

BROOKINGS

ELECTION
'24 
ISSUES AT STAKE

“What’s at Stake” in 2024: Federal Debt and Government Spending

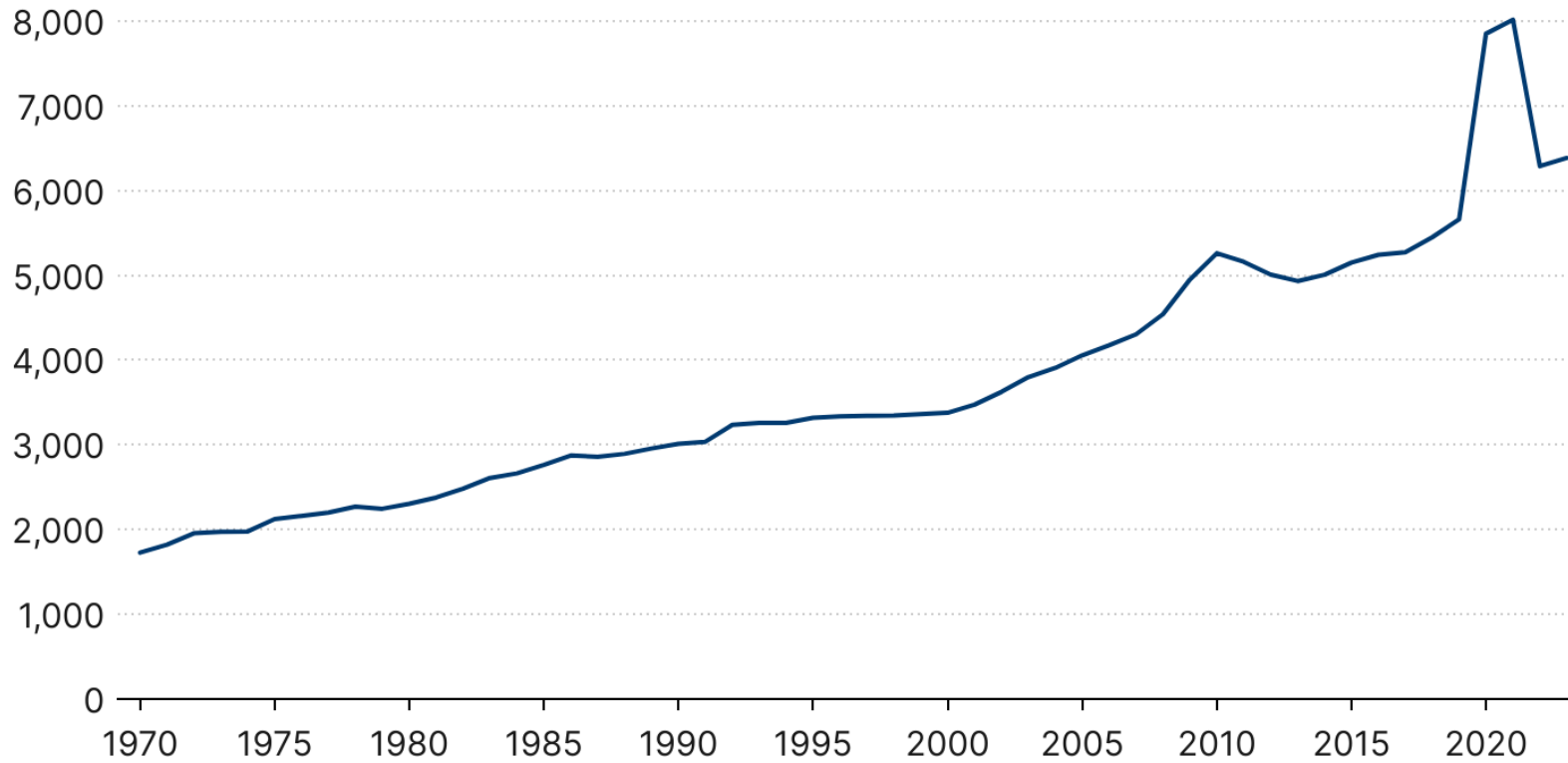
Cecilia Rouse

April 16, 2024

What is the deficit?

Government Spending

Billions of 2023 Dollars

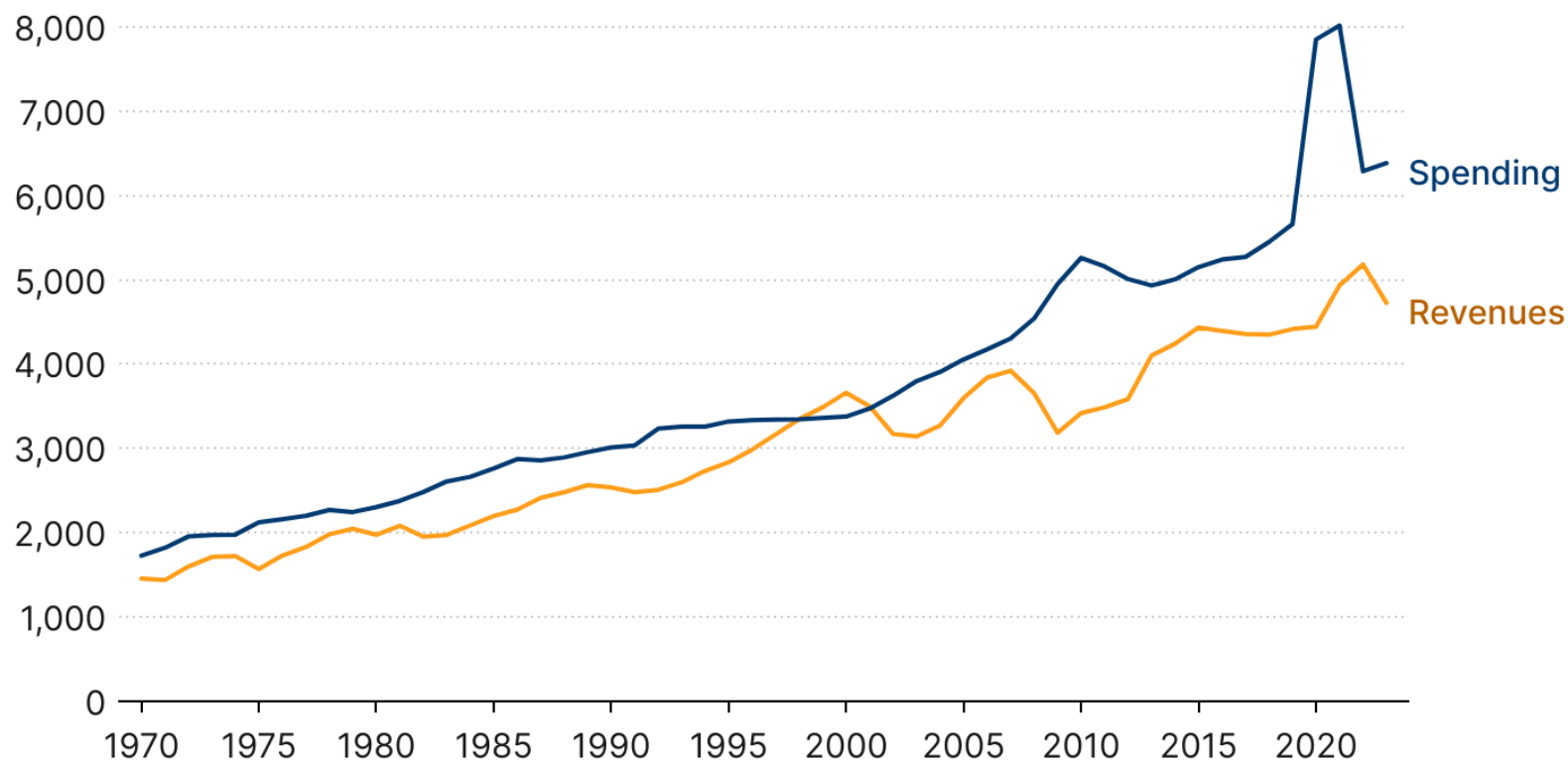


Source: Bureau of Economic Analysis

What is the deficit?

