

# Congress *Must Rein In* Runaway Federal Spending by Enacting Spending Caps



Liesel Crocker  
Senior Research Fellow

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[TheFGA.org/research/congress-must-rein-in-runaway-federal-spending](https://TheFGA.org/research/congress-must-rein-in-runaway-federal-spending)

# KEY FINDINGS



THE NATIONAL DEBT IS MORE THAN \$34 TRILLION  
AND **FEDERAL SPENDING IS OUT OF CONTROL.**



**DISCRETIONARY SPENDING CAPS**  
WOULD REDUCE THE DEFICIT BY \$3.8 TRILLION.



IMPLEMENTING SPENDING CAPS  
WOULD **REDUCE INFLATION AND INTEREST**  
**RATES AND GROW THE ECONOMY.**

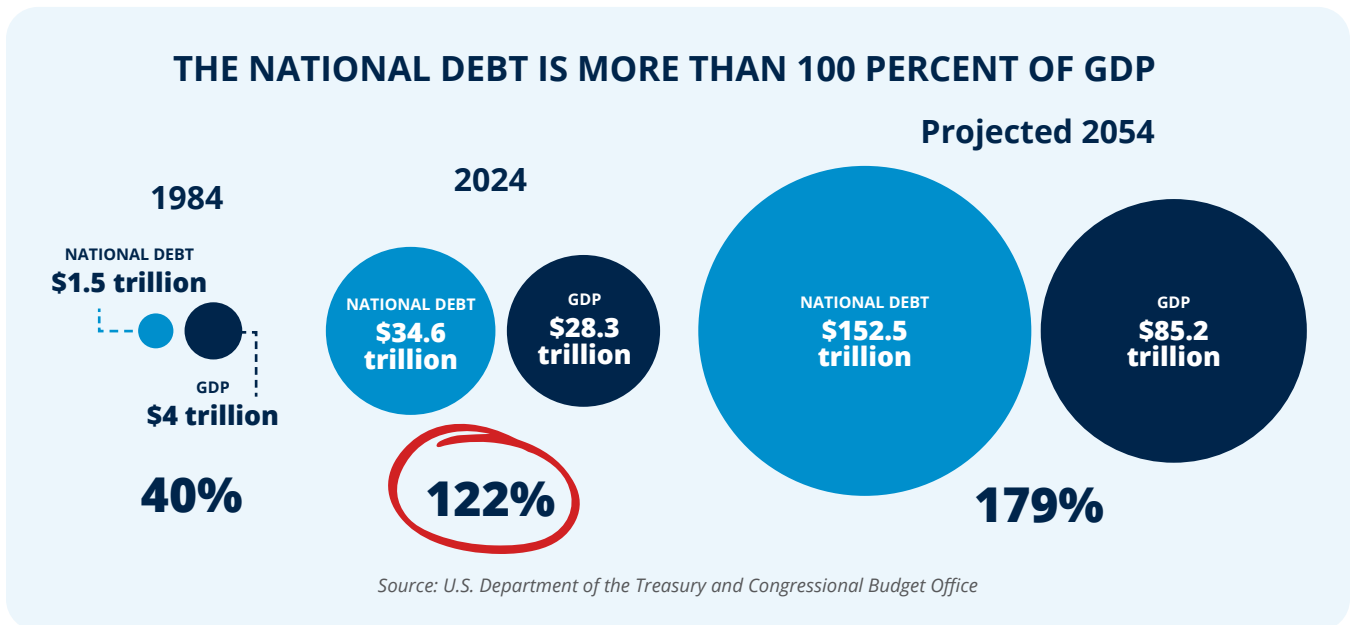
## THE BOTTOM LINE:

TO REDUCE THE DEFICIT, REIN IN OUT-OF-CONTROL SPENDING,  
AND PROTECT ECONOMIC GROWTH, CONGRESS SHOULD  
ENACT DISCRETIONARY SPENDING CAPS.

