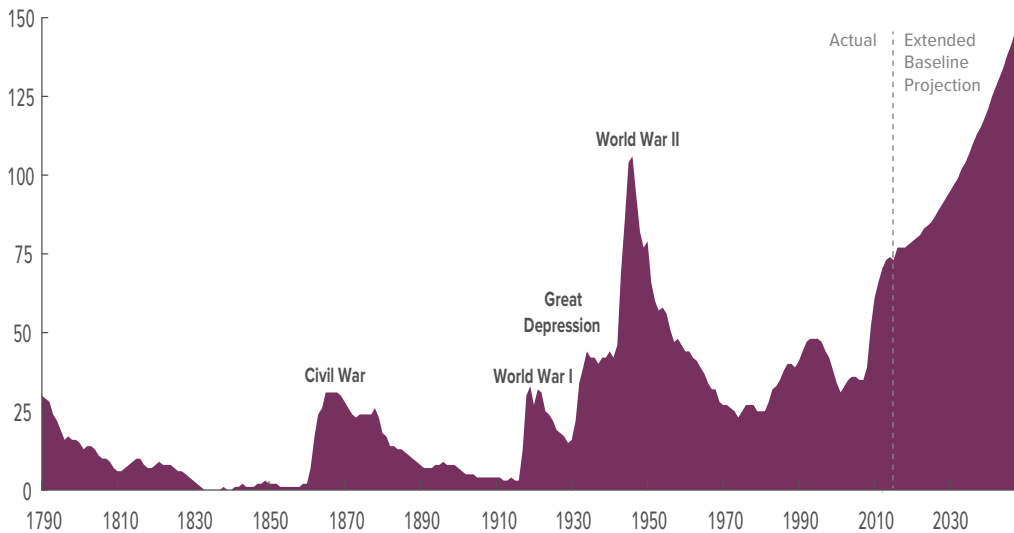


Source: Congressional Budget Office.

Figure 1-8.

Federal Debt Held by the Public

Percentage of Gross Domestic Product



High and rising federal debt would reduce national saving and income in the long term; increase the government’s interest payments, thereby putting more pressure on the rest of the budget; limit lawmakers’ ability to respond to unforeseen events; and increase the likelihood of a fiscal crisis.

Source: Congressional Budget Office. For details about the sources of data used for past debt held by the public, see Congressional Budget Office, *Historical Data on Federal Debt Held by the Public* (July 2010), www.cbo.gov/publication/21728.

The extended baseline generally reflects current law, following CBO’s 10-year baseline budget projections through 2027 and then extending most of the concepts underlying those baseline projections for the rest of the long-term projection period (in this case, through 2047).

Application: Efforts to Control the Deficit

Controlling the budget is a difficult process.

- The Balanced Budget and Emergency Control Act (also known as the Gramm-Rudman-Hollings Deficit Reduction Act, or GRH).
 - Passed in 1985 in an attempt to control the budget.
 - Initiated automatic spending cuts once the budget deficit started missing specified targets.
 - The cuts were avoided by gimmicks, such as changing the targets.

Application: Efforts to Control the Deficit

Failure to meet GRH deficit targets led to the 1990 adoption of the Budget Enforcement Act (BEA):

- Rather than trying to target a deficit *level*, the BEA aimed to restrain government *growth*.
- It created the pay-as-you-go process (PAYGO), which prohibited any policy from increasing the *estimated* deficit in the next six-year period.
- If deficits increase, the President must issue a *sequestration requirement*, which reduces direct spending by a fixed percentage.
- Apparently successful in reducing spending.

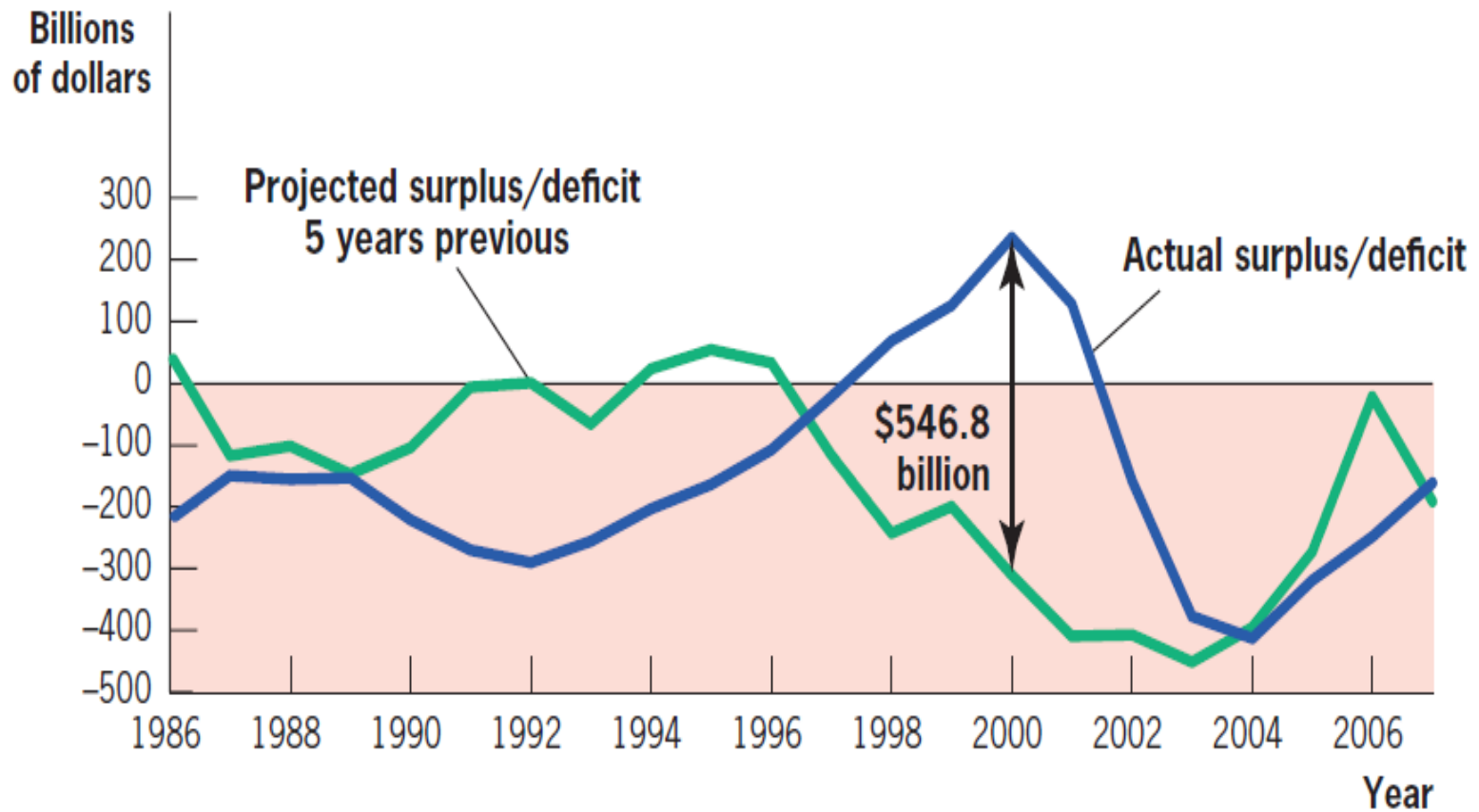
Application: Efforts to Control the Deficit

