# Why We Have Federal Deficits: An Updated Analysis

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## ABSTRACT

This study tabulates and quantifies legislated contributions to the federal government's fiscal imbalance according to three criteria: (a) the share of the federal government's structural, long-term fiscal imbalance attributable to the legislation; (b) the share of the fiscal year (FY) 2021 federal deficit attributable to the legislation; and (c) the amounts of federal deficits (as a percentage of GDP) attributed to different lawmakers' fiscal management. Nearly three-fifths of the federal government's long-term, structural fiscal imbalance derives from legislation enacted between 1965 and 1972. That critical period witnessed the enactments of Medicare and Medicaid in 1965, subsequent expansions of both programs in 1971–1972, and substantial increases in Social Security benefits in 1972. The largest contributions to the FY 2021 federal deficit consist of legislation enacted during the COVID-19 pandemic, both at the start of the Joseph R. Biden Jr. administration as well as during the final year of the Donald J. Trump administration. These bills increased spending on various income security benefits as well as on Medicaid and other mandatory spending programs, reduced federal tax collections, and added to domestic discretionary appropriations. Among recent presidential administrations, the largest federal deficits were overseen by the Trump administration, whereas the Barack H. Obama administration placed second. Despite all the political rhetoric expended today to cast blame for skyrocketing federal deficits on current officeholders of opposing political parties, the largest drivers of the structural federal fiscal imbalance were enacted roughly a half-century ago. Consequently, the federal fiscal outlook cannot be stabilized unless and until those deficit drivers, specifically federal health and retirement programs, are reformed in future legislation to moderate their growth rates.

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# WHY WE HAVE FEDERAL DEFICITS: AN UPDATED ANALYSIS

## RESULTS IN BRIEF

This study tabulates and quantifies legislated contributions to the federal government's fiscal imbalance according to three criteria: (a) the share of the federal government's structural, long-term fiscal imbalance attributable to the legislation; (b) the share of the fiscal year (FY) 2021 federal deficit attributable to the legislation; and (c) the amounts of federal deficits (as a percentage of GDP) attributed to different lawmakers' fiscal management.

Of these three measures, the first two could be thought of as representing fiscal sins of commission; that is, enacting specific legislation that worsened the fiscal imbalance. The first measure analyzes the extent to which specific legislation is causing federal finances to grow further out of balance over time, while the second measure analyzes the relative contributions of specific legislation to the FY 2021 deficit. The third measure quantifies fiscal sins of omission; that is, failures to contain the magnitudes of federal deficits, a responsibility that lawmakers bear irrespective of whether particular deficit-increasing legislation was enacted on their watch or at an earlier time. Each of the three methods represents a reasonable view of federal budgeting responsibility, though each quantifies a different concept.

When one considers budget policy, it is useful to know whether a particular stressor exists because of recent actions by current officeholders, or whether the stressor instead derives from legislation enacted long ago. Such information can be essential to lifting one's sights from a reflexive focus on the political battles of the moment to what matters more from a budget perspective. This perspective of examining legislated changes to the budget outlook underlies the first two metrics analyzed in this study. However, those who enacted legislation decades ago did not have nearly as much information about its eventual costs as do current lawmakers. Accordingly, current lawmakers bear just as much responsibility to contain the growing costs of inherited programs as they to do to avoid creating new problems. This perspective underlies the third metric.

A striking finding of this study (see table 1) is that nearly three-fifths of the federal government's current long-term, structural fiscal imbalance (this study's first view, as defined in the section titled, "Methodology") derives from legislation enacted between 1965 and 1972. That critical period witnessed the enactments of Medicare and Medicaid in 1965, subsequent expansions of both programs in 1971–1972, and substantial increases in Social Security benefits in 1972, some of which took the form of automatic annual benefit increases that will continue into the indefinite future under current law. All subsequent legislation combined, from 1973 to the present, has done less to exacerbate the long-term budget situation than the laws passed during those eight eventful years. Both Democratic (Lyndon B. Johnson) and Republican (Richard M. Nixon) presidential administrations contributed to these deficit drivers through legislation enacted when both houses of Congress were under continuous Democratic party control (see table 2).[1]

Despite all the political rhetoric expended today to cast blame for skyrocketing federal deficits on either the Joseph R. Biden Jr. administration or the Donald J. Trump administration, on either congressional Democrats or congressional Republicans, the largest drivers of the structural federal fiscal imbalance were enacted roughly a half-century ago. An optimistic interpretation of this finding is that the imbalance can be addressed without requiring current officeholders to reverse their own legislative decisions, because the primary task involves enacting legislative corrections to decisions made by earlier generations. A more pessimistic take would be that correcting the budget situation requires that legislators confront entrenched expectations for federal spending on benefits that have been in place for nearly 50 years.

1. As explained later in this study, and as done in the 2013 Blahous study, a share of responsibility of 50% for all legislative decisions is assigned to a president, 25% to the party holding a majority of the US House of Representatives, 20% to the party holding a majority in the US Senate, and 5% to the US Senate minority. Charles Blahous, "Why We Have Federal Deficits: The Policy Decisions That Produced Them" (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, November 2013). In tables 1 and 2, as well as other tables in this study, dates of office and legislative activity are generally presented to begin with odd-numbered years and end with even-numbered years. In other words, although the 111th Congress took office on January 3, 2009, and left office on January 3, 2011, it is generally described in this study as convening during 2009–2010. The same convention is employed with presidencies, although they are typically inaugurated on January 20. This convention is adopted to avoid confusion between legislation that passes in one part of a calendar year rather than another. In most instances, no imprecision is introduced by this style of presentation, because legislation is enacted only rarely in the first few days of a calendar year. However, exceptional instances are noted when legislation that was considered near the end of one Congress spilled over into the beginning of the following calendar year. For example, the Taxpayer Relief Act was signed by President Barack H. Obama and became law on January 2, 2013, after the House-Senate conference was completed on January 1; the 112th Congress that passed the act is nevertheless described in the tables as convening during 2011–2012.

TABLE 1. TIME AND RELATIVE SIZE OF LEGISLATED CONTRIBUTIONS TO THE LONG-TERM FEDERAL FISCAL IMBALANCE

| Time period | Share of contribution to imbalance (%) | President | US House control | US Senate control | Contributing legislation |
|---|---|---|---|---|---|
| 1965–1966 | 29.7 | Johnson (Lyndon B.) | Democrat | Democrat | 1965 Medicare enactment, 1965 Medicaid enactment |
| 1971–1972 | 29.2 | Nixon (Richard M.) | Democrat | Democrat | 1972 Medicare expansion, 1971–1972 Medicaid expansion, 1972 Social Security increase |
| 2009–2010 | 12.7 | Obama (Barack H.) | Democrat | Democrat | 2010 Affordable Care Act health marketplace subsidies, 2010 Affordable Care Act Medicaid expansion |
| 2003–2004 | 8.1 | Bush (George W.) | Republican | Republican | 2003 Medicare Part D enactment |
| 2019–2020 | 7.6 | Trump (Donald H.) | Democrat | Republican | 2019 repeal of Affordable Care Act taxes |
| 2011–2012 | 6.1 | Obama | Republican | Democrat | Taxpayer Relief Act |
| 2015–2016 | 3.1 | Obama | Republican | Republican | 2015 Cadillac plan tax delay (later repealed in 2019) |
| 1989–1990 | 2.3 | Bush (George H. W.) | Democrat | Democrat | 1989–1990 Medicaid expansions |
| 1987–1988 | 1.2 | Reagan (Ronald W.) | Democrat | Democrat | 1987–1988 Medicaid expansions |

Note: House = House of Representatives.

Source: Author's calculations based on data from the Congressional Budget Office.

Legislation in recent decades has certainly added further to the structural fiscal imbalance but to a lesser degree: among the more significant actions have been the expansion of Medicaid and creation of new health marketplace subsidies in the 2010 Affordable Care Act (ACA), the creation of the Part D Medicare prescription drug benefit in 2003, the repeal of the Cadillac Health Plan tax and other ACA taxes in 2019, and the Taxpayer Relief Act that moved through Congress in late 2012 and was signed in January 2013. Still, all these other measures in combination worsened the fiscal outlook by little more than two-thirds as much as the major legislation of 1965–1972.[2] Simply put, the current-law federal fiscal imbalance cannot be corrected until there is action to moderate the automatic spending growth effectuated during 1965–1972.

This study's second view examines legislative contributions to the federal deficit in the single fiscal year of 2021. Unsurprisingly, the largest contributions to the FY 2021 federal deficit consist of legislation enacted during

2. None of the structural federal fiscal imbalance is attributable to legislation enacted prior to 1965. As explained later in this paper, although Social Security was enacted in 1935, amendments creating its contribution to the long-term fiscal imbalance were not enacted until 1972.

TABLE 2. SHARES OF RESPONSIBILITY FOR LONG-TERM FEDERAL FISCAL IMBALANCE

| Contributor | Share of responsibility for long-term fiscal imbalance (%)[a] |
|---|---|
| Johnson (Lyndon B.) | 14.8 |
| US House Democrats, 1965–1972 | 14.7 |
| Nixon (Richard M.) | 14.6 |
| US Senate Democrats, 1965–1972 | 11.8 |
| Obama (Barack H.) | 10.9 |
| Bush (George W.) | 4.1 |
| Trump (Donald J.) | 3.8 |
| US House Democrats, 2007–2010 | 3.2 |
| US Senate Republicans, 1965–1972 | 2.9 |
| US Senate Democrats, 2007–2010 | 2.5 |
| US House Republicans, 2003–2006 | 2.0 |
| US House Democrats, 2019–2020 | 1.9 |
| US Senate Republicans, 2003–2006 | 1.6 |
| US House Republicans, 2011–2014 | 1.5 |
| US Senate Republicans, 2019–2020 | 1.5 |
| US Senate Democrats, 2011–2014 | 1.2 |
| Bush (George H. W.) | 1.1 |
| US House Democrats, 1987–1994 | 0.9 |
| US House Republicans, 2015–2018 | 0.8 |
| US Senate Democrats, 1987–1994 | 0.7 |
| US Senate Republicans, 2007–2010 | 0.6 |
| Reagan (Ronald W.) | 0.6 |
| US Senate Republicans, 2015–2018 | 0.6 |
| US Senate Democrats, 2003–2006 | 0.4 |
| US Senate Democrats, 2019–2020 | 0.4 |
| US Senate Republicans, 2011–2014 | 0.3 |
| US Senate Republicans, 1987–1994 | 0.2 |
| US Senate Democrats, 2015–2018 | 0.2 |

Note: House = House of Representatives.

a. Sum of percentages is less than 100 owing to rounding. Underlying numbers, when calculated to more significant figures, add up to 100.0.

Source: Author's calculations based on data from the Congressional Budget Office.

the COVID-19 pandemic (which began in early 2020 and continues as of this writing), both at the start of the Biden administration and during the final year of the Trump administration. This legislation increased spending on various income security benefits as well as on Medicaid and other mandatory spending programs, reduced federal tax collections, and added to domestic discretionary appropriations (see table 3). These economic relief initiatives spanned the administrations of two presidents of opposing political parties,

TABLE 3. TIME AND RELATIVE SIZE OF LEGISLATED CONTRIBUTIONS TO 2021 FEDERAL DEFICIT

| Time period | Share of contribution to deficit (%) | President | US House control | US Senate control | Contributing legislation |
|---|---|---|---|---|---|
| 2021 | 36.9 | Biden (Joseph R., Jr) | Democrat | Democrat | American Rescue Plan |
| 2019–2020 | 30.4 | Trump (Donald J.) | Democrat | Republican | 2019 repeal of Affordable Care Act taxes, 2020 pandemic relief legislation increasing income security spending, Medicaid spending, other mandatory spending, nondefense discretionary appropriations |
| 1971–1972 | 9.6 | Nixon (Richard M.) | Democrat | Democrat | 1972 Medicare expansion, 1971–1972 Medicaid expansion, 1972 Social Security increase |
| 2017–2018 | 7.8 | Trump | Republican | Republican | Tax reductions in 2017 Tax Cuts and Jobs Act |
| 2009–2010 | 5.2 | Obama (Barack H.) | Democrat | Democrat | 2010 Affordable Care Act health marketplace subsidies, 2010 Affordable Care Act Medicaid expansion |
| 1965–1966 | 3.0 | Johnson (Lyndon B.) | Democrat | Democrat | 1965 Medicare enactment, 1965 Medicaid enactment |
| 2011–2012 | 2.5 | Obama | Republican | Democrat | Taxpayer Relief Act |
| 2003–2004 | 2.4 | Bush (George W.) | Republican | Republican | 2003 Medicare Part D enactment |
| 1989–1990 | 0.9 | Bush (George H. W.) | Democrat | Democrat | 1989–1990 Medicaid expansions |
| 2007–2008 | 0.5 | Bush (George W.) | Democrat | Democrat | 2008 veterans' benefits increase |
| 2015–2016 | 0.4 | Obama | Republican | Republican | Physician payment increases in 2015 MACRA, military retirement spending increase |
| 1987–1988 | 0.4 | Reagan (Ronald W.) | Democrat | Democrat | 1987–1988 Medicaid expansions |

Note: House = House of Representatives; MACRA = Medicare Access and CHIP [Children's Health Insurance Program] Reauthorization Act of 2015.

Source: Author's calculations based on data from the Congressional Budget Office.

beginning during a period of split party control of Congress (2020) and continuing through a period of one-party (Democratic) congressional control (2021). Other significant contributions to the 2021 deficit were made by the Tax Cuts and Jobs Act of 2017; the 2010 ACA; and the aforementioned expansions of Social Security, Medicare, and Medicaid in 1971–1972. Smaller but tangible contributions to the 2021 deficit were made by the 2012–2013 Taxpayer Relief Act, the 2003 Medicare prescription drug benefit addition, and the original enactments of Medicare and Medicaid in 1965.

TABLE 4. SHARES OF RESPONSIBILITY FOR 2021 FEDERAL DEFICIT

| Contributor | Share of responsibility for 2021 federal deficit (%) |
|---|---|
| Trump (Donald J.) | 19.1 |
| Biden (Joseph R., Jr.) | 18.5 |
| US House Democrats, 2021 | 9.2 |
| US House Democrats, 2019–2020 | 7.6 |
| US Senate Democrats, 2021 | 7.4 |
| US Senate Republicans, 2019–2020 | 6.1 |
| Nixon (Richard M.) | 4.8 |
| Obama (Barack H.) | 4.1 |
| US House Democrats, 1965–1972 | 3.1 |
| US Senate Democrats, 1965–1972 | 2.5 |
| US House Republicans, 2015–2018 | 2.1 |
| US Senate Republicans, 2021 | 1.8 |
| US Senate Republicans, 2015–2018 | 1.6 |
| US Senate Democrats, 2019–2020 | 1.5 |
| Johnson (Lyndon B.) | 1.5 |
| US House Democrats, 2007–2010 | 1.4 |
| Bush (George W.) | 1.4 |
| US Senate Democrats, 2007–2010 | 1.1 |
| US Senate Republicans, 1965–1972 | 0.6 |
| US House Republicans, 2011–2014 | 0.6 |
| US House Republicans, 1999–2006 | 0.6 |
| US Senate Democrats, 2011–2014 | 0.5 |
| US Senate Republicans, 1999–2006 | 0.5 |
| Bush (George H. W.) | 0.4 |
| US Senate Democrats, 2015–2018 | 0.4 |
| US House Democrats, 1987–1994 | 0.4 |
| US Senate Democrats, 1987–1994 | 0.3 |
| US Senate Republicans, 2007–2010 | 0.3 |
| Reagan (Ronald W.) | 0.3 |
| US Senate Republicans, 2011–2014 | 0.1 |
| US Senate Democrats, 1999–2006 | 0.1 |
| US Senate Republicans, 1987–1994 | 0.1 |

Note: House = House of Representatives.

Source: Author's calculations based on data from the Congressional Budget Office.

In contrast with the federal government's long-term, structural fiscal gap, which derives primarily from legislative actions taken decades ago, the 2021 deficit is due primarily to actions of more recent officeholders, especially during the Trump and Biden administrations (see table 4).

The third view adopted in this study simply measures the average sizes of shares of federal deficit responsibility during periods when particular lawmakers held continuous office in the White House, or a continuous majority in a house of Congress, for periods ranging from 4 to 8 years. As in the 2013 Blahous study, a share of responsibility of 50% is assigned to a president, 25% to the party holding a majority of the US House of Representatives, 20% to the party holding a majority in the US Senate, and 5% to the US Senate minority.[3] In effect, this metric simply measures how large federal deficits were during office holders' periods of control, implicitly reflecting a view that sitting lawmakers bear responsibility for addressing fiscal imbalances, irrespective of when deficit-increasing legislation was originally enacted.

Perhaps unsurprising in view of the mounting deficits of recent years, the largest federal deficits were overseen by the Trump administration while the Barack H. Obama administration placed second (see table 5). The William J. Clinton administration stands best among recent presidencies for minimizing federal deficits, though the strongest fiscal record of all belongs to the Senate Republicans of the late 1990s, who held control of the chamber from 1995 until Senator James Jeffords (VT) switched from the Republican party in the spring of 2001 to caucus thereafter with Senate Democrats as an Independent. The largest deficits run by recent lawmakers have been overseen by the current House Democratic majority, but it has not yet controlled the House for four years. Because of this study's four-year minimum requirement, the congressional party shown in table 5 as legislating the largest federal deficits is the House Democratic majority of 2007–2010. The Biden administration is also overseeing historically large deficit spending in its first year in office.

## METHODOLOGY

The methodology employed in this study is essentially similar to that used in the 2013 Blahous study for the Mercatus Center at George Mason University, "Why We Have Federal Deficits: The Policy Decisions That Produced Them." The foundational principle underlying this approach is to avoid preferential selection of a subset of budgetary policies, which too frequently serves the political objective of highlighting policy differences or sharpening partisan rhetoric rather than illuminating the largest drivers of federal fiscal imbalances. The methodology employed in this study avoids the preferential selection problem

3. Blahous, "Why We Have Federal Deficits," 2013.

TABLE 5. 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.) | –3.97 |
| Obama (Barack H.) | –2.59 |
| Reagan (Ronald W.) | –2.08 |
| Bush (George H. W.) | –2.06 |
| US House Democrats, 2007–2010 | –1.88 |
| Ford (Gerald R., Jr.) | –1.70 |
| Bush (George W.) | –1.56 |
| US Senate Republicans, 2015–2020 | –1.28 |
| Carter (James E., Jr.) | –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.) | –0.76 |
| US Senate Democrats, 1987–1994 | –0.68 |
| US Senate Democrats, 1973–1980 | –0.50 |
| US Senate Republicans, 2003–2006 | –0.44 |
| US House Republicans, 1999–2006 | –0.32 |
| Clinton (William J.) | –0.06 |
| US Senate Republicans, 1995–2001 | +0.07 |

Note: House = House of Representatives.

