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Budgeting in the Trump Years: 2018 and 2025

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ABSTRACT

The Trump administration produced federal budget proposals in both FY 2018 and FY 2025 under unified Republican control. The first prioritized tax cuts and deregulation, while the second also emphasized restraint and discretionary discipline. These budgets served less as a vehicle for fiscal alignment than as an instrument for maintaining existing commitments. The FY 2025 budget resolution—initiated by the House, not the executive branch—reaffirmed Trump-era tax policies without addressing rising entitlement or interest obligations. Reconciliation, once a mechanism for fiscal correction, was narrowly scoped or deferred altogether. The result was a budget process oriented toward preservation rather than adaptation.

1 | Introduction

President Donald Trump declared in his 2025 State of the Union Address that "In the near future, I want to do what has not been done in 24 years: balance the federal budget." Yet no procedural steps were taken to advance that goal. Meanwhile, rising interest rates and a more hawkish Federal Reserve constrained the space for fiscal maneuver even as the budget process remained static. This analysis compares the 2018 and 2025 budget cycles as a study in how procedural mechanisms were used to reinforce inherited budgetary commitments. These years are not the origin of procedural erosion, but they offer a concentrated view of how long-standing structural drift accelerated under unified party control and shifting institutional norms. These institutional tools were used to reinforce inherited commitments rather than respond to deteriorating fiscal conditions, and it concludes by examining the interplay between monetary policy and political budgeting, arguing that the absence of engagement with mandatory programs reflects not just political resistance, but also an erosion of institutional responsiveness. As Guess and Savage (2021) demonstrate, budgeting debates reflect institutional values acrpss countries as much as fiscal arithmetic.

Federal budgets reflecting the Trump administration's policy priorities were introduced in both fiscal year (FY) 2018 and FY 2025. Each emerged under unified Republican control and emphasized three recurring themes: tax reduction, economic growth, and limited new spending. Yet despite these surface similarities, the fiscal environments they faced differed markedly (Ippolito 2022). In FY 2018, the administration operated under the assumption that low interest rates and strong projected growth would enable deficit-financed tax reform without threatening long-term sustainability. By FY 2025, those macroeconomic conditions had changed: interest costs had risen sharply, discretionary spending was legally constrained, and federal debt was projected to exceed 115% of gross domestic product (GDP) (Congressional Budget Office 2025a).

Unlike in 2018, the FY 2025 budget was not submitted by the executive branch. The Trump administration did not release a formal proposal, continuing a broader trend of executive disengagement from the traditional budget process (Joyce 2025, 18). Rather than negotiate a joint resolution, the House advanced its own concurrent resolution, H. Con Res. 14, which while lacking legal force, functioned procedurally as the chamber's fiscal blueprint for FY 2025. While technically a legislative product, the House budget aligned closely with the administration's priorities: including permanent extension of the Tax Cuts and Jobs Act (TCJA), long-run GDP growth assumptions above baseline, and restrained discretionary outlays. The resolution was thus less a stand-in than a direct continuation of the administration's fiscal posture.

Summary

- This article compares the FY 2018 and FY 2025 budgets, both under unified Republican control but developed in very different fiscal conditions.
- In FY 2025, the budget resolution originated in the House, with no executive budget submission.
- Reconciliation was used to sustain tax policy rather than meaningfully engage with mandatory spending growth.
- Tariffs and the Department of Government Efficiency (DOGE) operated outside budget scoring and fiscal rules, while the 2025 process did not adjust to monetary tightening.

In 2018, the administration's budget emphasized expansion, projecting average annual real GDP growth of 3% and net interest averaging 2.4% of GDP, with the deficit projected to fall from 4.4% to 1.4% of GDP by 2028 (Office of Management and Budget 2018). By 2025, growth projections had dropped to 1.9% for that year and 1.8% for 2026, while net interest was expected to exceed 3% of GDP—nearly matching defense spending (Congressional Budget Office 2025a).

Yet despite these diverging conditions, the two budgets employed a consistent toolkit: dynamic scoring, long-term baseline adjustments, and reconciliation instructions to sustain pre-existing policy. In both cases, the budget served not as a vehicle for fiscal recalibration, but as a means of reinforcing earlier priorities. This paper argues that under Trump, the federal budget process was less about new alignment than about preserving inherited commitments, a shift from budgeting as fiscal strategy and innovation to budgeting as policy preservation.

Debates over balanced budgets have always extended beyond accounting. As James D. Savage notes: "The subject of balanced budgets refers not only to whether the central government's ledger should be balanced, but to broader issues such as the makeup of federal spending, the direction of fiscal policy, the legitimacy and extent of the federal government's intervention in the economy, and to the central question of what role the national government should play in American life. In this fashion, the balanced budget idea serves as an organizing principle that guides public discourse and acts as a symbol for competing visions of government and society" (Savage 1990, 1).

2 | Institutional Capacity and Constraint

While the Trump administration entered office with unified Republican control in both FY 2018 and FY 2025, the institutional posture of the federal budget process differed significantly across the two cycles. In FY 2018, the process largely followed the formal expectations of the Congressional Budget and Impoundment Control Act of 1974. The administration submitted its budget on May 23, 2017—a delay attributable to the transition period—yet Congress proceeded to adopt a concurrent resolution with reconciliation instructions enabling passage of the TCJA. The resolution (H.Con.Res. 71) was adopted in October 2017 and provided the statutory mechanism through which the administration's tax priorities were enacted (Congressional Research Service 2018).

By contrast, in FY 2025, no executive budget had been submitted as of April. The administration declined to issue a formal proposal, and the House Budget Committee's resolution (H.Con.Res. 14) became the operative document. While the procedural shell remained intact, complete with reconciliation instructions, the functional core had degraded. The FY 2025 instructions prioritized permanent extension of TCJA provisions and enforcement of discretionary spending caps. Rather than initiating structural reforms, the resolution sought to defend existing tax policy within narrow procedural bounds (House Committee on Ways and Means 2025; Committee for a Responsible Federal Budget 2025a).

The FY 2018 budget process illustrates how unified partisan control, when operating within the constraints of institutional procedure, can still yield significant policy change—even when that change is fiscally aggressive. Despite the president's late budget submission, the remaining process proceeded as designed. The concurrent resolution authorized reconciliation instructions to the relevant committees, enabling enactment of the TCJA by a simple majority. The Bipartisan Budget Act of 2018, signed in February of that year, raised statutory caps on discretionary spending and averted sequestration, creating additional space for both defense and domestic outlays (Congressional Research Service 2018). While the TCJA relied on sunset provisions to comply with the Byrd Rule and lacked full offsets, it constituted the most significant use of reconciliation since the Bush-era tax cuts and the largest tax overhaul since 1986 (Gale et al. 2018).