Government Spending and Revenues

Billions of 2023 Dollars

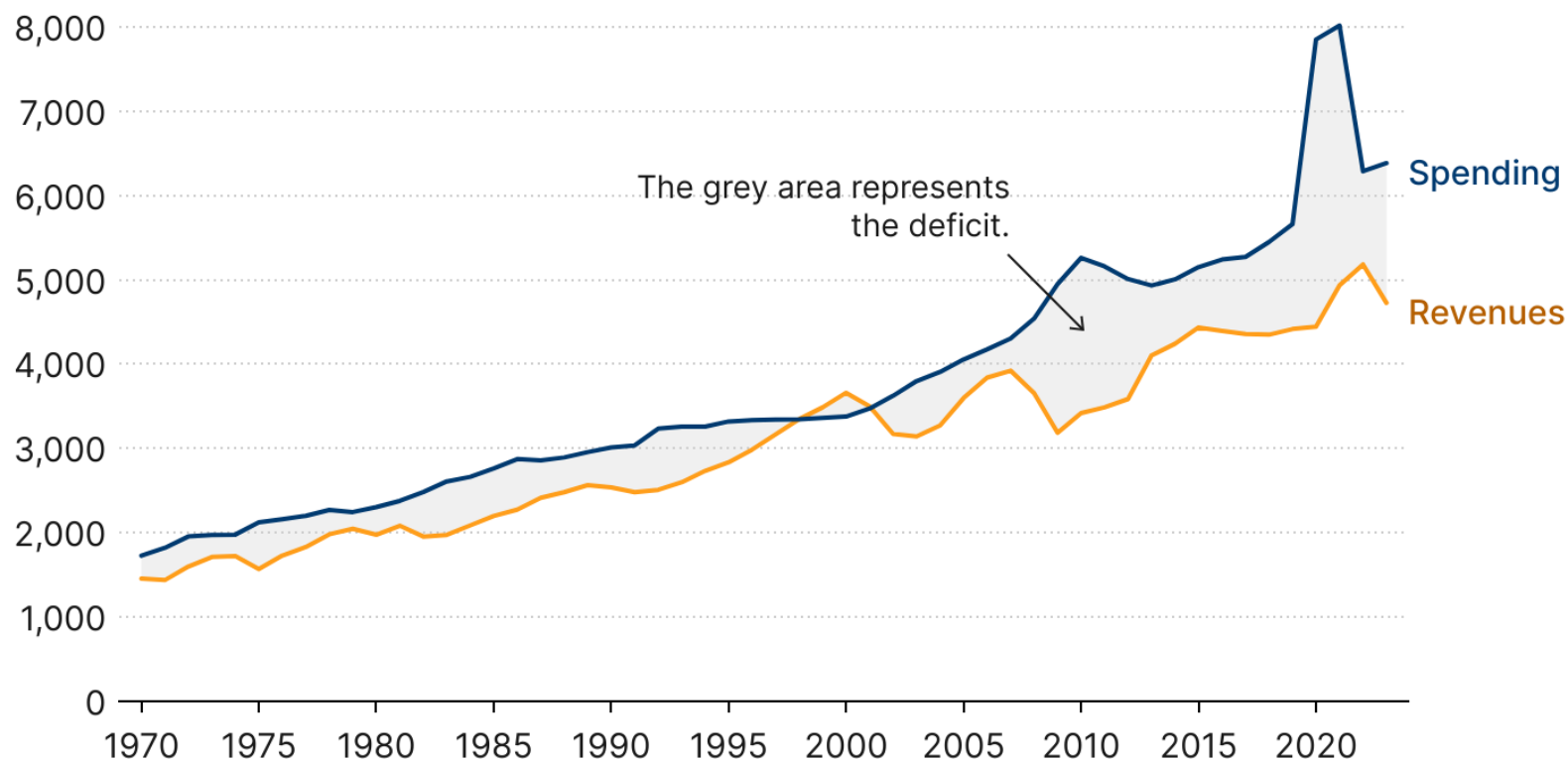


Source: Bureau of Economic Analysis

What is the deficit?

