Budget and Economic Projections

A Presentation at the Committee for Economic Development’s Policy Conference

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Director

For more information about the conference, see https://tinyurl.com/zpub298x.
Today’s Topics

- The Budget Outlook
- Options to Reduce Deficits and Debt
- The Economic Outlook

Total Deficits, Primary Deficits, and Net Interest Outlays

Percentage of Gross Domestic Product
The Uncertainty of CBO’s Baseline Projections of the Budget Deficit

Percentage of Gross Domestic Product

Deficit

Two-Thirds of Possible Outcomes

Projected

2002 2007 2012 2017 2022 2027
# The Components of Outlays

## Percentage of Gross Domestic Product

<table>
<thead>
<tr>
<th>Year</th>
<th>Social Security</th>
<th>Major Health Care Programs</th>
<th>Other</th>
<th>Defense</th>
<th>Nondefense</th>
<th>Net Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>3.2</td>
<td>1.0</td>
<td>2.9</td>
<td>6.5</td>
<td>4.0</td>
<td>1.3</td>
</tr>
<tr>
<td>1997</td>
<td>4.3</td>
<td>3.3</td>
<td>2.0</td>
<td>3.2</td>
<td>3.3</td>
<td>2.9</td>
</tr>
<tr>
<td>2022</td>
<td>4.9</td>
<td>5.8</td>
<td>4.3</td>
<td>3.1</td>
<td>3.9</td>
<td>1.6</td>
</tr>
<tr>
<td>2032</td>
<td>5.9</td>
<td>6.8</td>
<td>2.2</td>
<td>2.7</td>
<td>3.4</td>
<td>3.3</td>
</tr>
</tbody>
</table>
# Outlays, Revenues, and the Deficit

## Percentage of Gross Domestic Product

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Outlays</th>
<th>Total Revenues</th>
<th>Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>19.0</td>
<td>17.0</td>
<td>-1.9</td>
</tr>
<tr>
<td>1997</td>
<td>18.9</td>
<td>18.7</td>
<td>-0.3</td>
</tr>
<tr>
<td>2022</td>
<td>23.5</td>
<td>19.6</td>
<td>-3.9</td>
</tr>
<tr>
<td>2032</td>
<td>24.3</td>
<td>18.2</td>
<td>-6.1</td>
</tr>
</tbody>
</table>
Federal Debt Held by the Public

Percentage of Gross Domestic Product
Federal Debt Under Two Options for Stabilizing It

For details about this analysis, see Congressional Budget Office, The Economic Effects of Waiting to Stabilize Federal Debt (April 2022), www.cbo.gov/publication/57867.
Effects That the Two Options Would Have on Gross Domestic Product Relative to CBO’s Baseline Projection
Options to Reduce the Federal Deficit

CBO will publish a new volume of budget options at the end of this year.

Among the options that CBO has previously examined, 13 would have reduced the deficit by at least $500 billion over the next 10 years:

- Reduce the Department of Defense’s Budget
- Increase Individual Income Tax Rates
- Impose a 5 Percent Value-Added Tax
- Eliminate Itemized Tax Deductions
- Impose a Tax on Greenhouse Gas Emissions
- Impose a Tax on Financial Transactions
- Increase Excise Taxes on Motor Fuels and Index for Inflation
- Increase the Maximum Taxable Earnings for the Social Security Payroll Tax
- Increase the Payroll Tax Rate for Social Security
- Increase the Payroll Tax Rate for Medicare Hospital Insurance
- Establish Caps on Federal Spending for Medicaid
- Reduce Federal Medicaid Matching Rates
- Reduce Tax Subsidies for Employment-Based Health Insurance

For details about these options, see Congressional Budget Office, “Budget Options,” https://tinyurl.com/43ryj63u.
Changes from March to September 2020 consist mostly of the effects of the Coronavirus Aid, Relief, and Economic Security Act; from September 2020 to February 2021, mostly of the effects of the Consolidated Appropriations Act, 2021; from February to July 2021, mostly of the effects of the American Rescue Plan Act of 2021; and from July 2021 to May 2022, mostly of the effects of the Infrastructure Investment and Jobs Act and the Consolidated Appropriations Act, 2022.
The May 2022 Survey of Professional Forecasters incorporated economic developments subsequent to the completion, on March 2, 2022, of CBO’s May 2022 baseline projections.
A Comparison of CBO’s Forecasts of Inflation With Those in the Survey of Professional Forecasters

The May 2022 Survey of Professional Forecasters incorporated economic developments subsequent to the completion, on March 2, 2022, of CBO’s May 2022 baseline projections.
Contributions to Overall Inflation

Price Index for Personal Consumption Expenditures

- Food and Energy
- Vehicles and Parts
- Other Goods
- Housing Services
- Medical Services
- Other Services