Source: Author's calculations based on data from the Congressional Budget Office.

by examining spending patterns in *all* areas of the federal budget, without regard to when legislation was enacted.

The methodology applies a principle of policy neutrality to the federal budget by tracking long-standing budget norms as established over the period of 1973–2020.[4] The methodology tracks historical averages, as a percentage of GDP, for federal revenues and spending in different categories of the budget to

4. The choice of 1973 as the starting year for long-term averaging reproduces what was used in the 2013 Blahous study. The author considered using 1969 as an alternative starting year for several reasons: one is that the latest published Congressional Budget Office historical data reach back to (and before) 1969; and another is that 1969 was a rare year with a balanced budget, and thus possibly illuminates how lawmakers allocate resources when fiscal gaps are eliminated. After due consideration, however, the author chose to use 1973, in part to preserve consistency with the 2013 Blahous study, but also in large part because the years 1969–1972 saw fairly dramatic changes in patterns of appropriated spending. Thus, those years' inclusion would significantly distort the study's findings with respect to possible routes to budget balance now and in the future.

determine the extent to which changes in federal revenue collections and spending practices, relative to long-standing norms, have caused the emergence of large and growing federal deficits (see appendix A).[5]

As table 6 shows, from 1973 to 2020 federal spending averaged 20.7% of GDP, while federal tax revenue collections averaged 17.3%. The average of these two levels indicates that the federal government could be balanced with both spending and revenues equaling 19.0% of GDP, if one assumes neutrality with respect to whether deficits are closed by tax increases or spending restraints, and if one further assumes that federal resources are prioritized consistent with historical norms.

This methodology does not imply a value judgment as to whether federal budgets would best be balanced with spending and revenues at 19.0% of GDP or at any other level. Instead, the analysis merely notes that balancing the federal budget at 19.0% of GDP would involve the least deviation from historical practice. Legislated contributions to current and future federal imbalances can fairly be quantified by the extent to which they have caused federal spending and revenues to deviate from the amounts most consistent with both a balanced budget policy and historical budgeting norms.[6]

Current Congressional Budget Office (CBO) estimates are that the federal budget spent 30.6% of GDP in 2021 while collecting 17.2% of GDP in revenues, for a deficit of 13.4% of GDP. It is clear that federal spending far exceeding both historical spending and revenue norms is the primary cause of the 2021 deficit. Tax collections equaling 17.2% of GDP in FY 2021 are only slightly less than the 1973–2020 average of 17.3% of GDP, whereas spending of 30.6% of GDP far exceeds the historical average of 20.7% of GDP. Compared with balanced budget norms

5. Budget data are presented throughout this study as percentages of GDP for several reasons, including the fact that other measures such as current dollars or constant dollars are not usefully comparable across long spans of time over which the size of the US economy changes enormously. It is possible for spending and deficits that grow in constant-dollar terms to nevertheless become more manageable over time if they grow more slowly than US economic output.

6. Policy advocates may, upon hearing of a budgeting norm of revenues and spending equal to 19.0% of GDP, offer various reasons why this would be an unrealistic budget policy in the 21st century, because it would result in either (on the left) spending that is unrealistically low or (on the right) tax collections that are unrealistically high. Whatever the merits of these policy arguments, they do not address what this study attempts to measure, which is simply the *causes* of the federal deficits that have emerged, irrespective of whether good or bad policy ideas are behind them. The unavoidable mathematical reality is that increasing spending as a share of GDP, or decreasing taxation as a share of GDP, tends to increase federal deficits, irrespective of whether those changes represent good or bad policy. Similarly, this study does not attempt to settle policy disagreements about whether the federal government should run persistent budget deficits or aim for fiscal balance.

TABLE 6. SHARES OF 2021 AND LONG-TERM FEDERAL DEFICITS ARISING FROM BUDGET CATEGORIES

| Budget category | Historical average, 1973–2020 (% of GDP) | Affordable level in balanced budget (% of GDP) | Projected 2021 level (% of GDP) | Affordable level in 2021, given savings in defense, interest (% of GDP) | Share of 2021 deficit cause (% of GDP) | **Share of responsibility for 2021 deficit (%)** | Projected 2040 level (% of GDP) | Affordable level in 2040, given savings in appropriations, other mandatory (% of GDP) | Share of 2040 deficit cause (% of GDP) | Share of responsibility for 2040 deficit (%) | **Share of responsibility for 2040 deficit with interest costs prorated (%)** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total deficit | 3.4 | 0.0 | 13.4 | 0.0 | 13.4 | **100.0** | 9.0 | 0.0 | 9.0 | 100.0 | **100.0** |
| Total spending | 20.7 | 19.0 | 30.6 | 19.0 | 11.6 | **86.2** | 26.9 | 19.0 | 7.9 | 87.8 | **83.2** |
| Total tax revenues | 17.3 | 19.0 | 17.2 | 19.0 | 1.9 | **13.8** | 17.9 | 19.0 | 1.1 | 12.2 | **16.8** |
| Defense | 4.3 | 4.0 | 3.3 | 3.3 | 0.0 | **0.0** | 2.8 | 2.8 | 0.0 | 0.0 | **0.0** |
| Nondefense appropriations | 3.8 | 3.5 | 4.1 | 3.7 | 0.3 | **2.5** | 2.8 | 2.8 | 0.0 | 0.0 | **0.0** |
| Medicare (net) | 2.0 | 1.9 | 3.0 | 2.0 | 1.0 | **7.7** | 5.5 | 2.4 | 3.1 | 34.2 | **47.1** |
| Income security | 1.7 | 1.5 | 6.0 | 1.7 | 4.4 | **32.7** | n.a. (in "other mandatory") | n.a. | n.a. | n.a. | **n.a.** |
| Medicaid + CHIP + ACA exchanges | 1.2 | 1.1 | 2.7 | 1.2 | 1.5 | **11.5** | 2.8 | 1.4 | 1.4 | 15.7 | **21.6** |
| Social Security | 4.4 (gross) 4.2 (net) | 4.0 (gross) 3.9 (net) | 5.0 (net) | 4.2 (net) | 0.7 | **5.4** | 6.2 (gross) | 5.3 (gross) | 1.0 | 10.6 | **14.5** |
| Federal civil and military retirement, veterans (net) | 1.0 | 0.9 | 1.1 | 1.0 | 0.1 | **0.4** | n.a. | n.a. | n.a. | n.a. | **n.a.** |
| Other programs (net) | 0.5 | 0.4 | 3.9 | 0.5 | 3.5 | **25.9** | n.a. | n.a. | n.a. | n.a. | **n.a.** |
| Interest (net) | 2.1 | 1.9 | 1.5 | 1.5 | 0.0 | **0.0** | 4.9 | 2.5 | 2.4 | 27.1 | **n.a.** |
| Mandatory other than Social Security, Medicare, Medicaid, CHIP, ACA exchanges | 3.0 | 2.8 | 10.9 | n.a. | n.a. | **n.a.** | 2.0 | 2.0 | 0.0 | 0.0 | **0.0** |

Note: n.a. = not applicable; ACA = Affordable Care Act; CHIP = Children's Health Insurance Program.

Source: Author's calculations based on data from the Congressional Budget Office.

of 19.0% of GDP, we can attribute 86.2% of the 2021 federal deficit to spending policy decisions, and 13.8% to tax policy decisions.[7]

CBO's federal budget outlook for 2040 serves as this study's proxy for the federal government's long-term, structural fiscal gap. That year was chosen for several reasons similar to those given in the 2013 Blahous study for its own definition of the long-term imbalance. By any measure, 2040 is a year by which the federal budget situation is projected to have become critical. It is also a year by which most of the baby boom generation will have entered the ranks of Social Security and Medicare beneficiaries, thereby stabilizing worker-collector ratios in the largest federal entitlement programs, in contrast with the rapidly changing situation that will be witnessed throughout the 2020s and early 2030s as demographic change and other drivers of cost growth unfold. Further, 2040 is far enough out to account for the interplay between demographics and federal statutes, but not so far out as to cause highly uncertain variables such as long-term health cost inflation to dominate the analysis. For these and other reasons, 2040 provides a good proxy for the contours of the federal government's structural, long-term budget problem.

Under current CBO projections, federal spending in 2040 would equal 26.9% of GDP, far higher than historical norms, while federal tax collections would equal 17.9% of GDP—also higher than the historical norm.[8] Despite these

7. The finding that the fiscal imbalance is attributable primarily to excess spending growth is remarkably robust with respect to possible alternative benchmarks. Specifically, not only does the finding result under this study's benchmark of 19.0% of GDP, as well as under the historical revenue norm of 17.3% of GDP, but it also arises under every other possible choice for a historical norm ranging all the way from the historical revenue average of 17.3% of GDP to the historical spending average of 20.7% of GDP. In other words, even if one were to attribute past deficits on average entirely to tax cuts, and assigned no responsibility for them whatsoever to spending policies, the finding going forward would still be that the majority of the FY 2021 deficit as well as the structural long-term deficit is attributable to spending policies.

8. All numbers in this study reflect CBO projections at the time of publication. Because fiscally significant legislation (the American Rescue Plan [ARP]) was enacted earlier in 2021, and because it is anticipated that future CBO updates will reflect additional fiscally significant legislation (the Bipartisan Infrastructure [BIF] plan and the Build Back Better [BBB] plan), the particular moment chosen for publishing this study carries the potential to affect the numerical results. Additional updates of this study may be warranted as CBO updates the fiscal outlook to reflect legislation in the process of enactment as this study goes to press. That said, the results presented in this study are expected to remain qualitatively unchanged in the near term. For example, the CBO score of the BIF as passed by the US Senate does not show it contributing to federal deficits after 2030 (Congressional Budget Office, *Senate Amendment 2137 to H.R. 3684,* August 9, 2021). The BBB plan by contrast may worsen the long-term fiscal outlook if enacted, but its enactment is not yet certain at this time. With respect to the second metric employed in this study (the FY 2021 deficit), FY 2021 is now completed and thus neither the BIF's enactment nor the BBB's potential future enactment can affect the results. A more significant source of potential inaccuracy or inconsistency lies in the fact that as of this writ-

projected revenue collections exceeding historical averages under current law, this study nevertheless attributes a portion of the 2040 shortfall (totaling 9.0% of GDP) to insufficient revenues, using the prior assumption that tax collections equaling 19.0% of GDP would be necessary to maintain budget balance. Of the projected 2040 deficit of 9.0% of GDP, 1.1 percentage points (or 12.2% of the total deficit) arise from tax revenues falling short of 19.0% of GDP in that year.

As reflected in table 6, it is straightforward to see that the federal government's long-term fiscal imbalance derives entirely from policies in certain areas of the federal budget, whereas others make no net contribution to the problem as estimated by CBO. For example, CBO projects a total deficit of 9.0% of GDP in 2040, despite assuming that all federal discretionary appropriations combined would equal only 5.5% of GDP, substantially lower than the 1973–2020 average of 8.1% of GDP, and also far lower than the total appropriations level deemed affordable within a balanced budget that follows historical priorities (7.4% of GDP). Discretionary appropriations, especially in defense, have persistently shrunk relative to GDP since the federal government last achieved balanced budgets. Clearly, discretionary appropriations are not a significant driver of the long-term fiscal problem to the extent it is evident in current CBO projections.

Neither is the long-term fiscal problem driven by mandatory entitlement spending growth outside of the largest federal entitlement programs of Social Security, Medicare, Medicaid, and subsidies for health insurance coverage under the marketplaces created in the ACA. Apart from these programs, all other forms of federal entitlement spending—including income security (welfare) programs, federal civilian and military retirement, veterans' benefits, and all other mandatory spending—are projected to total 2.0% of GDP in 2040, substantially lower than the historical average of 3.0% of GDP or the affordable level of 2.8% of GDP.

Descriptions throughout this study of "affordable" spending levels for specific programs or budget categories do not imply a value judgment as to how federal taxpayers' money is best spent. The use of the term *affordable* within the context of this study narrowly indicates the spending levels that could be

ing, CBO has updated its 10-year budget and economic outlook for the passage of the ARP in March 2021, but it has not yet updated its long-term budget outlook to incorporate the ARP. Thus, although all FY 2021 deficit calculations referenced in this study incorporate the ARP, calculations with respect to the long-term, structural fiscal imbalance do not incorporate it. However, examination of CBO's projections of the effects of the ARP, as reflected in Congressional Budget Office, *Additional Information about the Updated Budget and Economic Outlook: 2021 to 2031,* July 2021, show a deficit effect from the ARP of only 0.04% of GDP in 2031, and declining relative to the act's effects in 2030. Thus, future updates to CBO's long-term budget outlook are unlikely to show the ARP as having a significant effect in 2040.

afforded within a balanced budget if spending remained prioritized as it has been historically. Lawmakers may reasonably conclude that different levels of spending are affordable as a matter of national policy, but because this study examines the root causes of federal deficits, the definition of affordable here is the amount that would cause deficits not to exist. The implicit vantage point of the study is that if federal deficits are increased, while at the same time spending in one budget category increases as spending in another category diminishes, it is reasonable to interpret the spending increase in the first category as the precipitate cause of the deficit increase.

CBO provides estimates in its recurring budget outlook publications not only for gross federal spending under various programs, but also for program spending net of incoming receipts. This distinction is especially important for programs such as Medicare and for federal civilian and military retirement, each of which receives substantial offsetting funds from participants. Accordingly, net spending is the best measure of these programs' relative effect on the federal budget deficit. For these reasons, this study uses CBO's net spending estimates to determine different budget categories' contributions to the 2021 federal deficit.

In CBO's recurring long-term budget outlooks, the agency provides less detail than it does in its 10-year projections with respect to offsetting receipts in certain mandatory programs. Accordingly, this study relies on gross spending estimates to determine most programs' relative contributions to the long-term fiscal imbalance. In practice, this approach introduces no significant inconsistencies with the methodology employed to analyze the 2021 deficit, for several reasons. One reason is that CBO's net Medicare spending projections are available for both short-term and long-term viewpoints and can be fully reconciled. A second reason is that, as previously mentioned, none of the long-term fiscal imbalance is attributable to certain mandatory programs in which offsetting receipts are significant, such as federal civilian and military retirement. Third, offsetting receipts in Social Security are a very small percentage of gross program spending, permitting simple adjustments when shifting from the use of net to gross spending, without the risk of introducing significant errors.[9]

Net Medicare spending is the largest single contributor to the long-term fiscal gap. Medicare spending increases automatically under current law relative to the growth of national economic output and thus relative to the taxes that can be assessed upon that output. From 1973 to 2020, net Medicare spending

9. Congressional Budget Office, *Additional Information about the Updated Budget and Economic Outlook: 2021 to 2031,* July 2021, table 1-3.

averaged 2.0% of GDP, of which 1.9% of GDP could be afforded within a balanced budget in which spending is allocated in accordance with long-standing norms. Because of relative declines in other forms of spending (including both defense and nondefense discretionary appropriations and certain other entitlement programs), net Medicare spending of 2.4% of GDP could be afforded in 2040 while fully closing the fiscal gap. Automatic spending increases in Medicare, however, cause its projected spending level in 2040 to be much higher than affordable levels: 5.5% of GDP, or 3.1% of GDP larger than (and more than twice as great as) the affordable amount.

A similar calculation finds that net Medicare spending of 2.0% of GDP could be afforded under a balanced budget in 2021, with the results that actual spending in 2021 of 3.0% of GDP is an excess of 1.0 percentage point of GDP over affordable levels, and that Medicare therefore makes a significant contribution (7.7% of the total) to the 2021 deficit as well. But whereas Medicare spending growth is the single largest driver of the structural, long-term budget deficit, there are several larger contributors to the single-year 2021 deficit, which will be discussed later in this section.

It is important to understand how the design of mandatory entitlement spending programs drives the structural fiscal imbalance, and Medicare is an especially important example. Many mandatory entitlement spending programs are designed to automatically grow faster under current law than the federal tax base or national economic output are able to grow. The automatic growth of these programs itself puts rising direct pressure on the federal budget, relative to lesser factors such as tax law (which, left unchanged, tends to maintain total revenue collections that grow at least as fast as GDP) or discretionary appropriations (which have tended to shrink over time relative to GDP).

However, the nature of entitlement programs also drives rising federal deficits in indirect ways. For example, because the rapid growth occurs automatically under current law, a moderated rate of growth can be deceptively described as a *cut* in political rhetoric even if the adjusted spending commitment would continue to grow in real terms. Similarly, any benefit increases that occur automatically under current law are often treated for political purposes as though they are not occurring at all. This tactic enables politicians to claim that benefits have not been increased for many years, even when they are actually increasing every year.[10] These political dynamics attending certain entitlement programs

10. For example, see Elizabeth Warren, *Expanding Social Security*, September 12, 2019, https://elizabethwarren.com/plans/social-security. In this piece, Senator Warren states, "Congress hasn't increased Social Security benefits in nearly fifty years." The Senator's statement is incorrect; what

contribute to the extent to which spending within them drives worsening federal deficits.

The second-largest spending category driving the federal fiscal imbalance is income-based health programs including Medicaid, the Children's Health Insurance Program (CHIP), and the ACA's health insurance marketplace subsidies.[11] From 1973 to 2020, the sum of Medicaid, CHIP, and ACA spending averaged 1.2% of GDP, and 1.1% of GDP represents the amount affordable for these programs within a budget balanced with historical spending prioritization. Relative declines in other categories' spending would enable 1.4% of GDP to be spent on Medicaid, CHIP, and ACA within a balanced budget in 2040. The currently projected level of that spending in 2040 is 2.8% of GDP, twice the affordable level. In 2021, Medicaid, CHIP, and ACA spending is projected to total 2.7% of GDP, in comparison with an affordable level (given other spending declines) of 1.2% of GDP, or roughly an excess of 1.5% of GDP (11.5% of the total deficit).[12]

As mentioned previously, roughly 12.2% of the fiscal gap in 2040, and 13.8% of the fiscal gap in 2021, is attributed to an insufficiency of tax revenues. It bears repeating that this statement does not suggest a value judgment about whether the fiscal gap is best closed by moderating the growth of spending or by increasing taxes. It is instead a purely diagnostic statement that the extent to which the budget has drifted out of balance, over the long term as well as in 2021 specifically, is mostly attributable to spending that is growing at unsustainable rates.