# Overview

In 1984, then-Senator Joe Biden warned of an emergent fiscal crisis and advocated for an across-the-board spending freeze.<sup>1</sup> At the time, the national debt was \$1.5 trillion and equal to 39 percent of gross domestic product (GDP).<sup>2</sup> Now 40 years later, **President Biden has been on an unprecedented spending spree with no sign of slowing down.**<sup>3-4</sup>

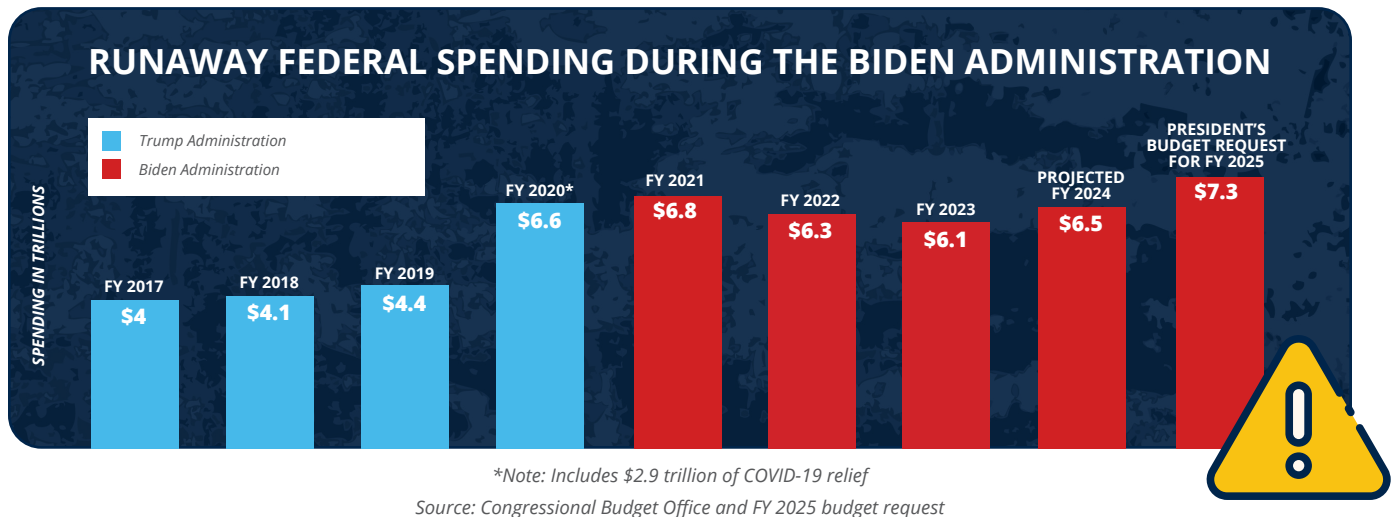
The impact on the economy is dire. The national debt is currently more than \$34.6 trillion, greater than 122 percent of the size of the economy and rising.<sup>5</sup> By 2054, the gross national debt is projected to hit more than \$152.5 trillion, 179 percent of GDP.<sup>6</sup> This translates to more than \$1 million in debt per household in America.<sup>7</sup>



When dealing with numbers in the trillions, it can be easy to lose sight of how extreme the debt crisis has become. For context, it would take nearly 12 days for a person to count one million dollars if that person were counting for 24 hours a day.<sup>8</sup> By comparison, it would take nearly 32 years to count to one billion, and to count to one trillion, it would take nearly 32,000 years.<sup>9</sup> Even one trillion dollars is a nearly unfathomable amount of money, let alone \$34.6 trillion.

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While federal spending has been on an unsustainable path for decades, the Biden administration's spending has exacerbated the problem to a never-before-seen degree.<sup>10</sup> In 2019, federal spending was \$4.4 trillion.<sup>11</sup> By 2023, federal spending had grown to \$6.1 trillion, an increase of nearly 40 percent in just four years.<sup>12</sup> The federal government spent its way to a \$1.7 trillion deficit in fiscal year 2023, 76 percent higher than the Congressional Budget Office (CBO) initially projected before the Biden administration implemented any new policies.<sup>13</sup>



Interest payments on the debt alone are projected to reach \$1.6 trillion by 2034.<sup>14</sup> Already, payments to service existing debt account for 18 percent of all federal spending.<sup>15</sup> As the debt continues to grow, so will the percentage of the federal budget that must be spent paying down the interest.<sup>16</sup> Interest costs now exceed spending on both Medicare and national defense, and is the second largest category of federal spending.<sup>17</sup> High interest payments on the debt hamper private investment, slowing down economic growth.<sup>18</sup>

Unfortunately, the Biden administration appears intent on continuing to spend. Over the next 10 years, President Biden's fiscal year 2025 budget request would result in \$86.6 trillion in cumulative spending.<sup>19</sup>

The Biden administration's runaway spending is fueling inflation and restricting economic growth.<sup>20</sup> Congress should enact spending caps to help rein in out-of-control spending and restore fiscal sanity to the federal budget.

