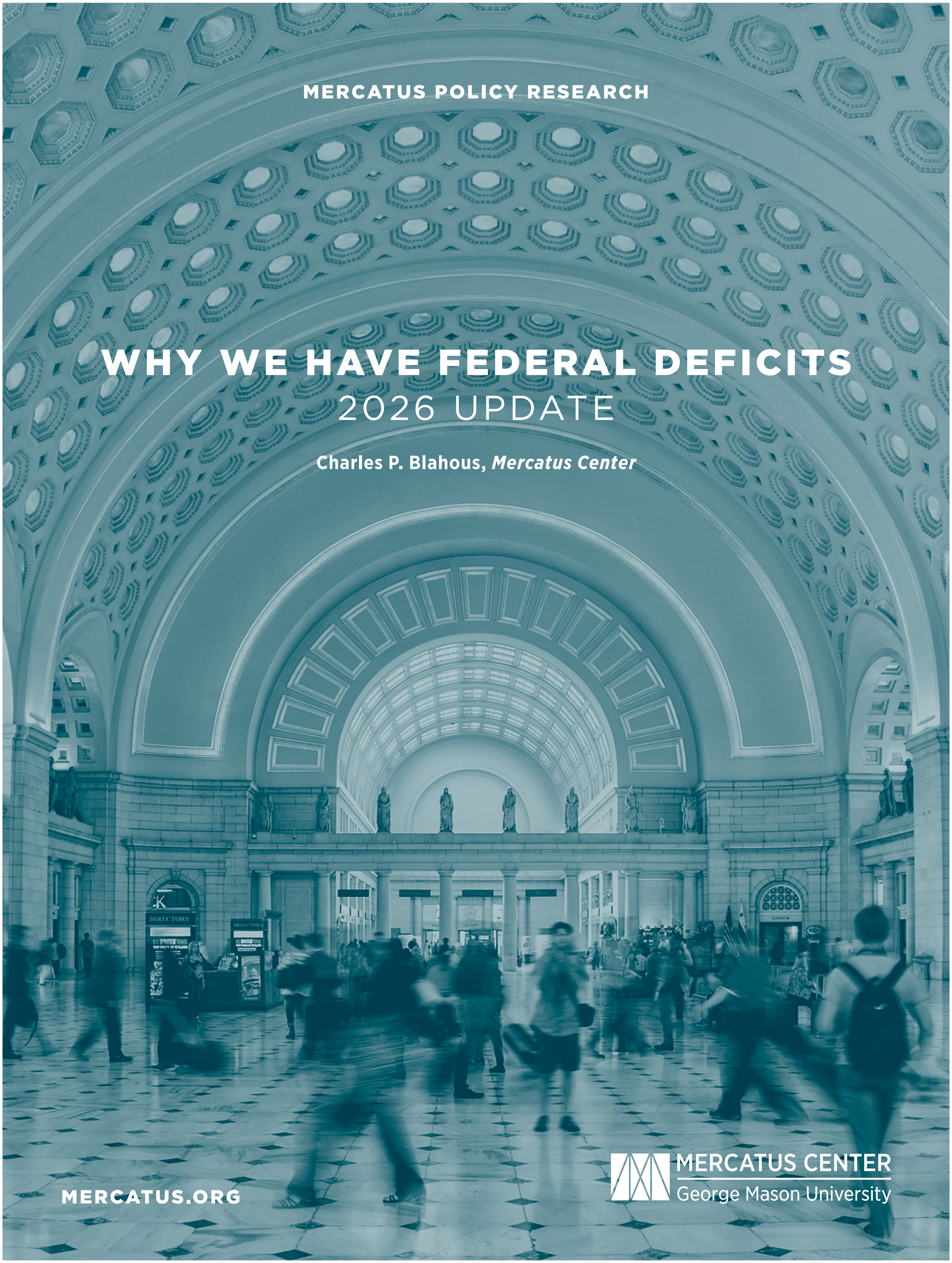

MERCATUS POLICY RESEARCH

WHY WE HAVE FEDERAL DEFICITS
2026 UPDATE

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Abstract

The study quantifies contributions to the federal government's fiscal imbalance according to three criteria: (1) the share of the federal government's long-term fiscal imbalance attributable to specific legislation, (2) the share of the current fiscal year federal deficit attributable to specific legislation, and (3) the amounts of federal deficits attributable to different lawmakers' fiscal management. Medicare spending growth is the leading contributor to the federal government's long-term fiscal imbalance, followed by recent tax cuts, expanded health insurance subsidies through Medicaid and the Affordable Care Act (ACA), and Social Security. Overall, nearly three-quarters of the long-term fiscal imbalance is attributable to excess spending growth and slightly more than one-quarter to tax cuts. More than 87 percent of the long-term fiscal imbalance was legislated in two concentrated periods, the first being from 1965 to 1972, the second from 2010 to the present. Contributions to the current fiscal year (FY 2026) deficit are more diffuse. Nearly two-thirds of the FY 2026 deficit is attributable to excess spending growth, with slightly more than one-third attributable to tax cuts. Broken down into smaller categories, the largest contributors to the current year deficit are, in order, tax cuts, Medicaid/ACA, Medicare, Social Security, and veterans' and military spending increases. Nearly 85 percent of the FY 2026 deficit was legislated either in the years 1965–1972 or from 2010 to the present. Assuming a 50–50 division of responsibility between the president and Congress for budget policy decisions, the single largest contributor to both the current-year and long-term fiscal imbalance is current president Donald J. Trump, replacing former president Lyndon B. Johnson, who held the first position in the 2021 update of this study. Tax cuts enacted during President Trump's two terms are responsible for his replacing former President Johnson in the top position.

JEL codes: H60, H62, H50, H20

Keywords: deficit, debt, federal deficit, fiscal policy, federal budget, fiscal imbalance, tax cuts, Medicare, Medicaid, Social Security, entitlements, mandatory spending

Results in Brief

This recurring study tabulates and quantifies legislated contributions to the federal government's fiscal imbalance according to three metrics: (1) the share of the federal government's structural, long-term fiscal imbalance attributable to the legislation; (2) the share of the current fiscal year (FY 2026) federal deficit attributable to the legislation; and (3) the amounts of federal deficits (as a percentage of GDP) attributable to different lawmakers' fiscal management. Understanding what pieces of legislation have contributed the most to the federal fiscal imbalance is crucial so that policymakers can implement appropriate reforms.

The methodology and rationale underlying these three views of the federal fiscal imbalance are explained in previous editions of this study and briefly summarized in the methodology section of this paper (page 16).[1] The first two views can be thought of as fiscal sins of commission: that is, to what extent specific legislation contributed to the current fiscal imbalance, the first view examining its growth over time and the second its magnitude in the current fiscal year. The third measure quantifies fiscal sins of omission: that is, failures to contain the magnitudes of federal deficits, a responsibility that sitting lawmakers bear irrespective of whether particular deficit-increasing legislation was enacted on their watch or at an earlier time. Each of the three views represents a reasonable perspective on federal budgeting responsibility.

To approach necessary fiscal corrections in an informed way, it is useful to know which legislation did the most to create the current fiscal imbalance and, thus, which modifications of existing law would do the most to improve the

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1. Charles Blahous, "Why We Have Federal Deficits: An Updated Analysis" (Mercatus Policy Research, Mercatus Center at George Mason University, November 2021), https://www.mercatus.org/research/research-papers/why-we-have-federal-deficits-updated-analysis; Charles Blahous, "Why We Have Federal Deficits: The Policy Decisions That Created Them" (Mercatus Policy Research, Mercatus Center at George Mason University, November 2013), https://www.mercatus.org/research/research-papers/why-we-have-federal-deficits-policy-decisions-created-them.

situation. To achieve this, one must lift one's sights from the political battles of the moment to focus on which legislation has mattered most from a budgeting perspective, irrespective of what part of the budget it involves and irrespective of whether this deficit-driving legislation was enacted recently or long ago. This perspective underlies the first two metrics analyzed in this study. At the same time, those who enacted legislation years ago did not have nearly as much information about its costs as do current lawmakers. Accordingly, current lawmakers bear just as much responsibility to contain the growing costs of inherited programs as they do to avoid creating new fiscal problems. This perspective underlies the third metric.

Table 1 quantifies the relative contributions of the pieces of legislation that created the current fiscal imbalance. A striking finding of the analysis, which repeats the general conclusions of earlier editions of this study, is that the persistently worsening fiscal imbalance is entirely attributable to legislative activity concentrated in just a few areas of the budget: Medicare, tax policy, Medicaid and the Affordable Care Act (ACA) health exchanges, and Social Security. All other areas of the federal budget, including defense and nondefense annual appropriations as well as all mandatory spending apart from the aforementioned programs, contribute nothing to the long-term problem in the sense that their currently projected expenditures are well below levels affordable within a balanced budget, assuming that future federal spending is distributed between all other categories in a manner consistent with historical practice. Payments of interest on federal debt obligations are also far above historical norms, but as these result directly from other spending and tax policies, their effects have been distributed proportionally between those policies. Table 8 (page 19) explains the derivation of this analysis, while the figures in appendix B (page 27) further illustrate how the entire long-term fiscal problem is attributable to legislative activity in just these few budget categories.

