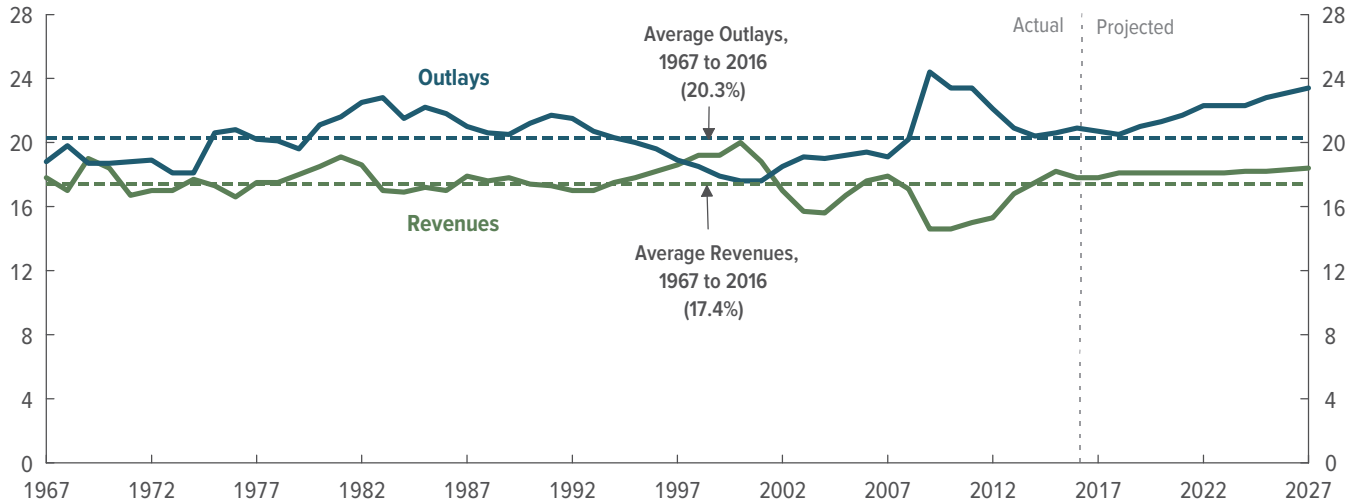


Figure 1-2.

**Total Revenues and Outlays**

Percentage of Gross Domestic Product

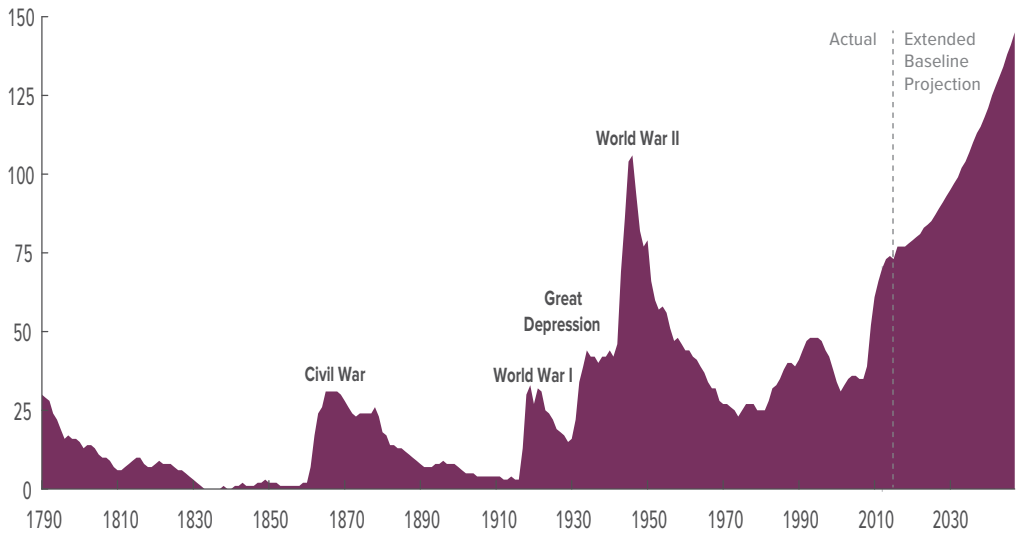


Source: Congressional Budget Office.

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](http://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.

