

# An Overview of the 2021 Long-Term Budget Outlook

March 25, 2021

Presentation to *Institutional Investor's*  
Fixed Income Forum

Mark Doms  
Chief Economist

# Summary

This presentation provides details about CBO's long-term budget projections.

U.S. debt held by the public is close to historical highs, and it is expected to increase quickly in coming decades, under current law.

The presentation describes some of the factors behind the rising debt.

# These Projections Are as of March 4, 2021

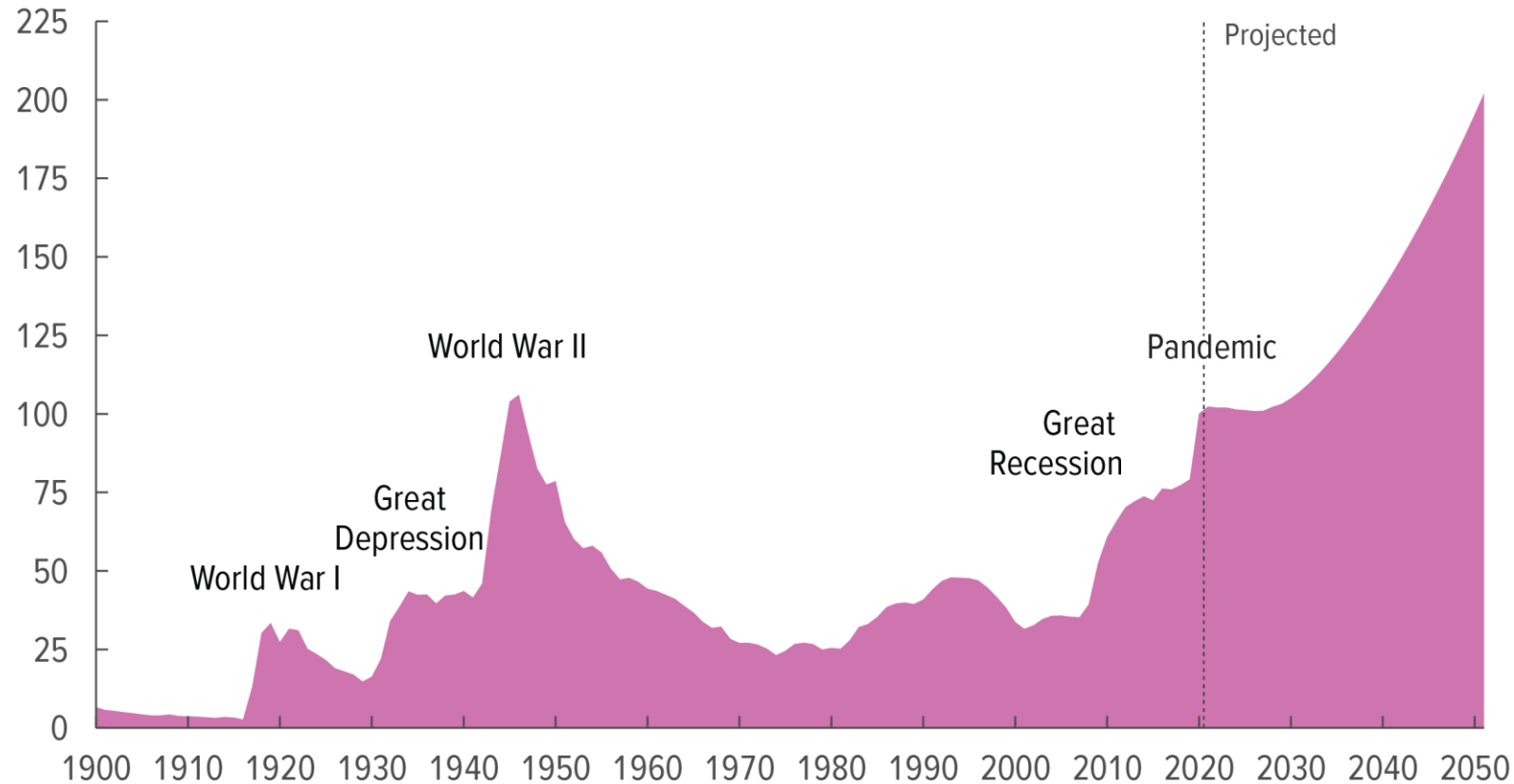
Each year, the Congressional Budget Office publishes a report presenting its projections of what federal debt, deficits, spending, and revenues would be for the next 30 years if current laws governing taxes and spending generally did not change.

