



The Daily Dish

# Mid-Session Review of the Budget

DOUGLAS HOLTZ-EAKIN | AUGUST 30, 2021

## Eakinomics: Mid-Session Review of the Budget

Under the cover of oppressive heat and humidity on a Friday in August, the administration “released” (in the same sense as a trash truck released its load) the [Mid-Session Review of the Budget](#).

Now, there was a time when people were concerned about the present and future of public finances. Now is not that time. There was a time when the president’s budget submission was an important document that framed a serious debate about legislative priorities. Now is not that time. And in that time, the update to the budgetary outlook contained in the Mid-Session Review (MSR) was eagerly awaited as one crept closer to the July 15 deadline. The fact that it came out on August 27; well, it is clear that now is not that time.

What can one glean from a revision to a document that is irrelevant to an issue that nobody cares about? Actually, a couple of things. First, the administration continues to hew to its “bigger is better” theory of government. By 2031, the president’s policies would generate taxes just shy of 20 percent of gross domestic product (GDP) and spending equal to 24 percent of GDP. Both levels are way beyond historical norms.

Second, the administration is unconcerned with fiscal sobriety. Dealing with the inevitable fallout of excessive debt is someone else’s problem. Both federal debt and the real carrying cost of federal debt will be on unsustainable upward trajectories.

Third, somehow the economy is supposed to prosper even more than previously believed. Growth (measured from 4<sup>th</sup> quarter to 4<sup>th</sup> quarter) in 2021 has been upgraded from 5.2 percent to 7.1 percent, and the long-term trend upped from 2.0 percent to 2.3 percent. Why?

Fourth, the administration acknowledges that it has managed to generate substantial inflation. It puts the projection for 2021 at 4.8 percent (compared to 2.0 percent in the Budget). Consistent with that, nominal interest rates have been marked up a bit as well.

To summarize, the administration continues to be in denial on the budgetary front. It has suppressed the Trustees’ reports that would document that financial danger to Social Security and Medicare and has no plan to fix any of the existing social safety net. Instead, it intends to raise taxes to historic levels to in part fund a massive expansion of the social safety net without addressing the problems presented by either program or the federal debt. And it has decided to declare victory on the economy, even though the only thing it has clearly done is generate inflation that wipes out any increase in wages. But most of all, the administration did not want anyone to notice what is going on.