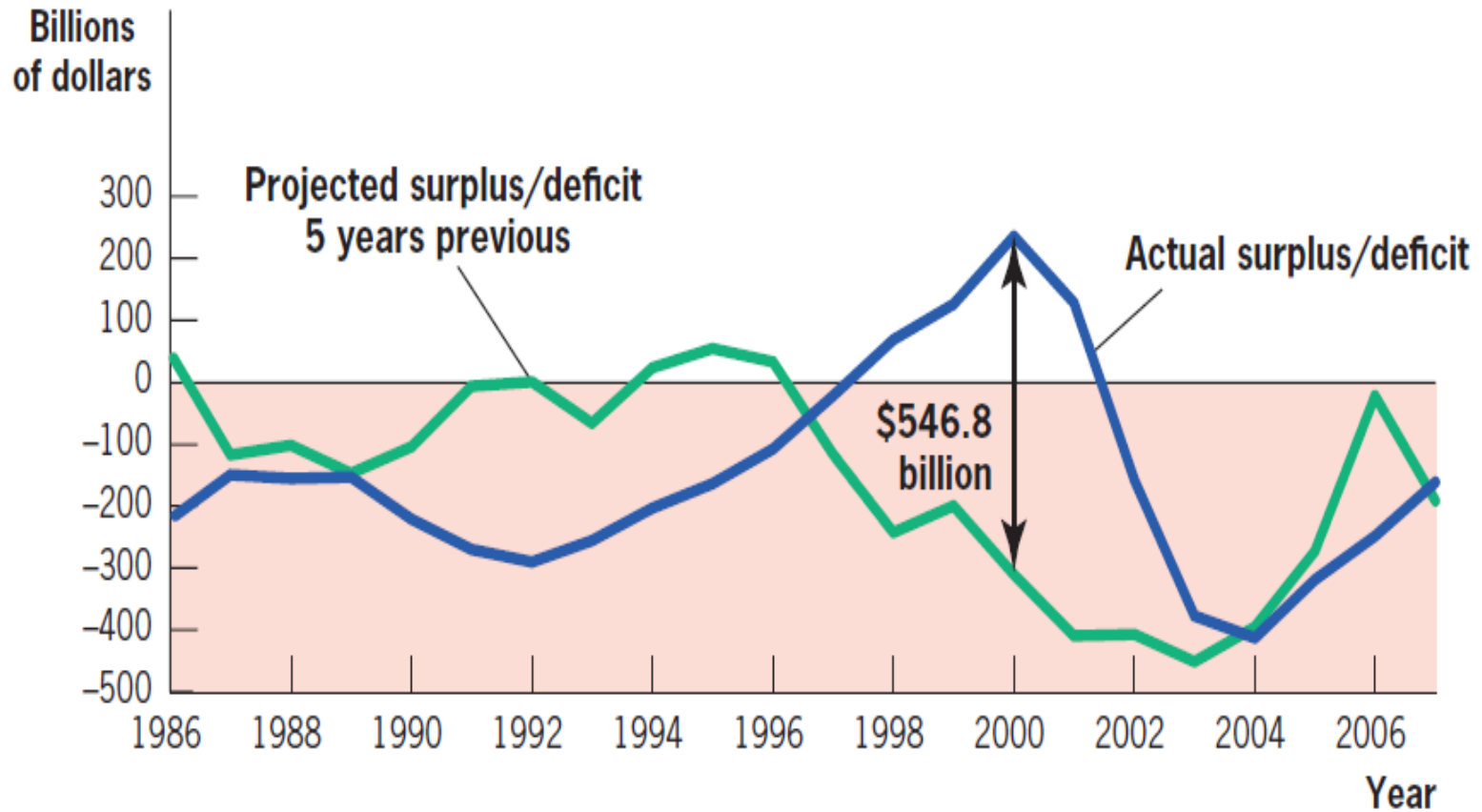
## Application: Efforts to Control the Deficit

