

Federal Fiscal Outlook

October 2019



**COMMITTEE FOR A
RESPONSIBLE FEDERAL BUDGET**

CRFB.org



IN 2019...

TOTAL REVENUE
\$3.5
TRILLION

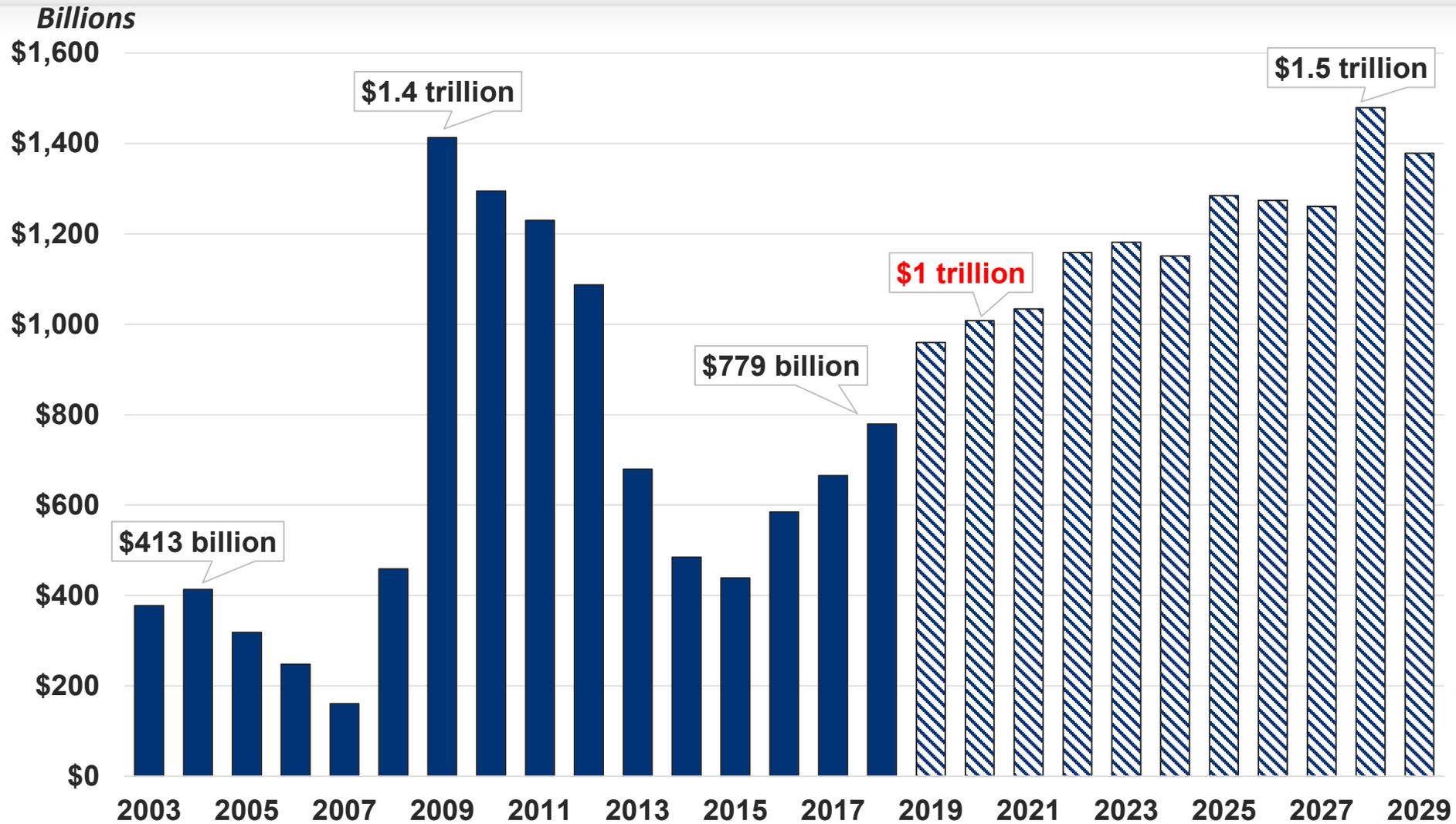
TOTAL SPENDING
\$4.4
TRILLION

(THAT MEANS WE WILL BORROW ABOUT \$900 BILLION.)

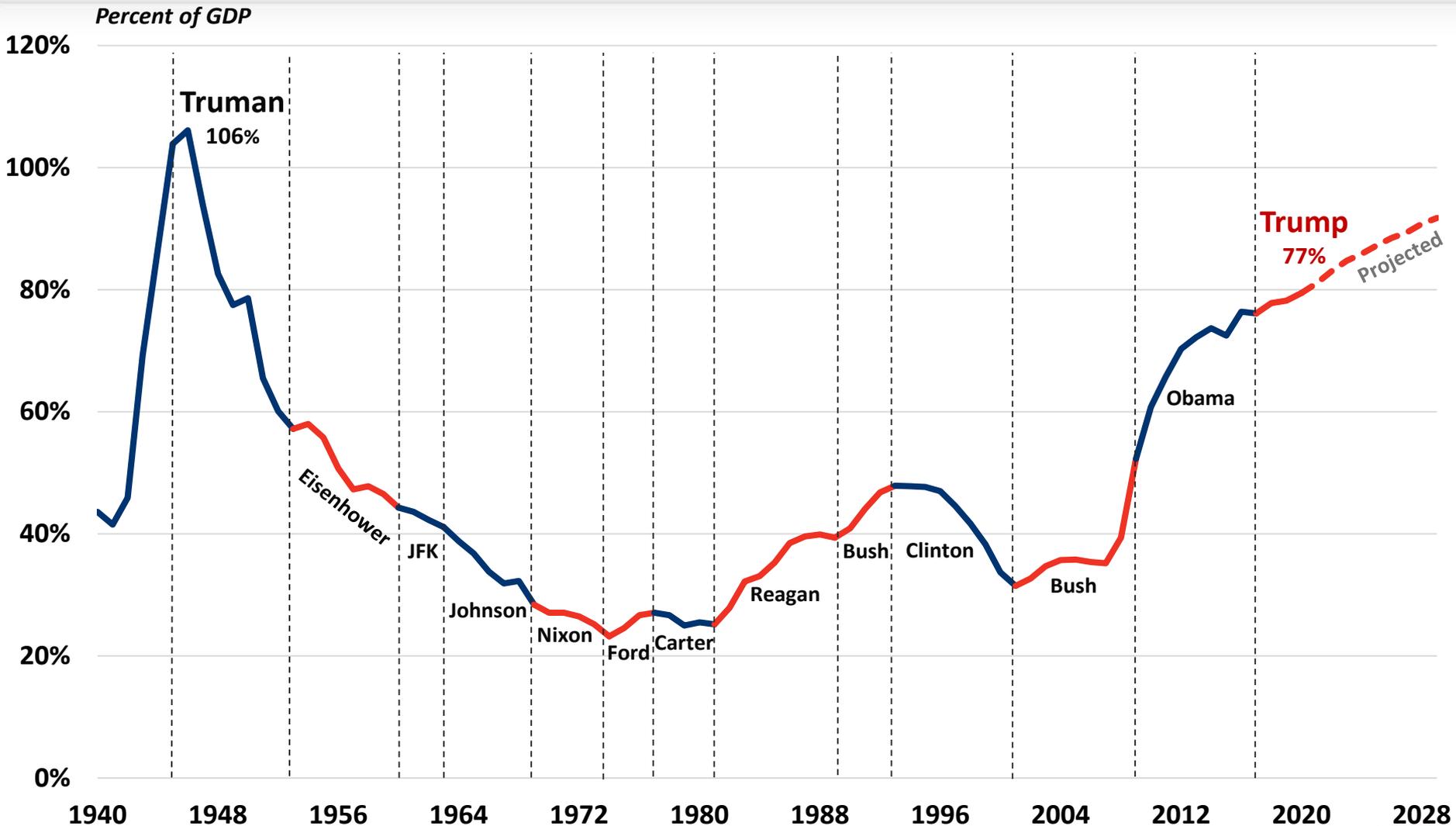
TODAY THE GROSS NATIONAL DEBT IS MORE THAN \$22 TRILLION



