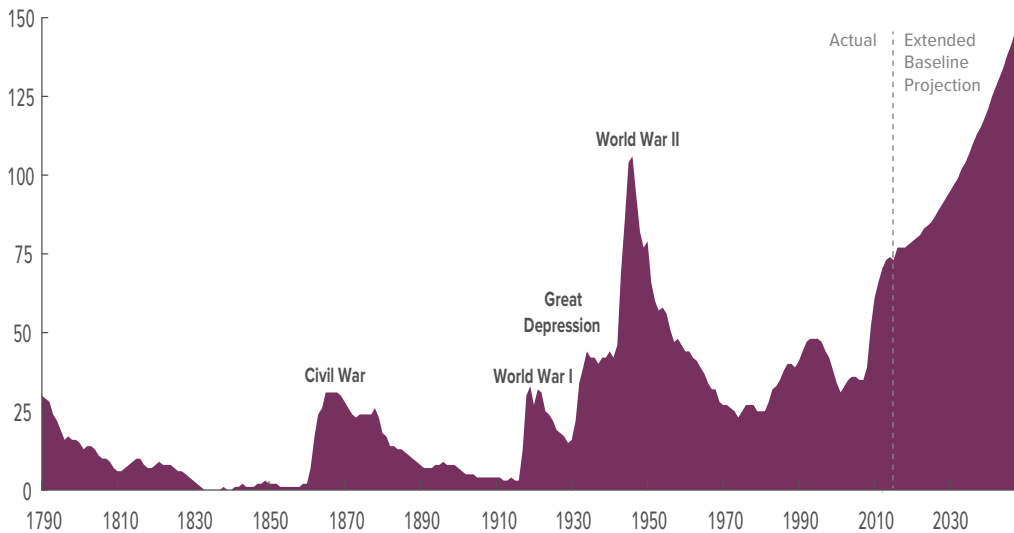


Source: Congressional Budget Office.

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.

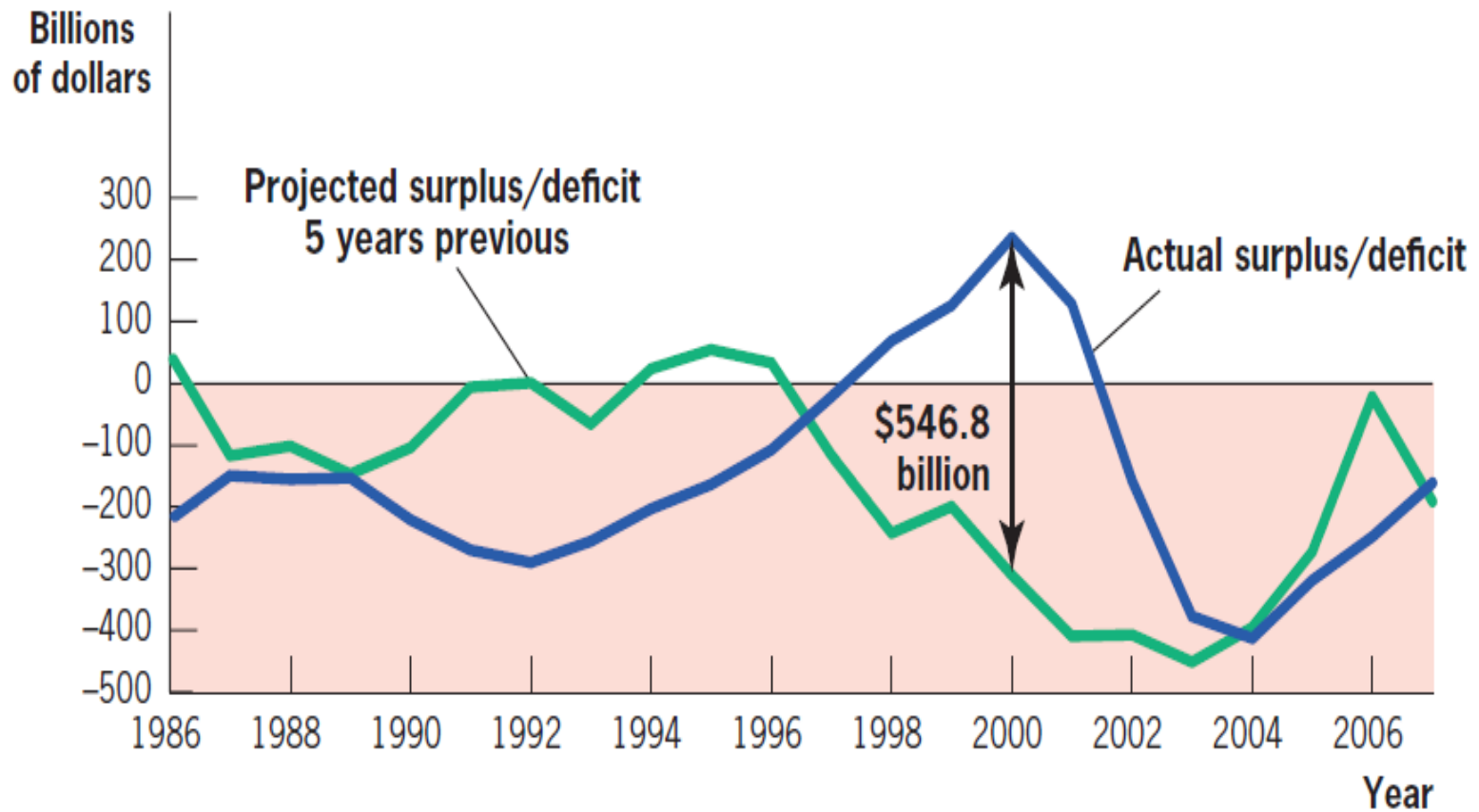
## Application: Efforts to Control the Deficit