The Long-Term Fiscal Imbalance

Of the long-term fiscal imbalance, 73.8 percent is attributable to spending exceeding sustainable levels, while 26.2 percent is attributable to tax collections falling short of sustainable levels. Though the long-term problem remains primarily spending growth, the contribution of tax cuts to the problem has grown substantially since the previous edition of this study was published in 2021. At that time, the share of the long-term problem attributable to tax policy was only 16.8 percent. The nearly three-quarters of the problem now attributable to

TABLE 1. Legislated contributions to the long-term federal fiscal imbalance

Section	Budget category	Legislation (year)	Share of contribution to 2040 noninterest deficit, category (%)	Share of contribution to 2040 noninterest deficit, legislation (%)	President	US House majority	US Senate majority
Total spending			**73.8**				
	Medicare		44.3				
		Part D enactment (2003)		8.2	Bush (George W.), Republican	Republican	Republican
		Expansion (1972)		15.5	Nixon (Richard M.), Republican	Democrat	Democrat
		Initial enactment (1965)		20.5	Johnson (Lyndon B.), Democrat	Democrat	Democrat
	Medicaid + CHIP + ACA subsidies		20.3				
		ACA exchange subsidies + Medicaid expansion (2010)		15.4	Obama (Barack H.), Democrat	Democrat	Democrat
		Medicaid expansion (1989–90)		3.1	Bush (George H. W.), Republican	Democrat	Democrat
		Medicaid expansion (1987–88)		1.5	Reagan (Ronald W.), Republican	Democrat	Democrat
		Medicaid expansion (1971–72)		0.2	Nixon (Richard M.), Republican	Democrat	Democrat
	Social Security		9.2				
		SSFA (2024)		0.5	Biden (Joseph R.), Democrat	Republican	Democrat
		Expansion (1972)		8.8	Nixon (Richard M.), Republican	Democrat	Democrat
Total taxes			**26.2**				
		OBBBA (2025)		20.7	Trump (Donald J.), Republican	Republican	Republican
		ACA taxes repeal (2019)		5.5	Trump (Donald J.), Republican	Democrat	Republican
Total			**100.0**	**100.0**			

Sources: Author's calculations based on reports available at Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports; and Office of Management and Budget, "President's Budget: Historical Tables," accessed September 18, 2026, https://www.whitehouse.gov/omb/information-resources/budget/historical-tables/.

Note: Totals may not add exactly due to rounding. CHIP = Children's Health Insurance Program. SSFA = Social Security Fairness Act. OBBBA = One Big Beautiful Bill Act.

excess spending growth includes 44.3 percent of the total problem attributable to Medicare, 20.3 percent to Medicaid and the health exchanges established under the ACA, and 9.2 percent to Social Security.

Table 1 quantifies the extent to which specific legislation has created the federal government's escalating fiscal imbalance. Historically (from 1973 to 2025), federal spending has averaged 21.0 percent of GDP while tax collections have averaged 17.3 percent of GDP.[2] Assuming neutrality with respect to whether this past difference would better have been eliminated by additional spending restraint or greater tax collections, and minimizing hypothetical departures from historical practices, results in a benchmark of approximately 19.2 percent of GDP for both spending and revenues in a balanced budget. Going forward, the extent to which spending is currently projected to exceed this amount, and the extent to which revenues are projected to fall short of this amount, is entirely attributable to the legislative actions specified in table 1.

Net Medicare spending (gross spending minus offsetting receipts) is far and away the largest contributor to the federal fiscal imbalance at 44.3 percent of the total. This is true despite repeated efforts by lawmakers over several decades to contain the growth of Medicare spending. All the excess Medicare spending growth is attributable to three pieces of legislation: the original enactment of Medicare in 1965 (20.5 percent of the total imbalance), the program's expansion in 1972 (15.5 percent), and the addition of the Part D prescription drug benefit in 2003 (8.2 percent).[3]

Slightly more than one-quarter of the long-term fiscal imbalance is attributable to tax cuts. The biggest contributor on this side of the ledger is the tax cut contained in the One Big Beautiful Bill Act of 2025, which by itself accounts for 20.7 percent of the long-term fiscal imbalance, more than any other single piece of legislation. The remainder of the revenue shortfall comes from the 2019 repeal of the taxes (e.g., the Cadillac health plan tax, the medical device tax, and the health insurance tax) originally intended to finance a significant portion of the

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2. Congressional Budget Office, "Key Budget and Economic Data: Historical Budget Data," February 25, 2026, https://www.cbo.gov/data/budget-economic-data#2.

3. *Excess spending* is defined as spending above the amounts that could be afforded within a balanced budget with spending distributed as it has been historically. Note that the percentages given in the paragraph are not proportional to the total amounts of current Medicare spending attributable to each piece of legislation; rather, they describe the amounts by which each law is causing Medicare spending to exceed historically affordable norms. The original enactment of Medicare in 1965 caused the majority of Medicare spending that occurs today, but a certain amount of this spending could be afforded within a balanced budget and thus does not contribute to the deficit. See the methodology section for further details. Blahous, "Why We Have Federal Deficits: The Policy Decisions That Created Them."

2010 ACA. Were it not for these two recent tax cuts, tax revenues going forward would exceed the 19.2 percent of GDP sufficient to maintain balanced budgets by historical standards. In other words, the current long-term fiscal imbalance would be entirely attributable to spending growth were it not for tax cuts enacted in the past seven years.

Medicaid, the Children's Health Insurance Program (CHIP), and the ACA's health insurance marketplace subsidies are grouped by the Congressional Budget Office (CBO) into a single category for long-term projection purposes. This spending category accounts for 20.3 percent of the fiscal imbalance. The vast majority of this contribution (15.4 percent of the total imbalance) was legislated in the 2010 ACA, which established the health insurance marketplace subsidies and dramatically expanded Medicaid. The remainder of the excess Medicaid spending growth is a result of program expansions that occurred in 1986–1990 and 1971–1972. Unlike with Medicare, where the vast majority of its contribution to the fiscal problem derives from its original enactment, with Medicaid the problem has arisen from repeated program expansions, most recently and greatly in the 2010 ACA.

Social Security spending is the other significant contributor (9.2 percent) to the federal fiscal imbalance. A small piece of this contribution (0.5 percent of the total) derives from the 2024 Social Security Fairness Act (SSFA), which permits state and local pension plan participants to receive additional Social Security benefits that their own contributions have not financed.[4] The remainder of Social Security's contribution (8.8 percent of the total) derives from automatic annual Social Security benefit increases first legislated in 1972, which continue today and into the future under current law.[5]

Table 2 breaks down the development of the federal fiscal imbalance according to when the components were generated.

This table shows how the preponderance of the federal government's worsening fiscal imbalance was created in two periods of concentrated fiscal irresponsibility: the first from 1965 to 1972, the second beginning in 2010 and continuing into the present. Remarkably, over 87 percent of the fiscal imbalance was created in these two periods. The period 1965–1972 could be interpreted

4. The One Big Beautiful Bill Act (OBBBA) also slightly worsened the financial imbalance in Social Security's trust funds by decreasing income tax collections on Social Security benefits, but these are accounted for in the OBBBA's contribution to the fiscal shortfall.
5. The rate of benefit indexation was modified in 1977, but these modifications reduced benefit growth relative to the 1972 amendments; hence the entirety of this portion of the excess is attributable to the 1972 amendments.

TABLE 2. Timing of legislated contributions to the long-term federal fiscal imbalance

Time period	Share of contribution to imbalance (%) ▼	President	US House majority	US Senate majority	Contributing legislation
1971–1972	24.6	Nixon (Richard M.), Republican	Democrat	Democrat	1972 Medicare expansion, 1972 Social Security increase, 1971–72 Medicaid expansion
2025–2026	20.7	Trump (Donald J.), Republican	Republican	Republican	2025 OBBBA
1965–1966	20.5	Johnson (Lyndon B.), Democrat	Democrat	Democrat	1965 Medicare enactment
2009–2010	15.4	Obama (Barack H.), Democrat	Democrat	Democrat	2010 ACA health marketplace subsidies and Medicaid expansion
2003–2004	8.2	Bush (George W.), Republican	Republican	Republican	2003 Medicare Part D
2019–2020	5.5	Trump (Donald J.), Republican	Democrat	Republican	2019 repeal of ACA taxes
1989–1990	3.1	Bush (George H. W.), Republican	Democrat	Democrat	1989–90 Medicaid expansion
1987–1988	1.5	Reagan (Ronald W.), Republican	Democrat	Democrat	1987–88 Medicaid expansion
2023–2024	0.5	Biden (Joseph R.), Democrat	Republican	Democrat	2024 SSFA
Total	**100.0**				

Sources: Author's calculations based on reports available at Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports; and Office of Management and Budget, "President's Budget: Historical Tables," accessed September 18, 2026, https://www.whitehouse.gov/omb/information-resources/budget/historical-tables/.

as a time of legislative hubris during which lawmakers failed to appreciate the magnitude of the escalating expenditure obligations they were creating, first by establishing Medicare and Medicaid and later by expanding both programs as well as Social Security. The period from 2010 to the present similarly began with mandatory spending expansions, including the expansion of Medicaid and the establishment of health marketplace subsidies in the ACA, creating escalating expenditure obligations with inadequate financing. The latter half of the current period has been marked by tax cuts in the absence of spending restraint: first the 2019 repeal of the taxes intended to finance the ACA, and more recently the 2025 One Big Beautiful Bill Act (OBBBA) tax cuts.

Neither major political party has a clearly superior claim to fiscal responsibility. Roughly 65 percent of the current imbalance was enacted during periods when Democrats controlled both houses of Congress. Roughly 29 percent was enacted when Republicans controlled both houses (all of it in two pieces, the 2025 OBBBA and Medicare Part D in 2003). Only 6 percent of the damage occurred when Congress was under split control. But while Republicans have the better fiscal track record in Congress, the reverse is true of the White House: More than 63 percent of the fiscal damage was enacted during Republican presidencies. The most striking patterns are not political but variances across time: the escalating spending enacted during the 1965–1972 period, the period of fiscal moderation from 1973 through 2009, and the multiple fiscal transgressions on both the spending and revenue sides committed from 2010 through the present.

Remarkably, only 13 percent of the long-term fiscal shortfall was legislated during the combined presidencies of Ford, Carter, Reagan, Bush 41, Clinton, and Bush 43. The rest, more than 87 percent, was legislated solely during the presidencies of Lyndon B. Johnson and Nixon (1965–1972) and Obama, Trump, and Biden (2010 through the present).

The Fiscal Year 2026 Deficit

It is typical for the annual federal deficit in any single fiscal year to have more contributors than the structural long-term imbalance, in part because the current fiscal year deficit is often more greatly affected by recent legislation. The current fiscal year of 2026 is no exception. Table 3 shows legislated contributions to the federal deficit in fiscal year 2026.

