Insight

Highlights of CBO's Long-Term Budget Outlook 2023

GORDON GRAY | JUNE 28, 2023

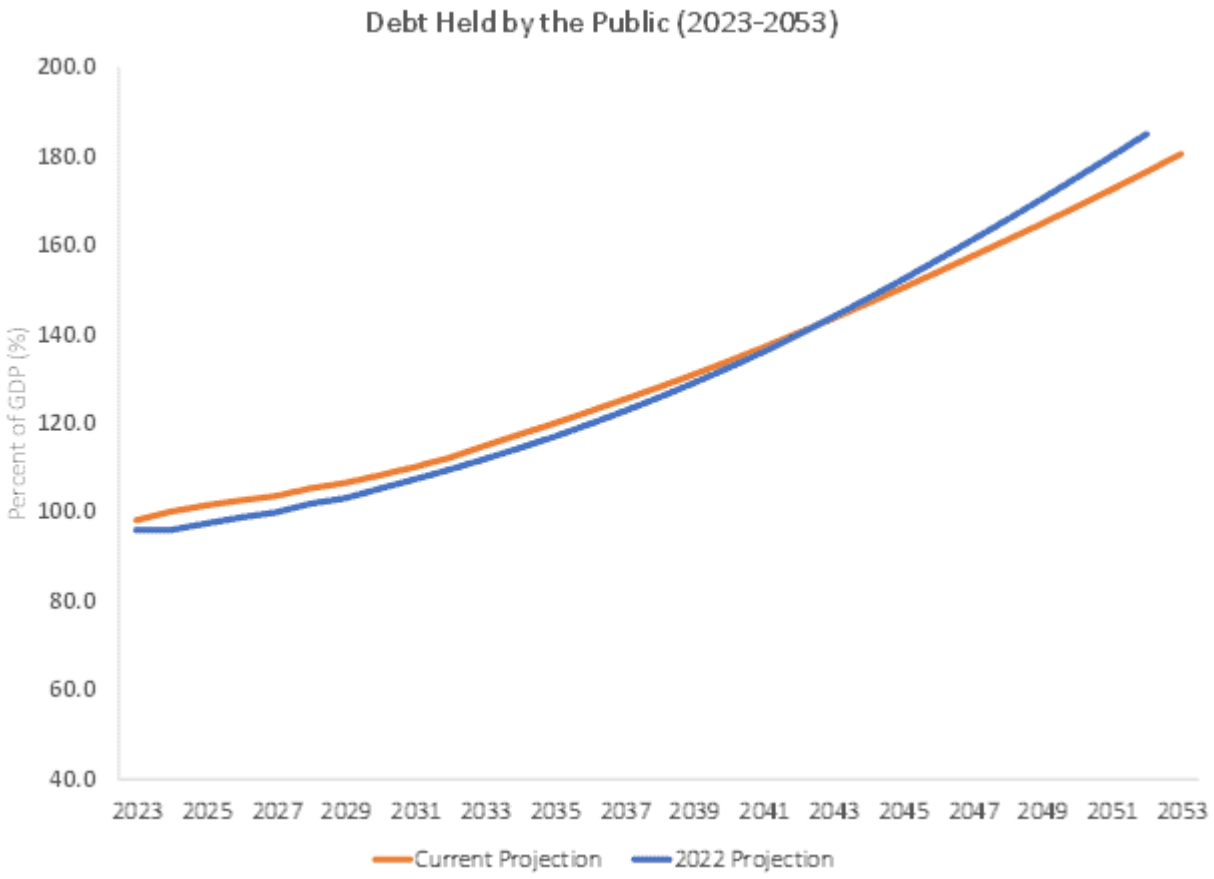
Executive Summary

- According to the Congressional Budget Office (CBO), debt held by the public will reach 181 percent of gross domestic product in 2053.
- These projections are largely unchanged from last year's and generally reflect relatively modest adjustments to CBO's economic projections, as well as legislation enacted since.
- The fundamentally unsustainable budget outlook remains – higher spending, higher deficits, higher debt service, and ultimately higher debt than today.

The Long-Term Budget Outlook

The Congressional Budget Office (CBO) released its updated Long-Term Budget Outlook and projected that U.S. debt held by the public will nearly double as a share of the economy by 2053, rising from the current level of 98 percent to 181 percent of gross domestic product (GDP).