Permanent Trillion-Dollar (Plus) Deficits By 2020

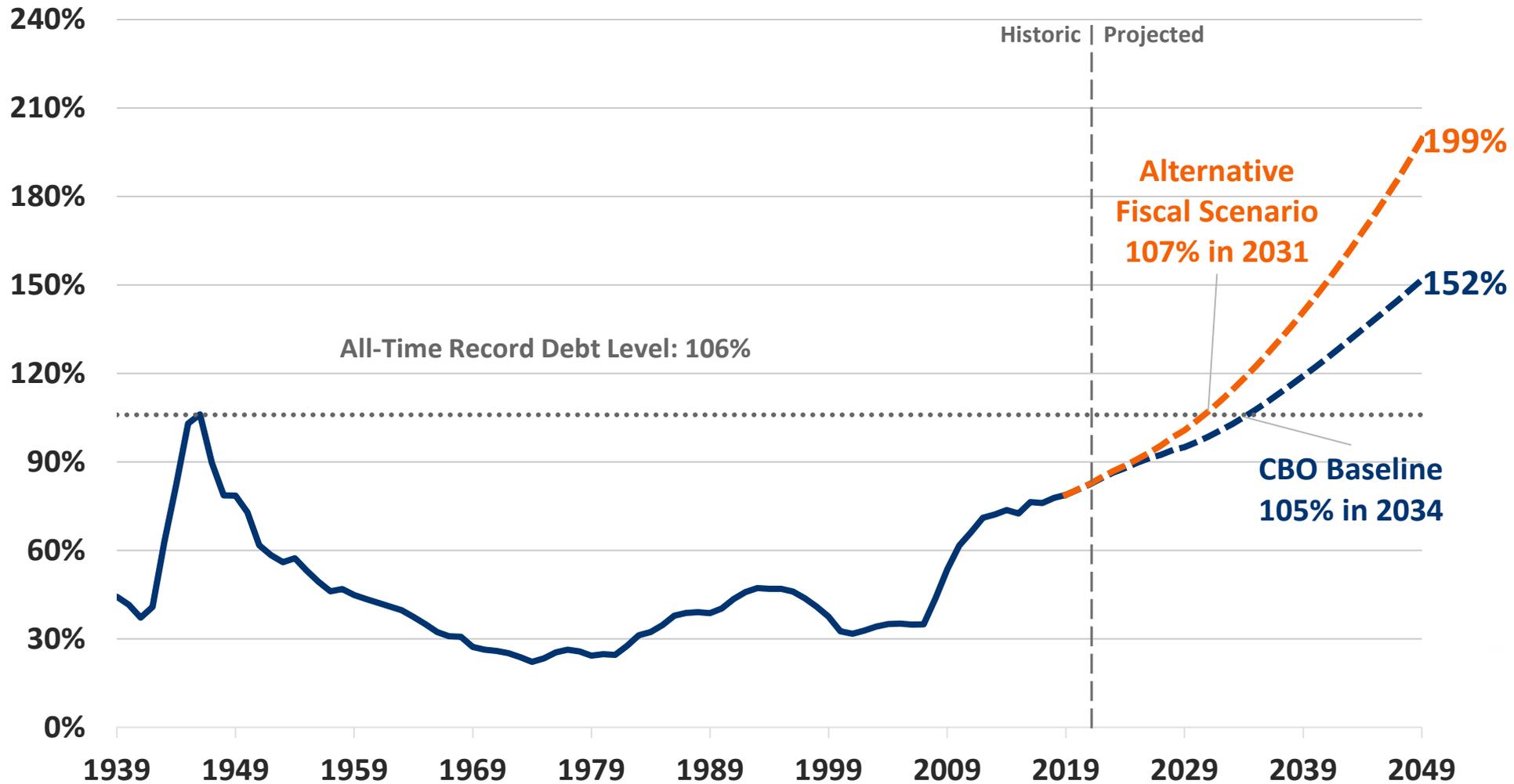


Trump Entered Office With High Debt



Debt Levels Will Nearly Double in 30 Years

Percent of GDP

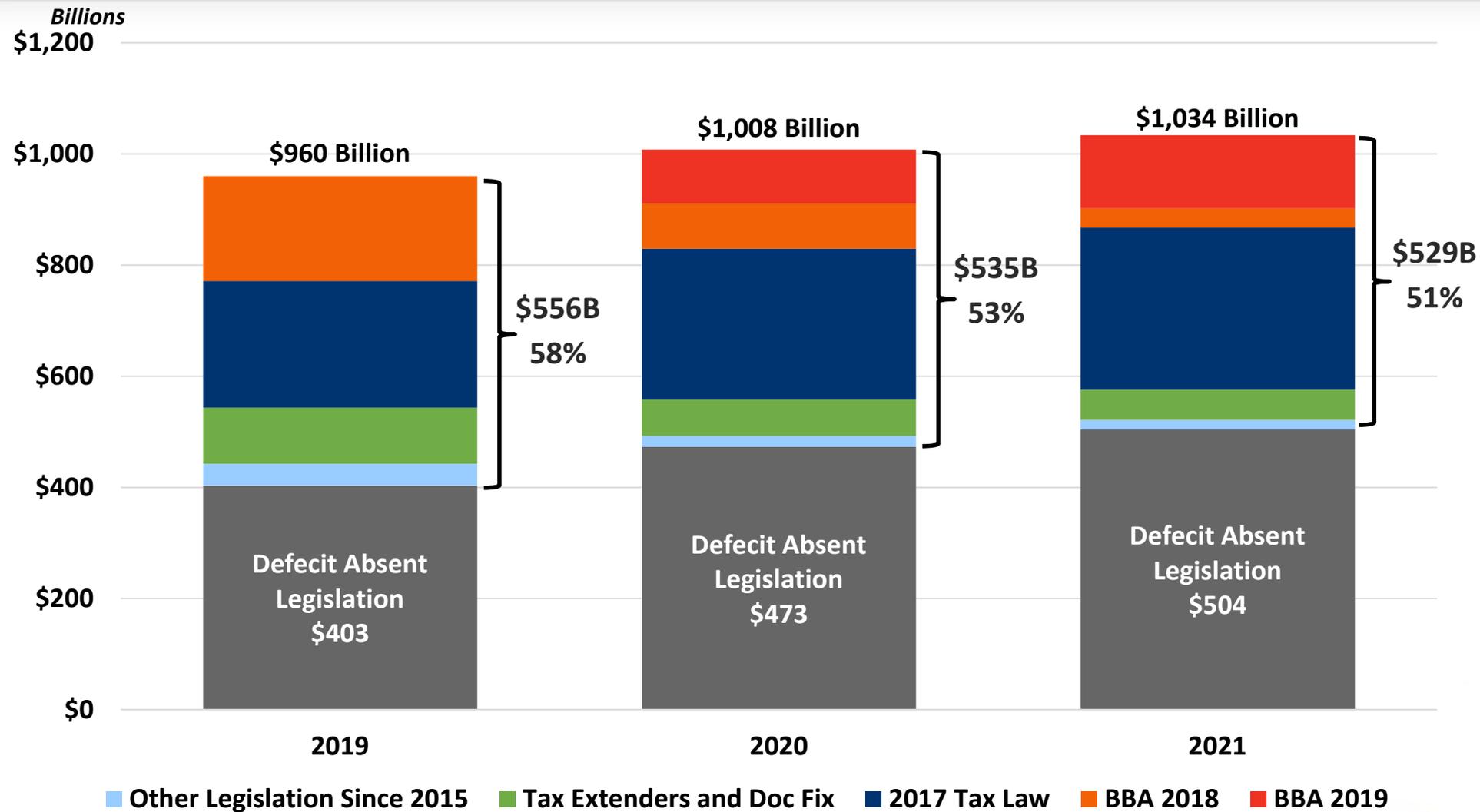


Source: CRFB Calculations Based on CBO August 2019 Baseline data

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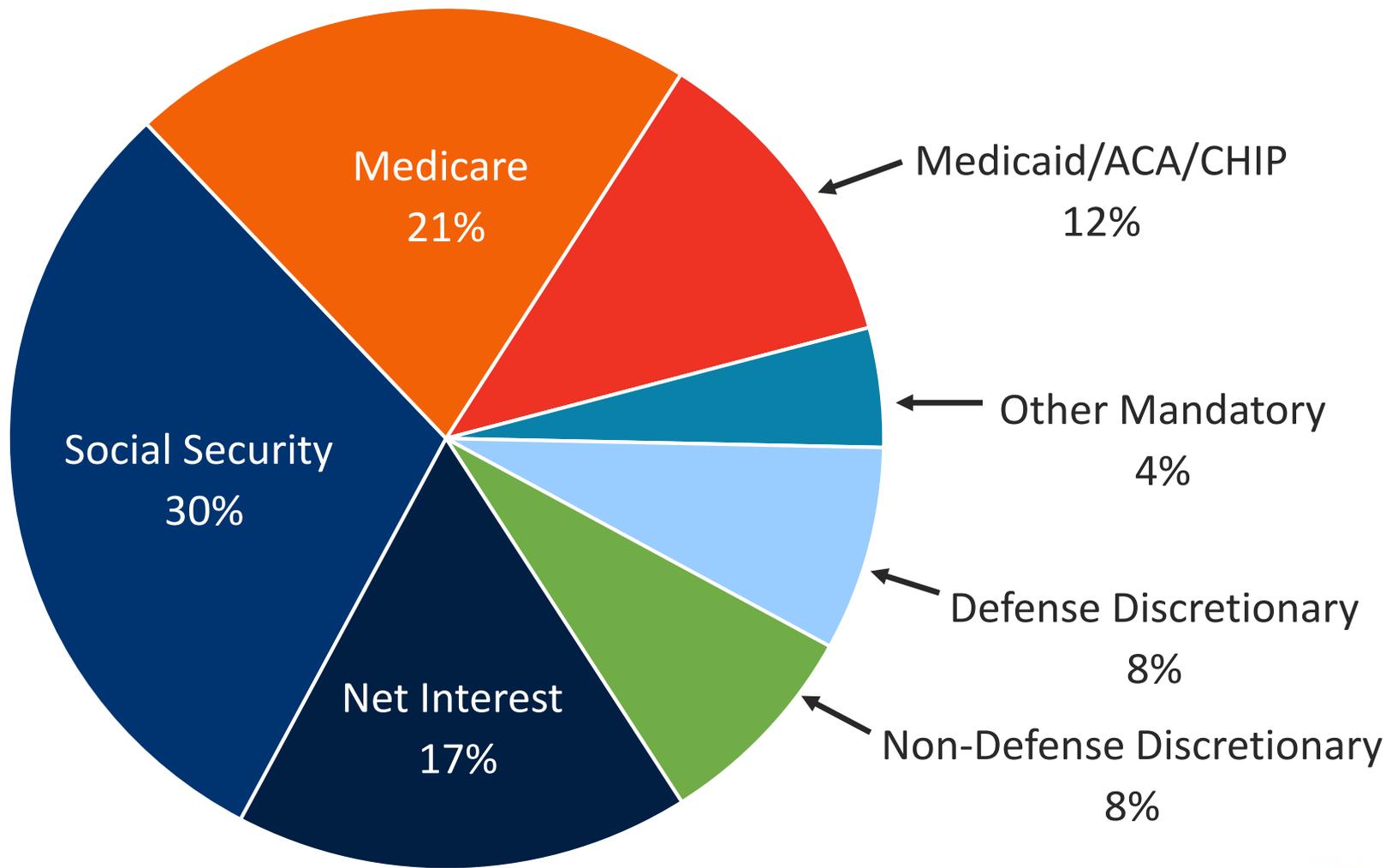


Self Inflicted Harm



Sources: Congressional Budget Office, CRFB calculations

