

August 18, 2016

## Long-Term Budget Outlook Has Improved Significantly Since 2010 But Remains Challenging

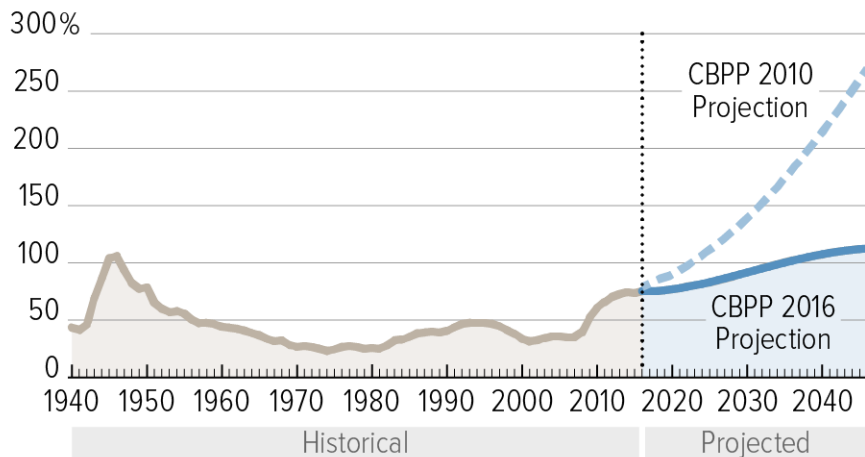
By Richard Kogan, Paul N. Van de Water, and Chloe Cho

The nation's long-term fiscal outlook is much improved since 2010, but nevertheless worsens gradually under current budget policies during the coming three decades, according to CBPP's latest projections.

FIGURE 1

### Debt-to-GDP Ratio Virtually Flat Until 2020, Then Rises Gradually

Debt held by the public as a percent of gross domestic product, 1940-2046



Source: Historical data from the Office of Management and Budget; projections from CBPP based on data from Congressional Budget Office and Social Security and Medicare trustees

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Policymakers should not ignore the long-run budget problems, which remain challenging. No crisis looms, however, and promoting further labor market improvements and reversing growing inequality remain the nation's most immediate economic concern. Policymakers should therefore avoid too much deficit reduction too soon, which could unnecessarily slow the economy. They should focus instead on measures that promote both longer-term economic growth and fiscal sustainability and that reduce inequality.

Under our projections of current policies, the federal debt will be virtually flat in relation to the economy for the next few years and then slowly rise. The ratio of debt to gross domestic product (GDP) — currently 75 percent — will grow slightly, to 77 percent, by 2020 but then gradually grow to 113 percent by 2046, we project. That’s a marked improvement over the situation just six years ago (see Figure 1), with the improvement caused almost entirely by significant reductions in the growth of health care costs and the levels of interest rates. But policymakers need to take further significant steps to address the remaining problem.

A stable — or declining — debt-to-GDP ratio is a common goal for fiscal stability. Although a rising debt ratio is advantageous when the economy is operating well below its potential, as it was in the Great Recession and ensuing sluggish recovery, a rising debt ratio in a strong, high-employment economy reflects an unsustainable fiscal policy that ultimately devotes too much of the nation’s resources to debt service and jeopardizes financial stability and long-term growth. Policymakers should reduce projected debt-to-GDP ratios through carefully designed policies that strengthen the economy in the near term, while putting in place equitable and balanced deficit reduction that grows in size over time. (See box.)

These long-run budget projections are not a prediction. Rather, they represent an estimate of the budget outlook if policymakers continue current laws and policies — that is, without reducing projected deficits or expanding them (by cutting taxes or boosting spending without covering the cost).

Our new projections update those we published in September 2015<sup>1</sup> to reflect the latest Congressional Budget Office (CBO) ten-year and long-term budget projections and the latest projections by the Social Security and Medicare trustees. On a comparable basis, our new projections are somewhat less favorable than last year’s; we project higher debt ratios than we did last year largely because of the Consolidated Appropriations Act 2016 enacted last December, which continued certain expiring tax provisions without paying for them. The technical note at the end of this paper provides more information about how we made the projections.