Government Spending and Revenues

Billions of 2023 Dollars

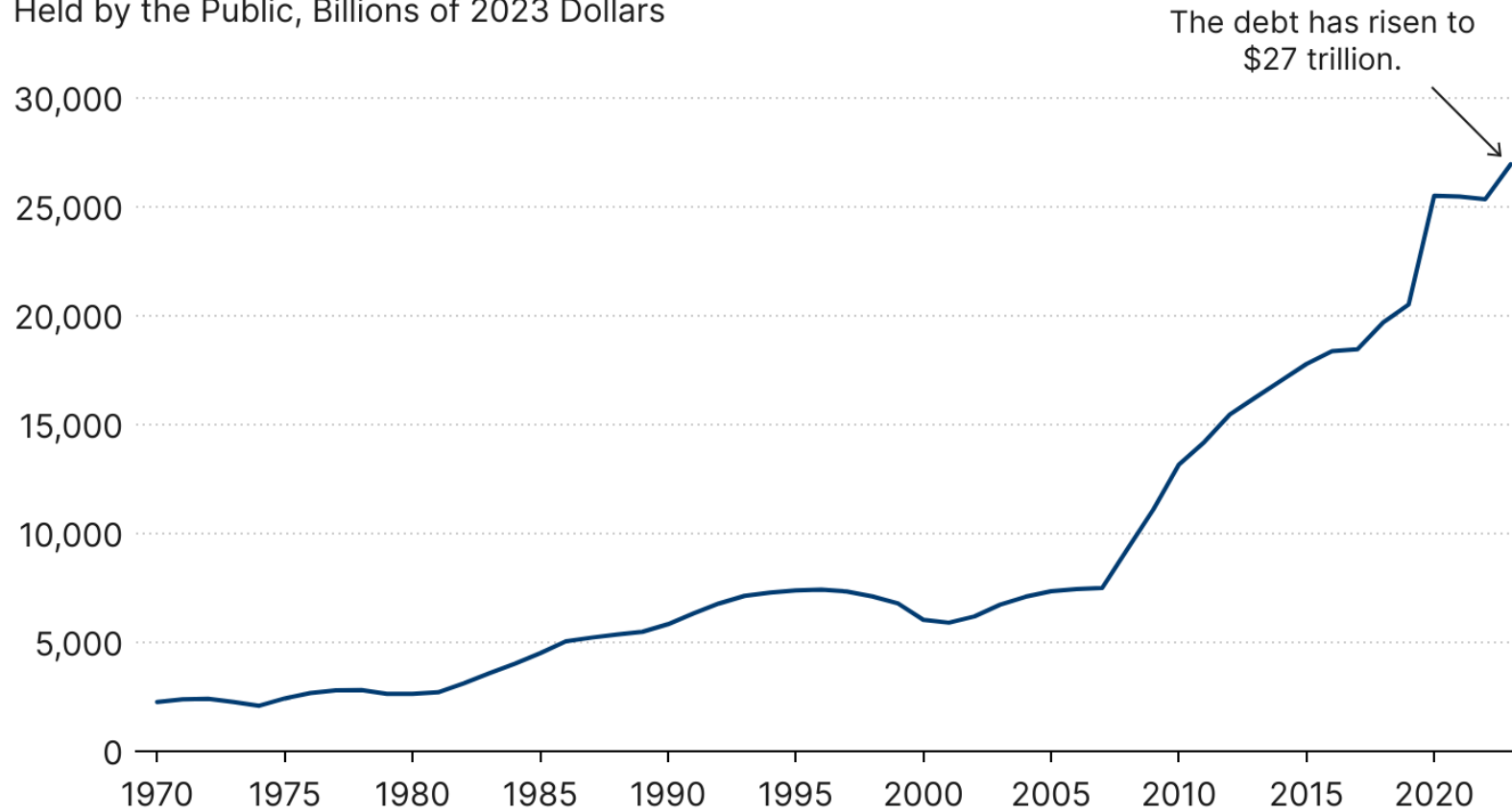


Source: Bureau of Economic Analysis

Federal debt has risen over time...

Federal Government Debt

Held by the Public, Billions of 2023 Dollars

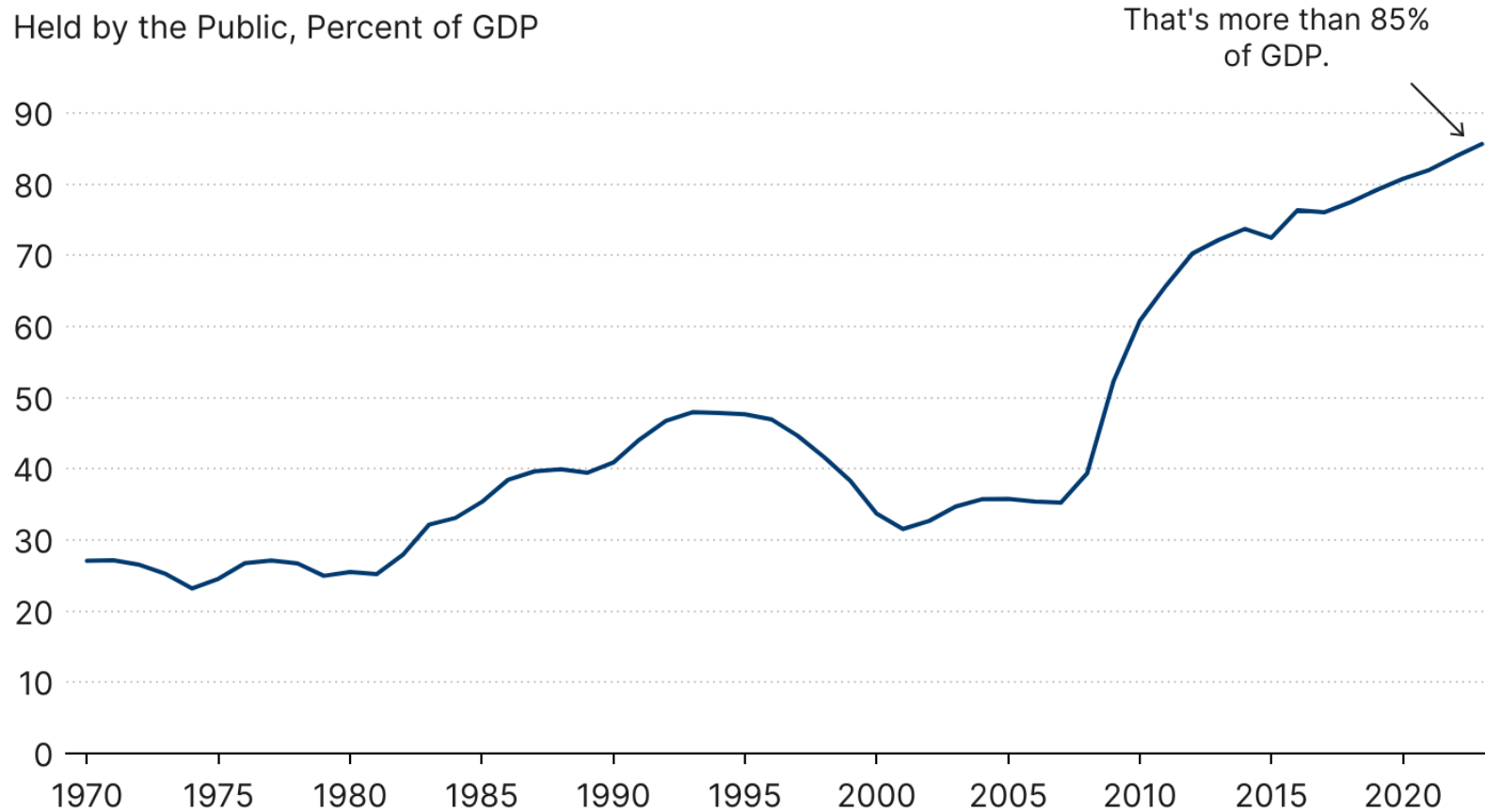


Source: Congressional Budget Office

... even when accounting for the size of the economy.