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was actually done nearly 50 years ago was enactment of automatic benefit increases that take effect each year without requiring an intervening vote of Congress. These automatic annual increases were purposely enacted to replace the previous pattern of intermittent ad hoc increases alternating with periods during which benefit levels remained flat. Owing in part to these automatic increases, per capita Social Security benefits have increased by more than 25% above price inflation during the past 40 years. The automatic nature of entitlement programs' benefit increases paradoxically furnishes politicians with rhetorical opportunities to claim that benefits are not increasing, even though they are in fact increasing far more rapidly than in other programs where new legislation is required to increase benefits.

11. This categorization follows conventions employed by CBO in its long-term budget outlooks, which group together spending in Medicaid, CHIP, and the ACA's marketplace subsidies. See Congressional Budget Office, *The 2021 Long-Term Budget Outlook,* March 2021, Figure 8. Medicaid is the sole program in this category to have existed throughout the historical period examined in this study. One could object that this methodology treats any amount of spending on the ACA's marketplace as unaffordable, given that the program did not exist throughout most of the historical period used to develop this study's benchmarks. However, given that the ACA simultaneously expanded Medicaid and created the new subsidized marketplaces, and given that Medicaid was growing at an unsustainable rate even before the ACA was passed, one can appropriately conclude that the entirety of the ACA's marketplace subsidies added to excess spending growth in this budget category.

12. All calculations for this study were conducted to at least three significant figures. To acknowledge imprecision in the calculations, the author presents many results to only two significant figures, producing some apparent errors because of rounding.

Whatever the policy merits or demerits of the federal government's increasing expenditures on health programs, the fact remains that the yawning fiscal gap is attributable primarily to those policy decisions, and much less to decisions with respect to tax policy, other mandatory spending programs, or annual discretionary appropriations.

From 1973 to 2020, gross Social Security spending averaged 4.4% of GDP, translating into an affordable level of 4.0% of GDP. Relative declines in other spending categories would permit gross Social Security spending to rise to 5.3% of GDP by 2040 within a balanced budget. The actual projected Social Security spending level in 2040 is 6.2% of GDP, which represents an excess of 1.0% of GDP over affordable levels, after rounding. For the 2021 deficit analysis, net Social Security spending was examined to allow for more precise analysis of other mandatory spending programs for which the net–gross spending distinction is significant. Net spending on Social Security averaged 4.2% of GDP from 1973 to 2020, translating to an affordable level of 3.9% of GDP. Declines in other spending categories would permit Social Security to spend (net) 4.2% of GDP within a balanced budget in 2021. Social Security's actual 2021 net spending level of 5.0% of GDP is 0.7 GDP percentage points (after correcting for rounding errors) in excess of the affordable level, accounting for 5.4% of the total 2021 deficit.

Some policy advocates occasionally argue that Social Security can never contribute to the federal deficit because it is a separate, self-financing program, fully funded via worker payroll tax contributions managed in a separate trust fund. There is a grain of truth in this belief—specifically, that payroll tax collections finance the great majority of Social Security expenditures—but other important factors that influence Social Security's effect on the federal budget are left out of this picture.

One important factor influencing Social Security's budgetary effect is that the program is designed to be self-financing on average only over time. In previous decades, Social Security collected more in payroll taxes than it spent on benefits (reducing federal deficits during those years), whereas in more recent years it has spent more on benefits than it collects in taxes (thereby exacerbating federal deficits). Specifically, Social Security has spent more on benefits than it has collected in taxes since 2010, and its resultant operating cash deficit has been growing persistently since then, contributing to the growth in federal deficits over this period.[13] Another important factor is that Social Security has occasion-

13. Another complicating factor is that neither Social Security nor Medicare has the authority under law to spend in excess of the resources of its trust funds, which means that under a literal application of current law, Social Security spending, Medicare spending, and total federal budget deficits

ally been the recipient of subsidies from the general fund that have added to the federal debt: for example, in 2011–2012, more than $216 billion in general revenue subsidies were transferred to the Social Security trust funds without having been backed by any payroll tax collections.[14]

The entire noninterest deficit in 2040 can be accounted for by net spending growth in Medicare; Medicaid, CHIP, and ACA; and Social Security, combined with an insufficiency of tax collections relative to the normative target of 19.0% of GDP. The remainder of the deficit is attributable to net interest payments, currently projected to equal 4.9% of GDP in 2040, far higher than the historical average of 2.1% of GDP, also higher than the historically affordable level of 1.9% of GDP, and higher than the affordable level in 2040 of 2.5% of GDP after adjusting for below-average spending on appropriations and other mandatory spending programs.

The projected excess of net interest payments in 2040 reflects the projected accumulation of debt by 2040 as a result of the long-term trends heretofore described. Accordingly, this study attributes responsibility for this projected excess in interest payments in proportion to each legislative decision's effect on the portion of the long-term deficit that consists of the excess of noninterest spending over revenue collections. This proportional allocation of interest shares increases the share of the 2040 deficit attributable to tax policy from 12.2% to 16.8%, with the remainder attributable to excess net Medicare spending (47.1%); Medicaid, CHIP, and ACA (21.6%); and Social Security (14.5%).

Contributions to the 2021 federal deficit are far more diffuse, and the largest share pertains to legislative responses to the COVID-19 pandemic. As previously discussed in this section, 13.8% of the 2021 deficit arises from various tax reductions; 11.5% from excess Medicaid, CHIP, and ACA spending; 7.7% from excess net Medicare spending; and 5.4% from Social Security. As shown in table 6, a much larger 32.7% arises from various increases in nonhealth income security (welfare) programs, most of which were enacted in response to the pandemic. Another 2.5% arises from nondefense discretionary appropriations

would each be substantially less than projected in CBO's long-term budget projections. For a fuller explanation of these issues, see Blahous, "Why We Have Federal Deficits," 2013, 18–20. A brief summary of how this complication is treated in this study is that (a) the issue does not come into play in an analysis of either past or current deficits because these trust funds have never been depleted, and (b) this analysis of the long-term, structural fiscal gap is best interpreted as an analysis of the degree to which current-law revenue and cost projections are out of alignment, rather than an analysis of the consequence of closing particular programs' financial imbalances by dramatically cutting benefits as a result of trust fund depletion.

14. "Trust Fund Data," Social Security Administration, https://www.ssa.gov/oact/STATS/table4a3.html.

TABLE 7. APPORTIONMENT OF RESPONSIBILITY FOR US FISCAL POLICY

| Agent | Share of responsibility assigned (%) |
|---|---|
| US President | 50 |
| Majority party, US House of Representatives | 25 |
| Majority party, US Senate | 20 |
| Minority party, US Senate | 5 |

that were also increased during the pandemic, and 0.4% occurs from previous increases in military retirement and veterans' benefits. A substantial amount of the 2021 deficit arises from increased mandatory spending on programs that do not fit into any of the previously mentioned budget categories, much of this consisting of new spending authorized during the COVID-19 pandemic. 25.9% of the 2021 deficit is attributable to excess spending in such "other programs" above historically affordable levels.

As table 7 shows, this study adopts the methodology of the 2013 Blahous study, assigning 50% responsibility for federal budgeting decisions to the president, 25% to the US House majority party, 20% to the US Senate majority party, and 5% to the US Senate minority party.[15]

With respect to the third view of federal budgeting responsibility (assigning responsibility to current officeholders for current deficits, irrespective of when deficit-increasing legislation was first enacted), the study accounts for the fact that the current-year deficit usually reflects budget policies decided upon during the previous calendar year. In other words, budget outcomes in FY 2020 were essentially determined during 2019, whereas outcomes in FY 2019 were determined during 2018. Therefore, the deficits for fiscal years from 1982 through 1989 are attributed to members of Congress serving from 1981 through 1988, and so forth.

This method generally succeeds in correctly attributing fiscal policy to those who formulated it. However, exceptions occur during economic

15. For further discussion of the rationale behind these choices, see Blahous, "Why We Have Federal Deficits," 2013. It may be worth noting here why the methodology assigns 5% responsibility to the US Senate minority party, despite the US Senate majority's power to set the chamber's legislative agenda. Historically, most legislation has been able to pass the Senate only after the time for debate has been limited, a decision that requires the support of three-fifths of Senators. In most historical circumstances, this limitation on debate has required some support from the Senate minority party. In addition, the most consequential legislation analyzed in this study was enacted with bipartisan support in the Senate. Going forward, this assumption may need to be revisited to reflect an increasing tendency for the Senate majority to advance fiscally significant legislation on a party-line vote, overriding united opposition by the minority.

emergencies, when lawmakers sometimes act to make sudden, qualitative changes to fiscal policy that take effect during the same year as their enactment. Examples would include fiscal stimulus policies enacted in 2009 during the first year of the Obama administration and in 2021, the first year of the Biden administration. To prevent such actions from being misattributed to the previous year's lawmakers, the method accounts for occasional instances when legislation has significantly affected the federal budget deficit during the same fiscal year as enactment.[16]

## THE LEGISLATION THAT CAUSED THE FISCAL IMBALANCE

Table 8 summarizes and quantifies the relative contributions of legislation that precipitated the long-term, structural federal fiscal imbalance. A brief explanation of the calculations may be useful before proceeding to list the specific acts of legislation.

Imagine a hypothetical program with an affordable spending level of 2% of GDP, as defined earlier in this study. Imagine further that projected spending on that program is 4% of GDP, which represents an excess of two percentage points over its affordable level. Now imagine that program spending equaling 2% of GDP arose from the program's originating legislation, while the other 2% of GDP in spending arose from subsequent legislation expanding the program. The question emerges as

16. According to Congressional Budget Office, *Additional Information about the Updated Budget and Economic Outlook: 2021 to 2031,* July 2021, the ARP, enacted in March 2021, the Biden administration's first year, increased the FY 2021 deficit by 5.0% of GDP. For this reason, only 8.4 percentage points of the 13.4% of GDP deficit in FY 2021 are attributed to policies enacted or maintained in the final year of the Trump administration. Similarly, the 2009 American Recovery and Reinvestment Act, enacted in February 2009, along with other legislation enacted in the first year of the Obama administration, increased the FY 2009 deficit by 1.6% of GDP. See Congressional Budget Office, *A Preliminary Analysis of the President's Budget and an Update of CBO's Budget and Economic Outlook,* March 2009, table 1-3, and Congressional Budget Office, *The Budget and Economic Outlook: An Update*, August 2009, table A-1. Accordingly, deficit spending in FY 2009 equal to 1.6% of GDP has been attributed to policies determined during 2009 of the Obama administration as opposed to policies determined in 2008 during the George W. Bush administration. Without these adjustments to reflect the timing of specific legislation, certain numbers in table 5 would be inflated: Trump's would be –4.60% rather than –3.97%, George W. Bush's would be –1.66% rather than –1.56%, and the amount assigned to Senate Republicans of 2015–2020 would be –1.45% rather than –1.28%. For similar reasons, assigning the aforementioned Obama administration policies to the George W. Bush administration would have reduced the average Obama responsibility share from –2.59% of GDP to –2.49%.

TABLE 8. LEGISLATED CONTRIBUTIONS TO THE LONG-TERM FEDERAL FISCAL IMBALANCE

| 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 |
|---|---|---|---|---|---|---|
| Medicare | | 47.1 | | | | |
| | Part D enactment (2003) | | 8.1 | Bush (George W.) | Republican | Republican |
| | Expansion (1972) | | 12.7 | Nixon (Richard M.) | Democrat | Democrat |
| | Initial enactment (1965) | | 26.3 | Johnson (Lyndon B.) | Democrat | Democrat |
| Medicaid + CHIP + ACA exchanges | | 21.6 | | | | |
| | ACA exchange subsidies + Medicaid expansion (2010) | | 12.7 | Obama (Barack H.) | Democrat | Democrat |
| | Medicaid expansion (1989–1990) | | 2.3 | Bush (George H. W.) | Democrat | Democrat |
| | Medicaid expansion (1987–1988) | | 1.2 | Reagan (Ronald W.) | Democrat | Democrat |
| | Medicaid expansion (1971–1972) | | 2.0 | Nixon | Democrat | Democrat |
| | Medicaid initial enactment (1965) | | 3.4 | Johnson | Democrat | Democrat |
| Taxes | | 16.8 | | | | |
| | Repeal of ACA taxes (2019) | | 7.6 | Trump (Donald J.) | Democrat | Republican |
| | Cadillac plan tax delay (2015) | | 3.1 | Obama | Republican | Republican |
| | Taxpayer Relief Act (2012) | | 6.1 | Obama | Republican | Democrat |
| Social Security | | 14.5 | | | | |
| | Benefit increase and indexing (1972) | | 14.5 | Nixon | Democrat | Democrat |
| **Total** | | **100.0** | **100.0** | | | |

Note: House = House of Representatives.

Source: Author's calculations based on data from the Congressional Budget Office.

to how to allocate the program's contribution to the deficit (2% of GDP) between the two pieces of legislation. One possible choice would be to attribute 50% of the deficit effect each to the originating legislation and to the subsequent expansion, based on the rationale that each was responsible for 50% of total program spending. Alternatively, one could attribute 100% of the deficit effect to the legislation expanding the program, based on the rationale that the program would make no net contribution to the deficit if spending had been held to the originally enacted level.

This study implicitly uses the second method, attributing each budget category's deficit effect to the most recent legislation that causes spending in that budget category to exceed affordable levels (or, alternatively, to the most recent tax legislation that causes revenue collections to fall short of revenue targets). This formulation is reasonable in that it will find, for example, that a tax shortfall of 1% of GDP is attributable to the most recent tax cut of 1% of GDP, rather than equally attributable to a tax cut 50 years ago of 1% of GDP, which is likely to have been reversed several times since then.

Excess net Medicare spending accounts for 47.1% of the long-term, structural noninterest deficit, an amount equal to 3.1% of GDP. Medicare is a somewhat unusual contributor to federal deficits among federal programs, because in recent decades more legislation has been enacted to restrain its unaffordable cost growth rates that arose under earlier legislation than to expand the program or add to its cost growth. Among the few exceptions to this pattern are the addition of the Part D prescription drug benefit in 2003 and a general program expansion in 1972.[17] The remainder of the excess net Medicare spending is attributable to the program's initial enactment in 1965 under President Johnson (see table 8).

Between Medicaid, CHIP, and the health exchange marketplaces established under the ACA, there have been several expansions of federal obligations subsequent to the original enactment of Medicaid under President Johnson in 1965. The largest of these occurred in 2010 in the Affordable Care Act, which added costs equal to a projected 0.83% of GDP in 2040, including 0.24% of GDP for the health marketplace subsidies, and 0.59% for the ACA's Medicaid expansion.[18] Smaller expansions of Medicaid were enacted during 1986–1990 and

17. Gross Medicare Part D spending represents 10.6% of total program spending in 2040, according to Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, *2021 Annual Report*, August 2021, table V.B2, which translates to 0.71% of GDP in 2040 under the assumptions in Congressional Budget Office, *The 2021 Long-Term Budget Outlook*, March 2021. This gross spending total translates to net spending on Part D of 0.53% of GDP after offsetting receipts are subtracted. The 1972 Medicare expansion increased benefit costs by roughly 20% for the parts of the program that exclude Part D. See Blahous, "Why We Have Federal Deficits," 2013, 31 n49. This equates to 0.83% of GDP (because 4.97% of GDP, net Medicare spending other than on Part D, divided by 1.2 equals net Medicare spending of 4.14% of GDP in the absence of the 1972 benefit expansion).

18. Health exchange subsidy costs attributed to the ACA in 2040 are determined by extrapolating beyond 2031 for the exchanges' rates of cost growth as projected in Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031*, July 2021. This results in a projection that in 2040, the exchanges will equal 8.7% of the total spending in this budget category, or 0.24% of GDP. Medicaid expansion costs attributable to the ACA are determined by cross-referencing Congressional Budget Office, *Federal Subsidies for Health Insurance Coverage for People under 65*, July 2021, https://www.cbo.gov/system/files/2021-08/51298-2021-07-healthinsurance.pdf, with Congressional Budget Office, *Additional Information About the Updated Budget and Economic Outlook: 2021 to 2031*, July

1971–1972.[19] The remaining excess Medicaid spending is attributable to the program's initial enactment in 1965.[20]

As explained previously, 16.8% of the long-term, structural noninterest deficit, or roughly 1.1% of GDP, is attributed to inadequate tax collections, and specifically to a series of recent tax cuts. The specific actions taken are the repeal of the Cadillac plan tax and other ACA taxes in 2019 (0.5% of GDP), 0.2% of GDP from a previously enacted delay of the Cadillac plan tax in 2015, and the remainder (0.4% of GDP) attributable to the Taxpayer Relief Act (TRA) of 2012–2013.[21]

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2021, to determine that 21.2% ($163 billion of $769 billion) of total Medicaid and CHIP costs in 2031 are attributable to the ACA's Medicaid expansion, a percentage that will rise gradually over time and is projected to reach 23.0% in 2040. This translates into a Medicaid expansion cost under the ACA of 0.59% of GDP by 2040. Altogether, the ACA increased total costs in this budget category by 0.83% of GDP in 2040 (0.59% + 0.24%). Some advocates have argued that the ACA's contribution to long-term deficits should be considered to be less or even nonexistent, because the legislation was originally scored for budget reconciliation purposes as not contributing to budget deficits. There are a number of reasons, however, why the ACA added substantially to the federal fiscal imbalance despite this apparent initial finding. First, as shown in Charles Blahous, "The Fiscal Consequences of the Affordable Care Act" (Mercatus Center at George Mason University, Arlington, VA, 2012), the ACA only appeared to reduce federal deficits pursuant to a scoring convention imposed by Congress upon CBO, whereas it added substantially to federal deficits relative to prior law. Second, many of the provisions initially relied upon to finance the ACA have subsequently been repealed, including the long-term care provisions of the Community Living Assistance Services and Supports (CLASS) Act, the Independent Payment Advisory Board, and several other taxes (the Cadillac plan tax, the medical device tax, and the health insurance tax). Third, the original sponsors of the ACA were unwilling to impose the ACA's ostensible financing mechanisms and signaled from the outset, by immediately weakening and postponing the mechanisms, that they would likely be eventually repealed. Fourth, some of the ACA's purported financing provisions that were later repealed (the CLASS Act) initially promised, at best, revenues during the first decade in advance of later spending obligations and would have constituted net costs over the long term. Fifth, even if the ACA's taxes had remained in place, the ACA would still add enormously to the growth of federal health program costs, the single largest factor pushing federal finances out of balance. For these and other reasons, it is clear that the ACA has added significantly to the federal fiscal imbalance, despite initial representations to the contrary.