Social Security, Health Care, and Interest Explain 80% of Spending Growth



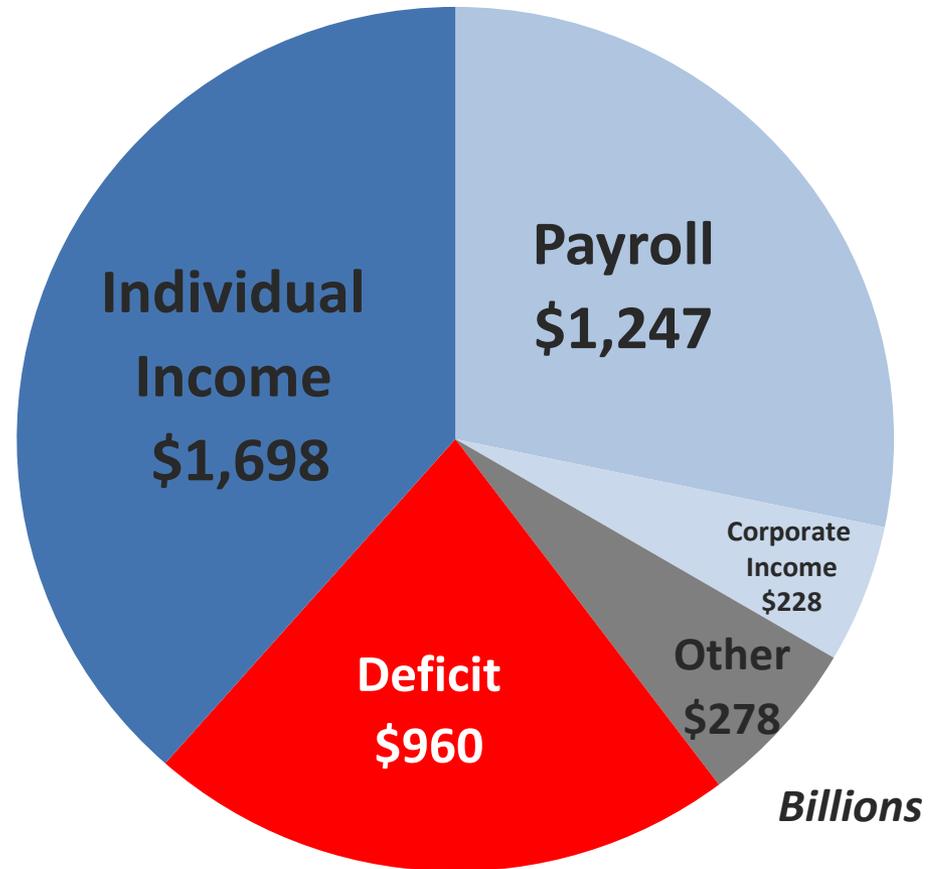
2019-2029 Spending Growth

*Source: CRFB calculations based on Congressional Budget Office August 2019 Baseline data
Numbers may not add due to rounding.*

Individual income and payroll taxes cover two-thirds of government spending.

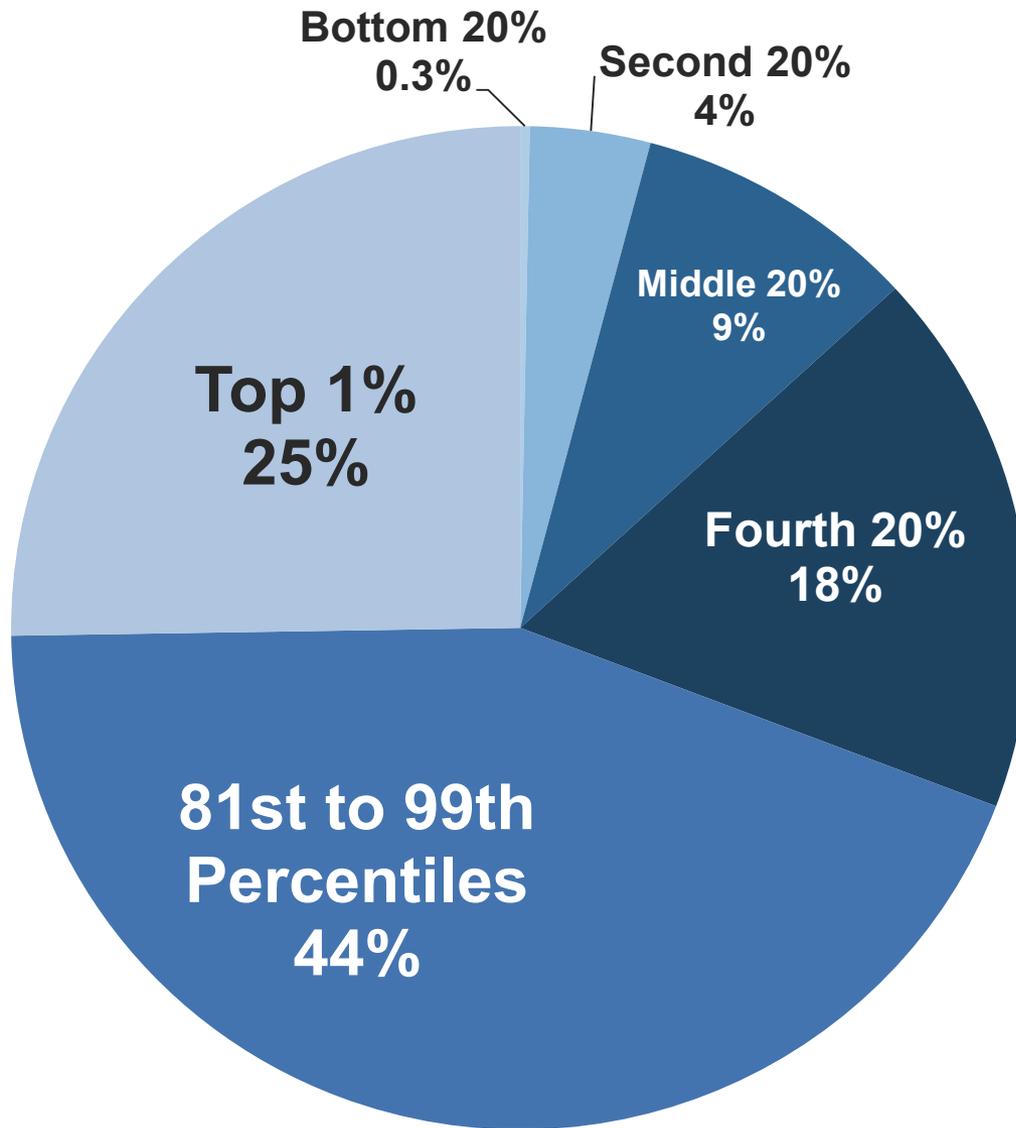
Where Does The Federal Government's Money Come From?

