



BIPARTISAN POLICY CENTER

U.S. Fiscal Policy: A Story of Conflicting Priorities

BY: SHAI AKABAS

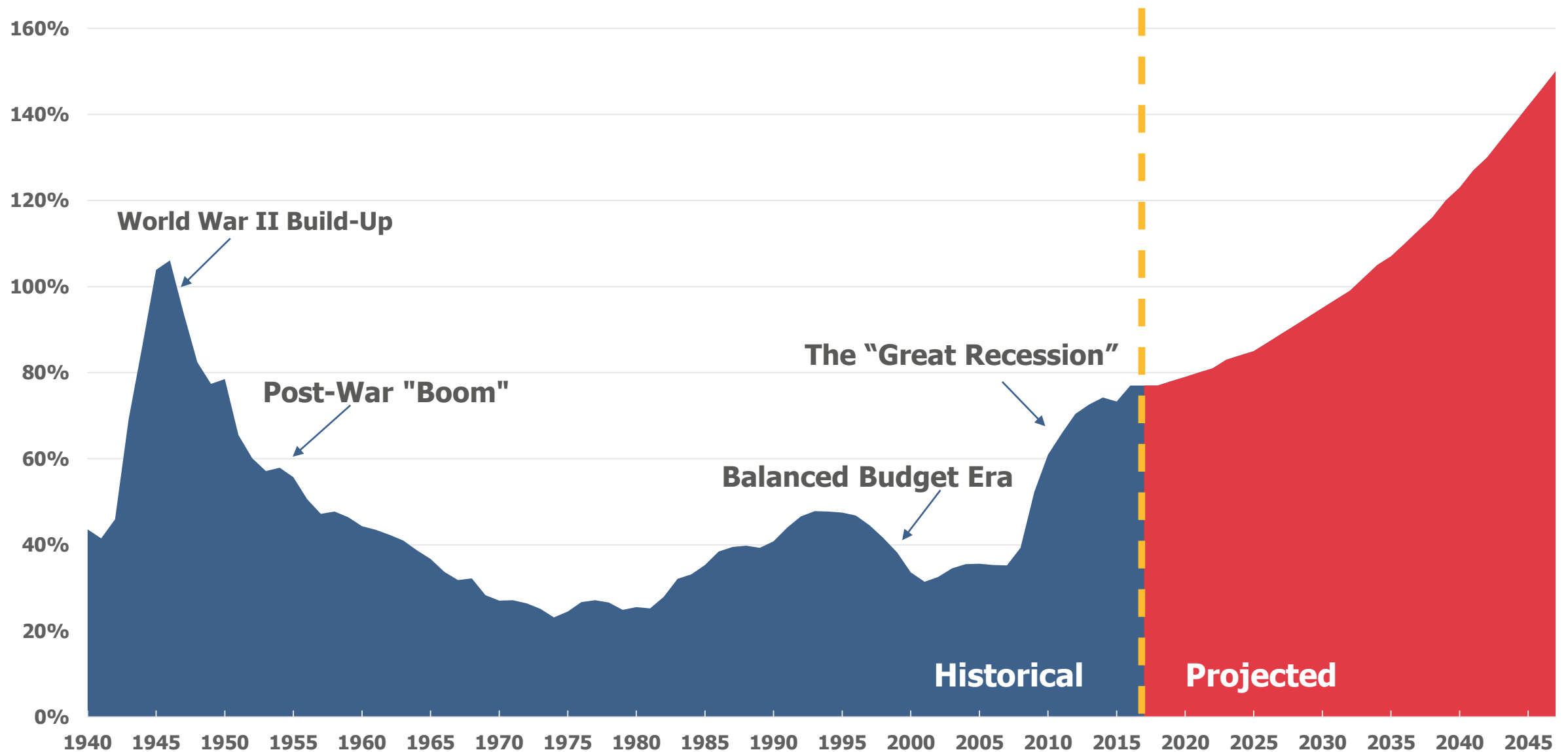
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Key Takeaways

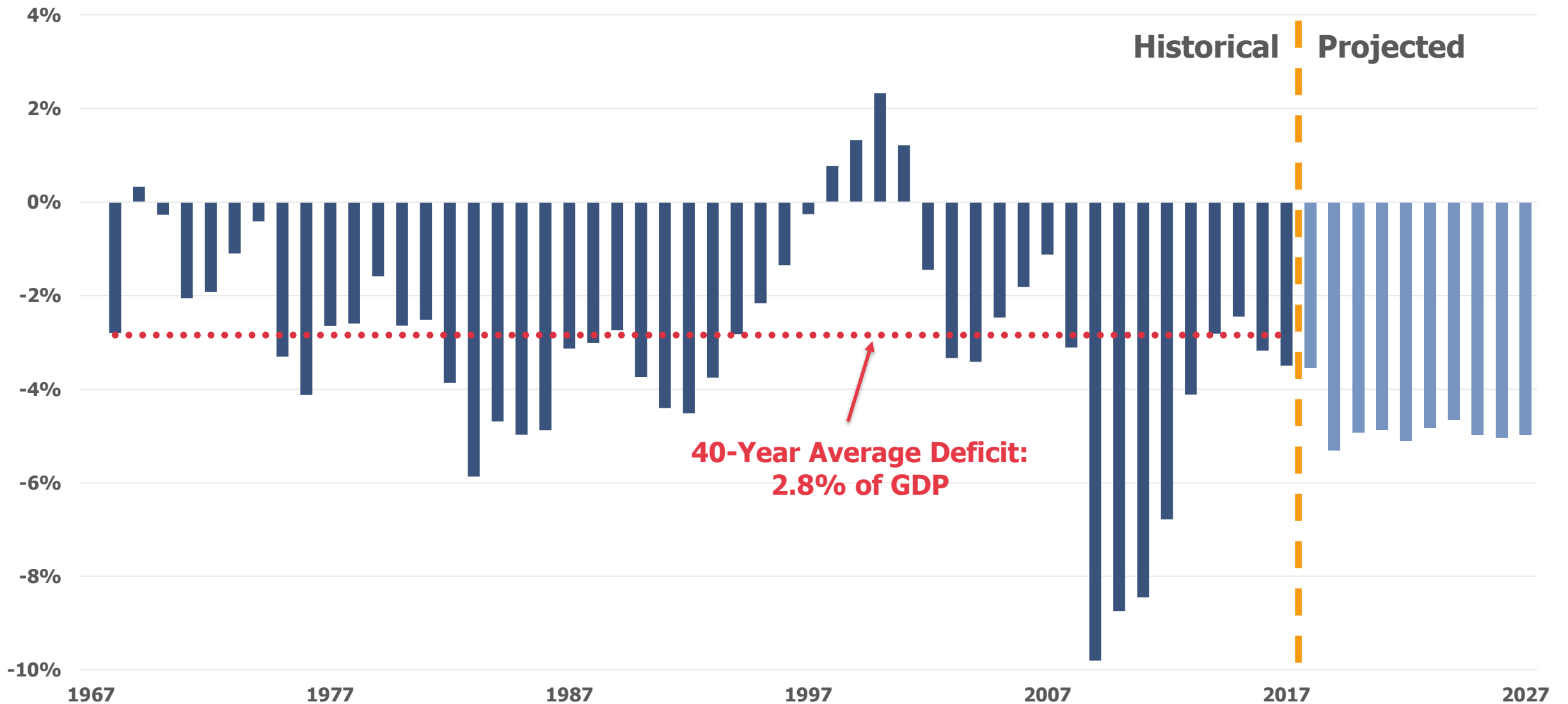


- 1) The U.S. is on an unsustainable long-term fiscal path
- 2) Major entitlement programs are key drivers and the problem cannot be solved without reform
- 3) Under almost any scenario, more revenues will be necessary
- 4) Entitlement programs and the ongoing need for fiscal adjustment are crowding out discretionary programs (e.g., investments)
- 5) While not the problem in and of itself, our broken budget process has not helped the situation

