

# U.S. Fiscal Outlook

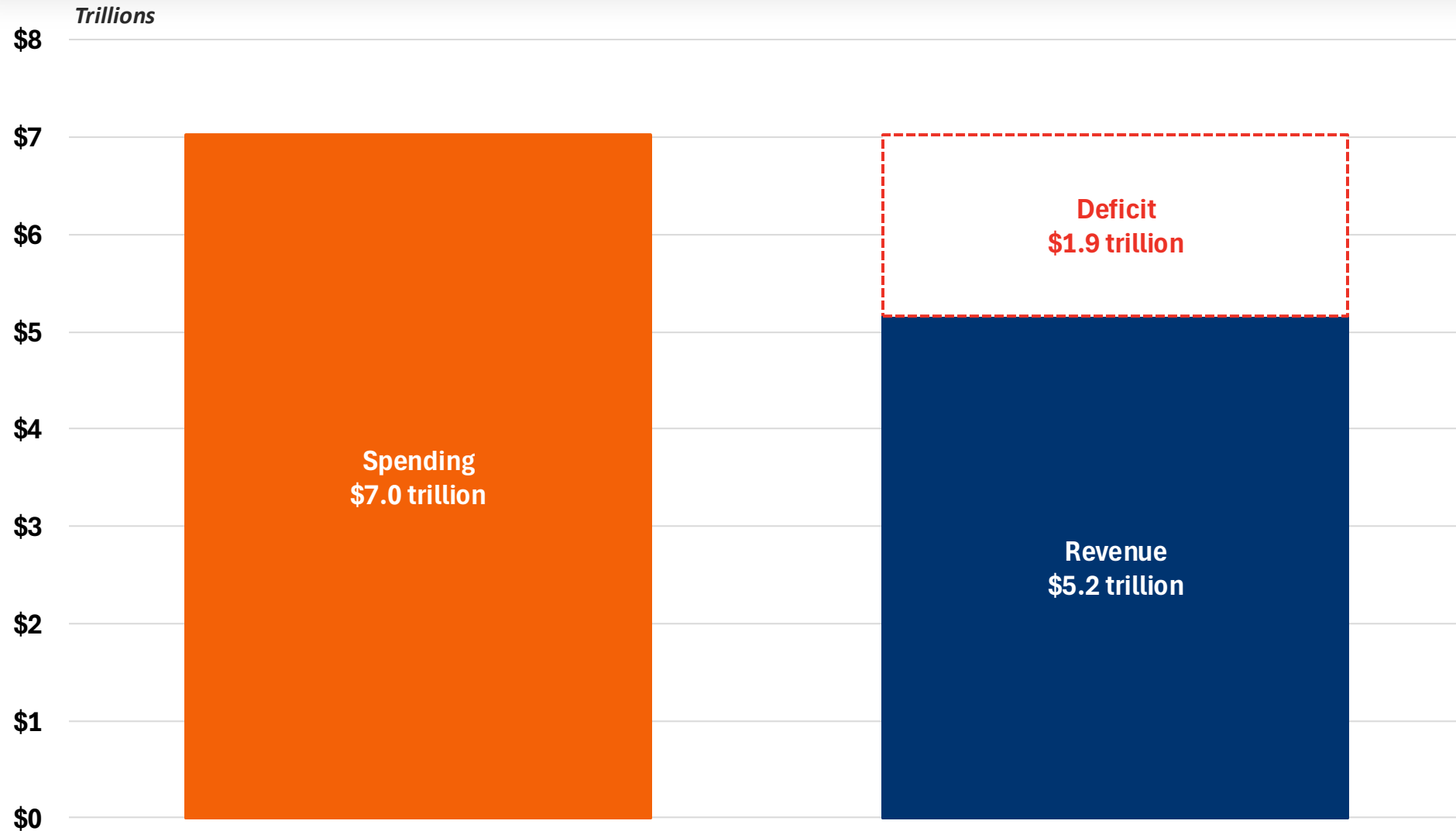
Utah Taxpayers Association  
Taxes Now Conference



**COMMITTEE FOR A  
RESPONSIBLE FEDERAL BUDGET**

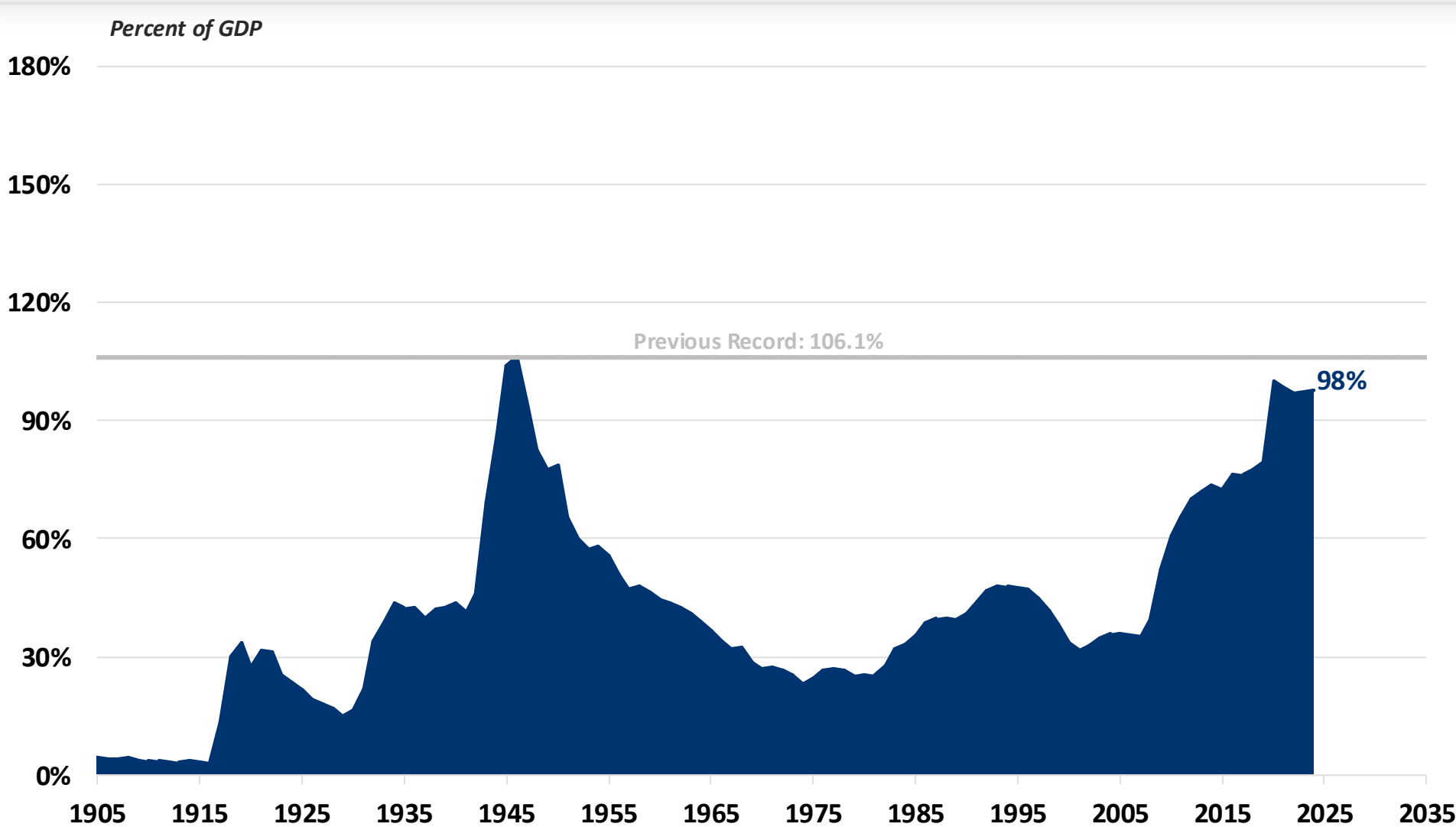
*CRFB.org*

# This Year We Will Borrow \$1.9 Trillion to Cover the Deficit



- This year, our annual deficit will be \$1.9 trillion, which is the largest outside of a pandemic or other emergency
- Every \$1 of new borrowing reduces investment in the economy by 33 cents