PAYGO expired on September 30, 2002, and has not been renewed.

- President Bush proposed renewing PAYGO in 2004...
 - ... but not before passing a budget that cut taxes and increased spending.
- President Obama has publicly supported PAYGO legislation...
 - ... but his proposed budget would increase deficits to almost \$2 trillion in the near term.

4.3

Projected versus Actual Surplus/Deficit



APPLICATION: The Financial Shenanigans of 2001

- The bill itself contained numerous tax cuts operating on erratic schedules.
- Many of the cuts would phase in over periods longer than in any prior American legislation, backloading most of the fiscal impact toward 2010.
- Convoluted scheduling allowed legislators to claim action had been taken on a wide range of issues, while delaying the fiscal consequences associated with these actions.

4.4

Capital Market Equilibrium

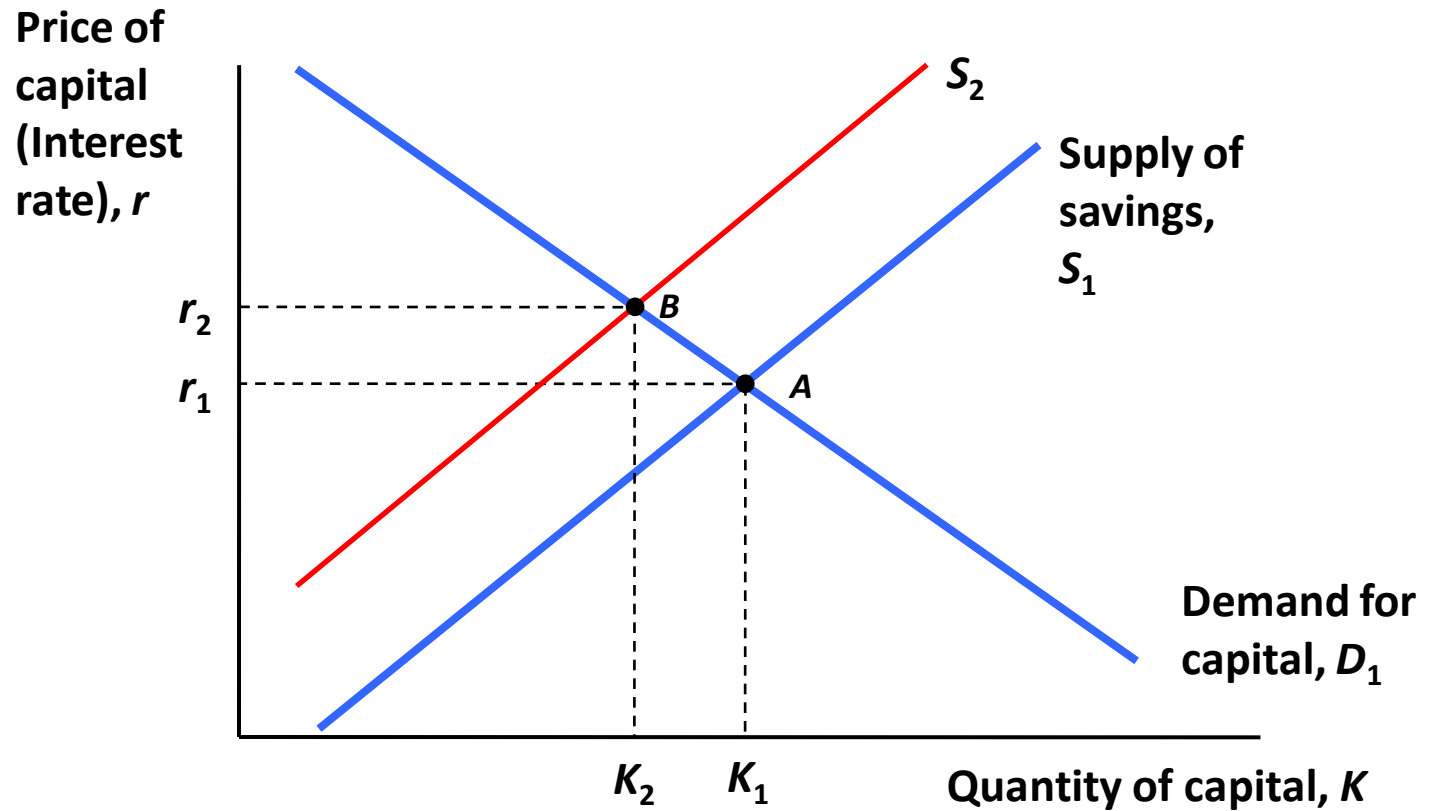
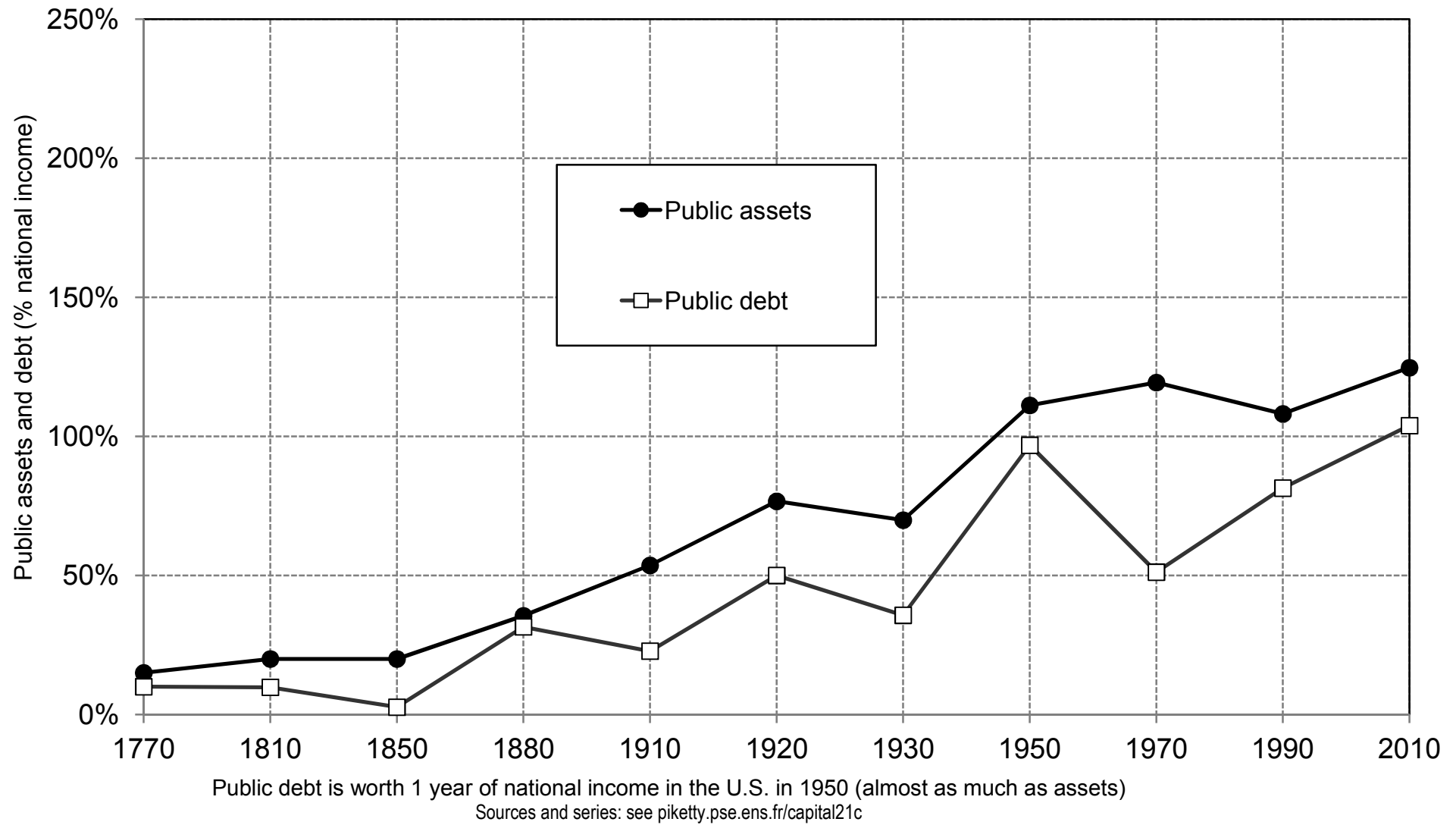
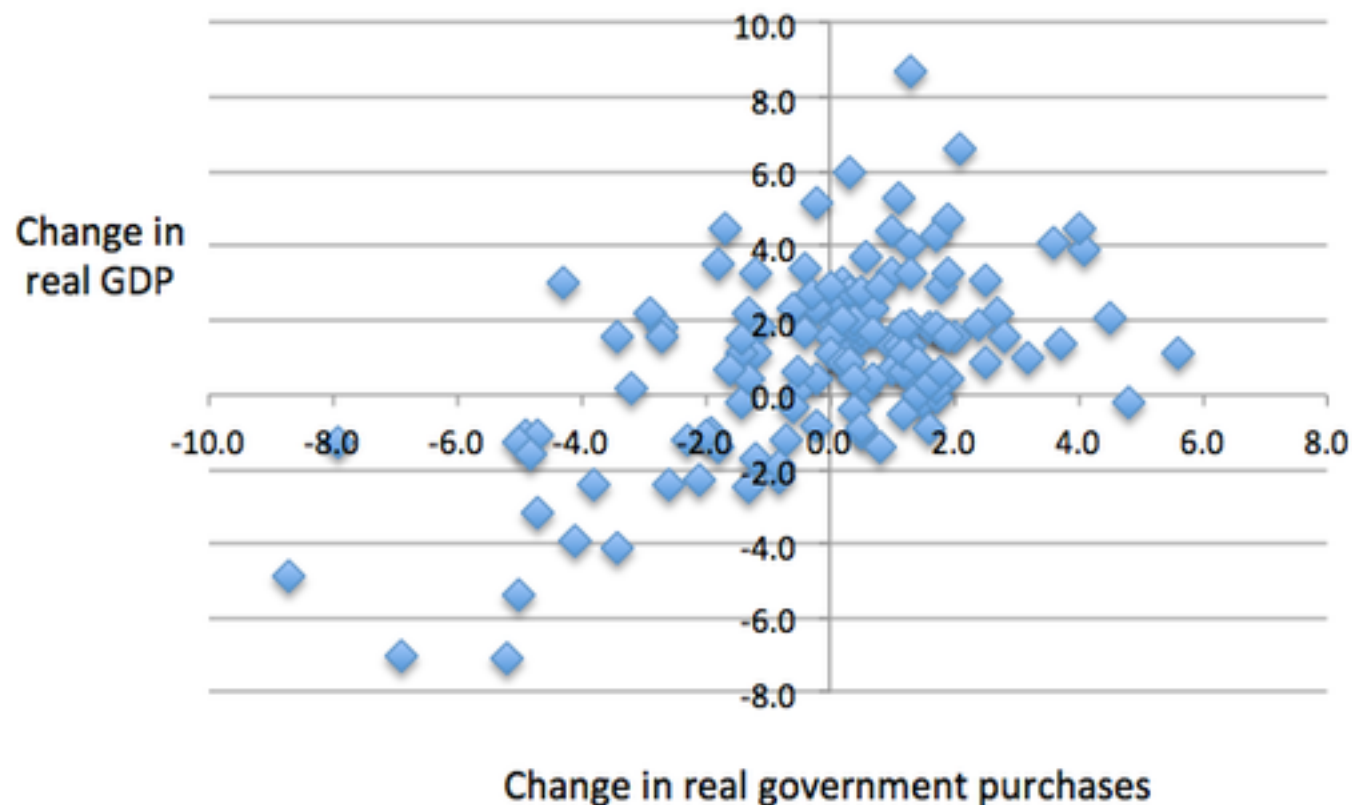