CBO's most recent projections, which underlie this presentation, were published on March 4, 2021. They do not include the effects of the American Rescue Plan Act, which was enacted on March 11, 2021.

The effects of that law are projected to increase the federal deficit by \$1.9 trillion from 2021 through 2031, mainly by increasing spending.

# Federal Debt Held by the Public, 1900 to 2051

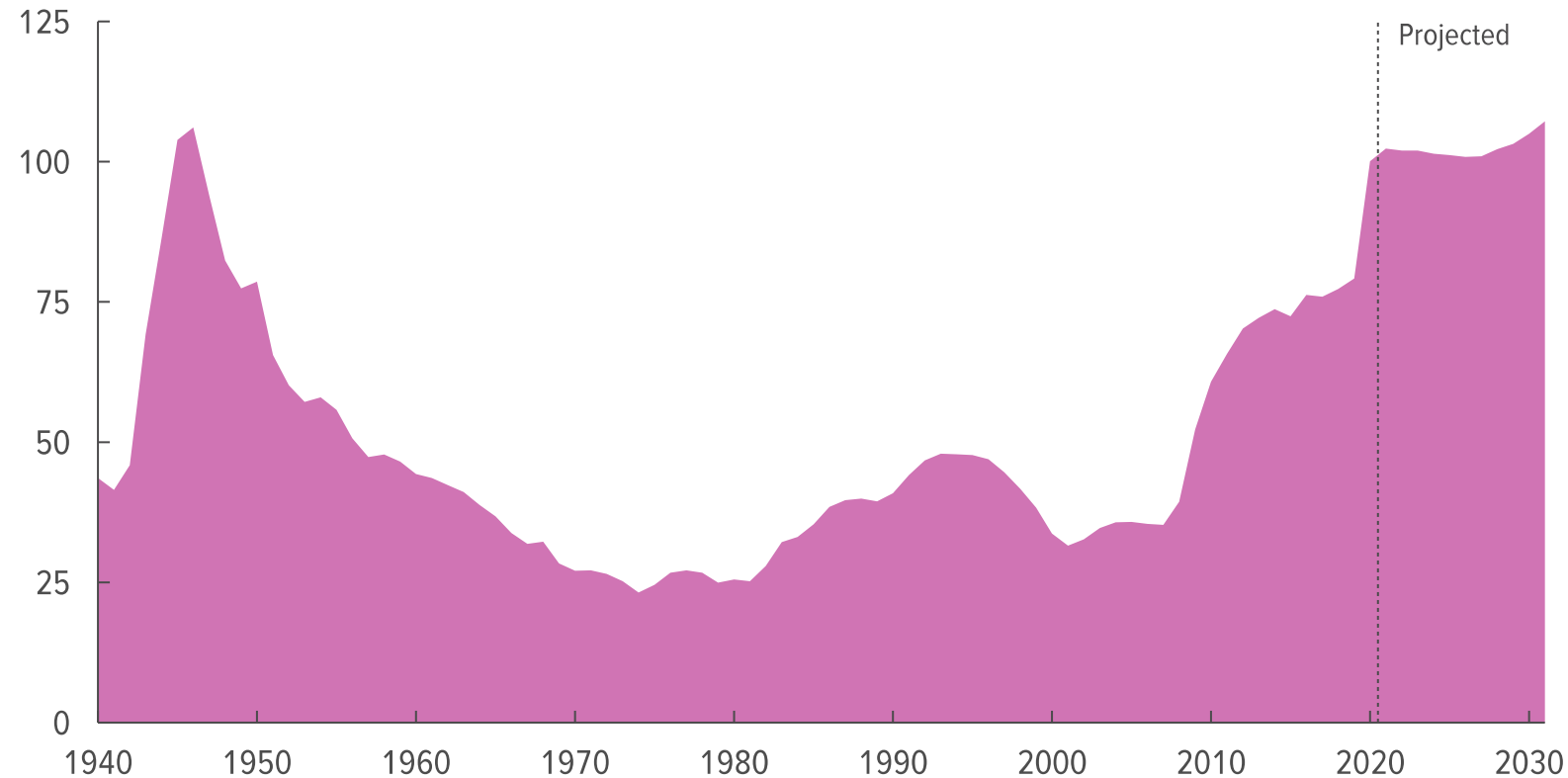
Percentage of Gross Domestic Product



Growing deficits are projected to drive federal debt held by the public to unprecedented levels over the next 30 years. By 2051, debt is projected to reach more than 200 percent of gross domestic product (GDP).