## The Revenue Outlook

Federal revenues are projected to rise gradually for the next three decades from their current level of 18.2 percent of GDP. Three main factors account for the increases: rising real incomes that push some income into higher tax brackets (so-called “real bracket creep”), the scheduled implementation of the excise tax on high-premium insurance, and increased taxable withdrawals from tax-favored retirement accounts as more of the baby boom generation reaches age 70½.<sup>2</sup> During the next decade, however, as the Fed’s balance sheet shrinks, these forces are offset by a decrease in Federal

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<sup>1</sup> Richard Kogan *et al.*, *CBPP Projections Show Long-Term Budget Outlook Has Improved Significantly Since 2010 But Remains Challenging*, Center on Budget and Policy Priorities, September 14, 2015, <http://www.cbpp.org/research/federal-budget/cbpp-projections-show-long-term-budget-outlook-has-improved-significantly>.

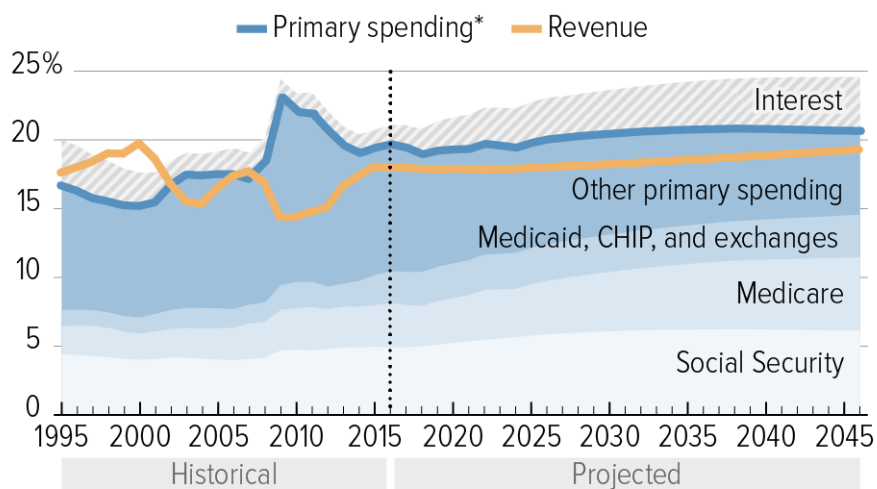
<sup>2</sup> Congressional Budget Office, *The 2016 Long-Term Budget Outlook* (Chapter 5), July 12, 2016, <https://www.cbo.gov/publication/51580>.

Reserve profits, which are remitted to the Treasury and recorded as revenues. By 2046, revenues are projected to reach 19.5 percent of GDP, similar to their level in the final years of the Clinton Administration. (See Figure 2.)

FIGURE 2

## The Budget Outlook Through 2046

Spending and revenue as a percent of gross domestic product, 1995-2046



\*Spending other than interest

CHIP = Children's Health Insurance Program

Source: Historical data from the Office of Management and Budget; projections from CBPP based on data from Congressional Budget Office and Social Security and Medicare trustees

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## The Spending Outlook

Federal outlays are projected to rise from 21.1 percent of GDP in 2016 to 24.6 percent of GDP in 2046. Only about one-quarter of the rise stems from *primary*, or non-interest, spending — that is, spending on programs that pay benefits to ordinary Americans and carry out the functions of government. (See Figure 2.) The bulk of the rise stems from *net interest*, as interest rates rise from historic lows and the federal debt gradually mounts.

The composition of federal non-interest spending will also change significantly by 2046. Because of an aging population and rising health care costs, Social Security, Medicare, Medicaid, and health insurance subsidies will grow substantially — both as a percentage of GDP and as a share of total federal spending — while all other programs as a whole will shrink. Social Security and the major health programs, which today account for 53 percent of non-interest spending, are projected to reach 70 percent of the total in 2046, with all other programs representing a correspondingly smaller share.

## The Debt-to-GDP Ratio

Generally, the debt-to-GDP ratio should rise only during hard times or major emergencies and then decline during good times. That enables the government to combat recessions through tax cuts and spending increases and to alleviate hardship during bad times, while creating a presumption against policies that markedly increase the debt during good times.

