

# Policy Watch Webcast

US Fiscal Health - Addressing the Pandemic Debt

May 20, 2021



# Some of the critical questions and issues we will be answering today

- How did we get to the near historic US debt levels that the US faces today, how much of that debt has been incurred since the outbreak of the pandemic and what are the projections for the future?
- What are the implications of the US debt levels for the US economy and future growth—why do they matter?
- What are Americans thinking about the debt levels?
- What could policymakers do about the near-historic debt burdens, with a special focus on the pandemic debt incurred?



# Today's Speakers



**W. Bowman Cutter**

Senior Fellow and Director of the Next American Economy Project

**Roosevelt Institute**

Trustee

**Committee for Economic Development of The Conference Board**



**Joseph E. Kasputys, Ph.D.**

Chairman & CEO  
**Economic Ventures, LLC**

Trustee

**Committee for Economic Development of The Conference Board**



**Jocelyn Kiley**

Associate Director, Research  
**Pew Research Center**



**Philip Swagel**

Director  
**Congressional Budget Office (CBO)**



**Joseph J. Minarik (Moderator)**

Senior Vice President and Director of Research  
**Committee for Economic Development of The Conference Board**

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# An Overview of the 2021 Long-Term Budget Outlook

May 20, 2021

Presentation to the Conference Board

Phillip L. Swagel  
Director



## These Projections Are as of March 4, 2021

Each year, the Congressional Budget Office publishes a report presenting its projections of what federal debt, deficits, spending, and revenues would be for the next 30 years if current laws governing taxes and spending generally did not change.

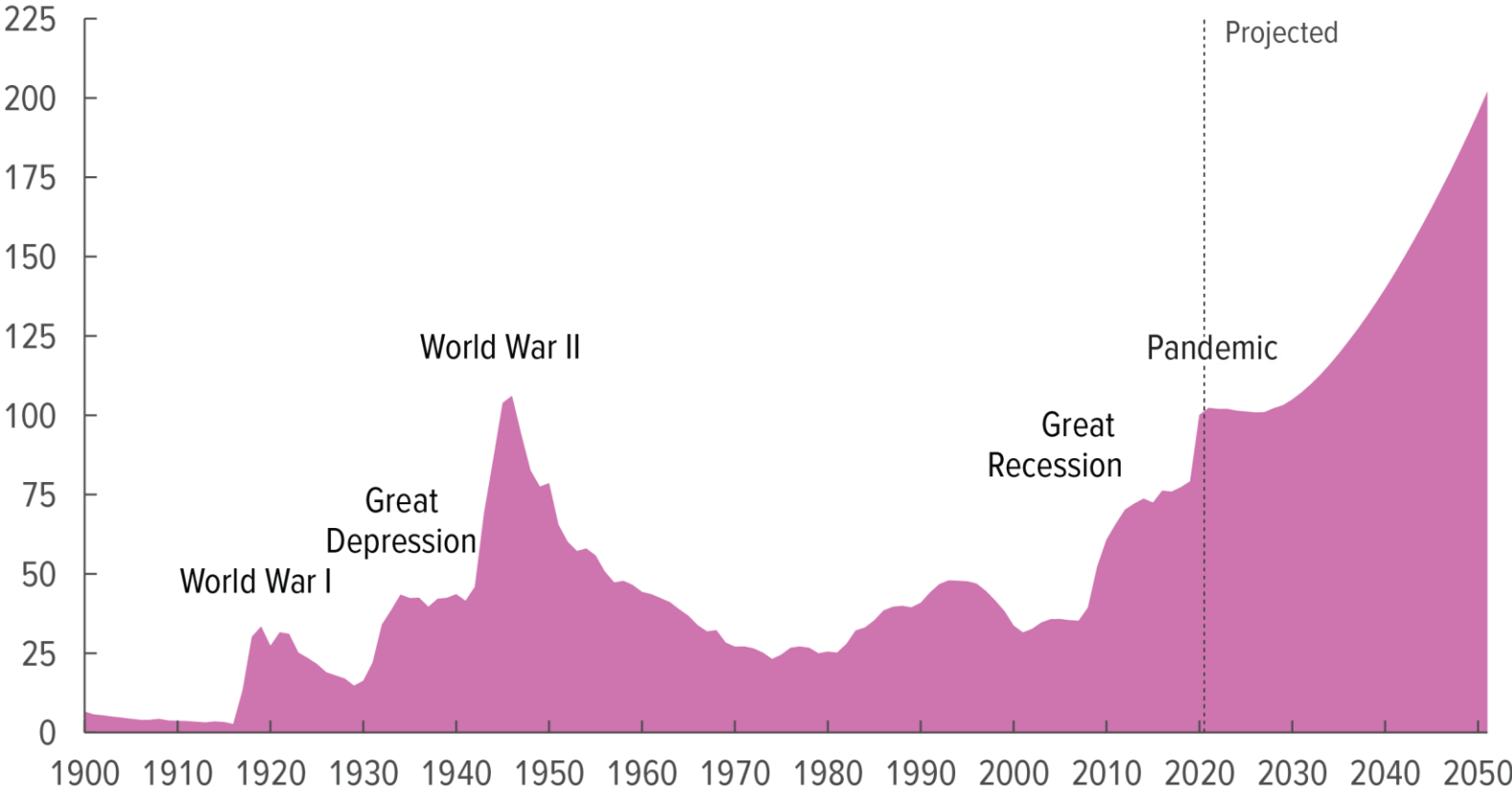
CBO's most recent projections, which underlie this presentation, were published on March 4, 2021. They do not include the effects of the American Rescue Plan Act, which was enacted on March 11, 2021.

The effects of that law are projected to increase the federal deficit by \$1.9 trillion from 2021 through 2031, mainly by increasing spending.