Nearly two-thirds (65.9 percent) of the fiscal year 2026 deficit is attributable to excess spending growth, although recent tax cuts also make a significant contribution (34.1 percent). The tax cuts that cause 2026 revenues to fall below balanced-budget norms are the 2025 OBBBA (30.2 percent of the total deficit, more than any other single piece of legislation), the 2019 repeal of the taxes originally intended to finance the ACA (3.5 percent), and the Tax Cuts and Jobs Act of 2017 (0.4 percent).

On the spending side, the biggest contributor to the 2026 deficit is the budget category encompassing spending on Medicaid and the ACA's health insurance marketplace subsidies. As with the long-term fiscal imbalance, the largest contributors to excess spending growth in 2026 in this category are the Affordable Care Act (18.3 percent of the total) and the Medicaid expansions of 1989–1990 (2.8 percent), 1987–1988 (1.4 percent), and 1971–1972 (2.4 percent). Unlike with the long-term imbalance, a small piece of the 2026 deficit is attributable to the Medicaid increase in the 2021 American Rescue Plan (0.2 percent) and to Medicaid's initial enactment in 1965 (0.9 percent).

Medicare's contribution to the 2026 deficit is large (21.9 percent), but not as large as its contribution to the long-term fiscal shortfall, because its contribution progressively mounts as increasing numbers of Americans continue to retire and claim Medicare benefits. As with the long-term shortfall, most of Medicare's contribution to the 2026 deficit is the result of three pieces of legislation: the original

TABLE 3. Legislated contributions to fiscal year 2026 federal deficit

Section	Budget category	Legislation (year)	Share of contribution to 2026 noninterest deficit, category (%)	Share of contribution to 2026 noninterest deficit, legislation (%)	President	US House majority	US Senate majority
Total spending			**65.9**				
	Medicaid + CHIP + ACA subsidies		26.0				
		ARP Medicaid increase (2021)		0.2	Biden (Joseph R.), Democrat	Democrat	Democrat
		ACA exchange subsidies + Medicaid expansion (2010)		18.3	Obama (Barack H.), Democrat	Democrat	Democrat
		Medicaid expansion (1989–90)		2.8	Bush (George H. W.), Republican	Democrat	Democrat
		Medicaid expansion (1987–88)		1.4	Reagan (Ronald W.), Republican	Democrat	Democrat
		Medicaid expansion (1971–72)		2.4	Nixon (Richard M.), Republican	Democrat	Democrat
		Initial Medicaid enactment (1965)		0.9	Johnson (Lyndon B.), Democrat	Democrat	Democrat
	Medicare		21.9				
		Reconciliation (2025)		0.1	Trump (Donald J.), Republican	Republican	Republican
		MACRA (2015)		1.0	Obama (Barack H.), Democrat	Republican	Republican
		Part D enactment (2003)		8.2	Bush (George W.), Republican	Republican	Republican
		Expansion (1972)		10.0	Nixon (Richard M.), Republican	Democrat	Democrat
		Initial enactment (1965)		2.6	Johnson (Lyndon B.), Democrat	Democrat	Democrat
	Social Security		10.4				
		SSFA (2024)		0.9	Biden (Joseph R.), Democrat	Republican	Democrat
		Benefit increase and indexing (1972)		9.5	Nixon (Richard M.), Republican	Democrat	Democrat
	Federal civilian and military retirement, veterans		7.6				
		Honoring Our PACT veterans' coverage increase (2022)		4.4	Biden (Joseph R.), Democrat	Democrat	Democrat
		Military retirement increase (2015)		0.4	Obama (Barack H.), Democrat	Republican	Republican
		Veterans' benefit increase (2008)		1.8	Bush (George W.), Republican	Democrat	Democrat
		Military retirement increase (2003)		0.4	Bush (George W.), Republican	Republican	Republican
		Veterans' benefit increases (1991)		0.6	Bush (George H. W.), Republican	Democrat	Democrat
Total taxes			**34.1**				
		OBBBA (2025)		30.2	Trump (Donald J.), Republican	Republican	Republican
		ACA taxes repeal (2019)		3.5	Trump (Donald J.), Republican	Democrat	Republican
		TCJA (2017)		0.4	Trump (Donald J.), Republican	Republican	Republican
Total			**100.0**	**100.0**			

Sources: Author's calculations based on reports available at Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports; and Office of Management and Budget, "President's Budget: Historical Tables," accessed September 18, 2026, https://www.whitehouse.gov/omb/information-resources/budget/historical-tables/.

Note: ARP = American Rescue Plan. MACRA = Medicare Access and CHIP Reauthorization Act. TCJA = Tax Cuts and Jobs Act.

enactment of Medicare in 1965 (2.6 percent), its expansion in 1972 (10.0 percent), and the addition of the Part D prescription drug benefit in 2003 (8.2 percent). The 2015 Medicare Access and CHIP Reauthorization Act (MACRA) temporarily increasing physician payment rates also makes a contribution (1.0 percent). A further small addition to the 2026 deficit comes from the 2025 reconciliation bill (0.1 percent) that was grouped with Medicare spending in CBO's February 2026 *Budget and Economic Outlook*.[6]

Social Security also makes a significant contribution (10.4 percent) to the 2026 deficit. As with the long-term fiscal imbalance, a small piece of this contribution to the FY 26 deficit (0.9 percent of the total) derives from the SSFA, while the rest (9.5 percent) comes from the automatic benefit increases first legislated in 1972.

Spending increases targeted toward military personnel account for 7.6 percent of the 2026 deficit. The majority of this (4.4 percent of the total) comes from the Honoring Our PACT Act enacted in 2022, which increased health coverage and benefits for veterans exposed to toxic substances during military service. Legislation increasing net military retirement spending was enacted in 2015 (0.4 percent of the total) and 2003 (0.4 percent). Veterans' benefit increases in 2008 (1.8 percent of the total) and 1991 (0.6 percent) also contributed to the 2026 deficit.

In sum, as table 4 shows, the entire 2026 deficit is attributable to recent tax cuts in combination with increased spending on Medicare, Medicaid, the Affordable Care Act, Social Security, military retirement, and veterans' benefits.

Although contributions to the FY 2026 deficit are more diffuse than the few drivers of the worsening long-term fiscal imbalance, the 2026 deficit was also almost entirely legislated during the same two periods of fiscal recklessness, 1965–1972 and 2010 to the present. Nearly 85 percent of this year's deficit was enacted during these two periods, with the combined presidencies from Ford through Bush 43 accounting for barely 15 percent of the current deficit.

Allocating Responsibility

The long-standing methodology underlying this study is to apportion responsibility for budgetary decisions 50–50 between Congress and the US president, with Congress's 50 percent share split evenly between the House of Representatives (25 percent) and the Senate (25 percent). Total responsibility for legislation moving through the House is assigned to the House majority, reflecting the control

6. Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036*, February 25, 2026, table 5-1, "Changes in CBO's Baseline Projections of the Deficit Since January 2025."

TABLE 4. Timing of legislated contributions to the FY 2026 federal deficit

Time period	Share of contribution to imbalance (%)	President	US House majority	US Senate majority	Contributing legislation
2025–2026	30.3	Trump (Donald J.), Republican	Republican	Republican	2025 OBBBA, Reconciliation
1971–1972	21.9	Nixon (Richard M.), Republican	Democrat	Democrat	1972 Medicare expansion, 1972 Social Security increase, 1971–1972 Medicaid expansion
2009–2010	18.3	Obama (Barack H.), Democrat	Democrat	Democrat	2010 ACA health marketplace subsidies and Medicaid expansion
2003–2004	8.6	Bush (George W.), Republican	Republican	Republican	2003 Medicare Part D, 2003 military retirement increase
2021–2022	4.6	Biden (Joseph R.), Democrat	Democrat	Democrat	2021 ARP Medicaid increase, 2022 Honoring our PACT veterans' coverage increase
1965–1966	3.5	Johnson (Lyndon B.), Democrat	Democrat	Democrat	1965 Medicare enactment, 1965 Medicaid enactment
2019–2020	3.5	Trump (Donald J.), Republican	Democrat	Republican	2019 repeal of ACA taxes
1989–1990	2.8	Bush (George H. W.), Republican	Democrat	Democrat	1989–1990 Medicaid expansions
2007–2008	1.8	Bush (George W.), Republican	Democrat	Democrat	2008 veterans' benefit increase
1987–1988	1.4	Reagan (Ronald W.), Republican	Democrat	Democrat	1987–1988 Medicaid expansions
2015–2016	1.4	Obama (Barack H.), Democrat	Republican	Republican	2015 MACRA physician payment increase, military retirement spending increase
2023–2024	0.9	Biden (Joseph R.), Democrat	Republican	Democrat	2024 SSFA
1991–1992	0.6	Bush (George H. W.), Republican	Democrat	Democrat	1991 veterans' spending increase
2017–2018	0.4	Trump (Donald J.), Republican	Republican	Republican	2017 TCJA
Total	**100.0**				

Sources: Author's calculations based on reports available at Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports; and Office of Management and Budget, "President's Budget: Historical Tables," accessed September 18, 2026, https://www.whitehouse.gov/omb/information-resources/budget/historical-tables/.

over the legislative agenda held by the majority in that chamber. Of the 25 percentage points allocated to the Senate side, 20 points are assigned to the majority and 5 to the minority, reflecting the fact that the Senate majority has historically wielded substantial but not total control of legislative outcomes, with the minority somewhat empowered to influence legislation.

