>4</sup> So, the Trump Administration will be breaking the law if it doesn’t spend the money Congress appropriates thanks to the Impoundment Control Act.

## **4. Reducing debt—in smart ways—can grow the economy.**

*Did you know:* Yale Budget Lab found that deficit-reducing plans lead to higher GDP levels in the long run. <sup>5</sup> And the Congressional Budget Office found that if we stabilize our growing debt, the economy will grow faster over the next few decades due to higher levels of working, saving, and investment. <sup>6</sup>

## **5. But you can’t grow your way out of the hole.**

*Did you know:* Some have suggested that the growing debt problem could be addressed simply by ratcheting up economic growth. That’s hard to do outside of a few tenths of a percent annually, and we still have major headwinds given our demographics, including low birth rates. In fact, the levels of growth that Republicans assume President Trump will deliver are so unrealistic they break the Congressional Budget Office models that estimate the impacts. <sup>7</sup>

## **6. New taxes won't solve the budget issue on their own.**

*Did you know:* Increasing tax revenue is an important piece of fiscal responsibility, but it can't solve the problem alone. For one, there's only so much revenue the federal government can raise, even if all tax policies that many Democrats favor were enacted. Also, tax policy sets the stage for business investment, hiring, innovation, and expansion—all things we need for our economy to grow.<sup>8</sup> It's vital to raise revenue by broad tax reform and simplification which gives the economy the best chance for robust growth.

## **7. Not all spending cuts hurt people.**

*Did you know:* Cutting waste and fraud—along with making sure payments and benefits go to the intended recipient—is important. We can be smarter about some spending without reducing benefits to people who need it, such as improving health care delivery and reducing costs. And we can make targeted cuts so that the rich don't get federal dollars and benefits they don't need. Democrats are right to fight against draconian cuts to health care, food security, and infrastructure—but not all spending cuts are created equal.

## **8. But spending cuts won't solve the budget issue on their own either.**

*Did you know:* Republicans may attack progressive spending like a rabid dog, but annually appropriated spending is a small part of the budget (only 26% and shrinking).<sup>9</sup> And 70% of that small pie are things that Republicans have been loath to cut—like veteran support, defense, border security, and law enforcement.<sup>10</sup> So, spending cuts can't solve the problem alone either unless you are willing to make major changes to the two largest spending programs, Social Security and Medicare.

## ENDNOTES

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10. Number for FY2023, calculation from Moller, Zach and Shuppy, Annie, "A Case for Republican Fiscal Responsibility." *Third Way*, 1 Oct. 2024, <https://www.thirdway.org/report/a-case-for-republican-fiscal-responsibility>. Accessed 13 Feb. 2025.