Figure 4.7. Public wealth in the United States, 1770-2010



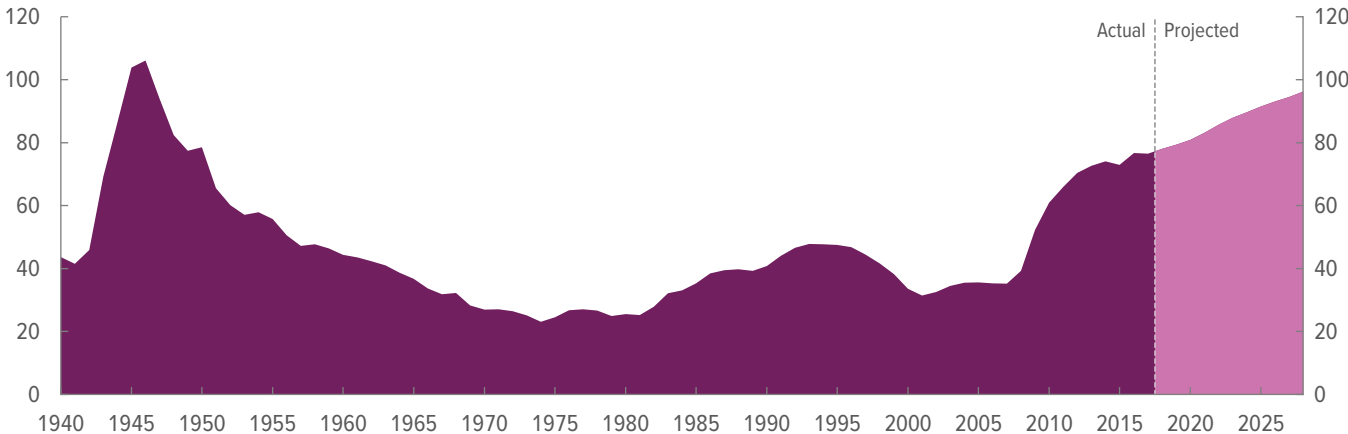
Government spending and growth, 2010-2013



Summary Figure 2.

Federal Debt Held by the Public

Percentage of Gross Domestic Product



Source: Congressional Budget Office.

Actual Values and CBO's Projections of Key Economic Indicators

CBO projects that economic activity will expand at a pace this year and next that will lower the unemployment rate and place upward pressure on inflation and interest rates.