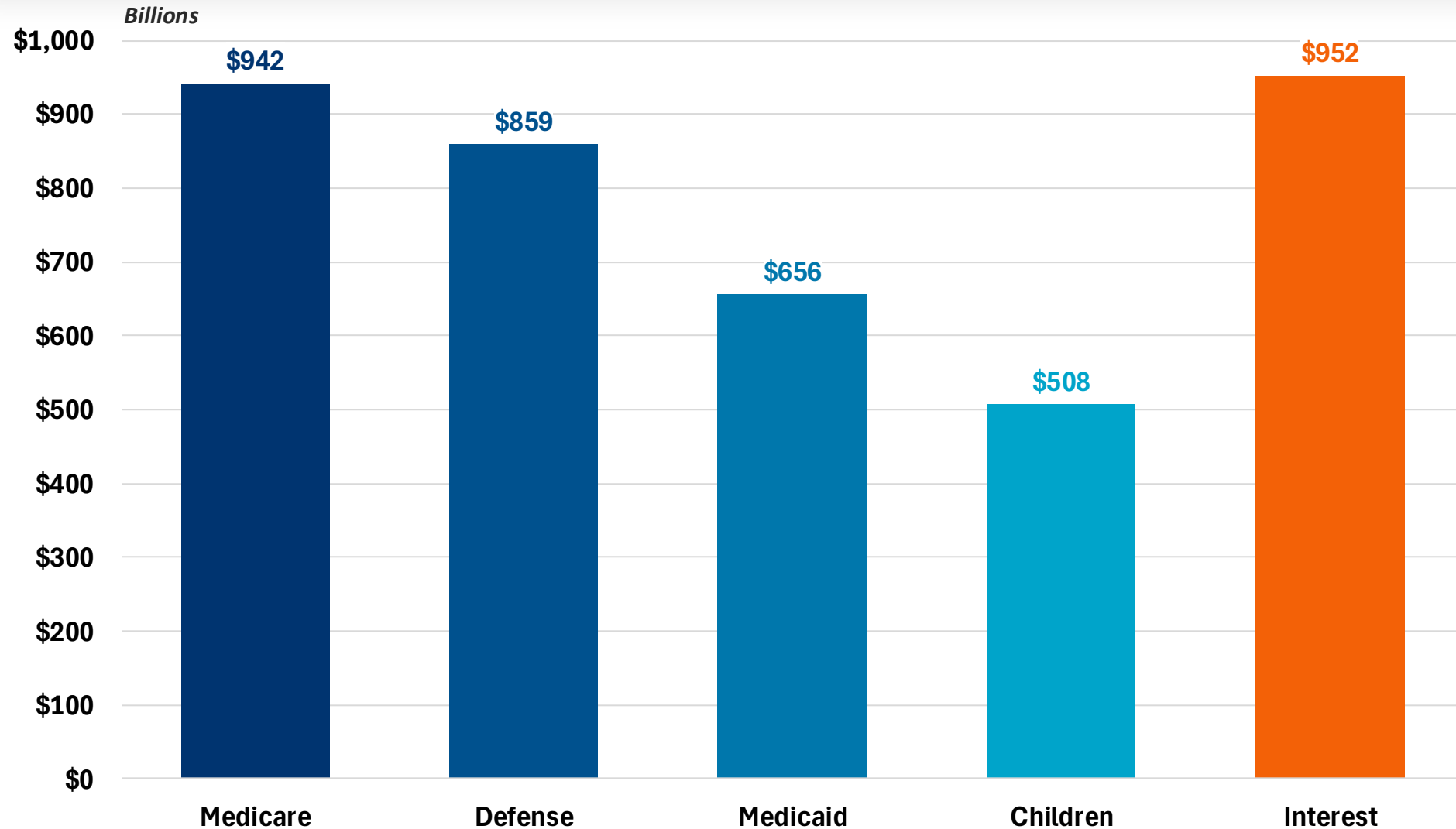
# Debt Is Nearly the Size of the Economy



- Debt held by the public is currently \$29 trillion or 98% of GDP
- Prior to COVID-19, debt held by the public was 79% of GDP
- We added approximately 20% of GDP to the debt to fight COVID
- Every period of sharp increase in our national debt over the past 100 years corresponds with a recession/depression, war, pandemic, or other emergency