19. As explained in Blahous, "Why We Have Federal Deficits," 2013, the Medicaid expansions of 1987–1990 increased future Medicaid costs by roughly 13%. In the absence of the ACA's Medicaid expansion, Medicaid and CHIP spending in 2040 would be roughly 1.97% of GDP as explained in the preceding footnote. This would be lowered by 0.23% of GDP to 1.74% of GDP (1.97/1.13) if the 1986–1990 amendments had not increased costs by roughly 13%. Of this 0.23% of GDP increase, roughly 0.15% of GDP is attributable to the 1989–1990 amendments, and 0.08 percentage points to the 1987–1988 amendments, the 1986 amendments having too small a long-term effect to include in this analysis. The 1971–1972 Medicaid amendments are estimated to have increased program costs by roughly 8%, or by 0.13% of GDP, from 1.61% to 1.74%. See Blahous, "Why We Have Federal Deficits," 2013.

20. In the absence of subsequent program expansions, Medicaid and CHIP spending in 2040 would be projected at 1.61% of GDP, or 0.22% of GDP greater than the affordable level of 1.39% of GDP.

21. CBO projected in Congressional Budget Office, *The Budget and Economic Outlook: 2020 to 2030,* January 2020, 64, 75, that the 2019 tax cuts would reduce federal revenues in 2029 by roughly 0.2% of GDP, of which roughly 0.1% of GDP was the Cadillac plan tax repeal and the other 0.1% the repeal of other ACA taxes. In Congressional Budget Office, *The 2020 Long-Term Budget Outlook,* September

It may be useful to briefly explain why a portion of the revenue shortfall in 2040 is attributable to the 2012–2013 TRA when none has been attributed to the 2017 Tax Cuts and Jobs Act enacted in the first year of the Trump administration. Different levels of press attention to the two pieces of legislation may foster the misimpression that the 2017 Tax Cuts and Jobs Act (TCJA) caused a qualitative reduction in long-term federal revenue collections, whereas the 2012–2013 TRA precipitated no comparable fiscal damage. This misimpression, however, is at odds with the relative effects of the two laws. Although the 2017 TCJA, as this study will detail, did cause the federal deficit to be larger in certain specific near-term years such as 2021, CBO found that it did not contribute to the long-term fiscal shortfall. To the contrary, CBO projected that over the long term, the law would "reduce the primary deficit," because its provisions to "change … the inflation indexing of tax parameters and elimination of the penalty for not having health insurance (which causes fewer people to enroll in health insurance programs subsidized by the federal government) would reduce the deficit by more than the revenues lost through lower corporate taxes."[22] By contrast, CBO found the revenue reductions enacted in the 2012–2013 TRA to be enormous even relative to the other historic pieces of legislation analyzed in this study; in *The 2013 Long-Term Budget Outlook*, CBO found that the TRA would reduce federal revenues by roughly 2.8% of GDP in 2023, gradually rising to 4.2% of GDP by 2038.[23] The methodology in this study

2020, 66, CBO projected that the Cadillac plan tax would have (directly and indirectly) increased federal revenue collections by 0.7% of GDP in 2049. The estimates are so much higher for 2049 than 2029 because the thresholds for the Cadillac plan tax had been designed to capture an escalating number of health insurance plans over time. Interpolating from 2029 to 2049, one can estimate that by 2040 the 2019 tax cuts reduced federal revenues by 0.5% of GDP (0.4% from repealing the Cadillac plan tax, 0.1% from repealing other ACA taxes). In Congressional Budget Office, *The 2016 Long-Term Budget Outlook*, July 2016, 118, CBO estimated that federal tax collections in 2040 would be roughly 0.4% of GDP lower than previous estimates; examination of multiple 10-year budget outlooks published by CBO during 2016 leads to the conclusion that roughly 0.2 percentage points of the 0.4% of GDP can be attributed to the 2015 tax law, and the other 0.2 percentage points to changes in economic and technical factors. The small remainder of the tax shortfall in 2040 (0.4% of GDP) is attributable to the 2012–2013 Taxpayer Relief Act (TRA), although the total effect of the TRA in reducing projected federal tax collections was much larger. In other words, only a small portion of the TRA contributed to currently projected federal revenues in 2040 being lower than 19.0% of GDP; without the TRA, projected revenues in 2040 would have been much greater. In Congressional Budget Office, *The 2013 Long-Term Budget Outlook,* September 2013, CBO's extended baseline projected that federal revenue collections in 2040 would equal 19.9% of GDP, in comparison with a much larger estimate of 24.3% of GDP in Congressional Budget Office, *The 2012 Long-Term Budget Outlook,* June 2012.

22. Congressional Budget Office, *The 2018 Long-Term Budget Outlook,* June 2018, 26.

23. Congressional Budget Office, *The 2013 Long-Term Budget Outlook,* September 2013, 71–72. CBO indicates that "most" of the changed revenue projection in 2013 relative to 2012 is attributable to the TRA. That revenue effect far exceeds the portion of the long-term fiscal imbalance attributed to the TRA in this study. Some may claim that the TRA's effects on the deficit should not be counted,

charges the TRA for only a small fraction of its total effect of increasing federal deficits, by not counting the portions of the act that merely kept federal revenue collections from ultimately rising far higher than historical norms.

Social Security's contribution of approximately 1.0% of GDP to the long-term structural deficit is easily attributed to the 1972 Social Security amendments. Prior to 1972, Social Security benefits were not automatically indexed to grow from one year to the next, meaning that were it not for the 1972 amendments, program costs would grow more slowly than program revenues, inexorably eliminating any potential contribution to long-term federal deficits. Partial financial corrections were enacted in 1977 and 1983, but neither was sufficient to close the long-term structural excess of Social Security benefit obligations over projected revenue collections.

Table 9 allocates responsibility for the legislation that precipitated the federal government's long-term fiscal imbalance, using the previously described methodology. Because a majority of the contributions to the structural fiscal gap were enacted from 1965 to 1972, the leading contributors are the lawmakers of that time: President Johnson; President Nixon; and lawmakers in the US House of Representatives and US Senate, both of which featured Democratic majorities throughout the period. The next largest contributor is President Obama, primarily owing to the Affordable Care Act of 2010, the Taxpayer Relief Act of

specifically to the extent that the TRA extended tax rates that were in use prior to the act. However, neglecting the TRA's deficit effects would be incorrect for several reasons. One reason is that carving out an analytical exemption for the TRA's changes to tax law would be inconsistent with the remainder of this study, which attributes responsibility for all provisions of law to the lawmakers who enacted them, irrespective of the policy rationales underlying those changes. In addition, this study measures the fiscal effects of legislation, irrespective of rhetorical devices employed in support of that legislation. Although the two major political parties often clashed in a campaign context over the highest-income tax rates in effect prior to the TRA, there was a substantial bipartisan majority in the 2011–2012 Congress that supported extending the contemporaneous rates for the vast majority of taxpayers, support that was reflected in the lopsided votes in favor of the TRA, the effects of which are properly attributed to the lawmakers who voted for it. In short, nothing in pre-TRA law bound Congress to enact the TRA, and its passage reflects a willful policy decision by the enacting lawmakers. Moreover, even if one were to depart from the methods used in the rest of this study, and instead consulted rhetorical descriptions rather than actual changes in law with respect to the TRA, evidence shows that lawmakers agreed in 2013 that they were cutting taxes. For example, President Obama's statement on the legislation described it specifically as extending "tax cuts" for the middle class. Hence, failing to acknowledge the TRA's effect of cutting taxes would be inconsistent with not only the changes it made in law, but also the rhetorical advantages its sponsors sought for doing exactly that. The White House, "Statement from the President on the Senate Deal to Extend Middle Class Tax Cuts," January 1, 2013, https://obamawhitehouse.archives.gov/the-press-office/2013/01/01/statement-president-senate-deal-extend-middle-class-tax-cuts.

2012–2013, and the 2015 delay of the Cadillac plan tax. No other lawmaker was responsible for more than 5% of the long-term fiscal gap.

The FY 2021 federal deficit was created by much of the same legislation as the long-term, structural fiscal gap, but there have been several additional contributors as well, as seen in tables 10 and 11. The largest category of contributors to the 2021 federal deficit is income security programs, in which all of the excess spending was enacted during the COVID-19 pandemic. In 2021, spending on income security programs exceeds affordable levels by 4.4% of GDP. This much and more can be attributed to successive rounds of COVID-19 relief legislation enacted in 2020 and 2021. The greatest increase in income security spending was enacted as part of the 2021 American Rescue Plan (ARP), and consisted of increases in refundable tax credits and unemployment compensation.[24]

The second-largest category of legislation contributing to the 2021 federal deficit is that referred to by CBO as "other programs." In a typical budget year, these programs represent a much smaller portion of the budget relative to larger categories such as federal health programs, Social Security, income security programs, or annually appropriated spending. However, 2021 is an exceptional year in that spending on other programs outside these categories is nearly 3.5% of GDP higher than affordable levels and accounts for 25.9% of the annual federal deficit. As with income security spending, most of these increases were enacted in the 2021 ARP and in 2020 as part of the consolidated appropriations act.[25] Examples of such spending include assistance to state and local governments, higher education funding, and emergency rental assistance.

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24. A comparison of the projections in Congressional Budget Office, *The Budget and Economic Outlook: 2021 to 2031*, February 2021, 8, with those of Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031*, July 2021, shows that changes legislated as part of the ARP increased the projected income security spending by $597 billion for 2021, or 2.67% of GDP, mostly in refundable tax credits and unemployment compensation. Increases attributable to 2020 COVID-19 relief legislation are determined by comparing Congressional Budget Office, *The Budget and Economic Outlook: 2021 to 2031*, February 2021, 4, 8; Congressional Budget Office, *An Update to the Budget Outlook: 2020 to 2030*, September 2020, 12, 30–31; and Congressional Budget Office, *The Budget and Economic Outlook: 2020 to 2030*, *10-year Budget Projections,* March, 2020, table 4, https://www.cbo.gov/about/products/budget-economic-data#3, showing that 2021 increases in income security spending (mostly refundable tax credits, unemployment compensation and SNAP [Supplemental Nutrition Assistance Program] food assistance) enacted in 2020 more than account for the remaining 1.71% of GDP by which 2021 income security spending exceeds historically affordable levels.

25. In Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031*, July 2021, CBO projected a 2021 net spending increase of $468 billion in such programs relative to estimates in Congressional Budget Office, *The Budget and Economic Outlook: 2021 to 2031*, February 2021, of which $39 billion of the increase is attributable to economic and technical changes, meaning that $429 billion of the increase is attributable to the effects of the ARP. This equates to 1.92% of GDP. The remaining 1.55% of GDP of the 3.47% of GDP excess in other program spending is attributable to the consolidated appropriations act enacted in December 2020.

TABLE 9. COMPONENTS OF SHARES OF RESPONSIBILITY FOR LONG-TERM FISCAL IMBALANCE

| Contributor | Medicare enactment (1965) | Medicaid enactment (1965) | Medicare expansion (1972) | Medicaid expansion (1971–1972) | Social Security increase (1972) | Medicaid expansion (1987–1988) | Medicaid expansion (1989–1990) | Medicare Part D (2003) | Affordable Care Act (2010) | Taxpayer Relief Act (2012) | Cadillac tax delay (2015) | ACA tax repeal (2019) | Total[a] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Johnson (Lyndon B.) | 13.1 | 1.7 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n n.a. | n.a. | n.a. | **14.8** |
| US House Democrats, 1965–1972 | 6.6 | 0.8 | 3.2 | 0.5 | 3.6 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **14.7** |
| Nixon (Richard M.) | n.a. | n.a. | 6.3 | 1.0 | 7.3 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **14.6** |
| US Senate Democrats, 1965–1972 | 5.3 | 0.7 | 2.5 | 0.4 | 2.9 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **11.8** |
| Obama (Barack H.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 6.3 | 3.1 | 1.5 | n.a. | **10.9** |
| Bush (George W.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 4.1 | n.a. | n.a. | n.a. | n.a. | **4.1** |
| Trump (Donald J.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 3.8 | **3.8** |
| US House Democrats, 2007–2010 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 3.2 | n.a. | n.a. | n.a. | **3.2** |
| US Senate Republicans, 1965–1972 | 1.3 | 0.2 | 0.6 | 0.1 | 0.7 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **2.9** |
| US Senate Democrats, 2007–2010 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 2.5 | n.a. | n.a. | n.a. | **2.5** |
| US House Republicans, 2003–2006 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 2.0 | n.a. | n.a. | n.a. | n.a. | **2.0** |
| US House 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. | 1.9 | **1.9** |
| US Senate Republicans, 2003–2006 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.6 | n.a. | n.a. | n.a. | n.a. | **1.6** |
| US House Republicans, 2011–2014 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.5 | n.a. | n.a. | **1.5** |
| 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. | 1.5 | **1.5** |

| Contributor | Medicare enactment (1965) | Medicaid enactment (1965) | Medicare expansion (1972) | Medicaid expansion (1971–1972) | Social Security increase (1972) | Medicaid expansion (1987–1988) | Medicaid expansion (1989–1990) | Medicare Part D (2003) | Affordable Care Act (2010) | Taxpayer Relief Act (2012) | Cadillac tax delay (2015) | ACA tax repeal (2019) | **Total**[a] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| US Senate Democrats, 2011–2014 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.2 | n.a. | n.a. | **1.2** |
| Bush (George H. W.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.1 | n.a. | n.a. | n.a. | n.a. | n.a. | **1.1** |
| US House Democrats, 1987–1994 | n.a. | 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 House Republicans, 2015–2018 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.8 | n.a. | **0.8** |
| US Senate Democrats, 1987–1994 | n.a. | n.a. | n.a. | n.a. | n.a. | 0.2 | 0.5 | n.a. | n.a. | n.a. | n.a. | n.a. | **0.7** |
| US Senate Republicans, 2007–2010 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.6 | n.a. | n.a. | n.a. | **0.6** |
| Reagan (Ronald W.) | n.a. | n.a. | n.a. | n.a. | n.a. | 0.6 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.6** |
| 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. | 0.6 | n.a. | **0.6** |
| US Senate Democrats, 2003–2006 | n.a. | 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. | n.a. | n.a. | n.a. | 0.4 | **0.4** |
| US Senate Republicans, 2011–2014 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.3 | n.a. | n.a. | **0.3** |
| US Senate Republicans, 1987–1994 | n.a. | n.a. | n.a. | n.a. | n.a. | 0.1 | 0.1 | n.a. | n.a. | n.a. | n.a. | n.a. | **0.2** |
| 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. | 0.2 | n.a. | **0.2** |
| **Total** | **26.3** | **3.4** | **12.7** | **2.0** | **14.5** | **1.2** | **2.3** | **8.1** | **12.7** | **6.1** | **3.1** | **7.6** | **100.0** |

Note: n.a. = not applicable; House = House of Representatives.

a. Sum of numbers is less than 100 owing to rounding. Underlying numbers, when calculated to more significant figures, add to 100.0.

Source: Author's calculations based on data from the Congressional Budget Office.

TABLE 10. LEGISLATED CONTRIBUTIONS TO FEDERAL 2021 DEFICIT

| Budget category | Legislation (year) | Share of contribution to 2021 deficit, by category (%)[a] | Share of contribution to 2021 deficit, by legislation (%)[a] | President | US House majority | US Senate majority |
|---|---|---|---|---|---|---|
| Income security | | 32.7 | | | | |
| | American Rescue Plan (2021) | | 19.9 | Biden (Joseph R., Jr.) | Democrat | Democrat |
| | COVID-19 relief (2020) | | 12.8 | Trump (Donald J.) | Democrat | Republican |
| Other programs | | 25.9 | | | | |
| | American Rescue Plan (2021) | | 14.3 | Biden | Democrat | Democrat |
| | COVID-19 relief (2020) | | 11.6 | Trump | Democrat | Republican |
| Taxes | | 13.8 | | | | |
| | American Rescue Plan (2021) | | 2.7 | Biden | Democrat | Democrat |
| | Repeal of ACA taxes (2019) | | 0.9 | Trump | Democrat | Republican |
| | Tax Cuts and Jobs Act (2017) | | 7.8 | Trump | Republican | Republican |
| | Taxpayer Relief Act (2012) | | 2.5 | Obama (Barack H.) | Republican | Democrat |
| Medicaid + CHIP + ACA exchanges | | 11.5 | | | | |
| | COVID-19 relief Medicaid expansion (2020) | | 2.7 | Trump | Democrat | Republican |
| | ACA exchange subsidies + Medicaid expansion (2010) | | 5.2 | Obama | Democrat | Democrat |
| | Medicaid expansion (1989–1990) | | 0.9 | Bush (George H. W.) | Democrat | Democrat |
| | Medicaid expansion (1987–1988) | | 0.5 | Reagan (Ronald W.) | Democrat | Democrat |
| | Medicaid expansion (1971–1972) | | 0.8 | Nixon (Richard M.) | Democrat | Democrat |
| | Medicaid initial enactment (1965) | | 1.3 | Johnson (Lyndon B.) | Democrat | Democrat |
| Medicare | | 7.7 | | | | |
| | MACRA physician payment increase (2015) | | 0.4 | Obama | Republican | Republican |
| | Part D enactment (2003) | | 2.4 | Bush (George W.) | Republican | Republican |
| | Expansion (1972) | | 3.3 | Nixon | Democrat | Democrat |
| | Initial enactment (1965) | | 1.6 | Johnson | Democrat | Democrat |
| Social Security | | 5.4 | | | | |
| | Benefit increase and indexing (1972) | | 5.4 | Nixon | Democrat | Democrat |
| Nondefense appropriations | | 2.5 | | | | |
| | COVID-19 relief (2020) | | 2.5 | Trump | Democrat | Republican |
| Federal civilian and military retirement, veterans | | 0.4 | | | | |
| | Military retirement spending increase (2015) | | 0.1 | Obama | Republican | Republican |
| | Veterans benefit increase (2008) | | 0.4 | Bush (George W.) | Democrat | Democrat |
| Total | | 100.0 | 100.0 | | | |

Note: ACA = Affordable Care Act; House = House of Representatives; MACRA = Medicare Access and CHIP (Children's Health Insurance Program) Reauthorization Act of 2015.

a. Sums of numbers are less than 100 owing to rounding. Underlying numbers, when calculated to more significant figures, add to 100.0.

Source: Author's calculations based on data from the Congressional Budget Office.