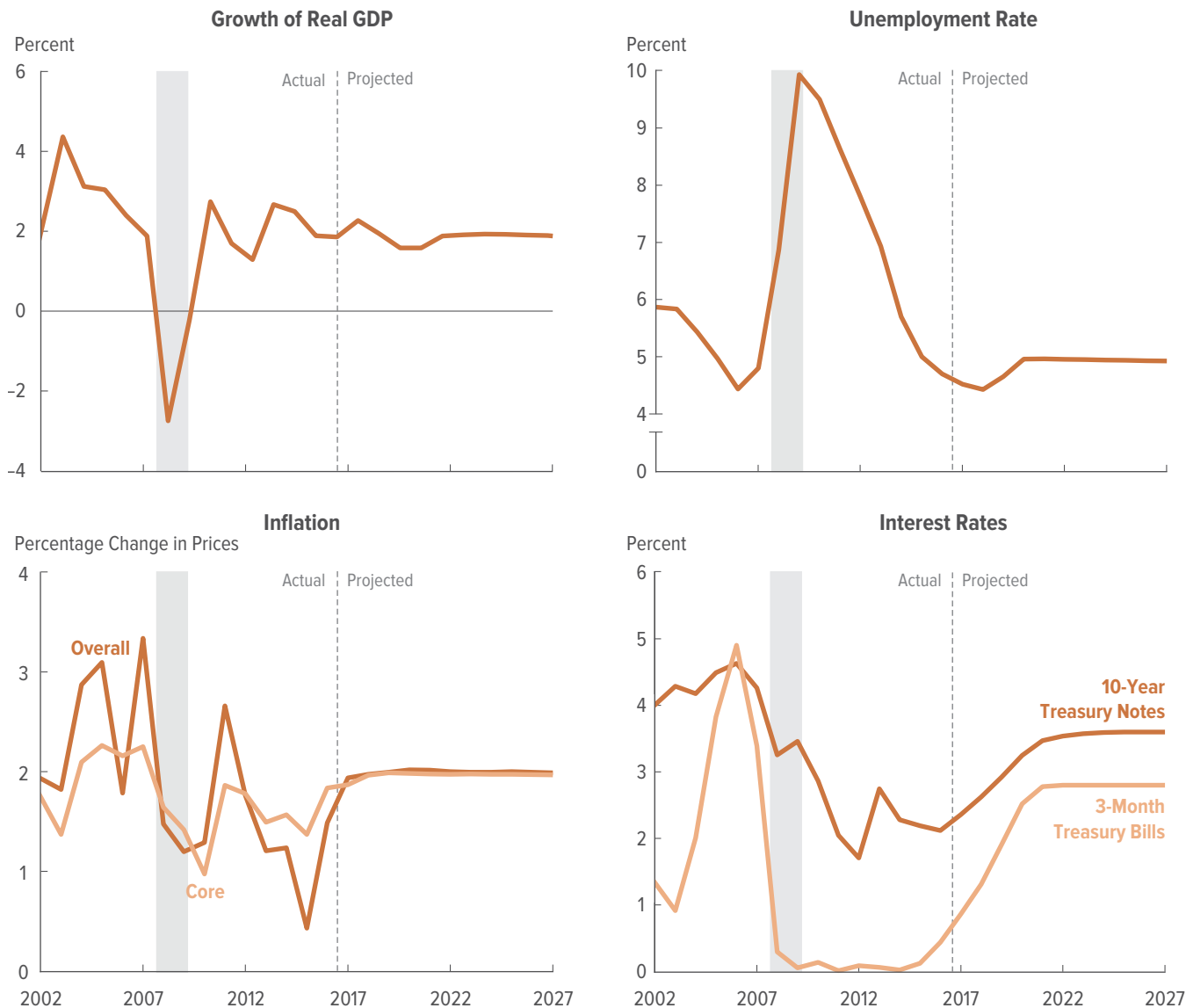
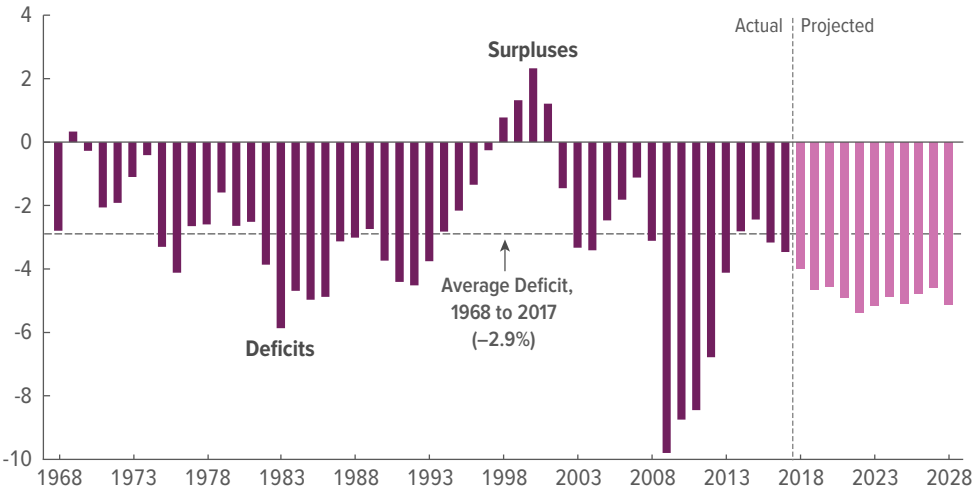


Figure 4-1.

Total Deficits or Surpluses

Percentage of Gross Domestic Product



Deficits as a percentage of gross domestic product are projected to increase over the next few years and then largely stabilize. They exceed their 50-year average throughout the 2018–2028 period.

Source: Congressional Budget Office.

Table 1-1.

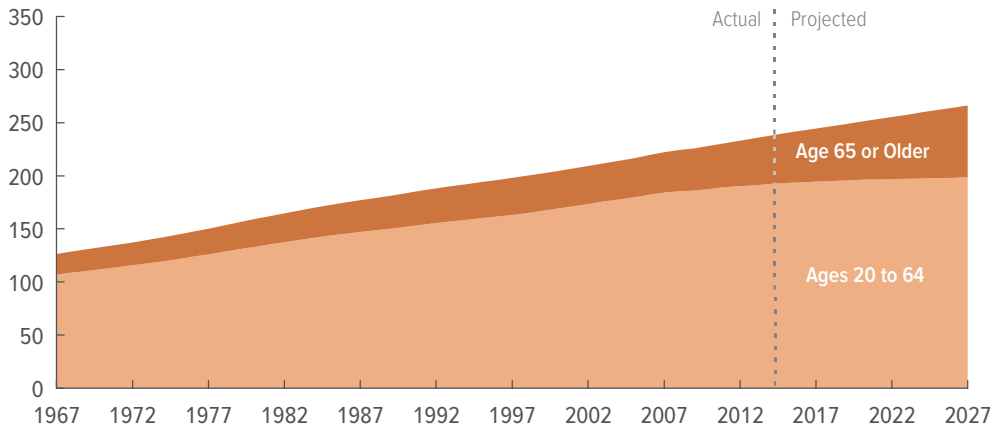
CBO's Baseline Budget Projections, by Category

