

Federal Fiscal Outlook

October 2019



**COMMITTEE FOR A
RESPONSIBLE FEDERAL BUDGET**

CRFB.org



IN 2019...

TOTAL REVENUE
\$3.5
TRILLION

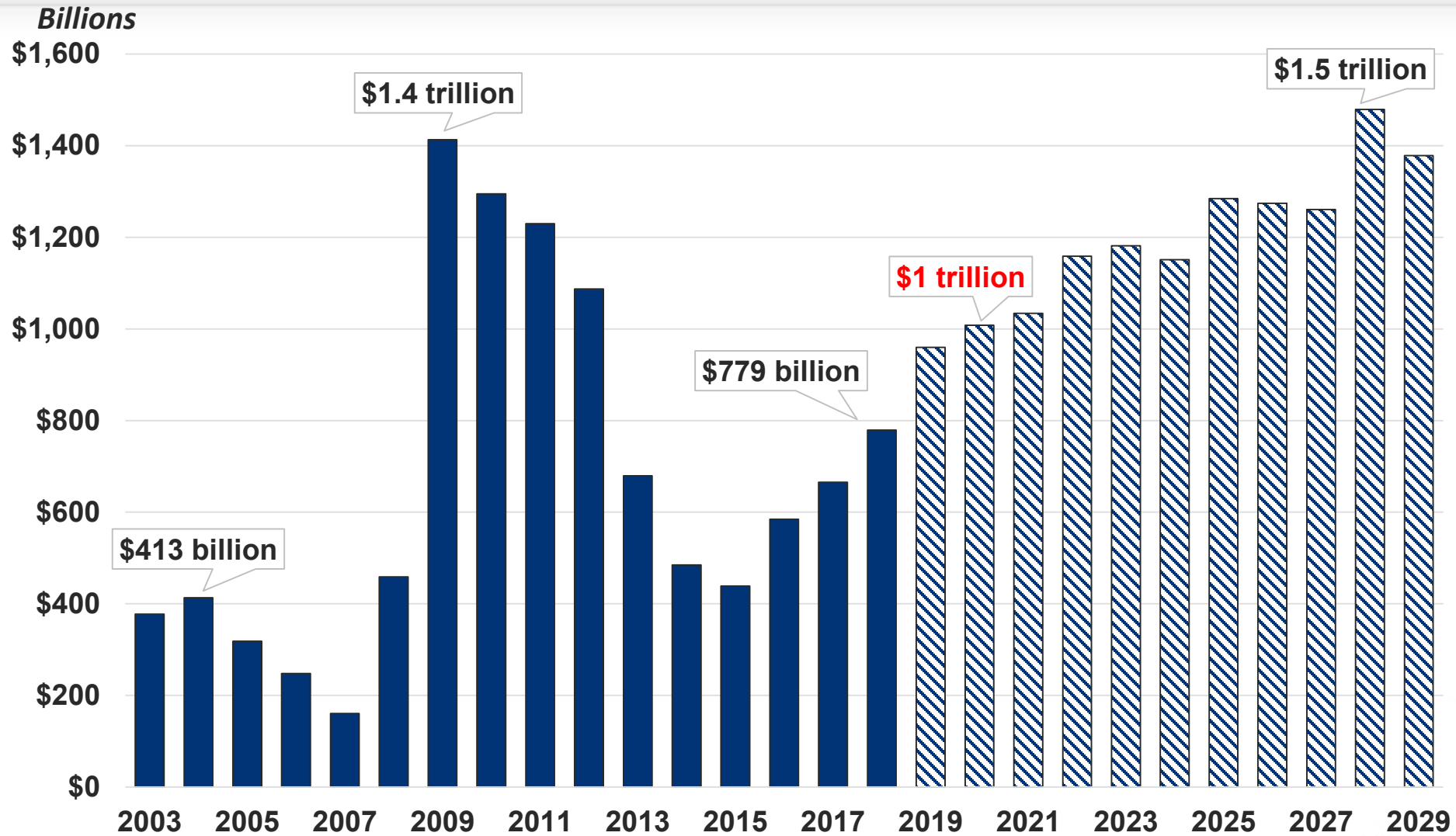
TOTAL SPENDING
\$4.4
TRILLION

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