Federal Debt Is Set to Soar



Federal Surpluses and Deficits as a Percentage of GDP

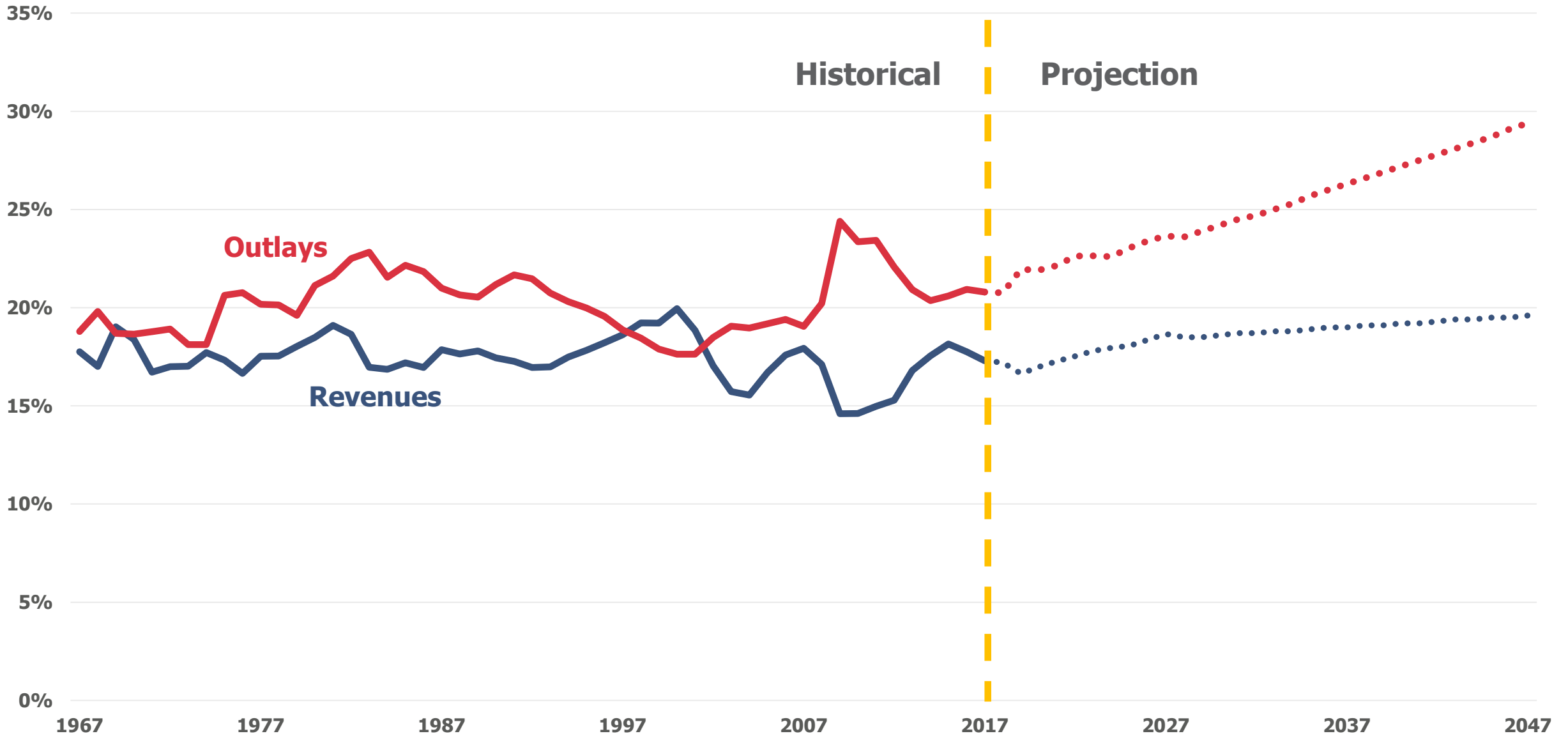


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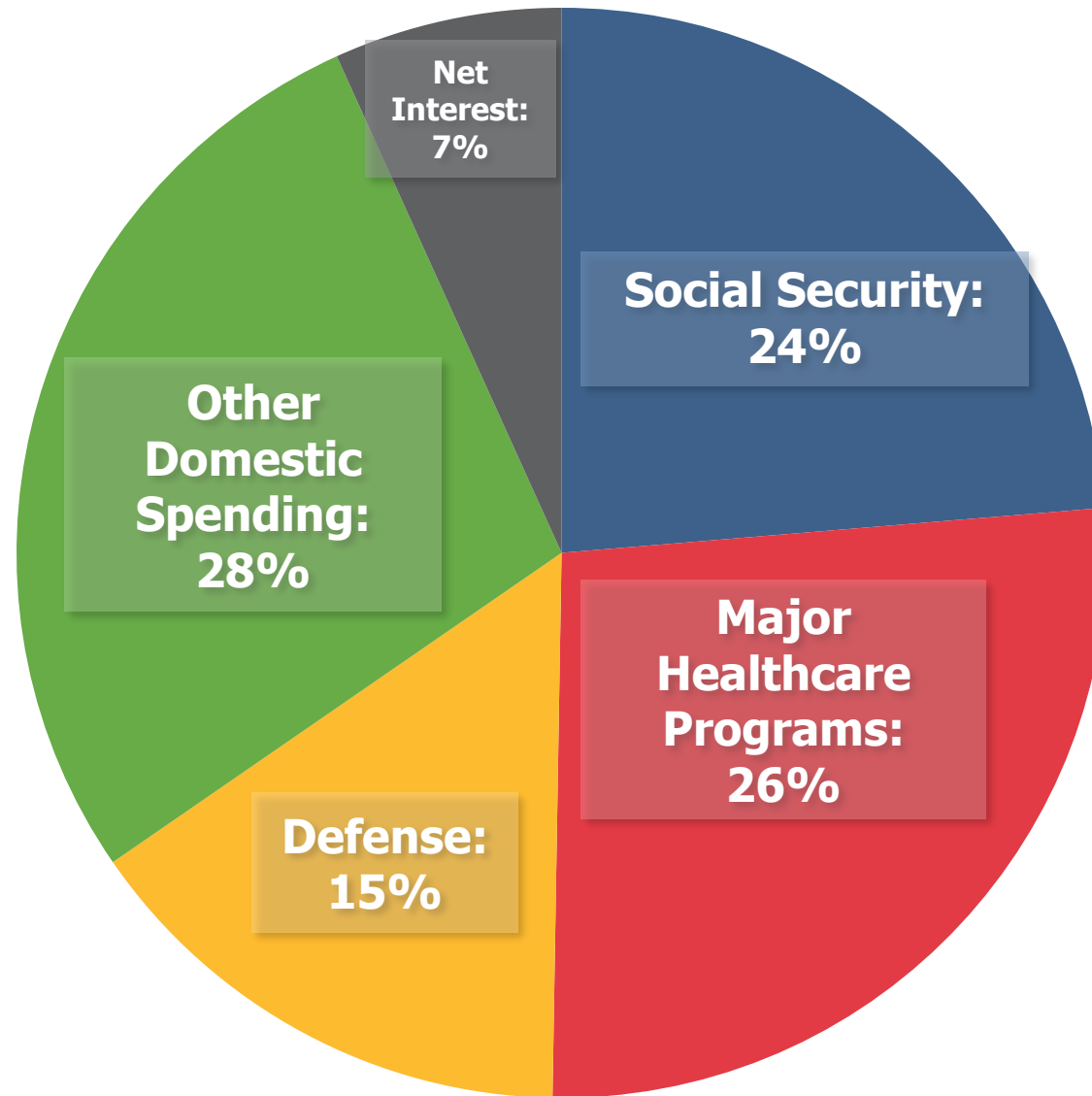