# Federal Debt Held by the Public, 1900 to 2051

Percentage of Gross Domestic Product



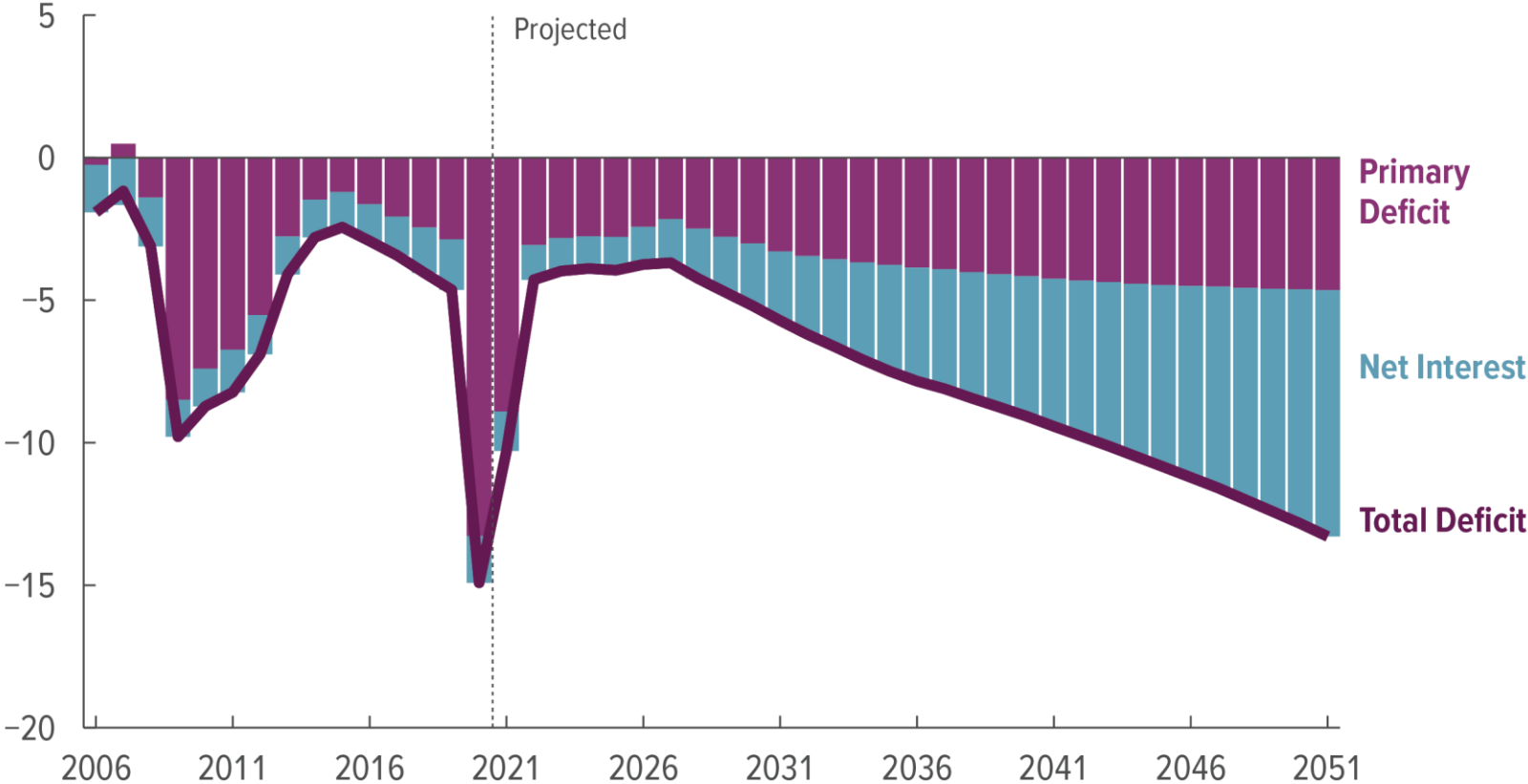
Growing deficits are projected to drive federal debt held by the public to unprecedented levels over the next 30 years. By 2051, debt is projected to reach more than 200 percent of gross domestic product (GDP).





# Total Deficits, Primary Deficits, and Net Interest

Percentage of Gross Domestic Product



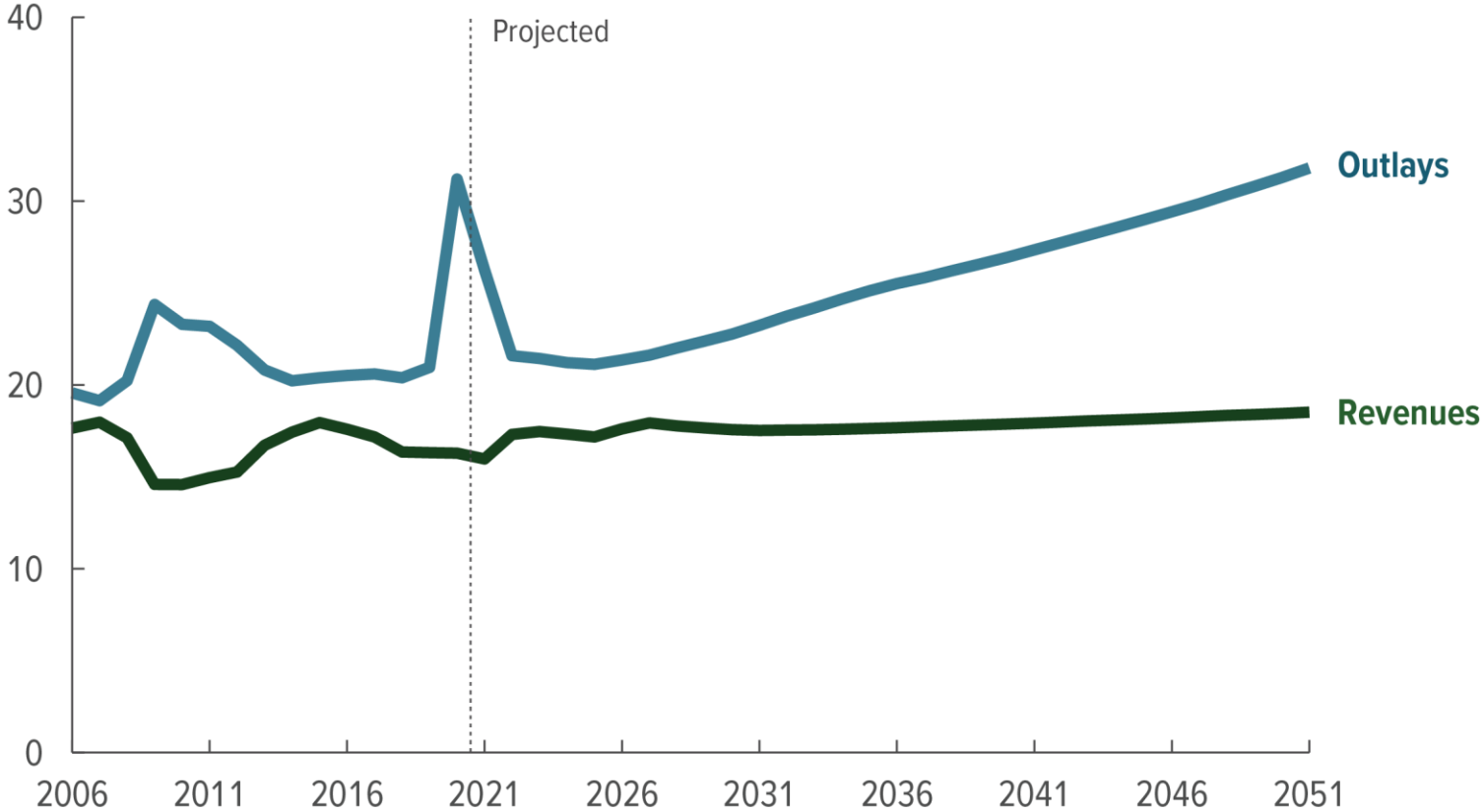
Net spending for interest rises rapidly and accounts for most of the growth in total deficits in the last two decades of the projection period.