## Congress must cap federal spending to reduce the deficit and protect the economy

In 2023, the House of Representatives passed the Limit, Save, Grow Act which established discretionary spending caps.<sup>21</sup> These caps would have held 2024 spending to what was spent in 2022, and restricted growth in discretionary spending to one percent annually thereafter.<sup>22</sup> Capping discretionary spending at these levels would reduce the national debt, curb inflation, and spur economic growth. While these spending caps were blocked by the Democrat-controlled Senate, Congress did pass the Fiscal Responsibility Act in June 2023, which implemented more modest controls on spending in the short term.<sup>23</sup> The Fiscal Responsibility Act caps fiscal year 2024 and 2025 discretionary spending at \$1.59 trillion and \$1.6 trillion, respectively.<sup>24</sup> This legislation is projected

to reduce the debt by \$1.3 trillion over the next 10 years.<sup>25</sup> While passing these short-term spending caps was certainly better than nothing, Congress must pass long-term controls on spending to truly make a dent in the national debt.

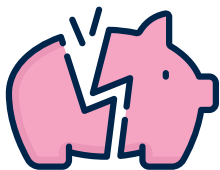
If spending continues to grow without spending caps in place, projections of the national debt as of February 2023 were \$52 trillion by 2033, which is a debt of nearly \$400,000 per household.<sup>26</sup> Limiting the growth in discretionary spending to one percent per year would reduce the national debt by \$3.8 trillion compared to the baseline—a savings of nearly \$30,000 per household.<sup>27</sup> Implementing these spending caps would also save taxpayer dollars by avoiding \$656 billion in interest payments over 10 years.<sup>28</sup> The impact of the discretionary spending caps would cut net interest costs in half, saving nearly \$5,000 per household.<sup>29</sup>

## SPENDING CAPS WOULD SAVE TRILLIONS

	<b>CBO PROJECTION WITHOUT SPENDING CAPS</b>	<b>CBO PROJECTION WITH SPENDING CAPS</b>
<b>DISCRETIONARY SPENDING IN 2033</b>	<b>\$2.4 trillion</b>	<b>\$1.8 trillion</b>
<b>DEBT BY 2033</b>	<b>\$52 trillion</b>	<b>\$48.2 trillion</b>
<b>NET INTEREST COSTS 2024-2033</b>	<b>\$1.3 trillion</b>	<b>\$650 billion</b>

Source: Congressional Budget Office

Establishing spending caps would also reduce the rate of inflation immediately.<sup>30</sup> Record-setting inflation has been skyrocketing prices since the start of the Biden administration.<sup>31</sup> Since December 2020, prices have increased nearly 20 percent.<sup>32</sup> The typical American family of four has to spend over \$16,000 more each year to get the same goods and services as they did before President Biden took office.<sup>33</sup> Implementing spending caps would reduce the rate of inflation and save Americans money.<sup>34</sup>



**THE TYPICAL AMERICAN FAMILY OF FOUR HAS TO SPEND OVER \$16,000 MORE EACH YEAR TO GET THE SAME GOODS AND SERVICES AS THEY DID BEFORE PRESIDENT BIDEN TOOK OFFICE.**

Capping spending would also spur economic growth. For every dollar of deficit reduction, private investment increases by 33 cents.<sup>35</sup> Capping spending at 2022 levels and keeping growth in discretionary spending to one percent annually would reduce the deficit by \$3.8 trillion over 10 years, which would unleash more than \$1.25 trillion in new investment as a result.<sup>36</sup> This investment is what enables businesses to innovate and grow.<sup>37</sup>

The House of Representatives already passed legislation that would establish these commonsense spending limits with near unanimous Republican support.<sup>38</sup> When negotiating any new spending deal, these caps should be the minimum standard for restoring fiscal restraint.

## **THE BOTTOM LINE: To reduce the deficit, rein in out-of-control spending, and protect economic growth, Congress should enact discretionary spending caps.**

Federal spending is on an unsustainable path. The debt is already larger than GDP, and the credit rating of the United States has been downgraded.<sup>39</sup> Inflation and interest rates are squeezing average American families, and the problem will only get worse as the debt grows. **Congress must act now to restore fiscal responsibility.**

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15275 Collier Boulevard | Suite 201-279  
Naples, Florida 34119  
(239) 244-8808

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