Between FY 2018 and FY 2025, congressional budgeting drifted further from regular order. The statutory framework established in 1974—predicated on timely budget resolutions and annual appropriations—had, by 2025, become largely notional (Rubin 2010). Recent practice substituted continuing resolutions (CRs), deeming resolutions, and informal leadership agreements for the expected legislative sequence. As of FY 2025, no FY since 1998 had begun with all twelve appropriations bills enacted on time (Committee for a Responsible Federal Budget 2025b). The FY opened under a CR. While the House adopted a concurrent resolution, the Senate did not, and no conference agreement was reached. While the House resolution did include reconciliation instructions with targeted directives, its broader design limited their fiscal scope. The resolution operated as both a procedural guide and a reaffirmation of partisan priorities.

Although the FY 2025 resolution included reconciliation instructions with nominal deficit-reduction targets, these were shaped narrowly around extensions of the 2017 TCJA provisions that were expected to expire after December 31, 2025. The Ways and Means Committee was directed to offset the cost of full expensing and standard deduction provisions, but no committee was instructed to raise new revenue, impose broad entitlement reforms, or engage directly with the major drivers of long-term debt. While some Medicaid-related provisions were ultimately included in reconciliation legislation, the resolution did not direct the relevant committees to achieve programmatic savings. This procedural omission significantly limited the fiscal reach of the reconciliation process. Although procedurally valid, the resolution's structure transformed reconciliation from an instrument of budget alignment into a mechanism for consolidating partisan tax policy (Committee for a Responsible Federal Budget 2025b; House Committee on Ways and Means 2025).

While the Senate did not adopt a joint concurrent resolution with the House, it passed its own FY 2025 budget resolution that preserved the House's procedural framework while reserving greater flexibility. The Senate resolution did not issue new reconciliation instructions and lacked enforceable 302(b) suballocations. In the absence of bicameral agreement, discretionary spending authority was instead set by H.R. 1968, the Full-Year Continuing Appropriations and Other Extensions Act, 2025 (U.S. Congress 2025), on March 15, which allocated \$893 billion for defense and \$708 billion for nondefense. Although procedurally distinct, the Senate ultimately conformed to the House's discretionary structure in both appropriations and reconciliation. The result was not coordination, but convergence: a formally open Senate process operating within fiscal boundaries already imposed by the House.

2.1 | Statutory Fiscal Rules and Their Erosion

The modern budget process has always relied on more than scheduling rules (Schick 2007). Procedure alone does not enforce discipline. The Congressional Budget Act of 1974 created a structure for adopting resolutions, enacting appropriations, and reconciling revenue and spending. The Byrd Rule, later layered onto this framework, restricted what could be included in reconciliation bills, but functioned as a procedural screen rather than a fiscal constraint. It did not constrain outcomes. That function belonged to statutory fiscal rules—deficit limits, spending caps, and pay-as-you-go requirements—that restricted what Congress could enact and under what conditions. These rules were meant to embed fiscal limits into legislative form.

The first major attempt to codify these limits came from the Gramm-Rudman-Holdings Act of 1985, which imposed annual deficit targets enforced by automatic sequestration. The Act was a top-down attempt to impose aggregate discipline by mandating declining annual deficit targets. The aim was not to control specific programs, but rather to force overall fiscal contraction through across-the-board enforcement. The law failed almost immediately. Congress sidestepped enforcement by manipulating projections, shifting costs across FYs, and overriding the mechanism when necessary. The statute was ruled unconstitutional in part by the Supreme Court in 1986 (in *Boswher v. Synar)*, leading to legislative revisions.

The Budget Enforcement Act of 1990 replaced the top-line deficit targets with direct controls on authorizations. The BEA reflects a shift in logic from outcome-based enforcement to controls embedded in the authorizing process itself. It imposed caps on discretionary spending and required that increases in mandatory spending or reductions in revenue be offset. This approach, later known as PAYGO, was designed to prevent the expansion of entitlement programs and tax cuts without offsets and was more difficult to evade. Unlike Gramm-Rudman, the BEA constrained legislation at the point of passage. It targeted policy inputs: authorizations, outlays, and revenue changes rather than relying on deficit outcomes after the fact. For a decade, the structure held. Congress enforced the caps. PAYGO was applied. Emergency exceptions were limited. Between 1998 and 2001, the federal budget ran a surplus. Enforcement held during this period, but it was aided by strong economic growth and rare bipartisan alignment on fiscal policy. While many have credited BEA90 with helping achieve these outcomes, Duncan et al. (2025) find that its impact on non-defense discretionary spending was statistically small, short-lived, and likely indistinguishable from chance—raising further doubts about the long-term efficacy of statutory rules as constraints on spending behavior.

After 2001, enforcement collapsed. PAYGO was suspended. The discretionary caps were lifted. Emergency designations became routine. When PAYGO was reintroduced in 2010, it returned with broad exemptions and only limited penalties for violations. Congress learned to adhere to formal rules while undermining their purpose, by designating routine spending as "emergency," limiting the scoring window, and reclassifying long-term costs. Congress continued to pass legislation, but the constraints no longer applied. Sequestration returned as a procedural artifact. Sunset provisions replaced offsets. Long-term costs were pushed outside the budget window, and revenue losses were treated as temporary. Enforcement became technical rather than substantive.

By the 2010s, the forms of fiscal enforcement remained in place, but the substance had collapsed. Budget resolutions were adopted, and reconciliation was regularly used, but neither carried meaningful constraint. Statutory rules that once required offsets or imposed caps were now fulfilled with technical workarounds such as temporary expirations, off-budget classifications, and front-loaded savings that unraveled over time. Sequestration, when triggered, was delayed or reversed. PAYGO applied only to a shrinking share of legislation. What emerged was a system that satisfied procedural requirements while avoiding structural tradeoffs. As Duncan et al. (2025) show, the enforcement mechanisms established by BEA90 had a limited short-term effect on discretionary spending, suggesting that formal rules alone were insufficient to sustain fiscal restraint. Their findings reinforce broader concerns that statutory rules, while procedurally active, often fail to produce lasting constraints on congressional behavior.

Still, the case for fiscal rules has not disappeared. Some analysts argue that credible enforcement frameworks can improve the efficiency of public spending, particularly following crisis-driven expansions. This remains the core justification for restoring rule-based budgeting in the post-pandemic era (Apeti et al. 2025).

2.2 | Procedural and Substantive Rules

The erosion of statutory enforcement cannot be fully understood without distinguishing between procedural and substantive fiscal rules, a distinction essential for evaluating the performance of the budget process and the prospects of reform.

Statutory enforcement failed not only because the rules were weakened, but also because Congress ceased to distinguish between procedure and constraint. As Duncan et al. (2025) note, the budget process operates under two kinds of rules: procedural rules, which govern the timing and structure of legislation—deadlines, vote thresholds, reconciliation—and substantive rules, which impose limits on policy itself. Substantive rules require balance, including spending caps, deficit targets, and offset requirements. Procedural rules do not. They order the legislative sequence, but they do not enforce tradeoffs. Over time, Congress substituted one for the other. It continued to adopt resolutions, issue reconciliation instructions, and "observe" deadlines, even as it discarded the limits those procedures once supported. What remained was a process without consequence, a system that performed discipline but no longer imposed it.

