



April 10, 2017

The 2017 Economic and Budget Outlook

Presentation to the International Economic
Development Council (IEDC)

Jeff Werling

Assistant Director, Macroeconomic Analysis Division

This presentation provides 10-year budget and economic projections as well as longer-term budget projections published in *The Budget and Economic Outlook: 2017 to 2027* (January 2017), www.cbo.gov/publication/52370, and *The 2017 Long-Term Budget Outlook* (March 2017), www.cbo.gov/publication/52480.

CBO's Mission

To provide the Congress with objective, nonpartisan, and timely analyses of legislative proposals and of budgetary and economic issues to support the Congressional budget process.

CBO's Organization and Staffing

- CBO is organized into the Office of the Director and eight divisions.
- The agency has about 230 full-time employees.
- The director is appointed by the Speaker of the House and the President pro tempore of the Senate.
- The Director appoints all CBO staff solely on the basis of professional competence, not political affiliation.
- Over 70 percent of CBO's professional staff have advanced degrees in economics, public policy, or a related field.

Helping the Congress Develop a Budget Plan

- CBO prepares a 10-year baseline to serve as a neutral benchmark.
 - Developed according to long-standing rules for projecting revenues and expenditures, under the assumption that current laws remain unchanged
 - Consistent with the macroeconomic forecast, which informs key economic assumptions
- CBO estimates the budgetary effects of legislative options, including the President's budget proposal, relative to current law, using the parameters that underlie the baseline.
- The Budget Committees use the information to develop a budget resolution.

Helping the Congress Stay Within Its Budget

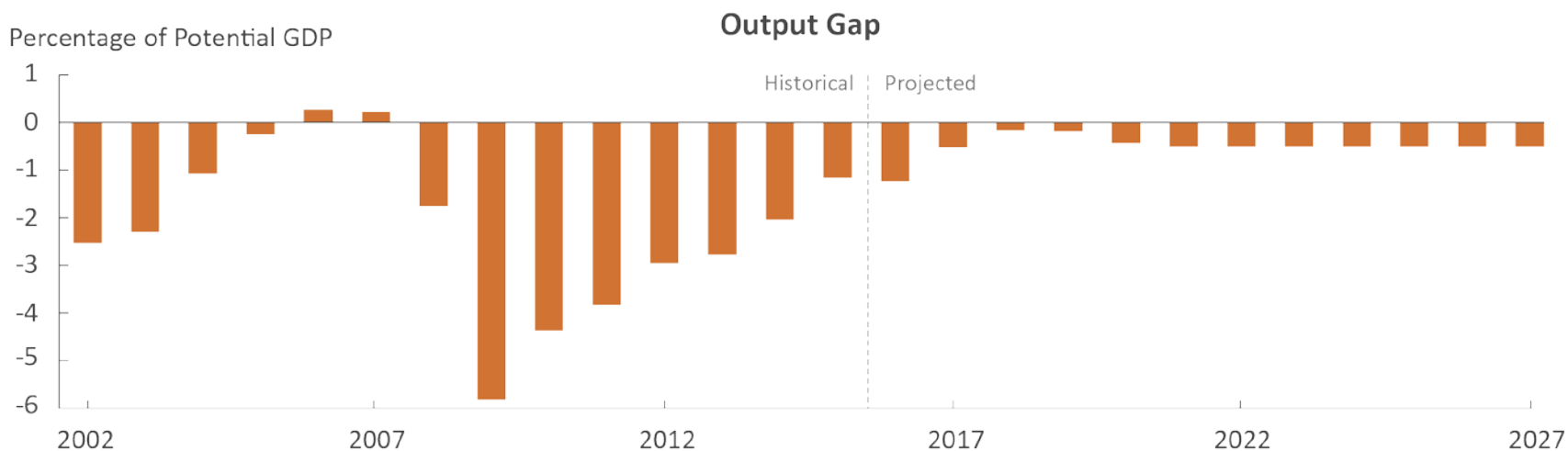
- CBO prepares cost estimates for each bill approved by a committee.
 - Informs lawmakers whether enacting legislation would worsen or improve the projected budget deficit
- CBO provides preliminary analysis of some legislative proposals on an informal basis.
 - Informs lawmakers about potential budgetary effects so that they can make any desired changes before taking more formal action
- CBO's scorekeeping unit tracks spending.
 - Informs committees whether they are within their allocations specified in the budget resolution

