

Tax Cuts vs Social Protection: The Limits of Fiscal Coherence in Public Law 119-21

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Introduction

In July 2025, Congress passed Public Law 119-21, a fiscal package that combines tax cuts with changes to federal spending. It was passed when bipartisan cooperation was already strained; therefore, instead of going through the usual negotiation process, lawmakers relied on budget reconciliation. This mechanism, created under the Congressional Budget Act of 1974, allows certain fiscal measures to pass with a simple majority in the Senate.¹ In reality, this means that major economic decisions can be passed without the level of debate or compromise that would normally be expected.²

At its core, this law brings together two sets of policy choices that, under economic theory, are not typically aligned. On one side, it reduces federal revenue through tax cuts. On the other hand, it introduces adjustments that decrease spending, particularly in areas linked to social programs.³ These policies are usually debated separately because they address different objectives, but here they are combined into a single framework. This matters because reducing revenue while increasing spending pressure creates immediate and unavoidable trade-offs.

These choices aren't just technical fiscal decisions. They reflect a broader disagreement over the role of the state in shaping economic outcomes. Some policymakers argue for a more interventionist approach, using taxation and public spending to reduce inequality and support stability. Others favor a more limited role for government, centred on lowering taxes and reducing public intervention.⁴ Public Law 119-21 aligns more closely with this second view. At the same time, by combining tax cuts with changes to social spending in a single legislative package, the law makes it harder to assess each policy on its own terms. This is where the tension becomes unavoidable. It raises an important question: whether the law represents a coherent fiscal strategy or is better understood as a set of political priorities brought together for practical reasons.

1. Congressional Budget Act of 1974, Pub. L. No. 93-344, 88 Stat. 297.
2. Molly E. Reynolds, *Exceptions to the Rule: The Politics of Filibuster Limitations in the U.S. Senate* (Washington, DC: Brookings Institution Press, 2017).
3. Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035* (Washington, DC: CBO, 2025).
4. Organisation for Economic Co-operation and Development (OECD), *Income Redistribution and Fiscal Policy* (Paris: OECD Publishing, 2023).

Analysis

Looking at the substance of Public Law 119-21, the main problem is not only what the policy includes, but how its different parts interact. The law combines tax cuts with changes to social spending, yet it does not fully address how these choices fit together in practice. Reducing taxes lowers government revenue, while social programs continue to require stable funding. When both are pursued at the same time, the issue is not whether each policy can work individually, but whether they can function together without creating pressure elsewhere in the system.⁵

In this case, that connection remains unclear. The law does not provide a convincing explanation of how reduced revenue will sustain existing spending commitments over time. Instead, the two elements sit alongside each other without a clear mechanism linking them. This makes the policy feel incomplete. It is not that the objectives are inherently incompatible, but that the relationship between them is left unresolved.⁶

The way the law was passed helps explain this. Budget reconciliation allows legislation to move forward with a simple majority, limiting the need for negotiation. While procedurally valid, this approach often shifts the focus toward securing the Executive branch's goal rather than creating a coherent policy that both parties would support. In that sense, Public Law 119-21 appears less like a deliberately structured fiscal plan and more like a combination of measures shaped by political feasibility.⁷

This becomes more apparent when considering the broader political context. Tax cuts are commonly justified as a way to stimulate growth or respond to public demand for lower taxation, while changes to social spending are framed as necessary to control public finances. Both arguments can stand on their own. The issue is that when combined, they do not necessarily reinforce each other. Instead, they pull in different directions, creating a tension that remains unaddressed.⁸

The consequences are most visible in how the effects are distributed. Tax reductions tend to benefit higher-income groups more, since they contribute a larger share of total taxes and therefore gain more from reductions. In contrast, changes to social spending have a more direct impact on lower-income groups, who rely more heavily on public programs. This creates an imbalance in how the policy operates, with benefits and costs not shared evenly.⁸

Taken together, these elements point to a broader issue. Public Law 119-21 does not read as a single, clearly defined fiscal strategy. It reflects a set of political trade-offs brought together within one framework. While

this may make the policy workable in the short term, it leaves open questions about its long-term sustainability and internal consistency.⁶

5. Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035* (Washington, DC: CBO, 2025).

6. Organisation for Economic Co-operation and Development (OECD), *Income Redistribution and Fiscal Policy* (Paris: OECD Publishing, 2023).

7. Molly E. Reynolds, *Exceptions to the Rule: The Politics of Filibuster Limitations in the U.S. Senate* (Washington, DC: Brookings Institution Press, 2017).

8. OECD, *Income Redistribution and Fiscal Policy*.

Policy Recommendations

If Public Law 119-21 exposes a lack of coherence in fiscal policy, the issue is not just the individual measures it includes, but how they are put together. Fixing this does not require a complete overhaul, but it does require clearer rules around how fiscal decisions are designed and assessed.

To begin with, there needs to be more transparency in how revenue and spending decisions are connected. When large fiscal packages are introduced, it should be clear how tax cuts will affect the government's ability to fund its commitments over time. At the moment, projections exist, particularly from institutions such as the Congressional Budget Office, but they are not always central to a political decision-making process. Making these long-term assessments a formal requirement would force policymakers to confront the trade-offs more directly, rather than leaving them implicit.⁹

The process through which these policies are passed also matters. Budget reconciliation may be a legitimate legislative tool, but in practice, it limits debate and reduces the need to build broader agreement. For policies with major economic and social consequences, this creates a risk that speed is prioritised over coherence. Introducing additional safeguards, such as extended review periods or mandatory independent evaluations before final approval, would not block legislation. However, it would ensure that proposals are more thoroughly examined and internally consistent before they are implemented.¹⁰

Finally, more attention needs to be given to how fiscal policies affect different groups. As Public Law 119-21 shows, combining tax cuts with changes to social spending can lead to uneven outcomes, particularly across income levels. One way to address this would be to require systematic distributional assessments for major fiscal measures, making it clearer who benefits and who bears the cost. Where policies place a

disproportionate burden on lower-income groups, adjustments such as targeted support or the protection of essential programs should be built in from the start.⁸

These changes would not remove the political nature of fiscal policymaking. Trade-offs are unavoidable. What they would do is make those trade-offs more visible and more deliberate, leading to policies that are easier to justify and more sustainable over time.

9. Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035* (Washington, DC: CBO, 2025).

10. Molly E. Reynolds, *Exceptions to the Rule: The Politics of Filibuster Limitations in the U.S. Senate* (Washington, DC: Brookings Institution Press, 2017).

11. OECD, *Income Redistribution and Fiscal Policy*.

Conclusion

Public Law 119-21 ultimately shows the limits of trying to combine different fiscal priorities into a single policy without fully resolving the trade-offs between them. The law brings together tax cuts and changes to social spending, but it does not clearly establish how these elements are supposed to fit together beyond the short term.

This is most visible in the policy's effects. As discussed, the outcomes are uneven, with some groups benefiting more than others, and no clear balance in how the costs are shared. This makes it difficult to see the policy as part of a genuinely coherent fiscal strategy.

Instead of following a clear and consistent direction, the law seems to reflect what was realistically achievable in that political moment. While it may deliver some short-term results, it still leaves open questions about how stable or sustainable that approach will be over time.

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