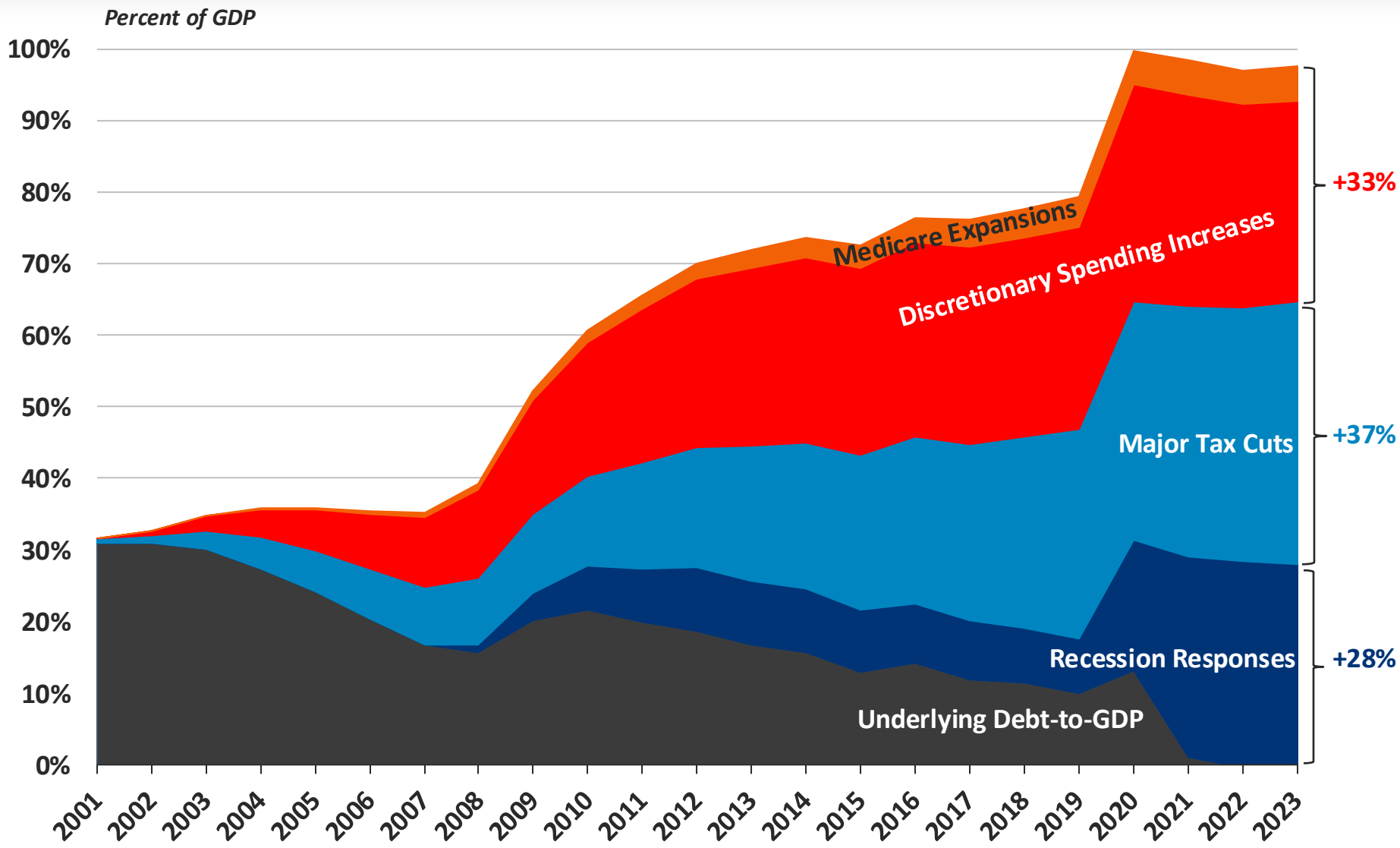
Sources: Committee for a Responsible Federal Budget, Congressional Budget Office

# We Spend More on Interest Than Other Major Priorities



- This year, interest on the national debt will cost \$952 billion, roughly \$7,200 per household
- Interest is currently the second largest item in the federal budget, behind only Social Security
- We spend more on interest than on Medicare, Medicaid, or national defense
- We spend nearly twice as much on interest as we do on programs that benefit children

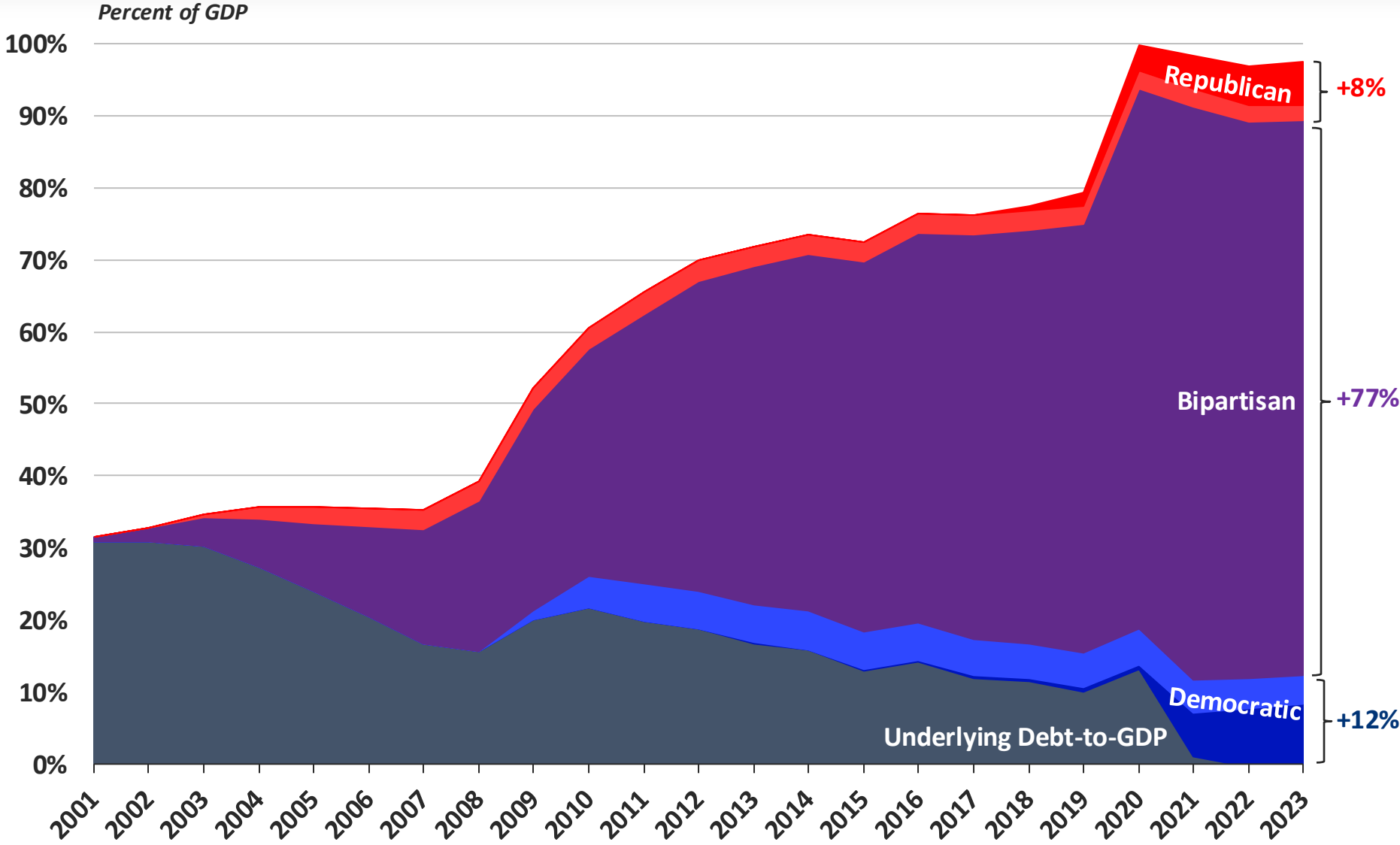
# We Got Here Through Tax Cuts and Spending Hikes



- In 2001, CBO projected that the national debt would be paid off by the end of 2009
- Instead, federal debt held by the public grew from 32 percent of GDP at the end of 2001 to 98 percent of GDP today
- Major tax cuts account for 37% of our current debt, discretionary spending increases and Medicare expansions account for 33%, and recession responses account for 28%

Sources: Congressional Budget Office and Committee for a Responsible Federal Budget  
 This graph accounts for policy changes enacted 2001, and not existing built-in changes such as the automatic growth of Social Security and Medicare