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

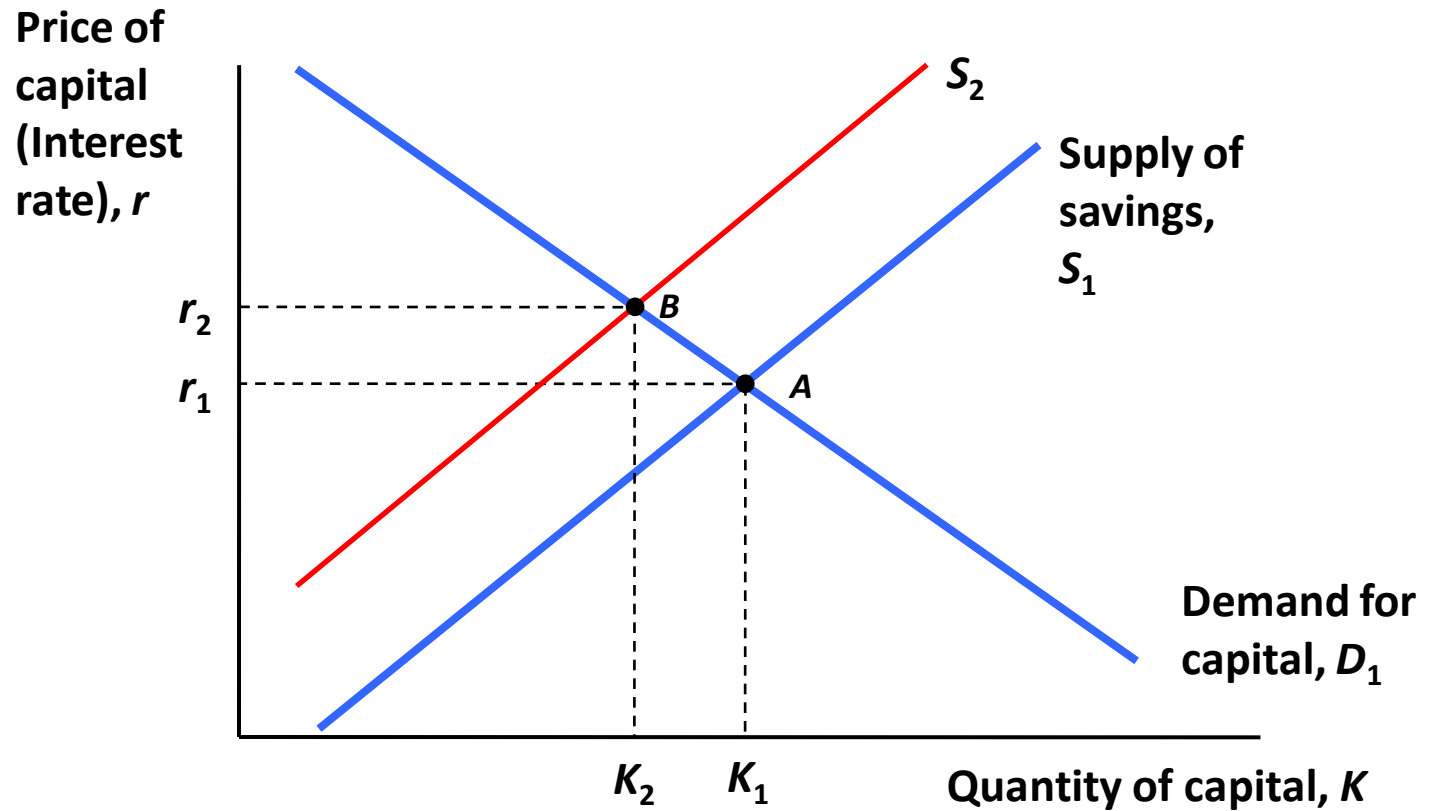


## APPLICATION: The Financial Shenanigans of 2001

- 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.