# Total Outlays and Revenues

Percentage of Gross Domestic Product

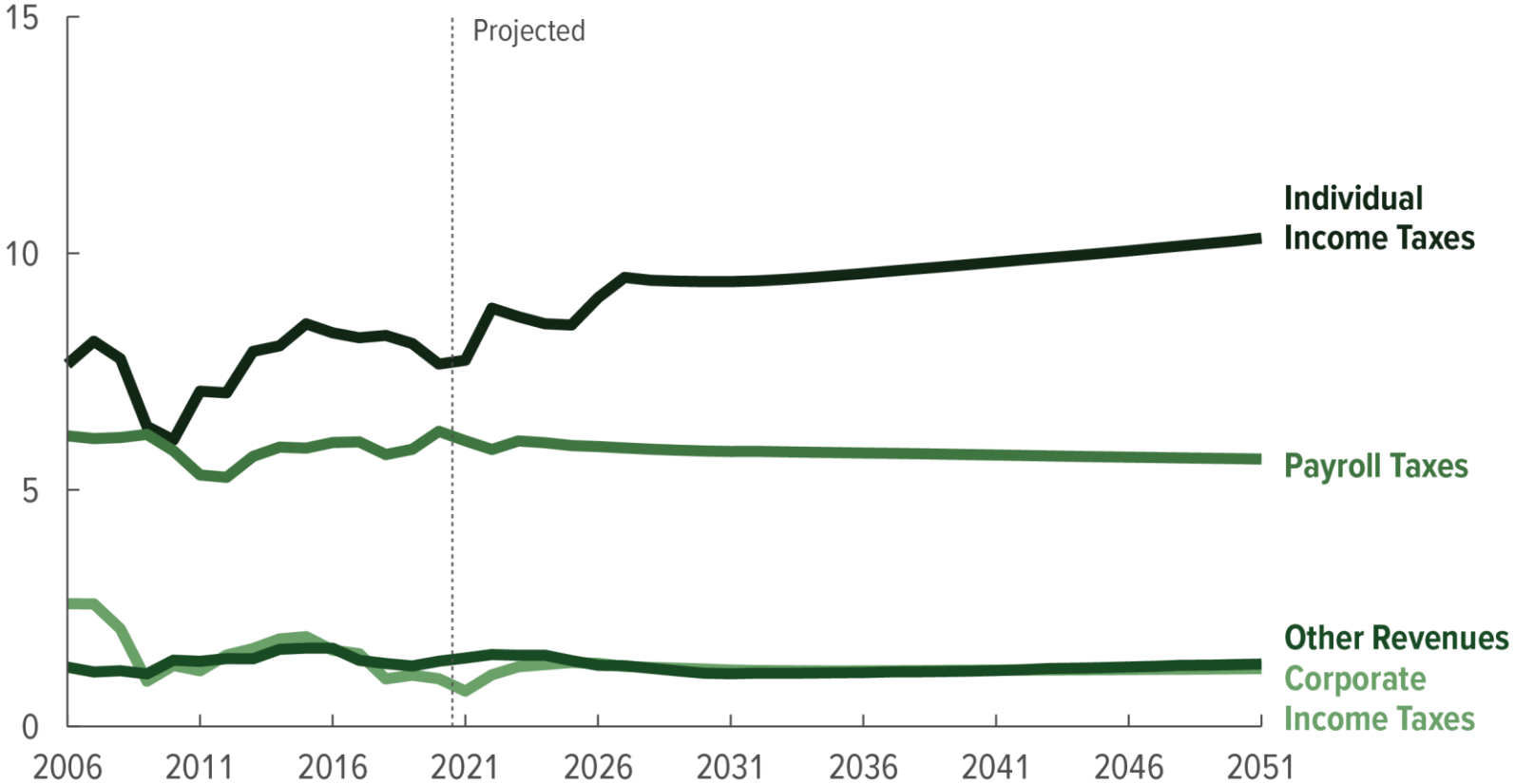


In most years, growth in outlays is projected to outpace growth in revenues, resulting in widening budget deficits.



# Revenues, by Source

Percentage of Gross Domestic Product

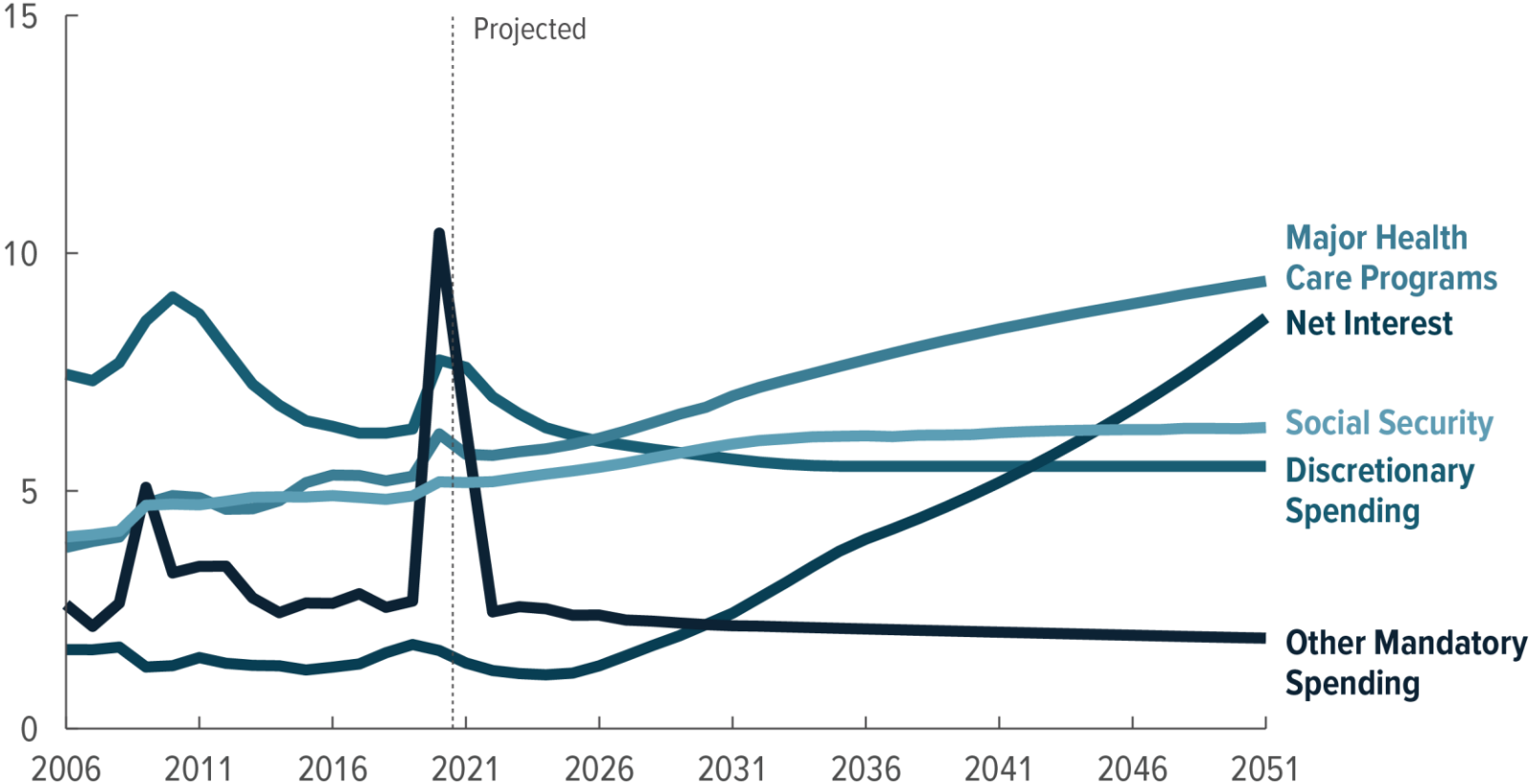


Increases in individual income taxes account for most of the rise in total revenues relative to GDP. Receipts from all other sources, taken together, are projected to be about the same in 2051 as they are today.