# Both Parties Got Us Into This Mess

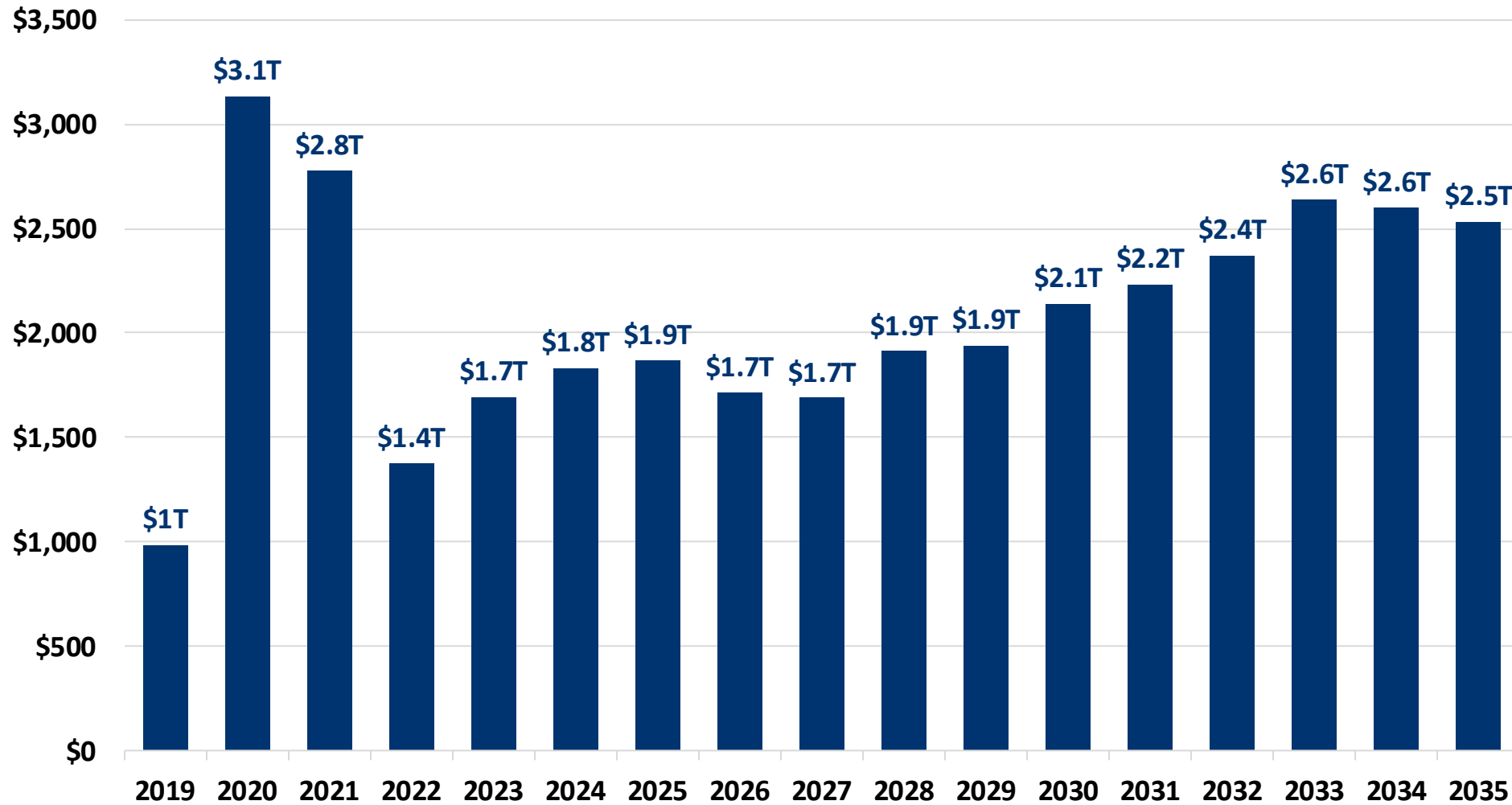


- Of our current 98% of GDP debt, 77% came from legislation that was enacted on a bipartisan basis
- Highly partisan Democratic actions accounted for only 12%, while highly partisan Republican actions accounted for only 8%

Sources: Congressional Budget Office and Committee for a Responsible Federal Budget

# Deficits Are Growing Again Post-COVID

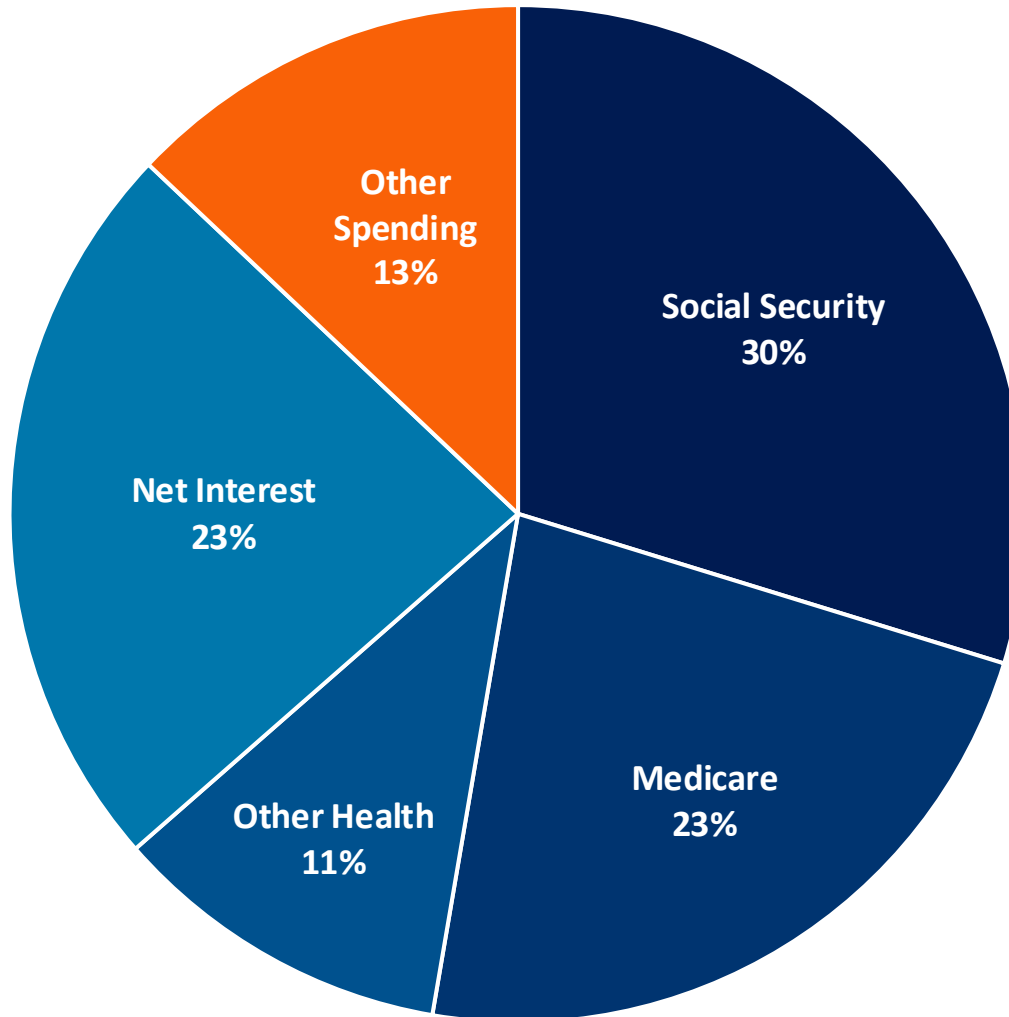
Annual Deficit (billions)