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

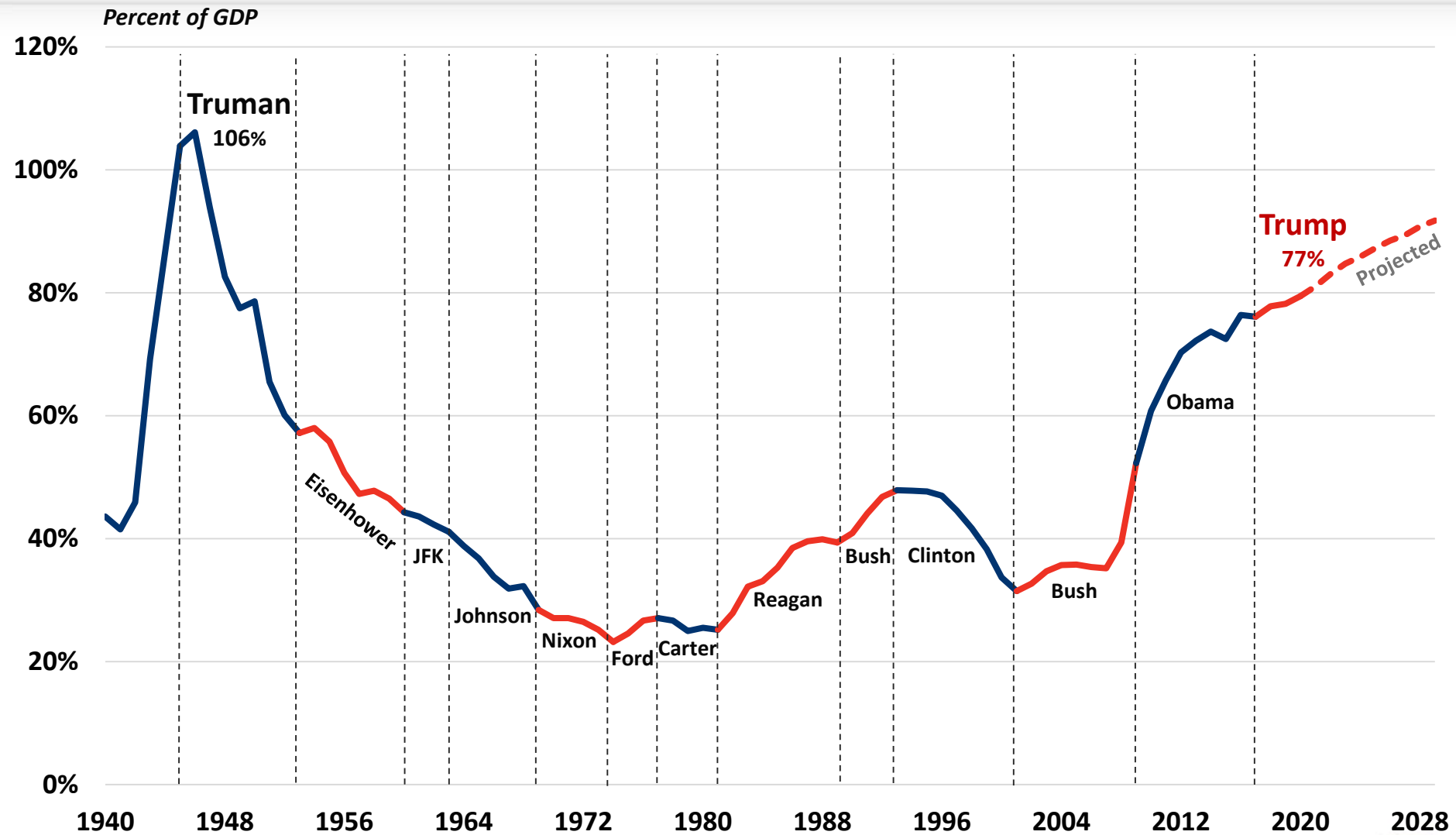


Permanent Trillion-Dollar (Plus) Deficits By 2020



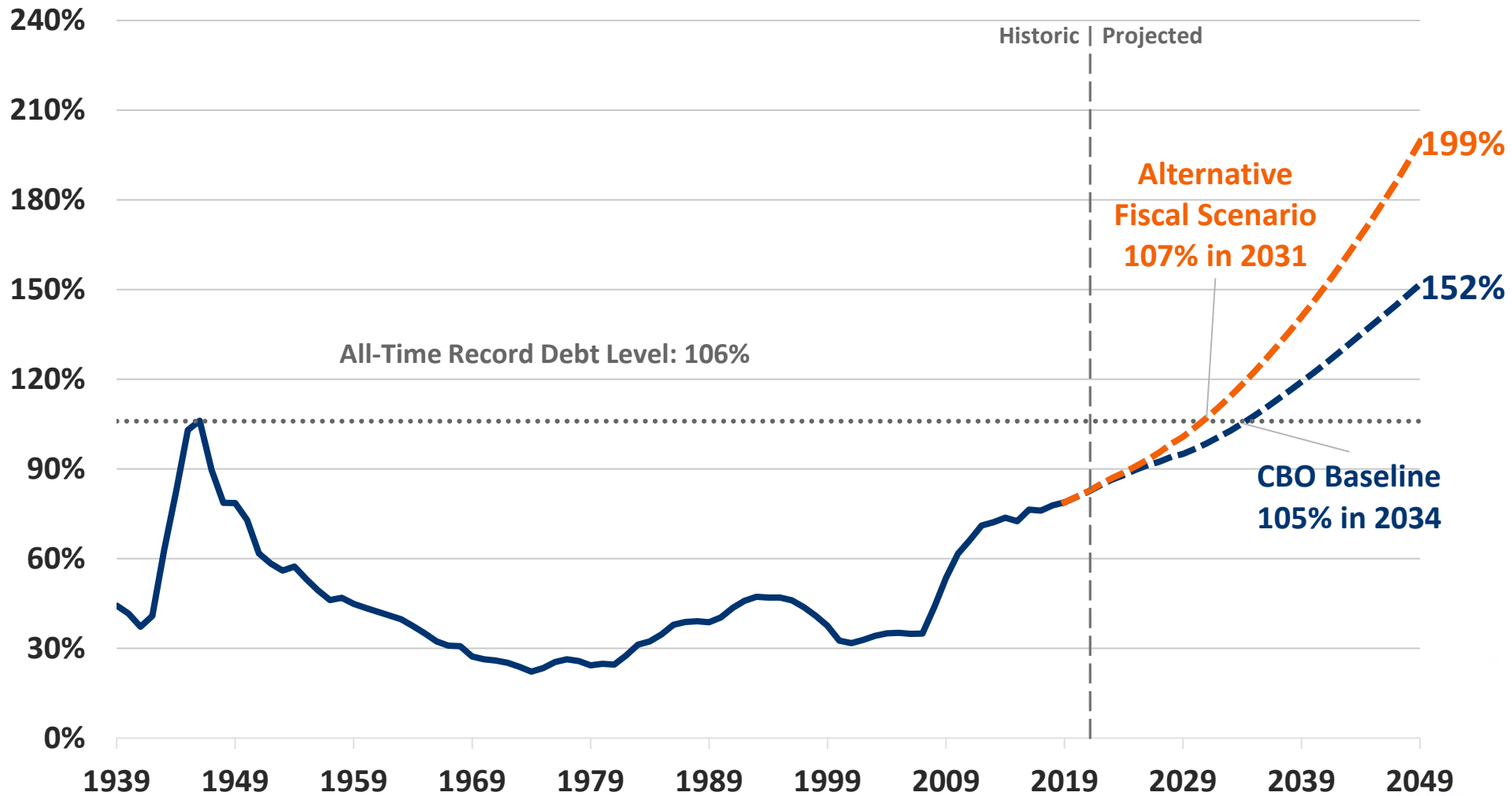
Source: Congressional Budget Office August 2019 Baseline