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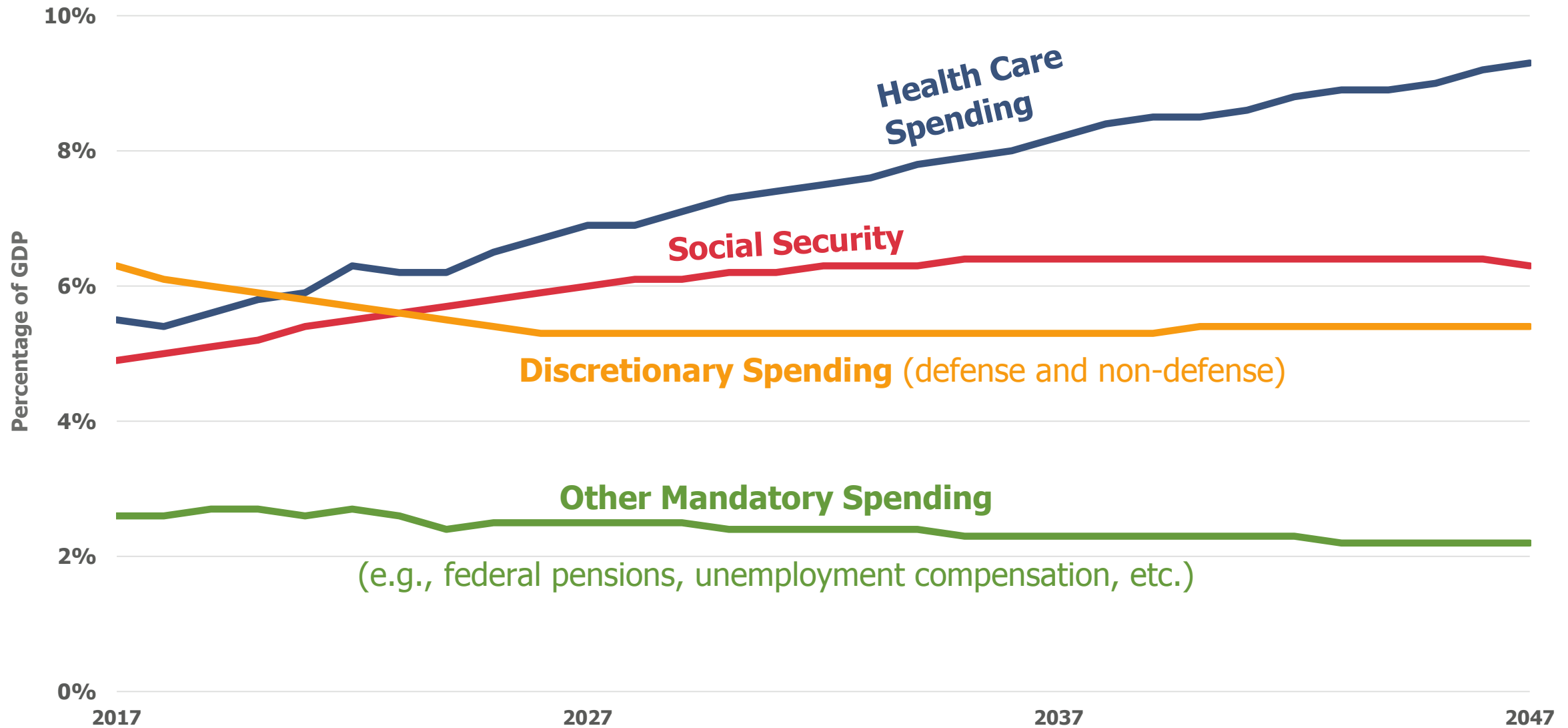
Widening Gap Between Outlays and Revenues