Federal Government Debt

Held by the Public, Percent of GDP

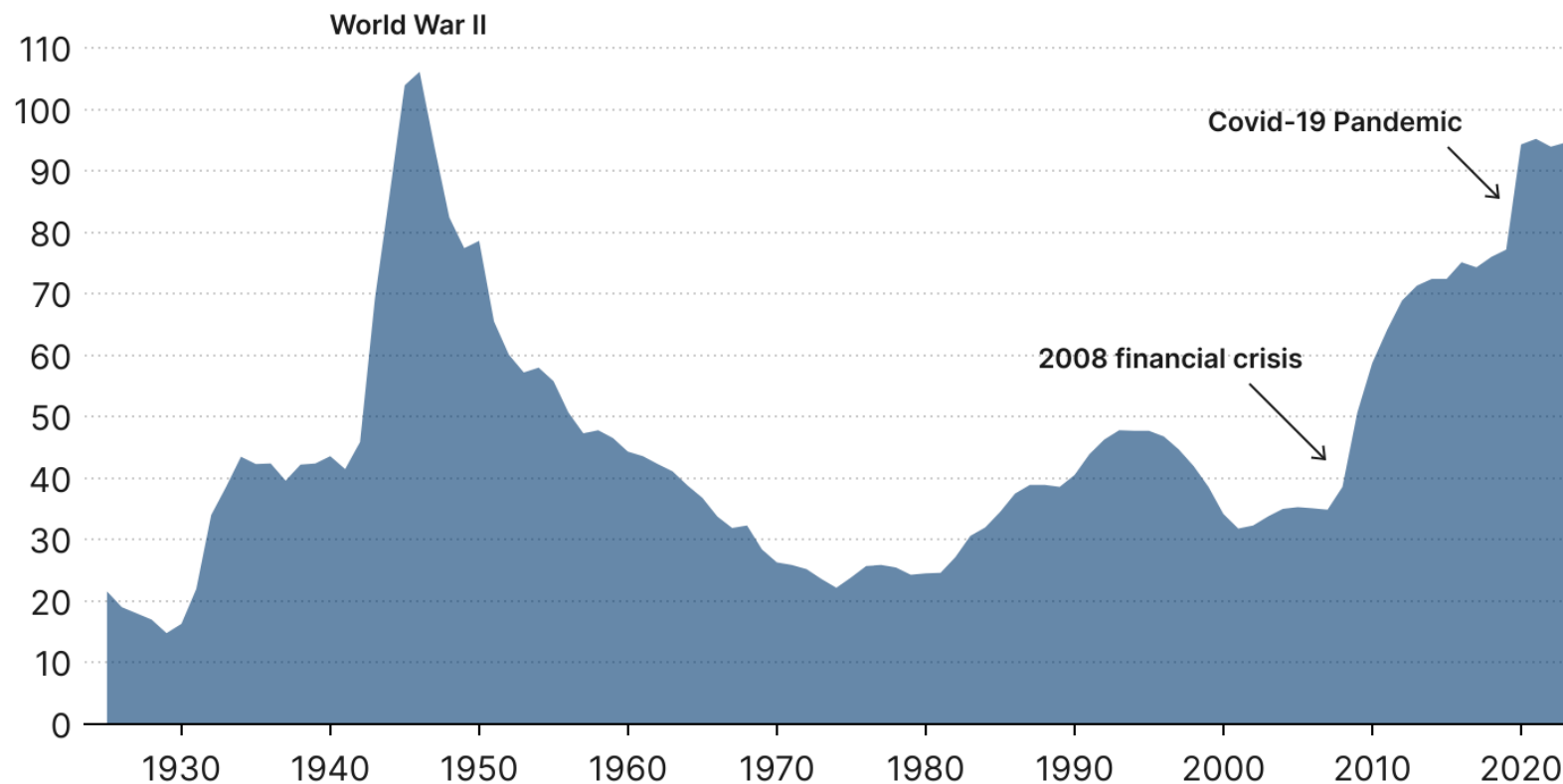


Source: Congressional Budget Office

We typically deficit spend in periods of crisis.

Federal Debt Held by the Public

Percent of GDP



Source: U.S. Treasury, Congressional Budget Office

Discretionary Spending

- Up to Congress to fund each year
- Includes many key functions of government
- Funding varies depending on political priorities

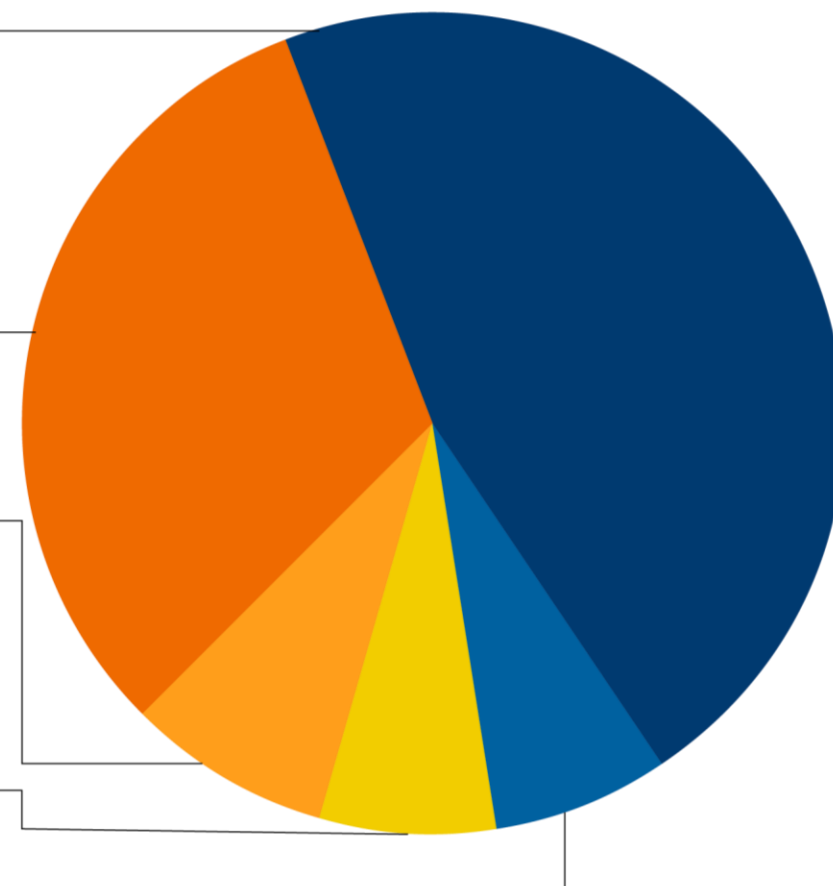
Defense (47%)

All Other (32%)

Transportation (7%)

Education (7%)

Veteran Benefits (8%)



Source: Congressional Budget Office

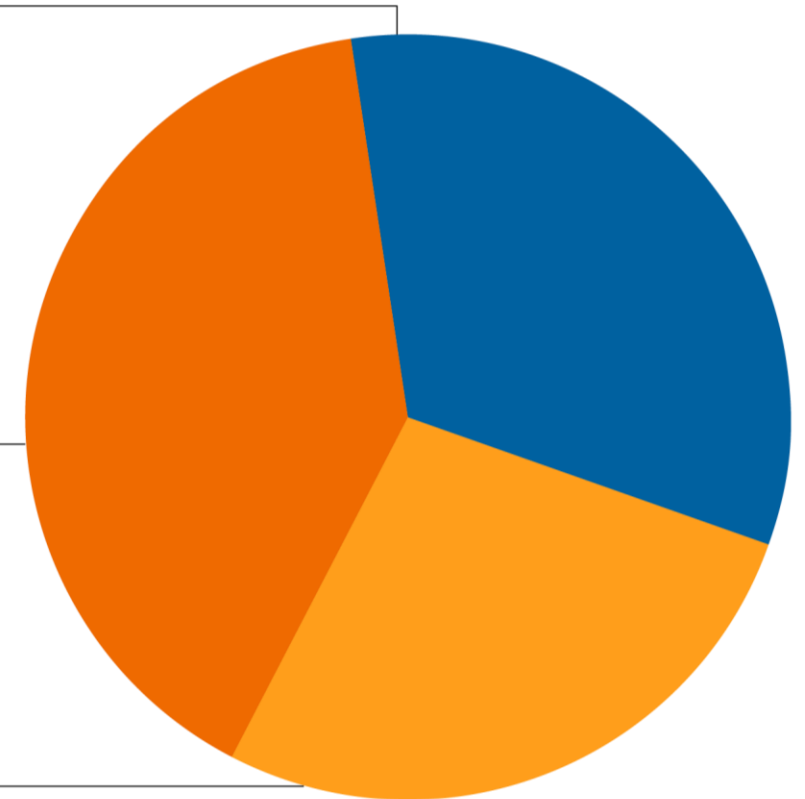
Mandatory Spending

- Spending that's on 'autopilot'
- Funding is guaranteed each year, unless Congress passes a new law to change it
- Also known as entitlement programs