In recent years, the relative power of the Senate minority appears to have shrunk, and an argument could be made that responsibility shares in the Senate should now be charged almost exclusively to its majority. On the other hand, it is possible that 5 percent understates the Senate minority's influence in earlier periods, so 5 percent remains a reasonable quantification of its average relative influence over time. Regardless, slight adjustments to the apportionment of responsibility between the Senate majority and minority would not make a qualitative difference to the responsibility shares shown in table 5. A fuller explanation of this methodology is provided in earlier editions of this study, including an explanation of how responsibility is distributed based on periods of uninterrupted control of congressional chambers.[7]

If the president bears 50 percent of the responsibility for federal budget practices, President Donald J. Trump emerges as the greatest single contributor to the long-term fiscal imbalance. This is due to two of the laws he signed cutting taxes, the 2025 OBBBA and the 2019 repeal of taxes previously intended to finance the ACA. Note that this quantification of responsibility is based on the latest budget projections from the Congressional Budget Office, after which the US Supreme Court found President Trump's justification for imposing tariffs to be unconstitutional.[8] President Trump's share of responsibility will remain the same if he successfully invokes other presidential authorities to apply the same amount of tariffs, but his share could become larger if he does not. The next leading contributors to the long-term fiscal imbalance all come from the 1965–1972 period: Presidents Lyndon B. Johnson and Richard M. Nixon, as well as the Democratic majority in both houses of Congress throughout that time.

It is typical for a relatively larger share of the responsibility for the current-year fiscal deficit to lie with current officeholders, and 2026 is no exception, as table 6 shows.

The biggest single legislative contribution to the fiscal year 2026 deficit was the OBBBA, enacted in 2025 under current President Donald J. Trump with Republican majorities in both chambers of Congress. After the OBBBA, the largest contributions to the current fiscal year deficit occurred during the presidencies of Richard M. Nixon (expansions of Medicare, Medicaid, and Social Security) and Barack H. Obama (mostly the expansion of Medicaid and new health marketplace subsidies enacted in the 2010 Affordable Care Act, with smaller increases in Medicare and military retirement spending enacted toward the end of his second term).

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7. Blahous, "Why We Have Federal Deficits: An Updated Analysis."
8. Congressional Budget Office, "10-Year Budget Projections," in *The Budget and Economic Outlook: 2026 to 2036*, February 25, 2026; Learning Resources, Inc. v. Trump, 607 U.S. ___ (2026).

TABLE 5. Shares of responsibility for long-term federal fiscal imbalance

Contributor	Share of responsibility for long-term fiscal imbalance (%)
Trump (Donald J.), Republican	13.1
Nixon (Richard M.), Republican	12.3
US House Democrats, 1965–1972	11.3
Johnson (Lyndon B.), Democrat	10.2
US Senate Democrats, 1965–1972	9.0
Obama (Barack H.), Democrat	7.7
US House Republicans, 2023–2026	5.3
US Senate Republicans, 2025–2026	4.1
Bush (George W.), Republican	4.1
US House Democrats, 2007–2010	3.9
US Senate Democrats, 2007–2010	3.1
US Senate Republicans, 1965–1972	2.3
US House Republicans, 2003–2006	2.1
US Senate Republicans, 2003–2006	1.6
Bush (George H. W.), Republican	1.5
US House Democrats, 2019–2020	1.4
US House Democrats, 1987–1994	1.2
US Senate Republicans, 2019–2020	1.1
US Senate Democrats, 2025–2026	1.0
US Senate Democrats, 1987–1994	0.9
US Senate Republicans, 2007–2010	0.8
Reagan (Ronald W.), Republican	0.8
US Senate Democrats, 2003–2006	0.4
US Senate Democrats, 2019–2020	0.3
Biden (Joseph R.), Democrat	0.2
US Senate Republicans, 1987–1994	0.2
US Senate Democrats, 2023–2024	0.1
Total	**100.0**

Sources: Author's calculations based on reports available at Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports; and Office of Management and Budget, "President's Budget: Historical Tables," accessed September 18, 2026, https://www.whitehouse.gov/omb/information-resources/budget/historical-tables/.

TABLE 6. Shares of responsibility for FY 2026 federal deficit

Contributor	Share of responsibility for FY 2026 federal deficit (%)
Trump (Donald J.), Republican	17.1
Nixon (Richard M.), Republican	10.9
Obama (Barack H.), Democrat	9.8
US House Republicans, 2023–2026	7.8
US House Democrats, 1965–1972	6.3
US Senate Republicans, 2025–2026	6.1
Bush (George W.), Republican	5.2
US Senate Democrats, 1965–1972	5.1
US House Democrats, 2007–2010	5.0
US Senate Democrats, 2007–2010	4.0
Biden (Joseph R.), Democrat	2.8
US House Republicans, 2003–2006	2.2
US House Democrats, 2019–2022	2.0
Johnson (Lyndon B.), Democrat	1.7
Bush (George H. W.), Republican	1.7
US Senate Republicans, 2003–2006	1.7
US Senate Democrats, 2025–2026	1.5
US Senate Republicans, 1965–1972	1.3
US House Democrats, 1987–1994	1.2
US Senate Republicans, 2007–2010	1.0
US Senate Democrats, 1987–1994	1.0
US Senate Democrats, 2021–2022	0.9
Reagan (Ronald W.), Republican	0.7
US Senate Republicans, 2019–2020	0.7
US House Republicans, 2015–2018	0.4
US Senate Democrats, 2003–2006	0.4
US Senate Republicans, 2015–2018	0.4
US Senate Republicans, 1987–1994	0.2
US Senate Republicans, 2021–2022	0.2
US Senate Democrats, 2023–2024	0.2
US Senate Democrats, 2019–2020	0.2
US Senate Democrats, 2015–2018	0.1
US Senate Republicans, 2023–2024	0.0
Total	**100.0**

Sources: Author's calculations based on reports available at Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports; and Office of Management and Budget, "President's Budget: Historical Tables," accessed September 18, 2026, https://www.whitehouse.gov/omb/information-resources/budget/historical-tables/.

Note: Totals may not add exactly due to rounding.

As in previous editions, this study presents a third view of budgetary behavior in which elected officials are evaluated not only for the legislation they enact, but for the fiscal imbalances overseen during their times of office, irrespective of when the legislation creating them was originally enacted. Implicit in this view is a judgment that current officeholders bear responsibility for any ongoing imbalances in federal finances, and accordingly they are accountable not only for enacting new deficit-increasing legislation, but for failing to correct problematic fiscal effects of previously enacted legislation.

Table 7 exhibits fiscal stewardship records for elected officeholders, calculating their average share of responsibility for federal deficits (or surpluses), as a share of GDP, during the largest-deficit four- or eight-year span during the officeholders' continuous periods in presidential office or as the majority in a congressional chamber. As with the previous calculations, 50 percent responsibility is assigned to the sitting president, 25 percent to the US House majority, 20 percent to the US Senate majority, and 5 percent to the US Senate minority.

There are similarities and differences between the different views of responsibility depicted in tables 5, 6, and 7. Under any view, the Trump presidencies have been periods of exceptional additions to federal deficits and debt, a characterization also true of the Obama presidency to a lesser extent. The same is true of the Congresses that served alongside those two presidents. Other presidencies and Congresses look more or less culpable as a function of the view taken. Legislation enacted during the Nixon presidency by an all-Democratic Congress added significantly to today's federal deficit as well as to the projected long-term fiscal imbalance, but it did not result in especially large deficits at the time. On the other hand, President Biden presided over exceptionally large annual federal deficits, but very little of the current or projected fiscal imbalance is attributable to legislation enacted during his presidency.

Methodology

The methodology underlying this study is explained in greater detail in previous editions, but the essential method is to compare current and projected levels of spending and revenues to historical norms averaged over the years 1973–2025 in this update).[9] Federal revenues averaged 17.3 percent of GDP throughout this period, and federal spending averaged 21.0 percent of GDP. This means that

9. Blahous, "Why We Have Federal Deficits: The Policy Decisions That Created Them" and "Why We Have Federal Deficits: An Updated Analysis."

TABLE 7. Fiscal stewardship records, average deficit responsibility per year in office

Agent	Average shares of deficit (−) or surplus (+) responsibility in largest-deficit 4-8 year span during continuous period in office or as majority (% of GDP)
Trump (Donald J.), Republican	−3.77
Biden (Joseph R.), Democrat	−3.59
Obama (Barack H.), Democrat	−2.58
US House Democrats, 2019–2022	−2.39
Reagan (Ronald W.), Republican	−2.08
Bush (George H. W.), Republican	−2.06
US House Democrats, 2007–2010	−1.87
Bush (George W.), Republican	−1.56
US Senate Democrats, 2021–2024	−1.44
US Senate Republicans, 2015–2020	−1.22
Carter (James E., Jr.), Democrat	−1.17
US Senate Democrats, 2007–2014	−1.15
US House Democrats, 1981–1988	−1.04
US House Republicans, 2011–2018	−0.97
US Senate Republicans, 1981–1986	−0.91
Nixon (Richard M.), Republican	−0.76
US Senate Democrats, 1987–1994	−0.68
US Senate Democrats, 1973–1980	−0.5
US Senate Republicans, 2003–2006	−0.44
US House Republicans, 1999–2006	−0.32
Clinton (William J.), Democrat	−0.06
US Senate Republicans, 1995–2001	0.07

Sources: Author's calculations based on reports available at Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports; and Office of Management and Budget, "President's Budget: Historical Tables," accessed September 18, 2026, https://www.whitehouse.gov/omb/information-resources/budget/historical-tables/.

under an approach of neutrality with respect to whether the gap between spending and revenues would better have been closed by increased tax collections or greater spending restraint, the historical norm for balanced budgeting would have been spending and revenues each equaling approximately 19.2 percent of GDP. The extent to which current and projected spending exceeds 19.2 percent of GDP, or the extent to which current and projected tax collections fall short of 19.2 percent of GDP, may or may not reflect the extent of departure from one's preferred budget policies. Nevertheless, they do represent the extent to which greater spending and lesser tax collections than historical averages have caused the fiscal imbalance to emerge.