Trump Entered Office With High Debt



Debt Levels Will Nearly Double in 30 Years

Percent of GDP

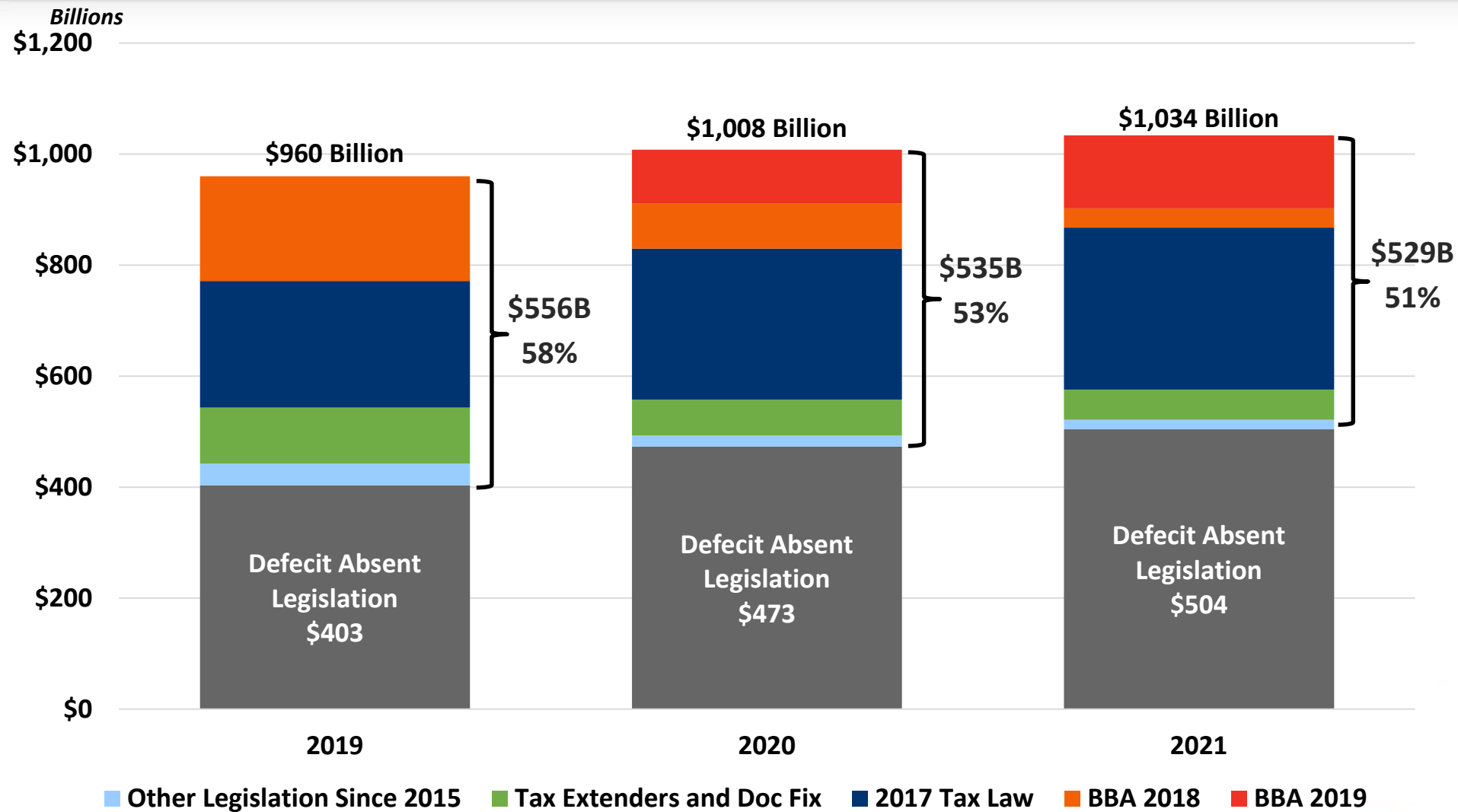


Source: CRFB Calculations Based on CBO August 2019 Baseline data

CRFB.org

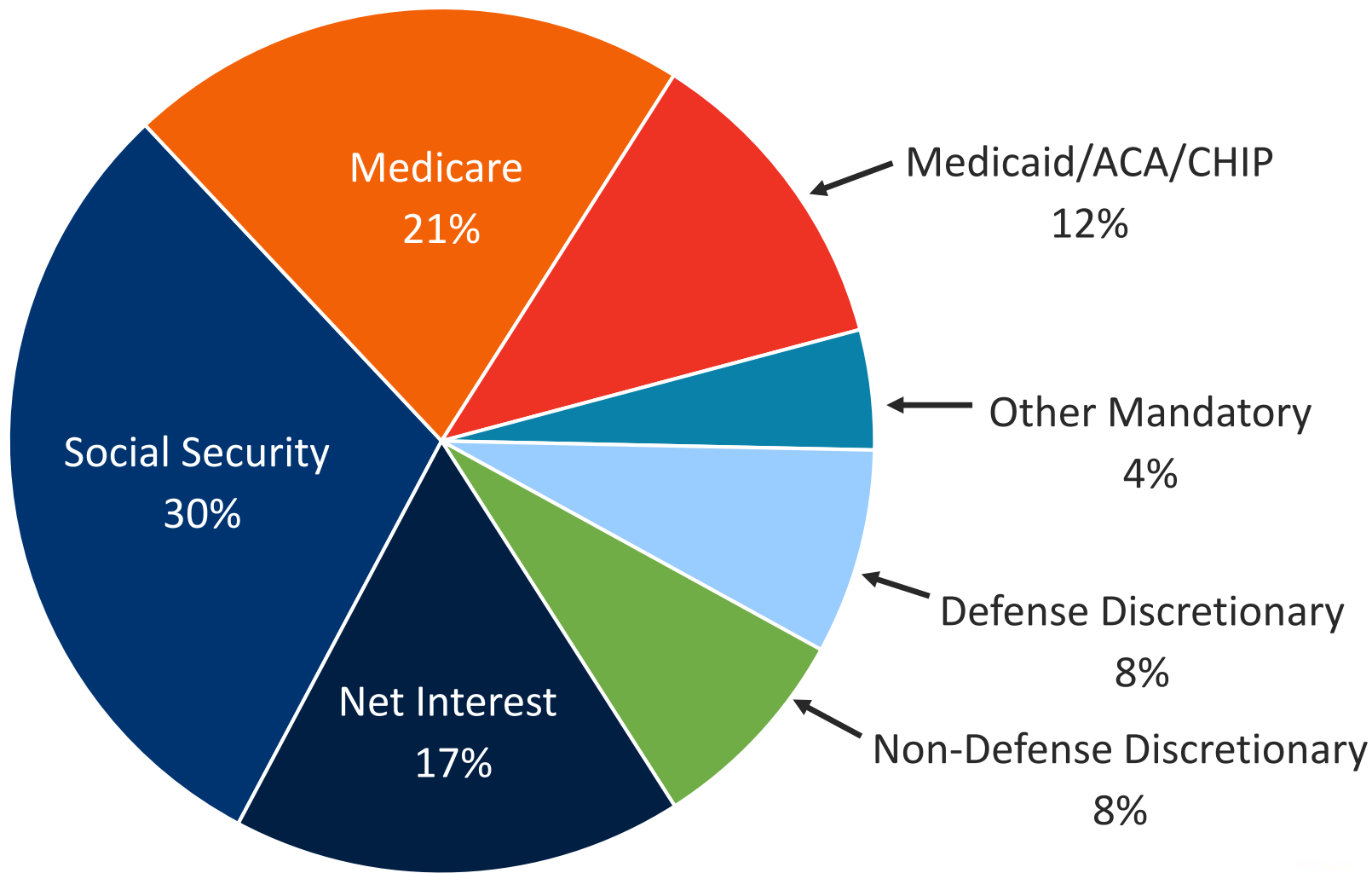


Self Inflicted Harm



Sources: Congressional Budget Office, CRFB calculations

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



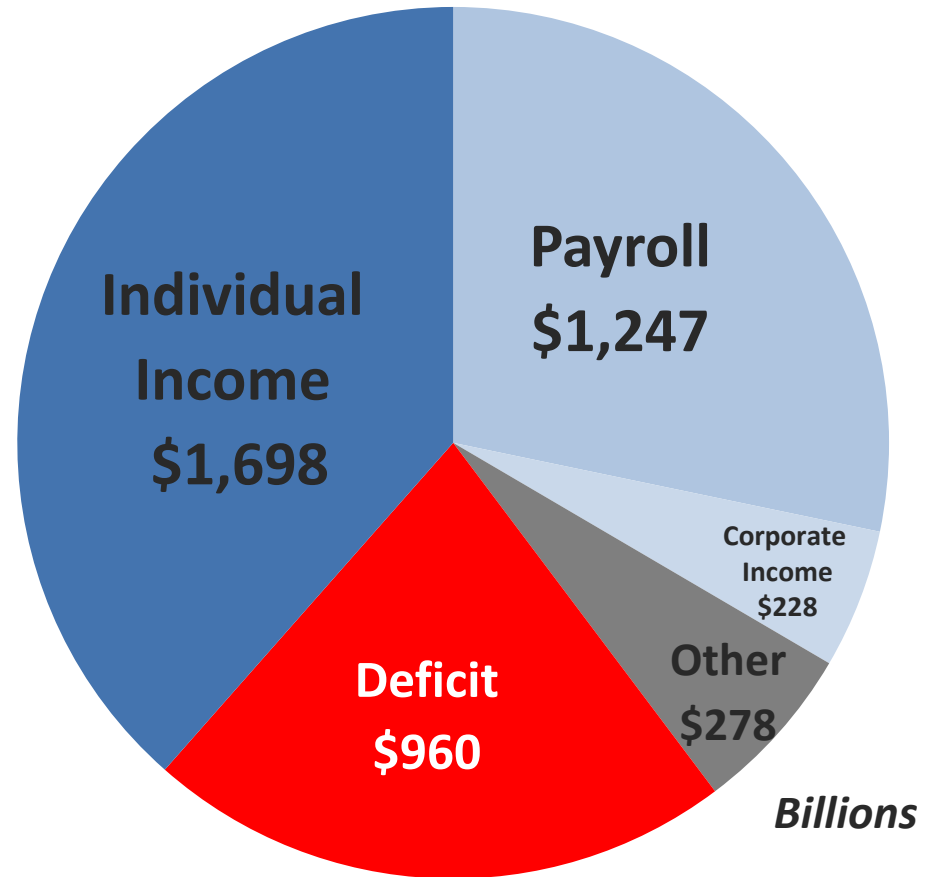
2019-2029 Spending Growth

*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.