A stable debt-to-GDP ratio is a key test of fiscal sustainability. Increases in the dollar amount of debt are not a concern as long as the economy is growing at least as fast. Between 1946 and 1974, for example, debt held by the public grew significantly in dollar terms but — thanks to economic growth — plummeted as a percentage of GDP, from 106 percent to 23 percent.

Some suggest that certain debt-to-GDP ratios have a particular meaning in terms of their effect on the economy. In reality, there are no absolute thresholds.

Until a few years ago, for instance, many pointed to a 2010 analysis by economists Carmen Reinhart and Kenneth Rogoff suggesting that debt-to-GDP ratios of 90 percent or more are associated with significantly slower economic growth. But the authors have acknowledged computational errors in their original work and clarified that there is no “magic threshold” for the debt ratio above which countries suddenly pay a marked penalty in terms of slower economic growth. To the extent that countries with higher levels of debt experience slower growth, there is not much evidence that the high debt caused the slow growth; the reverse is just as likely to be true — that the slow growth caused the high debt — or some combination of the two effects.

Similarly, some analysts call for a debt ratio of 60 percent of GDP or less, a goal that the European Union and the International Monetary Fund (IMF) proposed twenty five years ago. No economic evidence supports this or any other specific target, however, and IMF staff have made clear that the 60 percent criterion is arbitrary and should not guide near-term fiscal policy in the wake of the recent financial crisis, which drove up government debt worldwide. IMF recently stated, “Our results do not identify any clear debt threshold above which medium-term growth prospects are dramatically compromised.”<sup>a</sup>

All else being equal, a lower debt-to-GDP ratio is preferred because of the additional flexibility it provides policymakers facing economic or financial crises and the lower interest burden it carries. But all else is never equal. Lowering the debt ratio comes at a cost, requiring larger spending cuts, higher revenues, or both. That is why we emphasize the importance of both the quantity and the quality of deficit reduction, which should not hinder the economic recovery, harm vulnerable members of society, or cut programs that can boost future productivity.

<sup>a</sup> Andrea Pescatori, Damiano Sandri, and John Simon, *Debt and Growth: Is There a Magic Threshold?*, International Monetary Fund WP/14/34, February 2014, p. 4.

**Social Security.** Benefits under the Old-Age, Survivors, and Disability Insurance programs (together known as Social Security) will rise slowly but steadily in the next two decades — from a bit under 5 percent of GDP today to just over 6 percent in the 2030s — and then stabilize. That pattern largely mirrors the aging of the population and is dampened by the scheduled rise in the program’s full retirement age — which was historically 65, is now 66, and will climb to 67 between 2017 and 2022. (Each year that the full retirement age is raised lowers benefits across the board for future retirees by about 7 percent, regardless of whether they claim benefits early or work until the full retirement age or beyond.)<sup>3</sup>

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<sup>3</sup> See “Why Does Raising the Retirement Age Reduce Benefits?” in Kathy A. Ruffing and Paul N. Van de Water, *Social Security Benefits Are Modest*, Center on Budget and Policy Priorities, updated August 1, 2016, <http://www.cbpp.org/cms/?fa=view&id=3368>.

**Medicare.** Net outlays for Medicare benefits — that is, total payments minus the premiums that enrollees pay — are expected to rise from 3.2 percent of GDP today to 5.3 percent of GDP in 2046. Medicare fundamentally faces the same demographic pressures as Social Security. But Medicare faces an extra cost pressure: the tendency of medical costs, fueled by technological advances and increased utilization, to outpace GDP growth. The cost controls and delivery system reforms in the Affordable Care Act (ACA), plus other developments in health care delivery, apparently are already curbing (though not eliminating) that pressure. Our projections are based on current law and assume that policymakers will retain cost-control provisions of the ACA and the Medicare Access and CHIP Reauthorization Act (MACRA).

**Medicaid, CHIP, and health insurance subsidies.** Medicaid — a joint federal and state program — provides acute health care coverage and long-term supports and services to eligible low-income people, while the Children’s Health Insurance Program (CHIP) covers many low-income children through capped grants to states. The ACA expanded the reach of Medicaid, at state option, and created new state-based marketplaces to enable millions of people without other coverage to buy health insurance at reasonable prices and without exclusions for pre-existing conditions or other restrictions that often made coverage unaffordable.