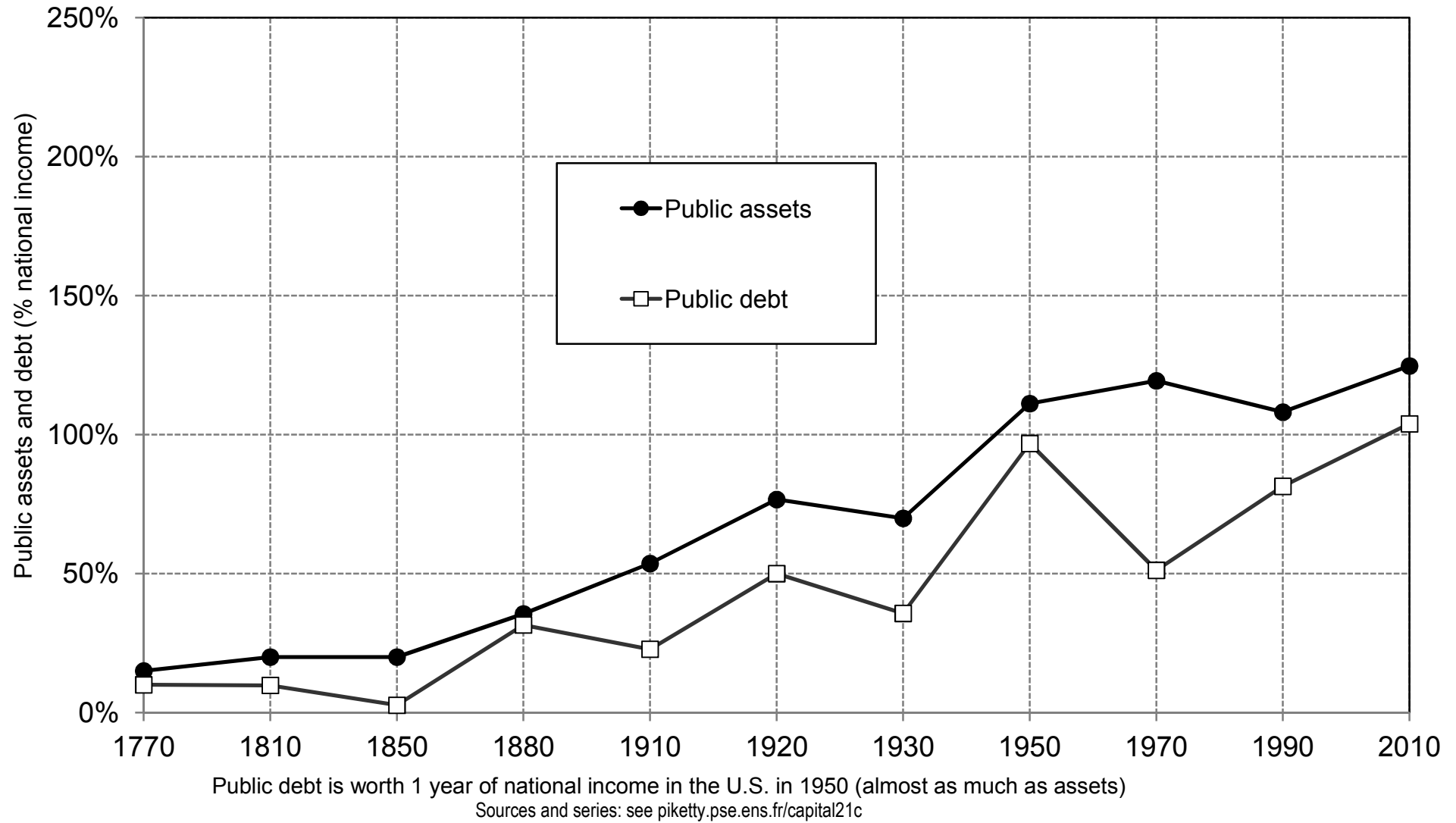
## 4.4

## Capital Market Equilibrium

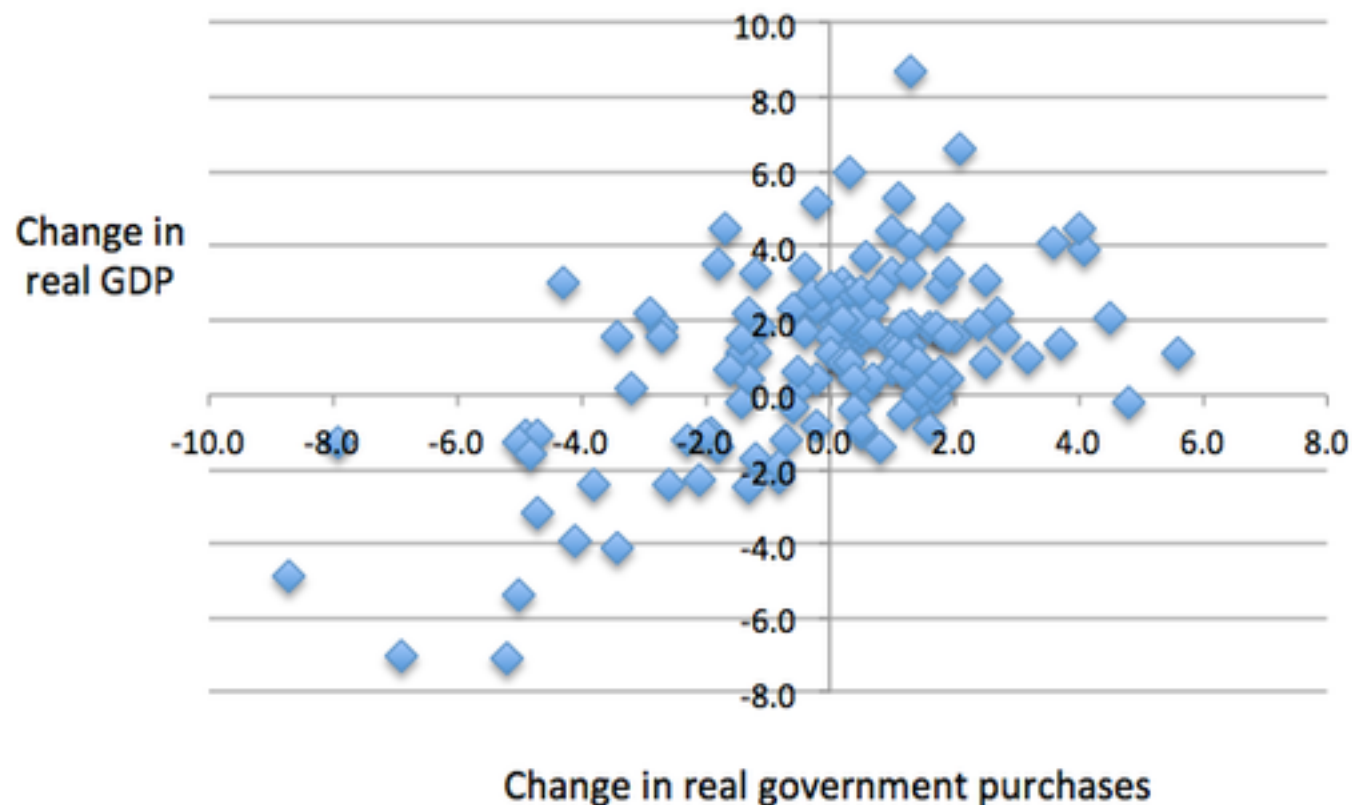




**Figure 4.7. Public wealth in the United