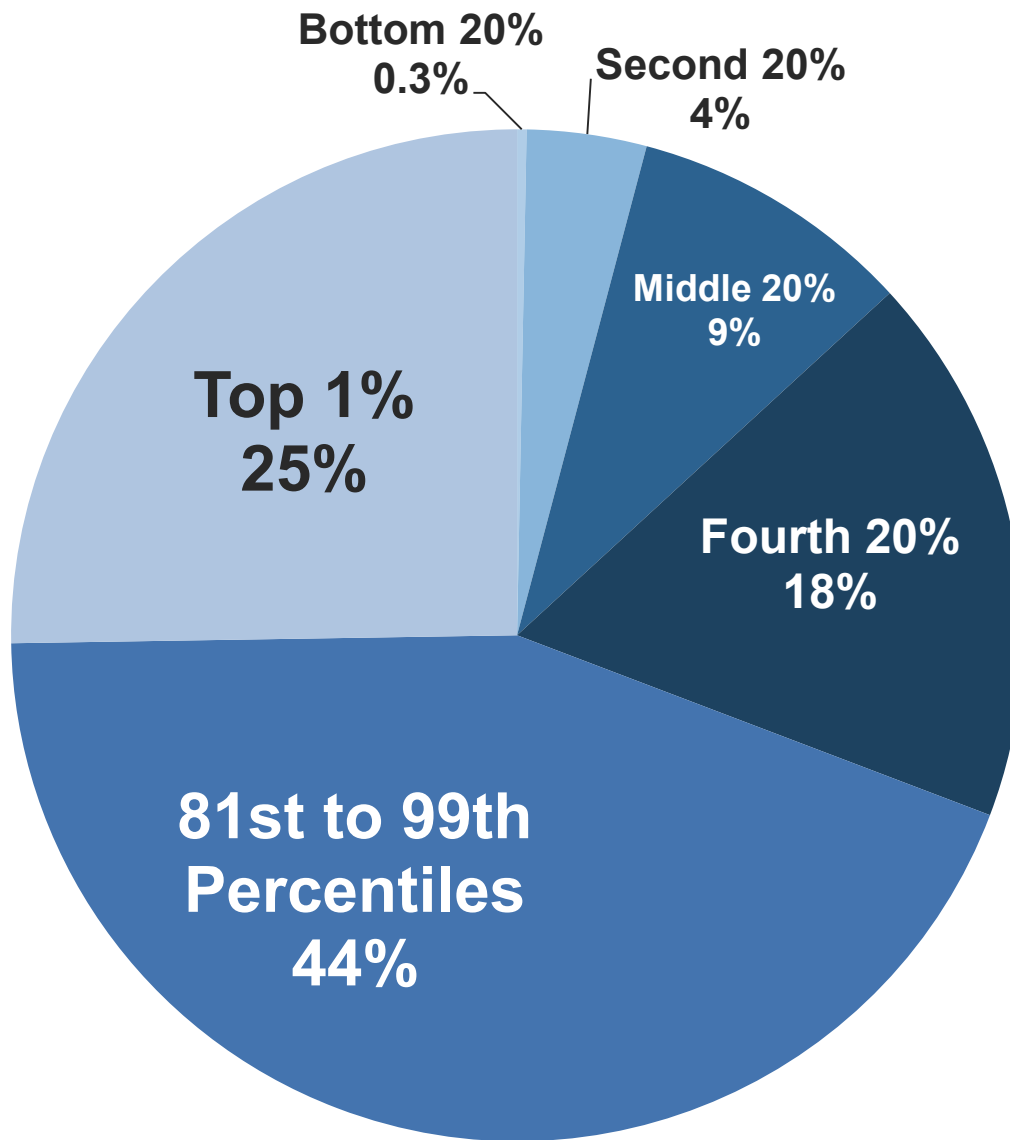


Source: Congressional Budget Office, August 2019 budget projections.



**THE COMMITTEE FOR A
RESPONSIBLE FEDERAL BUDGET**

Fix the Debt



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

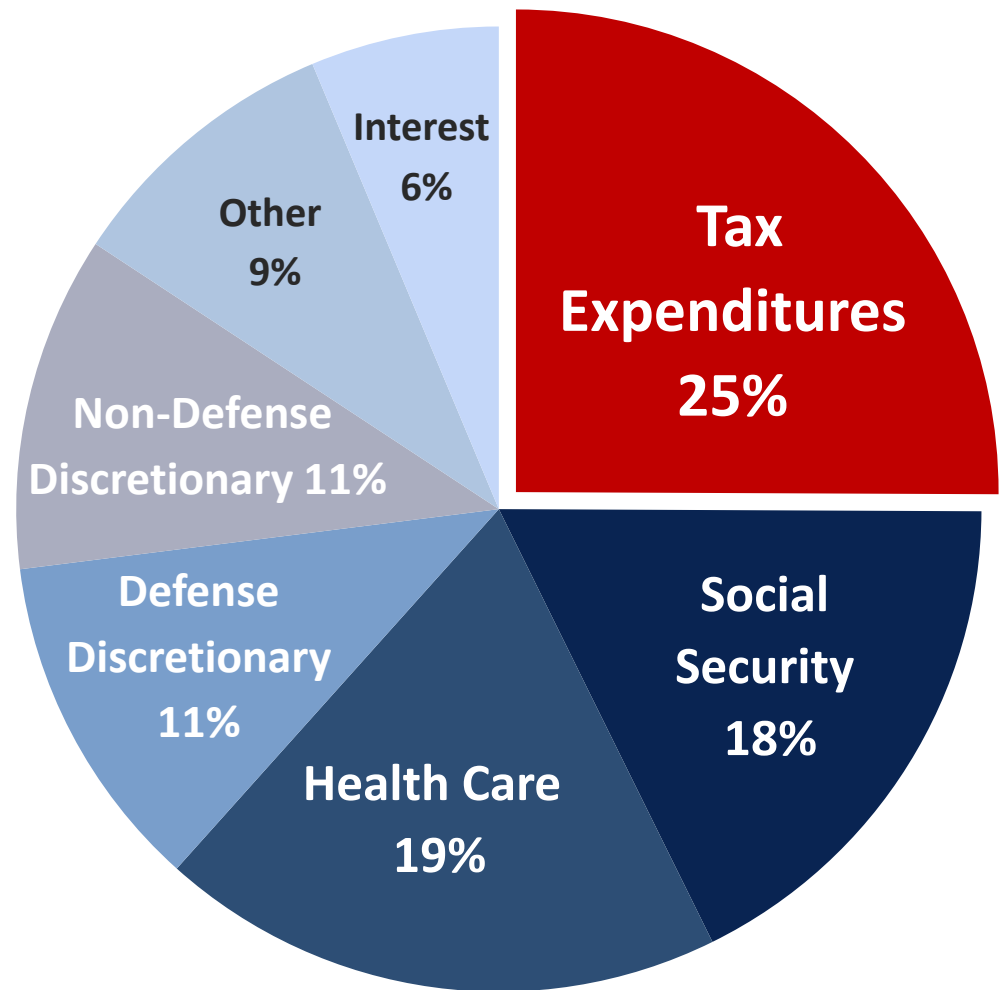
Source: Congressional Budget Office, "The Distribution of Household Income, 2016". Published 2019