Medicare and Medicaid (33%)

All Other (40%)

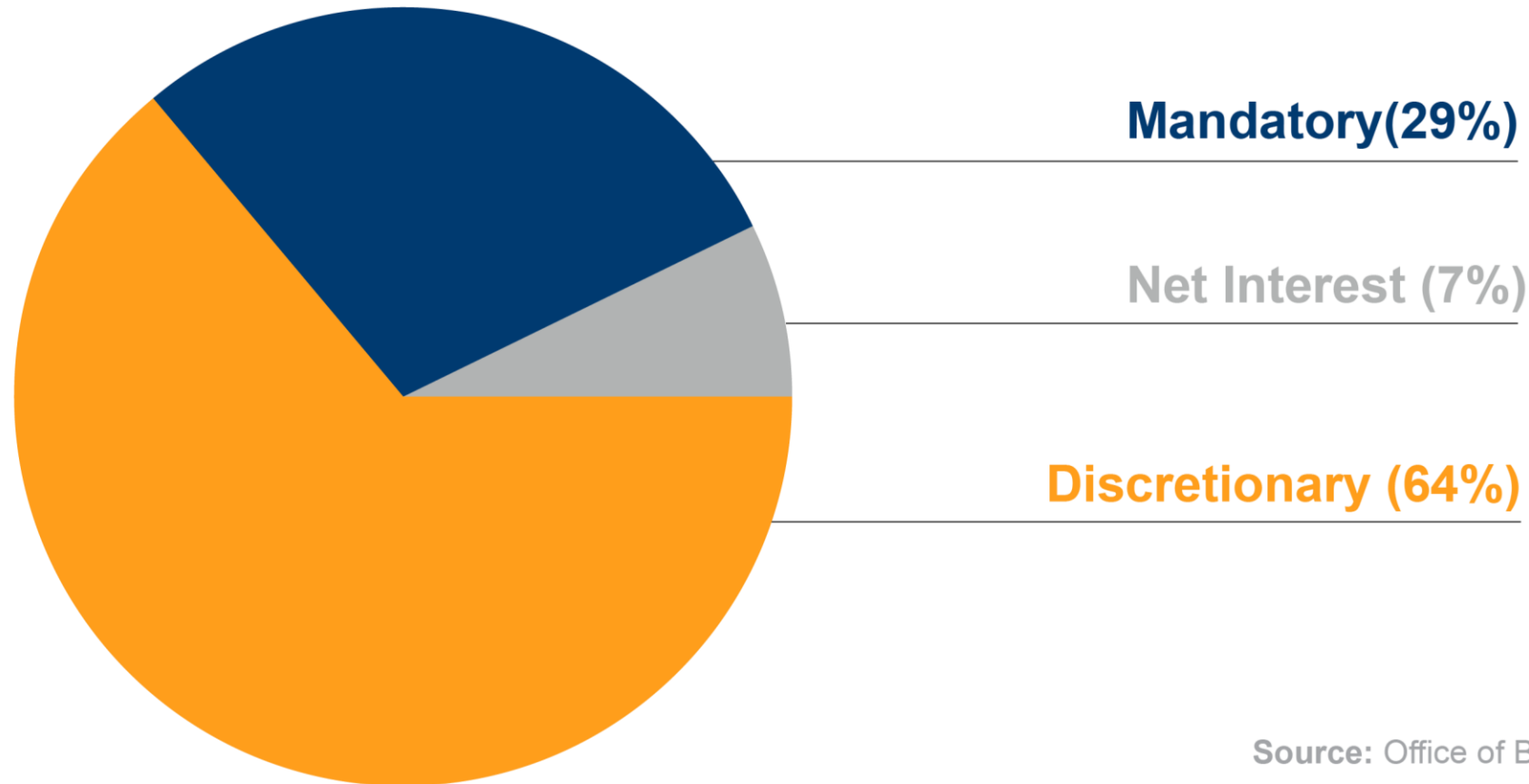
Social Security (27%)



Source: Congressional Budget Office

Discretionary spending used to be the majority of federal spending.

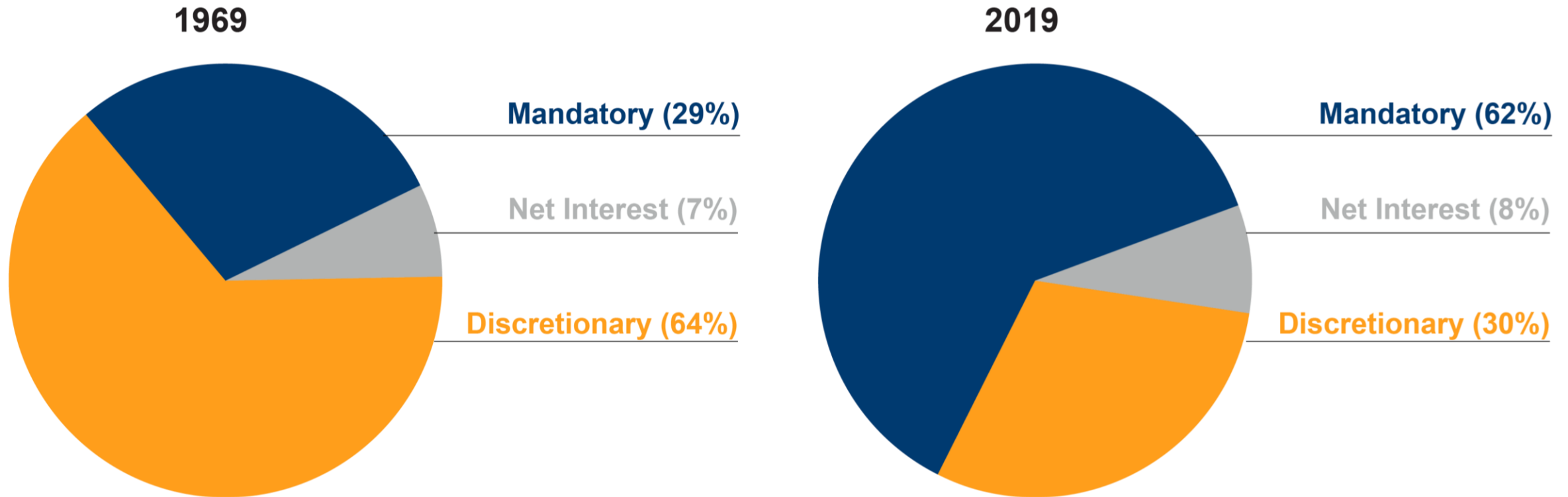
Composition of Federal Spending, 1969



Source: Office of Budget & Management

But now mandatory spending makes up the biggest share.