- We don't have a spending or a revenue problem, we have a *deficit* problem
- On our current path, we will borrow another \$22 trillion over the next decade
- Deficits are projected to grow to \$2.5 trillion by 2035

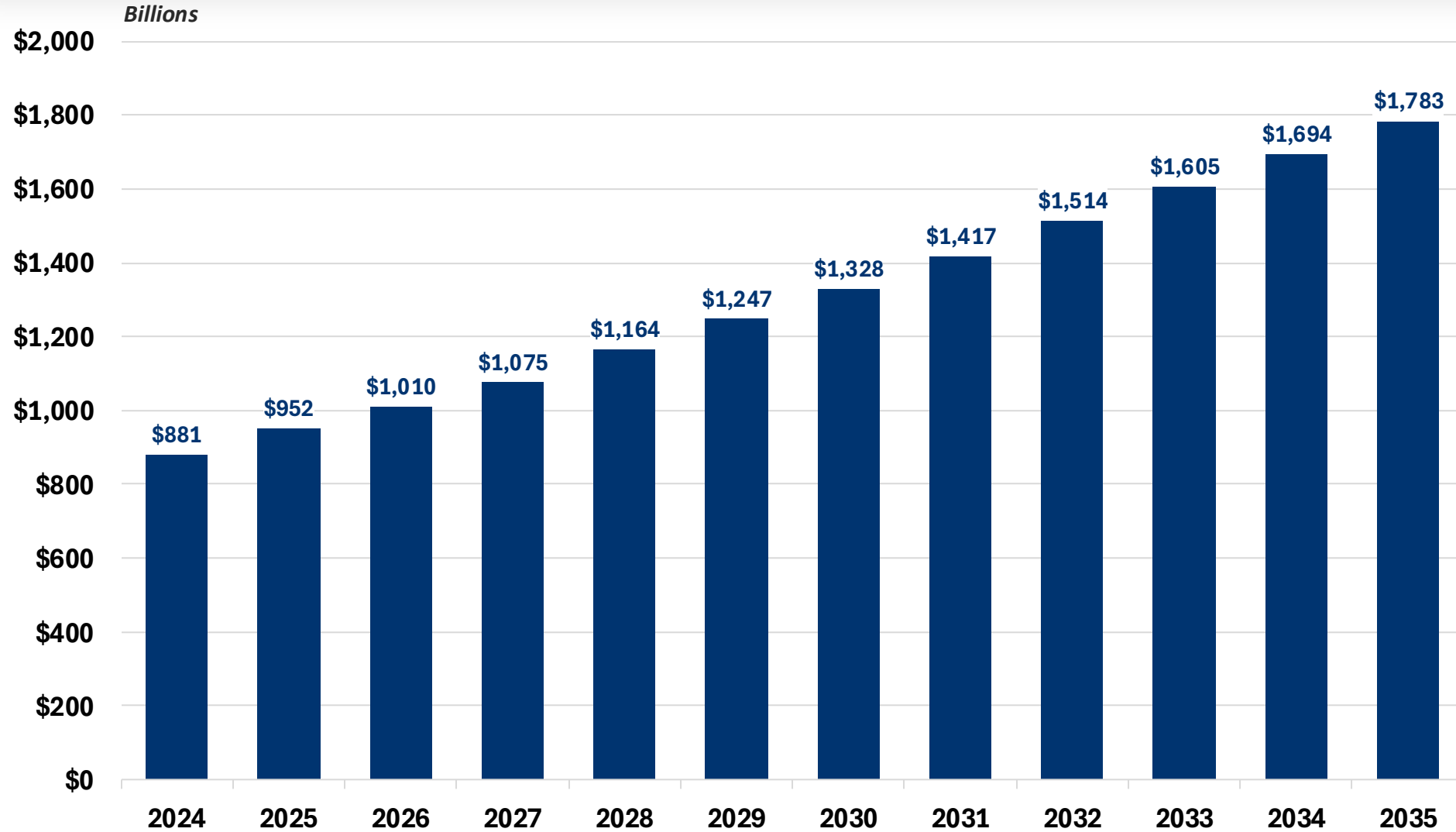
# Social Security, Health Care, and Interest Explain 87% of Projected Spending Growth

2025-2035 Nominal Spending Growth Under Current Law



- 87% of nominal spending growth between 2025 and 2035 will come from Social Security, major health care programs, and interest on the debt
- All other spending, including other mandatory spending and *all* discretionary spending, will only account for 13% of spending growth

# Net Interest Costs are Growing Rapidly

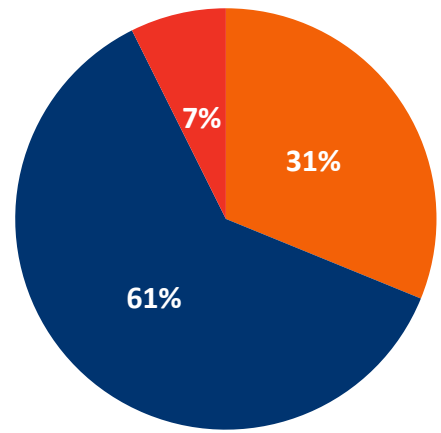


- Interest is the fastest growing part of the federal budget
- We will spend nearly \$14 trillion on interest over the coming decade
- Net interest is approaching an all-time high as a percentage of the economy (3.4%) and a post-WWII high as a percentage of spending (15.4%)
- Eventually, interest will be the single largest item in the federal budget

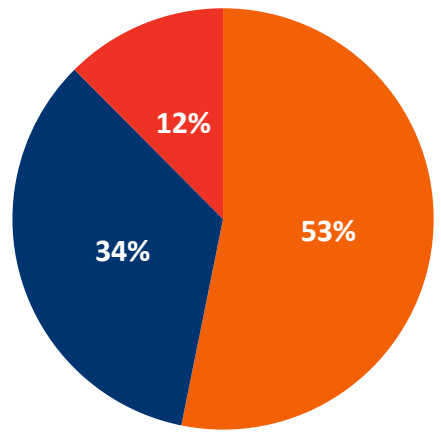
# “Autopilot” Spending Consuming a Growing Share