Composition of the 2017 Federal Budget



Health Care Costs are the Primary Driver of the Debt

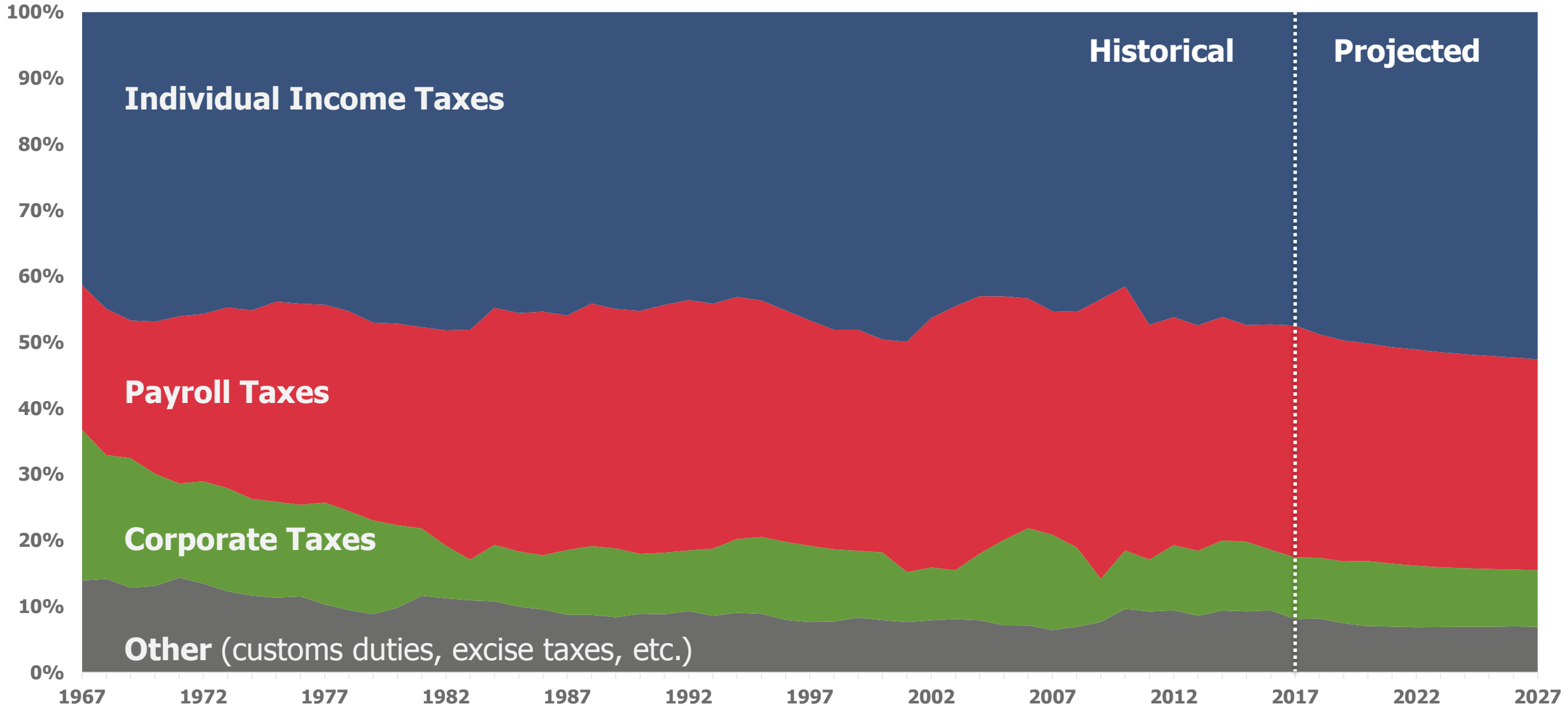


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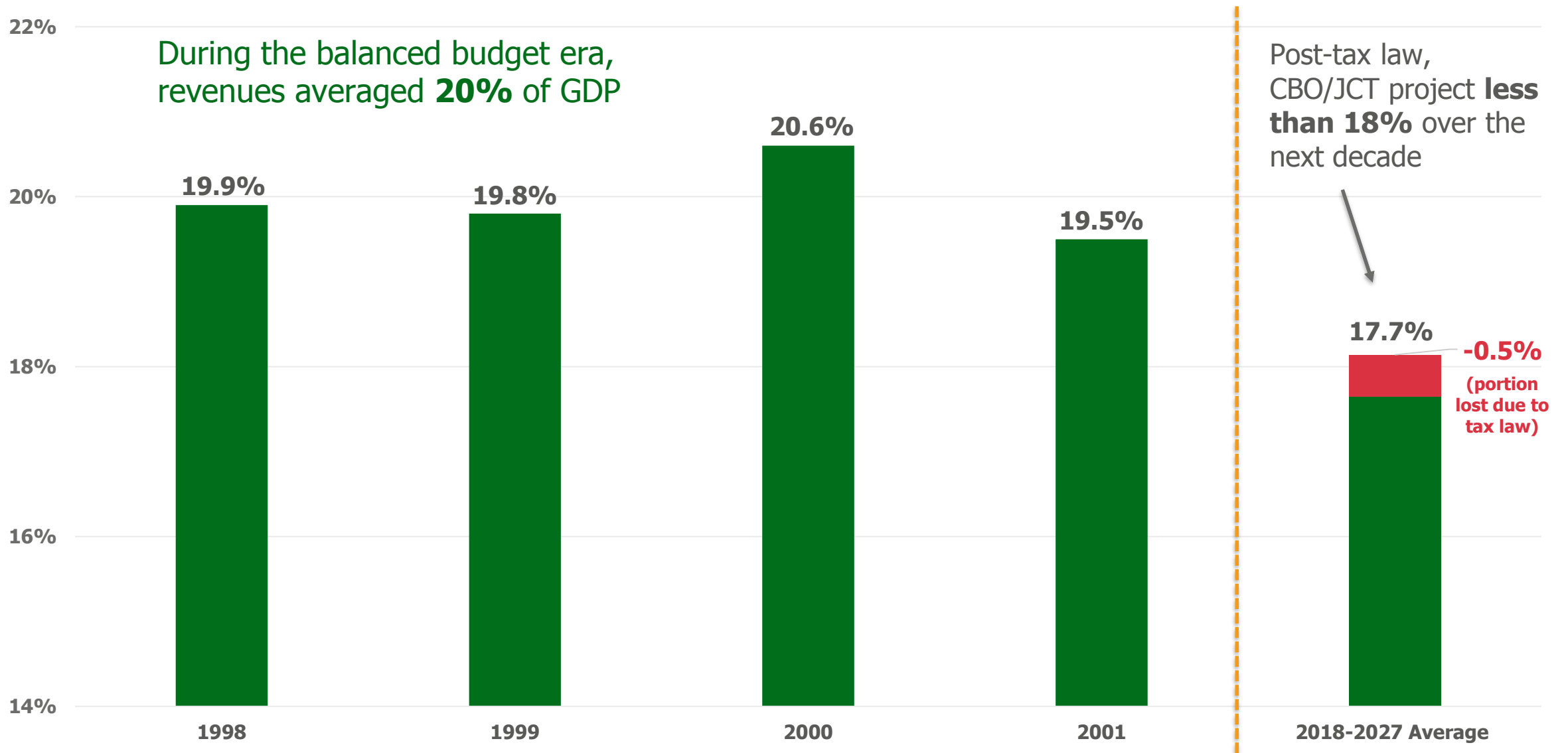


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Composition of Federal Revenues over Time