States, 1770-2010**



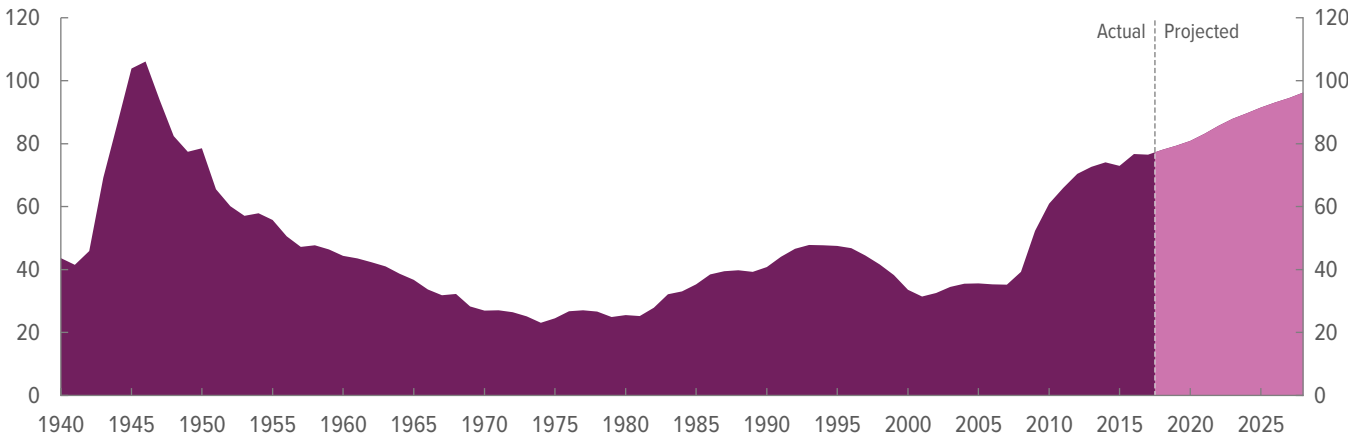
Government spending and growth, 2010-2013



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.

