

As Deficit Soars Toward \$1 Trillion, Congress Shrugs and Keeps Spending

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ABSTRACT (ENGLISH)

Treasury Secretary Steven Mnuchin urged Congress to lift the debt ceiling as lawmakers embark on a spending spree.

FULL TEXT

WASHINGTON —Treasury Secretary Steven Mnuchin urged Congress on Tuesday to raise the federal government's statutory borrowing limit and said Washington must soon grapple with the mounting federal debt, just as lawmakers are embarking on a significant spending spree.

Annual deficits are creeping up to \$1 trillion and the national debt has topped \$20 trillion. On Monday, Treasury said that the United States will need to borrow \$441 billion in privately held debt this quarter, the largest sum since 2010, when the economy was emerging from the worst downturn since the Great Depression.

Yet the need to deal with the federal debt seems to have taken a back seat to other priorities, including the \$1.5 trillion tax cut, increased defense and domestic spending, and an expected infrastructure request from President Trump.

"The president is very much concerned about the rate of increase of the debt and particularly the rate that it grew over the last eight years," Mr. Mnuchin said during a Senate Banking Committee hearing. "Over time we need to figure out where we can have government savings to deal with the deficit."

He dismissed suggestions that the tax cut, which is projected to add more than \$1 trillion to the deficit over a decade even with economic growth, would only worsen the problem.

Mr. Mnuchin's request to raise the debt limit stems from the simple fact that federal spending is far outpacing revenue. The Treasury must borrow money from private investors but needs congressional approval to go above the \$ 20.5 trillion debt limit that caps the United States debt load.

Fiscal hawks warn that mounting federal debt will ultimately slow economic growth, but Washington shows no signs of paying heed. Congress is poised to dole out billions of dollars for a host of different priorities, and the spending spree is being embraced across party lines.

Mr. Trump and Republicans are pushing for a big increase in military spending, warning that the nation's security is at stake. The president wants \$25 billion for border security, including his promised wall on the border with Mexico. Mr. Mnuchin also said on Tuesday that infrastructure would be an administration priority this year. Mr. Trump has suggested that rebuilding roads and bridges is something that could garner bipartisan support, and

White House has signaled that it will seek \$200 billion from Congress to jump-start an infrastructure investment program.

On top of that spending, the party is still celebrating its sweeping overhaul of the tax code, casting aside expectations of how it will impact the national debt.

After loudly bemoaning that the tax overhaul would swell the national debt, Democrats are pressing to secure a sizable boost in spending on domestic programs, including billions of dollars to address the opioid crisis. And lawmakers from both parties are looking to approve at least about \$80 billion in additional aid in response to last year's hurricanes and wildfires.

"The deep dark secret is Republicans like to spend money just as much as Democrats," said Representative Jim Costa, Democrat of California and a co-chairman of the centrist Blue Dog Coalition. "They just want to spend it on something different."

Just last week, lawmakers approved a stopgap spending bill to end a government shutdown and keep agencies funded until Feb. 8 while also extending funding for the Children's Health Insurance Program for six years. But the fine print of the bill also suspended or delayed a handful of taxes imposed by the Affordable Care Act, which will cost the government \$31 billion, according to the congressional Joint Committee on Taxation.

The deficit is now projected to reach \$1 trillion in the 2019 fiscal year, which begins Oct. 1, according to the Committee for a Responsible Federal Budget, a fiscal watchdog group.

That could grow even larger if, as expected, congressional leaders from both parties can reach an agreement to raise strict caps on military and domestic spending that were imposed in 2011.

Republicans are pushing for a big increase to the cap on military spending, while Democrats are insisting on an equal increase in nonmilitary spending. All told, lawmakers could reach a two-year agreement to raise the spending caps by more than \$200 billion over that period.

For Democrats, the firm posture in spending talks does not perfectly harmonize with their outcry during the battle over the Republican tax overhaul. Senator Roy Blunt of Missouri, a member of the Senate Republican leadership, recalled that just recently, during the fight over taxes, Democrats were "absolutely outraged at what potential deficit impact there might be."

"And then we immediately get into a tens and hundreds of billion dollars of discussion about how we now raise the spending caps," Mr. Blunt said. "So I think there's plenty of inconsistency."

With the tax overhaul now law and with lawmakers pushing to increase spending, fiscal watchdogs have been left reeling.

"Even just to keep the government open for a few weeks, for some reason it was necessary to add to our debt," said Michael A. Peterson, the president and chief executive of the Peter G. Peterson Foundation, which advocates reining in federal budget deficits.

The tax overhaul approved in December "clearly dug the hole deeper," Mr. Peterson said. The bill is projected to add \$1.5 trillion to the deficit over a decade, or about \$1.1 trillion if the effects of economic growth and interest

rates are taken into account, according to the Joint Committee on Taxation.

Mr. Mnuchin dismissed that idea on Tuesday, reiterating his position that if economic growth can be sustained at an annual rate of 3 percent, the tax cuts will pay for themselves. (Macroeconomic Advisers, an economic forecasting firm, expects growth in the first three months of 2018 to fall to 2.3 percent.)

While Democrats tried to draw attention to how the tax cuts would worsen the government's finances, few Republicans expressed similar concerns. One who did, Senator Bob Corker of Tennessee, vowed to oppose the tax rewrite if it added "one penny" to the deficit, but even he ended up voting for it.

At the hearing on Tuesday, Mr. Corker praised the tax bill for bringing better results than he expected, noting that the International Monetary Fund had raised its global economic growth projections in response to the tax cuts.

"It seems to be having an impact far beyond what we thought it would have just on our own country," Mr. Corker said.

In conversations about the deficit, Republican lawmakers are quick to talk about the need to rein in the cost of entitlement programs, such as Social Security and Medicare, which make up a big portion of federal spending. But there is little expectation that Congress will take any significant action in those areas any time soon.

"This is out of control," complained Senator David Perdue, Republican of Georgia, as he lamented that lawmakers were set to approve disaster aid without finding a way to pay for it.

"Every dime that we're talking about for disaster relief is borrowed," Mr. Perdue said. "We have to go to China and borrow that money to give disaster relief to farmers in Texas and people in Florida."

At the Senate hearing on Tuesday, Mr. Mnuchin said that Mr. Trump has been focused on initiatives that will spur economic growth as a way of generating additional revenue for the government.

"His first priority was to create economic growth," Mr. Mnuchin said. "That's the single most important thing that will create revenues."

Some Republicans are not so sure.

"At some point we're going to have to change the name of the Department of Treasury to the Department of Debt, because there's not going to be any treasury left," said Senator John Kennedy, Republican of Louisiana. "It would seem to me that we need to have an adult discussion at some point about how we're going to get control of that."

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DETAILS

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People:	Trump, Donald J Corker, Bob Peterson, Peter G Costa, Jim Blunt, Roy D
Company / organization:	Name: Facebook Inc; NAICS: 518210, 519130; Name: International Monetary Fund--IMF; NAICS: 522298; Name: Twitter Inc; NAICS: 519130; Name: Congress; NAICS: 921120; Name: Committee for a Responsible Federal Budget; NAICS: 813940; Name: Senate; NAICS: 921120
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