TABLE 11. COMPONENTS OF SHARES OF RESPONSIBILITY FOR FEDERAL 2021 DEFICIT

| Contributor | Medicare enactment (1965) | Medicaid enactment (1965) | Medicare expansion (1972) | Medicaid expansion (1971–1972) | Social Security increase (1972) | Medicaid expansion (1987–1988) | Medicaid expansion (1989–1990) | Medicare Part D (2003) | Veterans benefit increase (2008) | ACA (2010) | TRA (2012) | MACRA (2015) | Military retirement increase (2015) | TCJA (2017) | ACA tax repeal (2019) | COVID-19 relief (2020) | ARP (2021) | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Trump (Donald J.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 3.9 | 0.4 | 14.8 | n.a. | **19.1** |
| Biden (Joseph R., Jr.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 18.5 | **18.5** |
| US House Democrats, 2021 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 9.2 | **9.2** |
| US House 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. | n.a. | n.a. | n.a. | 0.2 | 7.4 | n.a. | **7.6** |
| US Senate Democrats, 2021 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 7.4 | **7.4** |
| 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. | n.a. | n.a. | n.a. | 0.2 | 5.9 | n.a. | **6.1** |
| Nixon (Richard M.) | n.a. | n.a. | 1.6 | 0.4 | 2.7 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **4.8** |
| Obama (Barack H.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 2.6 | 1.2 | 0.2 | 0.0 | n.a. | n.a. | n.a. | n.a. | **4.1** |
| US House Democrats, 1965–1972 | 0.4 | 0.3 | 0.8 | 0.2 | 1.4 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **3.1** |
| US Senate Democrats, 1965–1972 | 0.3 | 0.3 | 0.7 | 0.2 | 1.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **2.5** |
| 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. | 0.1 | 0.0 | 1.9 | n.a. | n.a. | n.a. | **2.1** |
| US Senate Republicans, 2021 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.8 | **1.8** |
| US Senate Republican, 2015–2018 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.1 | 0.0 | 1.6 | n.a. | n.a. | n.a. | **1.6** |
| 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. | n.a. | n.a. | n.a. | 0.0 | 1.5 | n.a. | **1.5** |
| Johnson (Lyndon B.) | 0.8 | 0.7 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **1.5** |
| US House Democrats, 2007–2010 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.1 | 1.3 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **1.4** |
| Bush (George W.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.2 | 0.2 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **1.4** |
| US Senate Democrats, 2007–2010 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.1 | 1.0 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **1.1** |
| US Senate Republicans, 1965–1972 | 0.1 | 0.1 | 0.2 | 0.0 | 0.3 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.6** |

(*continued*)

TABLE 11. COMPONENTS OF SHARES OF RESPONSIBILITY FOR FEDERAL 2021 DEFICIT (CONTINUED)

| Contributor | Medicare enactment (1965) | Medicaid enactment (1965) | Medicare expansion (1972) | Medicaid expansion (1971–1972) | Social Security increase (1972) | Medicaid expansion (1987–1988) | Medicaid expansion (1989–1990) | Medicare Part D (2003) | Veterans benefit increase (2008) | ACA (2010) | TRA (2012) | MACRA (2015) | Military retirement increase (2015) | TCJA (2017) | ACA tax repeal (2019) | COVID-19 relief (2020) | ARP (2021) | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| US House Republicans, 2011–2014 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.6 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.6** |
| US House Republicans, 1999–2006 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.6 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.6** |
| US Senate Democrats, 2011–2014 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.5 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.5** |
| US Senate Republicans, 1999–2006 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.5 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.5** |
| Bush (George H. W.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.4 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.4** |
| 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. | 0.0 | 0.0 | 0.4 | n.a. | n.a. | n.a. | **0.4** |
| US House Democrats, 1987–1994 | n.a. | n.a. | n.a. | n.a. | n.a. | 0.1 | 0.2 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.4** |
| US Senate Democrats, 1987–1994 | n.a. | n.a. | n.a. | n.a. | n.a. | 0.1 | 0.2 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.3** |
| US Senate Republicans, 2007–2010 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.0 | 0.3 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.3** |
| Reagan (Ronald W.) | n.a. | n.a. | n.a. | n.a. | n.a. | 0.3 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.3** |
| US Senate Republicans, 2011–2014 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.1** |
| US Senate Democrats, 1999–2006 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.1** |
| US Senate Republicans, 1987–1994 | n.a. | n.a. | n.a. | n.a. | n.a. | 0.0 | 0.0 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.1** |
| **Total** | **1.6** | **1.3** | **3.3** | **0.8** | **5.4** | **0.5** | **0.9** | **2.4** | **0.4** | **5.2** | **2.5** | **0.4** | **0.1** | **7.8** | **0.9** | **29.6** | **36.9** | **100.0** |

Note: ACA = Affordable Care Act; ARP = American Rescue Plan; House = House of Representatives; MACRA = Medicare Access and CHIP (Children's Health Insurance Program) Reauthorization Act of 2015; TCJA = Tax Cuts and Jobs Act; TRA = Taxpayer Relief Act.

Source: Author's calculations based on data from the Congressional Budget Office.

As previously mentioned, federal tax collections in 2021 are estimated at roughly 17.2% of GDP, or an approximately 1.9% of GDP shortfall (with rounding errors) relative to the 19.0% normative goal based on historical standards for balanced budgets. This shortfall represents roughly 13.8% of the 2021 deficit. This revenue shortfall was created by the 2012–2013 Taxpayer Relief Act, the 2017 Tax Cuts and Jobs Act, the 2019 repeal of certain taxes previously imposed under the Affordable Care Act, and the American Rescue Plan of 2021. Of these, the largest contributor to the revenue shortfall was the 2017 Tax Cuts and Jobs Act.[26]

The fourth-largest category of legislation contributing to the 2021 federal deficit includes the various expansions of healthcare spending through Medicaid, CHIP, and the subsidized marketplaces created in the ACA. This study has already described the initial 1965 enactment of Medicaid; its expansions in legislation enacted in 1971–1972 and 1986–1990; and further expansion in the ACA, which also created subsidized health insurance marketplaces. All of these actions contributed to the federal deficit in 2021. In addition, in 2020 lawmakers enacted a temporary increase in federal Medicaid assistance to states as part of COVID-19 relief. Taken together, these measures caused Medicaid, CHIP, and ACA spending in 2021 to exceed affordable levels by roughly 1.5% of GDP, or 11.5% of the 2021 deficit.[27]

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26. In Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031*, July 2021, table A-1, CBO projected that the ARP would reduce revenue collections by $80 billion, or 0.36% of GDP. In Congressional Budget Office, *The Budget and Economic Outlook: 2020 to 2030*, January 2020, 64, CBO projected that the 2019 repeal of ACA taxes would reduce federal revenues by $27 billion in 2021, or 0.12% of GDP. In Congressional Budget Office, *The Budget and Economic Outlook: 2018 to 2028*, April 2018, CBO found that the TCJA would reduce federal revenues by $239 billion in 2024, or 1.04% of GDP. The remaining revenue shortfall of 0.33% of GDP can be attributed to the 2012–2013 TRA, which as previously explained reduced federal revenues by a much larger amount. The 2015 delay of the Cadillac plan tax did not reduce projected revenues in the specific year of 2021, though it did reduce revenues in other years of the 10-year budget window.

27. In Congressional Budget Office, *An Update to the Budget Outlook: 2020 to 2030*, September 2020, CBO projected that the COVID-19 relief legislation would increase Medicaid assistance to states by $79 billion in 2021, or 0.36% of GDP. In Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031*, July 2021, CBO projected that spending on marketplace subsidies would equal 0.30% of GDP in 2021, of which 0.29 percentage points are attributable to the original ACA. Of total spending in 2021 on Medicaid, CHIP, and ACA exchanges equaling 2.69% of GDP, 2.39% of GDP would be in Medicaid and CHIP. According to CBO, in July 2021, Medicaid and CHIP costs resulting from the ACA expansion were equal to 0.41% of GDP. Of total Medicaid, CHIP and ACA marketplace subsidy costs of 2.69% of GDP, 1.63 percentage points result from legislation prior to the ACA and 2020 COVID-19 relief legislation (2.69% – 0.36% of GDP for COVID-19 relief, minus 0.29% and 0.41% for the ACA's health exchanges and Medicaid expansions, respectively). As previously explained, the 1989–1990 Medicaid amendments increased projected spending by roughly 13%, or 0.19% of GDP in 2021, of which 0.12 percentage points are attributable to the 1989–1990 legislation and 0.07 percentage points to the 1987–1988 legislation. The remaining 1.44% of GDP (1.63% – 0.19%) of 2021 Medicaid spending would have been 1.33% of GDP were it not for the 1971–1972 Medicaid

Net Medicare spending in 2021 is 3.0% of GDP, 1.0% higher than the affordable level after adjusting for below-average defense spending and interest costs. Excess net Medicare spending represents 7.7% of the 2021 deficit. The excess spending results from a physician payment rate increase included in the Medicare Access and CHIP Reauthorization Act (MACRA) of 2015, the 2003 expansion to include prescription drug benefits, and the aforementioned 1972 expansion and original 1965 enactment of Medicare.[28]

Social Security contributes 5.4% of the 2021 federal deficit, its net spending level of 5.0% of GDP exceeding the affordable level of 4.2% by 0.7% of GDP (with rounding error). As with Social Security's contribution to the federal government's long-term structural fiscal imbalance, Social Security's contribution to the 2021 deficit was caused by a 1972 benefit expansion that was only partially mitigated by program amendments enacted in 1977. But for this benefit expansion, Social Security costs would remain within affordable levels, and it would not face the projected depletion of its trust funds.

Although defense spending remains well below historic norms in 2021 as a percentage of GDP, a small portion (2.5%) of the 2021 deficit is attributable to an increase in domestic discretionary appropriations enacted as part of the consolidated appropriations act in December 2020.[29]

A very small part of the 2021 deficit (0.4%) derives from the 0.1% of GDP by which spending on military retirement and veterans' benefits exceeds affordable

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expansions, and thus 0.11% of GDP of the spending excess is attributable to that legislation. The last part of the excess over the affordable level of 1.15% of GDP is 0.18% of GDP (1.33% – 1.15%) and is attributable to the original enactment of Medicaid in 1965.

28. In Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2015 to 2025*, August 2015, table A-1, CBO projected that the Medicare Access and CHIP [Children's Health Insurance Program] Reauthorization Act of 2015 (MACRA) would increase Medicare outlays by $11 billion, or 0.05% of GDP. According to Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, *2021 Annual Report*, August 2021, table V.B2, 11.6% of gross Medicare outlays are in Part D, which translates to 0.43% of GDP under CBO estimates in Congressional Budget Office, *Additional Information about the Updated Budget and Economic Outlook: 2021 to 2031,* July 2021. With the Trustees' projection that net Part D outlays are 74% of total Medicare gross outlays, this translates into a projection that excess net Medicare spending in 2021 attributable to Part D equals 0.32% of GDP. Without MACRA and the 2003 expansion, net Medicare costs in 2021 would have been 2.67% of GDP. Of this amount, 0.44% of GDP is attributable to the 1972 expansion, which increased projected outlays by roughly 20%. The remaining portion of the excess (1.03% of GDP excess spending – 0.05% from MACRA – 0.32% from part D – 0.44% from 1972 expansion = 0.22% of GDP) arises from the original 1965 enactment of Medicare.

29. In Congressional Budget Office, *The Budget and Economic Outlook: 2021 to 2031*, February 2021, table 1-6, CBO indicates that nondefense discretionary appropriations for 2021 were increased by $87 billion in the consolidated appropriations act, or 0.40% of GDP. This is more than enough to account for the 0.34% of GDP by which nondefense discretionary appropriations exceed affordable levels in 2021.

levels. These spending increases were enacted in 2015 (military retirement) and 2008 (veterans' benefits).[30]

## DIFFERENCES WITH 2013 RESULTS

The results of this study are in many respects qualitatively similar to those in the 2013 Blahous study but differ in specific key results. First and most obviously, this study's evaluation of the causes of the "current" (FY 2021) deficit is very different from that of the previous study, simply because this study analyzes a different year (2021) than the previous one (2013). This inevitable difference is amplified by the fact that 2021 has been an unusual year, even by federal government standards, for the enactment of deficit-increasing legislation. As quantified in table 3, over 67% of the 2021 federal deficit results from legislation enacted in 2019–2021, much of it passed in response to the ongoing COVID-19 pandemic. Altogether, more than 76% of the 2021 federal deficit results from legislation enacted since the 2013 study was published.

By contrast, the findings of this study with respect to the structural, long-term fiscal gap are strikingly similar to the 2013 study's results, suggesting that very little has happened during the past eight years to change the long-term fiscal outlook. In addition, certain methodological differences between this study and the previous one have only minor effects on the results.[31]

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30. The 0.1% of GDP excess in these spending categories is 0.06% before rounding. Congressional Budget Office, *The Budget and Economic Outlook: 2016 to 2026*, January 2016, table A-1, shows a legislated increase in spending from the Military Retirement Fund of $3 billion in 2021, or 0.01% of GDP. This was a result of the National Defense Authorization Act for Fiscal Year 2016, enacted into law on November 25, 2015. Veterans' benefits were increased. Congressional Budget Office, *The Budget and Economic Outlook: 2008 to 2018*, January 2008, table 1-4, projected the increase as being $8 billion, or 16.3% over its January 2008 (Congressional Budget Office, *10-Year Budget Projections,* January 2008) estimate of total spending in the veterans' category of $49 billion. Projections of veterans' benefit spending have varied considerably since 2008; compared with the current estimate of 0.53% of GDP, a 16.3% increase would have meant an increase from a baseline of 0.46% of GDP, or 0.07% of GDP. This is more than enough to account for the remaining excess spending on military retirement and veterans' benefits in 2021.

31. For example, this study uses projections for 2040 as a proxy for the long-term outlook, whereas the 2013 study uses 2037. However, had this study also used 2037, its results would not have been much different, because Congressional Budget Office, *The 2021 Long-Term Budget Outlook,* March 2021, shows essentially similar spending totals in 2037 as in 2040 for all the major contributors to the federal government's long-term fiscal imbalance. In addition, the methodological choices described in this study's previous section, "The Legislation That Caused the Fiscal Imbalance," are applied slightly differently in this study than in the 2013 study, but this difference does not affect the total amount of the fiscal imbalance attributed to specific programs and spending categories.

TABLE 12. PERCENTAGE CONTRIBUTIONS TO LONG-TERM FEDERAL FISCAL IMBALANCE

| Budget category | Blahous (2013) | Blahous (2021) | Blahous (2021) if using baseline = 17.3% of GDP |
|---|---|---|---|
| Medicare (net) | 55.4 | 47.1 | 52.4 |
| Medicaid, CHIP, and ACA exchanges | 36.9 | 21.6 | 24.4 |
| Social Security | 7.7 | 14.5 | 23.2 |
| Taxes | 0.0 | 16.8 | 0.0 |

Note: ACA = Affordable Care Act; CHIP = Children's Health Insurance Program.

Source: Charles Blahous, "Why We Have Federal Deficits: The Policy Decisions That Produced Them" (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, November 2013).

The most significant difference in this study's results relative to those of the 2013 study is attributable to the adoption of a spending and revenue baseline of 19.0% of GDP (the historical midpoint between taxes and spending) as opposed to the 2013 study's use of the historical average for taxes alone (which, as this study notes, have averaged 17.3% of GDP over 1973–2020). The incorporation of this change increases the amount of the long-term fiscal imbalance that is attributed to tax policy relative to the 2013 study. This author has implemented the change in the belief that it renders the study more neutral with respect to the policy question of whether the fiscal gap is best closed by tax increases or spending growth reductions.

The effect of this methodological change is summarized in table 12.

As table 12 shows, this study's results for the contributions of Medicare and tax policy to the fiscal imbalance would be very similar to the 2013 study's findings were it not for the methodological change with respect to the revenue baseline. Appendix B of this study provides a full alternative set of projections using the 2013 study's method of baseline construction, for ease of comparison with the 2013 results, and for readers who find the historical baseline of average revenue collections more useful.

The reason Social Security's relative contribution to the long-term imbalance has increased relative to the 2013 study may be worth explanation here, because it is unlikely to be apparent to readers and because it relates to the baseline modification referenced earlier. At the time the 2013 study was conducted, revenue collections for 2037 were projected at 19.6% of GDP, far higher than the historical average. Such an enlarged revenue intake would permit substantially greater Social Security spending to be deemed *affordable*, thereby reducing the amount of excess Social Security spending diagnosed in the 2013 study. Were this study to employ the same baseline of the historical revenue average as that used in the 2013 Blahous study, more recent legislation that

reduced projected tax revenues (to 17.9% of GDP in 2040) would automatically translate into a reduction in affordable Social Security spending (and therefore into an increase in projected *excess* Social Security spending), rather than translating into a share of the deficit newly attributed to tax policy. However, because this study instead employs a higher baseline revenue assumption, a share of responsibility for the structural fiscal imbalance has been attributed to tax policy.[32]

Although it may seem straightforward that recent tax changes require a portion of the long-term fiscal gap to be attributed to tax policy, and therefore that this study's revenue baseline is a superior choice to that used in the 2013 study, this conclusion is not unambiguously correct. Recent tax legislation that reduced long-term revenue estimates relative to 2013 projections inherently reduced the levels of Social Security and all other spending deemed affordable in this study's methodology. As previously noted, tax collections equal to 19.0% of GDP would be fully adequate to balance the federal budget at the midpoint of historical revenue collections and spending practices. Thus, to reduce projected revenues from 19.6% of GDP to, for example, 19.0% (the aforementioned midpoint) or even to 17.3% (the historical revenue average) does not necessarily mean that part of the 2040 fiscal gap is unambiguously attributable to inadequate taxes; it could equally mean that tax collections of 19.6% of GDP simply would have permitted more spending.[33] In other words, the fact that such a small share of the fiscal gap was attributed to Social Security in the 2013 study was simply an artifact of revenue projections then far exceeding historical norms, rather than an indicator of which study's revenue baseline is preferable.[34]

This study finds a smaller contribution of Medicaid, CHIP, and the ACA to the long-term fiscal imbalance than was projected in the 2013 Blahous study. The reasons for this difference are various and complex, but the most important one by far is that the ACA is covering considerably fewer people than previously projected. In 2013, CBO projected that 25 million Americans would be receiving coverage through the ACA's health marketplaces by 2021, but this year CBO is

32. The specific tax legislation deemed responsible, as previously mentioned, includes the piecemeal repeal of ACA-related taxes enacted during 2015–2019, as well as the Taxpayer Relief Act, which was enacted prior to the 2013 study.

33. This is another way of saying that a smaller portion of projected spending would be deemed excessive.

34. The larger-than-typical tax collections projected in the 2013 study had more of an effect on *affordable* Social Security spending than on any other area of the budget, because Social Security is historically the largest spending category and because this study's methodology maintained proportionality among spending categories.

projecting only 11 million.[35] Largely because of this difference, CBO currently projects that spending on these federal health programs will absorb 2.8% of GDP by 2040, well below the 2013 projection of 3.6% of GDP by 2037.