In 2019, more than one-fifth of the government's spending will be financed by deficits.



Source: Congressional Budget Office, August 2019 budget projections.





Who Pays Federal Taxes?

The top 20% of households paid in 2016 almost 70% of the nation's taxes. The top 1% paid one quarter.

Percentage of all federal taxes paid, by household income

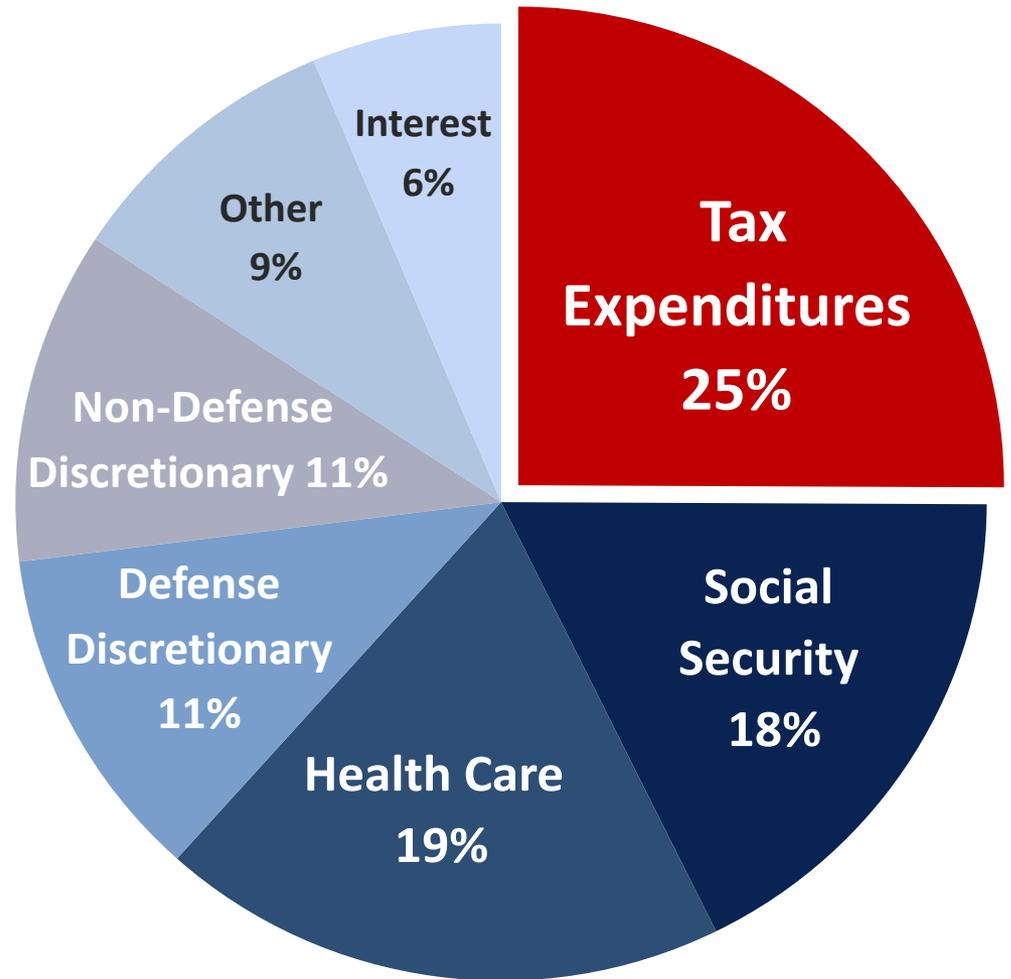
Source: Congressional Budget Office, "The Distribution of Household Income, 2016". Published 2019



Tax Expenditures: Another Kind of Spending

Tax Expenditures aren't part of the budget that Congress passes every year, but are similar to government spending programs. Think about it: \$1,000 given out in Pell grants and \$1,000 given out through education tax credits will both give \$1,000 to students.

If they were counted as a normal part of the budget, tax expenditures would be a quarter of spending.

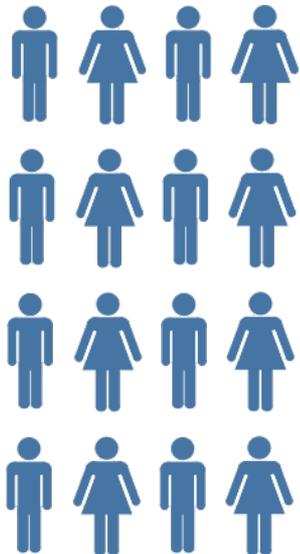


Sources: Congressional Budget Office, August 2019 budget projections, Joint Committee on Taxation, "Estimates Of Federal Tax Expenditures For Fiscal Years 2018-2022", 2018

Aging Demographics

1950 

(16:1)



1960 

(5:1)



2012 

(3:1)

