An Overview of the 2022 Long-Term Budget Outlook

Presentation to the National Economists Club

Phillip L. Swagel
Director

For further information about the organization, see www.national-economists.org.
These Projections Are as of July 27, 2022

Each year, the Congressional Budget Office publishes a report presenting its budget projections (for federal debt, deficits, spending, and revenues) and economic forecast for the next 30 years under the assumption that current laws governing taxes and spending generally do not change.

CBO’s most recent projections, which underlie this presentation, were published on July 27, 2022.

The economic forecast includes data and developments through early March.

The budget projections include the effects of legislation enacted through early April.
Growing deficits and rising interest rates are projected to drive federal debt held by the public to unprecedented levels over the next 30 years. By 2052, debt is projected to reach 185 percent of gross domestic product (GDP).
Total Deficits, Primary Deficits, and Net Interest

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.
Both outlays and revenues are projected to be higher than their historical averages, but outlays increase faster than revenues, resulting in widening budget deficits.
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.
Increases in individual income taxes account for most of the rise in total revenues relative to GDP.
The extended baseline projections, which generally reflect current law, follow CBO’s 10-year baseline budget projections and then extend most of the concepts underlying those projections for an additional 20 years.

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

The level of interest rates makes a big difference. In these illustrative paths, the differential between the alternative interest rates and the baseline interest rate is 5 basis points in 2022 and increases by 5 basis points each year.
The extended baseline projections, which generally reflect current law, follow CBO's 10-year baseline budget projections and then extend most of the concepts underlying those projections for an additional 20 years.

**Federal Debt If Total Factor Productivity Growth Differed From the Values Underlying CBO’s Projections**

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.
## Spending and Revenues Under Illustrative Paths That Differ From CBO's Extended Baseline Projections

Percentage of GDP

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Average Discretionary Spending, 2033 to 2052</th>
<th>Average Total Revenues, 2033 to 2052</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extended Baseline</td>
<td>6.0</td>
<td>18.7</td>
</tr>
<tr>
<td>First Path</td>
<td>7.0</td>
<td>18.7</td>
</tr>
<tr>
<td>Second Path</td>
<td>7.0</td>
<td>18.0</td>
</tr>
<tr>
<td>Third Path</td>
<td>7.0</td>
<td>17.3</td>
</tr>
</tbody>
</table>

The extended baseline projections, which generally reflect current law, follow CBO's 10-year baseline budget projections and then extend most of the concepts underlying those projections for an additional 20 years.
The extended baseline projections, which generally reflect current law, follow CBO’s 10-year baseline budget projections and then extend most of the concepts underlying those projections for an additional 20 years.

If components of the budget were more consistent with their past values than are the baseline projections, discretionary spending would be greater and revenues less than the amounts in the baseline projections, and federal debt would grow faster.
Real potential GDP is projected to grow more slowly than in the past. That slowdown occurs mostly because of slow growth of the potential labor force.
Demographic Factors That Contribute to Population Growth

By 2043, deaths exceed births; population growth after that point is driven entirely by net immigration, in CBO’s projections.
Short- and Longer-Term Economic Issues

**Short Term**
- Inflation
- Economic growth
- Labor supply
- Supply chains
- International issues

**Longer Term**
- Fiscal trajectory
- Size of labor force
- Productivity and capital accumulation
- Income distribution
- Climate change