# Outlays, by Component

Percentage of Gross Domestic Product

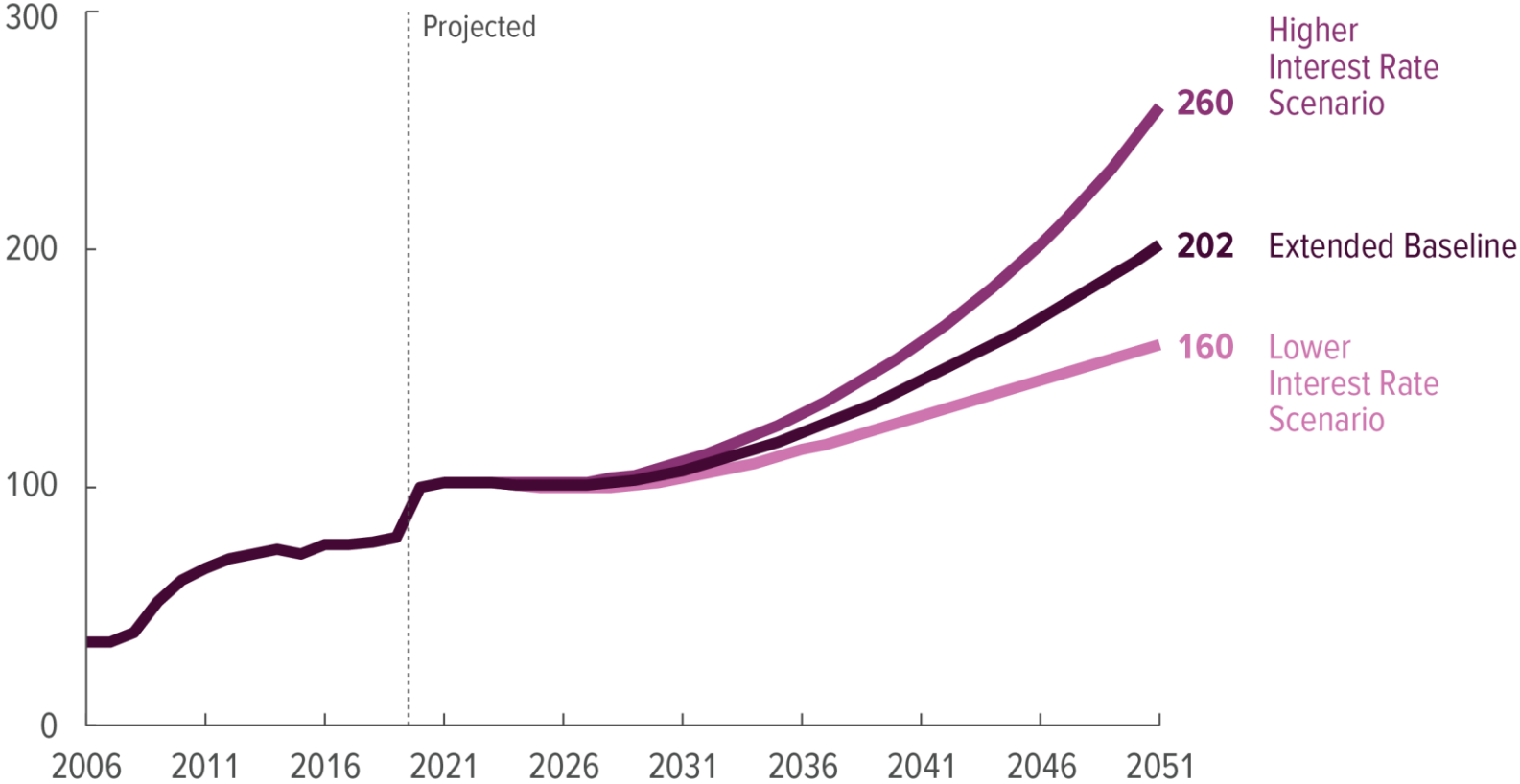


Over the long term, net spending for interest and outlays for the major health care programs and Social Security are projected to rise in relation to GDP; other spending, in total, is projected to decline.