# Federal Debt Held by the Public, 1940 to 2031

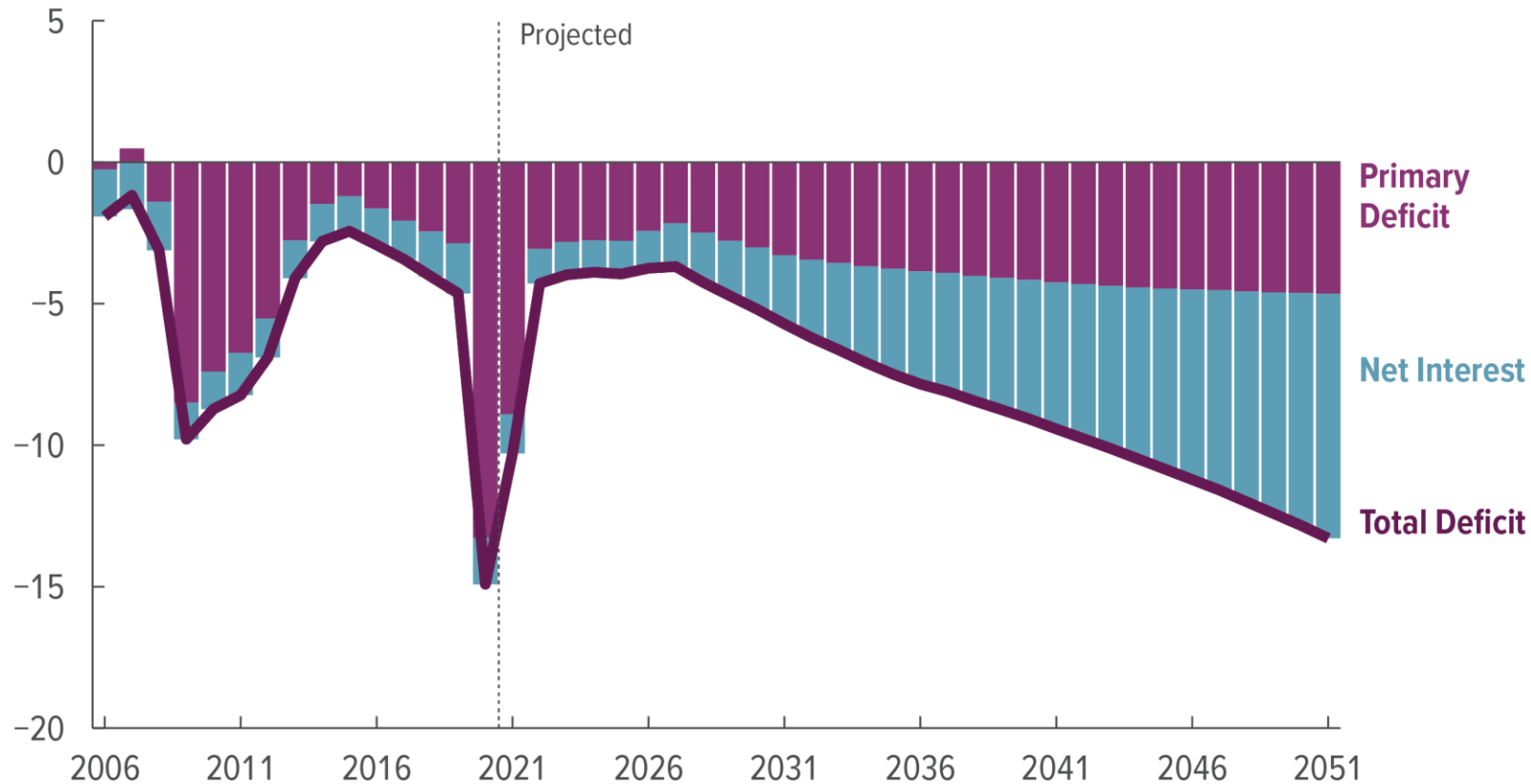
Percentage of GDP



By 2031, federal debt held by the public is projected to reach 107 percent of GDP, the highest in the nation's history.