One of the more striking comparisons of this study and the 2013 Blahous study is to note the absence of recent legislation significantly affecting the long-term fiscal outlook. As table 1 shows, nearly 90% of the current structural fiscal imbalance (89.3%) is attributable to legislation enacted prior to the 2013 study. The only recent legislation to have a substantial effect in worsening CBO's long-term fiscal projections involves the delay and subsequent repeal of various taxes originally enacted as part of the ACA. These delays began to be enacted during the Obama administration and finally culminated in repeal during the Trump administration.[36]

## CONCLUSION

The federal government is running a historically large budget deficit in 2021 and also exhibiting a structural fiscal imbalance that results in persistently rising deficits over time. Responsibility for these deficits can be explored from the vantage points of the specific legislation that gave rise to them, as well as the fiscal stewardship records of various elected officeholders. These alternative perspectives are each reasonable, in that it is worthwhile to know which pieces of legislation fostered these mounting deficits and therefore require reforms if fiscal consolidation is to be achieved, and it is also worthwhile to know how lawmakers have managed federal finances, irrespective of when deficit-increasing legislation was first enacted. Central to this study is a posture of policy neutrality; that is, examining all contributions to federal budget deficits irrespective of when they were first enacted, instead of employing the too-common practice of preferentially focusing on certain decision-making periods, or on certain areas of the budget, to promote a particular policy or political perspective.

The 2021 federal deficit is unsurprisingly a product primarily of legislation enacted during the COVID-19 pandemic. Over two-thirds of the 2021 deficit arises from legislation enacted during the period spanning the end of the

35. Congressional Budget Office, *Federal Subsidies for Health Insurance Coverage for People Under Age 65,* May 2013, table 1; Congressional Budget Office, *Federal Subsidies for Health Insurance Coverage for People Under Age 65*, July 2021, table 1.
36. As noted earlier in this study, the 2017 Tax Cuts and Jobs Act somewhat reduced the long-term fiscal shortfall owing to its changes in the indexation of tax brackets that cause tax collections to increase more rapidly over time.

Trump administration and the beginning of the Biden administration, with these contributions split roughly equally between the two administrations. The largest shares of this spending consist of increases in income security and other economic support programs enacted in the 2021 American Rescue Plan and in COVID-19 relief bills enacted during 2020. Though the 2021 annual deficit is enormous by historical standards, most of the provisions of law contributing to it are temporary and will not cause permanent and escalating fiscal damage unless extended further.

The long-term structural deficit, by contrast, derives predominantly from legislation enacted during 1965–1972. On the one hand, this is good news in that no current lawmakers can be blamed for these unsustainable provisions, and the provisions' correction would not require any current lawmakers to reverse any enacted legislation that they previously supported. On the other hand, the fact that these laws have been on the books for so long has tended to promote widespread passive acceptance of provisions of law that must be changed if a sustainable fiscal policy is to be achieved, even to the point of ignoring these fundamental drivers of the federal fiscal imbalance to focus on other budget battles that matter far less.

Over two-thirds of the structural fiscal imbalance derive from the unsustainable growth rates of federal health programs, most especially Medicare and Medicaid. Irrespective of future policy decisions in other areas such as tax policy, income security, and annually appropriated domestic and defense spending, federal finances will not be stabilized until Medicare and Medicaid's growth rates are moderated.

A survey of fiscal stewardship records produces the unsurprising result that more recent officeholders have tended to run far higher federal deficits than those countenanced by previous elected officials. The largest average federal deficits were operated during the Trump administration, followed, in turn, by the Obama, Ronald W. Reagan, and George H. W. Bush administrations. They also occurred during periods of Democratic control of the House, such as the final two years of the George W. Bush administration and first two years of the Obama administration, as well as the period from January 2019 to the present. The Biden administration and the current House Democratic majority are on pace to run larger deficits than any predecessors in recent history unless federal fiscal policy is tightened significantly in the years ahead.

## APPENDIX A. BACKGROUND INFORMATION AND ILLUSTRATIVE FIGURES

Figures A1 through A8 illustrate background information referenced in the main body of this study.[37] All data in the figures are presented as a percentage of GDP. Figure A1A shows historical and projected growth in annual federal deficits. This figure shows the exceptionally large deficits in 2020–2021 and the general trend of increasing deficits over time, which are reflective of the federal government's structural fiscal gap. Figure A1B is identical to figure A1A, except that the y-axis has been elongated to resemble that of figure A2, providing an easier visual comparison of the growth of federal spending shown in figure A2 with the growth of federal deficits shown in figure A1A.

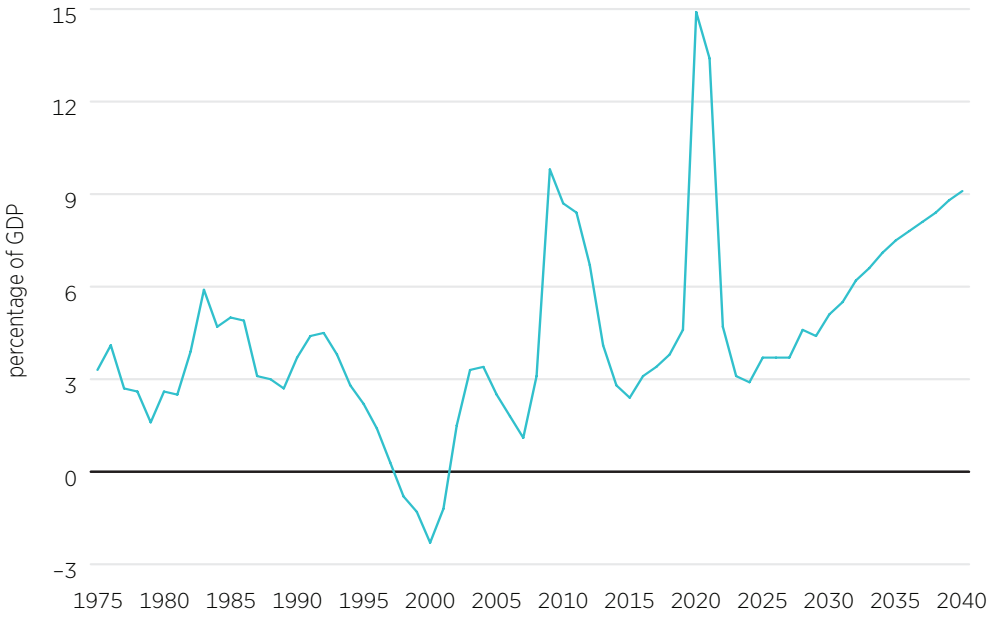
Figure A2 shows total federal annual outlays (spending) and annual revenue (tax) collections, average levels for each during 1973–2020, and the average midpoint (19.0% of GDP) between revenues and outlays during 1973–2020. The growth of spending seen in figure A2 is largely determinative of the growth of federal deficits in figure A1A (seen even more easily in figure A1B), whereas revenue collections fluctuate closely around historical averages without contributing significantly to the long-term trend.

Figure A3 shows that Social Security costs are growing at unsustainable rates. Social Security costs currently far exceed historical averages as a share of GDP, are growing relative to GDP, and further exceed the spending levels affordable within a budget balanced with historical prioritization of spending categories. As previously explained, although Social Security spending growth has accelerated in recent years as the large baby boom generation has entered retirement, its excess of program spending over affordable levels derives from benefit increases enacted in 1972.

Figure A4 shows growth in net Medicare spending, relative to both historical averages and affordable levels, and it dramatizes the central role of Medicare growth in driving the long-term growth of federal deficits. Most of the Medicare growth problem arises from the original design of Medicare as enacted in 1965,

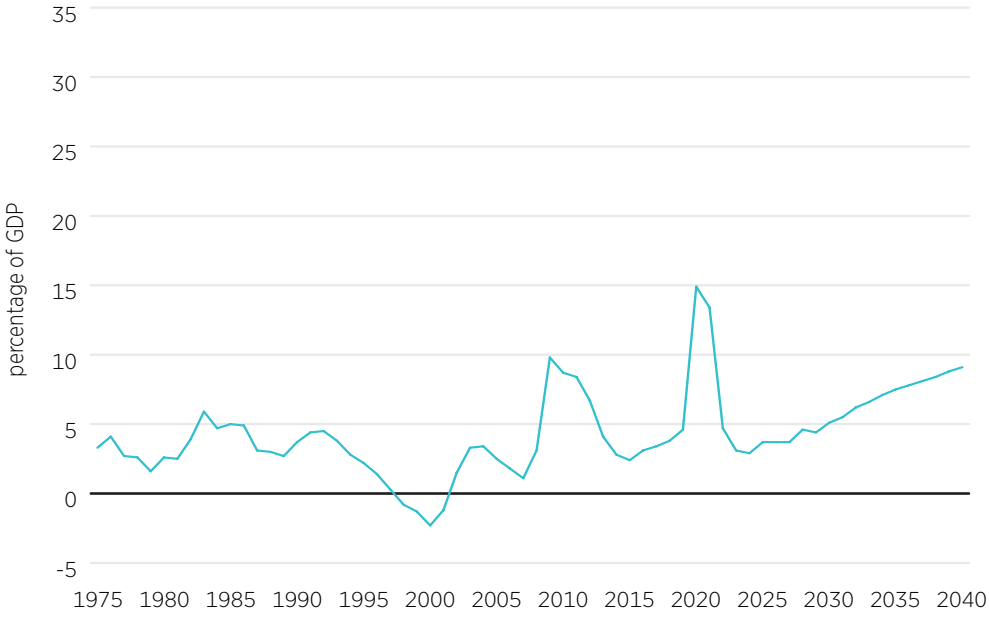
37. Historical budget data for all figures are taken from Congressional Budget Office, Historical Budget Data, February 2021. Projections for 2021–2031 are taken from Congressional Budget Office, *10-Year Budget Projections*, July 2021. Long-term projections (post-2031) are taken from Congressional Budget Office, *The 2021 Long-Term Budget Outlook,* March 2021. To combine past Medicaid and Children's Health Insurance Program spending, the study uses data from Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government,* 2020, historical table 8.5, and past net Medicare spending was determined with the aid of data from Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government,* 2020, historical table 15.1.

FIGURE A1A. HISTORICAL AND PROJECTED ANNUAL FEDERAL DEFICITS



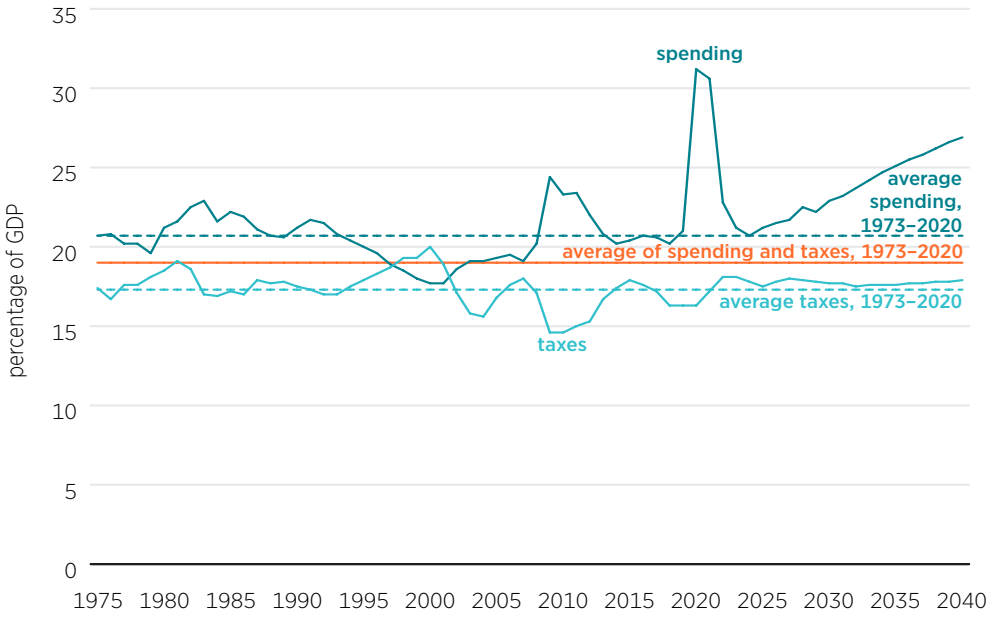

Sources: Congressional Budget Office, Historical Budget Data, February 2021; Congressional Budget Office, *10-Year Budget Projections*, July 2021; Congressional Budget Office, *The 2021 Long-Term Budget Outlook*, March 2021; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 8.5; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 15.1.

FIGURE A1B. HISTORICAL AND PROJECTED FEDERAL DEFICITS, NORMALIZED TO FIGURE A2



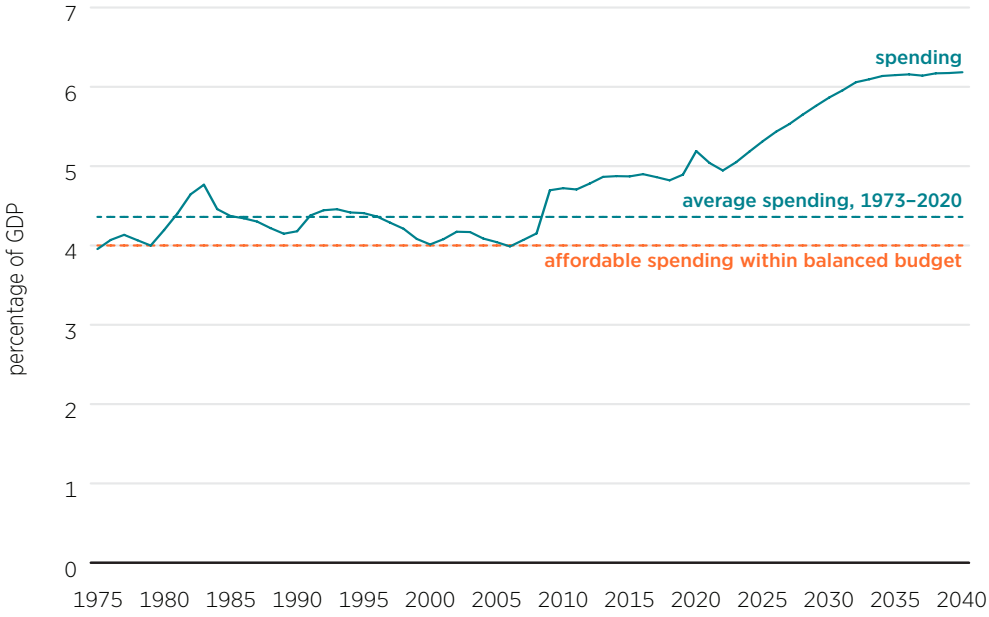

Sources: Congressional Budget Office, Historical Budget Data, February 2021; Congressional Budget Office, *10-Year Budget Projections*, July 2021; Congressional Budget Office, *The 2021 Long-Term Budget Outlook*, March 2021; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 8.5; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 15.1.

FIGURE A2. HISTORICAL AND PROJECTED FEDERAL TAXES AND SPENDING



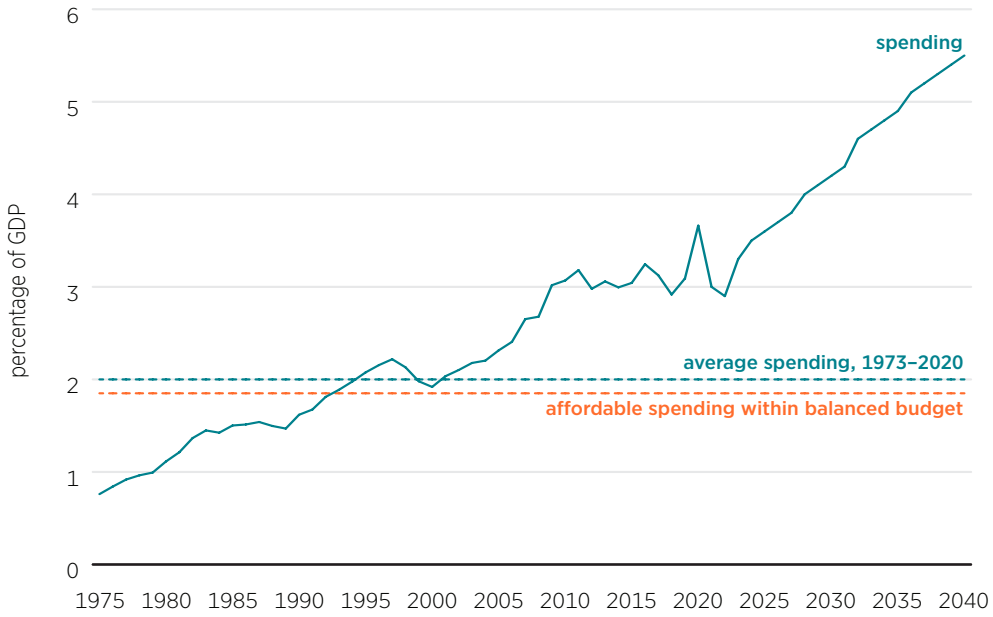

Sources: Congressional Budget Office, Historical Budget Data, February 2021; Congressional Budget Office, *10-Year Budget Projections*, July 2021; Congressional Budget Office, *The 2021 Long-Term Budget Outlook*, March 2021; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 8.5; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 15.1.

FIGURE A3. HISTORICAL AND PROJECTED SOCIAL SECURITY SPENDING




Sources: Congressional Budget Office, Historical Budget Data, February 2021; Congressional Budget Office, *10-Year Budget Projections*, July 2021; Congressional Budget Office, *The 2021 Long-Term Budget Outlook*, March 2021; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 8.5; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 15.1.