This study examines budget outcomes with respect to three vantage points: (1) the effects of legislation upon the federal government's escalating fiscal imbalance, (2) the effects of legislation upon the current fiscal year budget deficit, and (3) the sizes of annual federal deficits overseen by sitting officeholders. The last of these three metrics is self-explanatory and can be easily calculated by referring to public reports on federal deficits. The first two are far more complex and require deep study of published analyses (primarily from CBO and the Office of Management and Budget) of both the projected and actual fiscal effects of legislation. For purposes of this update, the current fiscal year is 2026. The year 2040 is used as a proxy for the long-term imbalance because it is a year by which critical short-term trends will have played out, most notably the movement of the historically large baby boom generation onto federal retirement benefit rolls. Current projections are such that by the time 2040 has arrived, mandatory spending and tax collections will each have settled into a pattern that will simply accelerate after that date.

Table 8 displays the shares of both current and long-term deficits arising from different categories of the federal budget.

Interest costs make a significant contribution to federal deficits both in 2026 and over the long term. While interest is technically grouped with other spending in CBO's and other budget tables, both spending increases and tax cuts can result in additional indebtedness and thus additional interest costs. Hence, in this study interest costs have been distributed between both spending's and tax cuts' contributions to the fiscal imbalance, in proportion to each side of the ledger's relative contribution among noninterest deficit drivers.

CBO does not provide as much granular budget detail in its long-term projections as in its 10-year budget outlooks; it breaks down federal spending into many more line items in its short-term projections than in its long-term estimates. For example, over the long term, CBO groups Medicaid, CHIP, and the ACA health marketplace subsidies into a single spending category, whereas in the near term it distinguishes spending on these different programs. Similarly, CBO provides more detailed information on net versus gross spending in Social Security and other mandatory spending programs in the near term relative to the long term. CBO's long-term projections group together income security, federal (civilian and

TABLE 8. Shares of FY 2026 and long-term federal deficits arising from deficit categories

Budget category	Historical avg, 1973–2025 (% of GDP)	Affordable level in balanced budget (% of GDP)	Projected 2026 level (% of GDP)	Affordable level in 2026, given savings in defense and nondefense appropriations, income security, and other mandatory (% of GDP)	Share of 2026 deficit cause (% of GDP)	Share of responsibility for 2026 deficit (%)	Share of responsibility for 2026 deficit, interest costs prorated (%)	Projected 2040 level (% of GDP)	Affordable level in 2040, given savings in defense and nondefense appropriations and other mandatory (% of GDP)	Share of 2040 deficit cause (% of GDP)	Share of responsibility for 2040 deficit (%)	Share of responsibility for 2040 deficit, interest costs prorated (%)
Total deficit	3.71	0.00	5.81	0.00	5.81	100.0	**100.0**	6.94	0.00	6.94	100.0	**100.0**
Total spending	21.03	19.18	23.35	19.18	4.17	71.8	**65.9**	24.94	19.18	5.76	83.0	**73.8**
Total tax revenues	17.32	19.18	17.54	19.18	1.64	28.2	**34.1**	18.00	19.18	1.18	17.0	**26.2**
Social Security	4.42 (gross); 4.30 (net)	4.03 (gross); 3.92 (net)	5.22 (gross); 5.14 (net)	4.64 (net)	0.50	8.6	**10.4**	5.81 (gross)	5.39	0.42	6.0	**9.2**
Medicare (net)	2.11	1.92	3.33	2.28	1.05	18.1	**21.9**	4.57	2.57	1.99	28.7	**44.3**
Defense	4.19	3.82	2.77	2.77	0.00	0.0	**0.0**	2.32	2.32	0.00	0.0	**0.0**
Nondefense appropriations	3.73	3.40	3.12	3.12	0.00	0.0	**0.0**	2.32	2.32	0.00	0.0	**0.0**
Medicaid + CHIP + ACA exchanges	1.30	1.18	2.65	1.40	1.25	21.5	**26.0**	2.50	1.58	0.91	13.1	**20.3**
Federal retirement + veterans (net)	0.92	0.84	1.36	0.99	0.37	6.3	**7.6**	n.a.	n.a.	n.a.	n.a.	**n.a.**
Interest (net)	2.08	1.90	3.26	2.25	1.01	17.3	**0.0**	4.99	2.54	2.44	35.2	**0.0**
Income security	1.74	1.58	1.22	1.22	0.00	0.0	**0.0**	n.a.	n.a.	n.a.	n.a.	**n.a.**
Other programs (net)	0.66	0.60	0.50	0.50	0.00	0.0	**0.0**	n.a.	n.a.	n.a.	n.a.	**n.a.**
Mandatory other than Social Security, Medicare, Medicaid, CHIP, ACA exchanges	3.20	2.92	2.99	n.a.	n.a.	n.a.	**n.a.**	2.44	2.44	0.00	0.0	**0.0**

Sources: Author's calculations based on reports available at Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports; and Office of Management and Budget, "President's Budget: Historical Tables," accessed September 18, 2026, https://www.whitehouse.gov/omb/information-resources/budget/historical-tables/.

military) retirement, veterans' benefits, and other mandatory spending in a single column. Closer examination of the spending trends in these individual programs over the next several years makes clear that neither separately nor in the aggregate are they drivers of the fiscal imbalance over the long term, including the military retirement and veterans' benefit programs that are contributing to the 2026 deficit.

Table 8 shows that, both currently and over the long term, federal deficits have grown primarily because of excess spending growth in Medicare, Medicaid, CHIP, the ACA exchanges, and Social Security. All current and projected appropriations, including defense as well as nondefense spending, remain below historical norms as a percentage of GDP and below the levels that could be afforded within a budget balanced consistent with historical spending allocations. Whereas net Medicare spending averaged 2.11 percent of GDP from 1973 to 2025, it currently stands at 3.33 percent of GDP and is projected to increase to 4.57 percent of GDP by 2040. Medicaid, CHIP, and ACA spending averaged 1.30 percent of GDP from 1973 to 2025 but have already grown to 2.65 percent of GDP in 2026. Gross Social Security spending averaged 4.42 percent of GDP from 1973 to 2025 but is currently 5.22 percent of GDP and is projected to reach 5.81 percent of GDP by 2040. Federal retirement and veterans' benefits, which averaged 0.92 percent of GDP from 1973 to 2025, currently equal 1.36 percent of GDP.

Both current (17.54 percent of GDP) and projected (18.00 percent of GDP in 2040) federal tax collections are higher than historical averages over the 1973–2025 period (17.32 percent of GDP). Historical tax collections have on average been inadequate to support federal spending, however, and 19.18 percent of GDP represents the midpoint of historical tax and spending levels, such that tax collections of 19.18 percent of GDP can be interpreted as the amount sufficient to support balanced budgets under historical practice. Both current and projected federal tax collections would exceed this taxation level were it not for the most recent rounds of tax cuts in 2025, 2019, and 2017. In other words, no tax regime adopted at any time prior to 2017 is contributing to the current fiscal imbalance.

While there is no objectively correct way to perform an assessment of contributors to the US fiscal imbalance, there are incorrect ways of doing so. One example would be to measure the effects of legislation only in certain areas of the federal budget, while excluding others from analysis and review. For example, an analysis that examines legislative decisions made only after an arbitrarily selected date will by construction assign a disproportionate share of responsibility for current fiscal imbalances to actions taken immediately after that date, while ignoring the effects of all legislation enacted before that date, even if the previous legislation continues to have enormous budgetary effects. Such a methodology can succeed in casting unflattering light on a chosen political target (i.e., someone who took office at the point the methodology begins tracking responsibility) but is not useful for understanding the relative importance of different legislation's effects on the federal budget.

Nor is it useful to assign responsibility for current fiscal imbalances by comparing current realities to prior projections. Prior projections were merely that—projections, relative to which ultimate reality often turned out very different. For example, many forecasters (including CBO) failed to predict the 2007–2009 financial markets downturn and recession, the COVID-19 pandemic, the bursting of the late-1990s dot-com bubble, or the full costs of the Affordable Care Act. What matters is not how the current picture looks relative to previous guesses, but how spending and revenue collections have actually unfolded as a result of policymakers' decisions.

Another common error is inconsistency in assigning responsibility for different changes in law. If a law is initially enacted to take effect for a limited time period such as 5 or 10 years, but is later permanently extended, responsibility for its permanent extension is properly assigned to the lawmakers who enacted the extension, whereas those who passed the initial law are responsible only for that first 5 or 10 years. This is true irrespective of the economic or political implications of extending a law or of allowing it to expire. It is not appropriate for a study of the budget to base its findings on rationales for lawmakers' behavior, whereas budgetary consequences are properly associated with the legislation that actually caused them.

Changes Since the 2021 Update of This Study

Table 9 compares the leading drivers of the long-term fiscal imbalance as identified in this update with those identified in the 2021 version of this study.

The results in 2026 are qualitatively similar to those generated in 2021, in that most of the escalating fiscal imbalance is owing to mandatory spending programs. Medicare is the leading driver on the spending side, followed by Medicaid/CHIP/ACA and Social Security. The most significant difference between the 2026 and 2021 projections, as table 10 shows, is that tax cuts have become a relatively larger contributor to the long-term federal fiscal imbalance, primarily due to the 2025 OBBBA.

The components of the federal deficit in 2026 are very different than they were in 2021. This is primarily because 2021 was an exceptional year, a pandemic year, when various forms of temporary relief spending brought the federal deficit to historic highs. The 2021 deficit was more than twice the 2026 deficit as a share of GDP, although the 2026 deficit is also substantially higher than historical

TABLE 9. Comparison of legislated contributions to the long-term federal fiscal imbalance (2026 vs. 2021 estimates)

Budget category	Percentage contribution to 2040 noninterest deficit (2021 estimate)	Percentage contribution to 2040 noninterest deficit (2026 estimate)
Medicare	47.1	44.3
Tax policy	16.8	26.2
Medicaid + CHIP + ACA subsidies	21.6	20.3
Social Security	14.5	9.2

Sources: Charles Blahous, "Why We Have Federal Deficits: An Updated Analysis" (Mercatus Policy Research, Mercatus Center at George Mason University, November 2021). Author's calculations based on reports available at Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports; and Office of Management and Budget, "President's Budget: Historical Tables," accessed September 18, 2026, https://www.whitehouse.gov/omb/information-resources/budget/historical-tables/.