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)

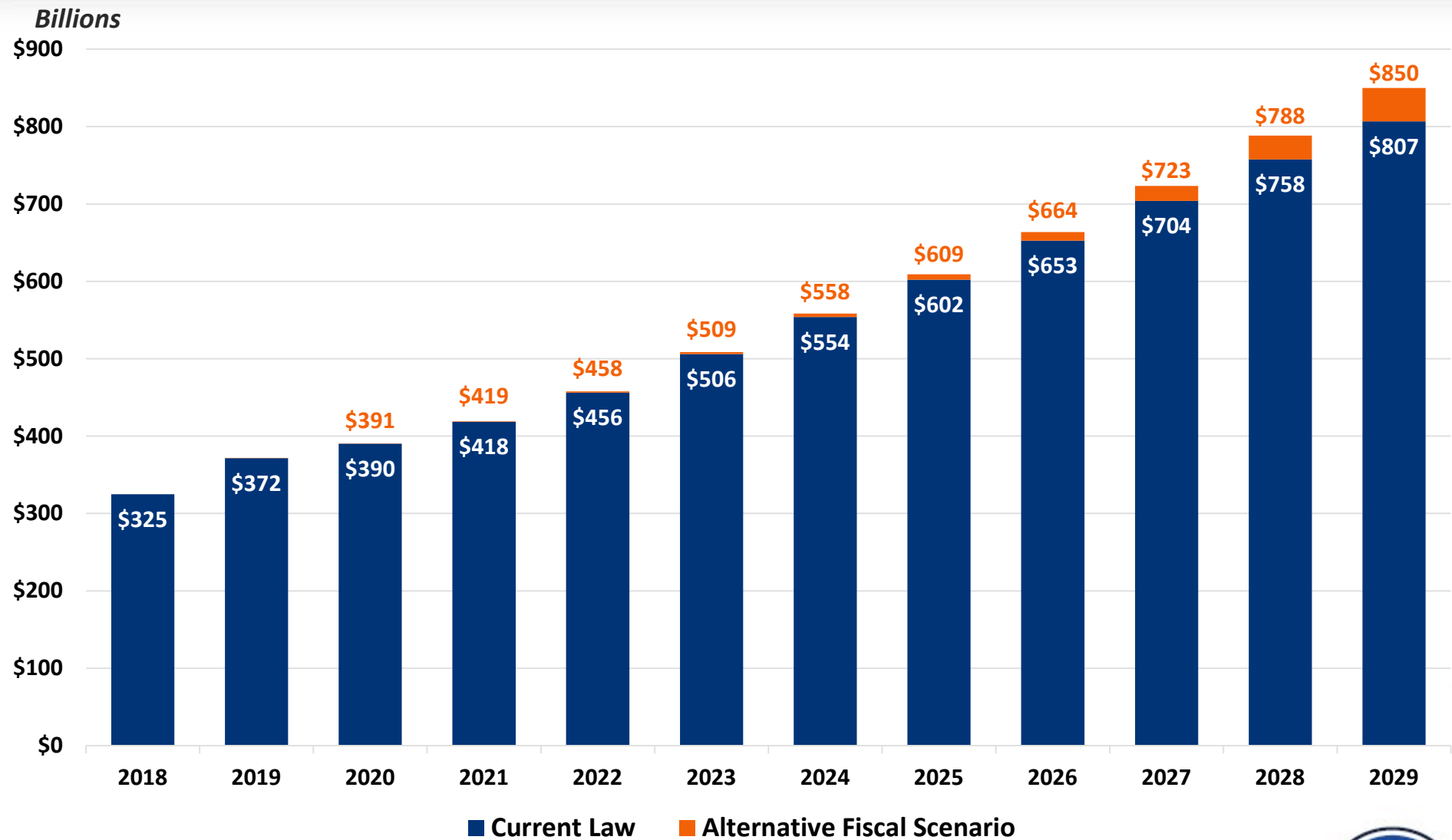


2035 

(2:1)



Interest Spending is Fastest Growing Line Item



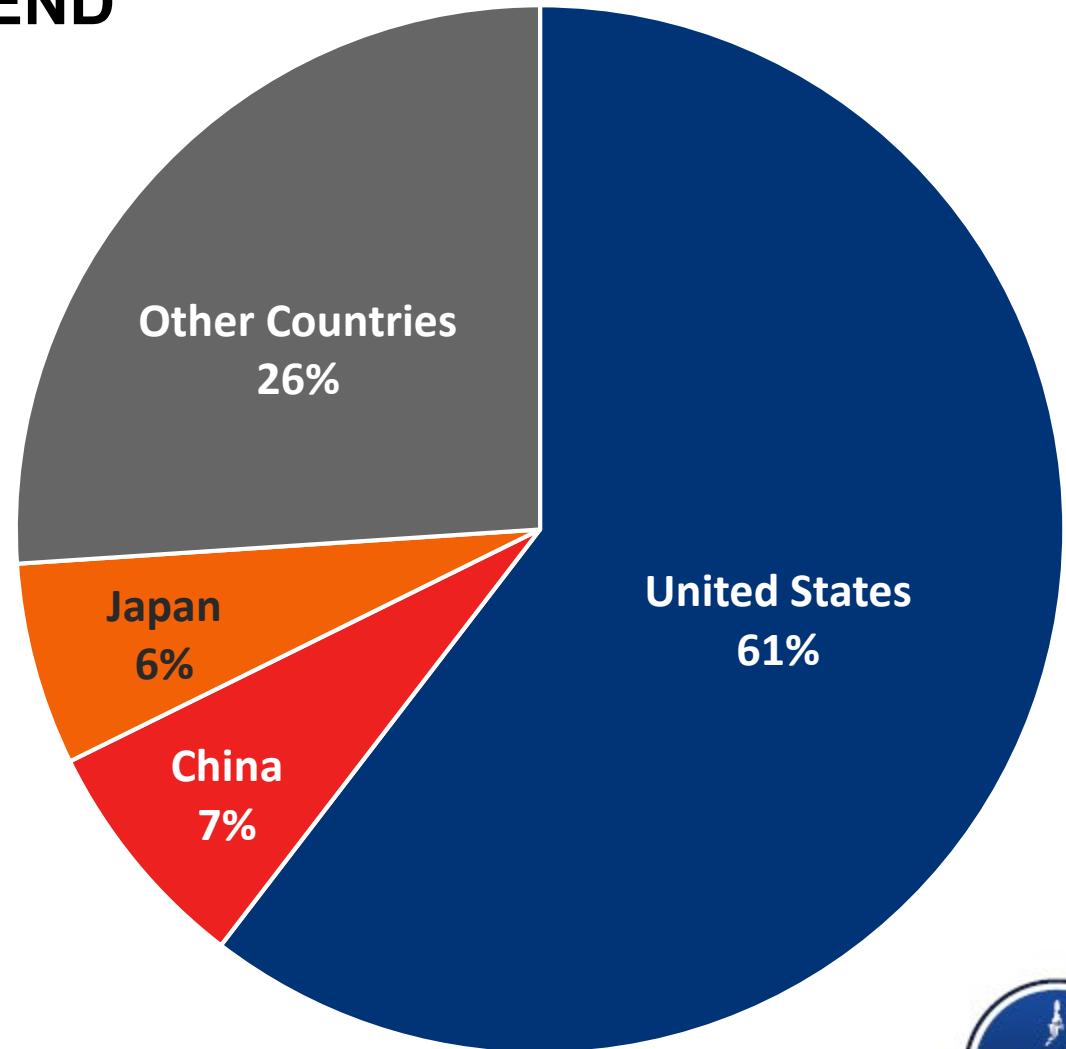
Source: CRFB calculations based on Congressional Budget Office August 2019 Baseline.