# Federal Debt If Interest Rates Differed From the Values Underlying CBO's Projections

Percentage of Gross Domestic Product

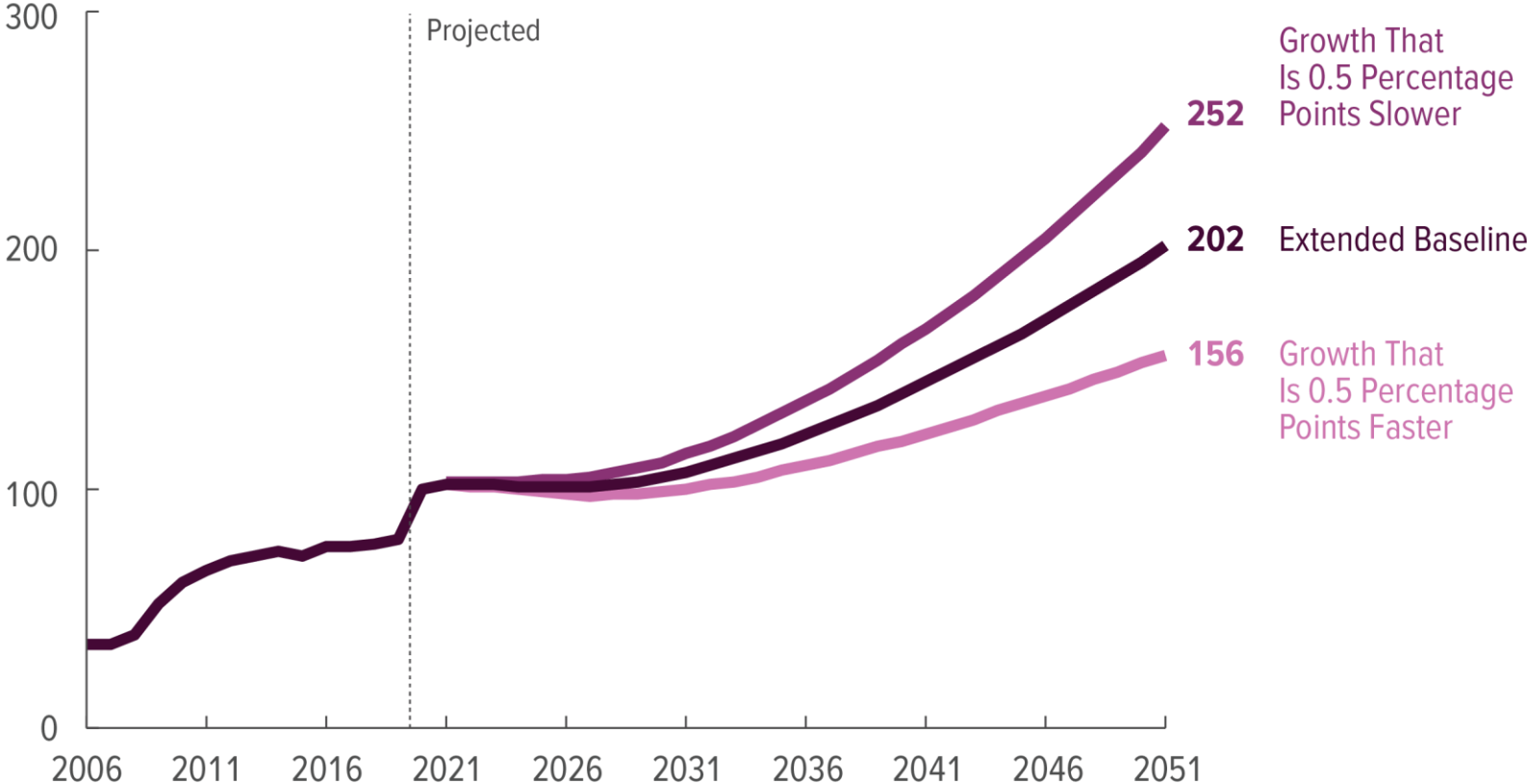


Lower interest rates on federal debt would result in smaller deficits and a smaller stock of debt, causing the debt-to-GDP ratio to grow more slowly. Higher interest rates would have the opposite effects.



# Federal Debt If Total Factor Productivity Growth Differed From the Values Underlying CBO's Projections

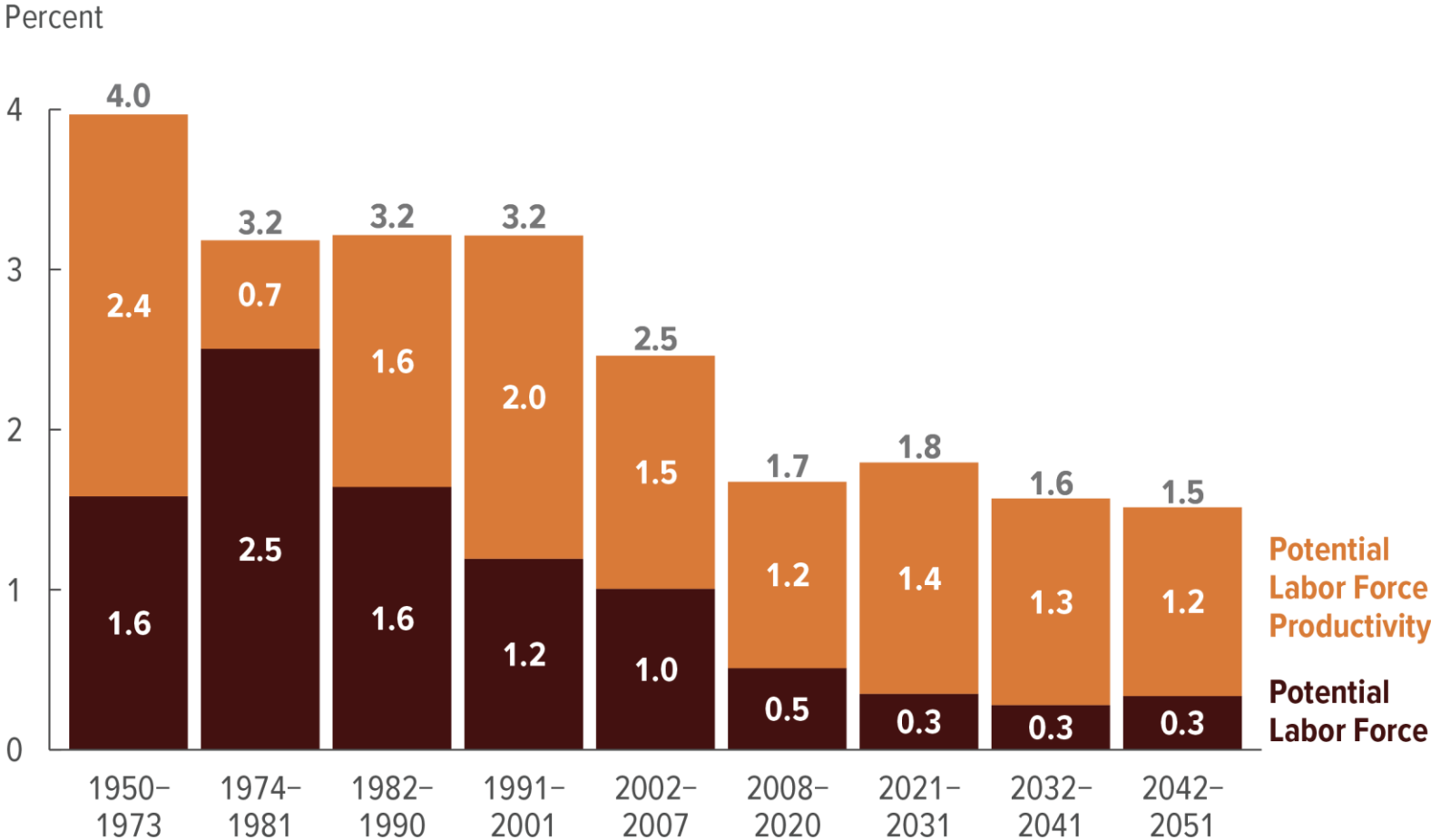
Percentage of Gross Domestic Product



Faster growth in total factor productivity would increase overall economic growth, and the ratio of federal debt to GDP would grow more slowly. Slower productivity growth would have the opposite effects.



# Average Annual Growth of Real Potential GDP



Growth in real potential GDP is projected to be slower than it has been in the past. That slowdown occurs mostly because the potential labor force is projected to grow at a slower pace.