Percent of GDP

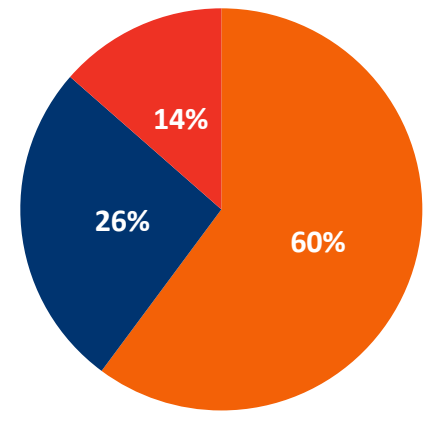
1970



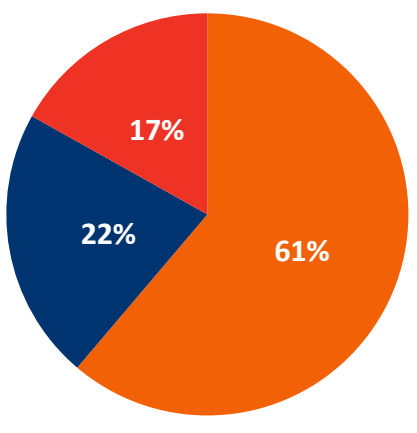
2000



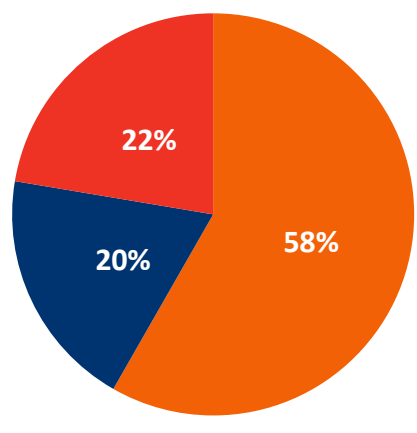
2025



2035



2055



Discretionary

Mandatory

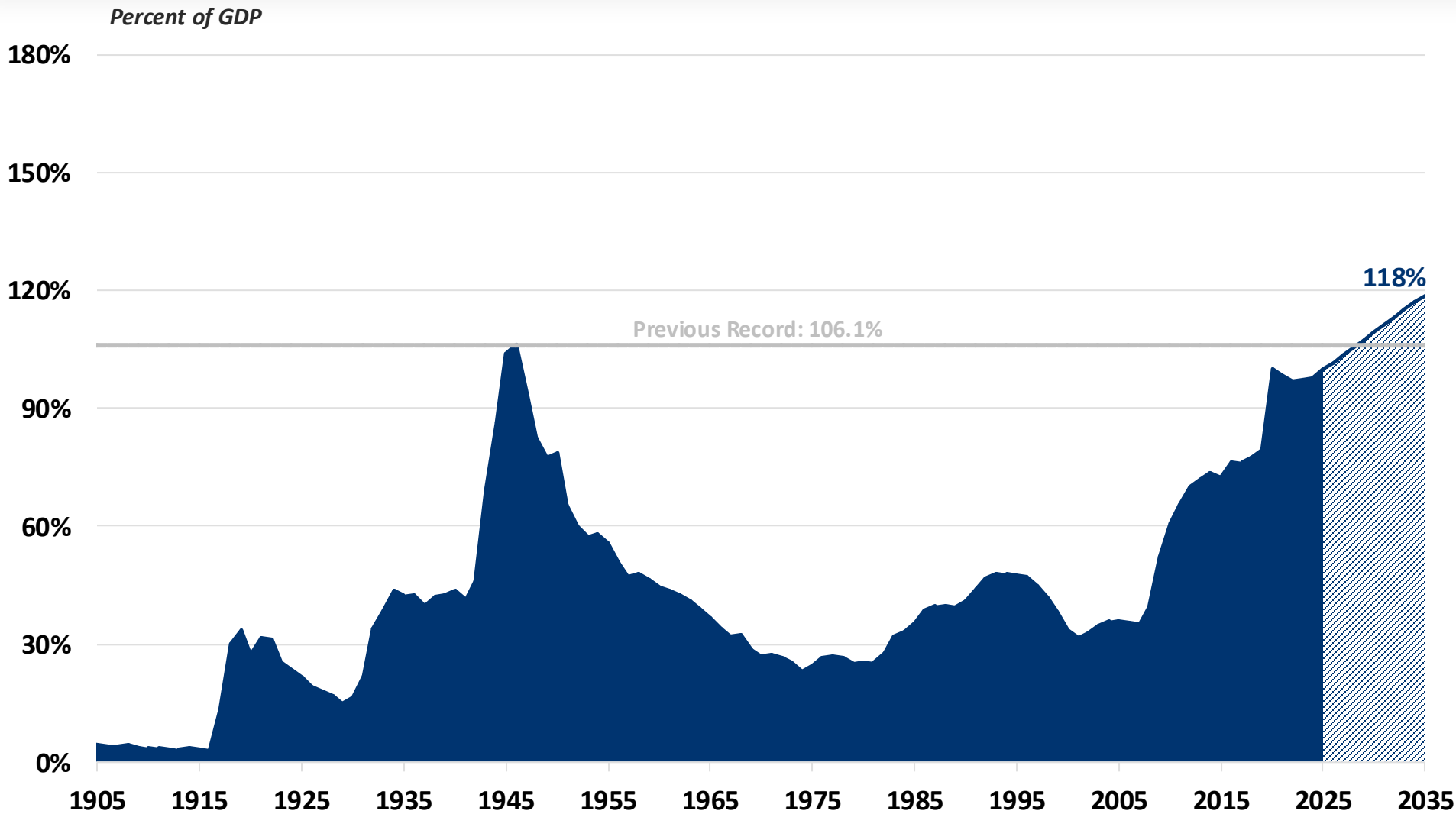
Net Interest

- Mandatory spending is considered on “autopilot” because it mostly cannot be changed through the annual budget and appropriations process
- The share of overall spending taken up by mandatory and interest spending has grown from 38% in 1970 to 74% today. In 30 years, mandatory and interest spending will be 80% of total spending