Two-Fifths of Interest Goes Overseas

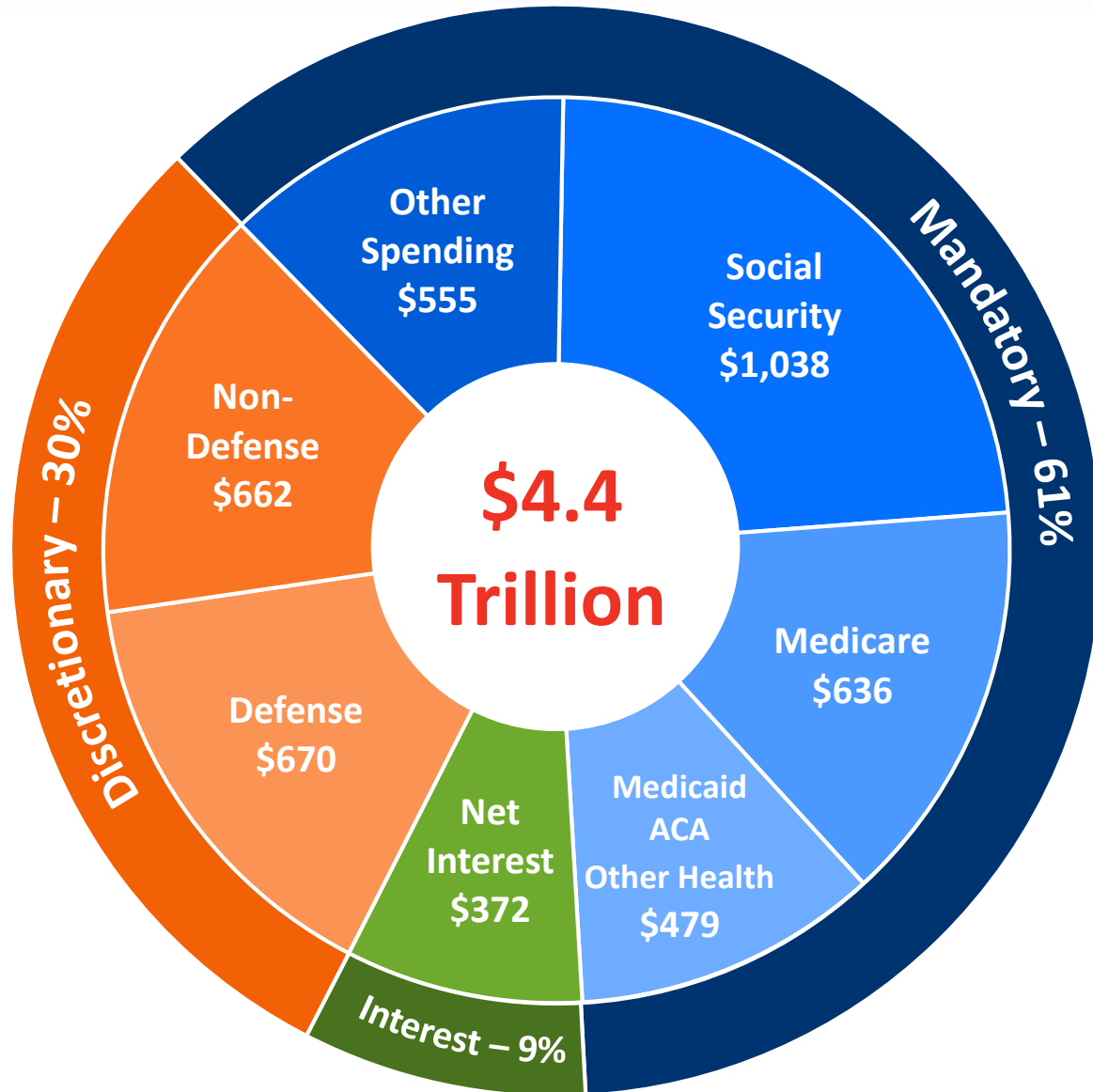
IN 2019, WE WILL SPEND
\$382 BILLION
ON INTEREST.

