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How Trump's BBB is Shaping Up to Be an Even Bigger Mess Than Biden's

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HOW TRUMP'S BBB IS SHAPING UP TO BE AN EVEN BIGGER MESS THAN BIDEN'S

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Donald Trump was elected in 2024 on a promise to "End Inflation and Make America Affordable Again." He criticized "Joe Biden's reckless spending spree, which is more reckless than anybody's ever done or had in the history of our country." And he complained that the incumbent Democrat was guilty of "weak, ineffective, and virtually nonexistent leadership." In survey after survey, voters made clear they largely agreed with Trump's assessment.

Perhaps no episode of Biden's presidency better displayed the traits that fueled these criticisms than his failed effort to pass a sprawling "Build Back Better" domestic spending bill through the filibuster-proof reconciliation process in 2021. But as Congressional Republicans begin crafting a "big beautiful bill" to enact the bulk of Trump's economic agenda through that process, there are early signs that they're making all the same mistakes — or perhaps even more.

Although very different in their origins and ideological goals, these two BBBs have far more in common than just their initials. Both Biden's BBB and Trump's BBB seem crafted more to fulfill a lengthy wishlist for the president's ideological allies than address a pressing national need. Both parties struggled to find a way to pay for these wishlists in large part because of shortsighted tax pledges their presidential nominee made during the previous campaign. Rather than right-sizing their ambitions, Republicans today are seeking to ram through their BBB using legislative tactics eerily reminiscent of those that backfired on Democrats in 2021. And both parties pursued their BBB with a callous disregard for their contributions to inflation, provoking voters' ire on their top economic concern.

But there are many ways in which the 2025 Republican BBB is likely to be even more damaging — both economically and politically — by exacerbating inflation and piling on debt at a time when the country can least afford it. If Republicans continue going down this path, they risk betraying their electoral mandate to cut the cost of living and giving Democrats a perfect opportunity to regain something that's long eluded them: public confidence on handling the economy.

BUDGET-BUSTING BILLS BACKFIRE WHEN THEY IGNITE INFLATION

After voters rewarded their parties with narrow but decisive victories in 2020 and 2024, respectively, both Biden and Trump believed they had a mandate to pass sweeping policies in partisan megabills through reconciliation. At the time of its passage, 63% of voters supported Biden's first reconciliation bill — the $1.9 trillion American Rescue Plan, which was intended to support the economy through the final stage of the COVID-19 pandemic. But the inflationary effect of this bill drowned out the popularity of the individual policies contained within it and the subsequent legislation Biden sought to pass.

In an incisive post-mortem of the failures of Biden's economic policy, Jason Furman — the former Chairman of President Obama's Council of Economic Advisors — explains how excessive government spending during the Biden Administration helped push inflation to heights not seen in decades. Moreover, this inflation effectively reversed the policy accomplishments Democrats thought Biden had achieved, such as by canceling out the spending increase from the bipartisan infrastructure law passed in 2021 or causing real wages to fall below their pre-pandemic level.

Inflation reversed not only the economic benefits of Biden's policies but also their political benefits. Polling of working-class voters conducted later in the Biden administration by PPI found that 69% of respondents said the rising cost of living was the greatest economic challenge facing the United States, with 55% of those voters believing the primary cause was government overspending. No matter how popular Biden's programs may have been in the abstract, voters didn't support them at the expense of keeping the cost of living down.

Democrats suffered both because the unpopularity of inflation outweighed the popularity of their policies, and because their programs were perceived as worsening it. That experience should be a warning for Republicans as they pursue their own party-line reconciliation bill. In isolation, any one of Trump's proposed tax cuts may poll well. But if they worsen inflation and further increase the cost of living, Republicans are unlikely to reap any political benefits.

TWO FAILURES OF LEADERSHIP

Over the first 100 days of his second term, Donald Trump has repeated many of the missteps that Biden took toward developing budget-busting bills that worsened inflation and his party's political prospects — starting with an inability to effectively lead.

From the very beginning, Joe Biden's economic agenda was undermined by the fact that neither he nor Congressional Democrats were willing to define top priorities and make trade-offs. When crafting the American Rescue Plan, they opted to pursue a $1.9 trillion price tag that several experts (including myself) warned was too big and likely to invite inflation. Subsequent reporting has revealed that Biden agreed to this figure not because he believed it was the was the right level of spending to meet the country's macroeconomic needs, but because it was the amount Senate Majority Leader Chuck Schumer needed to fund a running list of requests from his members — and neither of them was willing to tell anyone "No."