The history of statutory enforcement reflects a pattern of recurring design and retreat. In 2011, Congress enacted the Budget Control Act, establishing discretionary spending caps through FY 2021, enforced by automatic sequestration. Yet the political will to enforce those constraints soon eroded. The Bipartisan Budget Acts of 2013 and 2015 raised those very caps, citing inflation, national security, and demographic pressures as reasons to lift them (Congressional Research Service 2015). The caps remained on the books, but their teeth were filed down by statutory override. This was not an isolated case. Between 1986 and 2022, Congress ran deficits in 33 out of 37 FYs despite the fact that most of the period coincided with economic expansion. The failure was not of legislative architecture but of institutional follow-through. Statutory rules were adopted to signal discipline, but their force held only as long as the political will to uphold them. That dilemma has not gone unacknowledged. Congress has tried to fix it on paper.

In 2010, Congress established the National Commission on Fiscal Responsibility and Reform (Simpson-Bowles). A year later, it created the Joint Committee on Deficit Reduction. Both panels were bipartisan and produced detailed frameworks to stabilize debt through spending limits, revenue increases, and enforcement mechanisms. But neither plan advanced. The obstacle was the cost of enforcement: higher taxes, slower spending growth, and limits on popular entitlements—tradeoffs that proved politically unsustainable. This has become an institutional pattern: diagnose the problem, shelve the remedy. The issue is not a lack of reform ideas. It's that constraint, once studied, that is rarely imposed.

The collapse of statutory enforcement has renewed interest in constitutional fiscal rules. Economists and institutional reformers have pointed to international models, most notably Switzerland's "debt brake," as evidence that formal constitutional limits can anchor fiscal policy and discipline to preserve long-run balance. Switzerland's model links structural deficits to economic output and mandates compensating adjustments when limits are breached. The rule is constitutional, independently monitored, and insulated from routine political override. Its credibility lies in its enforceability. Policy makers cannot easily waive the rule without consequence, which forces deliberation on tradeoffs before they metastasize into crisis. Comparative evidence from European Union countries points in the same direction: expenditure rules with strong legal authority, especially those embedded in constitutional provisions, are most consistently associated with reductions in government debt, whereas debt and balanced-budget rules show less consistent or insignificant effects (Park and Kim 2024).

In the United States, similar proposals have circulated for over a century. Dozens of constitutional amendments have been introduced in Congress, but none have cleared the institutional hurdle required for adoption. Under Article V of the U.S. Constitution, amendments must be proposed by a two-thirds vote in both chambers and ratified by three-fourths of the states—an institutional hurdle that has repeatedly stalled reform. The appeal of constitutional enforcement lies in its ability to externalize constraint: it reduces the reliance on voluntary legislative discipline by embedding limits into the structure of policymaking. By contrast, statutory fiscal rules, while more flexible, are susceptible to waiver, override, and reinterpretation. Once enforcement becomes procedural without substantive effect, the case for formal limits gain traction.

These concerns are not confined to any one administration. They reflect a structural pattern that has persisted across both Democratic and Republican control. This paper examines FY 2018 and FY 2025 not because they initiated the erosion of enforcement, but because they expose its underlying mechanics. Both budgets were adopted under unified party control. Both employed reconciliation to extend tax policy. Neither included meaningful structural engagement with mandatory spending—the primary driver of long-term deficits. The fiscal tools were available, but constraint was not imposed. These cases reveal how the federal budget process now functions: not as a mechanism for aligning policy with fiscal conditions, but as a platform for reaffirming prior commitments under the veneer of discipline.

3 | Budgeting as Expansion and Preservation

As enforcement mechanisms eroded, the resolution's role quietly changed. At its core, the federal budget resolution is designed to translate macroeconomic conditions into fiscal targets—aligning revenue, spending, and policy commitments within a defined procedural structure. But between FY 2018 and FY 2025, the function of the budget resolution shifted. In 2018, the resolution was used to enact significant fiscal expansion through tax cuts and discretionary growth. In 2025, it was used to reaffirm those policies under conditions that no longer warranted them. The procedures remained: resolutions were passed, instructions were issued, and caps were acknowledged. But the orientation shifted from budgeting as a strategy of economic adjustment to budgeting as a means of policy preservation.

3.1 | Budget Resolution as Framework

The congressional budget resolution serves as a procedural framework for fiscal policy, establishing aggregate spending and revenue levels for an FY. It also sets targets for deficit or surplus outcomes. Budget resolutions do not appropriate funds, create new programs, or carry the force of law. However, adoption of a resolution provides the procedural basis for appropriations, and authorizes the use of reconciliation, allowing budget-related legislation to advance in the Senate by simple majority without the need for 60 votes for cloture (Congressional Budget Act of 1974).

3.2 | Discretionary Budgeting

In FY 2018, discretionary spending authority was expanded through both the budget resolution and subsequent statutory adjustment. The Bipartisan Budget Act of 2018 raised the caps on defense and nondefense discretionary spending for FY 2018 and FY 2019, increasing base defense spending by $80 billion and $85 billion, respectively, and nondefense spending by $63 and $65 billion, respectively, relative to prior law. Thus, the new sending cap levels were $629 and $647 billion and $579 and $597 billion for defense and nondefense in 2018 and 2019, respectively (Congressional Research Service 2018). Additional funding for overseas contingency operations (OCO) was appropriated outside the discretionary caps, further expanding available resources without triggering sequestration.

In FY 2025, by contrast, discretionary spending levels were governed by the caps established under the Fiscal Responsibility Act of 2023. That law set the base defense discretionary cap at $895 billion and the nondefense cap at $711 billion for FY 2025 (Congressional Budget Office 2023). The House passed H.Con.Res. 14, its concurrent resolution on the budget for FY 2025, on March 11, 2025. The Senate subsequently amended and approved its version on April 5, 2025, and the House agreed to the Senate's amended resolution on April 10, 2025. The final resolution formally endorsed the statutory spending limits but did not itemize program-level reductions. However, the Trump administration's FY 2025 policy materials, released alongside the resolution process, proposed targeted reductions in nondefense accounts, including cuts to the State Department and the elimination of programs such as the Federal Executive Institute. These proposals shaped the political context of the resolution, even if not formally embedded in its legislative text (House Budget Committee 2025; Associated Press 2025; White House 2025a). No additional changes to the topline limits were advanced, and appropriators operated within the constraints imposed by the Fiscal Responsibility Act of 2023 (FRA). Unlike in 2018, when statutory increases to discretionary caps facilitated fiscal expansion, the FY 2025 process prioritized restraint. The structure of discretionary budgeting remained intact, but the capacity for adaptation had given way to performative maintenance, sustaining the machinery of budgeting without engaging its capacity for change, and selective rollback (Table 1).