ROUGHLY
\$150 BILLION
WILL BE PAID
TO FOREIGNERS



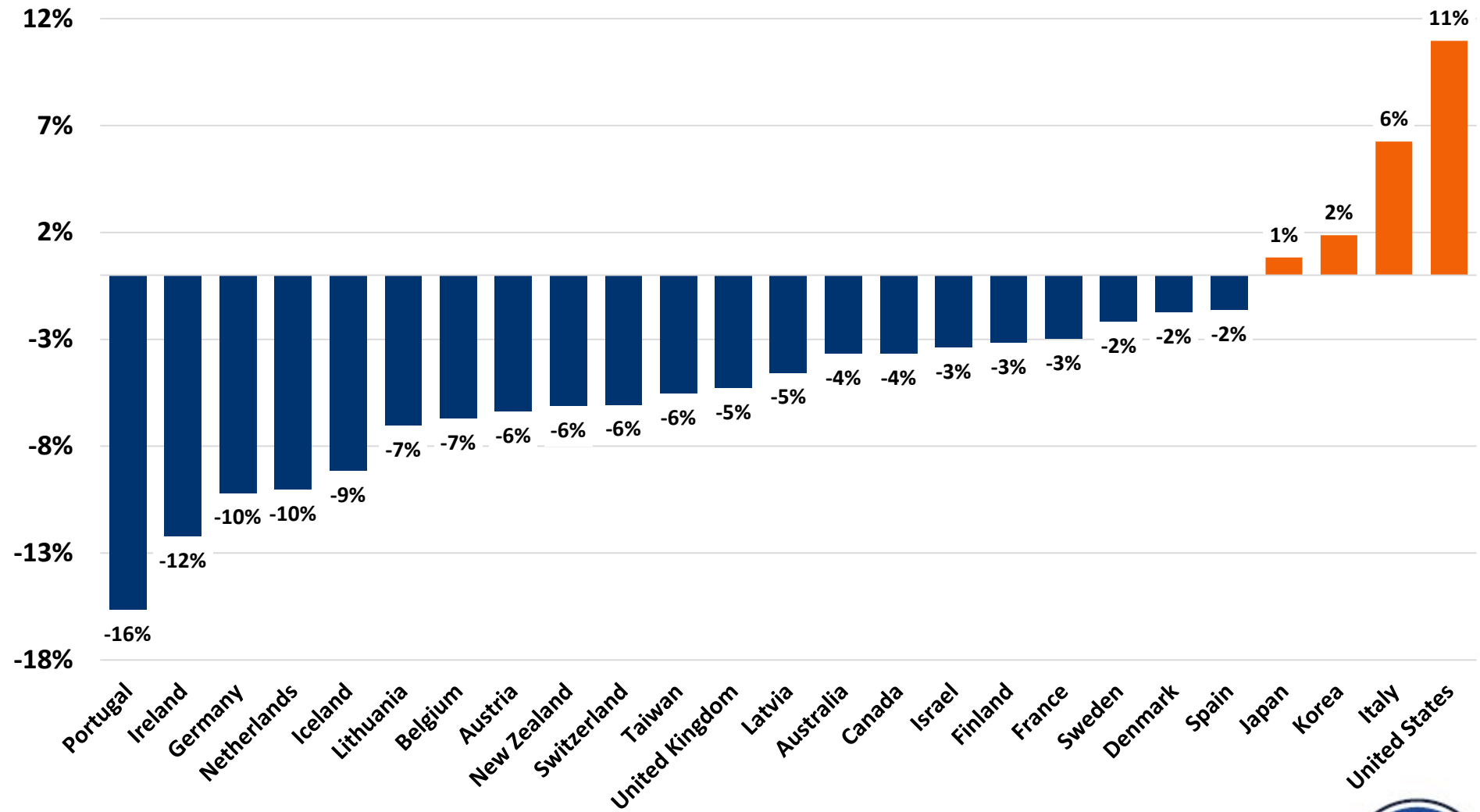
A Budget on Auto-pilot

Billions



U.S. Largest Projected Increase in Debt

Change in Debt-to-GDP 2019-2024

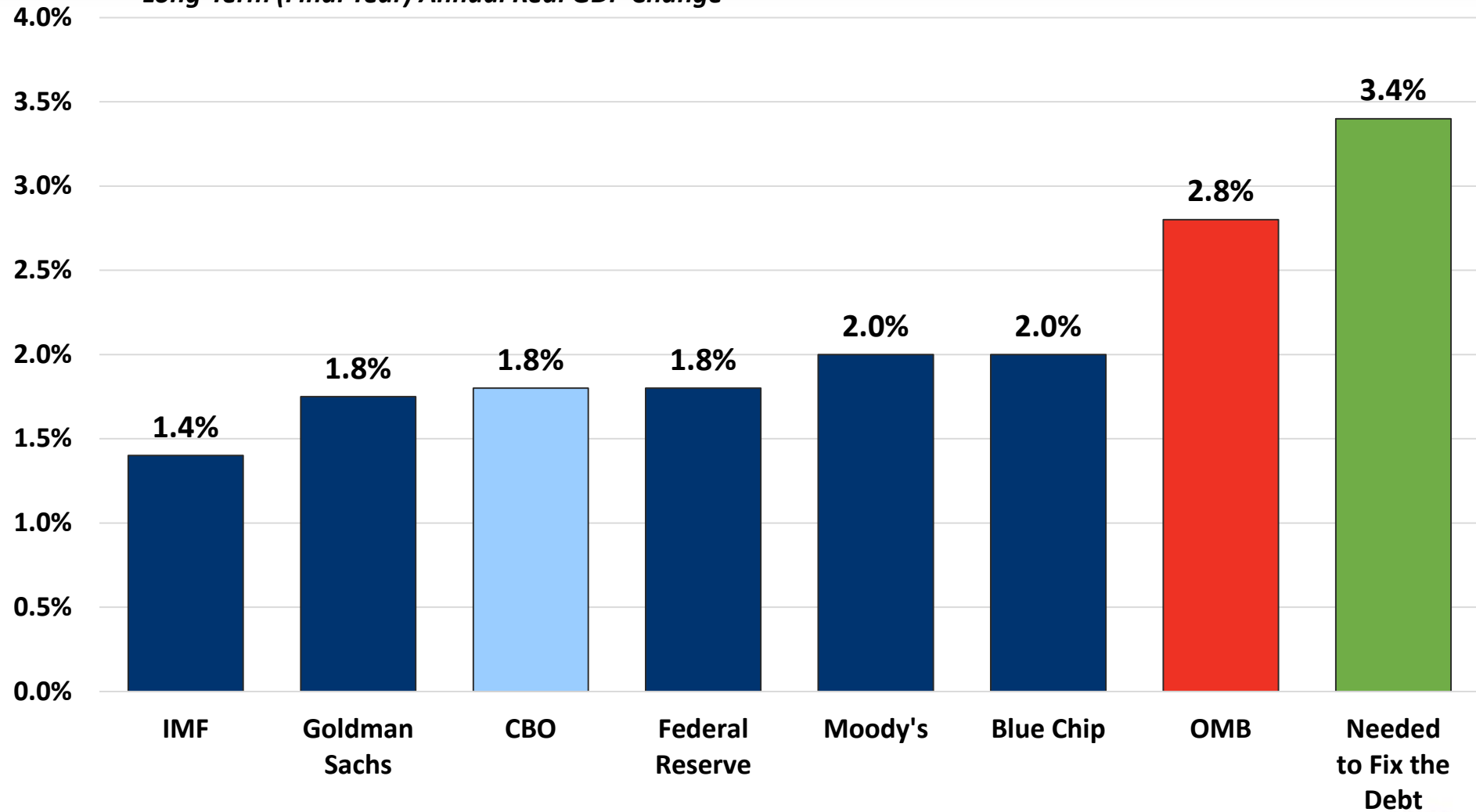


Source: International Monetary Fund World Economic Outlook, April 2019.