When it came time to craft a second reconciliation bill to implement their longer-term "Build Back Better" priorities, Democrats again struggled to prioritize. Previously successful party-line reconciliation bills focused on addressing a specific national goal, such as Barack Obama's Affordable Care Act (health-care reform) or Donald Trump's Tax Cuts and Jobs Act (tax reform). In contrast, Biden's BBB was a grab bag of policies from the wishlists of left-leaning interest groups and their Congressional champions. Voters had a hard time making sense of this mishmash of health care, energy, child care, infrastructure, education, elder care, tax policy, and more.

Although polls found solid majorities in support of the constituent policies in Biden's BBB, only about 40% of voters supported the package as a whole at the time it collapsed. Many Democrats still believe this disconnect — and the party's generally low approval rating on economic issues throughout the Biden era — simply amount to a "messaging problem." But the real explanation is that there is far more support for individual spending proposals in isolation than for doing all of them together, especially when voters were already blaming a lack of fiscal discipline for inflation. In the abstract, who doesn't want to expand access to life-saving health care or reduce the financial burdens of raising children on hard-working parents? But budgeting is about trade-offs and voters did not believe Democratic leaders were capable of making them.

Donald Trump has thus far shown himself even more incapable of setting clear priorities. The 119th Congress began amid internal Republican debates over how to advance Trump's energy and security spending priorities while also extending and expanding upon the expiring provisions of the Tax Cuts and Jobs Act passed in his first term. Senate Republicans preferred to pass the spending priorities in one reconciliation bill followed by a second reconciliation bill with the tax priorities, while the House preferred to do it all at once. Trump waffled for months, leaving both chambers to go down divergent procedural routes before settling on his demand for "one big beautiful bill."

Even now, the president continues to give Congressional Republicans conflicting guidance about the composition of his BBB and how he intends to pay for it. He has told House Republicans he supports cutting more than $1 trillion from mandatory spending while telling Senate Republicans he does not support cutting the programs that would be necessary to achieve those savings. The poorly targeted cuts identified by Trump's "Department of Government Efficiency" are on track to save just a few billion dollars, while the deeper cuts to discretionary spending proposed in the administration's "skinny budget" last week were immediately criticized as unworkable by their own Congressional allies. The few tax loopholes Trump has expressed willingness to close — such as for carried interest and sports stadiums — also wouldn't raise a significant amount of revenue.

By far, the biggest "offsets" Trump has proposed are his sweeping tariffs, which the president is imposing through executive actions but his advisors are clearly linking to the BBB reconciliation bill. Trump aide Peter Navarro claimed the tariffs enacted on "Liberation Day" would raise $6 trillion over 10 years to help pay for tax cuts. But that faulty calculation does not account for falling revenues as the economy slows down or the tens of billions of taxpayer dollars Trump is planning to spend compensating farmers for destroying their export markets. Still, even critics of the policy agree Trump's tariffs could raise roughly $2 trillion over 10 years if left in place.

But the reality is that nobody knows if that's the plan — least of all Trump. Some Trump advisors, such as Navarro, believe tariffs should be the permanent foundation of our tax system. Most others have suggested the purpose of tariffs is to give him leverage to negotiate better trade deals and foreign policy concessions. If the latter is true, then these tariffs are temporary and won't even come close to paying for a fraction of the reconciliation bill Republicans are pursuing. This chaos is further evidence that Trump is at least as bad, and likely even worse, at setting priorities as his predecessor was.

TWO PRESIDENTS BOUND BY SHORTSIGHTED TAX PLEDGES

Both Biden and Trump struggled to cover the costs of their BBB in large part because of shortsighted tax pledges they made during the heat of a presidential campaign.

During the 2020 presidential election, Biden pledged not to raise taxes on any household with an annual income under $400,000. That pledge was undoubtedly smart short-term politics: taxes on the ultra-rich are the only ones that poll well. But as a previous report of mine documented, it also made raising revenue extremely difficult by limiting potential tax increases to less than 2% of American taxpayers.

Even taxing all income not protected by the pledge at revenue-maximizing rates would not be enough to sustainably finance spending at the levels Biden proposed. Yet the tax increases Biden actually proposed were smaller than that, and a Democratic Congress still couldn't pass them. If Democrats don't believe they can convince voters that proposed programs are worth personally paying *something* for, it further suggests those programs aren't as popular as Democrats wish they were.