# Americans' views of COVID-19 stimulus and the deficit

Jocelyn Kiley

*Associate Director of Research*  
*@jocelynkiley*

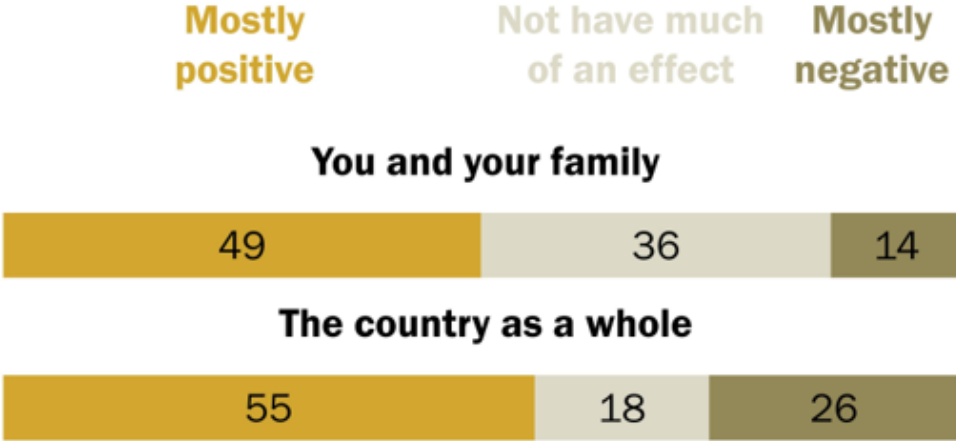


# Two-thirds approve of coronavirus aid package passed by Biden and Congress

*% who \_\_\_\_\_ approve of the coronavirus economic aid package passed by Biden and Congress in March*

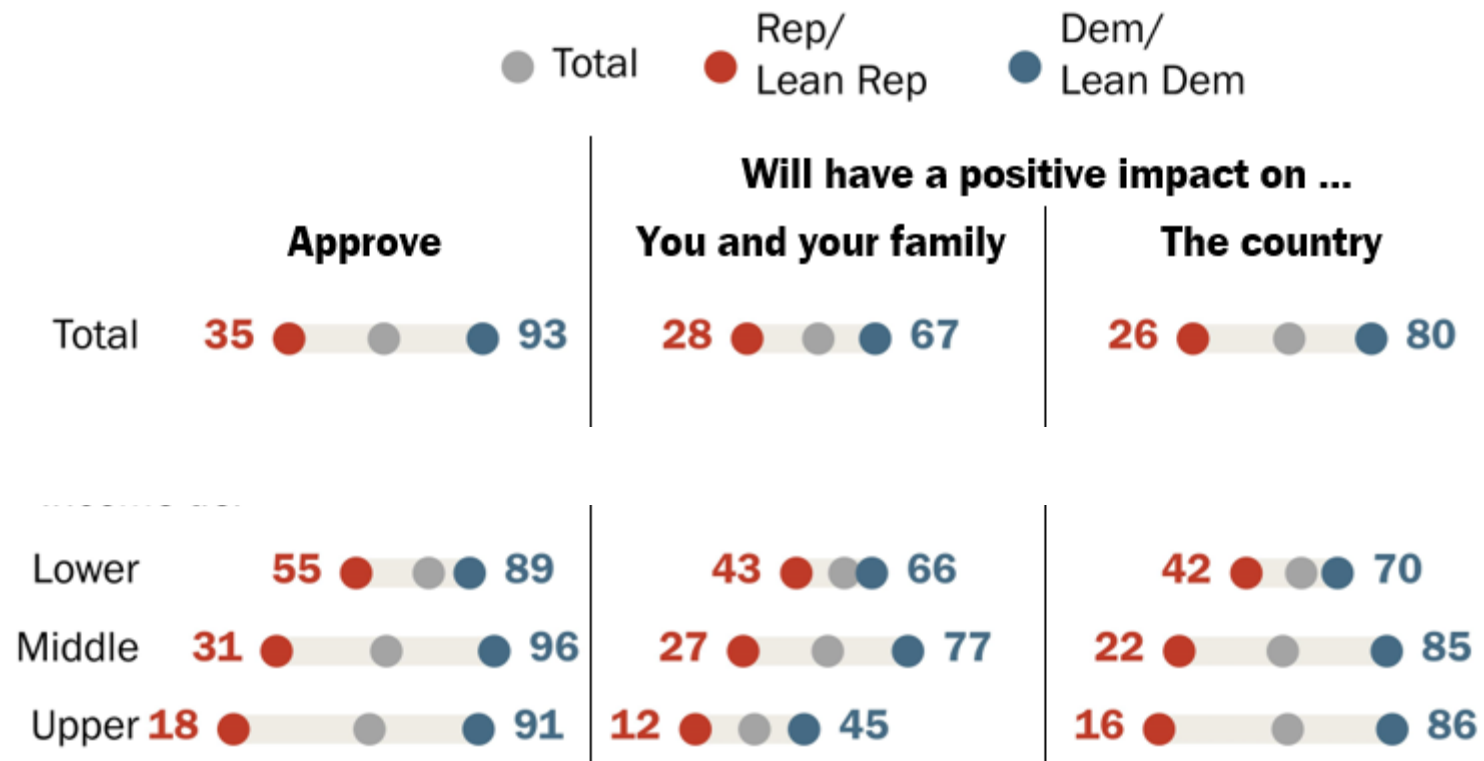


*% who say the overall effect of the coronavirus economic aid package on \_\_\_\_\_ will be ...*