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

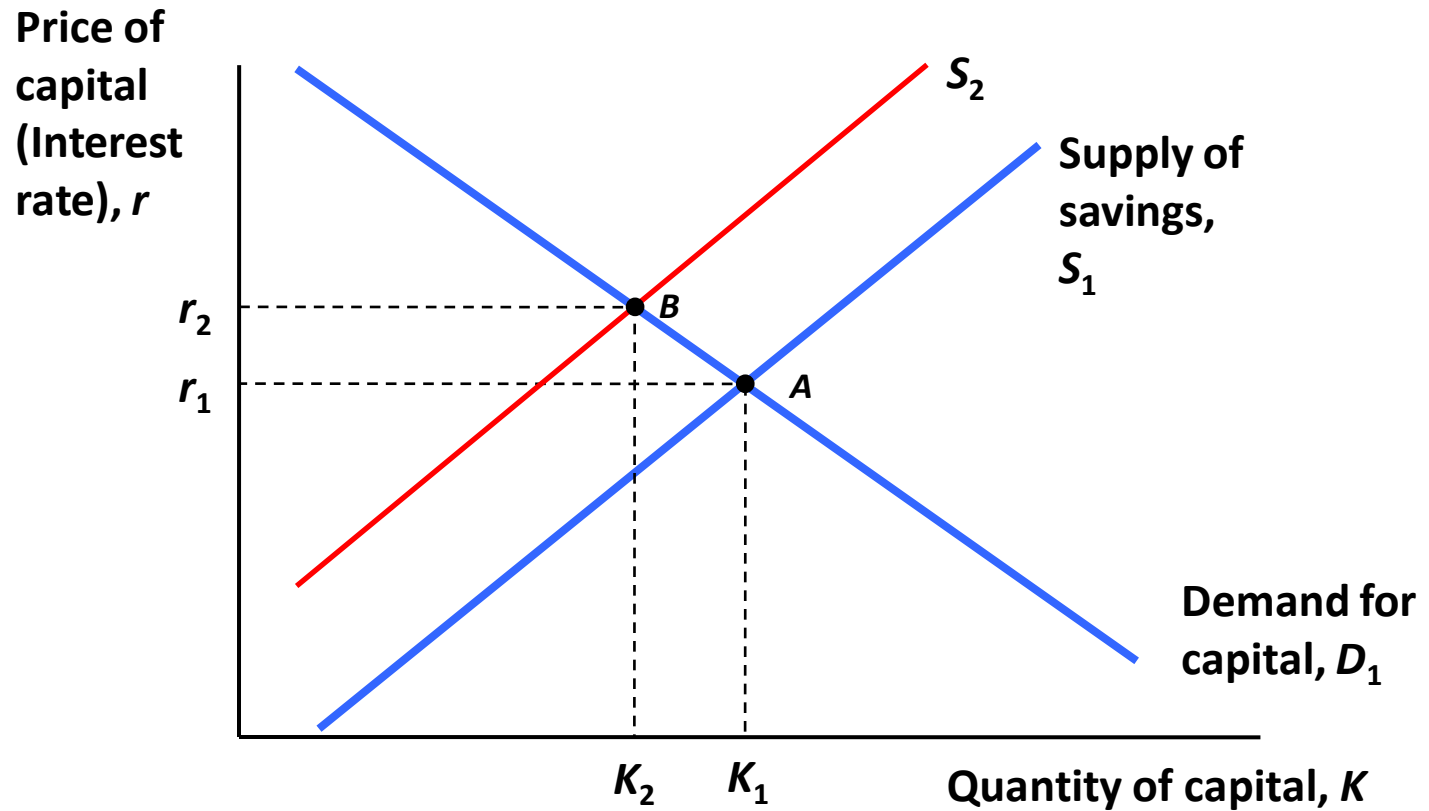


## APPLICATION: The Financial Shenanigans of 2001

- 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.