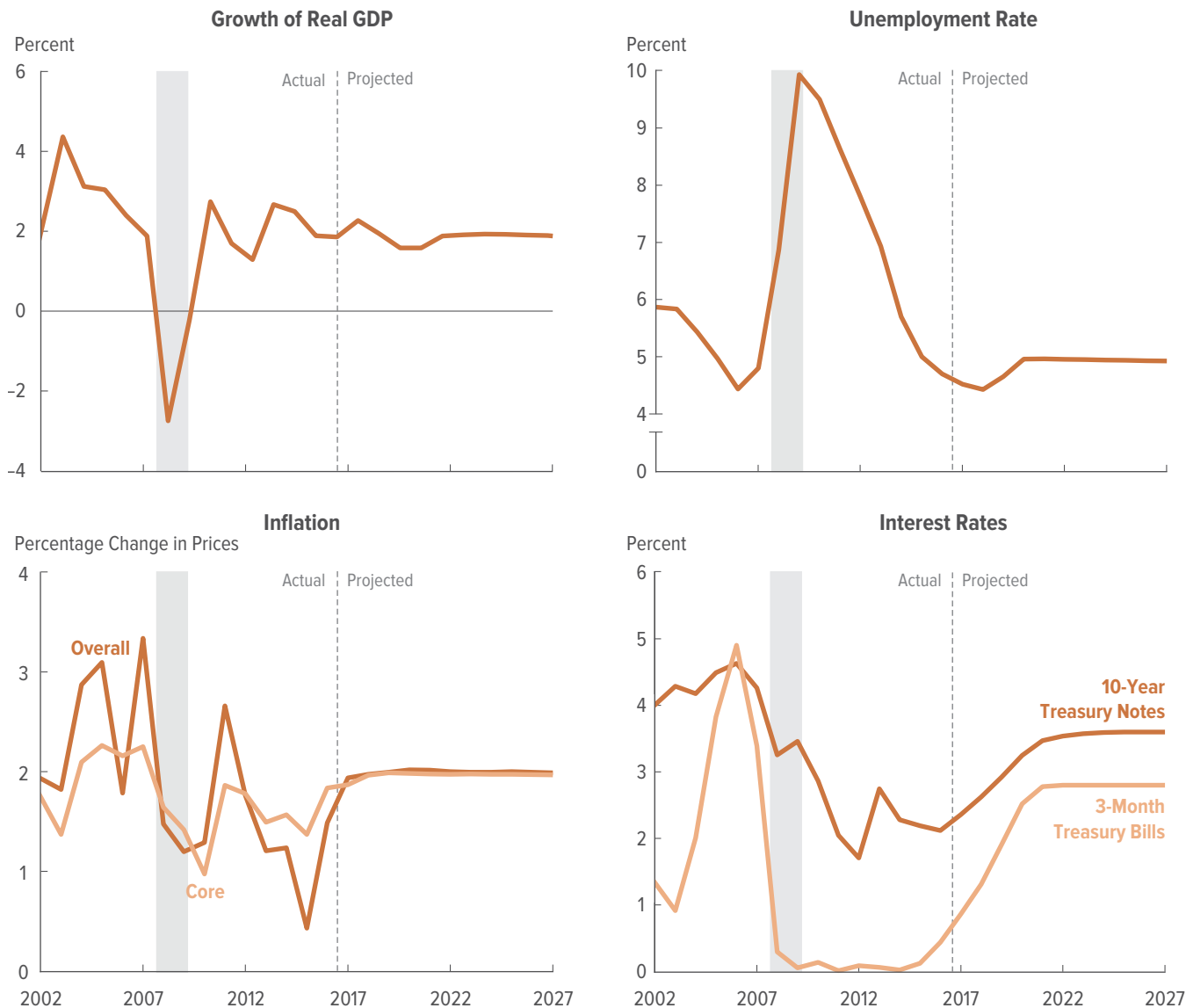
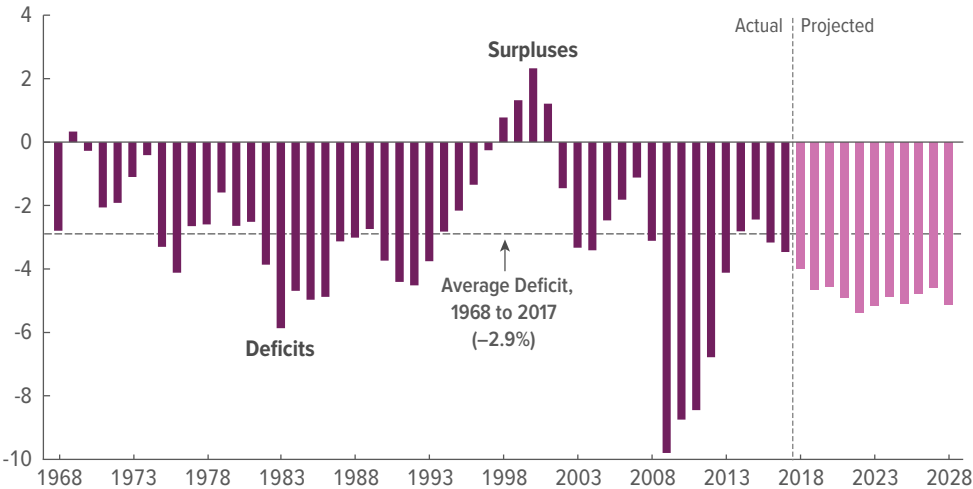


Figure 4-1.

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.

