



Contents

	Summary	1
	Economic Growth Is Projected to Be Relatively Strong This Year and Next and Then to Moderate	1
	GDP Is Projected to Be Greater Than CBO Previously Estimated	3
	Deficits Are Projected to Be Large by Historical Standards	3
	Deficits Are Projected to Be Larger Than CBO Previously Estimated	5
	Debt Held by the Public Is Projected to Approach 100 Percent of GDP	5
	Deficits and Debt Would Be Larger If Some Current Policies Were Continued	6
1	The Economic Outlook	7
	Overview	7
	Recent Economic Developments	11
	The Economic Effects of Recent Changes in Fiscal Policy	11
	Potential Output	14
	Actual Output	17
	The Labor Market	26
	Inflation	28
	Monetary Policy and Interest Rates	29
	Income	29
	Uncertainty Surrounding the Economic Outlook	32
	Comparisons With CBO's June 2017 Projections	33
	Comparisons With Other Economic Projections	39
2	The Spending Outlook	43
	Overview	43
	Mandatory Spending	45
	BOX 2-1. CATEGORIES OF FEDERAL SPENDING	46
	Discretionary Spending	54
	Net Interest	61
	Uncertainty Surrounding the Spending Outlook	62
3	The Revenue Outlook	63
	Overview	63
	The Evolving Composition of Revenues	64
	Individual Income Taxes	65
	Payroll Taxes	68
	Corporate Income Taxes	69
	Smaller Sources of Revenues	71
	Tax Expenditures	74
	Uncertainty Surrounding the Revenue Outlook	78

4	The Outlook for Deficits and Debt	79
	Overview	79
	Deficits	79
	Debt	85
	Alternative Assumptions About Fiscal Policy	88
A	Changes in CBO’s Baseline Projections Since June 2017	93
	Overview	93
	Legislative Changes	93
	Economic Changes	99
	Technical Changes	101
B	The Effects of the 2017 Tax Act on CBO’s Economic and Budget Projections	105
	Overview	105
	The Major Provisions of the Act	106
	BOX B-1. REPATRIATION OF UNDISTRIBUTED FOREIGN EARNINGS	109
	How the Act Affects the Economic Outlook	114
	BOX B-2. COMPARISON WITH OTHER ORGANIZATIONS’ ESTIMATES	117
	BOX B-3. THE EFFECTS OF PROFIT SHIFTING ON ECONOMIC STATISTICS	124
	How the Act Affects the Budget Outlook	128
	Uncertainty Surrounding CBO’s Estimates	129
C	Trust Funds	131
	Overview	131
	Social Security’s Trust Funds	134
	Trust Funds for Federal Employees’ Retirement Programs	134
	Medicare’s Trust Funds	136
	Highway Trust Fund	137
D	CBO’s Economic Projections for 2018 to 2028	139
E	Historical Budget Data	143
	List of Tables and Figures	155
	About This Document	157