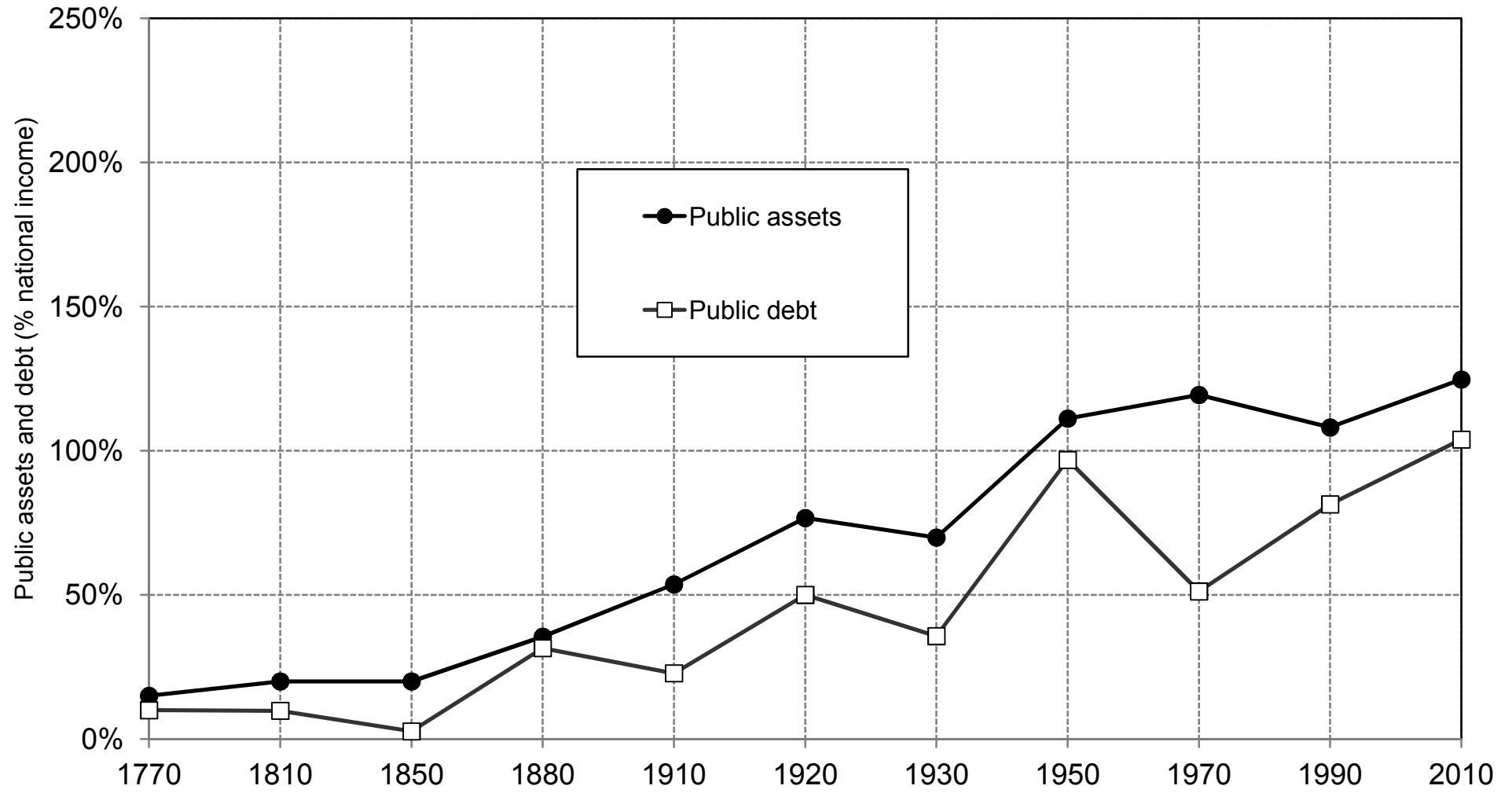
## 4.4

## Capital Market Equilibrium





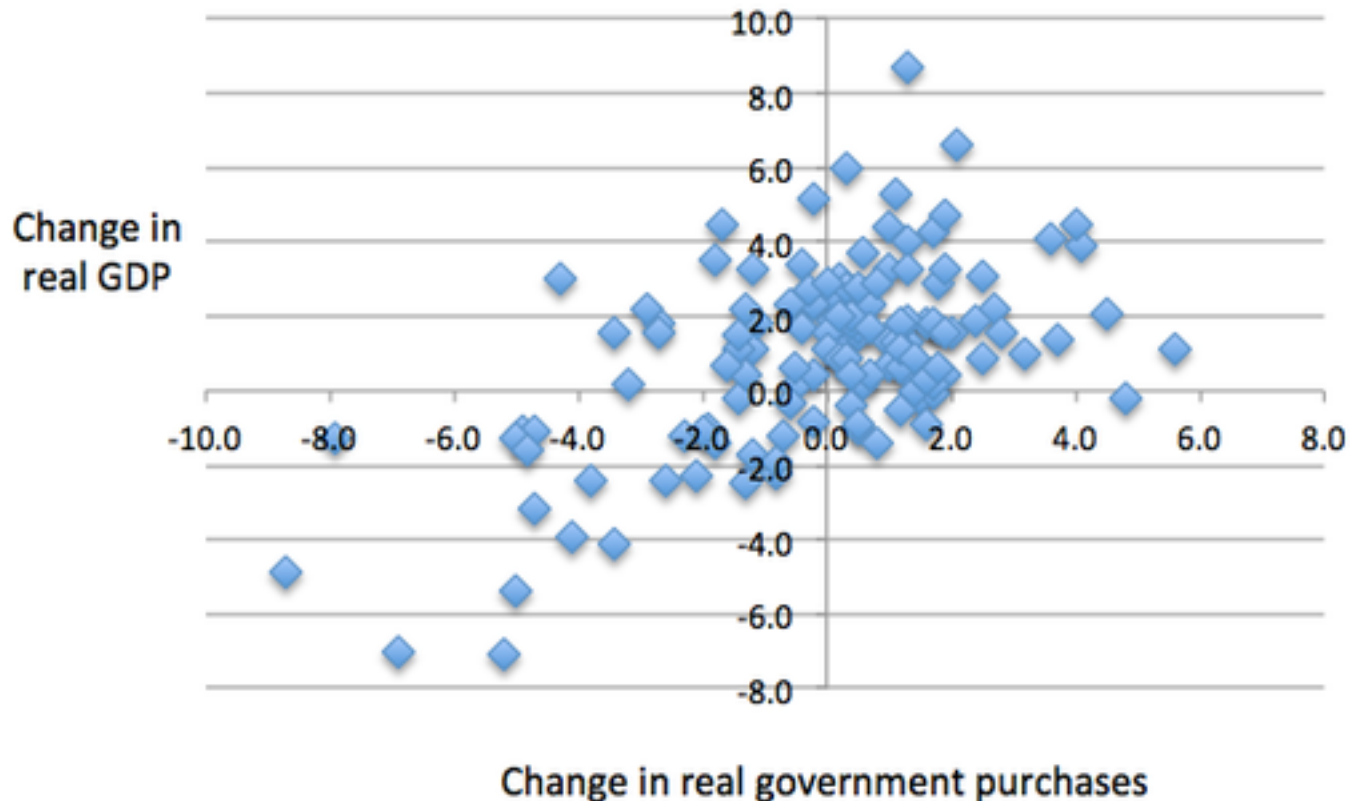
**Figure 4.7. Public wealth in the United States, 1770-2010**



Public debt is worth 1 year of national income