The U.S. economy continues to be lifted by an incredible wave of new technology. Fracking, 3-D printing, smartphones, apps, and the cloud have boosted productivity and profits. Yet taxes, regulation and spending all increased markedly in the past decade, raising the burden of government and dragging down the real GDP growth rate to a modest 2.2% from mid-2009 to early 2017.

Then 2017 saw the tides start to shift. Regulation was cut dramatically and the U.S. saw the most sweeping corporate tax reform in history. Guess what? Growth picked up to almost 3% annualized in the last three quarters of 2017 and real GDP looks set for about 4% growth in the first quarter of 2018.

But the dream of getting back to long-term 4% growth died this week in a bipartisan orgy of government spending. Congress lifted the budget caps on “discretionary” (non-entitlement) spending by about $300 billion over the next two years, and spending is now set to rise by 10% this year.

No, this won’t kill the economy tomorrow (or this year), but unless the Congress gets control of federal spending, the benefits from the tax cuts and deregulation will be short-lived.

Many argued that making corporate tax cuts temporary would limit their effectiveness because corporations would not change their behavior. So, what does a corporate CFO do now? Trillion dollar deficits as far as the eye can see mean Congress has a reason – and an excuse - to raise tax rates in the future. This doesn’t mean they’re going back to 35%, but massive deficits will make it hard to sustain a 21% tax rate over time. In other words, while Congress passed permanent tax cuts, it now makes them almost impossible to sustain.

Every dollar the government spends must be either taxed or borrowed from the private sector. The bigger the government, the smaller the private sector. Not only does increased spending mean higher tax rates are expected in the future, but also a smaller private sector as it’s forced to fund a bigger government. It’s the Spending that crowds out growth, not deficits themselves.

Look, we get it. The world is a dangerous place and we are sure there are parts of our military that need better funding. But the government can’t do everything. If we need more spending on defense, those funds should be found by reducing spending elsewhere. Otherwise, eventually, the country won’t be able to afford to defend itself, either.

But, in order to reach the minimum of 60 votes needed in the US Senate, Republicans capitulated to Democrats demands for more non-military spending. The result was a budget blow-out.

So, where does that leave us? Optimistic about an acceleration in growth this year and 2019, which will help lift stock prices as well, but not as optimistic beyond that as we were before the budget deal. The Plow Horse is not coming back overnight, but unless we get our fiscal house in order, it’s still lurking in the barn.