Note: Numbers may not sum due to rounding

Sources: Committee for a Responsible Federal Budget, Congressional Budget Office

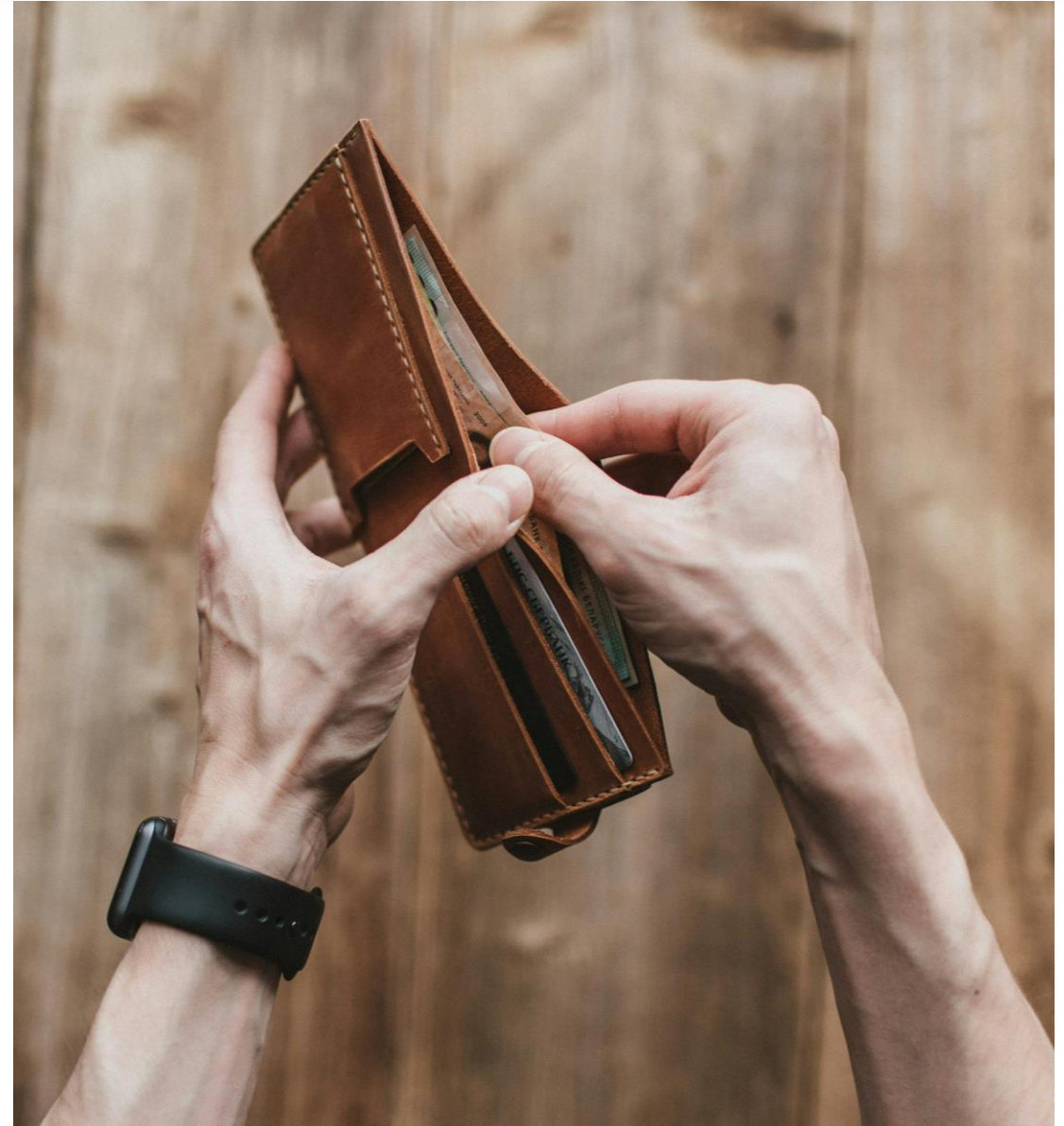
# Debt Is Nearing Record Levels



- Debt will exceed previous record of 106% of GDP in 4 years
- By FY 2035, debt will reach more than \$52 trillion or 118% of GDP
- Projected debt growth is not due to any war, recession, or other emergency, unlike most historic periods in which debt grew rapidly

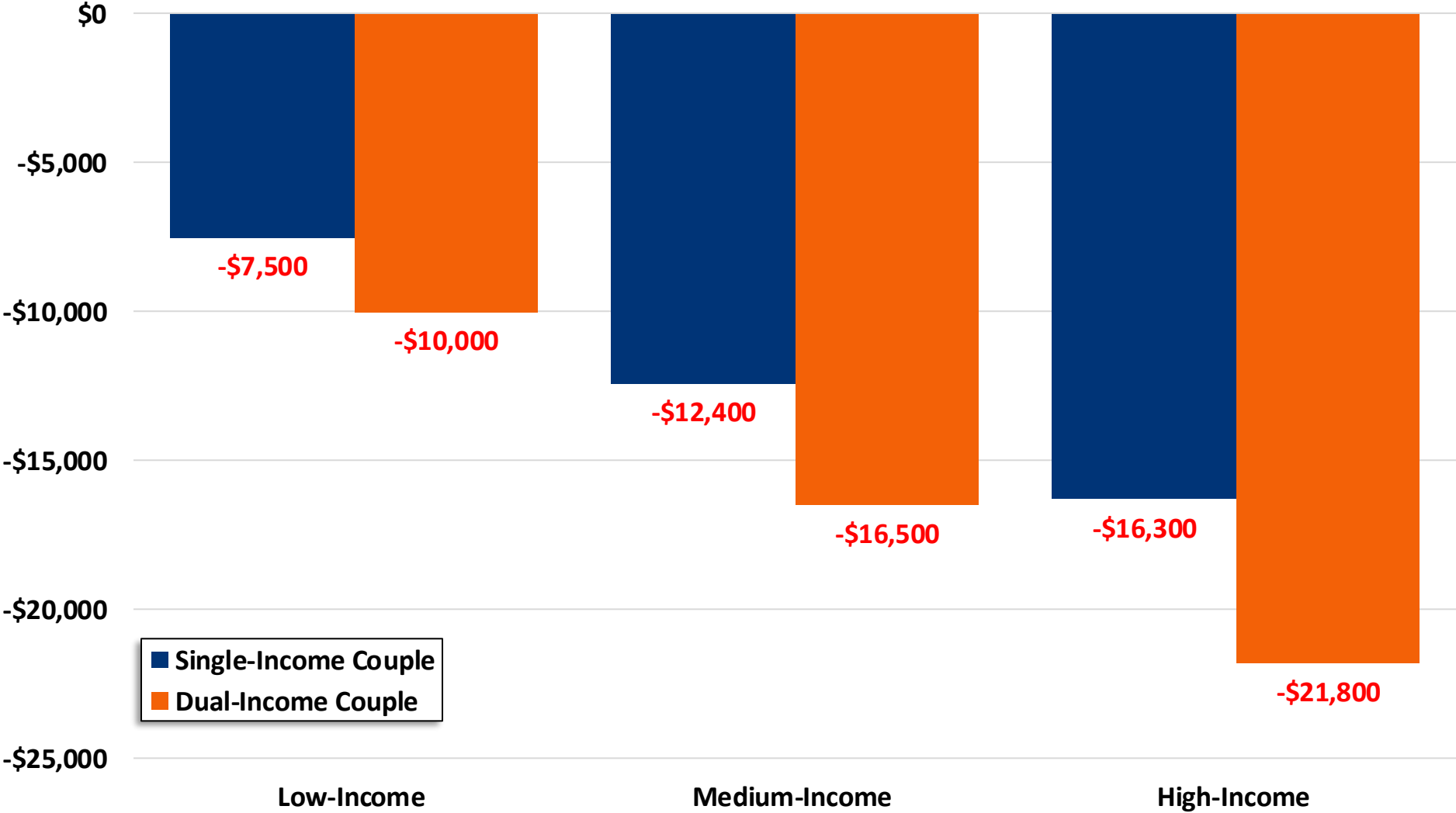
# The Fiscal Outlook: How Does It Affect Me?

