Insight

FY2016 President's Budget Higher Taxes, Higher Spending, More Debt

GORDON GRAY | FEBRUARY 2, 2015

By the Numbers

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Taxes: Compared to current-law estimates prepared by the Congressional Budget Office (CBO), The *President's Budget* proposes increasing tax revenue by nearly $3 trillion over the next 10 years, raising tax revenues as a share of the economy by over two percentage points above historic norms by the end of the budget window.

Spending: By the end of the budget window, the *President's Budget* would increase spending by nearly $1 trillion over the next ten years, raising spending over 2 percentage points above historic norms.

Deficits: The *President's Budget* would carry-forward the record deficits seen recently, requiring additional borrowing of nearly $1 trillion in the next two years, while running a ten-year average deficit of $567 billion, higher than any observed under any previous administration.

Interest Payments: Interest payments on the debt will reach $785 billion in 2025. This is over three times in dollar terms compared to 2014 levels and about twice as much as a share of both the economy and the overall budget.

Debt Held by the Public: Borrowing from the public will reach the highest levels since 1950 in FY 2015, reaching 75.1 percent of the economy and, under the *President's Budget,* will remain at levels not previously seen in over 60 years.

Economic Projections

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Compared to CBO's most recent projections, the *President's Budget* includes rosier economic projections in terms of economic growth, unemployment, and interest rates. These effects combine to increase tax revenues and reduce spending associated with the social safety net. Growth that averages 0.2 percentage points higher over ten years would reduce the deficit by $652 billion alone. In addition the relatively lower interest rates keep interest costs in check relative to the CBO baseline.