# Wide partisan gaps in views of the coronavirus aid package

- % who say each about the March 2021 coronavirus economic aid package

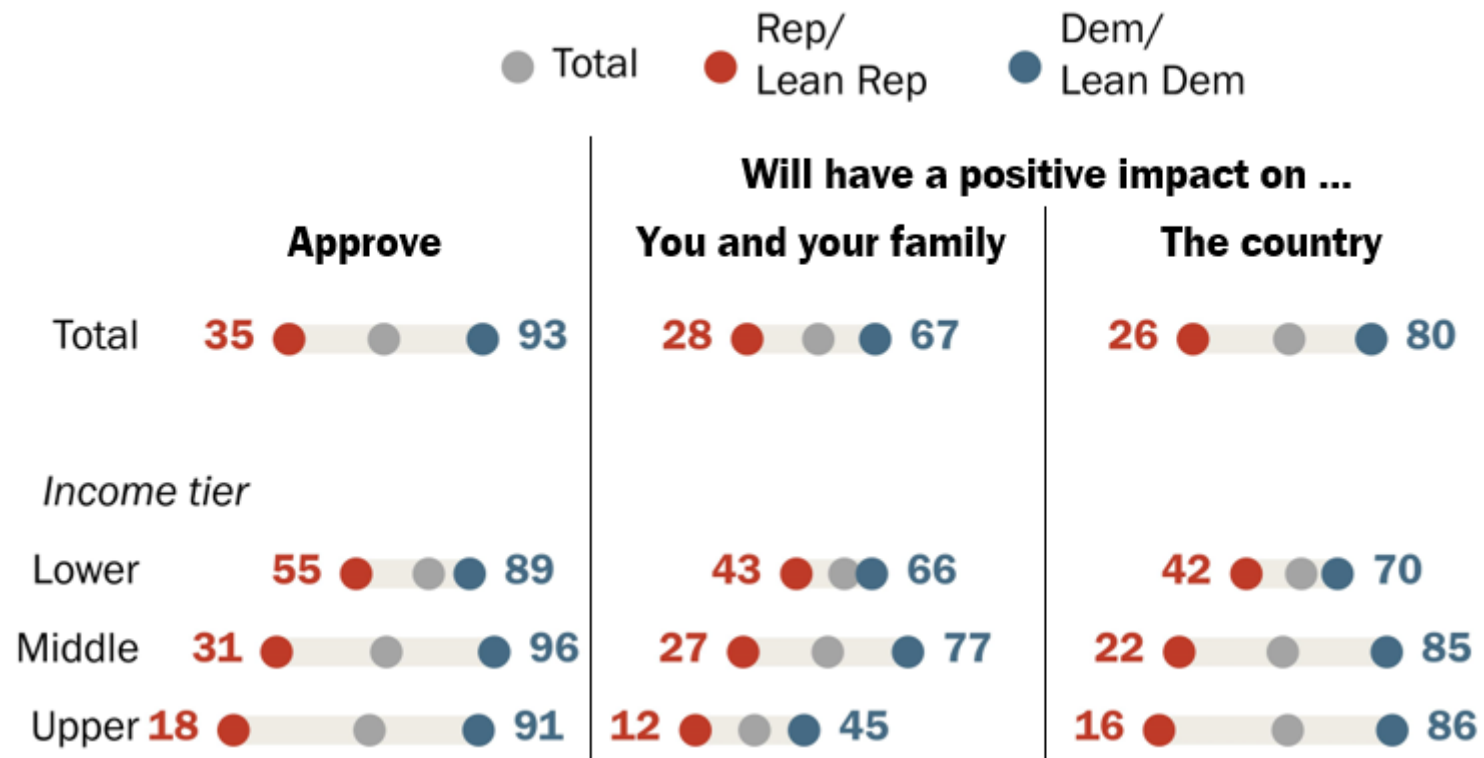


▪ Source: Survey of U.S. adults conducted April 5-11, 2021.



# Lower-income Republicans far more likely than those with higher incomes to approve of coronavirus aid bill and say it will benefit them

- % who say each about the March 2021 coronavirus economic aid package

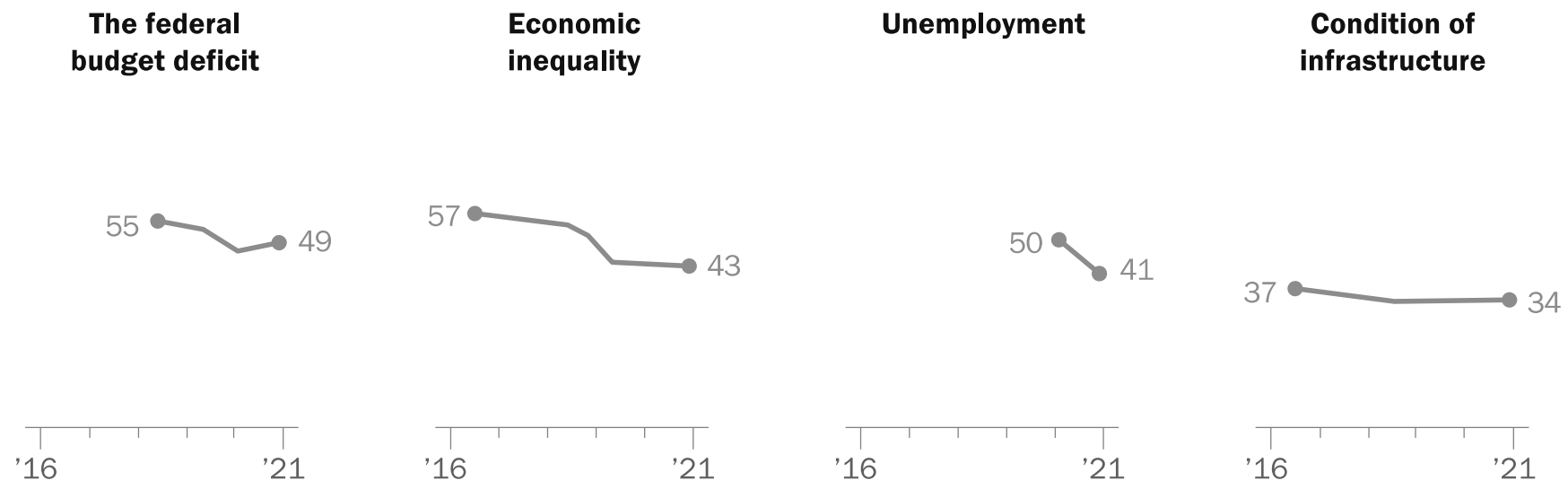


▪ Source: Survey of U.S. adults conducted April 5-11, 2021.



# Little overall change in concern about deficit in recent years

- % who say \_\_\_\_ is a very big problem in the country today

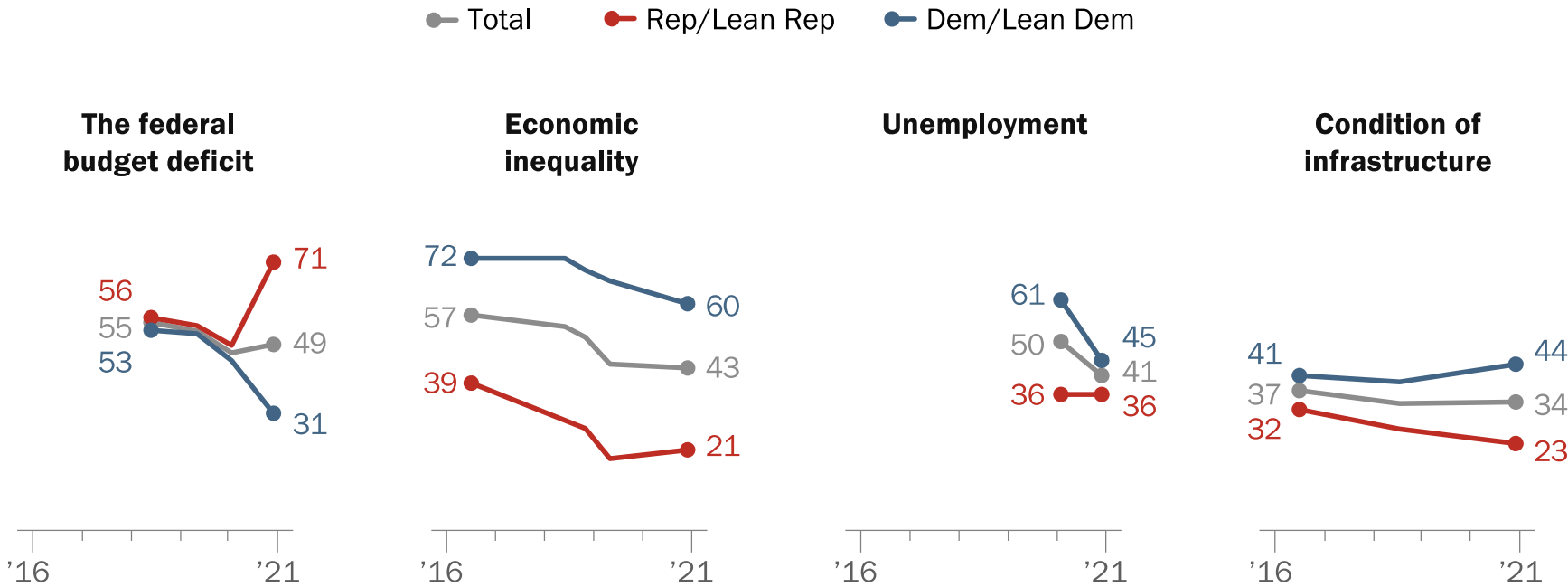


▪ Source: Survey of U.S. adults conducted April 5-11, 2021.



