# The graphic that explains the conservative divide over Trump's budget

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President Trump's budget, released on Tuesday, doesn't choose between slashing spending or hoping for huge boosts in revenue. It does both.

The proposed budget's deep cuts to social programs are controversial among Democrats. But it's this figure that is raising eyebrows among some conservatives: Trump's budget predicts 3 percent economic growth over the next 10 years, which, if true, would result in much higher tax revenue. By contrast, the Congressional Budget Office predicts 1.9 percent growth, making deep spending cuts or spiraling debt inevitable. If CBO is right, then Congress must choose between the politically impossible and the fiscally impossible.

The difference between 1.9 and 3 is monumental for budget politics, a point made in the Wall Street Journal by Stephen Moore, an economic consultant at the free market advocacy group Freedom Works and a senior economic analyst at CNN.

Moore uses CBO numbers to show how simply altering economic growth projections can slash debt levels as a percentage of GDP over the next 30 years, with the red line showing CBO's projections using 1.9 percent growth and the blue line an alternate scenario at 3 percent growth — the assumed rate of growth in Trump's budget.

Bitter disputes have broken out within conservative ranks over whether to cut taxes and regulation and bank on economic growth to fund the future — or whether deep spending cuts and entitlement restraints are needed.

Few question that without either high growth levels or deep spending cuts, federal debt will reach unsustainable levels in the next 30 years, leading to both massive tax increases and unavoidable cuts in Social Security and health care spending. The dispute is over how to escape the looming trap.

On one side are pessimists like conservative stalwarts like the Heritage Foundation and the nonpartisan Committee for a Responsible Federal Budget, both warning that deep cuts will be needed to right the ship.

Pitted against them are optimists like venture capitalist Louis Woodhill, who argues at Real Clear Policy that the economic growth escape hatch is feasible. Woodhill views proposals for deep entitlement cuts as "a call for Republicans to commit political suicide."

While economists disagree on the precise tipping point, there is little dispute that debt levels above a given percentage of a nation's GDP become unsustainable, with interest on the debt squeezing out spending commitments. Think Greece.

Many economists put the danger zone between 70 and 80 percent of GDP. As the second attached graphic shows, with slow economic growth the U.S. is on path by 2030 to reach debt levels not reached since World War II, with no end in sight after that.

"If current laws remained generally unchanged, federal debt held by the public would exceed 100 percent of GDP by 2040 and continue on an upward path relative to the size of the economy — a trend that could not be sustained indefinitely," the CBO writes.

Slashing spending would require cutting popular entitlements, which President Trump has vowed not to do, so it's no surprise his number crunchers chose optimistic growth projections.

But it's the enormous difference between CBOs 1.9 percent growth numbers and Trump's 3 percent that has many observers shaking their heads.

"It's unusual to see the White House's growth forecasts differ from the CBO and other blue-chip projections by such a large margin over such a long stretch of the 10-year budget window," notes Nick Timiraos at the Wall Street Journal.

"It seems the administration is using economic growth like magic beans: the cheap solution to all our problems," Maya MacGuineas, president of the Committee for a Responsible Federal Budget, told the New York Times. "But there is no golden goose at the top of the tax-cut beanstalk, just mountains of debt."

Growth skeptics view Moore's happy talk of economic growth as unrealistic, in part because of demographic and sociological changes. The post-World War II economic growth era was paved by two major factors that can't be replicated, skeptics argue.

First, women began flocking to the workplace, rising from below 30 percent of workers in 1948 to nearly 50 percent of workers by 2000, according to the U.S. Department of Labor. This resulted in steady productivity gains and more taxes, contributing substantially to the high economic growth rates.

The second key variable is the aging of the post-World War II baby boom generation, which for the past half century has been a driving force for U.S. productivity. Baby boomers are now entering their dotage, becoming a net drain on the economy rather than a boon.

In short, skeptics argue, the days of rapid, sustained economic is over, and budgets that assume otherwise are fictions.

"I feel like I'm watching a surreal version of Titanic where the captain and crew know in advance that the ship will hit the iceberg," writes Daniel Mitchell at the CATO Institute, "yet they're still allowing passengers to board and still planning the same route. And in this dystopian version of the movie, the tickets actually warn the passengers that tragedy will strike, but most of them don't bother to read the fine print because they are distracted by the promise of fancy buffets and free drinks."

At CATO's fellow libertarian think tank, Reason Foundation, JD Tuccille points out that slashing spending has been done with success, including in Canada, which cut spending by 10 percent in the 1990s.

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