Between 2016 and 2025, discretionary spending subject to statutory caps consistently accounted for less than one-third of total federal outlays. From a high of 29.8% in 2018, the discretionary share declined to 20% in 2021 (Table 2). While this drop reflects pandemic-era fiscal expansions, it is important to note that most discretionary COVID-19 relief—including the five major emergency appropriations bills enacted in 2020—was explicitly exempt from the Budget Control Act's (BCA) caps via emergency designations or OCO status (Congressional Research Service 2019a, 2019b). As a result, while total discretionary outlays surged in 2020 and 2021, the share of capped discretionary spending within total outlays remained structurally constrained. Even as crisis-driven

TABLE 1 | Federal budget composition and macroeconomic ratios, 2016–2025.

(Amounts in $ billions, except %) FY	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
GDP	18,805	19,612	20,657	21,540	21,354	23,681	26,007	27,721	28,828	30,441
Revenue	3268	3316	3330	3463	3421	4047	4897	4441	4918	5163
Spending										
Discretionary:										
Defense	548.1	551.5	629.0	647.0	667.0	672.0	—	—	886.3	892.5
Nondefense	518.4	518.5	579.0	597.0	622.0	627.0	—	—	703.7	708
Discretionary budget authority (subject to caps)	1067	1070	1208	1244	1289	1299	0	0	1590	1601
Total discretionary outlays (actuals)							1665	1718		
% Increase from prior year	—	0.3%	12.9%	3.0%	3.6%	0.8%	—	—	—	0.7%
Mandatory	2427	2519	2522	2734	4580	4834	4133	3758	4060	4228
Interest expense	240	263	325	375	345	352	476	658	881	952
Total outlays	3734	3851	4055	4353	6215	6485	6273	6135	6531	6780
Deficit	−466	−535	−726	−890	−2794	−2438	−1376	−1694	−1613	−1617

Note: Discretionary budget authority (subject to caps) reflects statutory limits established under the following laws: Bipartisan Budget Act of 2015 (U.S. Congress 2015) for FY 2016–2017. Bipartisan Budget Act of 2018 (U.S. Congress 2018) for FY 2018–2019. Bipartisan Budget Act of 2019 (U.S. Congress 2019) for FY 2020–2021. —, No statutory caps were in place for FY 2022–2023. Fiscal Responsibility Act of 2023 (U.S. Congress 2023) for FY 2024. Full-Year Continuing Appropriations and Other Extensions Act of 2025 (U.S. Congress 2025) for FY 2025. GDP, revenue, mandatory spending, interest expense, and FY 2022–2023 discretionary outlays are from data supplementing the Congressional Budget Office's January 2025 report, *Historical Budget Data*. Total outlays and deficit assume discretionary budget authority is used and not expanded. Author's calculations.

TABLE 2 | Federal budget composition and macroeconomic ratios, 2016–2025.

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue to GDP	17.4%	16.9%	16.1%	16.1%	16.0%	17.1%	18.8%	16.0%	17.1%	17.0%
Discretionary CAP to GDP	5.7%	5.5%	5.8%	5.8%	6.0%	5.5%	N/A	N/A	5.5%	5.3%
Mandatory to GDP	12.9%	12.8%	12.2%	12.7%	21.4%	20.4%	15.9%	13.6%	14.1%	13.9%
Interest to GDP	1.3%	1.3%	1.6%	1.7%	1.6%	1.5%	1.8%	2.4%	3.1%	3.1%
Interest to Deficit	52%	49%	45%	42%	12%	14%	35%	39%	55%	59%
Deficit to GDP	2.5%	2.7%	3.5%	4.1%	13.1%	10.3%	5.3%	6.1%	5.6%	5.3%
Discretionary cap of total spending	28.6%	27.8%	29.8%	28.6%	20.7%	20.0%	26.5%	28.0%	24.3%	23.6%

Note: Data sourced from Table 1. "Discretionary cap to GDP" reflects capped discretionary budget authority as a share of nominal GDP, excluding OCO and emergency designations. "Discretionary cap of total spending" represents capped discretionary spending as a share of total federal outlays. Author's calculations.

TABLE 3 | Economic data, 2016–2024.

End of period (Amounts in $ billions, except %)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Federal debt: Total public debt	19,977	20,493	21,974	23,201	27,748	29,617	31,420	34,001	36,218
Interest expense to total public debt	1.2%	1.3%	1.5%	1.6%	1.2%	1.2%	1.5%	1.9%	2.4%
Unemployment rate	4.7%	4.1%	3.9%	3.6%	6.7%	3.9%	3.5%	3.8%	4.1%
Inflation CPI	1.3%	2.1%	2.4%	1.8%	1.2%	4.7%	8.0%	4.1%	3.0%
3-year yields	1.5%	2.0%	2.5%	1.6%	0.2%	1.0%	4.2%	4.0%	4.3%
10-year yields	2.5%	2.4%	2.7%	1.9%	0.9%	1.5%	3.9%	3.9%	4.6%

Note: Total Public Debt (GFDEBTN): Gross federal debt outstanding at fiscal year-end. Unemployment Rate (UNRATE): Monthly civilian unemployment rate, averaged annually. Inflation (CPI) (FPCPITOTLZGUSA): Annual percent change in the Consumer Price Index basket. 3-Year Treasury Yield (DGS3): Constant maturity 3-year U.S. Treasury yield, annual average. 10-Year Treasury Yield (DGS10): Constant maturity 10-year U.S. Treasury yield, annual average. Interest Expense sourced from Table 1. Federal Reserve Bank of St. Louis (n.d.a, n.d.b, n.d.c, n.d.d, n.d.f), FRED database (series GFDEBTN, UNRATE, FPCPITOTLZGUSA, DGS3, and DGS10).

policy required exceptional flexibility, the regular discretionary budget remained hemmed in by enforcement mechanisms that projected discipline while limiting its reach. By 2025, capped discretionary spending accounted for just 23.4% of total federal outlays. Modern budgeting faces a central paradox: the machinery of procedural discipline remains intact and performative, yet it governs an ever-narrower segment of fiscal activity (Table 3).

3.3 | Mandatory Budgeting

Mandatory spending has become the dominant driver of federal outlays, yet it remains conspicuously absent from the operative space of the budget process. In FY 2018, entitlement programs continued along their projected paths. The administration proposed modest Medicaid and income security reductions, but none were enacted. Instead, fiscal change was routed through the tax code: the TCJA, passed via reconciliation, significantly reduced Revenue to GDP and increased mandatory baseline deficits. These revenue losses were rationalized through dynamic scoring macroeconomic models that projected limited growth effects. The Congressional Budget Office estimated that the Tax Cuts and Job Acts would raise real GDP by an average of 0.7% over the 2018–2028 period—modest gains that diminished over time and fell short of offsetting the long-run revenue loss (Congressional Budget Office 2018, 13 and 63). These assumptions, while procedurally accepted, helped frame budgetary structural imbalance as self-correcting and shifted the resolution's posture toward optimistic baseline projection rather than structural deficit reduction.