- High and rising debt slows income growth
- High and rising debt can also lead to inflation, which pushes up prices for everyone
- In order to control inflation, the Federal Reserve raises interest rates, which increases the cost of borrowing for everyone
- There are several other negative consequences of high and rising debt and deficits
- Social Security beneficiaries face a substantial cut in benefits



# Retirees Face Big Cuts to Social Security Benefits

Projected Benefit Cut for a Couple Retiring in 2033 (Current Dollars)



- The Social Security Old-Age and Survivors Insurance (OASI) trust fund is projected to be depleted by 2033, at which point the law calls for a 21 percent across-the-board benefit reduction
- We estimate this would represent a \$16,500 cut in annual benefits for a typical dual-income couple retiring at the time of trust fund depletion

Note: Estimates are based on benefits for couples that retire at the time of trust fund depletion  
Sources: Social Security Administration and Committee for a Responsible Federal Budget

# Other Consequences of Rising Deficits & Debt

- **Higher Government Interest Payments** displacing other government priorities
- **Reduced Ability to Respond to Emergencies** as less “fiscal space” makes it harder to borrow for wars, recessions, or other urgent needs
- **Missed Opportunities** to invest in areas that can improve standards of living
- **Increased Geopolitical Risk** with other countries owning much of our debt
- **Generational Unfairness** with younger and future generations paying the price of today’s consumption
- **Increased Risk of Fiscal Crisis** if markets suddenly view debt as less valuable and credible, causing major disruption in the global financial system

# Principles to Get Back on the Right Fiscal Track

- **No new borrowing.** The cost of any new tax cuts or spending increases should be offset.
- **Meaningful deficit reduction.** Simply offsetting new spending or tax breaks is no longer enough. We must begin reducing our annual deficits.
- **Set fiscal goals.** Policymakers should identify desirable levels for debt or deficits, develop a five- or ten-year plan to achieve them, and commit to that plan with the help of automatic enforcement mechanisms.
- **Tell the truth on Social Security & Medicare.** The longer we wait, the harder it will be to restore solvency to major trust fund programs like Social Security and Medicare.

# Meeting Fiscal Goals Will Require Significant Deficit Reduction

## Savings Needed to Meet Various Fiscal Goals

Fiscal Goal	FY 2025-2029	FY 2025-2035
<b>Debt Targets</b>		
110 percent of GDP	n/a	\$3.7 trillion
100 percent of GDP	\$2.5 trillion	\$8.1 trillion
98 percent of GDP (current level)	\$3.2 trillion	\$9.0 trillion
90 percent of GDP	\$6.0 trillion	\$12.5 trillion
80 percent of GDP	\$9.5 trillion	\$16.9 trillion
<b>Deficit Targets*</b>		
4 percent of GDP	\$2.2 trillion	\$4.8 trillion
3 percent of GDP	\$3.6 trillion	\$7.5 trillion
Primary Balance <sup>^</sup>	\$3.8 trillion	\$7.0 trillion
On-Budget Balance <sup>^</sup>	\$7.3 trillion	\$13.4 trillion
Full Budget Balance <sup>^</sup>	\$8.4 trillion	\$16.7 trillion

- In order to simply stabilize debt at its current % of GDP, we would need \$9 trillion of savings over ten years, or \$3.2 trillion within the next four years
- Reducing deficits to 3% of GDP – a Trump Administration goal – would require \$3.6 trillion of savings by the end of this presidential term
- Fully balancing the budget would require nearly \$17 trillion in savings over the coming decade

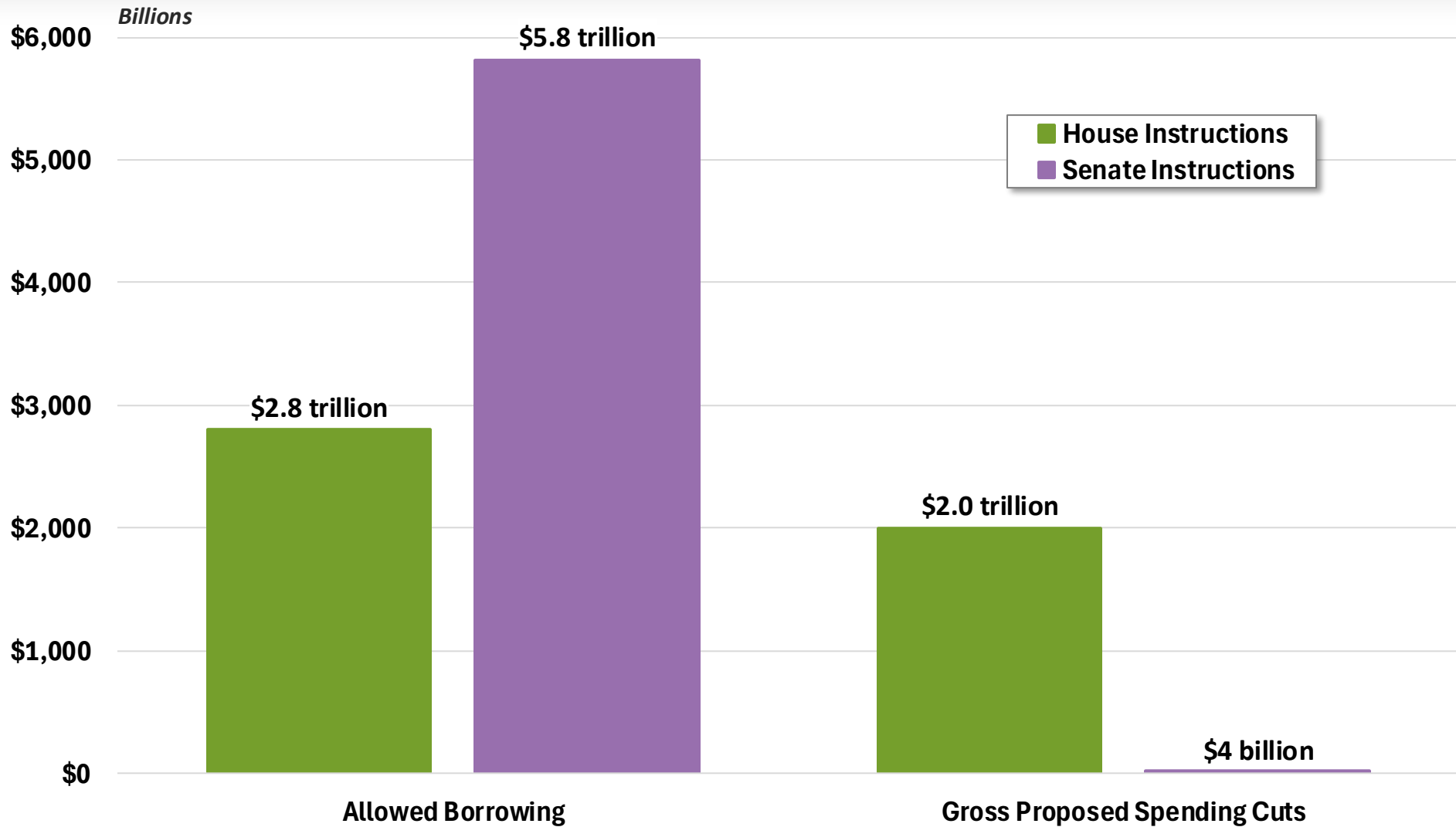
Notes: Figures include interest

<sup>^</sup>Balance figures are adjusted to exclude the effects of timing shifts

\*Assumes modified savings path of the CRFB Fiscal Blueprint for Reducing Debt and Inflation

Sources: Congressional Budget Office and Committee for a Responsible Federal Budget

# Senate Instructions Save Less, Borrow More than House



Sources: Senate Budget Committee, House Budget Committee, Committee for a Responsible Federal Budget.

# To Help Get Involved or Learn More

- **Website:** [www.crfb.org](http://www.crfb.org)
- **Contact:** [murphy@crfb.org](mailto:murphy@crfb.org) or text/call 631-678-6968