| | | | | | | | | | | | | | Total | |
|-------------------------------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| | Actual, 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2020– 2024 | 2020– 2029 |
| In Billions of Dollars | | | | | | | | | | | | | | |
| Revenues | | | | | | | | | | | | | | |
| Individual income taxes | 1,684 | 1,698 | 1,800 | 1,895 | 1,981 | 2,076 | 2,171 | 2,272 | 2,501 | 2,731 | 2,838 | 2,962 | 9,923 | 23,227 |
| Payroll taxes | 1,171 | 1,247 | 1,281 | 1,332 | 1,385 | 1,442 | 1,505 | 1,567 | 1,629 | 1,692 | 1,759 | 1,828 | 6,945 | 15,420 |
| Corporate income taxes | 205 | 228 | 245 | 268 | 298 | 335 | 371 | 400 | 409 | 398 | 407 | 415 | 1,517 | 3,547 |
| Other | 271 | 278 | 293 | 298 | 307 | 309 | 345 | 345 | 361 | 385 | 386 | 415 | 1,552 | 3,443 |
| Total | 3,330 | 3,451 | 3,620 | 3,792 | 3,971 | 4,163 | 4,392 | 4,585 | 4,900 | 5,206 | 5,390 | 5,619 | 19,937 | 45,637 |
| On-budget | 2,475 | 2,532 | 2,677 | 2,811 | 2,951 | 3,104 | 3,292 | 3,443 | 3,714 | 3,974 | 4,111 | 4,291 | 14,835 | 34,368 |
| Off-budget ^a | 855 | 919 | 943 | 981 | 1,020 | 1,059 | 1,100 | 1,142 | 1,186 | 1,231 | 1,279 | 1,328 | 5,103 | 11,269 |
| Outlays | | | | | | | | | | | | | | |
| Mandatory | 2,523 | 2,707 | 2,838 | 2,962 | 3,192 | 3,326 | 3,446 | 3,682 | 3,900 | 4,101 | 4,405 | 4,454 | 15,764 | 36,306 |
| Discretionary | 1,262 | 1,332 | 1,400 | 1,446 | 1,481 | 1,513 | 1,543 | 1,584 | 1,622 | 1,661 | 1,706 | 1,736 | 7,382 | 15,690 |
| Net interest | 325 | 372 | 390 | 418 | 456 | 506 | 554 | 602 | 653 | 704 | 758 | 807 | 2,325 | 5,848 |
| Total | 4,109 | 4,411 | 4,628 | 4,826 | 5,130 | 5,344 | 5,543 | 5,869 | 6,174 | 6,466 | 6,868 | 6,997 | 25,470 | 57,845 |
| On-budget ** | 3,261 | 3,505 | 3,661 | 3,794 | 4,027 | 4,166 | 4,287 | 4,533 | 4,763 | 4,969 | 5,277 | 5,309 | 19,935 | 44,785 |
| Off-budget ^a ** | 849 | 906 | 967 | 1,032 | 1,102 | 1,179 | 1,256 | 1,336 | 1,412 | 1,497 | 1,591 | 1,689 | 5,536 | 13,059 |
| Deficit (-) or Surplus | | | | | | | | | | | | | | |
| On-budget ** | -785 | -972 | -984 | -983 | -1,076 | -1,062 | -995 | -1,090 | -1,048 | -995 | -1,167 | -1,017 | -5,100 | -10,417 |
| Off-budget ^a ** | 6 | 12 | -24 | -51 | -83 | -120 | -156 | -194 | -226 | -266 | -312 | -361 | -433 | -1,791 |
| Debt Held by the Public | 15,750 | 16,685 | 17,755 | 18,841 | 20,042 | 21,264 | 22,457 | 23,784 | 25,102 | 26,407 | 27,917 | 29,322 | n.a. | n.a. |
| Memorandum: | | | | | | | | | | | | | | |
| Gross Domestic Product | 20,236 | 21,157 | 22,013 | 22,870 | 23,727 | 24,611 | 25,529 | 26,514 | 27,518 | 28,582 | 29,699 | 30,847 | 118,750 | 261,911 |

Figure 1-6.

Population, by Age Group

Millions of People



The number of people age 65 or older in the United States—now more than twice what it was 50 years ago—is expected to grow by more than one-third over the next 10 years. Thus, enrollment in Social Security’s Old-Age and Survivors Insurance program and Medicare will continue to rise.

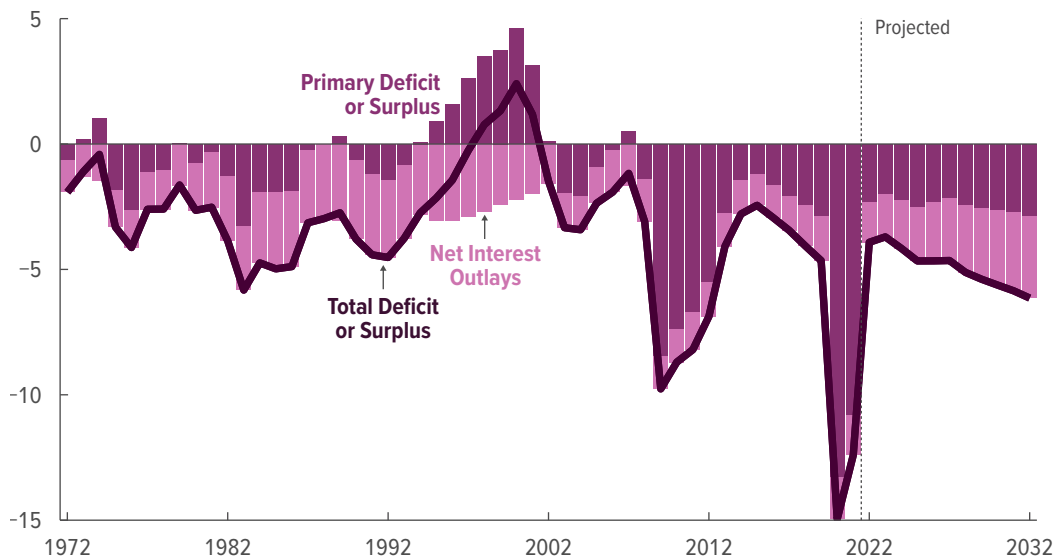
Source: Congressional Budget Office.