Falling Short on the Revenue Side

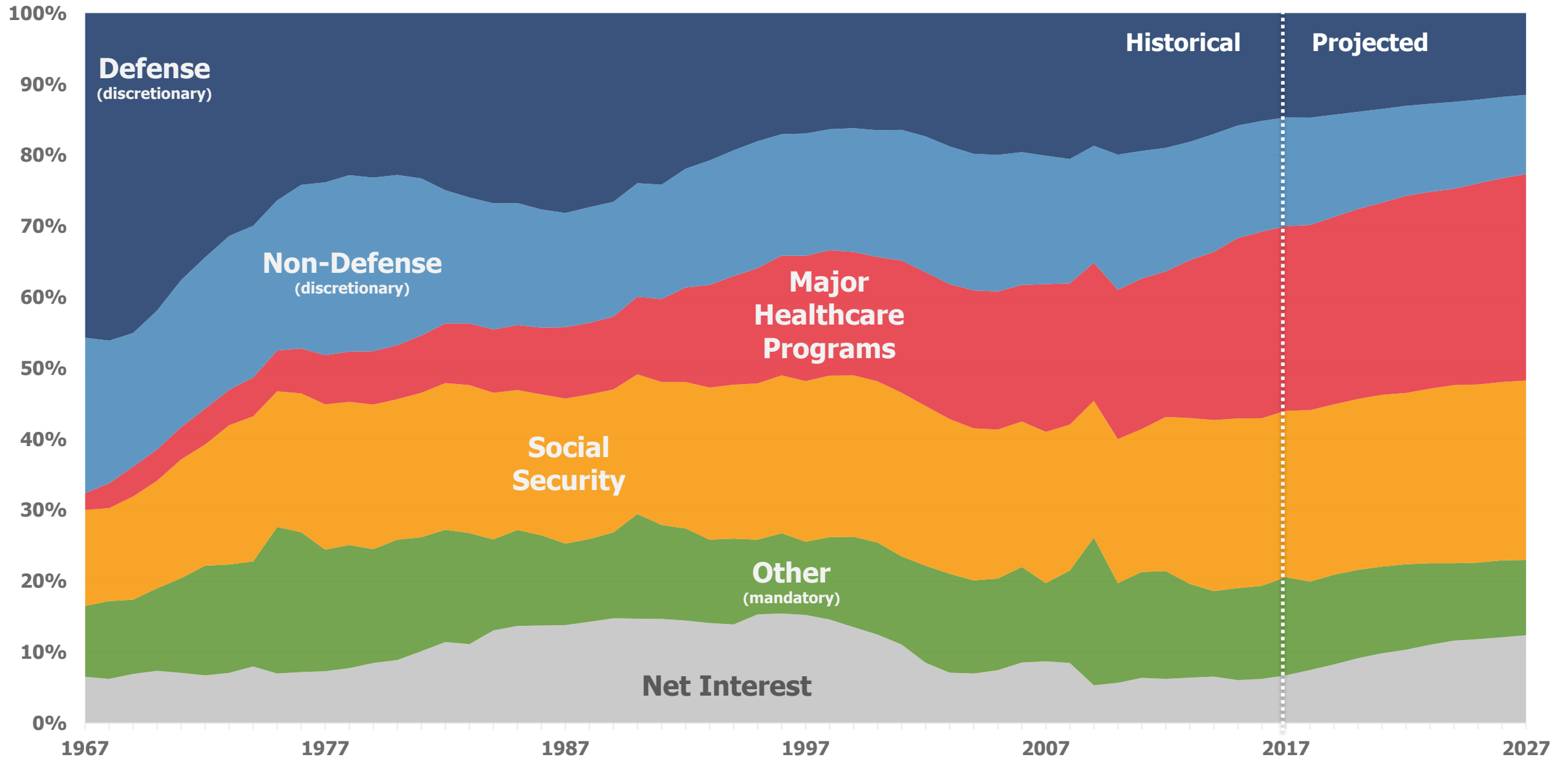


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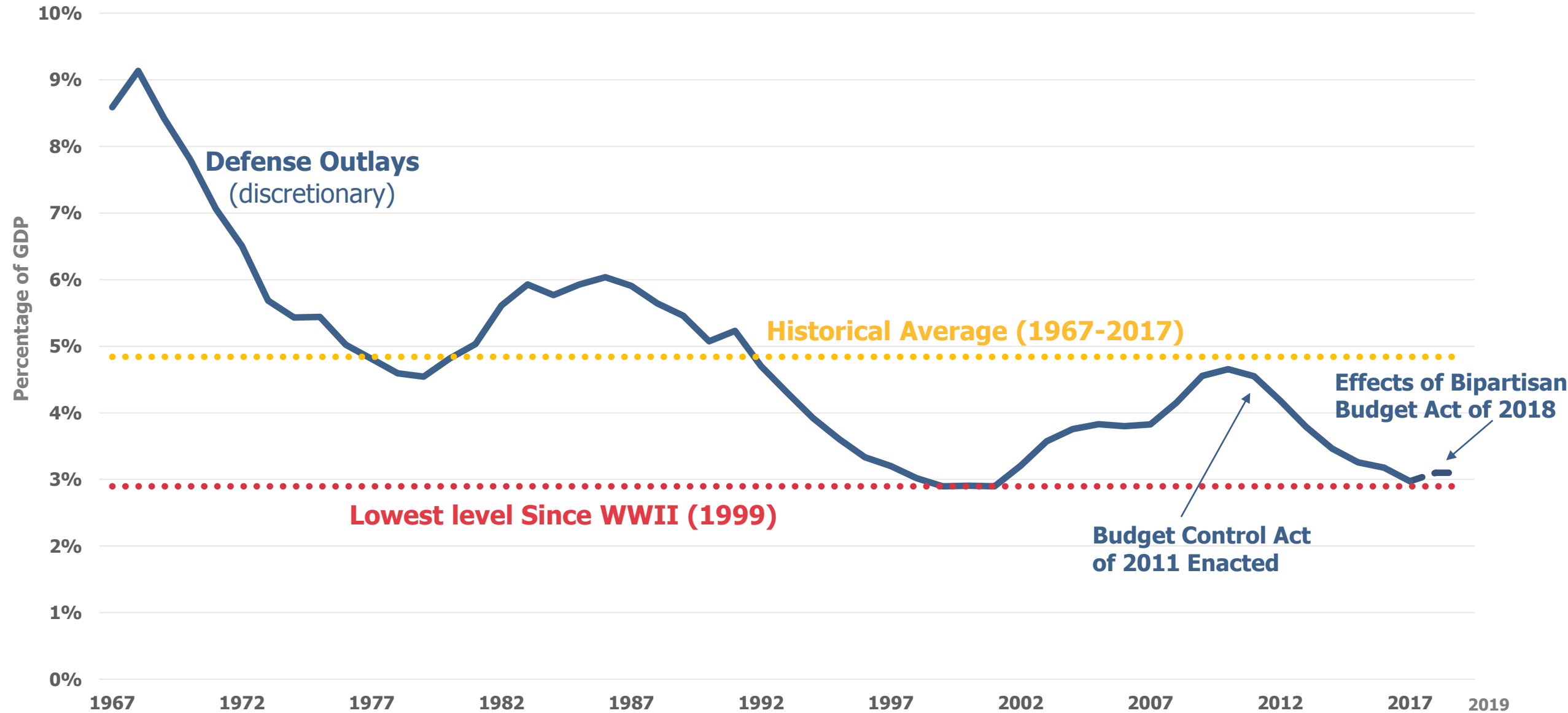


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Entitlements and Interest Crowding Out Other Priorities