# Total Deficits, Primary Deficits, and Net Interest

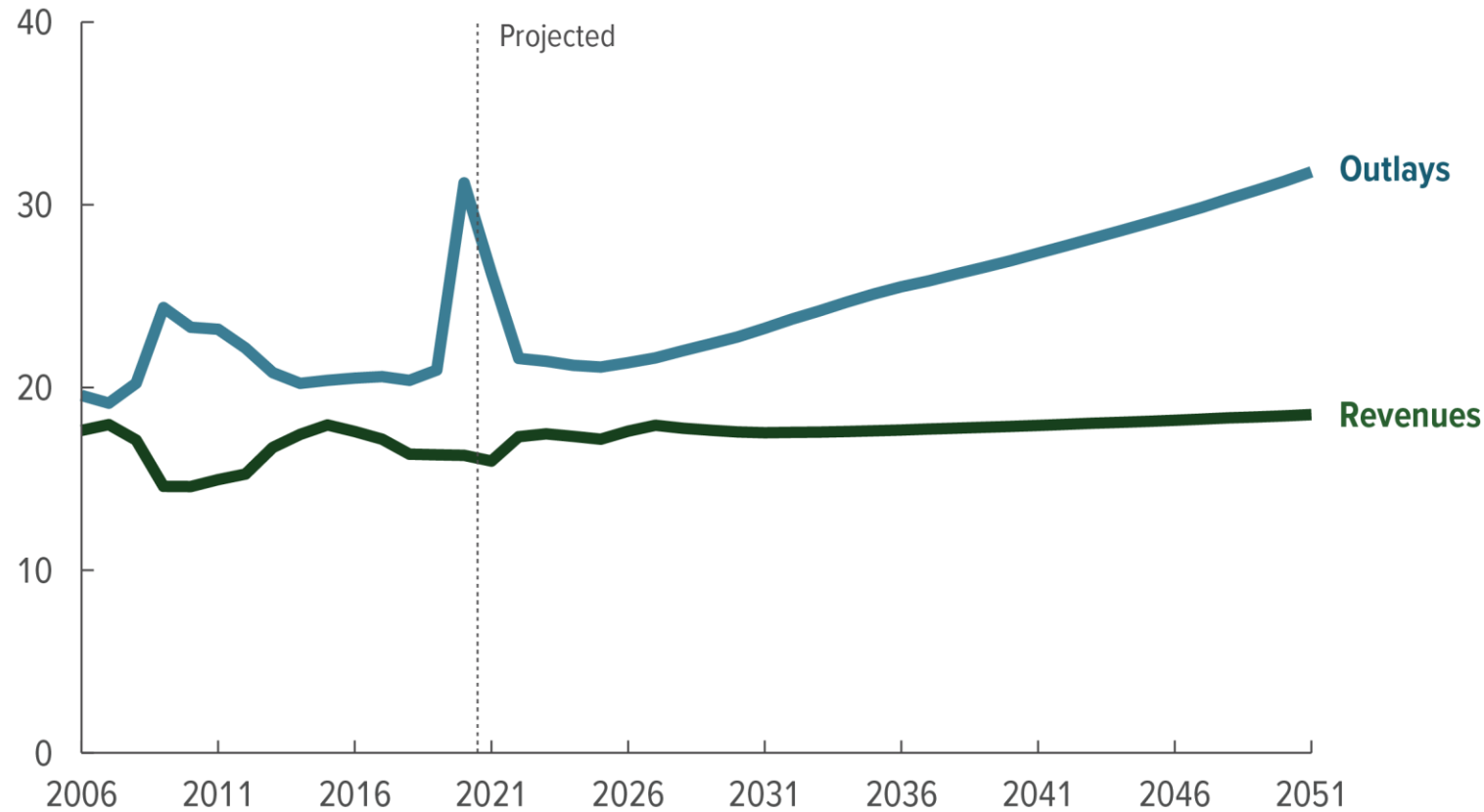
Percentage of Gross Domestic Product



Net spending for interest rises rapidly and accounts for most of the growth in total deficits in the last two decades of the projection period.