FIGURE A4. HISTORICAL AND PROJECTED NET MEDICARE SPENDING



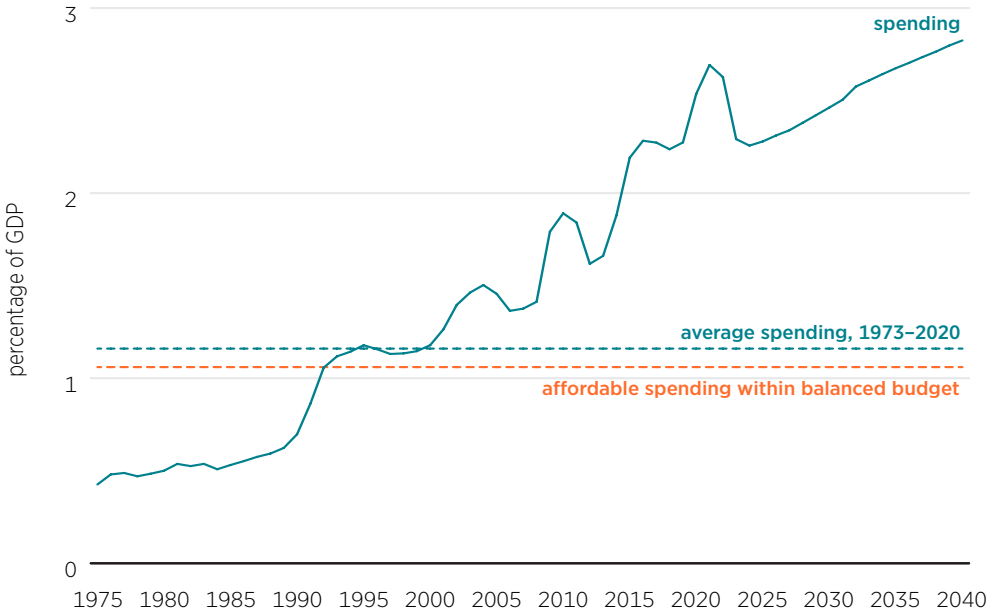

Sources: Congressional Budget Office, Historical Budget Data, February 2021; Congressional Budget Office, *10-Year Budget Projections*, July 2021; Congressional Budget Office, *The 2021 Long-Term Budget Outlook*, March 2021; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 8.5; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 15.1.

but there have also been contributions from a 1972 expansion and the 2003 addition of prescription drug benefits.

Figure A5 shows the growth in other major federal health programs, including Medicaid, CHIP (Children's Health Insurance Program), and the health marketplace subsidies established under the Affordable Care Act. Although this spending category is growing faster than GDP and its current and projected spending levels exceed both historical averages and levels affordable within a balanced budget, lawmakers have continued to add to it with repeated expansions.

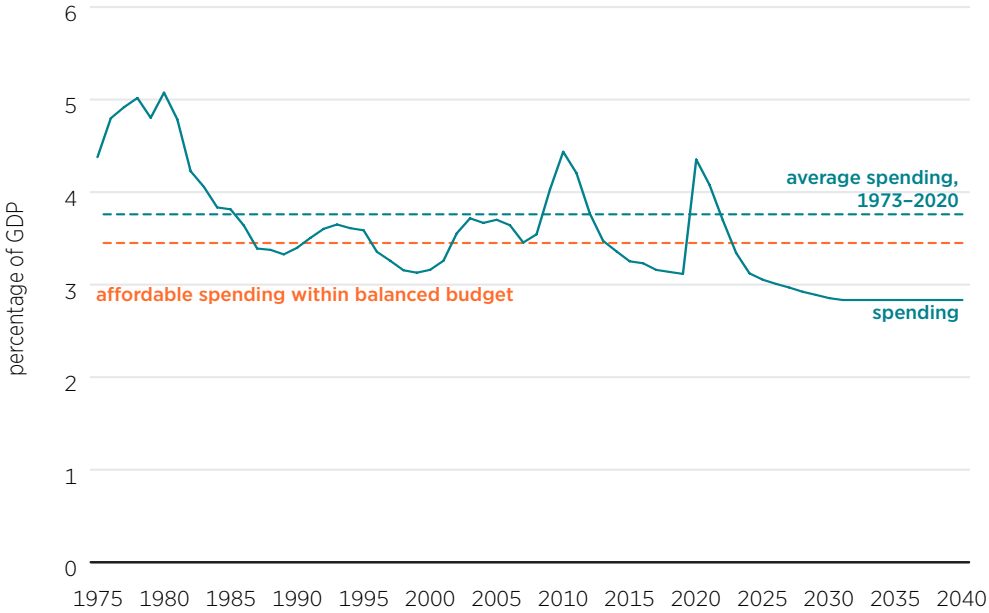
Figures A6 and A7 show that annually appropriated spending has generally declined relative to GDP and that currently projected appropriations are below the levels that historically have been affordable within a balanced budget. Rising federal deficits have emerged because of the growth of spending shown in figures A3–A5, not the spending shown in figures A6–A8. Declines have occurred in both defense and nondefense discretionary spending, but the declines in defense have been steeper relative to historical norms. Although both categories of spending are generally declining relative to GDP, there have been occasional temporary

FIGURE A5. HISTORICAL AND PROJECTED FEDERAL MEDICAID, CHIP, AND HEALTH MARKETPLACE SPENDING



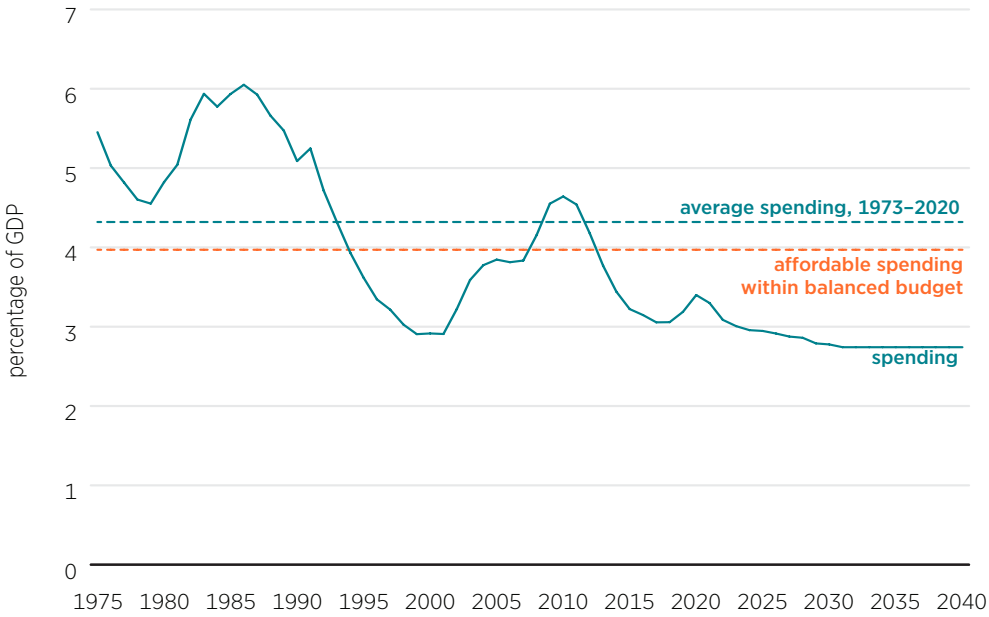

Note: CHIP = Children's Health Insurance Program.
Sources: Congressional Budget Office, Historical Budget Data, February 2021; Congressional Budget Office, *10-Year Budget Projections*, July 2021; Congressional Budget Office, *The 2021 Long-Term Budget Outlook*, March 2021; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 8.5; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 15.1.

FIGURE A6. HISTORICAL AND PROJECTED NONDEFENSE DISCRETIONARY SPENDING




Sources: Congressional Budget Office, Historical Budget Data, February 2021; Congressional Budget Office, *10-Year Budget Projections*, July 2021; Congressional Budget Office, *The 2021 Long-Term Budget Outlook*, March 2021; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 8.5; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 15.1.

FIGURE A7. HISTORICAL AND PROJECTED DEFENSE SPENDING

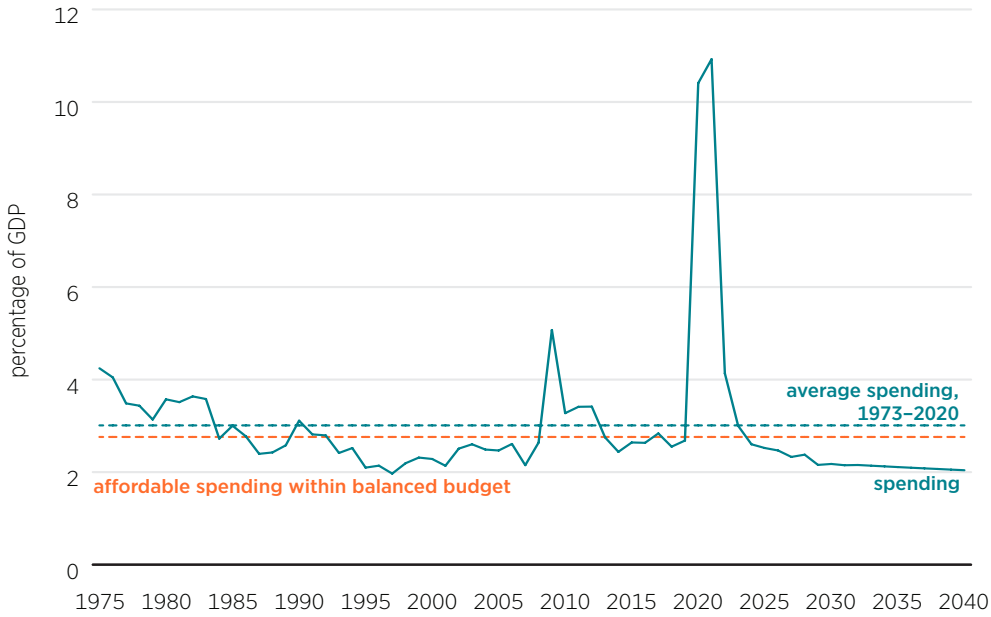



Sources: Congressional Budget Office, Historical Budget Data, February 2021; Congressional Budget Office, *10-Year Budget Projections*, July 2021; Congressional Budget Office, *The 2021 Long-Term Budget Outlook*, March 2021; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 8.5; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 15.1.

increases above historically affordable levels, such as in defense during the first three years of the Barack H. Obama administration, and in domestic discretionary spending during both the Great Recession and the current pandemic. Despite the long-term decline in domestic discretionary spending, a recent surge in such spending is contributing to the elevated deficit in 2021.

Figure A8 shows historical and projected spending in other mandatory spending programs, including nonhealth income security (welfare) programs, and other economic support programs. This spending has risen dramatically during the current pandemic as it also did during the Great Recession of 2007–2009, but as of this writing, it is not projected to remain above historically affordable levels over the long term.

FIGURE A8. HISTORICAL AND PROJECTED OTHER MANDATORY SPENDING




Sources: Congressional Budget Office, Historical Budget Data, February 2021; Congressional Budget Office, *10-Year Budget Projections*, July 2021; Congressional Budget Office, *The 2021 Long-Term Budget Outlook*, March 2021; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 8.5; Office of Management and Budget, *Fiscal Year 2021 Budget of the United States Government*, 2020, historical table 15.1.

## APPENDIX B. RESULTS UNDER ALTERNATE (2013) METHODOLOGY

Tables B1 through B11 illustrate alternative results that would arise if this study were to employ the methodology of the 2013 Blahous study, in which affordable spending levels are determined on the basis of historical averages of tax collections.[38] These alternative results are qualitatively similar to the primary results reported in this study, although the role of tax policy is diminished relative to the role of spending growth. Under this formulation, the majority of the structural fiscal imbalance is attributable to Medicare spending growth, and the remainder is attributable to growth in Social Security, Medicaid, Children's Health Insurance Program (CHIP), and the health marketplaces established in the Affordable Care Act. The 2021 deficit, which this study finds to be attributable primarily to temporary increases in income security and other economic support programs, is found through this alternative methodology to be even more attributable to these programs. Under these alternative assumptions, more of both the structural imbalance and the 2021 annual deficit is attributable to policies adopted during the Lyndon B. Johnson and Richard M. Nixon administrations, and less to policies adopted during the Donald J. Trump and Joseph R. Biden Jr. administrations, than in the primary results.

38. There are no tables B5 or B7 because the numbering of the tables in this appendix mirrors the numbers of analogous tables in the main body of the study. The alternative calculations in this appendix do not affect tables 5 or 7, eliminating the necessity of a B5 or B7 table.

TABLE B1. TIME AND RELATIVE SIZE OF LEGISLATED CONTRIBUTIONS TO THE LONG-TERM FEDERAL FISCAL IMBALANCE (ALTERNATIVE CALCULATIONS USING 2013 METHODOLOGY BASED ON HISTORICAL REVENUE NORMS)

| Time period | Share of contribution to imbalance (%) | President | US House control | US Senate control | Contributing legislation |
|---|---|---|---|---|---|
| 1971–1972 | 38.3 | Nixon (Richard M.) | Democrat | Democrat | 1972 Medicare expansion, 1971–1972 Medicaid expansion, 1972 Social Security increase |
| 1965–1966 | 36.6 | Johnson (Lyndon B.) | Democrat | Democrat | 1965 Medicare enactment, 1965 Medicaid enactment |
| 2009–2010 | 13.1 | Obama (Barack H.) | Democrat | Democrat | 2010 Affordable Care Act health marketplace subsidies, 2010 Affordable Care Act Medicaid expansion |
| 2003–2004 | 8.4 | Bush (George W.) | Republican | Republican | 2003 Medicare Part D enactment |
| 1989–1990 | 2.4 | Bush (George H. W.) | Democrat | Democrat | 1989–1990 Medicaid expansions |
| 1987–1988 | 1.3 | Reagan (Ronald W.) | Democrat | Democrat | 1987–1988 Medicaid expansions |

Note: House = House of Representatives.

Source: Author's calculations based on data from the Congressional Budget Office.

**TABLE B2. SHARES OF RESPONSIBILITY FOR LONG-TERM FEDERAL FISCAL IMBALANCE (ALTERNATIVE CALCULATIONS USING 2013 METHODOLOGY BASED ON HISTORICAL REVENUE NORMS)**

| Contributor | Share of responsibility for long-term fiscal imbalance (%) |
|---|---|
| Nixon (Richard M.) | 19.2 |
| US House Democrats, 1965–1972 | 18.7 |
| Johnson (Lyndon B.) | 18.3 |
| US Senate Democrats, 1965–1972 | 15.0 |
| Obama (Barack H.) | 6.5 |
| Bush (George W.) | 4.2 |
| US Senate Republicans, 1965–1972 | 3.7 |
| US House Democrats, 2007–2010 | 3.3 |
| US Senate Democrats, 2007–2010 | 2.6 |
| US House Republicans, 2003–2006 | 2.1 |
| US Senate Republicans, 2003–2006 | 1.7 |
| Bush (George H. W.) | 1.2 |
| US House Democrats, 1987–1994 | 0.9 |
| US Senate Democrats, 1987–1994 | 0.7 |
| US Senate Republicans, 2007–2010 | 0.7 |
| Reagan (Ronald W.) | 0.6 |
| US Senate Democrats, 2003–2006 | 0.4 |
| US Senate Republicans, 1987–1994 | 0.2 |

Note: House = House of Representatives.

Source: Author's calculations based on data from the Congressional Budget Office.

TABLE B3. TIME AND RELATIVE SIZE OF LEGISLATED CONTRIBUTIONS TO 2021 FEDERAL DEFICIT (ALTERNATIVE CALCULATIONS USING 2013 METHODOLOGY BASED ON HISTORICAL REVENUE NORMS)

| Time period | Share of contribution to deficit (%) | President | US House control | US Senate control | Contributing legislation |
|---|---|---|---|---|---|
| 2021 | 35.4 | Biden (Joseph R., Jr.) | Democrat | Democrat | American Rescue Plan |
| 2019–2020 | 34.8 | Trump (Donald J.) | Democrat | Republican | 2020 pandemic relief legislation increasing income security spending, Medicaid spending, other mandatory spending, nondefense discretionary appropriations |
| 1971–1972 | 13.4 | Nixon (Richard M.) | Democrat | Democrat | 1972 Medicare expansion, 1971–1972 Medicaid expansion, 1972 Social Security increase |
| 1965–1966 | 5.8 | Johnson (Lyndon B.) | Democrat | Democrat | 1965 Medicare enactment, 1965 Medicaid enactment |
| 2009–2010 | 5.2 | Obama (Barack H.) | Democrat | Democrat | 2010 Affordable Care Act health marketplace subsidies, 2010 Affordable Care Act Medicaid expansion |
| 2003–2004 | 2.5 | Bush (George W.) | Republican | Republican | 2003 Medicare Part D enactment, 2003 military retirement increase |
| 1989–1990 | 0.9 | Bush (George H. W.) | Democrat | Democrat | 1989–1990 Medicaid expansions |
| 1987–1988 | 0.5 | Reagan (Ronald W.) | Democrat | Democrat | 1987–1988 Medicaid expansions |
| 2007–2008 | 0.5 | Bush (George W.) | Democrat | Democrat | 2008 veterans' benefits increase |
| 2015–2016 | 0.4 | Obama | Republican | Republican | Physician payment increases in 2015 MACRA, military retirement spending increase |
| 1991–1992 | 0.3 | Bush (George H. W.) | Democrat | Democrat | 1991 veterans' benefit increase |
| 1999–2000 | 0.2 | Clinton (William J.) | Republican | Republican | 2000 defense retiree health increase |

Note: House = House of Representatives; MACRA = Medicare Access and CHIP (Children's Health Insurance Program) Reauthorization Act of 2015.

Source: Author's calculations based on data from the Congressional Budget Office.

## TABLE B4. SHARES OF RESPONSIBILITY FOR 2021 FEDERAL DEFICIT (ALTERNATIVE CALCULATIONS USING 2013 METHODOLOGY BASED ON HISTORICAL REVENUE NORMS)

| Contributor | Share of responsibility for 2021 federal deficit (%)[a] |
|---|---|
| Biden (Joseph R., Jr.) | 17.7 |
| Trump (Donald J.) | 17.4 |
| US House Democrats, 2021 | 8.8 |
| US House Democrats, 2019–2020 | 8.7 |
| US Senate Democrats, 2021 | 7.1 |
| US Senate Republicans, 2019–2020 | 7.0 |
| Nixon (Richard M.) | 6.7 |
| US House Democrats, 1965–1972 | 4.8 |
| US Senate Democrats, 1965–1972 | 3.8 |
| Johnson (Lyndon B.) | 2.9 |
| Obama (Barack H.) | 2.8 |
| US Senate Republicans, 2021 | 1.8 |
| US Senate Democrats, 2019–2020 | 1.7 |
| Bush (George W.) | 1.5 |
| US House Democrats, 2007–2010 | 1.4 |
| US Senate Democrats, 2007–2010 | 1.1 |
| US Senate Republicans, 1965–1972 | 1.0 |
| US House Republicans, 1999–2006 | 0.7 |
| Bush (George H. W.) | 0.6 |
| US Senate Republicans, 1999–2006 | 0.6 |
| US House Democrats, 1987–1994 | 0.4 |
| US Senate Democrats, 1987–1994 | 0.3 |
| US Senate Republicans, 2007–2010 | 0.3 |
| Reagan (Ronald W.) | 0.3 |
| US Senate Democrats, 1999–2006 | 0.1 |
| Clinton (William J.) | 0.1 |
| US House Republicans, 2015–2018 | 0.1 |
| US Senate Republicans, 2015–2018 | 0.1 |
| US Senate Republicans, 1987–1994 | 0.1 |
| US Senate Democrats, 2015–2018 | 0.0 |

Note: House = House of Representatives.

a. Sum of numbers is less than 100 owing to rounding. Underlying numbers, when calculated to more significant figures, add to 100.0.