We Can't Grow Our Way Out

Long-Term (Final Year) Annual Real GDP Change

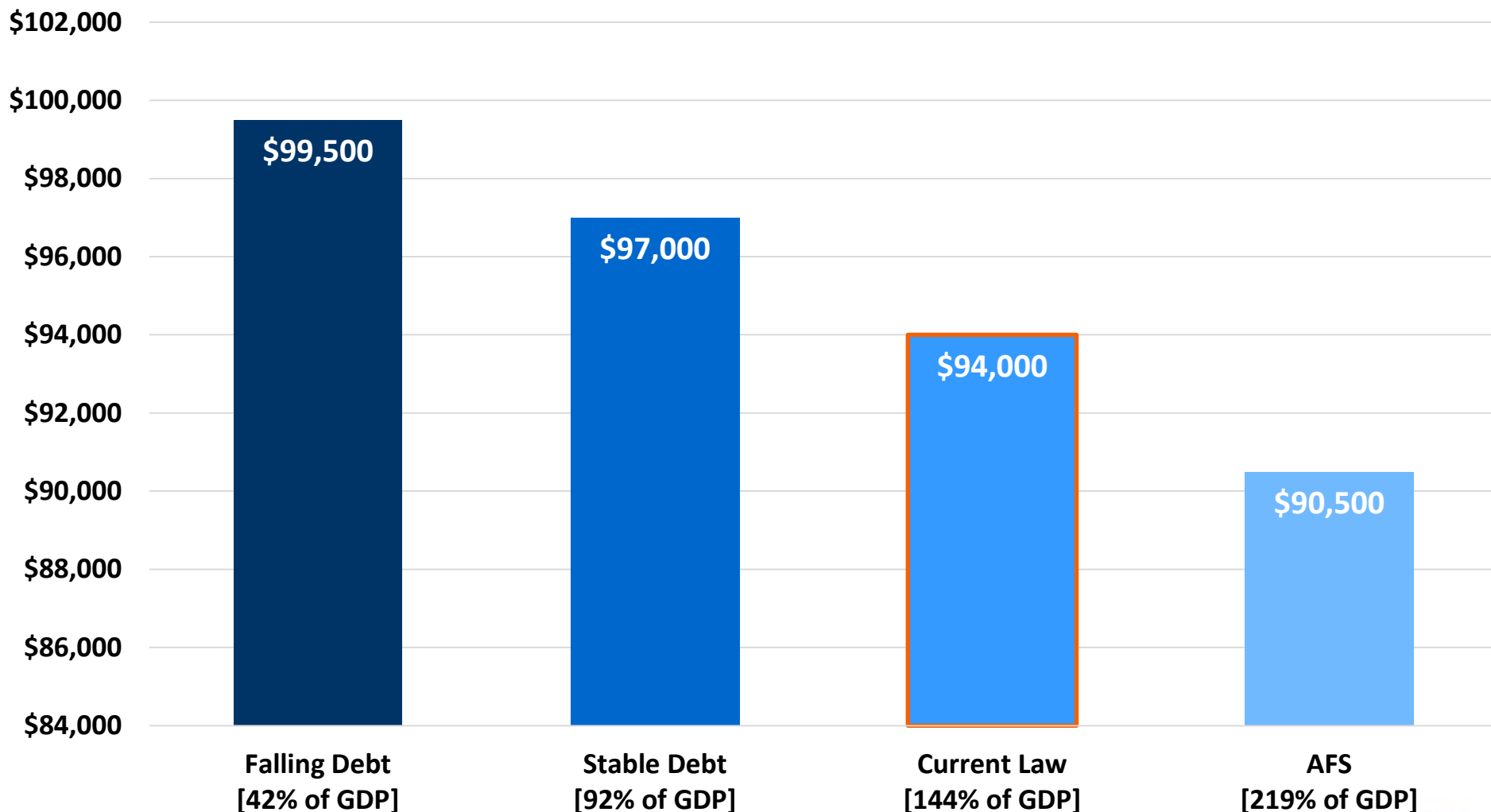


Sources: CBO, OMB, Federal Reserve, Blue Chip, Goldman Sachs, Moody's, IMF, and CRFB calculations.
Note: Long-term rate is either defined by estimating organization or the last year of the estimating organization's projection period.



Rising Debt Will Reduce Income Per Person

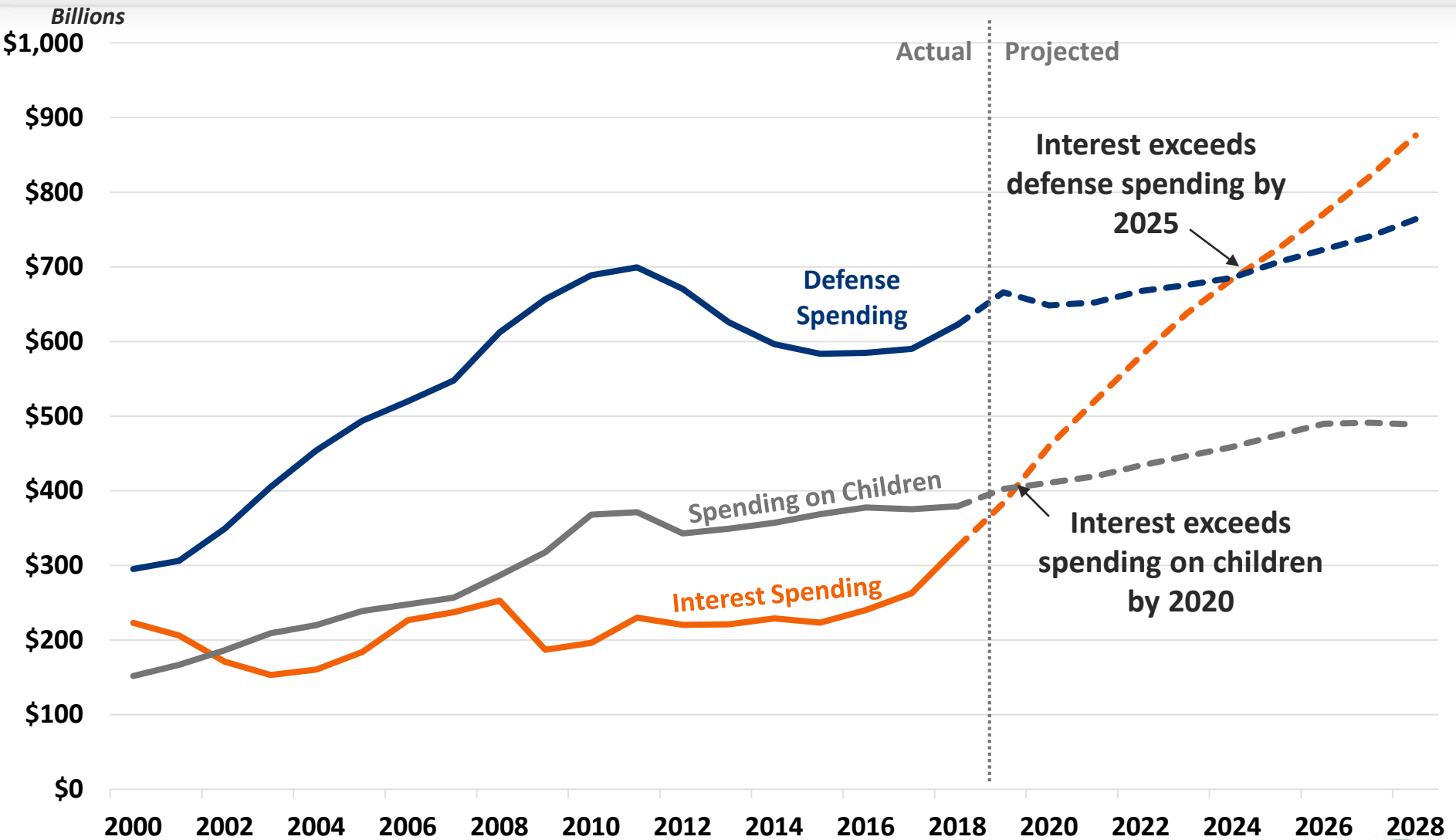
Per-Person Income (Real GNP Per-Capita) in 2049 [Debt % of GDP]



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

Soon We'll Spend More on the Past Than the Future



Sources: Congressional Budget Office, Urban Institute, CRFB calculations. "Support" is spending plus tax expenditures going towards children.



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



You Can Help

- **Call on policymakers to make this a priority**
- **Raise the issue in town halls and in the media**
- **Host local forums on the issue**
- **Join our FixUS effort to learn about root causes of polarization and possible solutions**