# Total Outlays and Revenues

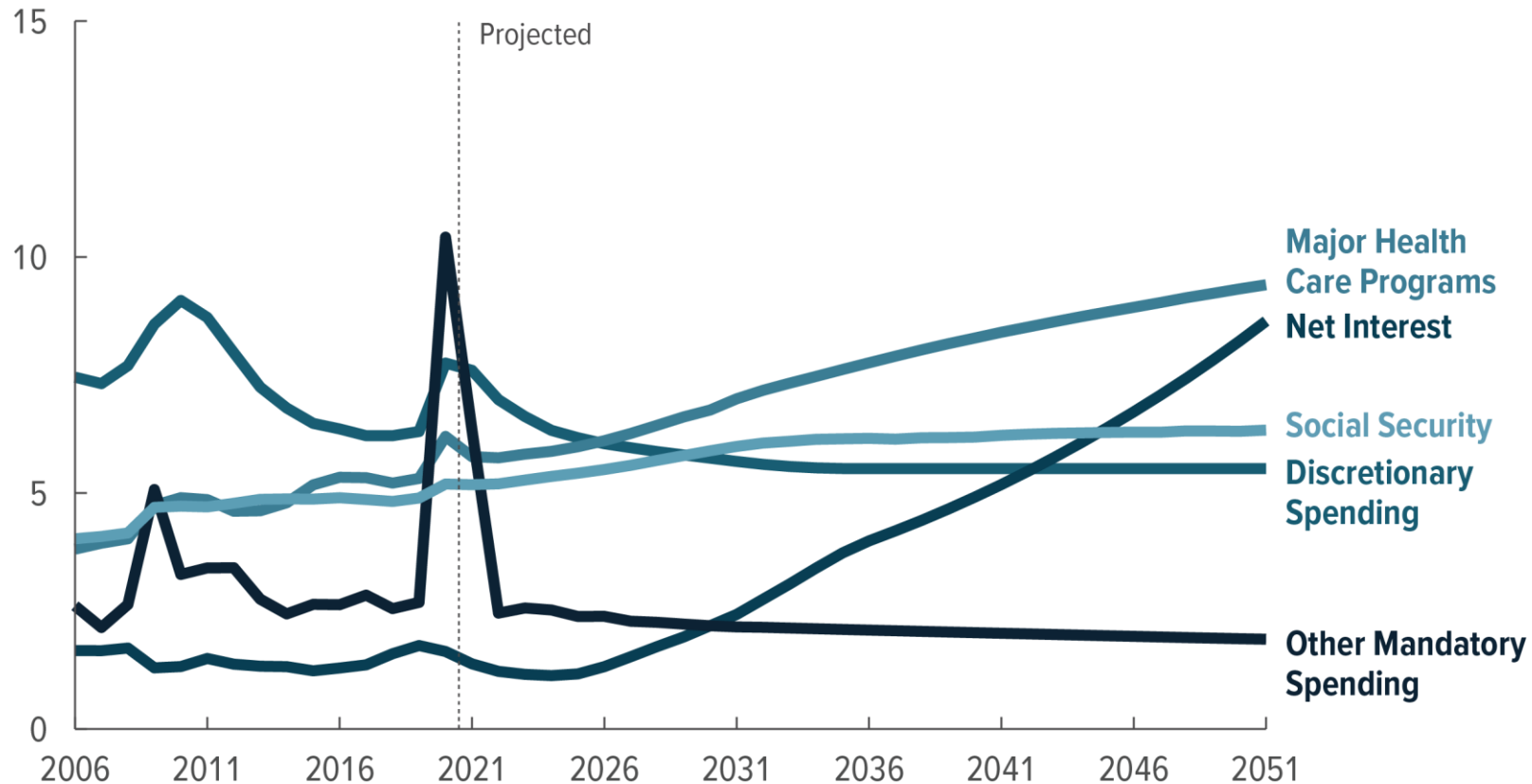
Percentage of Gross Domestic Product



In most years, growth in outlays is projected to outpace growth in revenues, resulting in widening budget deficits.