Trump now faces a similar challenge of his own making. It would have been difficult enough to find the $4.2 trillion of savings needed over 10 years to offset the cost of making the tax cuts he passed in 2017 permanent. But during the 2024 presidential campaign, Trump made a cacophony of promises to eliminate taxes on tip income, overtime pay, Social Security benefits, auto interest loans, electric generators, and more.

Altogether, the Peter G. Peterson Foundation estimates that these policies could bring the 10-year cost of just the tax provisions in Trump's BBB to roughly $9 trillion. To put into context how expensive that is: Republicans could completely eliminate Medicaid — the third-largest federal spending program — and still just barely break even.

TWO CONGRESSES USING PROCESS TO PUNT HARD DECISIONS

Knowing that they couldn't possibly pay for everything their party's president promised to do in their BBB, Biden's Democrats and Trump's Republicans both fell back on legislative shortcuts to mask or avoid difficult tradeoffs.

If enacted permanently, the full suite of BBB spending proposals Congressional Democrats sought to enact would have increased spending by nearly $5 trillion over the 10-year window used for official scorekeeping. But Sen. Joe Manchin — the most resolute deficit hawk in the Senate Democratic caucus — refused to support more than $1.5 trillion of new spending and insisted it all be fully offset. Sen. Schumer convinced Manchin to support a budget resolution with reconciliation instructions that would permit up to $3.5 trillion of new spending so that

Congressional committees could begin drafting legislative language. But the two men privately agreed that Manchin's red line remained unchanged, meaning Democratic leaders merely punted their disagreements rather than resolving them.

Because nobody in either the White House or Congressional leadership was willing to tell activist groups that their priorities had to get cut, they instead tried to circumvent Manchin's demands using budget gimmicks. The House-passed BBB included tax increases that were permanent and thus effective for the full 10-year window, but spending programs had delayed starts or arbitrary expiration dates. In the official 10-year score, this gimmick made the bill appear roughly deficit-neutral. But in practice, spending programs would be adding to deficits every year they were in place if the law were passed and become increasingly expensive if they were later extended as many Democrats hoped.

Manchin steadfastly refused to engage with these shenanigans and prevented his party from passing a BBB that was deficit-increasing under any measurement. But the "fiscal conscience" of today's Congressional Republicans is far weaker. While every iteration of BBB legislation Congress considered in 2021 was roughly paid for under traditional scoring methods, no Congressional Republicans are even trying to meet this standard today.

In February, House Republicans — including the most anti-deficit hardliners — voted to pass a budget resolution that would enable a reconciliation bill to increase deficits by up to $2.8 trillion. Senate Republicans, who balked at the trillions in spending cuts the House required to partially finance GOP tax priorities, passed an even more fiscally irresponsible budget resolution that allowed up to $5.8 trillion in bigger deficits.

Now Trump's Republicans are trying to bridge the gap using tactics similar to those that backfired on Biden's Democrats. First, House leaders — like Manchin did in 2021 — agreed to support the Senate's budget resolution to keep the process moving forward, even though they would never agree to a BBB consistent with its instructions. Then, Republicans decided they would only seek to enact the new tax cuts Trump proposed during the 2024 election for four years — the same gimmick Democrats tried in 2021 to make their spending programs artificially appear cheaper.

But Senate Republicans are simultaneously trying to employ a dangerous new gimmick that undermines not just the credibility of the previous one but also the foundation of the Congressional budget process: claiming that extending any policy currently scheduled to expire should be scored as costless. As I and a bipartisan group of budget experts recently warned in a letter to Congress, this approach would enable future Congress to enact a massive policy for one year, then proceed to make it permanent in the second year while pretending it's completely free. If Republicans rely upon this unprecedented maneuver to pass their BBB, they will be responsible not only for trillions of dollars the legislation itself adds to the debt, but also the tens of trillions they've invited future Congresses to pile on.

A PROBLEM OF ATTITUDE MORE THAN MAGNITUDE

Defenders of Biden's economic management will argue that most of the inflation that materialized during his presidency was due to COVID-related supply chain disruptions and other factors outside Democrats' control. Indeed, several analyses have concluded that Democrats' fiscal policies added up to 3 percentage points to inflation in 2021 — that's a significant contribution, but ultimately, not even a majority of the inflation experienced that year.

The biggest problem for Democrats wasn't that they got the policy wrong. Rather, it was that they repeatedly demonstrated disinterest in even trying to get it right — a mistake the Trump administration is now replicating to a tee.

