



The Daily Dish

CBO Updates Its Outlook

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Eakinomics: CBO Updates Its Outlook

Yesterday the Congressional Budget Office (CBO) released “[An Update to the Budget and Economic Outlook: 2019 to 2029](#).” AAF’s Gordon Gray has a complete [analysis](#) of the revisions, but to my eye there are four main takeaways.

1. The budget outlook is (slightly more) horrible. The annual deficit will exceed \$1 trillion beginning in 2020, totaling more than \$12 trillion over the next 10 years, and average in excess of 4.5 percent of gross domestic product (GDP). Debt in the hands of the public will end up at \$29.3 trillion, or 95 percent of GDP. The outlook worsened slightly from earlier this year because of the passage of the Bipartisan Budget Act of 2019 — which added \$1.7 trillion — but benefitted from a downward revision in interest rates — which saved \$1.4 trillion.
2. There is no recession before the election. CBO anticipates (4th quarter-over-4th quarter) growth of 2.3 percent in 2019 and 2.1 percent in 2020. This may take some steam out of the recession chatter that was spawned by financial volatility and stoked by the incoherent and undisciplined White House policy process. (The clever reader, however, will note that the uncertainty analysis on page 57 does not seem to rule out a growth rate below zero at some point.)
3. CBO has embraced the lower-interest rate environment. The most significant change in the economic forecast is a roughly 60 basis point downward revision in the 10-year interest rate. Nevertheless, the continued large deficits place upward pressure on the projected rates, leaving CBO still somewhat higher than other forecasts.
4. Nobody cares. From one end of Pennsylvania Avenue to the other, there is no interest in tackling the fiscal outlook. On the campaign trail there is a heated competition to make it much, much worse. This is a disservice to the American public; continued large deficits are a corrosive drain on productivity growth and competitiveness. The absence of a crisis does not mean the absence of a cost.