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# Budget Digest

Chairman Diane Black

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## THE UNSUSTAINABLE LONG-TERM BUDGET OUTLOOK

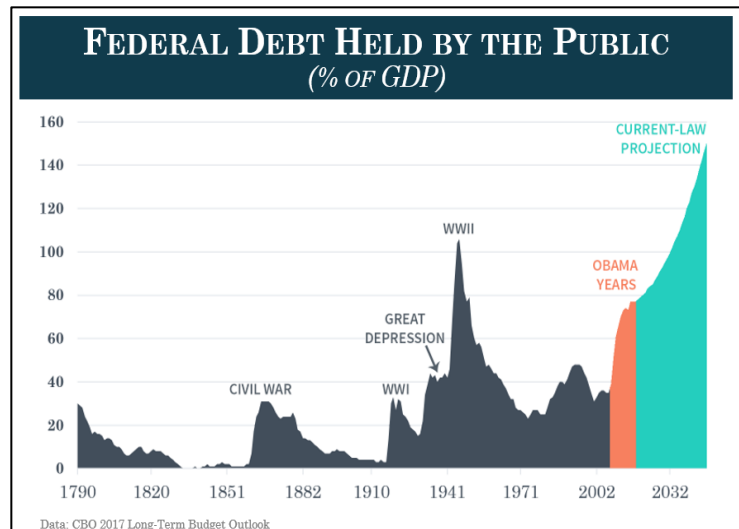
The United States faces a growing probability of a sovereign debt crisis. The trend toward ever-expanding government and uncontrolled spending drives this threat to fiscal sustainability. Below are some of the particulars of the problem.

**Record Levels of Debt.** If current laws generally remain unchanged, Federal debt held by the public – which stands at 77 percent of gross domestic product [GDP] today – will surge to 113 percent of GDP in the next 20 years, according to the Congressional Budget Office [CBO]. By 2047, that debt is projected to reach 150 percent of GDP. This would be nearly four times the average level of the past 50 years (39 percent), and well above the country's highest debt level seen shortly after World War II.

**Spending Will Exceed Historically High Revenue.** The projected increase in debt is driven by spending growth well above historic levels of revenues. Revenues today stand at 17.8 percent of GDP – greater than the 50-year historical average of 17.4 percent. They are projected to average 18.2 percent of GDP over the next 10 years, then reach 19.0 percent in 2037, and 19.6 percent in 2047. Spending, however, will persistently outpace revenue growth, averaging 22.1 percent of GDP over the next 10 years, surging to 26.3 percent in 2037, and 29.4 percent in 2047, CBO projects.

**Mandatory Spending Will Soon Consume All Revenue.** The automatic, or mandatory, spending for major Federal benefits programs, plus interest payments, will continue to dominate the budget. By 2029, these categories of spending are expected to consume all Federal revenue. This means all other government activities – such as national defense, education, infrastructure, research, and myriad others – will have to be financed on borrowed money, if they are financed at

all. Of note: These trends result not from temporary surges in spending (for wars or emergencies) or economic downturns, but from permanent government spending programs. This is an entrenched structural excess of spending over revenues.



**How Should Congress Respond?** The first step to avoid a future of high Federal debt and weak economic growth is for Congress to pass a budget resolution that reaches balance and outlines a long-term, fiscally sustainable path. The budget is the only legislative vehicle that deals with the government's finances in a comprehensive manner and that can provide a clear vision of how to fix the Federal Government's fiscal problems. Reforming automatic spending programs through the annual use of budget reconciliation is another important step to address the government's debt problems.

Prepared by:  
Andy Morton, Chief Economist  
Tim Flynn, Senior Economist