At a Glance

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

- **Deficits.** Even after the effects of the 2020 coronavirus pandemic fade, deficits in coming decades are projected to be large by historical standards. In CBO's projections, deficits increase from 5 percent of gross domestic product (GDP) in 2030 to 13 percent by 2050—larger in every year than the average deficit of 3 percent of GDP over the past 50 years.

- **Debt.** By the end of 2020, federal debt held by the public is projected to equal 98 percent of GDP. The projected budget deficits would boost federal debt to 104 percent of GDP in 2021, to 107 percent of GDP (the highest amount in the nation's history) in 2023, and to 195 percent of GDP by 2050.

  High and rising federal debt makes the economy more vulnerable to rising interest rates and, depending on how that debt is financed, rising inflation. The growing debt burden also raises borrowing costs, slowing the growth of the economy and national income, and it increases the risk of a fiscal crisis or a gradual decline in the value of Treasury securities.

- **Spending.** After the effects of increased spending associated with the pandemic dissipate, spending as a percentage of GDP rises in CBO's projections. With growing debt and higher interest rates, net spending for interest nearly quadruples in relation to the size of the economy over the long term, accounting for most of the growth in total deficits. Also increasing are spending for Social Security (mainly owing to the aging of the population) and for Medicare and the other major health care programs (because of rising health care costs per person and, to a lesser degree, the aging of the population).

- **Revenues.** Once the effects of decreased revenues associated with the economic disruption caused by the pandemic dissipate, revenues measured as a percentage of GDP are projected to rise. After 2025, they increase in CBO's projections largely because of scheduled changes in tax rules, including the expiration of nearly all of the changes made to individual income taxes by the 2017 tax act. After 2030, they continue to rise—but that growth does not keep pace with the growth in spending. Most of the long-term growth in revenues is attributable to the increasing share of income that is pushed into higher tax brackets.

Because future economic conditions are uncertain and budgetary outcomes are sensitive to those conditions, CBO analyzed how those outcomes would differ from its projections if productivity growth or interest rates were higher or lower than the agency expects. Even if economic conditions were more favorable than CBO currently projects, debt in 2050 would probably be much higher than it is today.

CBO now projects that debt as a percentage of GDP will be 45 percentage points higher in 2049 than the agency projected last year. Larger projected deficits in 2020 and 2021 contribute significantly to that difference. The increase in those deficits results primarily from the effects of the pandemic and actions taken to respond to it.