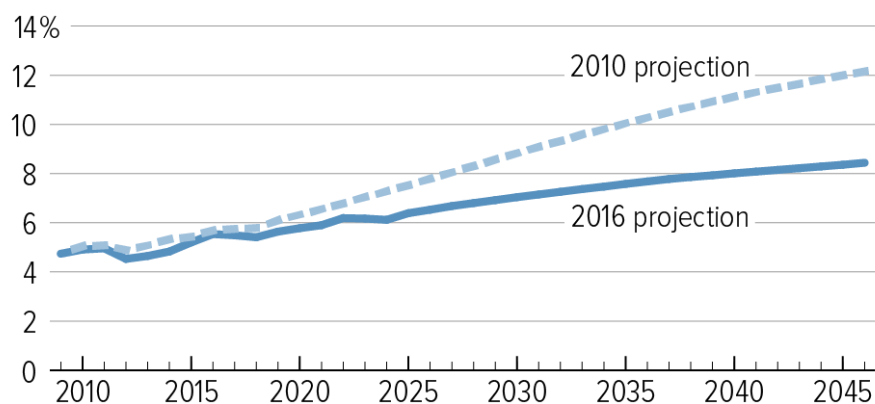
The ACA’s coverage expansions are the main reason that spending for this trio of programs rose from 1.6 percent of GDP in 2012, before the ACA expansions took effect, to 2.3 percent today. Demographic and cost pressures will lead this category of health spending to reach 3.1 percent of GDP in 2046.

The fact that health care costs remain the largest driver of future spending increases should not obscure how dramatically their projected costs have *fallen* over the last few years. As Figure 1 shows, in January 2010 we projected that debt would reach 270 percent of GDP by 2046; we now project 113 percent of GDP. Much of the improvement is from lower health care costs: in January 2010 we projected that Medicare and Medicaid together would cost 12.2 percent of GDP in 2046, but (based on the latest projections from CBO and the Medicare actuaries) we now project that Medicare, Medicaid *including* the ACA expansion, CHIP, *plus* the new marketplace subsidies will together cost 8.4 percent of GDP, or about 30 percent lower than the previous estimate. (See Figure 3.) This development has substantially improved the long-run fiscal outlook.

FIGURE 3

## Projected Costs of Major Health Programs Have Fallen Significantly

2010 projection vs. 2016 projection, as a percent of gross domestic product



Note: The 2010 projection encompasses Medicare and Medicaid; the 2016 projection encompasses Medicare, Medicaid, the Children’s Health Insurance Program, and the new marketplace subsidies.

Source: CBPP based on Congressional Budget Office and Medicare trustees data from 2009 (for the 2010 projection) and 2016 (for the 2016 projection)

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**Other program spending.** This category includes hundreds of programs for which Congress appropriates funding on an annual basis — known as defense and non-defense discretionary programs — as well as entitlement or mandatory programs such as SNAP (formerly food stamps), pensions for federal civilian and military retirees, veterans’ disability and education benefits, the refundable portions of the Earned Income Tax Credit and certain other tax credits, Supplemental Security Income (SSI) for poor elderly and disabled people, unemployment insurance, Temporary Assistance for Needy Families (TANF), farm price supports, and various smaller programs. It also includes a small allowance for emergency spending.

Over the next ten years, this broad category — which spiked at nearly 14 percent of GDP in 2009, during the economic downturn — is projected to fall as a percentage of GDP from 9.2 percent in 2016 to 7.7 percent in 2026. Both these figures are well below the 11 percent average of the last four decades.

Almost all of the drop from 2016 to 2026 occurs in discretionary spending and is concentrated between now and 2021, as the caps and sequestration provisions of the 2011 Budget Control Act (BCA) squeeze defense and non-defense programs alike, and as the war in Afghanistan and similar military operations continue to wind down. For annually appropriated programs, we assume that spending keeps pace with inflation and population growth after 2021 — in other words, that real spending per person remains constant between 2021 and 2046.

Spending for the mandatory programs in this part of the budget also drifts down as a percentage of GDP, though less precipitously; unlike Social Security and the major health programs, most other mandatory programs do not face particular demographic or cost pressures, and some — such as unemployment insurance and SNAP — shrink naturally as the economy recovers.<sup>4</sup> We assume that this mandatory spending falls as a percent of GDP after 2026 roughly at the rate it would over the 2021-2026 period.

