



The Daily Dish

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DOUGLAS HOLTZ-EAKIN | JANUARY 25, 2016

The [average price of gasoline has dropped 14 cents](#) in the past two weeks. At \$1.91 a gallon, this is the lowest gas prices have been in seven years. With barrels selling for less than \$30 each, [crude has fallen about 15 percent](#) this year causing increased global concern about the slow growth of oil markets.

The Centers for Medicare and Medicaid Services has been [underpaying insurers by \\$2 billion a year](#) for treating seniors with chronic condition. According to a [new report Avalere Health](#), these shortfalls stem from the programs approach to [risk adjustment](#). Last year, [CMS admitted](#) to underpaying beneficiaries with dually eligible health plans.

Eakinomics: Obama's Budget Legacy

On February 9, President Obama will release his budget proposals for fiscal year 2017 (which begins October 1, 2016). The projections in any president's budget inevitably look pretty good. But that is hardly a surprise. The president's team controls the economic assumptions, which — while rarely transparently “red” — are inevitably a bit rosy at the margins. In addition, the economic forecast presumes the full implementation of the president's proposals — the [budget is dynamically scored](#) — and no president admits that the proposals harm economic growth. Finally, presidents are loathe to admit to fiscal profligacy, so the proposals inevitably show the deficit falling, even if the proposals that generate the deficit reduction are politically dead upon arrival.

For these reasons, it is preferable to judge a president's budgetary record not on the basis of outcomes; i.e., what actually happened to the budget outlook. A convenient way to do so is to use the Congressional Budget Office's (CBO's) “baseline” budget projections. These projections are done at the beginning of each year and update each March. They show the likely budget outcomes using the CBO's economic forecast and the current tax and spending laws. In this way, they reflect the president's leadership on economic growth and the laws that actually determine revenues and outlays.

The chart below summarizes the Obama legacy using the baseline projections for March 2010 through March 2015, and those for January 2016. In particular, I focus on the deficit in the last year of the budget projection for each of those years. That is, in the March 2010 budget baseline, I focus on 2019. In the March 2011 baseline, I focus on 2020. And so forth. The idea is to summarize the permanent trajectory of federal finances in each of those years.

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What are the findings? In 2010, the 10-year budget forecast was a bit over \$400 billion (blue bars, left scale), or about 2.0 percent of projected Gross Domestic Product (GDP) (red line, right scale). Since then the long-term budget outlook has worsened dramatically. This January, the CBO project that 10 years from now the deficit will exceed \$1.2 trillion, or about 5 percent of GDP. In short, the outlook has switched from benign to dangerous.

From the Forum

[Week in Regulation](#) by Sam Batkins, AAF Director of Regulatory Policy