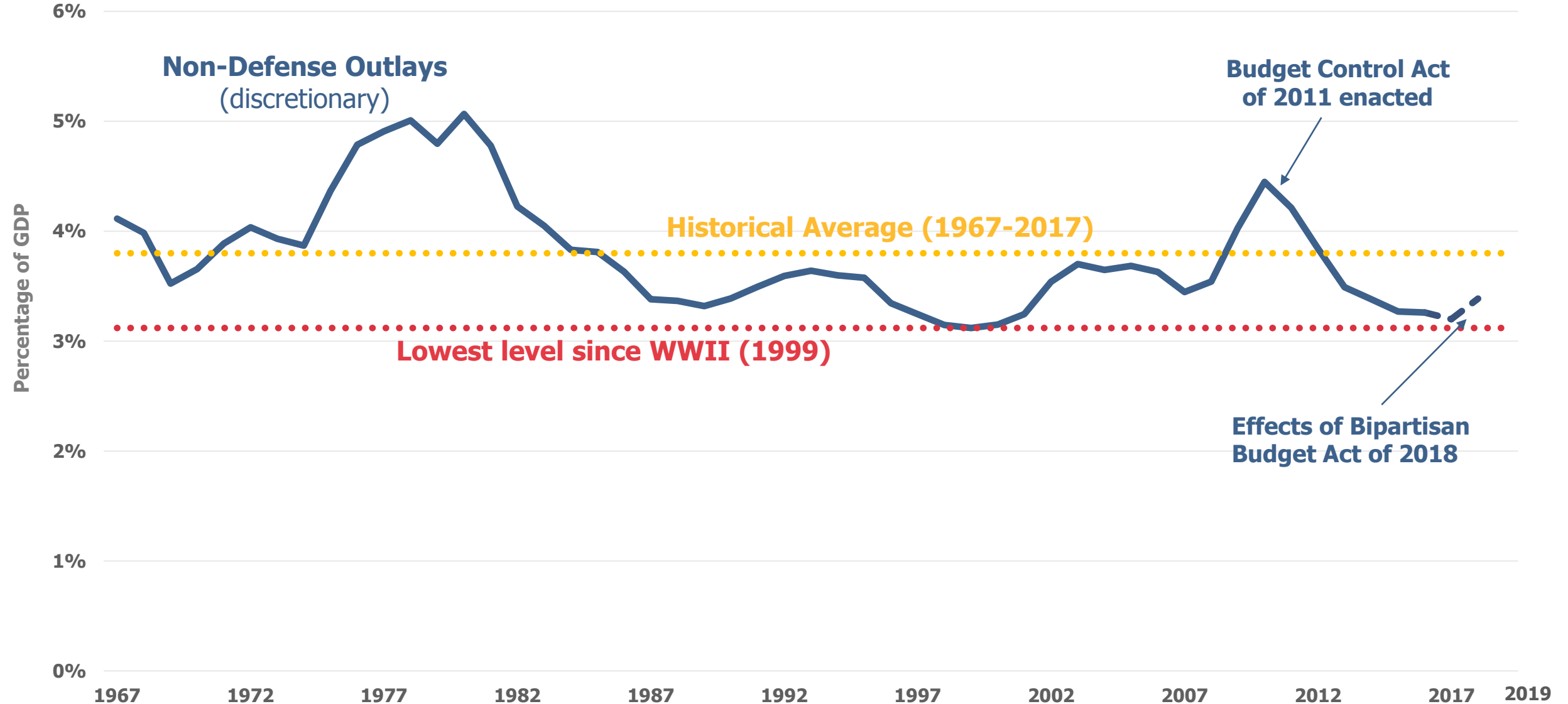


Defense Outlays Near Modern-Era Low



Source: Congressional Budget Office, Bipartisan Policy Center calculations

Nondefense Outlays Near Modern-Era Low

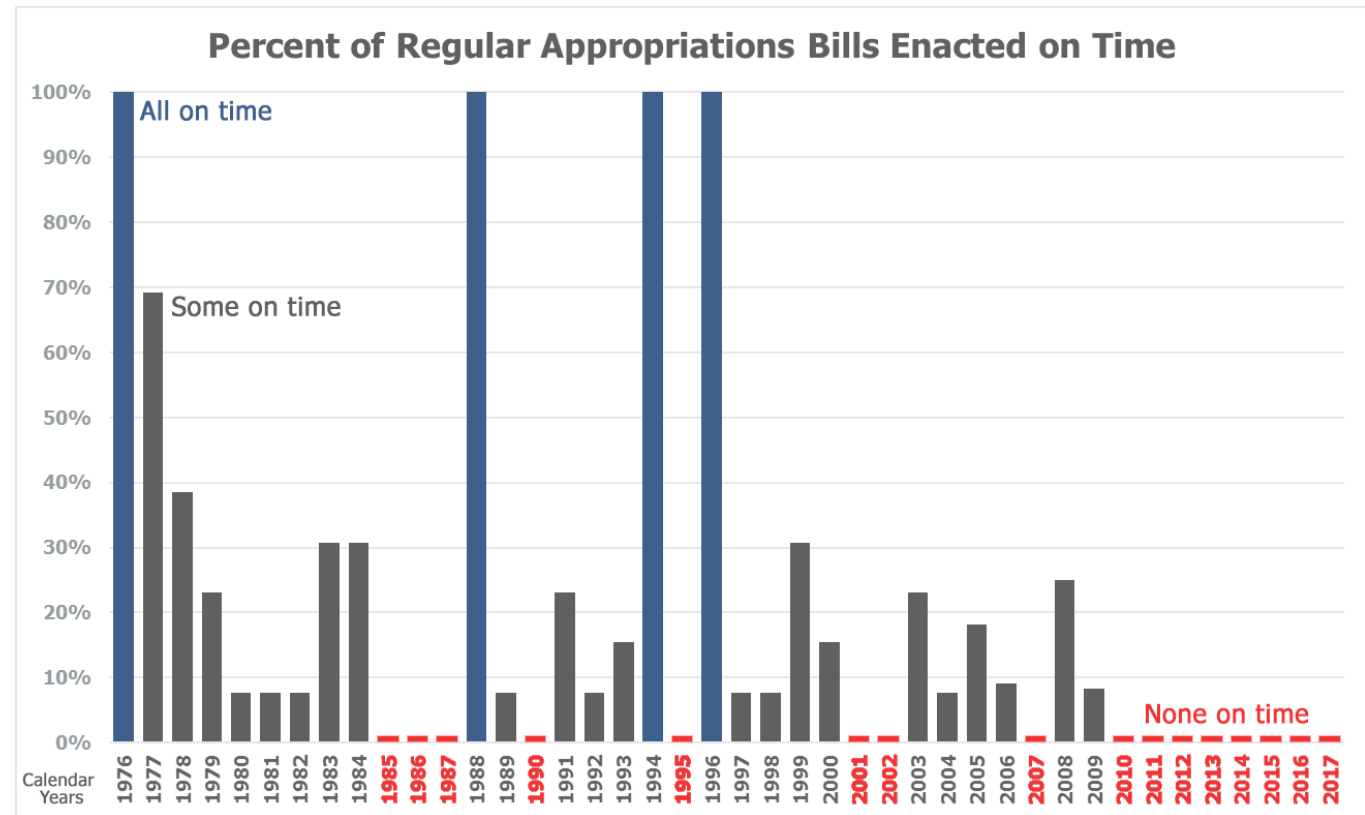
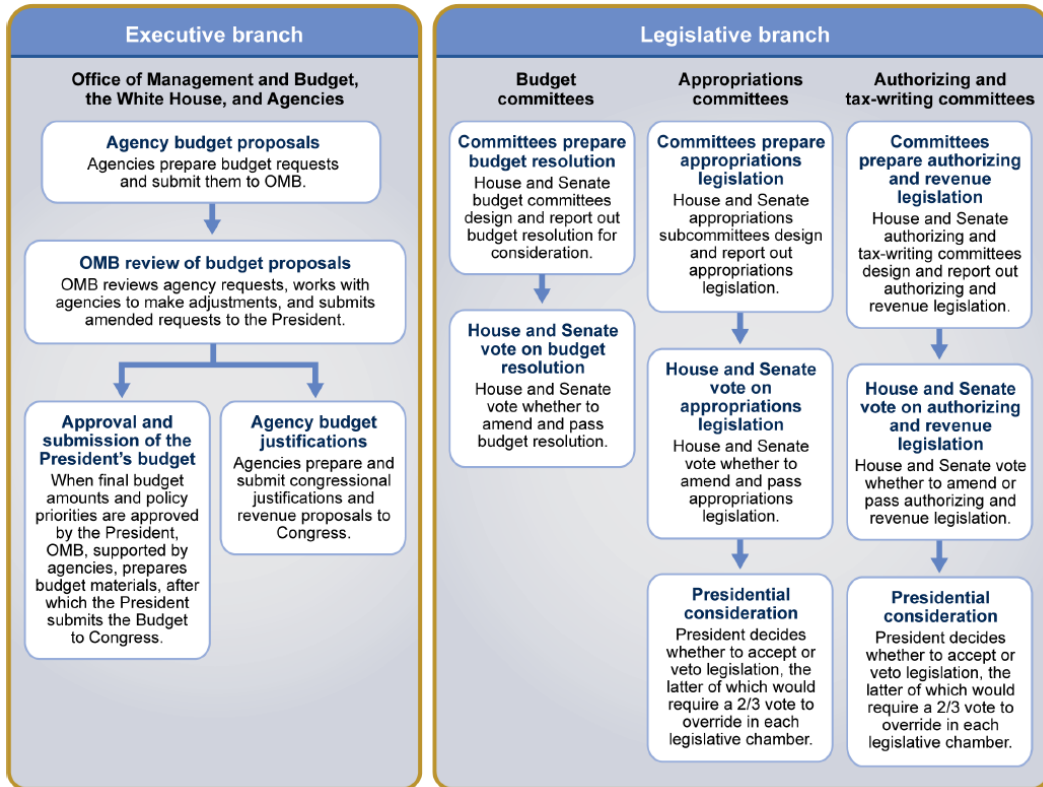


