Insight

FY2017 President’s Budget: Eighth Verse, Same as the First

GORDON GRAY | FEBRUARY 9, 2016

By the Numbers

Image not found or type unknown

Taxes: Compared to current-law estimates prepared by the Congressional Budget Office

(CBO), The *President’s Budget* proposes increasing tax revenue by $4.5 *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. Compared to last year’s budget, this budget proposes an additional *$1 trillion* compared to the current law baseline.

Spending: By the end of the budget window, the *President’s Budget* would increase spending by over $1.2 trillion over the next ten years, sending 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 $591 billion, higher than any observed under any previous administration.

Interest Payments: Interest payments on the debt will reach $787 billion in 2026. This is over three times in dollar terms compared to 2015 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 76.5 percent of the economy and, under the *President’s Budget,* will remain at levels not previously seen in 66 years.

Economic Projections

Image not found or type unknown

Compared to CBO’s most recent projections, the *President’s Budget* includes rosier economic projections in terms of economic growth and unemployment. These effects combine to increase tax revenues and reduce debt service. Indeed, persistent, higher growth of 0.1 percentage points should lead to $327 billion in deficit reduction. OMB’s growth forecasts averages 0.25 percentage points higher than CBO’s, which equates to about $800 billion “free” deficit reduction. The higher interest rate assumptions in the latter years would mitigates some of this effect, but it is unclear that the interest rates assumptions are consistent with OMB’s higher persistent growth forecast.