These projections of discretionary and other mandatory spending are consistent with the historical pattern: we've generally found that these types of spending rise at an unusual rate only a) if Congress affirmatively acts to increase these programs, which is by definition not consistent with a projection of current law or policy; or b) during recessions, when unemployment insurance and similar automatic stabilizers rise temporarily but then fall back to normal levels when the economy recovers. Taken together, these two assumptions imply a continued downward drift in this spending category as a percentage of GDP, from 7.7 percent in 2026 to 6.1 percent in 2046.<sup>5</sup>

**Interest.** Unlike every other spending category, net interest doesn't reflect explicit funding decisions by policymakers. Instead, it's jointly determined by the amount of borrowing fueled by policymakers' other spending and revenue decisions (in other words, by the debt) and by the interest rates set in financial markets.

Today, federal net interest costs represent 1.4 percent of GDP, almost matching the historic lows posted in the 1950s through early 1970s, when federal debt was far smaller. But today's low interest rates, which are holding down borrowing costs, are not likely to last forever. As a result, by 2026, net interest costs are expected to double to 3.0 percent of GDP, even though the debt rises by only one-eighth (from 75 percent to 85 percent of GDP) during that period. By 2046, we expect net interest to reach 3.9 percent of GDP and debt to reach 113 percent of GDP.

## Assuring Solvency for Social Security and Medicare

Assuring long-run solvency for the Social Security and Medicare Hospital Insurance (HI) trust funds would substantially improve the long-run budget picture. Like other organizations' long-term projections, ours assume that full benefits will continue to be paid even after those trust funds are

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<sup>4</sup> Robert Greenstein, Joel Friedman, and Isaac Shapiro, *Program Spending Historically Low Outside Social Security and Medicare, Projected to Fall Further*, Center on Budget and Policy Priorities, updated February 24, 2016, <http://www.cbpp.org/research/program-spending-outside-social-security-and-medicare-already-low-in-historical-terms-is>.

<sup>5</sup> Of course, as our nation becomes wealthier, it might choose to spend increasing amounts per person on infrastructure, research, education, and other programs in this category. But such a choice — which could keep this category from falling as a percent of GDP — is not consistent with the historical pattern, and (in the case of benefit programs) would require enacting increases in benefit amounts or expansions in eligibility, whereas we project spending based on current law. See Appendix 2 of Kogan, Ruffing, and Van de Water, *Long-Term Budget Outlook Remains Challenging, But Recent Legislation Has Made It More Manageable*, Center on Budget and Policy Priorities, June 27, 2013, <http://www.cbpp.org/research/long-term-budget-outlook-remains-challenging-but-recent-legislation-has-made-it-more>. Auerbach and Gale — who do assume in their budget projections that such spending keeps pace with GDP — clearly state that this assumes future policy shifts, reflecting a choice by a “wealthier and more populous society” to maintain spending as a share of GDP. Alan J. Auerbach and William G. Gale, *Once More Unto the Breach: The Deteriorating Fiscal Outlook*, The Brookings Institution, February 2016, p. 5.

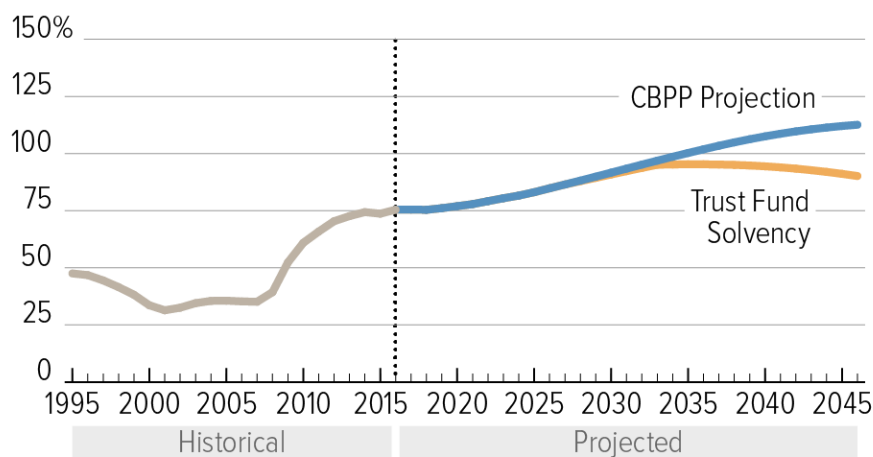
exhausted. Nevertheless, the programs lack legal authority to pay full benefits in that situation. Their trustees project that the HI fund will be exhausted in 2028 and the combined Social Security trust funds in 2034.<sup>6</sup> In those years, incoming revenues would support 87 percent of Medicare HI benefits and about three-quarters of Social Security benefits.<sup>7</sup>