TABLE 10. Comparison of legislated contributions to the current fiscal year federal deficit (2026 vs. 2021)

Budget category	% contribution to 2021 noninterest deficit	% contribution to 2026 noninterest deficit
Tax policy	13.8	34.1
Medicaid + CHIP + ACA subsidies	11.5	26.0
Medicare	7.7	21.9
Social Security	5.4	10.4
Federal retirement + veterans	0.4	7.6
Income security	32.7	0.0
Other programs	25.9	0.0
Nondefense appropriations	2.5	0.0

Sources: Charles Blahous, "Why We Have Federal Deficits: An Updated Analysis" (Mercatus Policy Research, Mercatus Center at George Mason University, November 2021). Author's calculations based on reports available at Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports; and Office of Management and Budget, "President's Budget: Historical Tables," accessed September 18, 2026, https://www.whitehouse.gov/omb/information-resources/budget/historical-tables/.

norms. Other examples of elevated spending in 2021 included income security spending (e.g., refundable tax credits and unemployment compensation), "other programs" (e.g., assistance to state and local governments, higher education funding, and emergency rental assistance), and increased nondefense appropriations. The 2026 results differ from the 2021 results in part because most of 2021's spending in response to the pandemic has expired and in part because lawmakers have enacted additional tax cuts and increased veterans' benefits.

TABLE 11. Top five contributors to long-term fiscal imbalance

Top contributors (2021 estimates)	% share of responsibility for long-term fiscal imbalance (2021 estimates)	Top contributors (2026 estimates)	% share of responsibility for long-term fiscal imbalance (2026 estimates)
Johnson (Lyndon B.), Democrat	14.8	Trump (Donald J.), Republican	13.1
US House Democrats, 1965–1972	14.7	Nixon (Richard M.), Republican	12.3
Nixon (Richard M.), Republican	14.6	US House Democrats, 1965–1972	11.3
US Senate Democrats, 1965–1972	11.8	Johnson (Lyndon B.), Democrat	10.2
Obama (Barack H.), Democrat	10.9	US Senate Democrats, 1965–1972	9.0

Sources: Author's calculations based on reports available at Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports; and Office of Management and Budget, "President's Budget: Historical Tables," accessed September 18, 2026, https://www.whitehouse.gov/omb/information-resources/budget/historical-tables/.

Table 11 shows how the assessment of the leading contributors to the long-term federal fiscal imbalance has changed since 2021. Lyndon B. Johnson, Richard M. Nixon, and the Congresses of 1965–1972 are among the biggest contributors to the long-term federal fiscal imbalance, as assessed in both 2021 and 2026. This is due to their having enacted Medicare and Medicaid, as well as later expanding both programs along with Social Security. Current President Donald J. Trump has recently surpassed them as a contributor to the persistently widening federal fiscal imbalance, primarily due to tax cuts enacted during both of his terms while working with Congresses of different compositions.

Appendix A. Components of Shares of Responsibility for Deficit Drivers

Table 12 provides a detailed breakdown of the legislative actions taken by each contributor in creating the long-term fiscal imbalance.

Table 13 provides a detailed breakdown of the legislative actions taken by each contributor in creating the FY 2026 federal deficit.

TABLE 12. Components of shares of responsibility for long-term fiscal imbalance

Contributor	Medicare enactment (1965)	Medicare expansion (1972)	Medicaid expansion (1971–72)	Social Security increase (1972)	Medicaid expansion (1987–88)	Medicaid expansion (1989–90)	Medicare Part D (2003)	Affordable Care Act (2010)	ACA taxes repeal (2019)	SSFA (2024)	OBBBA (2025)	Total
Trump (Donald J.), Republican	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.8	n.a.	10.3	**13.1**
Nixon (Richard M.), Republican	n.a.	7.8	0.1	4.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**12.3**
US House Democrats, 1965–1972	5.1	3.9	0.1	2.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**11.3**
Johnson (Lyndon B.), Democrat	10.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**10.2**
US Senate Democrats, 1965–1972	4.1	3.1	0.0	1.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**9.0**
Obama (Barack H.), Democrat	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.7	n.a.	n.a.	n.a.	**7.7**
US House Republicans, 2023–2026	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.1	5.2	**5.3**
US Senate Republicans, 2025–2026	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.1	**4.1**
Bush (George W.), Republican	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.1	n.a.	n.a.	n.a.	n.a.	**4.1**
US House Democrats, 2007–2010	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.9	n.a.	n.a.	n.a.	**3.9**
US Senate Democrats, 2007–2010	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.1	n.a.	n.a.	n.a.	**3.1**
US Senate Republicans, 1965–1972	1.0	0.8	0.0	0.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**2.3**
US House Republicans, 2003–2006	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.1	n.a.	n.a.	n.a.	n.a.	**2.1**
US Senate Republicans, 2003–2006	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.6	n.a.	n.a.	n.a.	n.a.	**1.6**
Bush (George H. W.), Republican	n.a.	n.a.	n.a.	n.a.	n.a.	1.5	n.a.	n.a.	n.a.	n.a.	n.a.	**1.5**
US House Democrats, 2019–2020	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.4	n.a.	n.a.	**1.4**
US House Democrats, 1987–1994	n.a.	n.a.	n.a.	n.a.	0.4	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	**1.2**
US Senate Republicans, 2019–2020	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.1	n.a.	n.a.	**1.1**
US Senate Democrats, 2025–2026	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.0	**1.0**
US Senate Democrats, 1987–1994	n.a.	n.a.	n.a.	n.a.	0.3	0.6	n.a.	n.a.	n.a.	n.a.	n.a.	**0.9**
US Senate Republicans, 2007–2010	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.8	n.a.	n.a.	n.a.	**0.8**
Reagan (Ronald W.), Republican	n.a.	n.a.	n.a.	n.a.	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**0.8**
US Senate Democrats, 2003–2006	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.4	n.a.	n.a.	n.a.	n.a.	**0.4**
US Senate Democrats, 2019–2020	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	**0.3**
Biden (Joseph R.), Democrat	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.2	n.a.	**0.2**
US Senate Republicans, 1987–1994	n.a.	n.a.	n.a.	n.a.	0.1	0.2	n.a.	n.a.	n.a.	n.a.	n.a.	**0.2**
US Senate Democrats, 2023–2024	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.1	n.a.	**0.1**
Total	**20.5**	**15.5**	**0.2**	**8.8**	**1.5**	**3.1**	**8.2**	**15.4**	**5.5**	**0.5**	**20.7**	**100.0**

Sources: Author's calculations based on reports available at Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports; and Office of Management and Budget, "President's Budget: Historical Tables," accessed September 18, 2026, https://www.whitehouse.gov/omb/information-resources/budget/historical-tables/.
Note: Totals may not add exactly due to rounding.

TABLE 13. Components of shares of responsibility for FY 2026 federal deficit

Contributor	Medicare enactment (1965)	Medicaid enactment (1965)	Medicare expansion (1972)	Medicaid expansion (1971–72)	Soc. Sec. increase (1972)	Medicaid expansion (1987–88)	Medicaid expansion (1989–90)	Vets. increase (1991)	Medicare Part D (2003)	Mil. ret. increase (2003)	Vets. increase (2008)
Trump (Donald J.), Republican	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nixon (Richard M.), Republican	n.a.	n.a.	5.0	1.2	4.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Obama (Barack H.), Democrat	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
US House Republicans, 2023–2026	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
US House Democrats, 1965–1972	0.7	0.2	2.5	0.6	2.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
US Senate Republicans, 2025–2026	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bush (George W.), Republican	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.1	0.2	0.9
US Senate Democrats, 1965–1972	0.5	0.2	2.0	0.5	1.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
US House Democrats, 2007–2010	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.5
US Senate Democrats, 2007–2010	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.4
Biden (Joseph R.), Democrat	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
US House Republicans, 2003–2006	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.0	0.1	n.a.
US House Democrats, 2019–2022	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Johnson (Lyndon B.), Democrat	1.3	0.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bush (George H. W.), Republican	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.4	0.3	n.a.	n.a.	n.a.
US Senate Republicans, 2003–2006	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.6	0.1	n.a.
US Senate Democrats, 2025–2026	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
US Senate Republicans, 1965–1972	0.1	0.0	0.5	0.1	0.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
US House Democrats, 1987–1994	n.a.	n.a.	n.a.	n.a.	n.a.	0.4	0.7	0.2	n.a.	n.a.	n.a.
US Senate Republicans, 2007–2010	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.1
US Senate Democrats, 1987–1994	n.a.	n.a.	n.a.	n.a.	n.a.	0.3	0.6	0.1	n.a.	n.a.	n.a.
US Senate Democrats, 2021–2022	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Reagan (Ronald W.), Republican	n.a.	n.a.	n.a.	n.a.	n.a.	0.7	n.a.	n.a.	n.a.	n.a.	n.a.
US Senate Republicans, 2019–2020	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
US House Republicans, 2015–2018	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
US Senate Democrats, 2003–2006	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.4	0.0	n.a.
US Senate Republicans, 2015–2018	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
US Senate Republicans, 1987–1994	n.a.	n.a.	n.a.	n.a.	n.a.	0.1	0.1	0.0	n.a.	n.a.	n.a.
US Senate Republicans, 2021–2022	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
US Senate Democrats, 2023–2024	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
US Senate Democrats, 2019–2020	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
US Senate Democrats, 2015–2018	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
US Senate Republicans, 2023–2024	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	**2.6**	**0.9**	**10.0**	**2.4**	**9.5**	**1.4**	**2.8**	**0.6**	**8.2**	**0.4**	**1.8**

TABLE 13. Components of shares of responsibility for FY 2026 federal deficit (*continued*)