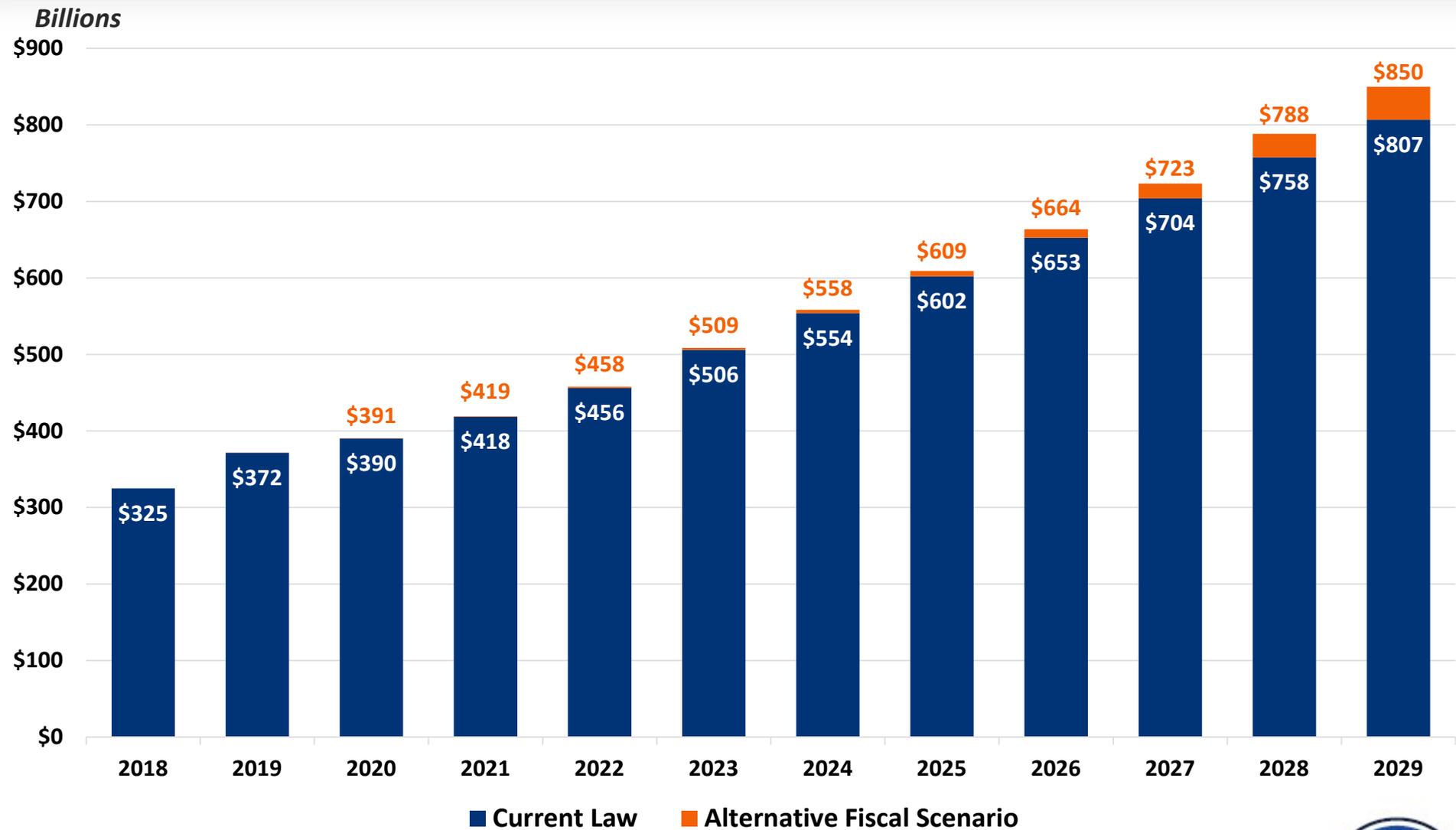


2035 

(2:1)



Interest Spending is Fastest Growing Line Item



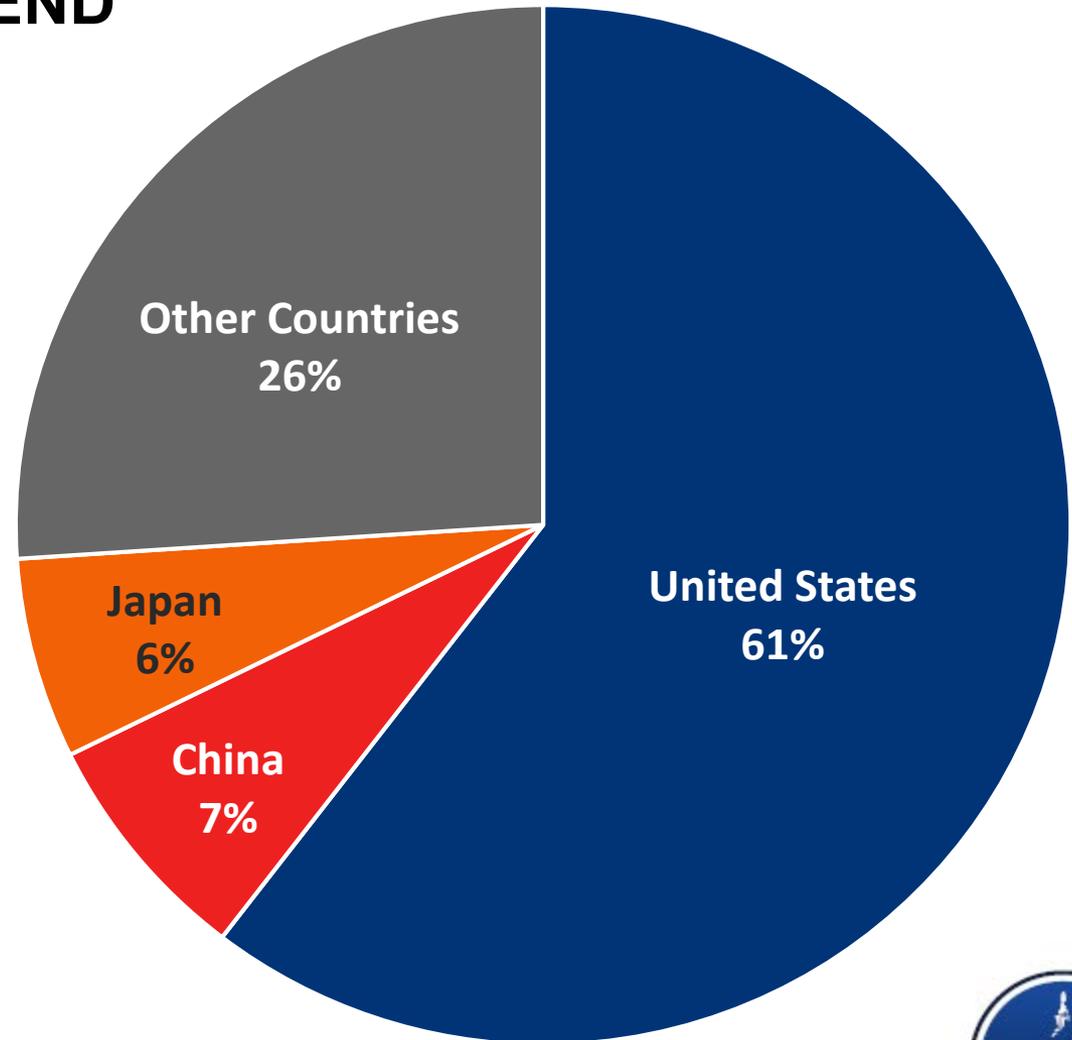
Source: CRFB calculations based on Congressional Budget Office August 2019 Baseline.



Two-Fifths of Interest Goes Overseas

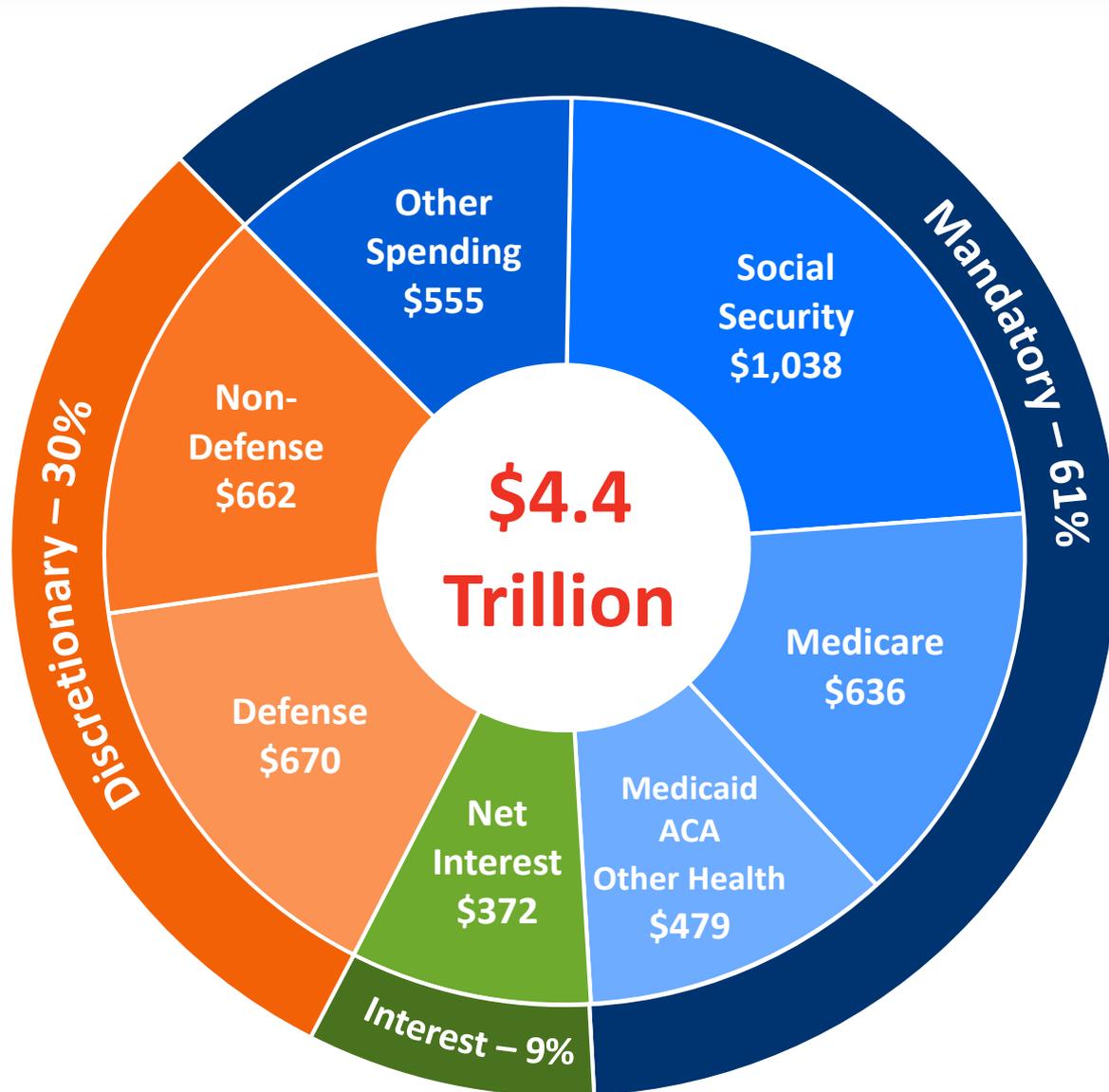
IN 2019, WE WILL SPEND
\$382 BILLION
ON INTEREST.