By FY 2025, the relationship between mandatory programs and the budget process had ossified. Although the House FY 2025 budget resolution did not include formal reconciliation instructions, accompanying statements by the Budget Committee and House leadership made clear that the intended use of reconciliation was to extend key provisions of the TCJA—particularly those scheduled to expire after 2025 (House Committee on Ways and Means 2025). In recent years, reconciliation has been used by both political parties to advance major policy priorities with little engagement on the long-term fiscal pressures. The American Rescue Plan Act of 2021 and the Inflation Reduction Act of 2022, while procedurally significant, did not instruct committees with jurisdiction over Medicare, Medicaid, or Social Security to enact structural reforms. A similar pattern held in 2025. Although that year's reconciliation process produced legislation that included modest reductions to Medicaid and briefly considered Medicare provisions, no reconciliation instructions were issued to the relevant authorizing committees. These exclusions, consistent across administrations, reflect a procedural norm: reconciliation remains structurally intact, but its engagement with entitlement growth has narrowed into omission for the sake of preserving existing commitments rather than fiscal design (Committee for a Responsible Federal Budget 2025a, 2025b, 2025c).

The procedural distinction between temporary and permanent spending blurred further in the aftermath of the Covid-19 crisis. While most discretionary pandemic relief was exempted from baseline projections through emergency designations, several mandatory policies, such as expanded tax credits and healthcare subsidies, were extended beyond their original design. These policies, once framed as extraordinary, were absorbed into the baseline, contributing to the long-term growth in projected mandatory outlays. This absorption into the baseline also distorts long-term budget modeling, embedding temporary programs into structural forecasts and masking the scale of future fiscal obligations. What began as an emergency response thus became part of the fiscal default. The absorption of temporary policies into the baseline complicates enforcement mechanisms like PAYGO and deficit caps, which rely on clear distinctions between temporary relief and ongoing obligations.

During this period, the fiscal implications of inaction grew sharper. CBO projected that net interest would exceed 3% of GDP in 2025 and outpace defense spending in that FY.

Although reconciliation was originally established to help Congress align fiscal policy with budget targets, its practical use has long reflected partisan priorities. Both political parties have used the process to advance major legislative goals, often without engaging the largest drivers of long-term spending. By FY 2025, mandatory programs continued to grow as a share of the federal budget, but the procedural tools designed to manage them were no longer applied in that direction. Instead, reconciliation, once a tool for broad fiscal alignment, was used to preserve existing tax policy within a narrower fiscal space, shaped more by prior commitments than new alignment (Congressional Budget Office 2025a).

In discretionary budgeting, enforcement operates through adherence to statutory caps. In mandatory budgeting, preservation rests on procedural omission by design. The very absence of action conveys intent: to reaffirm tax policy without confronting the forces reshaping the budget. As mandatory obligations swell, their exclusion from budget process instruments marks not just institutional fatigue, but a conceptual narrowing as well. The budget no longer mediates between fiscal conditions and political choices. It affirms the past and declines to plan for the future.

4 | Reconciliation as Instrument and Performance

The FY 2025 budget resolution relied heavily on reconciliation—Congress's most powerful procedural tool for aligning tax and spending laws with budget targets. But reconciliation, originally created to enforce fiscal discipline, has evolved into something else: a flexible mechanism used more often to preserve partisan policy than to correct fiscal trajectory. In 2018, reconciliation enabled the passage of the TCJA, but even then, its use relied on temporary design and optimistic assumptions. By 2025, its role as a vehicle for political performance had become more pronounced. Both the House and Senate crafted reconciliation instructions that projected activity but avoided structural reform. What followed was not the use of reconciliation to adapt to fiscal risk, but the staging of reconciliation to sustain prior commitments. The differences between chambers were procedural; the underlying logic was the same.

4.1 | House Instructions—Structured but Superficial

The House's FY 2025 budget resolution (H.Con.Res. 14) included reconciliation instructions authorizing up to $4.8 trillion in gross deficit-increasing legislation and requiring $2 trillion in spending reductions—resulting in a net allowable deficit increase of $2.8 trillion (Committee for a Responsible Federal Budget 2025a, 2025b, 2025c). These instructions were rooted in a current law baseline and allocated $4.5 trillion of new borrowing authority to the Ways and Means Committee, effectively laying the groundwork for the extension of expiring provisions of the TCJA. Additional authority was distributed across the Judiciary ($110 billion), the Armed Services ($100 billion), and the Homeland Security ($90 billion). On paper, the structure of these instructions resembled past reconciliation frameworks: they included clear committee assignments, projected interest costs, and a nominal ceiling on deficit expansion. Although members of the House, including Rep. Smucker, framed the resolution in terms of fiscal restraint and pointed to worsening debt projections as justification, the design of the measure told a different story. The budget process was not being used to realign policy with fiscal conditions, but to preserve earlier partisan gains through procedural enforcement mechanisms that sidestepped the structural drivers of debt.

Despite the resolution's requirement for $2 trillion in spending cuts, $498 billion of those cuts were labeled "unspecified" and left unassigned to any committee (Committee for a Responsible Federal Budget 2025b). Among the proposed reductions, much of the burden fell on politically safer or lower-visibility committees such as Energy and Commerce (−$880 billion), Education and Workforce (−$330 billion), and Agriculture (−$230 billion). While the resulting legislation included provisions that affected Medicaid, no reconciliation instructions were issued to the authorizing committees responsible for Medicare, Medicaid, or Social Security. The most politically sensitive and fiscally consequential areas were excluded from direct procedural engagement. The resolution created the appearance of structural action while avoiding the drivers of long-term spending growth. That selectivity, strategic in omissions, left reconciliation as a procedural display rather than as a tool for addressing the largest fiscal challenges.

The structure of the instructions deepened this contradiction. Several committees were tasked with deficit reduction, yet the largest new borrowing authority was assigned to the tax-writing Ways and Means Committee—without requiring offsets or spending cuts in return. The resolution required action from lower-profile committees while shielding those responsible for the main drivers of long-term debt growth. The Bill did include provisions affecting Medicaid, but the relevant authorizing committees, Ways and Means and Energy and Commerce, were not issued reconciliation instructions to structurally reform that program or address its long-term cost trajectory. The $498 billion in "unspecified" savings served not as a policy roadmap but as a placeholder for institutional delay. Although the House adopted its budget resolution in February, committee markups on reconciliation legislation did not begin until late April—a delay that reflected not only political hesitation, but a broader pattern of procedural drift, in which formal milestones no longer translate into timely fiscal action (Committee for a Responsible Federal Budget 2025c). What emerged was not a strategy for fiscal consolidation but a staged demonstration of procedural seriousness: reconciliation remained intact, but its content was decoupled from the fiscal conditions it once sought to correct. The process looked functional, but the substance had been hollowed out.