This figure shows actual data through calendar year 2014, the most recent year for which such data are available.

Figure 1-1.

Total Deficits, Primary Deficits, and Net Interest Outlays

Percentage of GDP



In CBO's projections, primary and total deficits initially shrink as a percentage of GDP and then generally increase, particularly in the second half of the projection period. The aging of the population and the rising costs of health care boost primary deficits; net interest outlays, which double as a percentage of GDP over the projection period, further increase total deficits.

Data source: Congressional Budget Office. See www.cbo.gov/publication/57950#data.

Primary deficits exclude net outlays for interest.

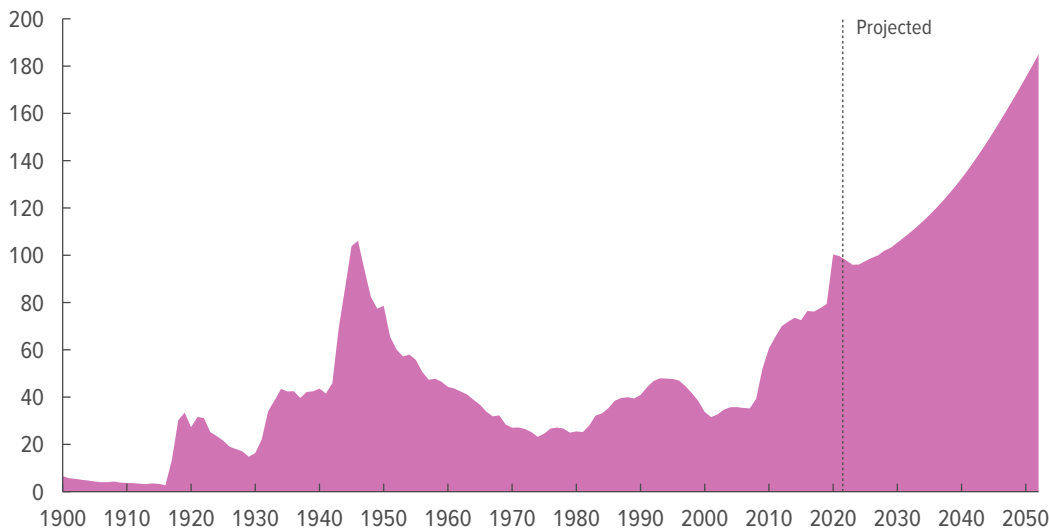
When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that would have ordinarily been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. All projections have been adjusted to exclude the effects of those timing shifts. Historical amounts have been adjusted as far back as the available data will allow.

GDP = gross domestic product.

Figure 1-8.

Federal Debt Held by the Public, 1900 to 2052

Percentage of GDP



Federal debt held by the public is projected to increase in most years in the projection period, reaching 110 percent of GDP in 2032—higher than it has ever been. In the two decades that follow, growing deficits are projected to push federal debt higher still, to 185 percent in 2052.

Data source: Congressional Budget Office. See www.cbo.gov/publication/57950#data.

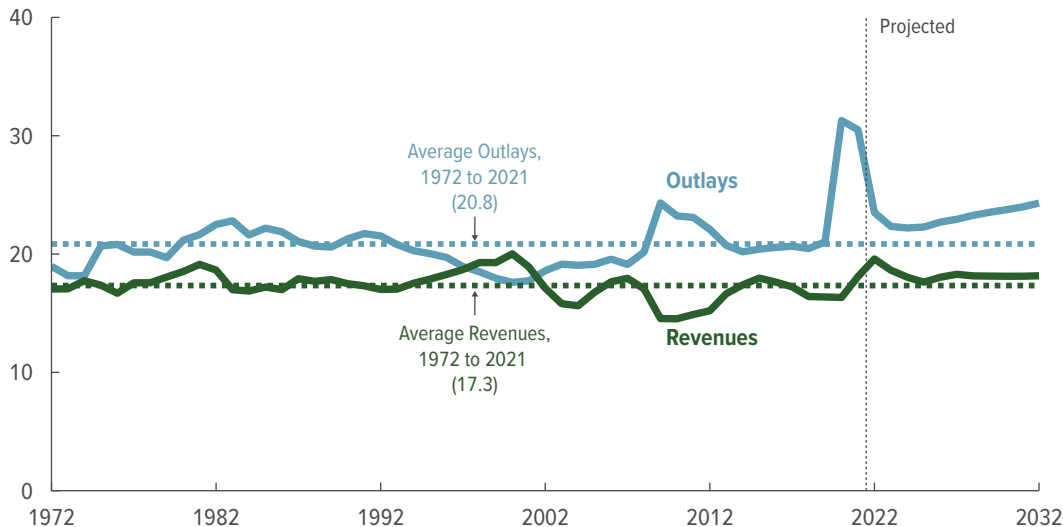
GDP = gross domestic product.

Figure 1-2.

