



Insight

CBO's Budget and Economic Outlook

DOUGLAS HOLTZ-EAKIN | JANUARY 26, 2015

The Congressional Budget Office (CBO) today released its January “baseline” [outlook](#) formally known as *The Budget and Economic Outlook: 2015 to 2025*. It contains CBO’s economic projections and the budget outlook that happens under current law; that is if the budget remains on autopilot.

Here are the key takeaways:

- The budget was unsustainable and remains unsustainable. There are few revisions from the last budget outlook – they average under \$18 billion per year over the next ten years.
- Ten years from now, deficits are assumed to be over \$1 trillion (\$1,088 billion) with \$827 billion of that due to interest costs. The U.S. is entering into a debt spiral in which it borrows to pay off the interest on previous borrowing.
- Debt in the hands of the public rises by \$8.2 trillion over 10 years – from \$13.4 trillion to \$21.6 trillion – and is rising as a fraction of GDP.
- Debt and deficit increases occur despite rising revenues (including as a share of GDP) and unrealistically low discretionary spending, fueled by the large increases in mandatory (“entitlement”) spending.
- CBO has reduced its estimated growth 2014-2018 from 2.7 percent to 2.5 percent. It is betting that household spending will be considerably stronger in 2015 to make even that projection hold up.
- Once again CBO has marked down the long run growth potential of the United States; this time to 2.2 percent.

The CBO outlook is a reminder that recent declines in the deficit are not a tribute to policy, but rather to a resilient private sector that has risen from the depths of the Great Recession. To the extent that policy has been involved, it has been a mistaken focus on discretionary spending caps at a time when mandatory spending is exploding.