4.2 | Senate Instructions—Expansive and Evasive

Where the House structured its reconciliation strategy around a nominal floor of deficit reduction, the Senate's concurrent resolution—adopted as an amendment to the House resolution on April 5, 2025—took a more permissive and less disciplined approach. The Senate resolution authorized approximately $5.8 trillion in gross deficit-increasing legislation over the FY 2025–2034 period, requiring only $4 billion in deficit reductions, a ratio of new borrowing to savings greater than 1,400 to 1 (Committee for a Responsible Federal Budget 2025a). No previous budget resolution has used reconciliation authority to enable such a large increase in projected deficits while requiring so little in return. The Finance Committee received $1.5 trillion in additional borrowing authority, layered atop an estimated $3.8 trillion in assumed tax cuts from extending the TCJA. The remaining authority was distributed among the Armed Services, Homeland Security, Judiciary, and Commerce Committees. The instructions were expansive in scope but evasive in substance: no serious offsets were required, and no structural constraints were imposed.

The cornerstone of the Senate's strategy was its embrace of the "current policy" baseline—a maneuver that treated expiring TCJA provisions as if they were permanent, and thus costless. This fiction, which diverges from CBO's current law baseline, allowed Senate drafters to claim that extending $3.8 trillion in tax cuts would have no scoreable deficit impact. The resolution further authorized the Senate Budget Committee Chair to declare policies deficit-neutral for scorekeeping purposes—effectively allowing the chair to override official CBO cost estimates (Committee for a Responsible Federal Budget 2025a, 2025b). While such actions remain procedurally novel, they reflect a growing willingness to bend institutional norms in order to insulate favored tax policies from budget enforcement. The CRFB warned that this tactic "could undermine budget enforcement and open the door to trillions or tens of trillions of additional borrowing."

The Senate's resolution also included a reserve fund calling for $2 trillion in spending cuts—an ostensibly corrective gesture. But the fund was entirely nonbinding, and no instructions were issued to major entitlement committees. Instead, the reconciliation framework gave maximum procedural flexibility to committees aligned with the administration's priorities: tax relief, defense expansion, and immigration enforcement. The resolution allowed debt to rise from 100% of GDP at the end of FY 2025 to 134% by 2034—and to 211% by 2055, should its permissive borrowing authority be fully exercised (Committee for a Responsible Federal Budget 2025a). The instructions severed reconciliation from its disciplinary origins. What remained was a permissive architecture for expanding debt, obscured by procedural innovations that displaced rather than enforced constraint.

The performative nature of the Senate's budget process was heightened by procedural brinkmanship surrounding the "current policy" baseline. On the same day President Trump unveiled his "Liberation Day" tariff package, he met with Senate Budget Committee Republicans to finalize reconciliation strategy—underscoring his direct role in shaping both policy and process. Senate Majority Leader John Thune described the approach as "survive and advance," urging Republicans to pass a budget resolution first and defer politically difficult tradeoffs. Rather than seek a ruling from the Senate parliamentarian on whether the baseline violated the Byrd Rule, Thune and Budget Chair Lindsey Graham asserted that Graham had unilateral authority under the 1974 Budget Act to declare the baseline—one that would treat $3.8 trillion in expiring tax cuts as deficit-neutral despite contrary CBO scores. Under this interpretation, Republicans could adopt a "current policy" baseline that treats the extension of expiring tax cuts as deficit-neutral, even though the Congressional Budget Office scores them as costly. Should Democrats challenge the maneuver on the floor, Republicans could override the objection with a simple majority vote. While GOP leaders have not formally ruled out seeking a parliamentarian ruling before finalizing the resolution, Thune's remarks made clear that they were prepared to proceed without one. His signal was strategic: the votes for a budget resolution were not yet locked down, and any ruling that undermined the "current policy" tactic could derail the effort. By framing the decision as an internal interpretation rather than a procedural risk, Thune attempted to maintain momentum, while deferring the political consequences of a potentially noncompliant budget baseline. The episode exemplified reconciliation as performance: the procedural form of budget discipline remained, but its core assumptions were increasingly determined by political will, not fiscal rules. (Punchbowl News 2025).

4.3 | Shared Consequences

Neither chamber's fiscal framework aligned new borrowing authority with interest projections or long-term debt stabilization goals. Under current law, the debt-to-GDP ratio is projected to reach 117% by 2034. The concurrent resolution adopted by both chambers, with Senate amendments in force, would raise that figure by 134%, reflecting nearly $7 trillion in additional borrowing including interest (Committee for Responsible Federal Budgeting 2025b). The longer-term picture is more severe. To comply with the Byrd Rule, several policies—particularly defense and immigration spending and the extension of the TCJA provisions—were scored as temporary, even as accompanying rhetoric suggested that they ultimately would be made permanent. If treated as ongoing, these extensions could push debt to 211% of GDP by 2025. CRFB estimates that a fully permanent version of the plan could result in $60 trillion in additional borrowing, raising the debt-to-GDP ratio to roughly 230% by mid-century. These projections are consistent with external modeling. The Congressional Budget Office estimates that, under its extended alternative fiscal scenario, federal debt will exceed 169% of GDP by 2055, with net interest cost surpassing all other categories except Social Security by 2052 (Congressional Budget Office 2025b). The Penn Wharton Model reaches a similar conclusion, projecting debt near 217% of GDP by 2054 (Penn Wharton Budget Model 2024). High and rising debt levels are also expected to drive interest costs upward due to an increased risk premium and reduce fiscal flexibility, even under baseline assumptions. These levels would nearly double the previous record, setting the stage for what analysts have warned could be a dangerous debt spiral.

The difference between the chambers was not one of direction, but of degree. The Senate resolution authorized more than double the borrowing allowed under the House plan: \$5.8 trillion vs. \$2.8 trillion. It required only \$4 billion in gross deficit reductions—just 0.2% of the House's \$2 trillion requirement. Crucially, the Senate instructions left out any aggregate floor for required savings. While the House instructions remained formally in the resolution, they could be overridden by a simple majority vote. In the end, both chambers contributed to the erosion of reconciliation as a mechanism for fiscal realignment—one originally designed to enforce deficit targets, not to protect legacy tax policy. They preserved the shell but stripped it of content.

5 | Tariffs and Department of Government Efficiency (DOGE)

The shift in federal budgeting is not confined to Congress. In recent years, the executive branch has increasingly relied on off-budget tools—tariffs, agency reorganizations, and performance dashboards—to assert fiscal authority without engaging the formal budget process. This section examines two such instruments: the Trump administration's tariff policy and DOGE. Though distinct in form, both illustrate a mode of fiscal governance that claims savings or discipline while bypassing the procedures and institutions designed to enforce them. Their fiscal effects, especially in the case of tariffs, are real. But their procedural insulation reflects a deeper shift: these tools increasingly function as vehicles for unilateral signaling, bypassing the procedural architecture that once mediated constraint.