Bringing the Social Security and HI trust funds into financial balance — through tax increases, benefit cuts, or some combination of the two — would forestall much of the projected rise in the debt-to-GDP ratio. If Social Security and HI expenditures equaled their revenues in each year after the projected depletion of those trust funds, federal debt would peak at 95 percent of GDP in 2035 and decline to 90 percent of GDP by 2046. The “Trust Fund Solvency” line in Figure 4 assumes that solvency is restored to the trust funds abruptly, through a sudden benefit cut or tax increase once the assets of the trust funds are depleted. Since, by law, benefit payments cannot exceed amounts available in the trust funds, it is indeed plausible to assume that, one way or another, solvency will be restored to the trust funds. Phasing in some combination of additional revenues and lower benefits more gradually, starting sooner, might produce slightly lower debt ratios than those shown here.

FIGURE 4

### Achieving Social Security and Medicare Solvency Would Reduce Debt-to-GDP Ratio

Debt held by the public as a percent of gross domestic product



Source: Historical data from the Office of Management and Budget; projections from CBPP based on data from Congressional Budget Office and Social Security and Medicare trustees

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<sup>6</sup> The separate Disability Insurance trust fund is expected to be exhausted in late 2023, the much larger Old-Age and Survivors Insurance fund in 2035. Combined, the two funds could pay full benefits until 2034.

<sup>7</sup> Social Security and Medicare Boards of Trustees, *Status of the Social Security and Medicare Programs, A Summary of the 2016 Annual Reports*, revised July 12, 2016, <https://www.ssa.gov/OACT/TRSUM/index.html>.



To summarize, policymakers can avert about three-fifths of the projected 37-point increase in the debt ratio through 2046 by restoring solvency to the trust funds through revenue increases, benefit reductions, or a combination of the two.

## Uncertainty of Long-Run Projections

Users of these or any long-run budget projections should keep in mind that they are highly uncertain. CBO recently estimated, for example, that if productivity in the economy grew by  $\frac{1}{2}$  percent a year less or more rapidly than it projects, the debt ratio in 30 years would be about 30 percentage points higher or lower.<sup>8</sup> Thus, the debt ratio in 2046 under current budgetary policies could easily be as high as 145 percent of GDP or as low as 84 percent, given our projection of 113 percent.

Likewise, if interest rates over the 2017-2046 period are one-half of a percentage point higher or lower than we project, the debt ratio in 2046 would be roughly 10 percentage points higher or lower than we project, all else being equal. Since other critical variables such as health care costs are also inherently difficult to predict, the actual range of estimating uncertainty surrounding these long-run projections is even greater.

In addition to uncertainty about the economic future, considerable *policy* uncertainty surrounds our projections. As the technical note explains, our projections approximate a continuation of current laws and policies. But suppose, for instance, that war costs remain at current, real levels indefinitely instead of winding down as we expect. And suppose that three health reform taxes do not go into effect as scheduled.<sup>9</sup> Those additional costs would increase the 2046 debt ratio by 5 percentage points and 4 percentage points, respectively, producing a 2046 debt ratio of 122 percent of GDP rather than 113 percent.

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<sup>8</sup> CBO, *The 2016 Long-Term Budget Outlook*, p. 77.

<sup>9</sup> The three health taxes are the tax on health insurance providers, the medical device tax, and the tax on certain insurance plans with high premiums (the so-called Cadillac tax).