# Outlays, by Component

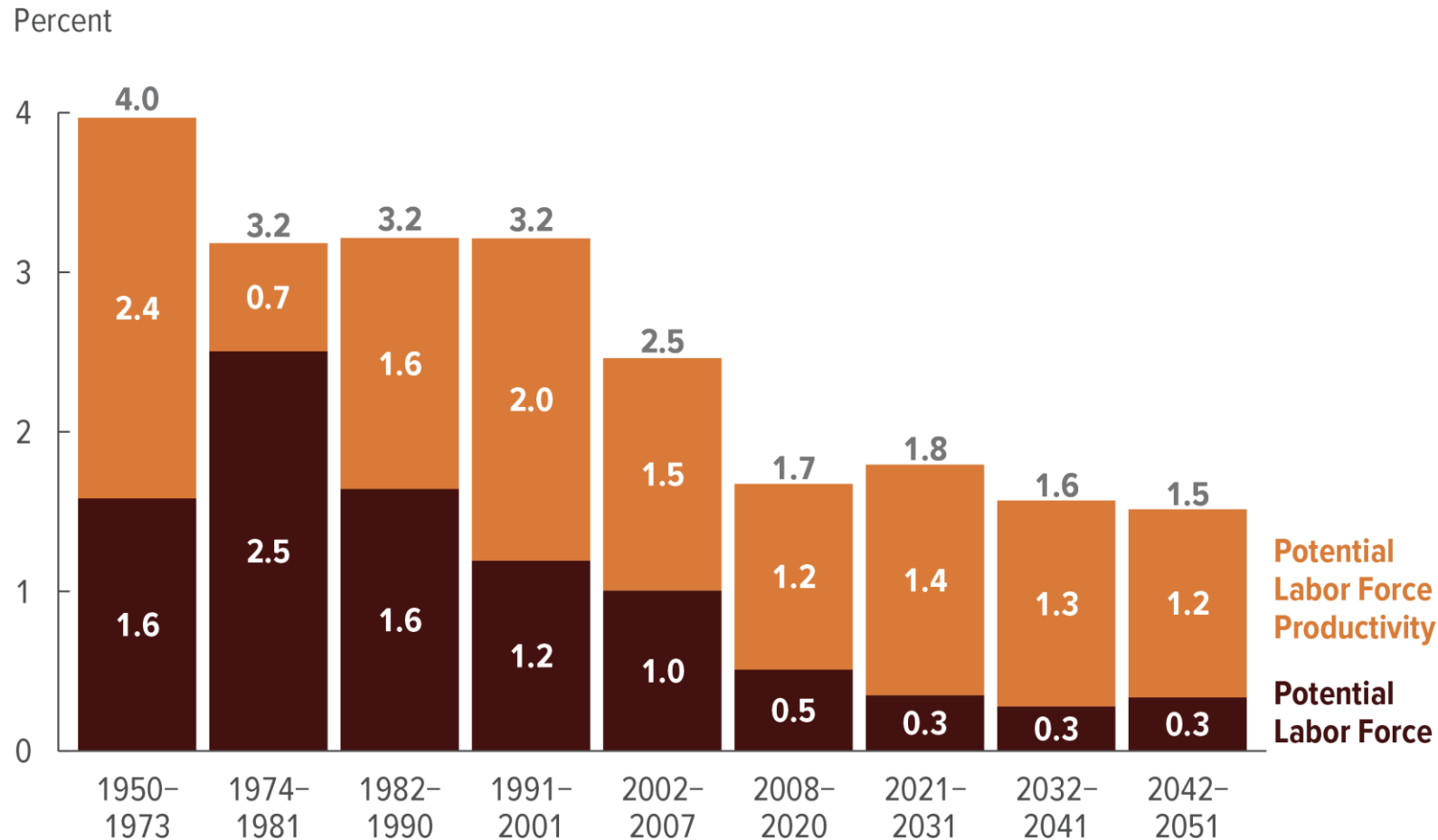
Percentage of Gross Domestic Product



Over the long term, net spending for interest and outlays for the major health care programs and Social Security are projected to rise in relation to GDP; other spending, in total, is projected to decline.