ROUGHLY
\$150 BILLION
WILL BE PAID
TO FOREIGNERS



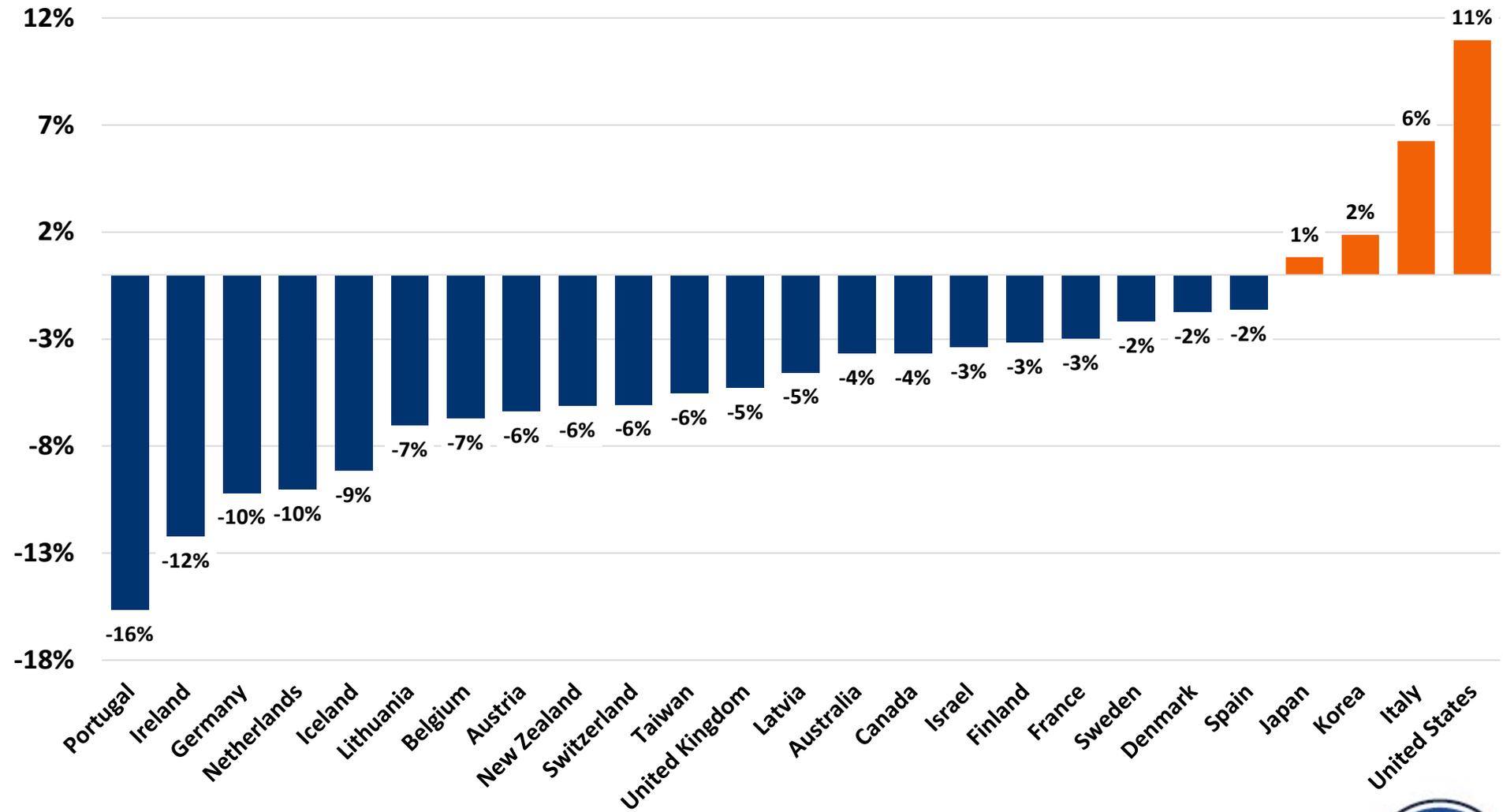
A Budget on Auto-pilot

Billions



U.S. Largest Projected Increase in Debt

Change in Debt-to-GDP 2019-2024

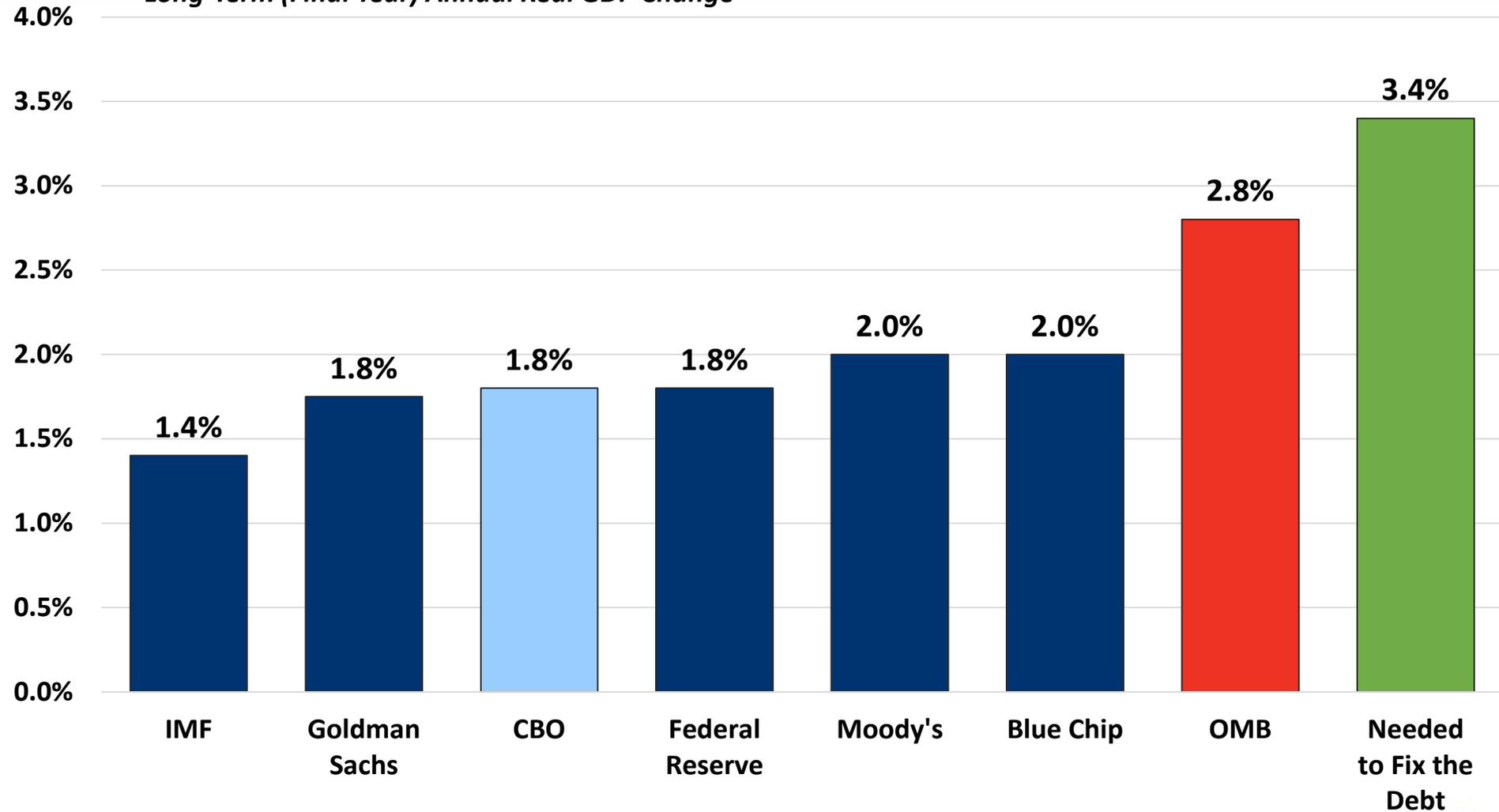


Source: International Monetary Fund World Economic Outlook, April 2019.



We Can't Grow Our Way Out

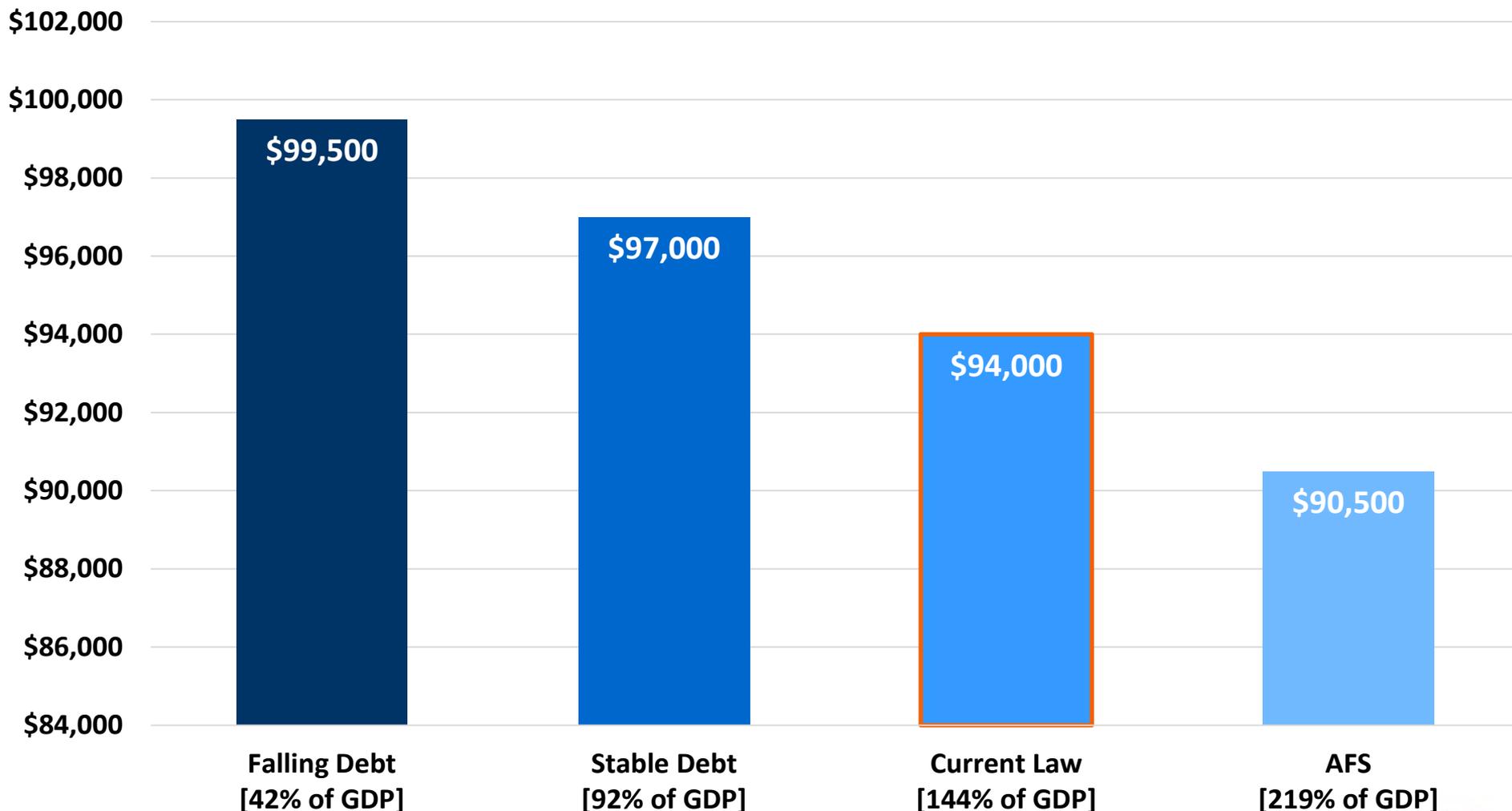
Long-Term (Final Year) Annual Real GDP Change



Sources: CBO, OMB, Federal Reserve, Blue Chip, Goldman Sachs, Moody's, IMF, and CRFB calculations.
Note: Long-term rate is either defined by estimating organization or the last year of the estimating organization's projection period.

Rising Debt Will Reduce Income Per Person

Per-Person Income (Real GNP Per-Capita) in 2049 [Debt % of GDP]





Some Consequences of Rising Debt

- **Economic Effects**
 - Less private sector investment
 - Slower economic and wage growth
 - Higher Interest Rates on loans for households and businesses
- **Budget Effects**
 - Higher government interest payments displace other priorities
- **Harder to Respond to a Crisis**
 - If we borrow more now, there will be less room to borrow in a war, recession, or national emergency
- **Missed Opportunities**
 - Higher debt means less resources for education, infrastructure, supports for low-income families, or funding for basic research that can help grow the economy and improve our standard of living.
- **Generational Unfairness**, asking our kids to pay for their parents
- **Eventual Fiscal Crisis** if changes are not made



374 Debate Questions, No Debt

Debate Mini Study

15: The number of hours of Democratic debates.

15: The number of different debate moderators.

