

Macro Roundup Article

Headline: [The Real Stakes of the Debt-Ceiling Fight](#)

Article Link: https://www.wsj.com/articles/the-real-stakes-of-the-debt-ceiling-fight-fed-tight-rates-private-spending-c6071a62?mod=opinion_lead_pos6

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Tweet: Phil Gramm and Mike Solon argue that even if the House GOP's budget proposal was enacted in whole, inflation-adjusted discretionary spending would still be 2.4% greater than the CBO's 2020 projection.

Summary: Since 1967, average inflation-adjusted transfer payments to low-income households—the bottom 20%—have grown from \$9,677 to \$45,389. During that same period, the percentage of prime working-age adults in the bottom 20% of income earners who actually worked collapsed from 68% to 36%. Before the pandemic, the Congressional Budget Office in January 2020 projected that total discretionary outlays in fiscal 2024 would grow to \$1.549 trillion—which, adjusted for higher inflation, amounted to \$1.694 trillion. The most recent CBO estimate projects that fiscal 2024 discretionary spending will clock in at \$1.864 trillion—a 10% real increase from the pre-pandemic estimate. Nondefense outlays have risen 18.8% over the same period, while defense outlays have fallen 0.28% in after-inflation dollars. This growth in nondefense discretionary spending is the post-pandemic bow wave that Mr. McCarthy's debt-limit plan seeks to mitigate. Even if the House GOP's proposed reductions in discretionary-spending growth took effect, total discretionary spending would still be 2.4% more in inflation-adjusted dollars than the CBO's 2020 projection for fiscal 2024.

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