Contributor	ACA (2010)	MACRA (2015)	Mil. ret. increase (2015)	TCJA (2017)	ACA tax repeal (2019)	ARP (2021)	PACT (2022)	SSFA (2024)	OBBBA (2025)	Reconcilia-tion (2025)	Total
Trump (Donald J.), Republican	n.a.	n.a.	n.a.	0.2	1.7	n.a.	n.a.	n.a.	15.1	0.1	**17.1**
Nixon (Richard M.), Republican	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**10.9**
Obama (Barack H.), Democrat	9.1	0.5	0.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**9.8**
US House Republicans, 2023–2026	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.2	7.5	0.0	**7.8**
US House Democrats, 1965–1972	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**6.3**
US Senate Republicans, 2025–2026	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.0	0.0	**6.1**
Bush (George W.), Republican	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**5.2**
US Senate Democrats, 1965–1972	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**5.1**
US House Democrats, 2007–2010	4.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**5.0**
US Senate Democrats, 2007–2010	3.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**4.0**
Biden (Joseph R.), Democrat	n.a.	n.a.	n.a.	n.a.	n.a.	0.1	2.2	0.5	n.a.	n.a.	**2.8**
US House Republicans, 2003–2006	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**2.2**
US House Democrats, 2019–2022	n.a.	n.a.	n.a.	n.a.	0.9	0.1	1.1	n.a.	n.a.	n.a.	**2.0**
Johnson (Lyndon B.), Democrat	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**1.7**
Bush (George H. W.), Republican	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**1.7**
US Senate Republicans, 2003–2006	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**1.7**
US Senate Democrats, 2025–2026	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.5	0.0	**1.5**
US Senate Republicans, 1965–1972	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**1.3**
US House Democrats, 1987–1994	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**1.2**
US Senate Republicans, 2007–2010	0.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**1.0**
US Senate Democrats, 1987–1994	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**1.0**
US Senate Democrats, 2021–2022	n.a.	n.a.	n.a.	n.a.	n.a.	0.0	0.9	n.a.	n.a.	n.a.	**0.9**
Reagan (Ronald W.), Republican	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**0.7**
US Senate Republicans, 2019–2020	n.a.	n.a.	n.a.	n.a.	0.7	n.a.	n.a.	n.a.	n.a.	n.a.	**0.7**
US House Republicans, 2015–2018	n.a.	0.2	0.1	0.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**0.4**
US Senate Democrats, 2003–2006	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**0.4**
US Senate Republicans, 2015–2018	n.a.	0.2	0.1.	0.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**0.4**
US Senate Republicans, 1987–1994	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**0.2**
US Senate Republicans, 2021–2022	n.a.	n.a.	n.a.	n.a.	n.a.	0.0	0.2	n.a.	n.a.	n.a.	**0.2**
US Senate Democrats, 2023–2024	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.2	n.a.	n.a.	**0.2**
US Senate Democrats, 2019–2020	n.a.	n.a.	n.a.	n.a.	0.2	n.a.	n.a.	n.a.	n.a.	n.a.	**0.2**
US Senate Democrats, 2015–2018	n.a.	0.0	0.0	0.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**0.1**
US Senate Republicans, 2023–2024	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0	n.a.	n.a.	**0.0**
Total	**18.3**	**1.0**	**0.4**	**0.4**	**3.5**	**0.2**	**4.4**	**0.9**	**30.2**	**0.1**	**100.0**

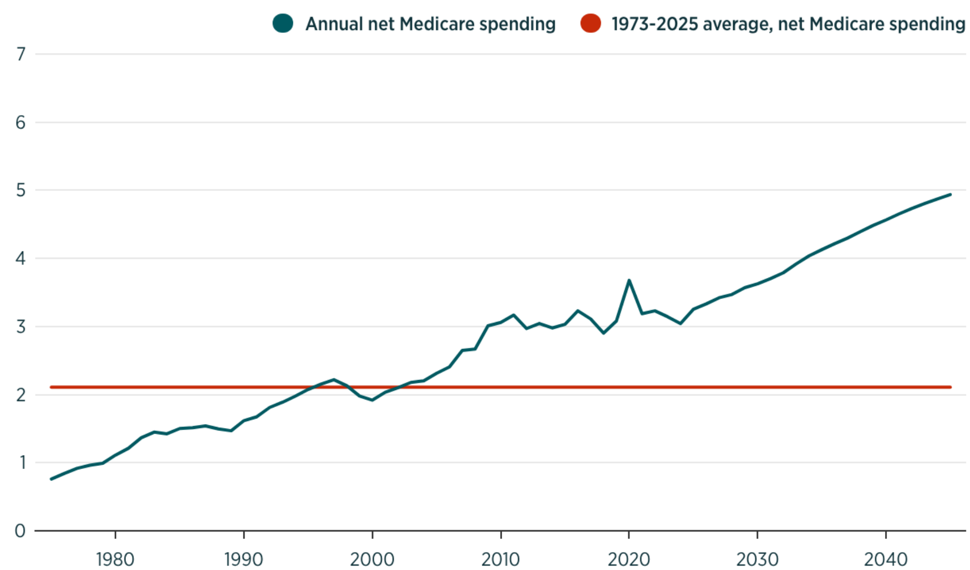
Sources: Author's calculations based on reports available at Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports; and Office of Management and Budget, "President's Budget: Historical Tables," accessed September 18, 2026, https://www.whitehouse.gov/omb/information-resources/budget/historical-tables/.

Appendix B. Figures Illustrating Historical and Projected Spending and Revenues

The following figures illustrating historical and projected operations in different parts of the federal budget may be helpful in visualizing how certain programs are driving the worsening fiscal outlook. Figure 1 illustrates the growth of net Medicare spending. The sustained, dramatic growth of Medicare, rising both as a percentage of federal spending and as a percentage of the economy, renders it the single greatest contributor to the widening federal fiscal imbalance.

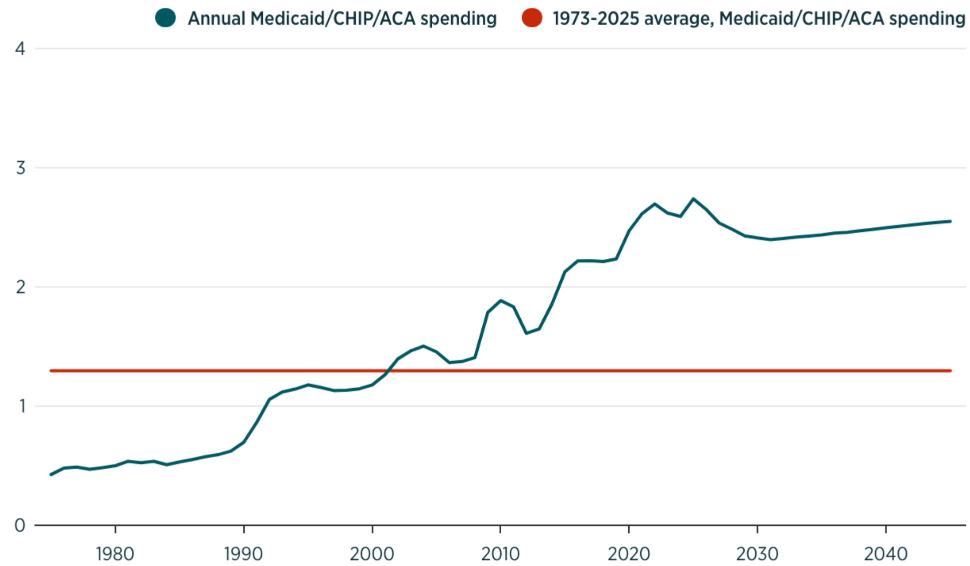
Figure 2 illustrates the growth of federal spending on Medicaid, CHIP, and the ACA, which the CBO groups together in its long-term budget projections. Repeated expansions of these means-tested health programs cause this category to be the single largest contributor to the spending side of the FY 2026 deficit. Barring further expansions, however, Medicare will overtake them as a contributor to the fiscal imbalance over the long run.

FIGURE 1. Historical and projected net Medicare spending (% of GDP)



Source: Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports.

FIGURE 2. Historical and projected Medicaid, CHIP, and ACA spending (% of GDP)



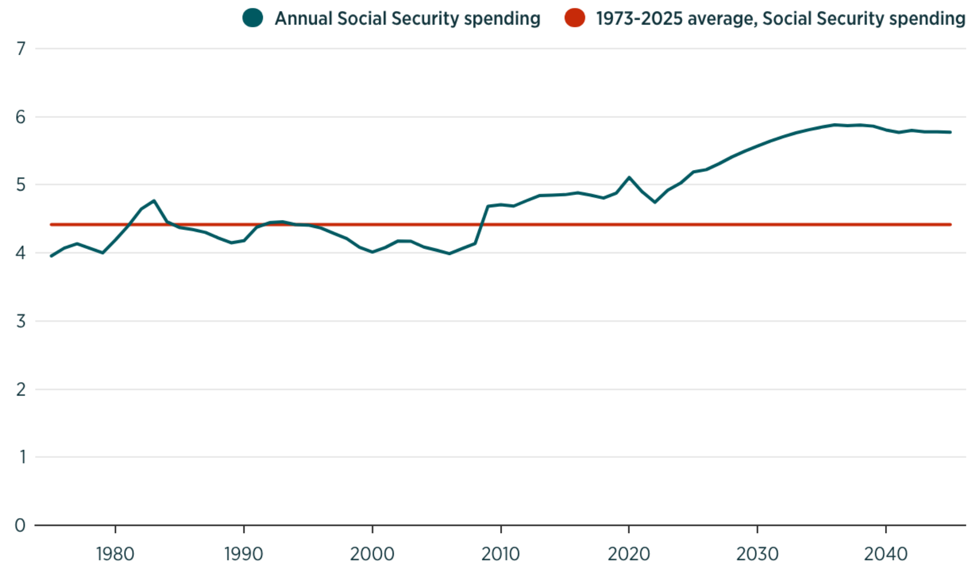
Source: Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports.

Figure 3 illustrates historical and projected Social Security spending. Social Security is the third-largest contributor on the spending side of the budget to the long-term federal fiscal imbalance. Its growth is due largely to population aging, driven by baby boomers entering their retirement years, and by benefit eligibility ages remaining fixed as US lifespans increase.