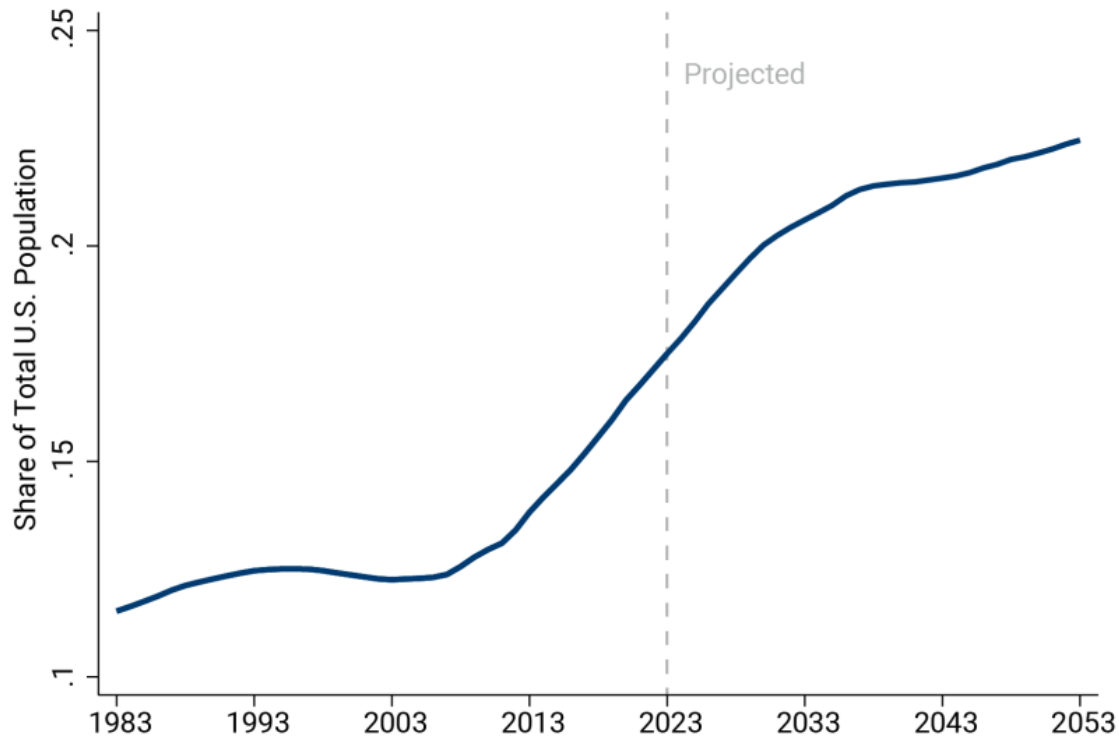
Composition of Federal Spending



Source: Office of Budget & Management

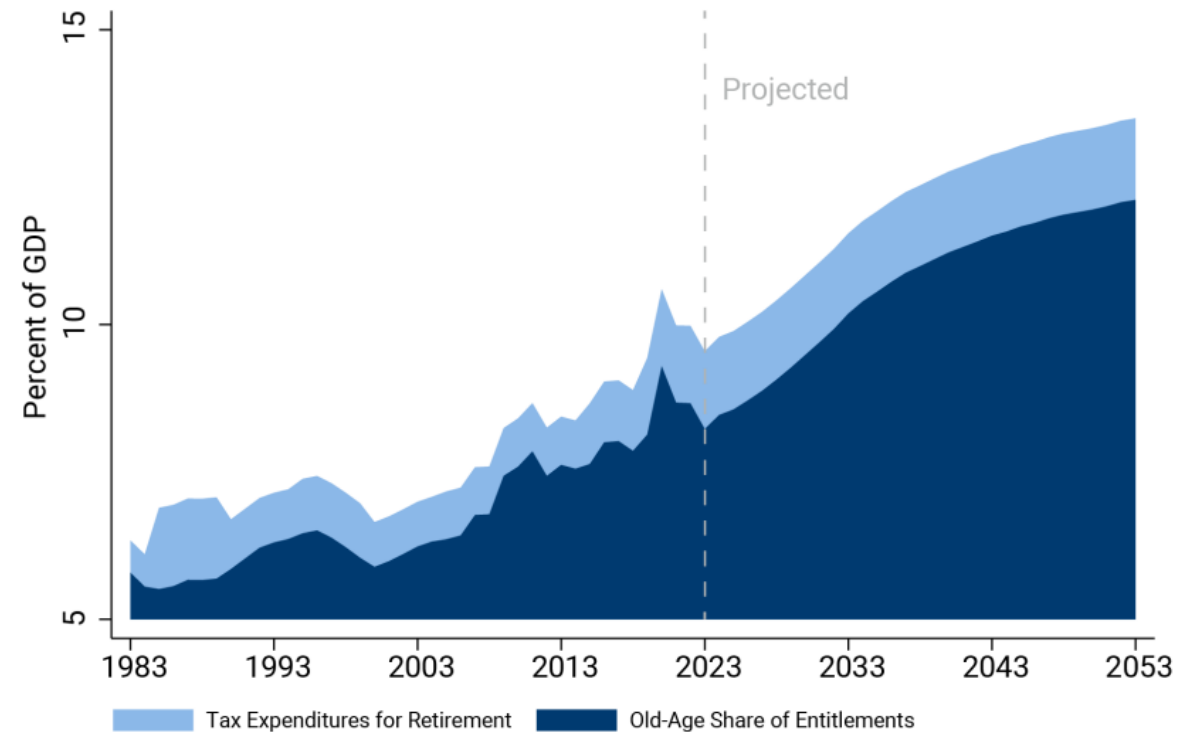
Retirement expenditures are projected to drive the rise in mandatory spending.