# Republican concern about the budget deficit increases sharply; Democratic concern declines

■ % who say \_\_\_\_ is a very big problem in the country today

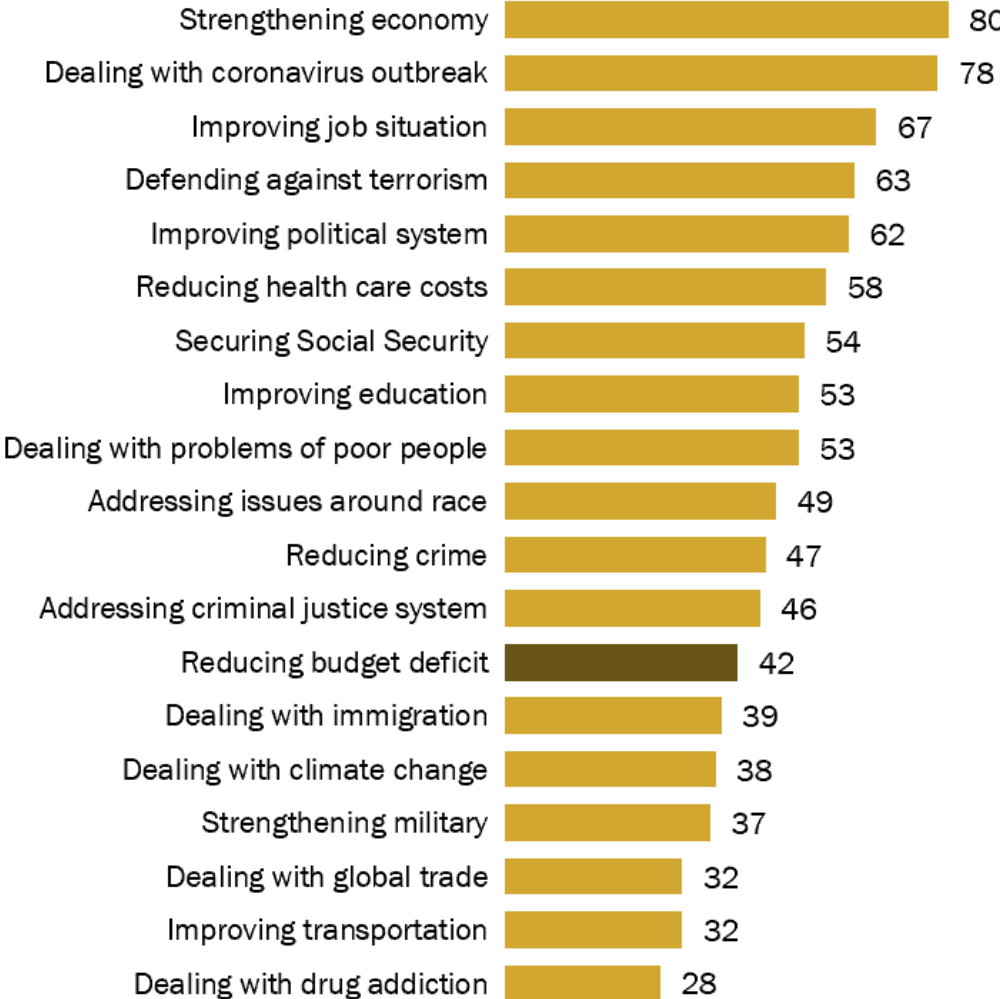


■ Source: Survey of U.S. adults conducted April 5-11, 2021.



# Deficit reduction low on the list of the public's priorities

■ % who say \_\_\_\_ should be a top priority for the president and Congress to address this year



■ Source: Survey of U.S. adults conducted Jan 8-12, 2021.



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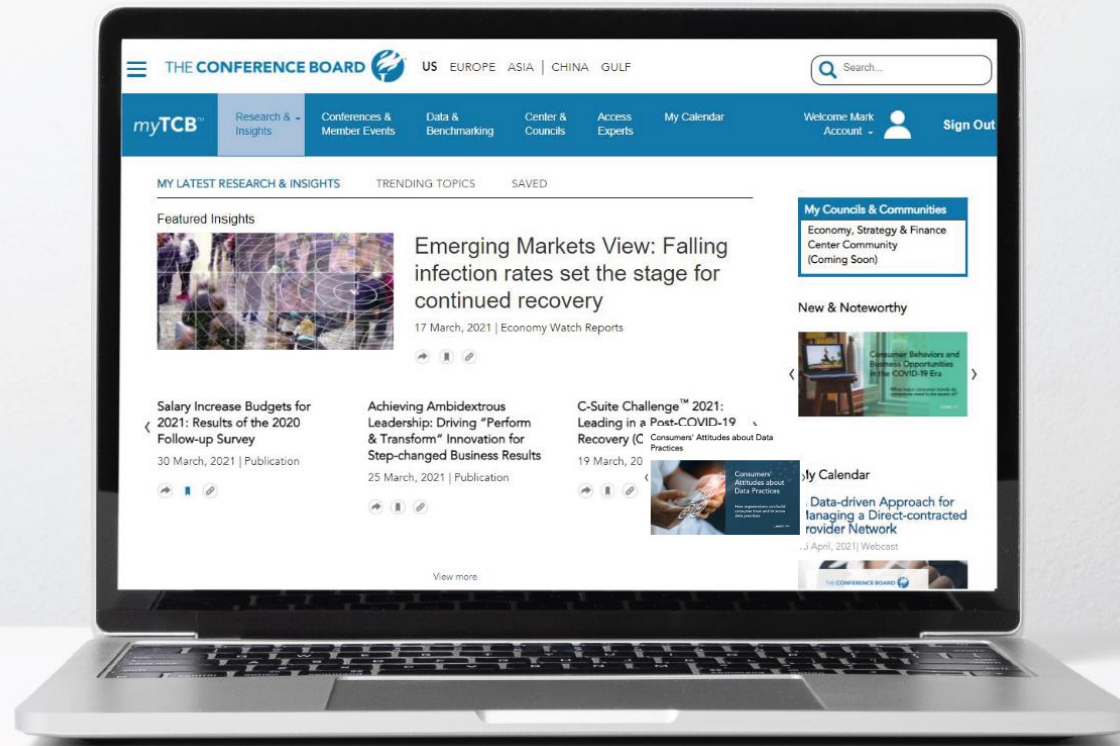
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