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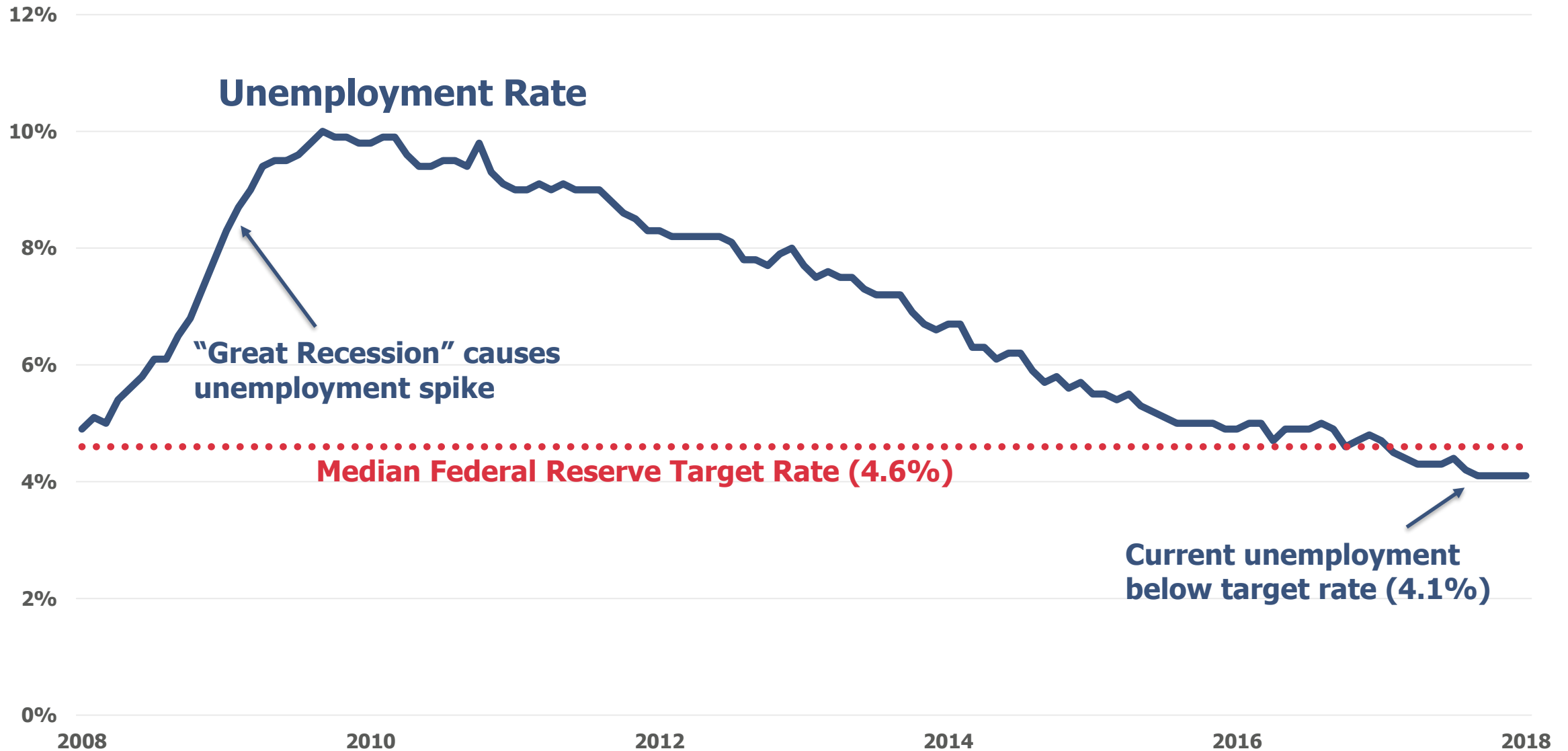


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Complex Budget Process Has Produced Poor Outcomes