Population 65+ As a Share of the Total U.S. Population



Source: Congressional Budget Office

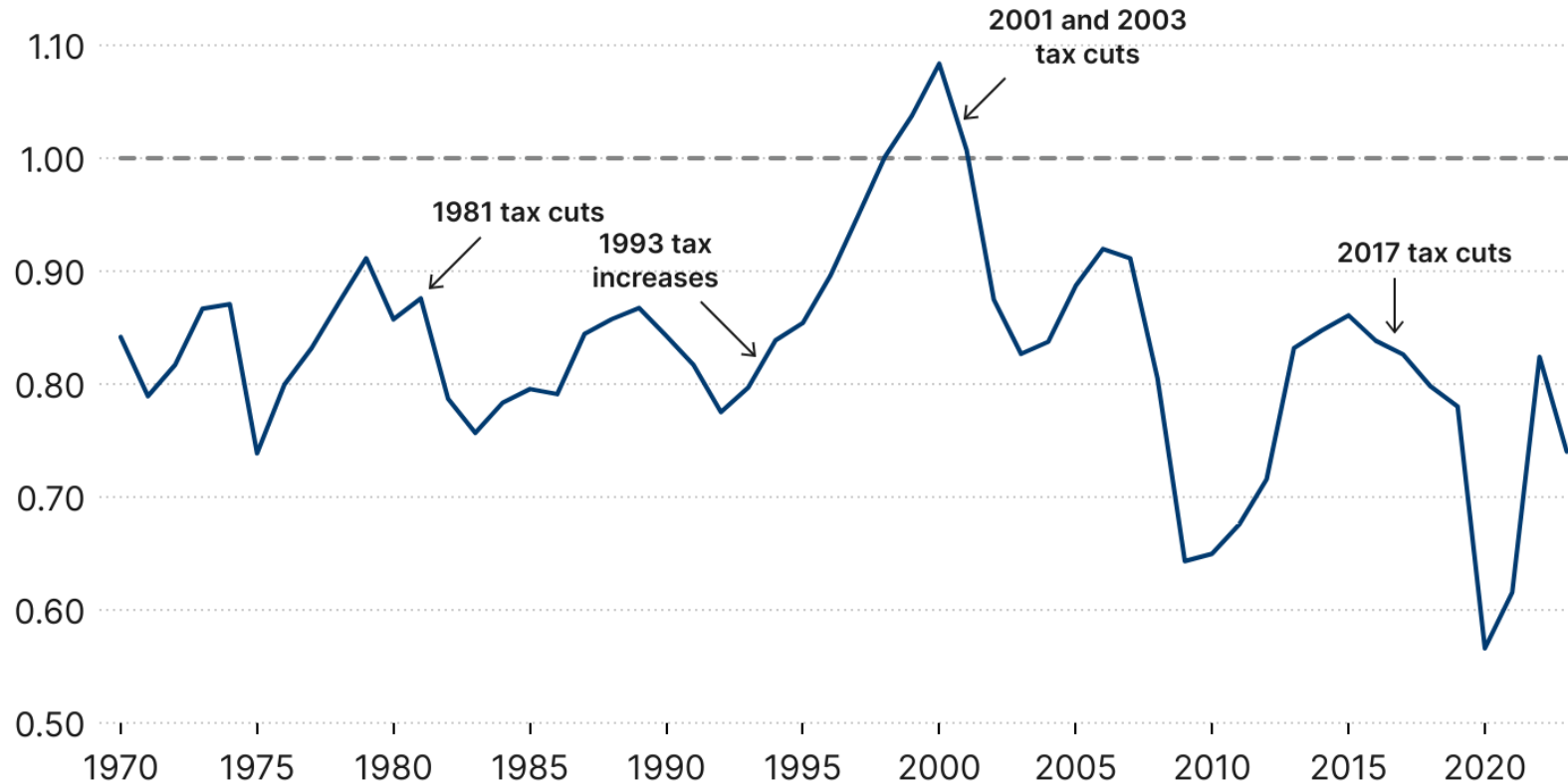
Retirement Spending as a Share of GDP



Source: SSA, CMS, JCT, CBO and author's calculations

Tax revenues have not kept pace with our growing spending needs.

Revenue to Spending Ratio



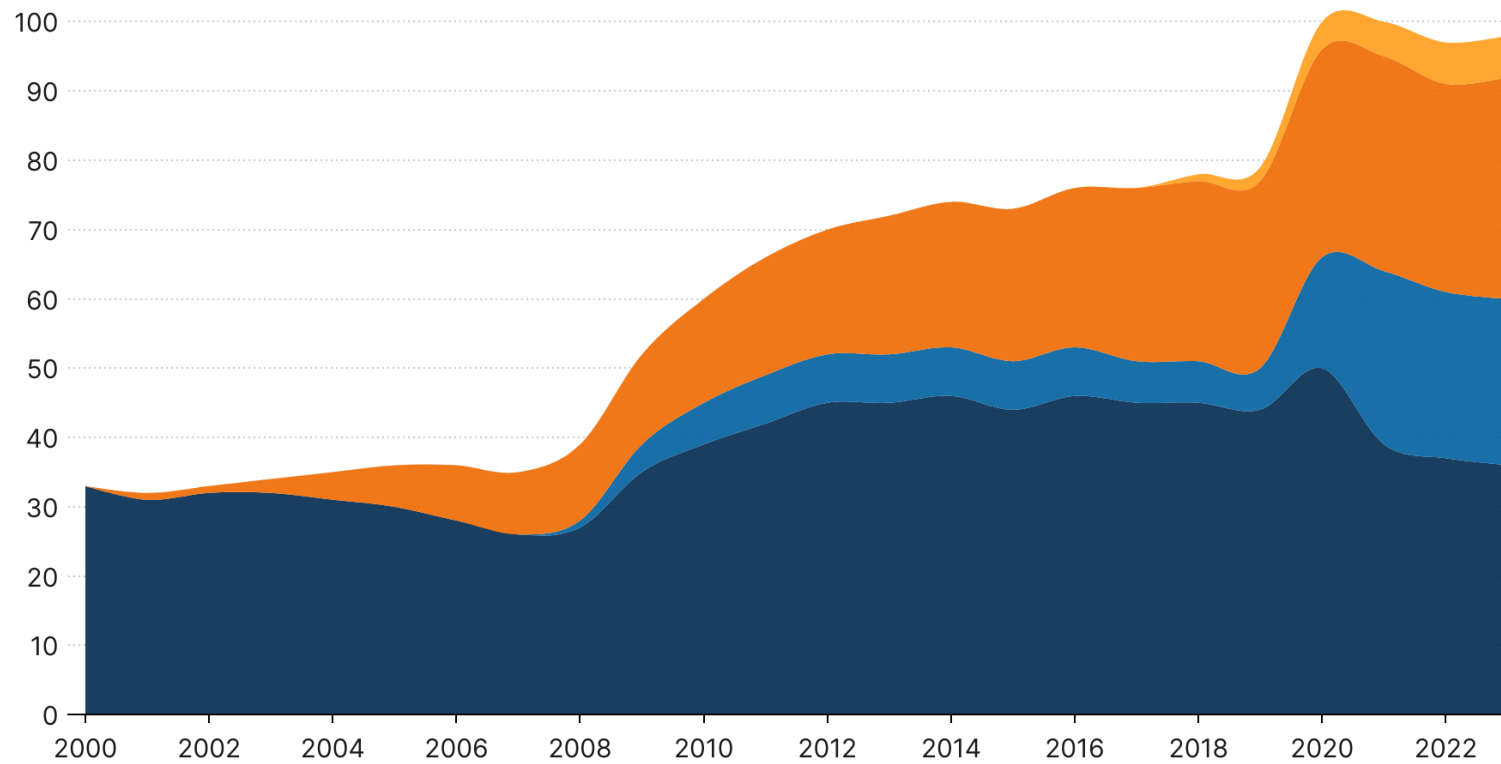
Source: Author's calculations from U.S. Treasury data

Tax cuts are responsible for a large share of the increase in debt.