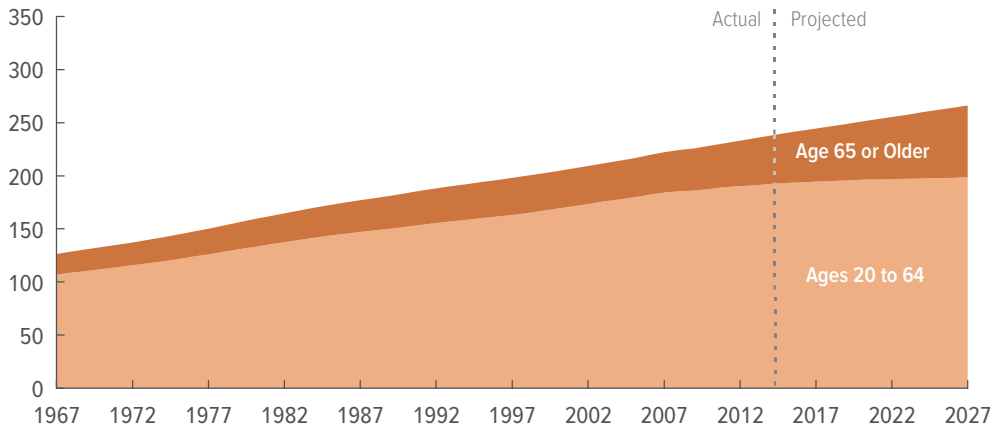
## CBO's Baseline Budget Projections, by Category

													Total	
	Actual, 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020– 2024	2020– 2029
In Billions of Dollars														
<b>Revenues</b>														
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
<b>Total</b>	<b>3,330</b>	<b>3,451</b>	<b>3,620</b>	<b>3,792</b>	<b>3,971</b>	<b>4,163</b>	<b>4,392</b>	<b>4,585</b>	<b>4,900</b>	<b>5,206</b>	<b>5,390</b>	<b>5,619</b>	<b>19,937</b>	<b>45,637</b>
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 <sup>a</sup>	855	919	943	981	1,020	1,059	1,100	1,142	1,186	1,231	1,279	1,328	5,103	11,269
<b>Outlays</b>														
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
<b>Total</b>	<b>4,109</b>	<b>4,411</b>	<b>4,628</b>	<b>4,826</b>	<b>5,130</b>	<b>5,344</b>	<b>5,543</b>	<b>5,869</b>	<b>6,174</b>	<b>6,466</b>	<b>6,868</b>	<b>6,997</b>	<b>25,470</b>	<b>57,845</b>
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 <sup>a</sup> **	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
<b>Deficit (-) or Surplus</b>														
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 <sup>a</sup> **	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.
<b>Memorandum:</b>														
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.

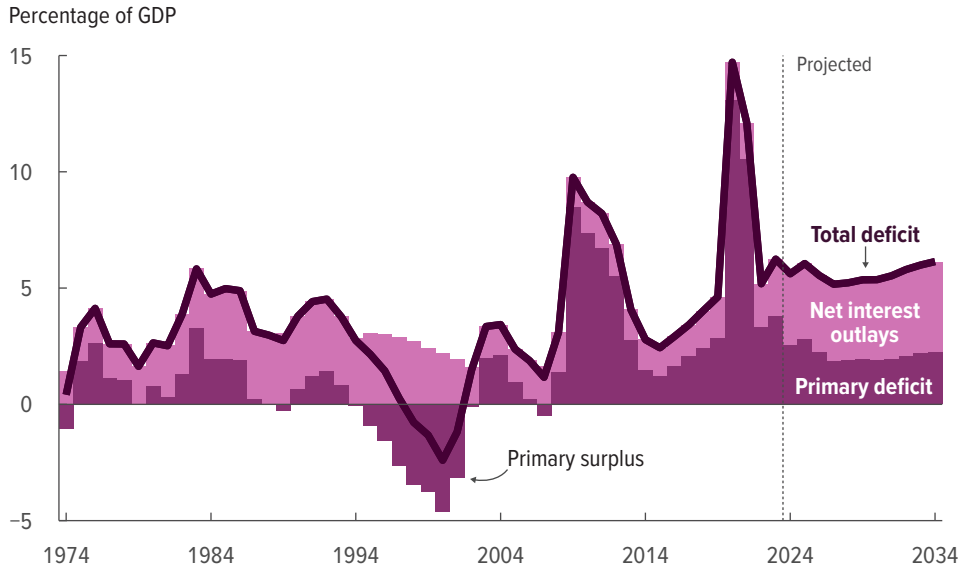
Source: Congressional Budget Office.

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

## Total Deficit, Net Interest Outlays, and Primary Deficit

In CBO's projections, the total budget deficit—the amount by which outlays exceed revenues—equals 6.1 percent of GDP in 2034. Net interest payments grow in relation to GDP, reaching 3.9 percent of GDP in 2034. Primary deficits (which exclude net outlays for interest) increase in 2025, decline over the next few years, and then increase again.

See Figure 1-1 on page 12.





# Federal Debt Held by the Public

Federal debt held by the public increases each year in CBO's projections, swelling to an all-time record of 116 percent of GDP in 2034. In the two decades that follow, growing deficits cause debt to soar to 172 percent of GDP by 2054.

See Figure 1-2 on page 15.