in the U.S. in 1950 (almost as much as assets)

Sources and series: see [piketty.pse.ens.fr/capital21c](http://piketty.pse.ens.fr/capital21c)

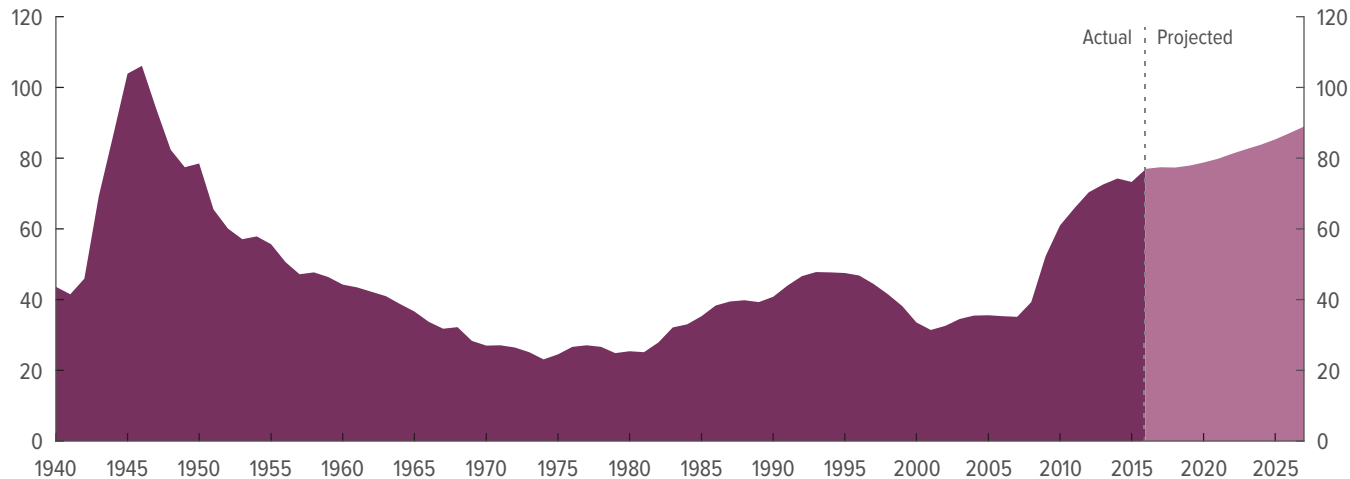
## Government spending and growth, 2010-2013