Figure 1

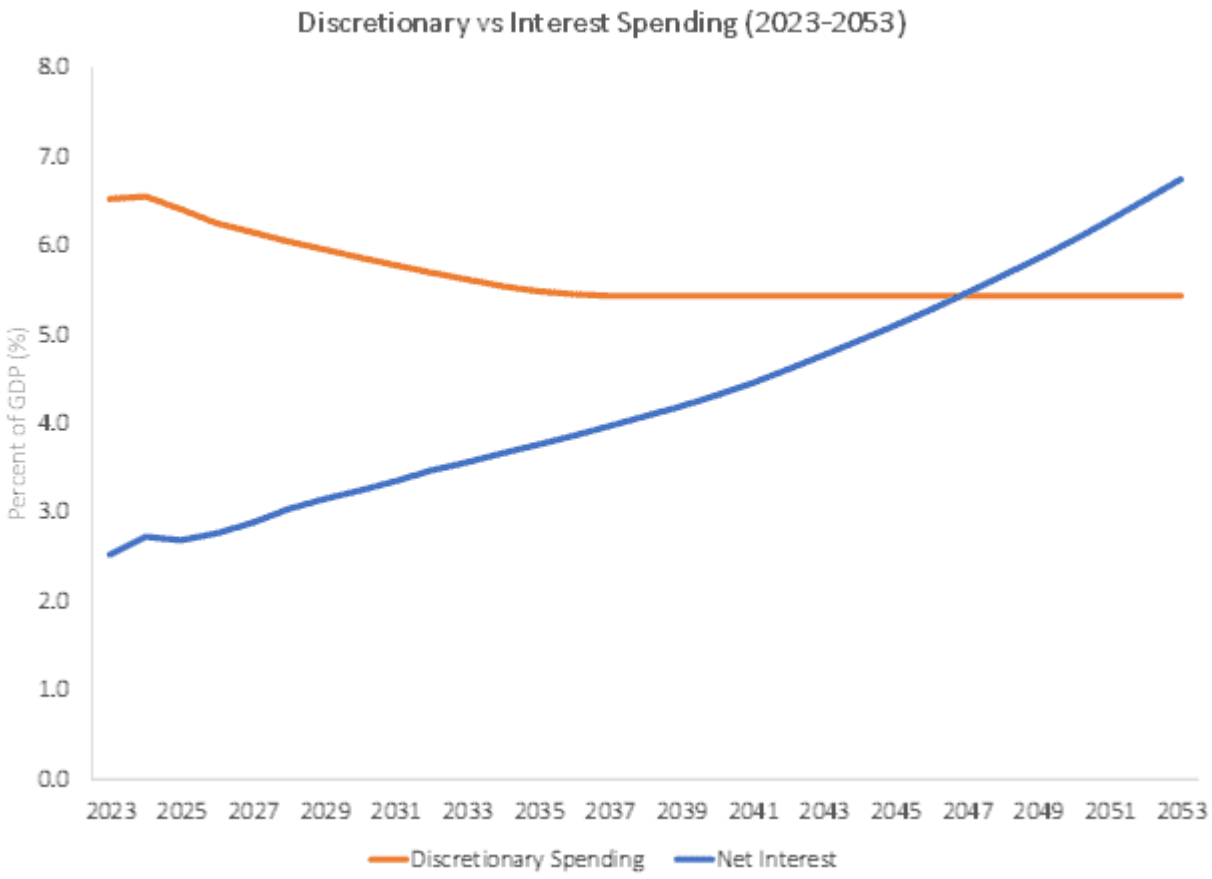


The debt as a share of the economy is presently 2 percentage points above what CBO previously estimated, and the debt is expected to be higher over the next 19 years than was previously estimated. The debt outlook largely converges with previous estimates until 2042, at which point the debt is expected to grow incrementally slower than was previously estimated.

Fundamentally, the budgetary pressures that drive long-term debt growth are unchanged. The United States is projected to spend, on average, 7.3 percent of GDP more than it collects in tax revenues over the next 30 years, which is unchanged from last year's estimates.

The long-term outlook reaffirms a trend in the nation's finances, as Figure 2 illustrates. Debt service costs will crowd out other federal expenditures, and in 2047 these costs will exceed all other discretionary programs – such as defense, education, infrastructure – combined. While both are incrementally lower on average – animated by the Fiscal Responsibility Act – the basic trend remains.

Figure 2



The basic long-term outlook is fundamentally unchanged from last year's estimates, though CBO does estimate that the Old Age and Survivors Insurance (OASI) Trust Fund – the Social Security trust fund for retirees – will be exhausted in 2032, one year sooner than was previously estimated.