22: The number of candidates who have participated in at least one debate.

374: The total number of questions asked at the debates so far.

0: The number of questions asked about rising national debt, \$1 trillion deficits, or saving Social Security.

\$636,347,603: The amount the federal government has spent on interest to service the debt in the 15 hours that candidates have debated.

\$1,643,835,616: The amount the national debt has increased in the 15 hours that candidates have debated.



A Framework for Fixing the Debt

- **Lead a National Conversation on the Debt.**
- **Pay for Your Agenda.** New spending programs and policies should be offset with taxes or spending cuts to avoid adding to the debt.
- **Cut Wasteful and Low Priority Spending.** Cutting programs that don't work or don't serve an important public purpose could help reduce debt.
- **Recommend Cutting Tax Loopholes and Preferences.** We spend \$1.5 trillion through the tax code, and hundreds of billions more through tax evasion, tax avoidance, and loopholes.
- **Reducing Health Care Costs.** Improving how we pay for and deliver health care can reduce costs without reducing coverage or quality of care.
- **Identify New Revenue Sources.** New ideas like taxing carbon, data, financial transactions, inheritance, or sugary drinks could help fund government.
- **Pledge to Save Social Security.** New tax revenue, changes to future benefits, or both will be needed – and changes must begin soon so they can be phased in fairly.
- **Fixing the Broken Budget Process.** After the most recent government shutdown, the public has woken up to the reality that the budget process is broken. Americans would welcome efforts to end the madness in Washington.