Source: Congressional Budget Office.

TABLE B6. SHARES OF 2021 AND LONG-TERM FEDERAL DEFICITS ARISING FROM BUDGET CATEGORIES (ALTERNATIVE CALCULATIONS USING 2013 METHODOLOGY BASED ON HISTORICAL REVENUE NORMS)

| Budget category | Historical average, 1973–2020 (% of GDP) | Affordable level in balanced budget (% of GDP) | Projected 2021 level (% of GDP) | Affordable level in 2021, given savings in defense, interest (% of GDP) | Share of 2021 deficit cause (% of GDP) | **Share of responsibility for 2021 deficit (%)** | Projected 2040 level (% of GDP) | Affordable level in 2040, given savings in appropriations, other mandatory (% of GDP) | Share of 2040 deficit cause (% of GDP) | Share of responsibility for 2040 deficit (%) | **Share of responsibility for 2040 deficit with interest costs prorated (%)** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total deficit | 3.4 | 0.0 | 13.4 | 0.0 | 13.4 | **100.0** | 9.0 | 0.0 | 9.0 | 100.0 | **100.0** |
| Total spending | 20.7 | 17.3 | 30.6 | 17.3 | 13.3 | **98.9** | 26.9 | 17.9 | 9.0 | 100.0 | **100.0** |
| Total tax revenues | 17.3 | 17.3 | 17.2 | 17.3 | 0.2 | **1.1** | 17.9 | 17.9 | 0.0 | 0.0 | **0.0** |
| Defense | 4.3 | 3.6 | 3.3 | 3.3 | 0.0 | **0.0** | 2.8 | 2.8 | 0.0 | 0.0 | **0.0** |
| Nondefense appropriations | 3.8 | 3.2 | 4.1 | 3.3 | 0.8 | **5.9** | 2.8 | 2.8 | 0.0 | 0.0 | **0.0** |
| Medicare (net) | 2.0 | 1.7 | 3.0 | 1.8 | 1.3 | **9.5** | 5.5 | 2.2 | 3.3 | 36.8 | **52.4** |
| Income security | 1.7 | 1.4 | 6.0 | 1.5 | 4.6 | **34.2** | n.a. (in "other mandatory") | n.a. | n.a. | n.a. | **n.a.** |
| Medicaid + CHIP + ACA exchanges | 1.2 | 1.0 | 2.7 | 1.0 | 1.7 | **12.5** | 2.8 | 1.3 | 1.6 | 17.2 | **24.4** |
| Social Security | 4.4 (gross) 4.2 (net) | 3.7 (gross) 3.6 (net) | 5.0 (net) | 3.7 (net) | 1.2 | **9.3** | 6.2 (gross) | 4.7 (gross) | 1.5 | 16.3 | **23.2** |
| Federal civil and military retirement, veterans (net) | 1.0 | 0.8 | 1.1 | 0.9 | 0.2 | **1.3** | n.a. | n.a. | n.a. | n.a. | **n.a.** |
| Other programs (net) | 0.5 | 0.4 | 3.9 | 0.4 | 3.5 | **26.3** | n.a. | n.a. | n.a. | n.a. | **n.a.** |
| Interest (net) | 2.1 | 1.7 | 1.5 | 1.5 | 0.0 | **0.0** | 4.9 | 2.2 | 2.7 | 29.7 | **n.a.** |
| Mandatory other than Social Security, Medicare, Medicaid, CHIP, ACA exchanges | 3.0 | 2.5 | 10.9 | n.a. | n.a. | **n.a.** | 2.0 | 2.0 | 0.0 | 0.0 | **0.0** |

Note: n.a. = not applicable; ACA = Affordable Care Act; CHIP = Children's Health Insurance Program.

Source: Author's calculations based on data from the Congressional Budget Office.

## TABLE B8. LEGISLATED CONTRIBUTIONS TO THE LONG-TERM FEDERAL FISCAL IMBALANCE (ALTERNATIVE CALCULATIONS USING 2013 METHODOLOGY BASED ON HISTORICAL REVENUE NORMS)

| Budget category | Legislation (year) | Share of contribution to 2040 noninterest deficit, category (%)[a] | Share of contribution to 2040 noninterest deficit, legislation (%)[a] | President | US House majority | US Senate majority |
|---|---|---|---|---|---|---|
| Medicare | | 52.4 | | | | |
| | Part D enactment (2003) | | 8.4 | Bush (George W.) | Republican | Republican |
| | Expansion (1972) | | 13.1 | Nixon (Richard M.) | Democrat | Democrat |
| | Initial enactment (1965) | | 30.9 | Johnson (Lyndon B.) | Democrat | Democrat |
| Medicaid + CHIP + ACA exchanges | | 24.4 | | | | |
| | ACA exchange subsidies + Medicaid expansion (2010) | | 13.1 | Obama (Barack H.) | Democrat | Democrat |
| | Medicaid expansion (1989–1990) | | 2.4 | Bush (George H. W.) | Democrat | Democrat |
| | Medicaid expansion (1987–1988) | | 1.3 | Reagan (Ronald W.) | Democrat | Democrat |
| | Medicaid expansion (1971–1972) | | 2.1 | Nixon | Democrat | Democrat |
| | Medicaid initial enactment (1965) | | 5.7 | Johnson | Democrat | Democrat |
| Social Security | | 23.2 | | | | |
| | Benefit increase and indexing (1972) | | 23.2 | Nixon | Democrat | Democrat |
| Total | | 100.0 | 100.0 | | | |

Note: House = House of Representatives.

a. Sums of numbers are greater than 100 owing to rounding. Underlying numbers, when calculated to more significant figures, add to 100.0.

Source: Author's calculations based on data from the Congressional Budget Office.

**TABLE B9. COMPONENTS OF SHARES OF RESPONSIBILITY FOR LONG-TERM FISCAL IMBALANCE (ALTERNATIVE CALCULATIONS USING 2013 METHODOLOGY BASED ON HISTORICAL REVENUE NORMS)**

| Contributor | Medicare enactment (1965) | Medicaid enactment (1965) | Medicare expansion (1972) | Medicaid expansion (1971–1972) | Social Security increase (1972) | Medicaid expansion (1987–1988) | Medicaid expansion (1989–1990) | Medicare Part D (2003) | Affordable Care Act (2010) | Total[a] |
|---|---|---|---|---|---|---|---|---|---|---|
| Nixon (Richard M.) | n.a. | n.a. | 6.5 | 1.0 | 11.6 | n.a. | n.a. | n.a. | n.a. | **19.2** |
| House Democrats, 1965–1972 | 7.7 | 1.4 | 3.3 | 0.5 | 5.8 | n.a. | n.a. | n.a. | n.a. | **18.7** |
| Johnson (Lyndon B.) | 15.5 | 2.8 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **18.3** |
| Senate Democrats, 1965–1972 | 6.2 | 1.1 | 2.6 | 0.4 | 4.6 | n.a. | n.a. | n.a. | n.a. | **15.0** |
| Obama (Barack H.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 6.5 | **6.5** |
| Bush (George W.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 4.2 | n.a. | **4.2** |
| Senate Republicans, 1965–1972 | 1.5 | 0.3 | 0.7 | 0.1 | 1.2 | n.a. | n.a. | n.a. | n.a. | **3.7** |
| House Democrats, 2007–2010 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 3.3 | **3.3** |
| Senate Democrats, 2007–2010 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 2.6 | **2.6** |
| House Republicans, 2003–2006 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 2.1 | n.a. | **2.1** |
| Senate Republicans, 2003–2006 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.7 | n.a. | **1.7** |
| Bush (George H. W.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.2 | n.a. | n.a. | **1.2** |
| House Democrats, 1987–1994 | n.a. | n.a. | n.a. | n.a. | n.a. | 0.3 | 0.6 | n.a. | n.a. | **0.9** |
| Senate Democrats, 1987–1994 | n.a. | n.a. | n.a. | n.a. | n.a. | 0.3 | 0.5 | n.a. | n.a. | **0.7** |
| Senate Republicans, 2007–2010 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.7 | **0.7** |
| Reagan (Ronald W.) | n.a. | n.a. | n.a. | n.a. | n.a. | 0.6 | n.a. | n.a. | n.a. | **0.6** |
| Senate Democrats, 2003–2006 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.4 | n.a. | **0.4** |
| Senate Republicans, 1987–1994 | n.a. | n.a. | n.a. | n.a. | n.a. | 0.1 | 0.1 | n.a. | n.a. | **0.2** |
| **Total** | **30.9** | **5.7** | **13.1** | **2.1** | **23.2** | **1.3** | **2.4** | **8.4** | **13.1** | **100.0** |

Note: House = US House of Representatives.

Source: Author's calculations based on data from the Congressional Budget Office.

TABLE B10. LEGISLATED CONTRIBUTIONS TO FEDERAL 2021 DEFICIT (ALTERNATIVE CALCULATIONS USING 2013 METHODOLOGY BASED ON HISTORICAL REVENUE NORMS)

| Budget category | Legislation (year) | Share of contribution to 2021 deficit, by category (%)[a] | Share of contribution to 2021 deficit, by legislation (%)[a] | President | US House majority | US Senate majority |
|---|---|---|---|---|---|---|
| Income security | | 34.2 | | | | |
| | American Rescue Plan (2021) | | 19.9 | Biden (Joseph R., Jr.) | Democrat | Democrat |
| | COVID-19 relief (2020) | | 14.3 | Trump (Donald J.) | Democrat | Republican |
| Other programs | | 26.3 | | | | |
| | American Rescue Plan (2021) | | 14.3 | Biden | Democrat | Democrat |
| | COVID-19 relief (2020) | | 11.9 | Trump | Democrat | Republican |
| Medicaid + CHIP + ACA exchanges | | 12.5 | | | | |
| | COVID-19 relief Medicaid expansion (2020) | | 2.7 | Trump | Democrat | Republican |
| | ACA exchange subsidies + Medicaid expansion (2010) | | 5.2 | Obama (Barack H.) | Democrat | Democrat |
| | Medicaid expansion (1989–1990) | | 0.9 | Bush George H. W.) | Democrat | Democrat |
| | Medicaid expansion (1987–1988) | | 0.5 | Reagan (Ronald W.) | Democrat | Democrat |
| | Medicaid expansion (1971–1972) | | 0.8 | Nixon (Richard M.) | Democrat | Democrat |
| | Medicaid initial enactment (1965) | | 2.4 | Johnson (Lyndon B.) | Democrat | Democrat |
| Medicare | | 9.5 | | | | |
| | MACRA physician payment increase (2015) | | 0.4 | Obama | Republican | Republican |
| | Part D enactment (2003) | | 2.4 | Bush George W.) | Republican | Republican |
| | Expansion (1972) | | 3.3 | Nixon | Democrat | Democrat |
| | Initial enactment (1965) | | 3.4 | Johnson | Democrat | Democrat |
| Social Security | | 9.3 | | | | |
| | Benefit Increase and Indexing (1972) | | 9.3 | Nixon | Democrat | Democrat |
| Nondefense appropriations | | 5.9 | | | | |
| | COVID-19 relief (2020) | | 5.9 | Trump | Democrat | Republican |
| Federal civil and military retirement, veterans | | 1.3 | | | | |
| | Military retirement increase (2015) | | 0.1 | Obama | Republican | Republican |
| | Veterans benefit increase (2008) | | 0.5 | Bush (George W.) | Democrat | Democrat |
| | Military retirement increase (2003) | | 0.1 | Bush (George W.) | Republican | Republican |
| | Defense retiree health increase (2000) | | 0.2 | Clinton (William J.) | Republican | Republican |
| | Veterans benefit increase (1991) | | 0.3 | Bush George H. W.) | Democrat | Democrat |
| Taxes | | 1.1 | | | | |
| | American Rescue Plan (2021) | | 1.1 | Biden | Democrat | Democrat |
| Total | | 100.0 | 100.0 | | | |

Note: House = House of Representatives; MACRA = Medicare Access and CHIP (Children's Health Insurance Program) Reauthorization Act of 2015.

a. Sums of numbers are other than 100 owing to rounding. Underlying numbers, when calculated to more significant figures, add to 100.0.

Source: Author's calculations based on data from the Congressional Budget Office.

TABLE B11. COMPONENTS OF SHARES OF RESPONSIBILITY FOR FEDERAL 2021 DEFICIT (ALTERNATIVE CALCULATIONS USING 2013 METHODOLOGY BASED ON HISTORICAL REVENUE NORMS)

| Contributor | Medicare enactment (1965) | Medicaid enactment (1965) | Medicare expansion (1972) | Medicaid expansion (1971–1972) | Social Security increase (1972) | Medicaid expansion (1987–1988) | Medicaid expansion (1989–1990) | Veterans benefit increase (1991) | Defense retiree health (2000) | Military retirement increase (2003) | Medicare Part D (2003) | Veterans benefit increase (2008) | ACA (2010) | MACRA (2015) | Military retirement increase (2015) | COVID-19 relief (2020) | ARP (2021) | Total[a] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Biden (Joseph R., Jr.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 17.7 | **17.7** |
| Trump (Donald J.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 17.4 | n.a. | **17.4** |
| US House Democrats, 2021 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 8.8 | **8.8** |
| US House 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. | n.a. | n.a. | n.a. | n.a. | 8.7 | n.a. | **8.7** |
| US Senate Democrats, 2021 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 7.1 | **7.1** |
| 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. | n.a. | n.a. | n.a. | n.a. | 7.0 | n.a. | **7.0** |
| Nixon (Richard M.) | n.a. | n.a. | 1.6 | 0.4 | 4.6 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **6.7** |
| US House Democrats, 1965–1972 | 0.9 | 0.6 | 0.8 | 0.2 | 2.3 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **4.8** |
| US Senate Democrats, 1965–1972 | 0.7 | 0.5 | 0.7 | 0.2 | 1.9 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **3.8** |
| Johnson (Lyndon B.) | 1.7 | 1.2 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **2.9** |
| Obama (Barack H.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 2.6 | 0.2 | 0.0 | n.a. | n.a. | **2.8** |
| US Senate Republicans, 2021 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1.8 | **1.8** |
| 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. | n.a. | n.a. | n.a. | n.a. | 1.7 | n.a. | **1.7** |
| Bush (George W.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.1 | 1.2 | 0.3 | n.a. | n.a. | n.a. | n.a. | n.a. | **1.5** |
| 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. | n.a. | 0.1 | 1.3 | n.a. | n.a. | n.a. | n.a. | **1.4** |
| 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. | n.a. | 0.1 | 1.0 | n.a. | n.a. | n.a. | n.a. | **1.1** |
| US Senate Republicans, 1965–1972 | 0.2 | 0.1 | 0.2 | 0.0 | 0.5 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **1.0** |

| Contributor | Medicare enactment (1965) | Medicaid enactment (1965) | Medicare expansion (1972) | Medicaid expansion (1971–1972) | Social Security increase (1972) | Medicaid expansion (1987–1988) | Medicaid expansion (1989–1990) | Veterans benefit increase (1991) | Defense retiree health (2000) | Military retirement increase (2003) | Medicare Part D (2003) | Veterans benefit increase (2008) | ACA (2010) | MACRA (2015) | Military retirement increase (2015) | COVID-19 relief (2020) | ARP (2021) | Total[a] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| US House Republicans, 1999–2006 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.1 | 0.0 | 0.6 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.7** |
| Bush (George H. W.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.4 | 0.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.6** |
| US Senate Republicans, 1999–2006 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.0 | 0.0 | 0.5 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.6** |
| US House Democrats, 1987–1994 | n.a. | n.a. | n.a. | n.a. | n.a. | 0.1 | 0.2 | 0.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.4** |
| US Senate Democrats, 1987–1994 | n.a. | n.a. | n.a. | n.a. | n.a. | 0.1 | 0.2 | 0.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.3** |
| 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. | n.a. | 0.0 | 0.3 | n.a. | n.a. | n.a. | n.a. | **0.3** |
| Reagan (Ronald W.) | n.a. | n.a. | n.a. | n.a. | n.a. | 0.3 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.3** |
| US Senate Democrats, 1999–2006 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.0 | 0.0 | 0.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.1** |
| Clinton (William J.) | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0.1 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.1** |
| 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. | n.a. | n.a. | 0.1 | 0.0 | n.a. | n.a. | **0.1** |
| 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. | n.a. | n.a. | 0.1 | 0.0 | n.a. | n.a. | **0.1** |
| US Senate Republicans, 1987–1994 | n.a. | n.a. | n.a. | n.a. | n.a. | 0.0 | 0.0 | 0.0 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | **0.1** |
| 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. | n.a. | n.a. | 0.0 | 0.0 | n.a. | n.a. | **0.0** |
| **Total[a]** | **3.4** | **2.4** | **3.3** | **0.8** | **9.3** | **0.5** | **0.9** | **0.3** | **0.2** | **0.1** | **2.4** | **0.5** | **5.2** | **0.4** | **0.1** | **34.8** | **35.4** | **100.0** |

Note: ACA = Affordable Care Act; ARP = American Rescue Plan; House = House of Representatives; MACRA = Medicare Access and CHIP (Children's Health Insurance Program) Reauthorization Act of 2015.

a. Sums of totals are other than 100 owing to rounding. Underlying numbers, when calculated to more significant figures, add to 100.0.

Source: Author's calculations based on data from the Congressional Budget Office.

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Charles Blahous is the J. Fish and Lillian F. Smith Chair and Senior Research Strategist at the Mercatus Center at George Mason University. Dr. Blahous has previously published studies with the Mercatus Center on the federal budget costs of Medicare for All, the fiscal ramifications of the Affordable Care Act, Social Security policy, the origins of federal deficits, gerrymandering, the multiemployer pension solvency crisis, Medicaid expansion, and other issues. He is the author of the books *Decoding the Debates, Social Security: The Unfinished Work* and *Pension Wise*. From 2010 to 2015 Dr. Blahous served as one of two public trustees for the Social Security and Medicare programs. Dr. Blahous was Deputy Director of the National Economic Council under President George W. Bush, and before that served as Special Assistant to the President for Economic Policy, policy director for Senator Judd Gregg, and legislative director for Senator Alan Simpson. He is a Visiting Fellow at the Hoover Institution. Dr. Blahous holds a PhD in computational quantum chemistry from the University of California at Berkeley and an AB in chemistry from Princeton University.

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