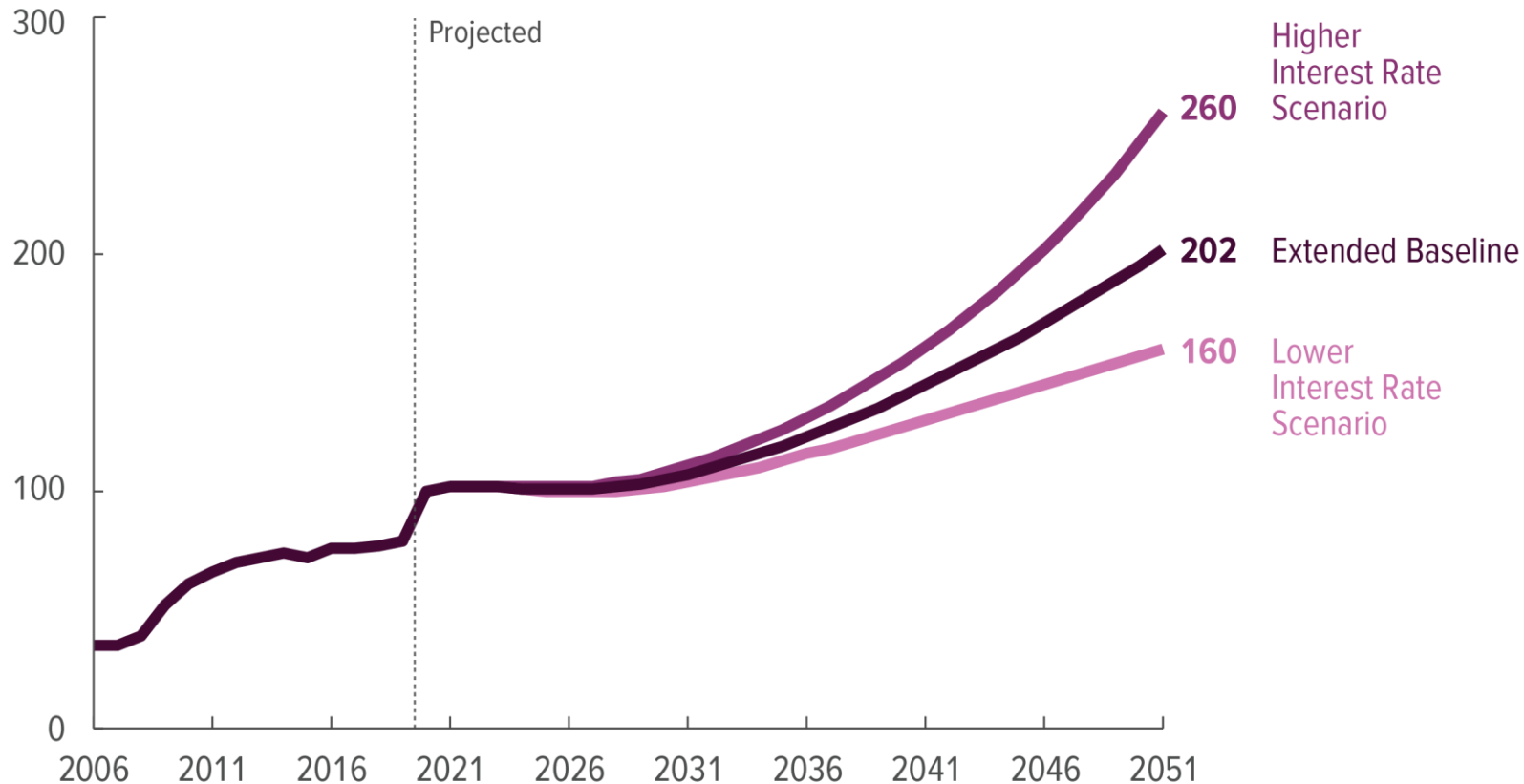
# Average Annual Growth of Real Potential GDP



Growth in real potential GDP is projected to be slower than it has been in the past. That slowdown occurs mostly because the potential labor force is projected to grow at a slower pace.