Debt Symbolizes a Broken System

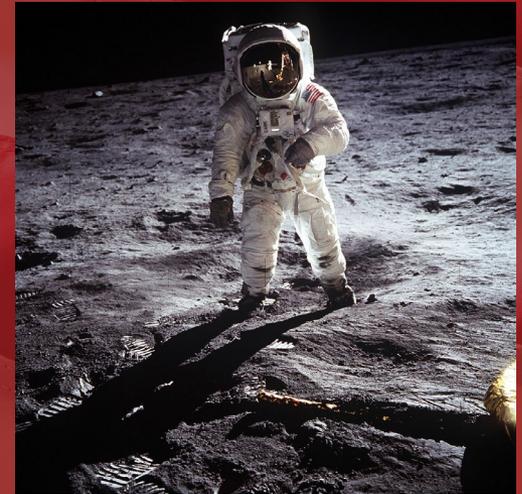
...**AVOIDS** TOUGH CHOICES

...CANNOT ACHIEVE **COMPROMISE**

...FOCUSES ON **SHORT TERM** VS LONG TERM

...REWARDS **PARTISANSHIP** OVER PROGRESS

FixUS – Restoring America Now



FixUSNow.org



COMMITTEE FOR A
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The background of the slide is a close-up, slightly blurred image of the American flag, showing the stars and stripes in a warm, reddish-orange color palette. The flag is draped and appears to be waving. A solid dark red horizontal band runs across the middle of the image, serving as a background for the text.

It's time for us to engage in a conversation about how to **make healing our fractured nation a top national priority** – **FixUs at 33777**



FixUS



OUR GOAL

Make healing our fractured nation and fixing our broken political system a *top national priority that our leaders cannot ignore.*

OUR CORE PRINCIPLES

- ★ Healing our divided nation is the defining challenge of our time
- ★ Extremism on both sides of the political divide have led America into a deepening crisis
- ★ A revitalized citizenry is the key to fixing our broken political system and preparing our nation to face the serious challenges ahead
- ★ We value compromise over conflict, discussion over divisiveness, and progress over partisanship
- ★ Americans share a common destiny; working together we can secure a future of freedom, justice and prosperity for future generations

THREAT FROM WITHIN



“

When I walked out of the Pentagon after 28 years in uniform, I never thought I'd say this, but what is going on politically in America today is a far graver threat than any our nation faced during my career, including the Soviet Union. And it's because this threat is here and now, right at home, and it's coming from within us. I guess the irony of being a great nation is the only power who can bring you down is yourself.

- Colonel Mark Mykleby, USMC (Retired)

(Source: The New York Times 10/2/18)

OUR NATION IS AT A CROSSROADS

PRESIDENT GEORGE WASHINGTON FOUR GREATEST THREATS



- ★ **Hyper-Partisanship**
- ★ **Foreign Intervention in Domestic Affairs**
- ★ **Fiscal Irresponsibility**
- ★ **Absence of Civic Education**

AMERICA FACES DAUNTING CHALLENGES

LOSING FAITH IN INSTITUTIONS



78%

of Americans believe it's important that Republicans and Democrats work together

19%

think they're doing a good job of it



Trust in...

The Presidency *Congress* is
is down 54% down 81%



Essential to live in a democracy?

72% of those born in 1930s think so... compared to **30%** of millennials (those born since 1980)

(Sources: Pew & World Economic Forum)

EXHAUSTED MAJORITY



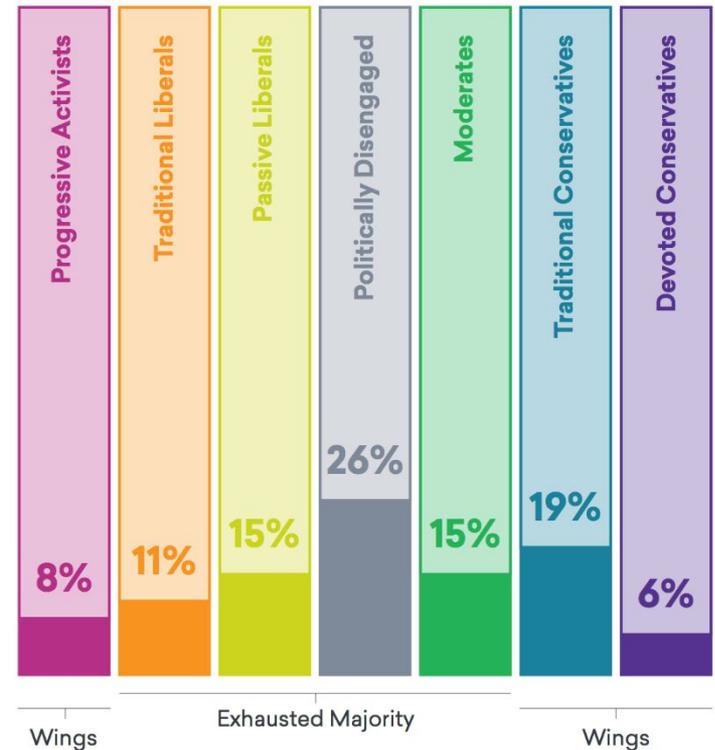
“

Members of the Exhausted Majority are considerably more ideologically flexible than members of other groups. While members of the “wing” groups (on both the left and the right) tend to hold strong and consistent views across a range of political issues, those in the Exhausted Majority tend to deviate significantly in their views from issue to issue.

- More in Common, 10/18

(Source: More in Common)

Hidden Tribes of America



A STUDY OF AMERICA'S POLARIZED LANDSCAPE

MORE IN COMMON SURVEY



Progressive Activists

8%

Younger, highly engaged, secular, cosmopolitan, angry

Traditional Liberals

11%

Older, retired, open to compromise, rational, cautious

Passive Liberals

15%

Unhappy, insecure, distrustful, disillusioned

Politically Disengaged

26%

Young, low income, distrustful, detached, patriotic

Moderate

15%

Engaged, civic-minded, middle-of-the-road, pessimistic, Protestant

Traditional Conservatives

19%

Religious, middle class, patriotic, moralistic

Devoted Conservatives

6%

White, retired, highly engaged, uncompromising, patriotic

(Source: More in Common)

OUR NATION IS AT A CROSSROADS

CONSEQUENCES OF THE CURRENT PATH



- ★ **Paralysis** in Washington **on critical issues**
- ★ Policy **instability and uncertainty**
- ★ **Vulnerable** to foreign influence
- ★ Rising public **discord and unrest**
- ★ **Disenchantment** with government and democracy

HOW DID WE GET HERE?



87% of Americans say *political polarization* is threatening our way of life

ECONOMIC

- ★ Growing economic disparities
- ★ Anxiety over rapid economic changes in technology, globalization, and the gig economy
- ★ Frustration over lack of upward mobility
- ★ System viewed as “rigged” or “corrupt”

POLITICAL

- ★ Politicians incented not to solve problems, due to gerrymandered districts, partisan primaries, etc.
- ★ Increased money in politics skews the system
- ★ Congressional rules encourage partisanship
- ★ Ideological polarization of parties

SOCIAL & CULTURAL

- ★ Fragmented and polarized media and social media environment
- ★ Persistent racial, ethnic, and geographic divides
- ★ Rising social isolation and decline of religious and civic institutions
- ★ Declining civility and civil discourse

(Source: AP/NORC)

THE GOOD NEWS

A MOVEMENT IS BLOSSOMING



Efforts devoted to:

- ★ Supporting candidates and elected officials who have committed to working in a bipartisan manner to solve problems
- ★ Reforming the incentives of our political system, including but not limited to:
 - ★ Redistricting reform
 - ★ Electoral and primary reform
 - ★ Ballot access changes
 - ★ Campaign finance reform
- ★ Advancing bipartisan economic policies to address the structural trends contributing to economic anxiety
- ★ Promoting cultural and societal changes, including:
 - ★ More civility in political and public discourse
 - ★ Enhanced civic engagement and education
 - ★ New or improved media platforms to give voice to the ideologically homeless

A GROUNDSWELL OF EFFORTS



Affinity partners:



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National
Institute for
Civil Discourse

OPENPRIMARIES



CSPC



NATIONAL ASSOCIATION OF
NONPARTISAN
REFORMERS



ABRAHAM LINCOLN



“ It is not ‘can any of us
imagine better?’ but,
‘can we all do better?’

- Annual Message to Congress, December 1, 1862

WHAT YOU CAN DO
JOIN FixUS



★ Sign up by texting **FixUS** to **33777** or going to **www.FixUSNow.org** and receive opportunities to:

- ★ Help identify and learn about our political problems & possible fixes
- ★ Join discussions about these issues with like-minded Americans (in person event, online, teleconferences)
- ★ Connect you with organizations and efforts trying to heal our divides
- ★ Engage your local community on these issues (via letters to the editor, hosting events, and recruiting others to join)

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