TABLE 1

### Different Economic or Policy Assumptions Change the Projected 2046 Debt Ratio Percentages of GDP

	Change in debt as a percent of GDP	Resulting Ratio: 2046 debt as a percent of GDP
<b>Changes in economic assumptions, relative to baseline:</b>		
0.5% higher annual productivity growth	-29	84
0.5% lower annual productivity growth	+32	145
0.5% higher Treasury interest rates	+10	123
0.5% lower Treasury interest rates	-9	104
<b>New policy costs, not offset:</b>		
Repeal postponed health taxes	+4	
Do not phase down war costs	+5	
<b>Subtotal</b>	+9	122

Source: CBPP projection based on data from Congressional Budget Office and Social Security and Medicare trustees

Policymakers shouldn't ignore long-run budget projections just because they're uncertain. After all, some of the important underlying trends — notably the aging of the population and rising health costs — are highly probable, even if we can't precisely predict their magnitude. But the uncertainty grows dramatically as the time horizon expands. That's why we and CBO focus on the next 30 years or so for long-run budget estimates, a period that amply documents future fiscal pressures and presents a reasonable horizon for policymakers.

## Technical Note

We base the first ten years of our projections on CBO's baseline budget estimates published in March 2016.<sup>10</sup> We adjust those projections in a few respects. Specifically, we assume that:

- *Spending on Overseas Contingency Operations (OCO) will decline starting in 2018, reflecting lower levels of direct U.S. involvement in overseas conflicts such as Iraq and Afghanistan.* This adjustment uses a path from CBO's August 2015 budget report that assumes a phasedown in OCO funding and applies that path starting with 2018. (The Bipartisan Budget Act of 2015, which freezes total funding for overseas military operations in 2016 and 2017 at the 2015 level, will have expired by then.) By contrast, the CBO baseline mechanically assumes that OCO funding will remain at today's levels, adjusted for inflation, for each of the next ten years.
- *Emergency and disaster spending will reflect its average level.* The CBO baseline generally continues the current-year funding level for routine disaster relief, as constrained by limits included in the Budget Control Act of 2011, regardless of whether that funding level is high or low by historical standards. (Funding for 2016 is well below average.) Occasionally, however, major emergencies occur, such as hurricanes Katrina and Sandy. While these are rare, they are very expensive and Congress historically provides necessary emergency funding, outside of the disaster allowance. Based on a few decades of data, we make a conservative estimate that, *averaged over time*, these rare but expensive major emergencies would add another 0.5 percent of GDP to federal spending, beyond the ongoing costs of normal disaster relief built into CBO's baseline.
- *Funding for appropriated (or "discretionary") programs will grow with inflation and population after the Budget Control Act caps on appropriated funding expire in 2021.* This approach better recognizes changes in need than the CBO approach, which adjusts these programs only for inflation after 2021.

Here are some important adjustments we *don't* make to CBO's ten-year projections. We do not assume that policymakers will repeal — or further delay — certain postponed health taxes, including the excise tax on high-premium insurance. Similarly, we do not assume that policymakers will revive and continue the remaining tax extenders (those not permanently extended last December) without paying for them.

CBO's ten-year projections — on which we base our estimates through 2026 with the adjustments explained above — don't extend past that date. Therefore, we base our extrapolation through 2046 on other recent sources. Those include CBO's most recent long-term outlook and the latest reports of the Social Security and Medicare trustees (each published in July 2016).<sup>11</sup> Specifically, we assume that after 2026:

- Revenues are as projected in CBO's July 2016 long-term extended baseline.

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<sup>10</sup> Congressional Budget Office, *Updated Budget Projections: 2016 to 2026*, March 24, 2016, <https://www.cbo.gov/publication/51384>.

<sup>11</sup> See CBO, *The 2016 Long-Term Budget Outlook*, and Social Security Administration, <https://www.ssa.gov/OACT/TR/2016/index.html>.

- Social Security and Medicare costs grow, as a percent of GDP, with those from the trustees' intermediate projections. (CBO makes its own projections of Social Security and Medicare costs, which differ slightly from the trustees'.)
- Medicaid, CHIP, and health insurance subsidy costs are as projected in CBO's July 2016 long-term extended baseline, as are the costs of other mandatory programs.
- Discretionary spending grows with inflation plus population, thus keeping real per-capita spending constant at 2026 levels. (CBO assumes this category of spending rises more quickly, with GDP.)
- Emergency costs continue to average 0.5 percent of GDP after 2026. (CBO does not have any such costs in its baseline.)
- Additional federal borrowing to finance student loans and certain other non-budgetary transactions continue to equal 0.2 percent of GDP, as they do in 2026.
- For net interest, we calculate how much borrowing results from the revenue and spending totals already calculated, and we apply the overall interest rate on federal debt, assuming the continuation of the average interest rates on new federal debt that CBO projects over the 2022-2026 period. And we use CBO's long-term projections of GDP.