Contribution of Tax Cuts to the Rising Debt

Debt held by the public, percent of GDP

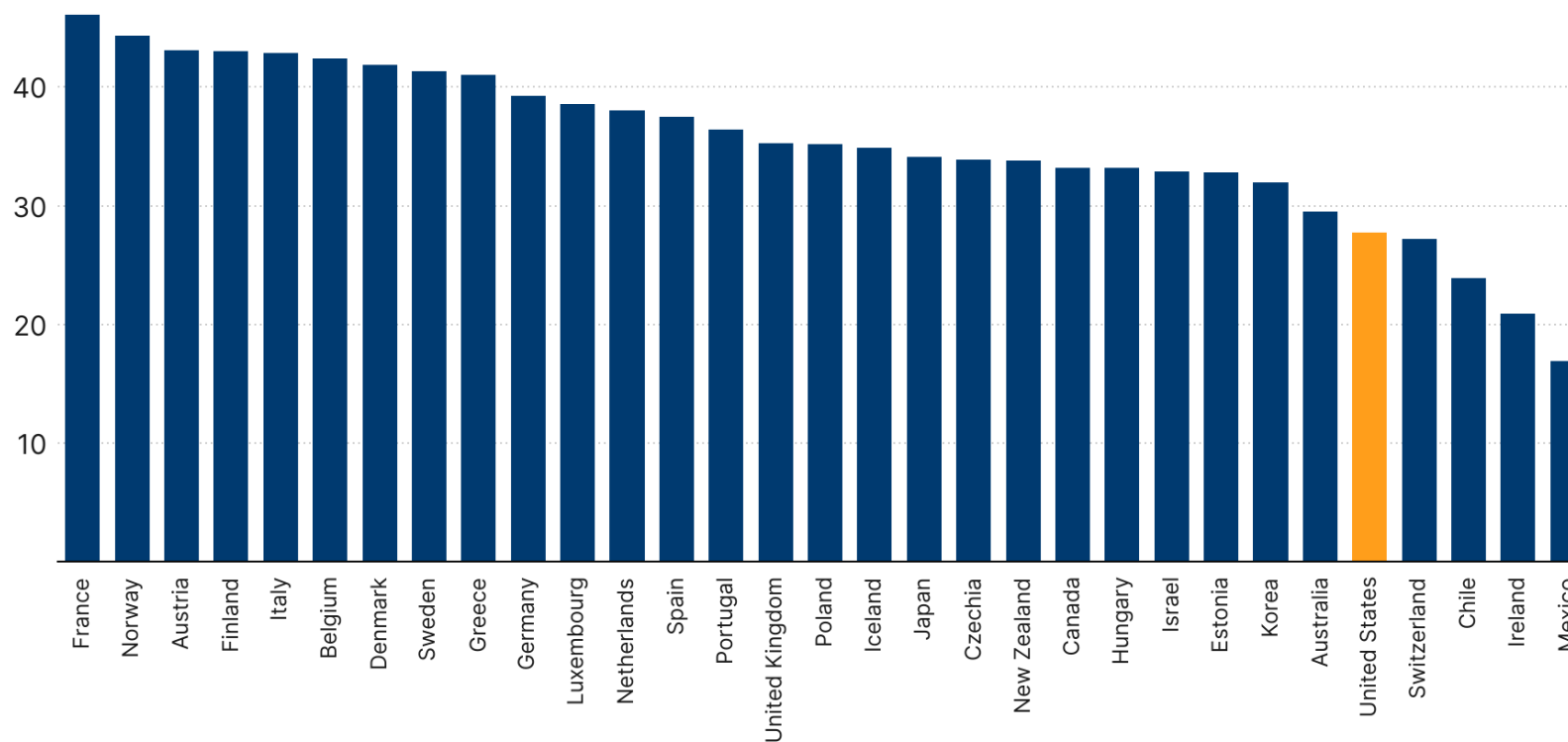
■ All other debt ■ Covid-19 and Great Recession spending ■ 2001 and 2003 tax cuts and extensions ■ 2017 tax cuts



Source: Author's analysis of Congressional Budget Office data

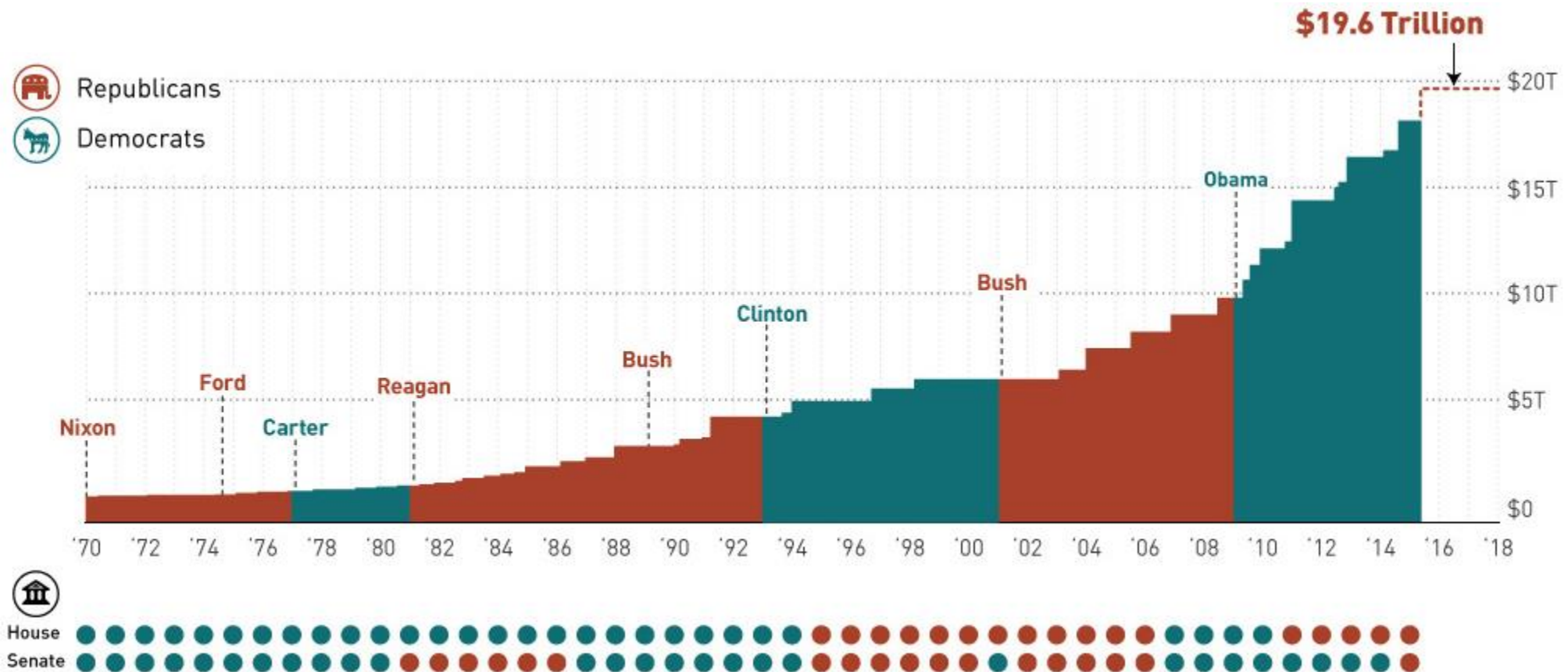
Compared to other countries, Americans pay relatively low taxes.

Total Tax Revenue for High-Income OECD Countries
Percentage of GDP, 2021



Source: Organisation for Economic Cooperation and Development

Does the debt ceiling constrain the level of debt? No.



Source: CBO, Jeff Desjardins

Conclusion: What are our choices?



**Let the debt keep
increasing**



**Raise
Taxes**



Cut Spending
(which includes
entitlement reform)

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