Summary Figure 1.

## 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.

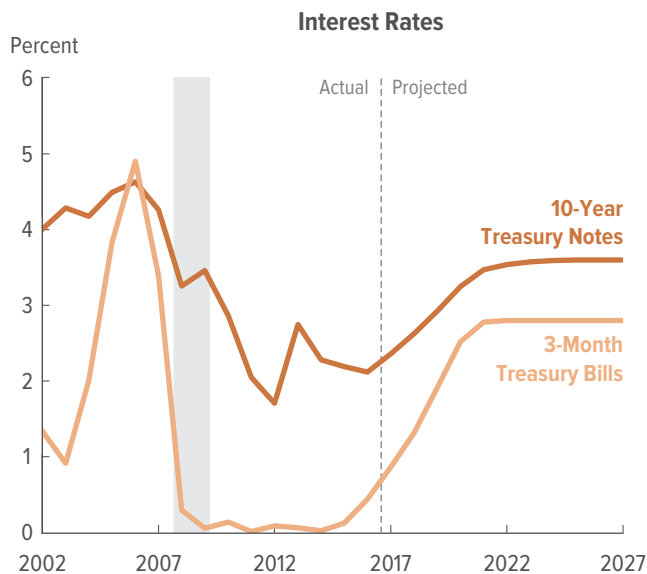
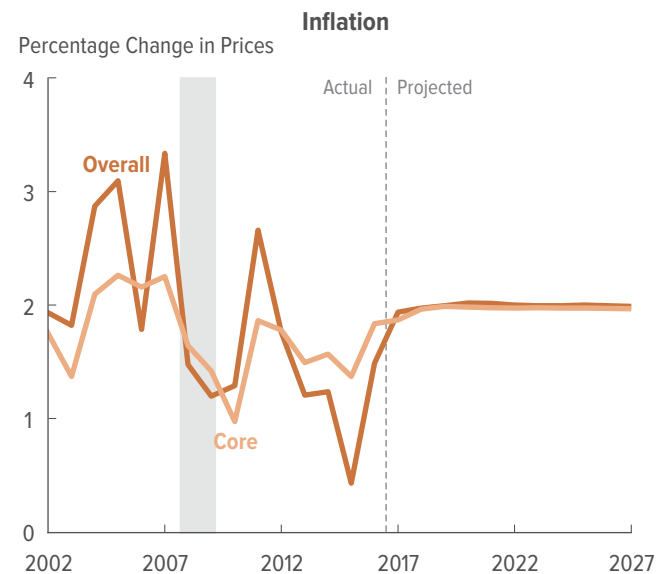
