



The Daily Dish

The Budgetary Issues Framing 2024

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Welcome to 2024. From a policy perspective, it begins where we left off in 2023. Congress needs to pass appropriations law to fund the federal government in fiscal year 2024 (which began on October 1, 2023). Finishing this work before the continuing resolutions that currently fund the government expire on January 19 and February 2 appears to be a great political challenge over which a great deal of ink (actual and digital) will be spilled over the next 30 days.

But that is just the tip of a budgetary iceberg that promises to make the Titanic look like child's play. Shown below is the outlook for federal deficits (billions, blue line, left axis) and federal debt (percent of gross domestic product, orange line, right axis) over the next decade. (Source: Congressional Budget Office.)

The fiscal outlook is clearly unsustainable and is one of the [two most pressing policy problems](#) along with the poor pace of economic growth. These interact as deficits are a headwind to growth, but faster growth would improve the fiscal outlook.

Addressing these challenges requires a comprehensive plan for fiscal reform. Complicating the outlook is that provisions of the 2017 Tax Cuts and Jobs Act will sunset and raise taxes by \$3.5 trillion over this period; keeping taxes low will be necessary for growth but raises the stakes on the budgetary challenge.

Ideally, Congress and the administration would begin such reforms as soon as possible, i.e., in 2024. This will be even more politically difficult than merely funding the government for a year. Success would require tremendous presidential leadership and a commitment to bipartisan legislation in Congress. Alas, 2024 is an election year, so that scenario looks fanciful at best.

To fan the flames of budgetary crisis, the suspension of the debt ceiling will expire on January 1, 2025, raising (again) the specter of default on Treasury securities.

So, there you have it. A near-term spending crisis. A no-longer-long-term budgetary crisis. A trigger for a fiscal crisis one year away.

Welcome to 2024.

Deficit and Debt