Anyone who argued that no economic data justified the need for a $1.9 trillion package in early 2021 was met not with a substantive rebuttal but with a dismissive statement along the lines of "the cost of doing too little is much higher than the cost of doing something big." It was very reasonable to believe that an overshoot was preferable to an undershoot of equal magnitude, considering that insufficient stimulus likely slowed the recovery following the 2008 financial crisis. But surely a package that was 2% too small would have been preferable to one that was 200% too large.

One might reasonably argue that it was sensible not to adjust policies to prevent significant inflation when decades had passed since that was last an issue in the United States. But when their assumptions proved wrong and inflation did materialize, most Democrats refused to accept that their policies could be responsible and needed to change. The Biden administration first argued that inflation would merely be "transitory." Then, when that proved untenable, they sought to pass the buck by blaming "corporate greed" for inflation (as if corporations suddenly got greedier in 2021).

Meanwhile, Democratic leaders did everything in their power to compound their mistakes. The version of BBB they passed through the House would have increased the federal budget deficit by roughly $200 billion in the first year alone. Biden later pursued costly executive actions such as trying to have taxpayers foot the bill for canceling as much student debt as possible, without any regard to the need or cost of such policies, and without doing anything to address the problems that created this debt in the first place. Progressives such as Sen. Elizabeth Warren even went so far as to pressure Federal Reserve Chairman Jerome Powell — who was responsible for curtailing inflation by raising interest rates — to keep interest rates low.

Donald Trump was elected in large part because of a backlash against this cavalier attitude. Yet as economists and business leaders have been sounding the alarm for months that their tax and trade policies will raise prices on American consumers, the Trump administration has responded almost *exactly* like Biden and his progressive allies did: Treasury Secretary Scott Bessent said inflation will be transitory. Federal Trade Commission Chairman Andrew Ferguson threatened to investigate companies for raising prices. President Trump himself said the economic pain his policies cause are "worth the price that must be paid." And now, he is pressuring Chairman Powell to cut interest rates. It is no wonder that Republicans' approval ratings on the economy — which consistently outpaced those of their Democratic rivals throughout Trump's first term and the 2024 election — now trail them.

WHY THIS TIME IS WORSE

When Biden's Democrats increased budget deficits, they did so after a decade filled with warnings about the consequences of rising debt that never seemed to manifest even as the debt steadily grew higher and higher. But over the past four years, it's become clear that those consequences are finally starting to materialize at great expense to the American people. Trump's Republicans are thus inexcusably seeking to blow up budget deficits at a time when everyone understands that doing so is increasingly costly.

The combination of increased debt to finance borrowing under Biden and higher interest rates on that debt has pushed the federal government's annual spending on interest to nearly $1 trillion. As a result, the federal government now spends more money paying interest on the national debt than it does on national defense or Medicaid. Measured as a percent of gross domestic product, annual interest costs are higher than at any other time in American history. And if Republicans enact Trump's BBB, those costs are likely to more than double over the next 30 years.

As was the case under Biden, consumers will also bear the burden of this runaway borrowing. A recent analysis from Yale Budget Lab estimates that a permanent increase in deficits on the scale of what it would take just to make the expiring tax cuts from 2017 permanent would reduce real wealth by up to $36,000 per household over the next 30 years. This is effectively a tax on young Americans that cancels out most of the benefit they would receive from the GOP's BBB itself.

Importantly, all these estimates are predicated on current economic assumptions that could swiftly change. Bond markets — which determine the interest rate at which the federal government can borrow money — have been increasingly volatile as investors express growing concern about the Trump administration's economic agenda and its implications for the long-term health of the U.S. economy. If Congress simply adds the cost of extending the expiring tax cuts to the national credit card and interest rates are just one percentage point higher than currently estimated, the Congressional Budget Office projects that debt would rise so high that its model can no longer function. Put another way: passing Trump's BBB could be the tipping point for not just higher inflation but an unprecedented economic disaster.

Voters made clear in their rejection of Democrats in 2024 that they prioritize controlling the cost of living above all else. If Republicans betray their electoral mandate by continuing to pursue a BBB that's as bad or worse than the one pursued by their predecessors, they will hand Democrats a perfect chance to seize the political opportunity they've squandered. But to achieve a win more durable than a typical midterm backlash, Democrats will have to chart a new course that convinces voters they can be trusted not to repeat the fiscally irresponsible and inflationary policy mistakes that shaped the BBBs of both Biden and Trump.

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