# Federal Debt If Interest Rates Differed From the Values Underlying CBO's Projections

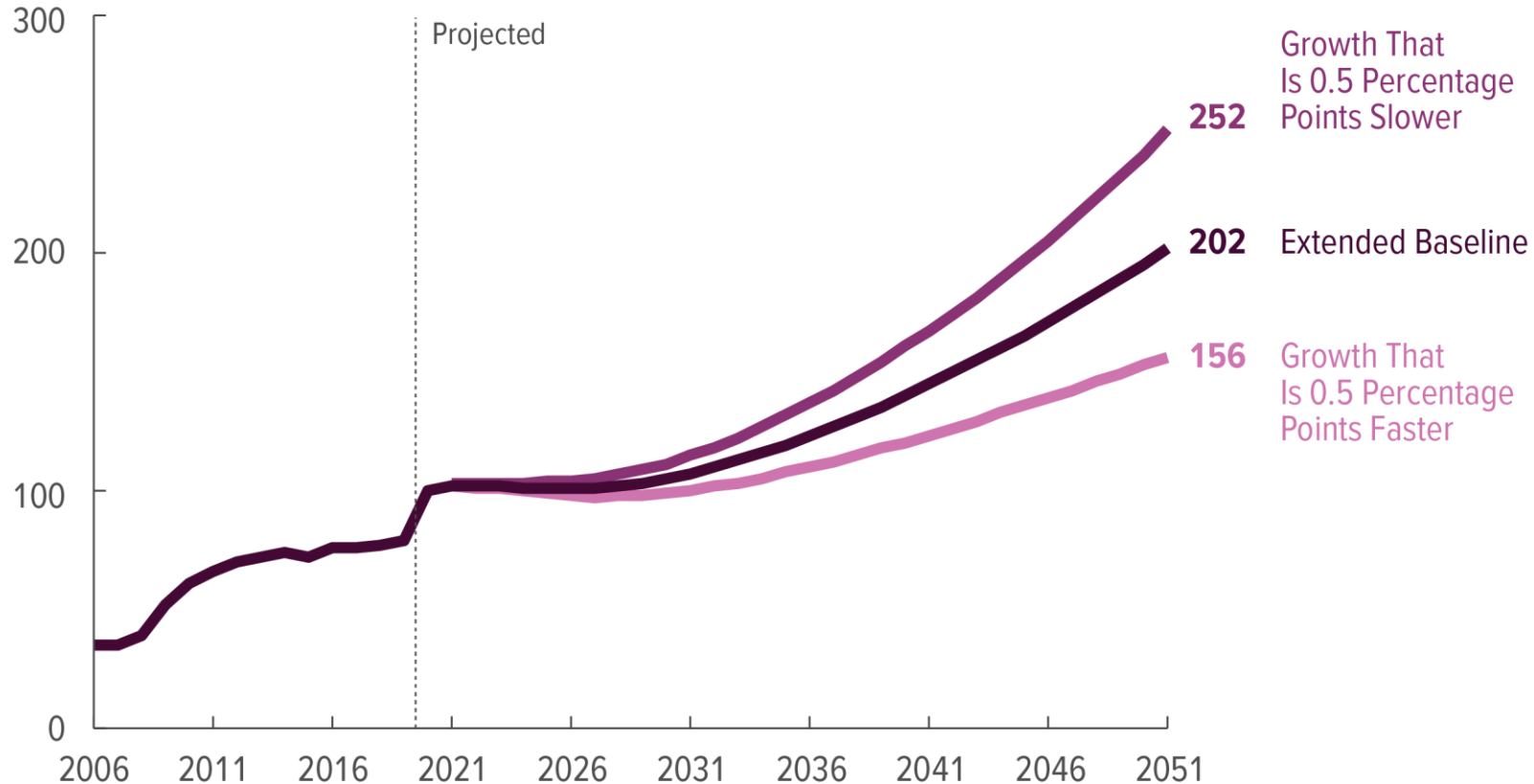
Percentage of Gross Domestic Product



Lower interest rates on federal debt would result in smaller deficits and a smaller stock of debt, causing the debt-to-GDP ratio to grow more slowly. Higher interest rates would have the opposite effects.

# Federal Debt If Total Factor Productivity Growth Differed From the Values Underlying CBO's Projections

Percentage of Gross Domestic Product



Faster growth in total factor productivity would increase overall economic growth, and the ratio of federal debt to GDP would grow more slowly. Slower productivity growth would have the opposite effects.