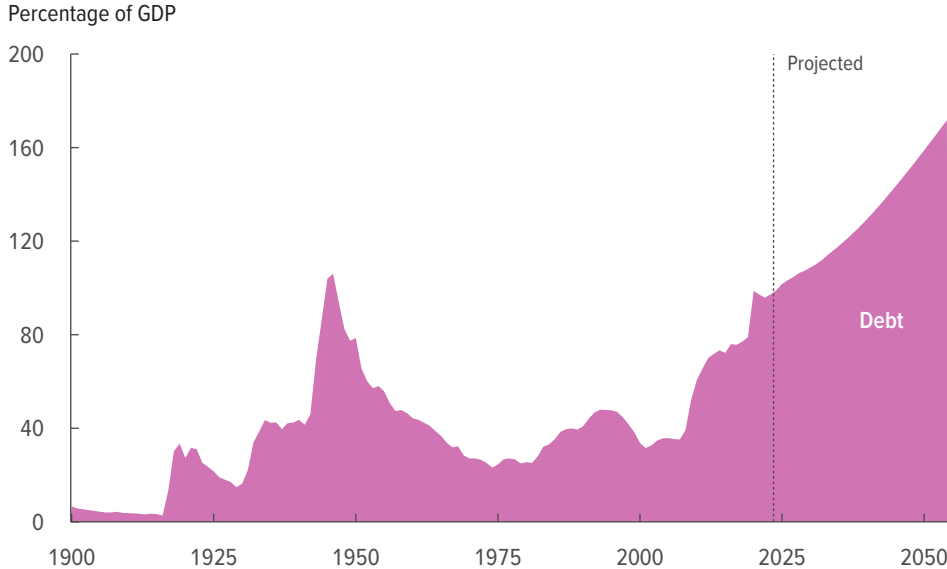
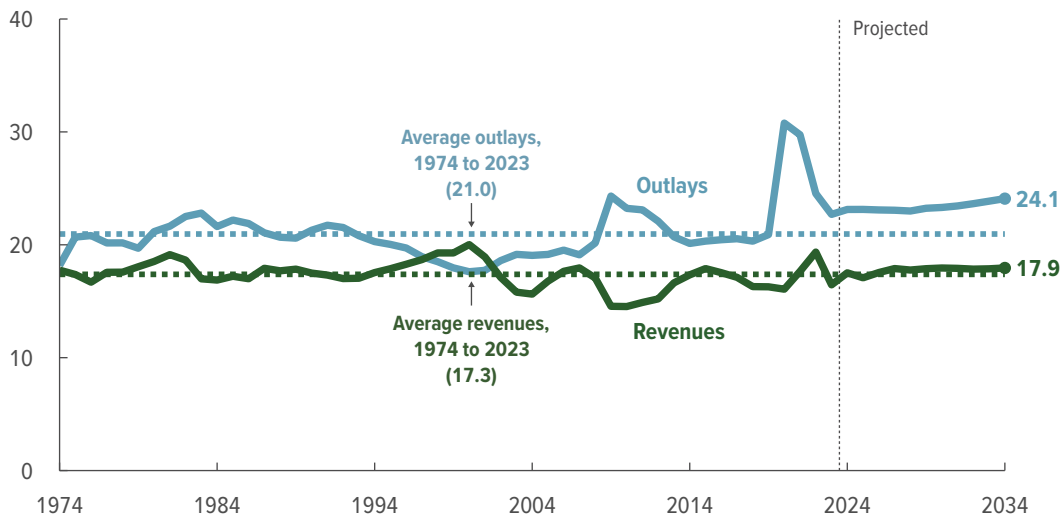


Figure 1-3.

## Total Federal Outlays and Revenues

Federal government only (state+local excluded)

