



By: Daniel Lacalle

# The Big Beautiful Bill – a turning point in U.S. fiscal policy



The fiscal package of the Trump administration, the "Big Beautiful Bill" (BBB), has passed through Congress and the Senate, and it is worth explaining why it is great news and should be defended.

It is sad to see that some **analysts** have tried to sabotage this programme by arguing that it increases the deficit and does not reduce spending enough.

It is alarming that some libertarians buy into the flawed static estimates and deny the positive effects on growth, investment, and tax revenues from deregulation, tax cuts, and trade negotiations.

The combined effect, even with conservative estimates, massively reduces the annual deficit and the debt-to-GDP ratio.

- The bill includes \$1.6 trillion in mandatory spending **cuts**, the largest in U.S. history in this category.
- \$2.6 trillion in discretionary spending cuts.
- \$4 trillion in extraordinary revenues from trade negotiations, increased exports, and reduced imports.
- \$7 trillion in committed investments.

It is puzzling how some liberals forget the positive effects of deregulation, trade negotiations, and the Laffer curve.

The Big Beautiful Bill is the greatest effort in decades in deregulation, spending cuts, tax reductions, and liberalisation, essential to save the U.S. economy from the disaster inherited from Biden and to achieve more growth and a significant fiscal improvement.

It should be supported not only for its positive aspects but also because the alternative would have been the largest tax increase in U.S. history and a disaster for the private economy and, consequently, the deficit and debt.

Just as happened with **Milei** upon arriving at the Casa Rosada, Trump is being judged by his

inheritance. It seems conservatives and libertarians must produce immediate results upon entering office. Well, in a few months, as with Milei, results will be seen.

**These results demonstrate the new administration's commitment to reducing spending and the deficit in a very adverse budgetary context**

When Trump assumed the presidency in January 2025, 97% of the federal **budget** was already spent and committed due to the outrageous "continuing resolutions" approved by the Biden administration.

It is curious that some in the liberal and libertarian world forget that the fiscal year starts in October and that Biden carried out a huge spending increase between October and December that took effect in 2025.

At the end of 2024, Biden approved an 8% increase in the largest mandatory spending programmes and a brutal 700% increase in the EPA (Environmental Protection Agency) budget. All this left extremely limited room for immediate cuts, especially in mandatory spending.

Despite these restrictions, the Trump administration has managed to reduce discretionary spending by \$541 billion in the first six months of 2025, and the accumulated deficit between March and May has decreased.

- In March, the **deficit** was \$161 billion, a 32% reduction compared to March 2024.

- In April 2025, the second-largest fiscal **surplus** in history was recorded, \$258 billion.

- In May 2025, the **adjusted deficit** was \$219 billion, 17% less than the adjusted deficit in May 2024.

These results demonstrate the new administration's commitment to reducing spending and the deficit in a very adverse budgetary context.

The Big Beautiful Bill is the most ambitious exercise in deregulation, liberalisation, mandatory spending cuts, and tax reductions carried out in the United States and must be defended as an essential giant step to return the economy to the private sector.

## Key Measures Included

- Indefinite extension of the 2017 tax cuts, thus avoiding the largest tax increase in the last sixty years. It is unclear why some liberals ignore this second part.
- The first **reduction** in mandatory spending in five decades: historic cuts without affecting services, totalling more than \$1.6 trillion, including \$700 billion in Medicaid.
- Elimination of taxes on tips and overtime for workers **earning** less than \$160,000 annually.

## Fiscal Impact and Projections

- The fiscal impact is the largest deficit reduction in 30 years.
- The Council of Economic Advisers (**CEA**) shows that public debt will be reduced to 94% of GDP by 2034, compared to 117% projected under Biden's policies.
- The annual deficit will be cut in half.

These estimates are conservative and do not assume the positive effects of trade negotiations or additional discretionary spending cuts mentioned by Treasury Secretary Scott Bessent.

The **plan** aims to reduce the deficit by \$11.1 trillion by 2034, combining spending cuts, revenues from trade negotiations, and economic growth stimulus.

In fact, the projection of achieving a primary surplus by 2034 is conservative, and a strong increase in tax revenues is expected from deregulation, tax cuts boosting consumption

and investment, and new trade agreements.

This programme is essential as a first step to recover the United States, unlock the U.S. economy, liberalise, reduce spending, and strengthen growth, which should be driven above 3% and up to 4% thanks to attracting investment and businesses.

## Criticism and Counterarguments

Organisations like the Congressional Budget Office **estimate** that the bill could add up to \$3.3 trillion to the deficit over the next decade if the positive effects on growth and tax revenues do not materialise.

However, even that estimate is better than the disaster that Harris's policies would bring, and it does not consider any positive impact from deregulation, the Laffer curve, or revenues from trade agreements.

Remember the alarmist estimates about tax cuts from Ayuso, Meloni's **programme**, or Milei's programme? Keynesians are always wrong because they assign public spending multiplier effects that never occur and assume negative effects from supply-side measures that also do not happen.

Libertarians should not buy into that flawed narrative.

## A turning point

The Big Beautiful Bill marks a turning point in U.S. fiscal policy and is an essential step for a more ambitious medium-term strategy. We must value the greatest effort in state reduction and deregulation in decades.



*Reagan was criticised for the same reasons and led the U.S. economy to its greatest period of prosperity and global leadership – Daniel Lacalle*

If the conservative estimates are met, the United States will not only avoid a fiscal crisis but will also lay the foundations for solid, productive, and sustainable growth.

Reagan was criticised for the same reasons and led the U.S. economy to its greatest period of prosperity and global leadership.

Libertarians should positively value the Big Beautiful Bill because it is a giant step in liberalisation, state reduction, and private sector improvement, and because the alternative was predatory socialism.