Figure 4 illustrates the contribution of changing federal tax policies to the long-term fiscal imbalance. Under current projections, federal tax collections will remain above historical norms as a percentage of GDP going forward. The finding that tax policy contributes to the long-term imbalance arises from adopting a position of neutrality as to whether existing deficits would otherwise have been eliminated by increasing taxes or restraining spending growth. If half of the job had been done by increasing taxes and half by restraining spending, federal tax collections would have averaged slightly less than 19.2 percent of GDP. The extent to which future tax collections fall short of this level is the amount by which tax cuts contribute to the long-term fiscal imbalance.

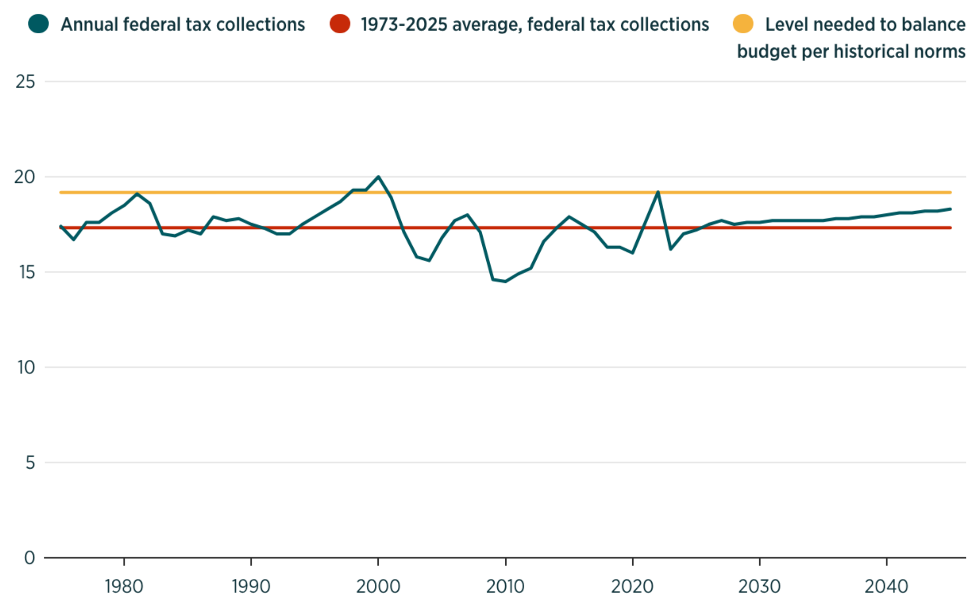
Figure 5 illustrates the decline in defense spending as a percentage of GDP over the past few decades, a trend that is projected to persist into the future. Though there have been temporary surges of defense spending when the United

FIGURE 3. Historical and projected Social Security spending (% of GDP)



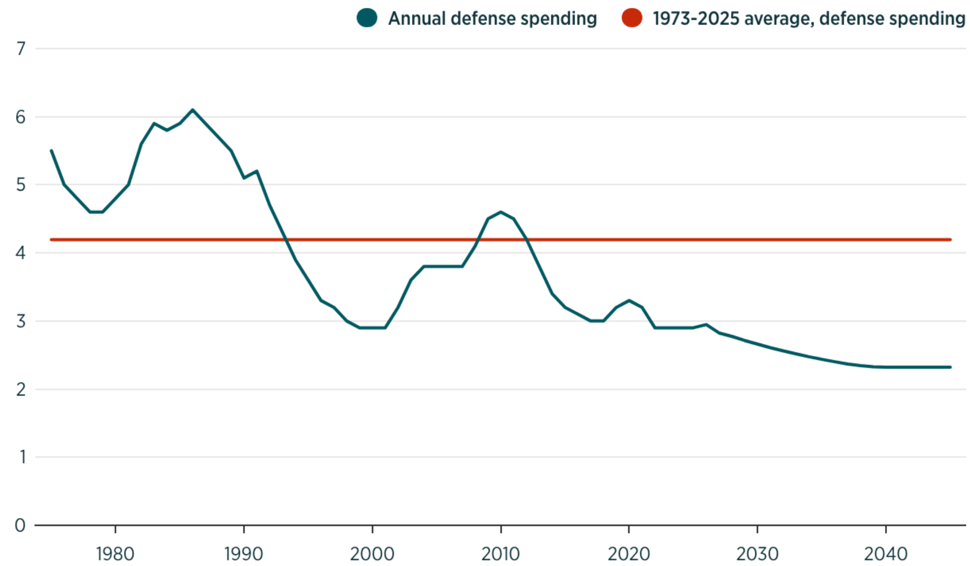
Source: Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports.

FIGURE 4. Historical and projected federal tax collections (% of GDP)



Source: Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports.

FIGURE 5. Historical and projected defense spending (% of GDP)



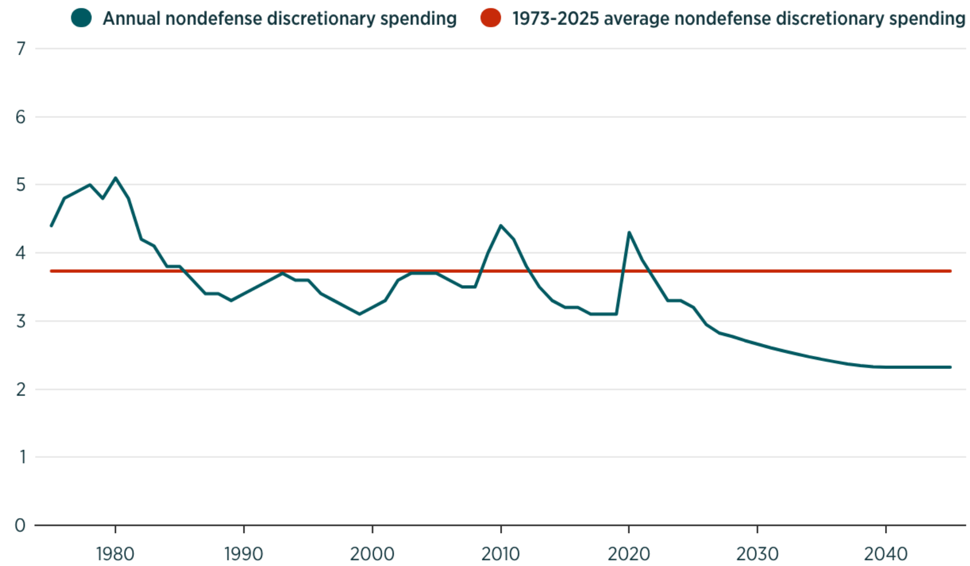
Source: Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports.

States has become embroiled in military conflict, defense spending has overall trended downward, relative both to GDP and to spending in the remainder of the budget.

Figure 6 illustrates the sustained decline in nondefense discretionary spending as a share of GDP. Although the relative decline in nondefense discretionary spending has not been as pronounced as that of defense spending, and although there have been occasional spikes in nondefense discretionary spending in response to economic recessions, the general decline in nondefense discretionary spending means that it is not responsible for the persistent rise in federal deficits.

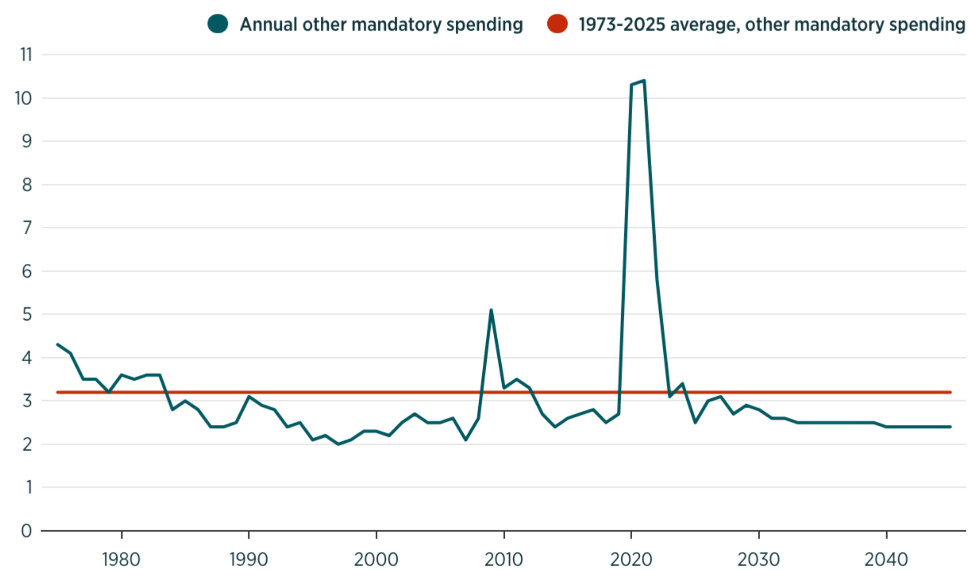
Figure 7 illustrates historical and projected mandatory spending in programs other than Medicare, Medicaid, CHIP, the ACA, and Social Security. As with appropriated spending, the long-term trend has been for such spending to decline as a share of the budget and as a percentage of GDP. Lawmakers have enacted large increases in mandatory spending in response to recent economic recessions, but these have been temporary and are not driving the long-term trend of rising federal deficits.

FIGURE 6. Historical and projected nondefense discretionary spending (% of GDP)



Source: Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports.

FIGURE 7. Historical and projected other mandatory spending (% of GDP)



Source: Congressional Budget Office, "Budget: Recurring Publications," accessed September 18, 2026, https://www.cbo.gov/taxonomy/term/2/recurring-reports.

About the Author

Charles Blahous is the J. Fish and Lillian F. Smith Chair and Senior Research Strategist at the Mercatus Center at George Mason University. He served as a public trustee for Social Security and Medicare from 2010 through 2015. He was formerly the deputy director of President George W. Bush's National Economic Council, special assistant to the president for economic policy, and executive director of the bipartisan President's Commission to Strengthen Social Security. Blahous received his PhD in computational quantum chemistry from the University of California, Berkeley, and his BA from Princeton University.