Percentage of GDP

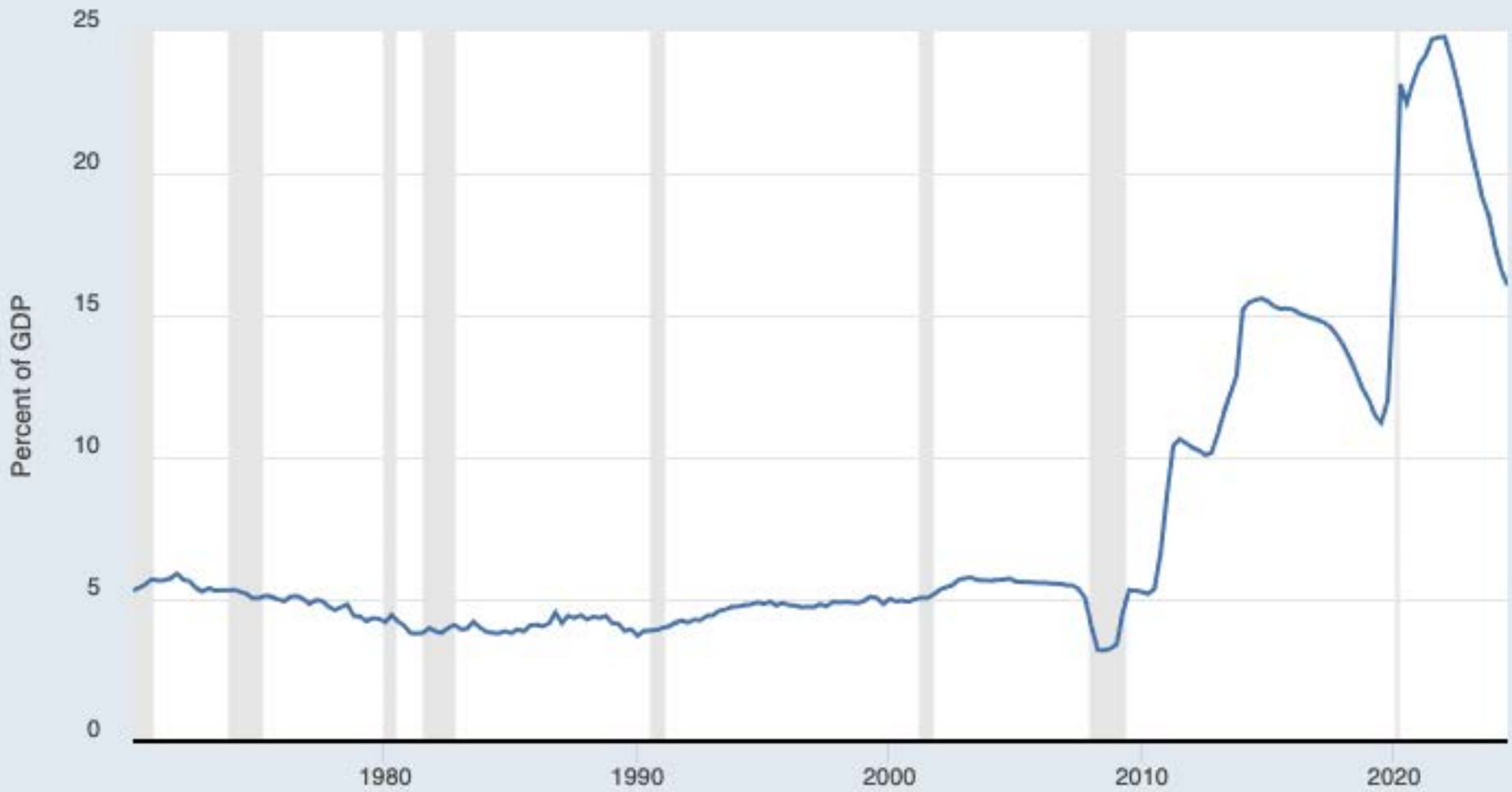


Measured as a percentage of GDP, projected outlays remain about the same for the next several years as growth in outlays for interest payments is offset by decreases in discretionary spending. Over the 2024–2034 period, outlays exceed their 50-year average by more than revenues exceed their historical average.

Data source: Congressional Budget Office. See [www.cbo.gov/publication/59710#data](https://www.cbo.gov/publication/59710#data).

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 presented here 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.



Sources: Federal Reserve Bank of St. Louis; U.S. Office of Management and Budget



Sources: Federal Reserve Bank of St. Louis; U.S. Office of Management and Budget

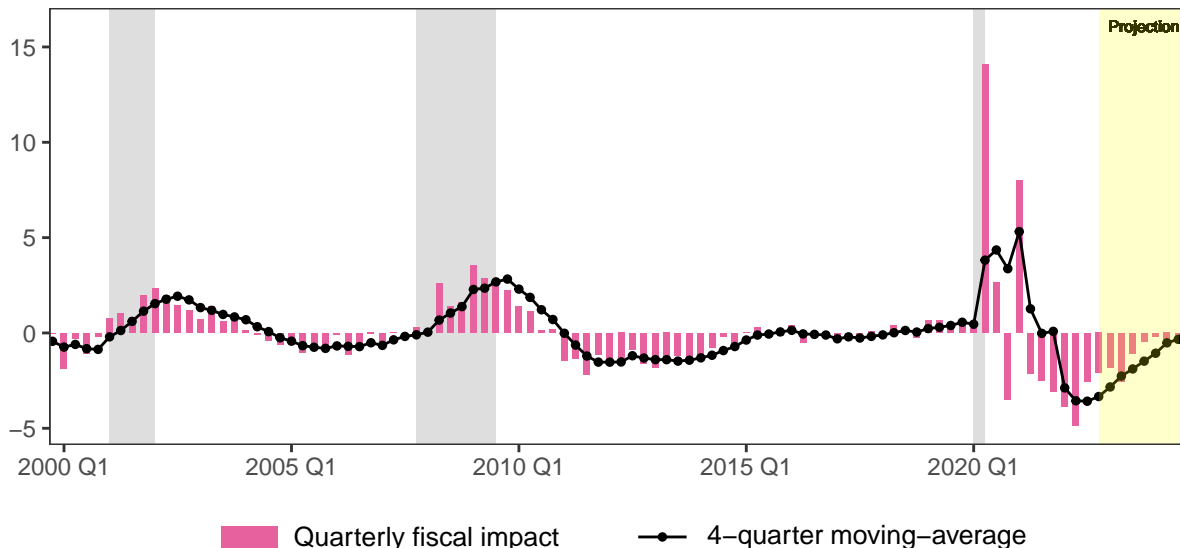
Federal Debt Held by the Public as Percent of Gross Domestic Product-Federal Debt Held by Federal Reserve Banks as Percent of Gross Domestic Product



Sources: Federal Reserve Bank of St. Louis; U.S. Office of Management and Budget

# 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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