5.1 | Tariffs as Informal Fiscal Policy

Tariffs have reemerged not merely as trade instruments but as volatile fiscal tools—employed to signal national priorities, bypass Congress, and assert executive control over macroeconomic conditions. Under President Trump, they evolved into a form of executive taxation: flexible, politically legible, and procedurally detached from the federal budget process. By 2025, tariffs no longer functioned within a coherent revenue framework. They had retained their formal classification as revenue measures but were excluded from long-term baseline assumptions, reconciliation instructions, and the statutory rules linking policy changes to fiscal targets. Their discretionary use introduced additional uncertainty for financial markets, Treasury debt operations, and agencies whose trust funds depend on customs receipts, where collection volatility complicates planning without necessarily translating into greater spending authority.

This trajectory began in Trump's first term. From 2018 to 2019, the administration imposed Section 301 tariffs on Chinese goods and Section 232 tariffs on steel and aluminum. While tariff revenue nearly doubled from 2017 to 2019, reaching \$71 billion, the net budgetary effect was minimal. These gains were offset by countervailing outlays, including farm subsidies, trade adjustment assistance, and targeted consumer relief. Moreover, the economic burden of the tariffs fell squarely on US importers and households. Researchers at the Federal Reserve Bank of New York estimated that the 2018–2019 tariffs cost the average US household \$831 annually, with virtually the full incidence borne by domestic consumers (Amiti et al. 2019a, 2019b). An NBER study confirmed that "US importers bore nearly 100% of the tariff burden," with no measurable gains to exporters or wage earners (U.S. International Trade Commission USITC 2023, 23) Further analysis by the Tax Foundation found that the tariffs lowered long-run GDP by 0.12%, reduced wages by 0.8%, and cost the US 94,300 full-time equivalent jobs (Tax Foundation 2018).

By 2025, this dynamic had intensified. On April 2, President Trump announced sweeping new tariffs under the banner of "Liberation Day," declaring a universal 10% tariff on all imports, with higher rates—up to 50%—targeted at countries including China, India, and Vietnam. While the move was framed in geopolitical terms, the fiscal consequences were immediate. Markets declined, importers scrambled, and debt managers warned of auction instability. JPMorgan CEO Jamie Dimon warned on April 9 that the United States was "probably heading into a mild recession," citing market volatility and trade uncertainty. Later that day, the administration issued a 90-day pause on most of the newly announced tariffs—excluding those on China—amid speculation that bond market pressure, lobbying, and fiscal exposure had forced the retreat (Wall Street Journal 2025).

These decisions were unscored. The FY 2025 budget resolution did not account for tariff volatility in its revenue projections or discretionary assumptions. Customs revenue, while technically included in Treasury's unified receipts, was neither forecast nor offset. The Joint Committee on Taxation issued no guidance. Reconciliation instructions did not mention tariff-driven spending changes. Fiscal uncertainty introduced by trade shocks now sits entirely outside the formal scoring process (Tax Foundation 2025). The federal budget, already dependent on optimistic growth, discretionary restraint, and unscored tax extensions, was left exposed to new risk without procedural adjustment.

The structural consequences are severe. Agencies dependent on predictable customs revenue, such as U.S. Customs and Border Protection, the Army Corps of Engineers (for port maintenance), and the Department of Transportation, are forced to build contingency plans for volatility introduced by the president, not Congress. States that model transfer payments or bond issuances on import volumes face new exposure to executive discretion. Treasury debt managers encounter widened spreads and thinner participation in long-duration auctions, raising borrowing costs for the federal government (Washington International Trade Association WITA 2025).

While Trump defended the tariffs as a strategic necessity of accepting short-term pain to avoid long-term collapse, the fiscal system had little margin to absorb further improvisation. In official communications, the White House emphasized the success of the first-term tariff program and argued that new tariffs were essential to counter economic coercion and realign global supply chains (White House 2025b; White House 2025c). But the fiscal architecture needed to absorb those disruptions—baseline scoring, offsetting mechanisms, and congressional coordination—remained absent. Interest costs were already projected to exceed 3% of GDP by 2025 (Congressional Budget Office 2025a), and debt-to-GDP was on track to hit 134% by 2034 under the Senate budget resolution (Committee for a Responsible Federal Budget 2025a). In this context, the use of tariffs as an off-budget revenue mechanism introduced uncertainty at precisely the moment the fiscal system required coherence. While tariffs were rhetorically positioned as fiscal tools, their economic effects resembled taxes without budgetary control and without procedural accountability

By 2025, tariffs no longer operated as instruments of fiscal management. They were used to signal political posture—economically consequential, but procedurally unaccountable. Their use reinforced a broader theme of Trump-era budgeting: executive policy conducted outside the budget's scoring framework and disconnected from institutional constraints.

5.2 | DOGE and the Performance of Fiscal Restraint

In February 2025, President Trump signed Executive Order 14099, creating the DOGE. The order framed DOGE as "a cross-agency initiative" tasked with eliminating duplication, consolidating support services, and identifying cost-efficiency measures across the federal government (White House 2025d).

According to its official savings portal, DOGE claims $165 billion in estimated federal savings, calculated from asset sales, contract and lease cancellations, grant terminations, interest savings, programmatic changes, regulatory reforms, and workforce reductions (Department of Government Efficiency [DOGE] 2025). The site reports an average savings of $1024.84 per taxpayer, based on an estimate of 161 million individual federal taxpayers. These estimates are accompanied by detailed cancellation listings—9497 terminated contracts ($32 billion), 11,654 canceled grants ($37 billion), and 592 lease terminations (~$291 million). Users are invited to explore the data through an "Agency Efficiency Leaderboard" and a publicly updated "Wall of Receipts." The top five agencies by reported savings include HHS, GSA, ED, OPM, and DOL (DOGE 2025).

While DOGE's reported savings are notable, the initiative is procedurally disconnected from the formal budget process. Its figures are not scored by the Congressional Budget Office, nor are they referenced in the FY 2025 budget resolution or reconciliation instructions. The executive order grants DOGE no statutory authority to rescind appropriations, only to make recommendations. Even the agency's own site acknowledges potential discrepancies with official databases like FPDS or USAspending, noting that posted numbers "originate directly from agency contracting and grant officials" and may lag behind official federal disclosures (DOGE 2025).

This disjunction reveals the essence of DOGE's approach: it conveys discipline through visual dashboards, real-time counters, and API-enabled transparency tools. But it does not impose constraints within the formal budget process, shape scoring baselines, or influence congressional markups. Its outputs serve a political and rhetorical function: to narrate cost-efficiency in the language of reform, without engaging the mechanisms of enforcement. The department's slogan, "The people voted for major reform," positions it as an instrument of political expression as much as a node of administrative management.

DOGE's design reflects a broader trend toward fiscal governance that produces measurable savings but remains procedurally disconnected from the formal budget process. Its transparency mechanisms are procedurally innovative, but institutionally ambiguous. Its data are curated for political effect, not budget alignment. It exists not to restructure public spending in coordination with legislative appropriators, but to stage the optics of constraint. In this sense, DOGE does not directly distort the budget process—it operates adjacent to it, producing metrics and claims without entering the scoring or appropriations framework. Yet despite its procedural limitations, DOGE's influence lies in its ability to construct a fiscal narrative that presents political restraint as administrative performance, shaping perceptions rather than altering the formal budget process, and reinforcing fiscal priorities while leaving underlying constraints unchanged.