CBO reported its long-term projections both with and without macroeconomic feedback — CBO's feedback calculation assumes that a growing debt will slightly reduce the growth rate of GDP and increase interest rates, relative to the levels CBO assumes without such feedback. We use the CBO projections that do not include feedback for two reasons. First, estimates of the macroeconomic feedbacks of policy changes are highly uncertain.<sup>12</sup> Second, long-run budget projections without macroeconomic feedbacks provide a measure of the amount of *primary deficit reduction* (revenue increases and program cuts, *not* including the associated interest savings) needed to restore fiscal sustainability.<sup>13</sup> In general, if the primary budget is in balance, the debt will not grow faster than the economy.

Table 2 shows our projections for each major category of the budget as a percent of GDP in selected years. Data for each year, including historical values since 1995, are posted on our website.

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<sup>12</sup> Paul N. Van de Water and Chye-Ching Huang, *Budget and Tax Plans Should Not Rely on "Dynamic Scoring,"* Center on Budget and Policy Priorities, updated November 17, 2014, <http://www.cbpp.org/research/budget-and-tax-plans-should-not-rely-on-dynamic-scoring>.

<sup>13</sup> Richard Kogan *et al.*, *Difference Between Economic Growth Rates and Treasury Interest Rates Significantly Affects Long-Term Budget Outlook,* Center on Budget and Policy Priorities, February 27, 2015, Appendix 2, "Why Long-Run Projections Need Not Be Dynamic," <http://www.cbpp.org/research/federal-budget/difference-between-economic-growth-rates-and-treasury-interest-rates>.

TABLE 2

**Outlays, Revenues, Deficits, and Debt as a Percent of GDP Through 2046**

	Social Security	Medicare	Medicaid, CHIP, and exchanges	Other program outlays	Total program outlays	Net interest	Revenues	Surplus (+) / Deficit (-)	Debt held by the public
<b>2000</b>	4.0%	1.9%	1.2%	8.3%	15.4%	2.2%	20.0%	2.3%	34%
<b>2005</b>	4.0%	2.3%	1.4%	10.0%	17.8%	1.4%	16.7%	-2.5%	36%
<b>2010</b>	4.7%	3.0%	1.9%	12.4%	22.0%	1.3%	14.6%	-8.7%	61%
<b>2015</b>	5.0%	3.0%	2.2%	9.3%	19.5%	1.3%	18.3%	-2.5%	74%
<b>2016</b>	4.9%	3.2%	2.3%	9.2%	19.7%	1.4%	18.2%	-2.9%	75%
<b>2020</b>	5.2%	3.3%	2.5%	8.3%	19.3%	2.3%	18.1%	-3.5%	77%
<b>2025</b>	5.8%	3.8%	2.6%	7.7%	19.8%	2.9%	18.2%	-4.6%	83%
<b>2026</b>	5.9%	3.9%	2.6%	7.7%	20.1%	3.0%	18.2%	-4.8%	85%
<b>2030</b>	6.1%	4.3%	2.7%	7.4%	20.5%	3.2%	18.4%	-5.2%	92%
<b>2035</b>	6.2%	4.8%	2.8%	7.0%	20.8%	3.4%	18.7%	-5.5%	100%
<b>2040</b>	6.2%	5.1%	2.9%	6.6%	20.8%	3.7%	19.1%	-5.4%	108%
<b>2045</b>	6.1%	5.3%	3.1%	6.2%	20.7%	3.9%	19.4%	-5.1%	112%
<b>2046</b>	6.1%	5.3%	3.1%	6.1%	20.7%	3.9%	19.5%	-5.1%	113%

Source: Historical data from the Office of Management and Budget; projections from CBPP based on data from Congressional Budget Office and Social Security and Medicare trustees