The Economy is Humming Along

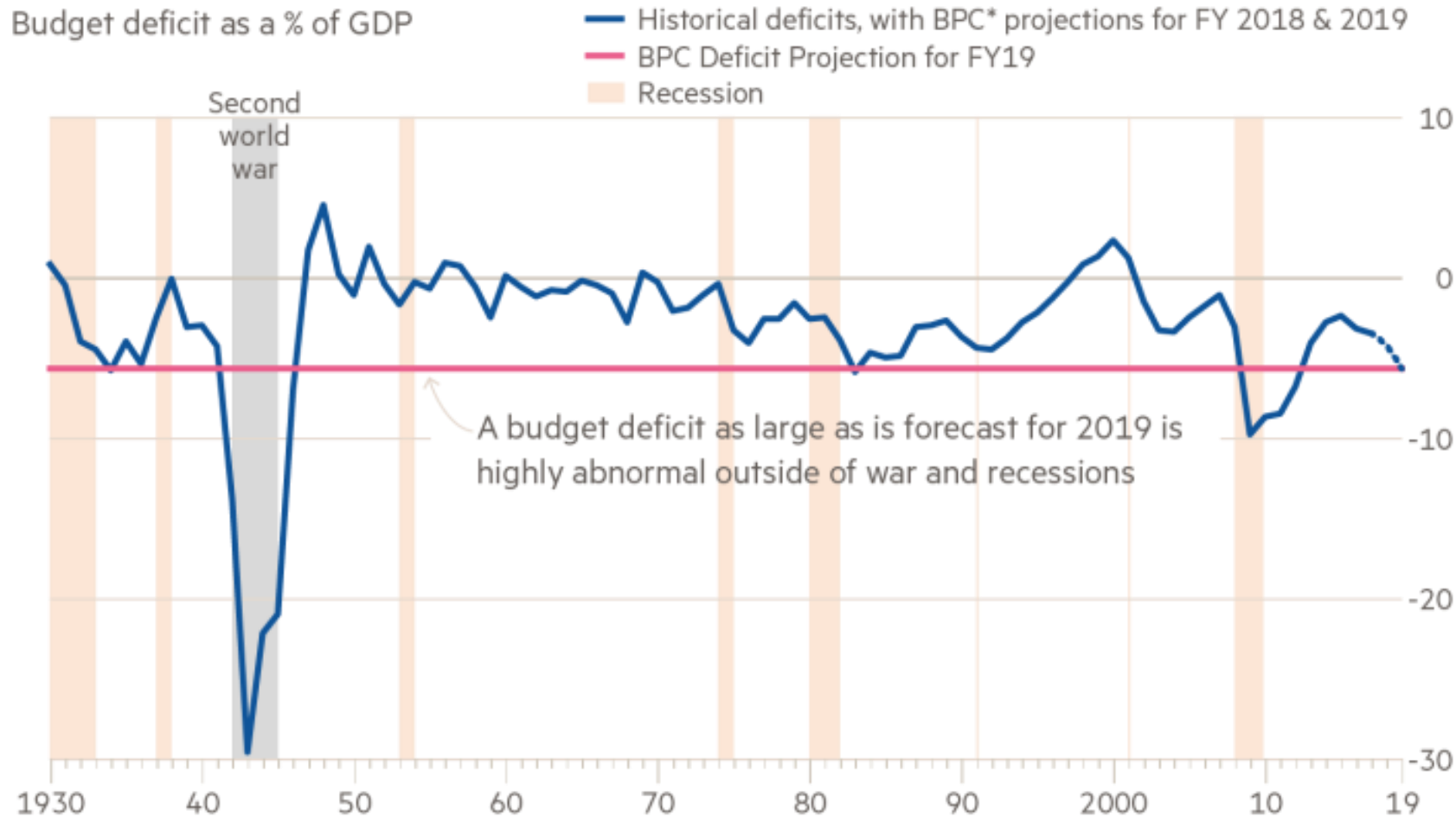


Federal Deficits Will Likely Reach \$1 Trillion by FY 2019



Deficit on track to increase in coming years

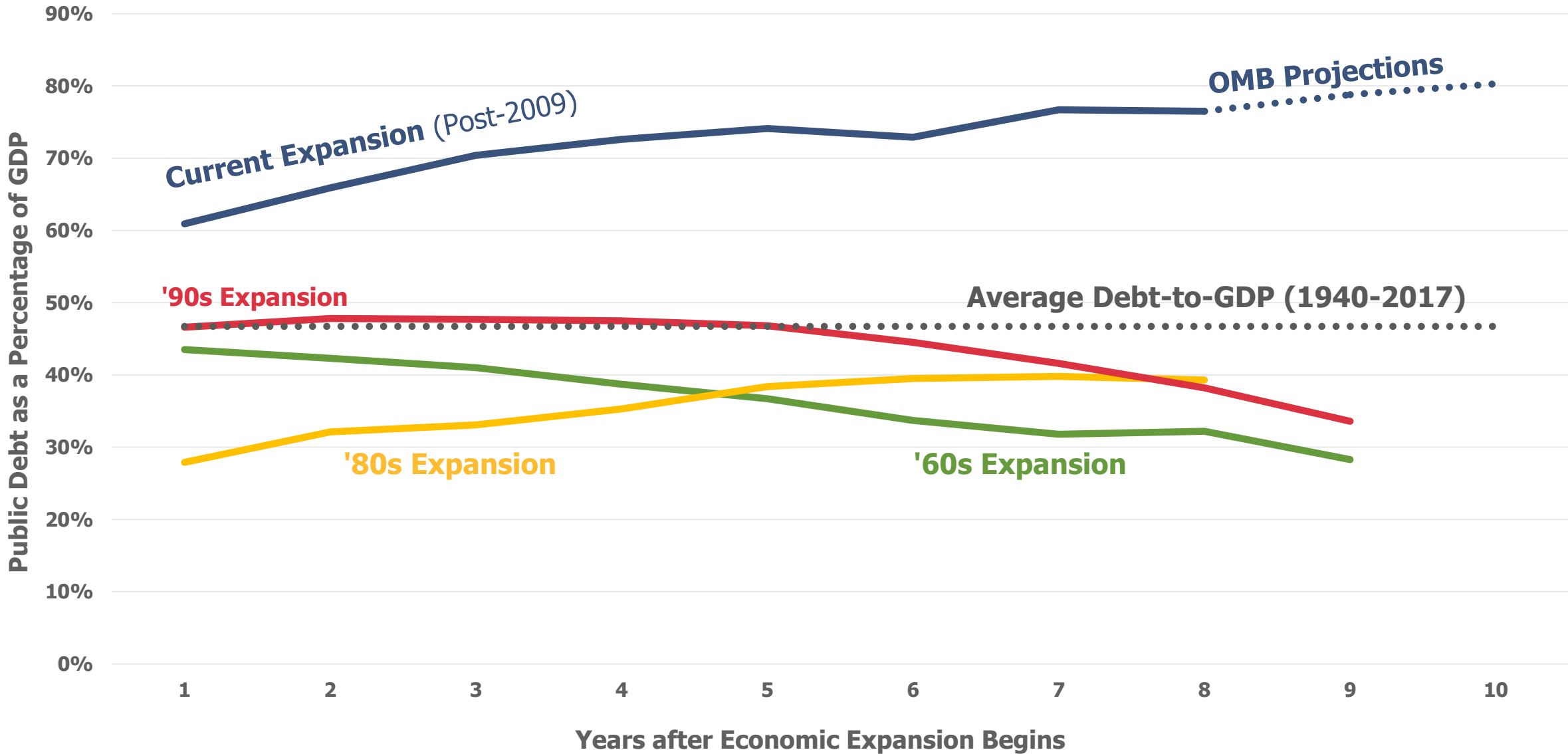
Budget deficit as a % of GDP



Source: Office of Management and Budget, Congressional Budget Office, *Bipartisan Policy Center

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Debt Usually Drops During Economic Expansions. Not This Time.



Concluding Thoughts



- Fiscal policymaking is a delicate balance between short-term political priorities and long-run economic costs
- Vast majority of economists agree – **deficits and debt matter.**
- The hard questions:
 - How much of either is too much?
 - At what point does debt become a problem, especially for the U.S. in particular?
 - What is the appropriate path to right-size U.S. debt?