6 | Monetary Policy and the Limits of Fiscal Coordination

Historically, moments of monetary tightening produced institutional pressure, forcing fiscal policymakers to acknowledge economic constraints, even if only through conflict. During the early 1980s, as Federal Reserve Chairman Paul Volcker imposed steep rate hikes to combat inflation, the Reagan administration pursued a sharply expansionary fiscal agenda. Reagan proposed $540 billion in tax cuts over five years, ramped up defense spending, and promised a balanced budget by 1984—all under the banner of a supply-side recovery (Greider 1987, 353). Even on its face, the math didn't work. As Greider observed, "Reagan's proposals appeared to produce the opposite of what he promised—much larger federal deficits," which financial markets interpreted as inflationary (Greider 1987, 353).

Volcker understood the contradiction. "While the Federal Reserve was confronting inflation with tight money and high interest rates," Greider recounts, "the Reagan government was embarking in the opposite direction. The President's across-the-board tax reductions would be stimulating the economy, while Volcker was trying to restrain it" (Greider 1987, 358). The result wasn't coordination—it was confrontation. But confrontation had consequences: fiscal overreach collided with monetary constraint, prompting eventual reform. Out of this came Gramm-Rudman-Hollings, PAYGO, and scorekeeping reforms that tied deficits to enforceable targets.

In 2018, fiscal and monetary policy were not aligned, but they still operated under shared assumptions of low interest rates, stable inflation, and macroeconomic manageability. The Federal Reserve raised rates four times that year, moving from 1.5% to 2.5%, while the Trump administration enacted a major tax cut under the premise of strong growth and continued low inflation. Though fiscal stimulus was aggressive, it occurred within a climate of monetary normalization and market stability. Budget assumptions built on dynamic scoring and deficit reduction over the decade reflected confidence, however misplaced, that interest rates would remain manageable and that the fiscal position would self-correct. The result was not coordination, but bounded divergence. Monetary policy signaled tightening, and fiscal policy responded not with restraint, but with at least some attention to macroeconomic conditions.

Then came the pandemic. The inflation spike that followed was the sharpest in four decades. Between early 2021 and mid-2022, prices rose rapidly, with headline inflation peaking at 9.1% in June. Total Covid-related federal spending amounted to approximately $4.5 billion. When measured against 2020 nominal GDP, that represented 21% of the economy. Though the Federal Reserve eventually adjusted course, fiscal policy remained on autopilot. Budget legislation during the period continued to follow pre-existing trajectories, reaffirming earlier tax and spending commitments without reassessing their scale or composition in light of recent inflation. To some extent, inflation improved near-term budget metrics by boosting nominal revenues and reducing the real value of outstanding debt. But those gains were incidental. Even as price growth reshaped the macroeconomic outlook, the structure of the budget process did not change. The mechanics of the process endured, but the conditions that once justified them had fundamentally changed.

By early 2025, macroeconomic conditions had entered a phase of synchronized pressure: debt was rising, interest rates were elevated, and inflation—while moderating—remained above target. Yet despite these compounding signals, the federal budget process remained curiously detached. The FY 2025 budget resolution, along with the executive's fiscal posture, showed no substantive engagement with that reality. There was no adjustment to interest rate assumptions, no recognition of upward revisions to debt servicing costs, and no structural alignment between fiscal planning and the monetary environment in which it now operated. Instead, the resolutions reaffirmed existing tax policy, imposed arbitrary spending caps, and projected long-term savings disconnected from economic conditions. The budget process is no longer mediated between macroeconomic risk and fiscal structure. It operated procedurally, but not as a tool of fiscal constraint.

According to Federal Reserve projections released in March 2025, the median projection for the federal funds rate was expected to hold above 4.5% through the end of the year, with 10-year Treasury yields remaining near 4.2%—well above their 2010s average (Federal Reserve 2025a, Federal Reserve Bank of St. Louis n.d.e, DGS10). Core PCE inflation was projected to fall toward 2.1% by 2026, but elevated borrowing costs were expected to persist as the Fed emphasized financial stability and balance sheet reduction (Federal Reserve 2025b). This tightening coincided with federal debt surpassing $36 trillion in Q1 2025—up from $23 trillion just five years earlier—and interest outlays projected to exceed $1 trillion annually by 2026 (Congressional Budget Office 2025b).

The contrast between 2018 and 2025 is not merely a matter of divergence in fiscal outlook—it reflects a shift in institutional behavior. In 2018, fiscal policy operated with at least some recognition of monetary signals, but by 2025, that recognition had disappeared. The Federal Reserve projected sustained tightening, flagged auction risks, and signaled concern over fiscal conditions. But these warnings found no procedural echo in the budget process. There were no adjustments to reconciliation, no offsets for higher interest costs, and no updated scoring conventions. The budget did not respond—it proceeded. Where earlier periods of monetary strain led to new constraints or fiscal discipline, 2025 revealed a system content to act as if the monetary environment were irrelevant. The tools of budgeting remained in place, but their connection to economic conditions had frayed. What resulted was not coordination, or even confrontation, but procedural silence.

7 | Conclusion

The comparison between FY 2018 and FY 2025 reveals not only divergent fiscal environments but also a transformation in the role of the federal budget. In 2018, institutional procedure still served as a vehicle for policy implementation. Reconciliation instructions were aligned with tax legislation; appropriators responded to statutory caps; budget assumptions, however optimistic, reflected engagement with interest rates and macroeconomic conditions. The system relied on growth, but its parts were still connected.

By 2025, those connections had eroded. Reconciliation was authorized but emptied of constraint. Tariffs were deployed without offsets or scoring. DOGE produced savings claims that bypassed the budget process entirely. Monetary tightening received no procedural response. The budget no longer functioned as a site of alignment between fiscal policy and macroeconomic risk—it preserved inherited policy under altered conditions.

This was not simply partisan dysfunction. It was a shift in institutional logic. The modern budget process continues to operate, but its internal signals have decoupled from the external environment. Reconciliation instructions have been repurposed from tools of fiscal alignment to instruments for advancing existing policy priorities, while statutory caps remain on the books but are routinely waived or overridden. Newer public-facing performance dashboards, such as those used by DOGE, operate entirely outside the formal budget process but serve a comparable signaling function. In both 2018 and 2025, the budget process avoided structural reform. But only in 2025 did it do so while disregarding the economic conditions it was meant to manage. These failures are not confined to the Trump years. They reflect a deeper pattern of institutional drift and procedural enforcement without substantive constraint that has evolved across administrations and political alignments. If procedural mechanisms are preserved but operate only as formalities, then statutory fiscal rules like deficit caps or PAYGO can no longer fulfill their intended role. What remains is a broader institutional choice: whether to reform those statutory structures or consider constitutional alternatives capable of restoring constraint.

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