An Overview of The 2020 Long-Term Budget Outlook

Presentation to the National Association of Home Builders’ Financial Institutions and Capital Markets Subcommittee

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Director

For further information about the venue, see https://tinyurl.com/y2vg95bu.
Federal Debt Held by the Public

Percentage of Gross Domestic Product

World War II
Great Depression
World War I
Great Recession
Pandemic
Projected
The Federal Budget

Percentage of Gross Domestic Product

2010 to 2019

Outlays

Revenues

2041 to 2050

Outlays

Revenues

Net Interest

Other Noninterest Spending

Major Health Care Programs

Social Security

Deficit

Other Revenues

Corporate Income Taxes

Payroll Taxes

Individual Income Taxes
Total Outlays and Revenues

Percentage of Gross Domestic Product

Projected

Outlays

Revenues
Components of Outlays

Percentage of Gross Domestic Product

Major Health Care Programs
Net Interest
Social Security
Discretionary Spending
Other Mandatory Spending
Composition of Federal Deficits

Percentage of Gross Domestic Product

Primary Deficit
Net Interest
Total Deficit
The Size of Policy Changes Needed to Make Federal Debt Meet Two Possible Goals in 2050

<table>
<thead>
<tr>
<th>Deficit Reduction Needed</th>
<th>79 Percent of GDP</th>
<th>100 Percent of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annually, 2025 to 2050 (Percentage of GDP)</td>
<td>3.6</td>
<td>2.9</td>
</tr>
<tr>
<td>Total reduction in 2025 (Billions of dollars)</td>
<td>900</td>
<td>730</td>
</tr>
<tr>
<td>Per person reduction in 2025 (Dollars)</td>
<td>2,700</td>
<td>2,200</td>
</tr>
</tbody>
</table>
### How Timing Affects the Size of Policy Changes Needed to Make Federal Debt Meet Two Possible Goals in 2050

<table>
<thead>
<tr>
<th>Deficit Reduction Needed, by Starting Year</th>
<th>Percentage of Gross Domestic Product</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The reduction in the annual primary deficit (which excludes net spending for interest) needed to make federal debt held by the public in 2050 equal a certain goal would be smaller the sooner the policy changes were implemented. CBO examined goals for debt in 2050 to equal . . .</td>
</tr>
<tr>
<td>2025</td>
<td>3.6 percent of GDP (Its 2019 amount)</td>
</tr>
<tr>
<td></td>
<td>2.9 percent of GDP (Roughly Its current amount)</td>
</tr>
<tr>
<td>2030</td>
<td>4.4 percent of GDP</td>
</tr>
<tr>
<td>2035</td>
<td>5.9 percent of GDP</td>
</tr>
</tbody>
</table>
Population

Millions of People

Projected

Age 65 or Older

Ages 20 to 64

Ages 0 to 19

2005 2010 2015 2020 2025 2030 2035 2040 2045 2050
Average Annual Growth of Real Potential GDP

Percent

<table>
<thead>
<tr>
<th>Period</th>
<th>Potential Labor Force Productivity</th>
<th>Potential Labor Force</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951–1974</td>
<td>2.2</td>
<td>1.7</td>
</tr>
<tr>
<td>1975–1982</td>
<td>0.6</td>
<td>2.4</td>
</tr>
<tr>
<td>1983–1991</td>
<td>1.7</td>
<td>1.6</td>
</tr>
<tr>
<td>1992–2002</td>
<td>2.0</td>
<td>1.2</td>
</tr>
<tr>
<td>2003–2008</td>
<td>1.5</td>
<td>0.9</td>
</tr>
<tr>
<td>2009–2019</td>
<td>1.1</td>
<td>0.5</td>
</tr>
<tr>
<td>2020–2030</td>
<td>1.4</td>
<td>0.4</td>
</tr>
<tr>
<td>2031–2040</td>
<td>1.3</td>
<td>0.2</td>
</tr>
<tr>
<td>2041–2050</td>
<td>1.2</td>
<td>0.3</td>
</tr>
</tbody>
</table>
Interest Rate on 10-Year Treasury Notes

Percent

2005 2010 2015 2020 2025 2030 2035 2040 2045 2050

Actual

2019 Projection

2020 Projection
Federal Debt If Total Factor Productivity Growth Differed

Percentage of Gross Domestic Product

- TFP Growth That Is 0.5 Percentage Points Lower
  - Projected: 239
- Extended Baseline
  - Projected: 195
- TFP Growth That Is 0.5 Percentage Points Higher
  - Projected: 155
Federal Debt If Interest Rates Differed

Percentage of Gross Domestic Product

Projected

Interest Rates That Are 1.0 Percentage Point Higher

264

Extended Baseline

195

Interest Rates That Are 1.0 Percentage Point Lower

149