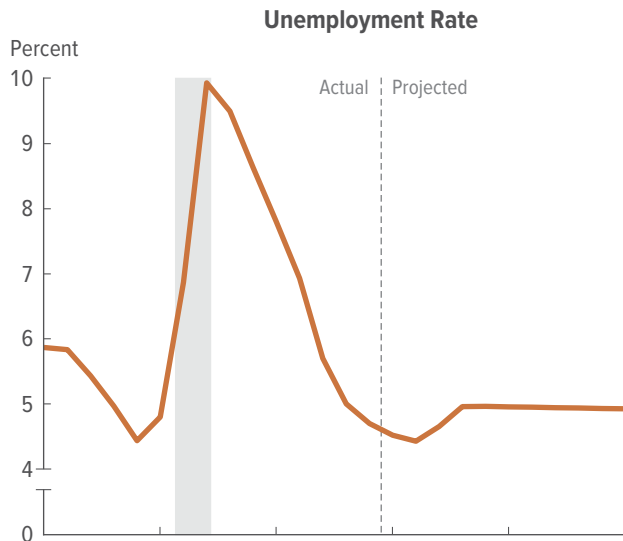
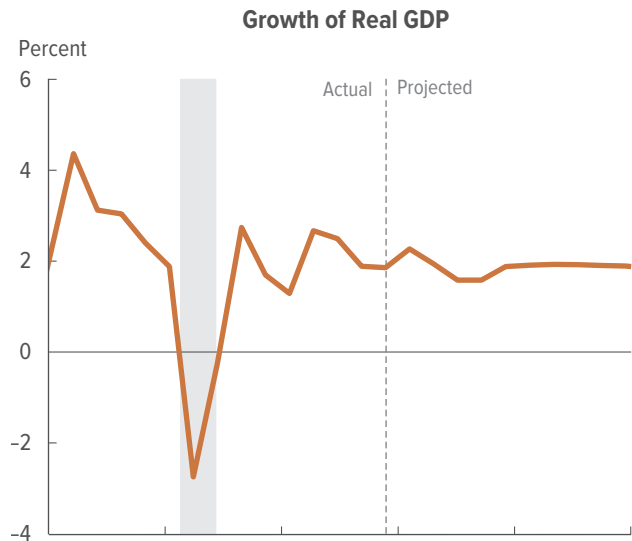
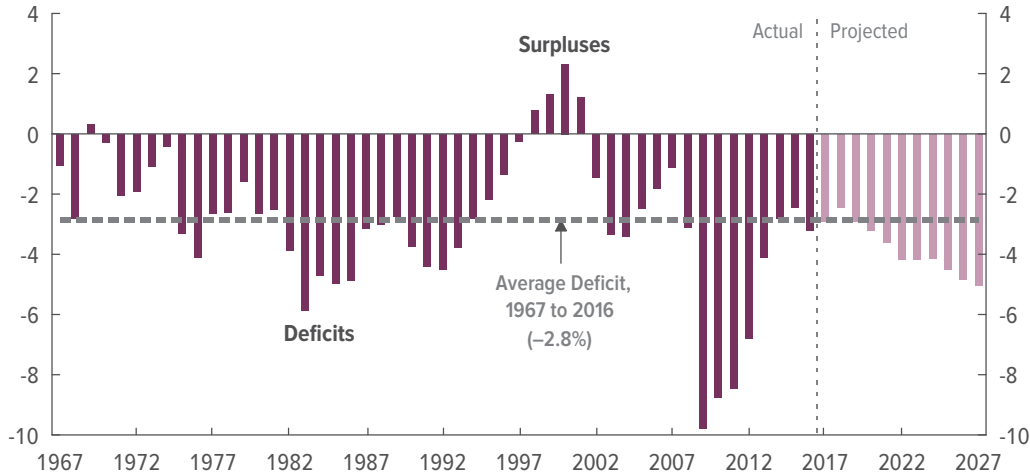