Total Outlays and Revenues

US Federal government only (state and local excluded)

Percentage of Gross Domestic Product

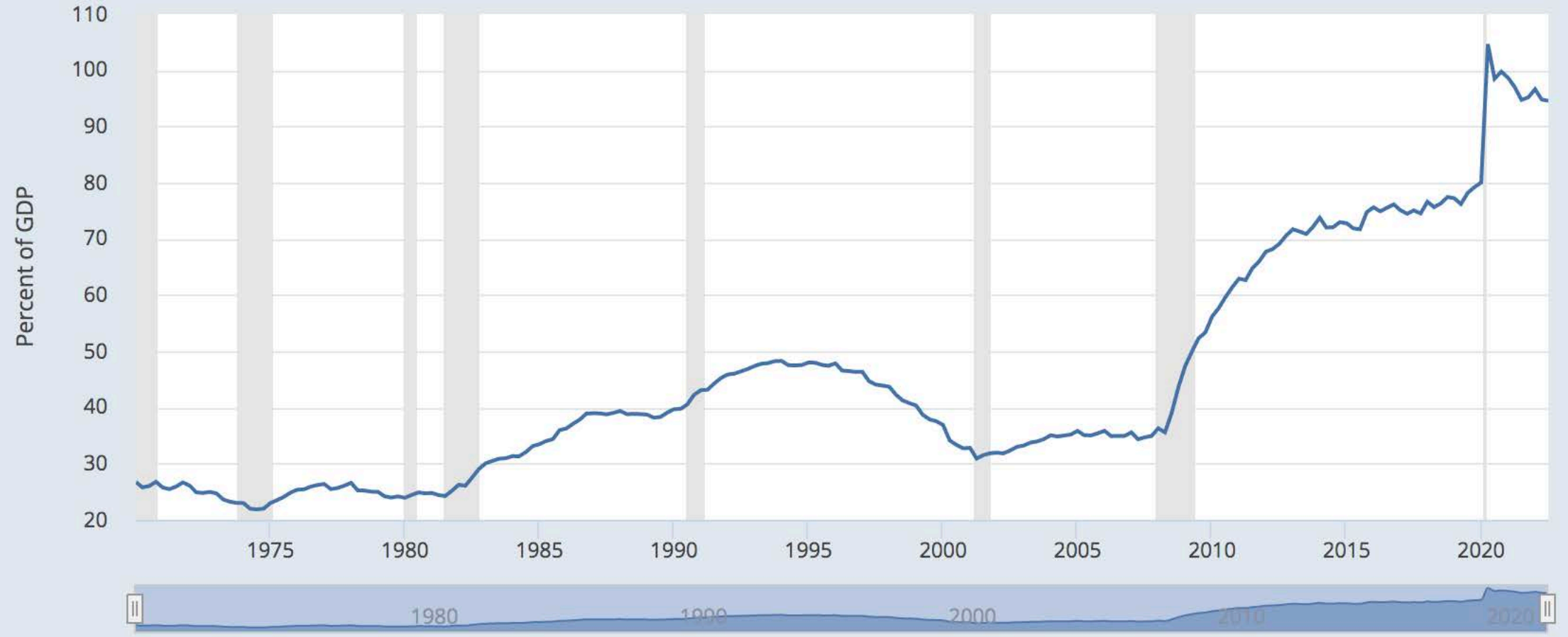


Outlays are projected to drop from recent highs, as pandemic-related spending wanes, and then trend upward, as they did before the pandemic. Revenues are projected to increase sharply this year and then hover around their historical average as a share of the economy.



Sources: OMB; St. Louis Fed

myf.red/g/pEro



Sources: OMB; St. Louis Fed

myf.red/g/lKfK

Federal Debt Held by the Public as Percent of Gross Domestic Product-Federal Debt Held by Federal Reserve Banks as Percent of Gross Domestic Product

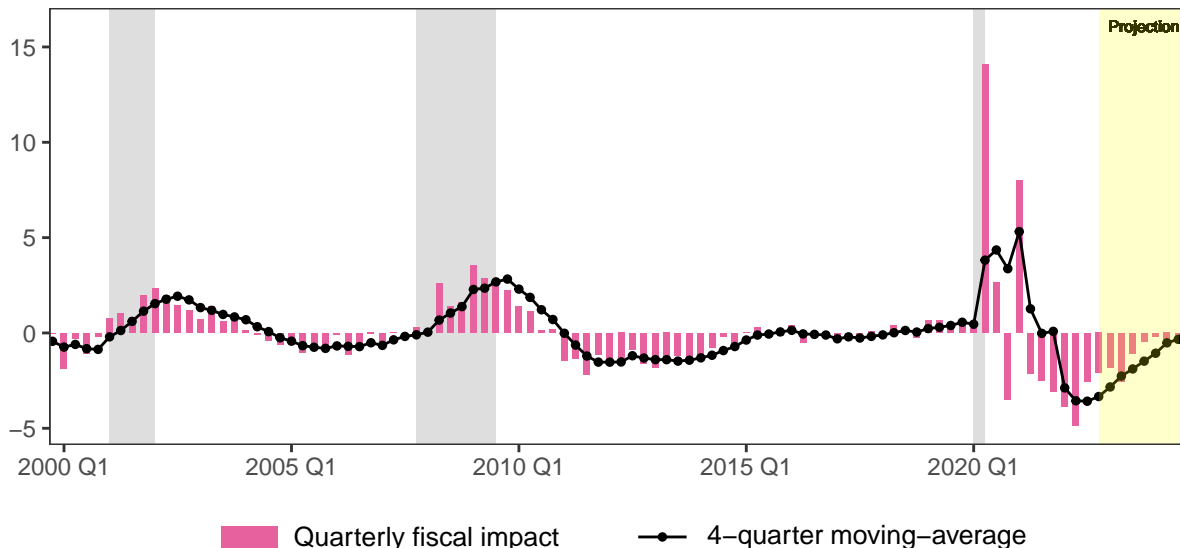


Sources: OMB; St. Louis Fed

myf.red/g/pDQ2

Hutchins Center Fiscal Impact Measure: Total

Fiscal Policy Contribution to Real GDP Growth, percentage points



Source: Hutchins Center calculations from Bureau of Economic Analysis and Congressional Budget Office data; grey shaded areas indicate recessions and yellow shaded areas indicate projection.



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