Figure 1-1.

## Total Deficits and Surpluses

Percentage of Gross Domestic Product



Deficits as a percentage of gross domestic product are projected to exceed their 50-year average for most of the 2017–2027 period as spending for Social Security, Medicare, and interest on the federal debt rises faster than revenues.

Source: Congressional Budget Office.

Table 1-1.

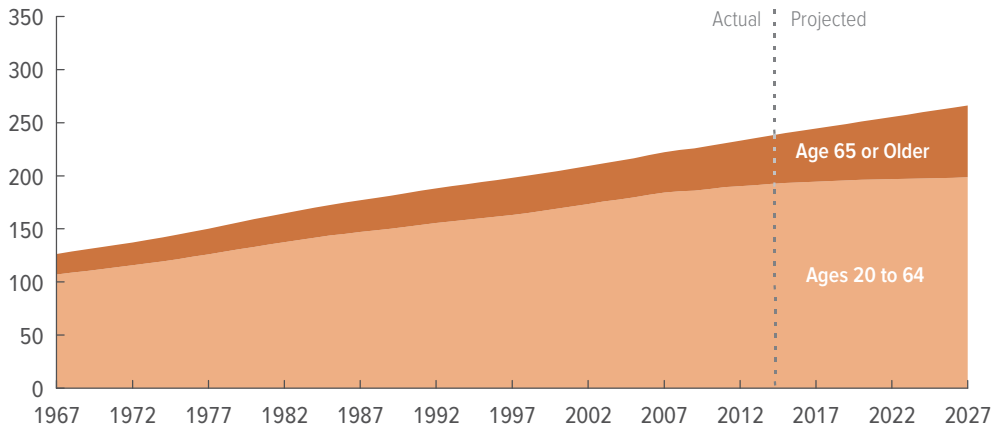
## CBO's Baseline Budget Projections, by Category

	Actual,												Total	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018- 2022	2018- 2027
In Billions of Dollars														
<b>Revenues</b>														
Individual income taxes	1,546	1,651	1,781	1,871	1,957	2,052	2,148	2,249	2,355	2,470	2,590	2,714	9,809	22,187
Payroll taxes	1,115	1,150	1,190	1,230	1,265	1,312	1,364	1,417	1,468	1,525	1,583	1,640	6,361	13,993
Corporate income taxes	300	320	340	352	382	377	381	385	396	408	422	439	1,832	3,882
Other	306	283	293	280	274	278	284	295	308	322	336	347	1,408	3,016
<b>Total</b>	<b>3,267</b>	<b>3,404</b>	<b>3,604</b>	<b>3,733</b>	<b>3,878</b>	<b>4,019</b>	<b>4,176</b>	<b>4,346</b>	<b>4,527</b>	<b>4,724</b>	<b>4,931</b>	<b>5,140</b>	<b>19,410</b>	<b>43,078</b>
On-budget	2,457	2,566	2,734	2,834	2,951	3,060	3,183	3,318	3,462	3,622	3,789	3,958	14,760	32,911
Off-budget <sup>a</sup>	810	838	870	899	928	959	993	1,028	1,064	1,102	1,142	1,182	4,649	10,168
<b>Outlays</b>														
Mandatory	2,429	2,484	2,585	2,764	2,925	3,097	3,329	3,455	3,583	3,827	4,076	4,305	14,700	33,946
Discretionary	1,184	1,209	1,210	1,238	1,257	1,284	1,315	1,340	1,367	1,405	1,439	1,475	6,304	13,330
Net interest	241	270	295	332	380	435	492	550	604	657	714	768	1,934	5,228
<b>Total</b>	<b>3,854</b>	<b>3,963</b>	<b>4,091</b>	<b>4,334</b>	<b>4,562</b>	<b>4,816</b>	<b>5,135</b>	<b>5,346</b>	<b>5,554</b>	<b>5,890</b>	<b>6,228</b>	<b>6,548</b>	<b>22,938</b>	<b>52,504</b>
On-budget	3,078	3,157	3,227	3,409	3,575	3,761	4,008	4,143	4,271	4,524	4,774	5,000	17,980	40,692
Off-budget <sup>a</sup>	776	806	864	925	987	1,055	1,127	1,204	1,283	1,366	1,454	1,548	4,958	11,812
<b>Deficit (-) or Surplus</b>	<b>-587</b>	<b>-559</b>	<b>-487</b>	<b>-601</b>	<b>-684</b>	<b>-797</b>	<b>-959</b>	<b>-1,000</b>	<b>-1,027</b>	<b>-1,165</b>	<b>-1,297</b>	<b>-1,408</b>	<b>-3,528</b>	<b>-9,426</b>
On-budget	-621	-591	-494	-575	-624	-701	-826	-825	-809	-902	-985	-1,042	-3,219	-7,781
Off-budget <sup>a</sup>	34	32	6	-26	-60	-96	-134	-176	-218	-264	-312	-366	-309	-1,645
Debt Held by the Public	14,168	14,838	15,416	16,092	16,845	17,704	18,721	19,776	20,858	22,078	23,430	24,893	n.a.	n.a.
<b>Memorandum:</b>														
Gross Domestic Product	18,403	19,157	19,926	20,661	21,378	22,168	23,037	23,948	24,899	25,889	26,917	27,985	107,171	236,809

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.