What CBO Does Not Do

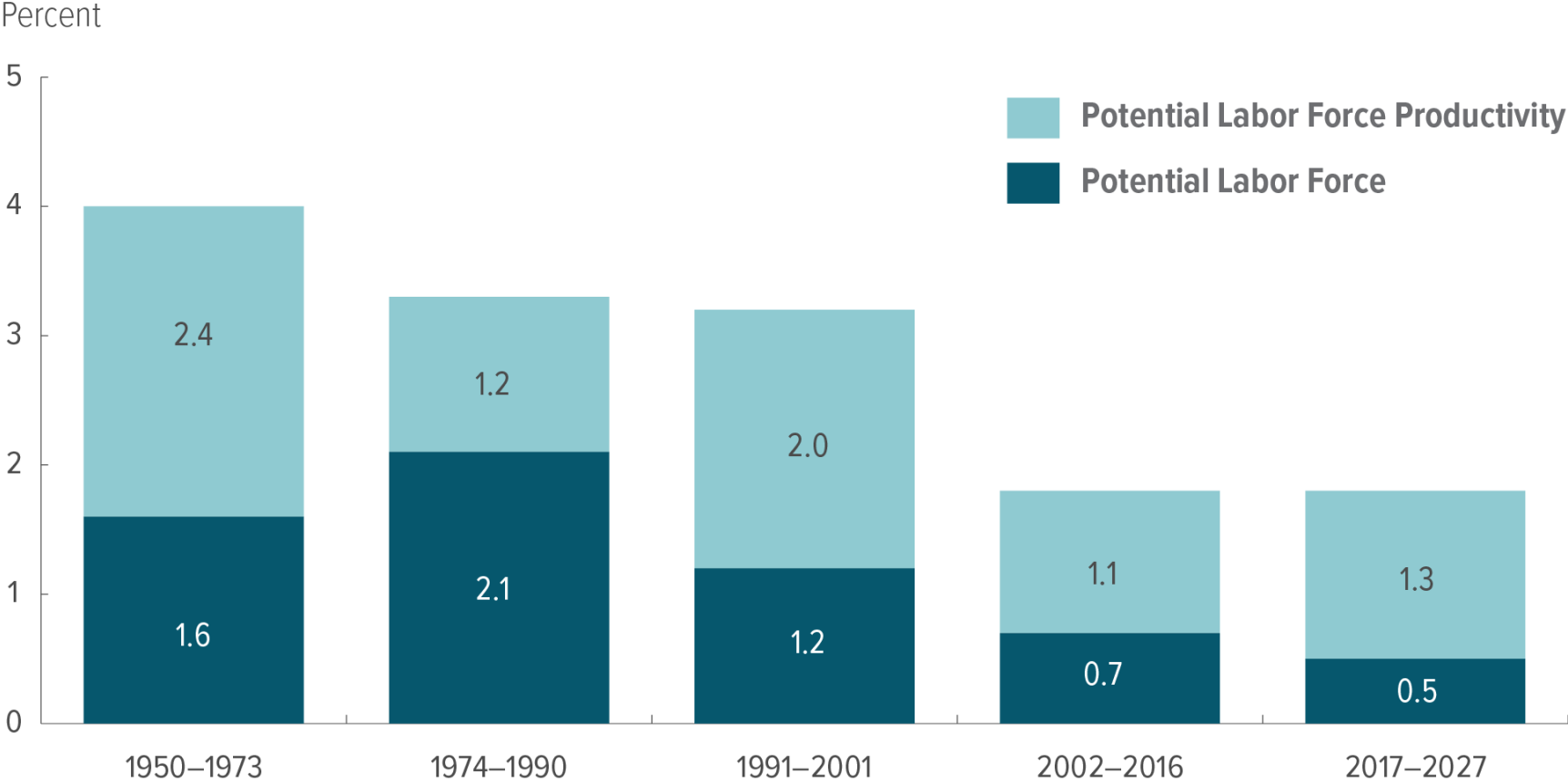
- Make policy recommendations
 - Strictly nonpartisan; no judgments about a legislative proposal's merits
- Write legislation
 - Instead, evaluates different proposals and options
- Implement programs and regulations and enforce budget rules
 - The executive branch does that
- Audit spending or receipts
 - GAO does that

The 10-Year Economic Outlook

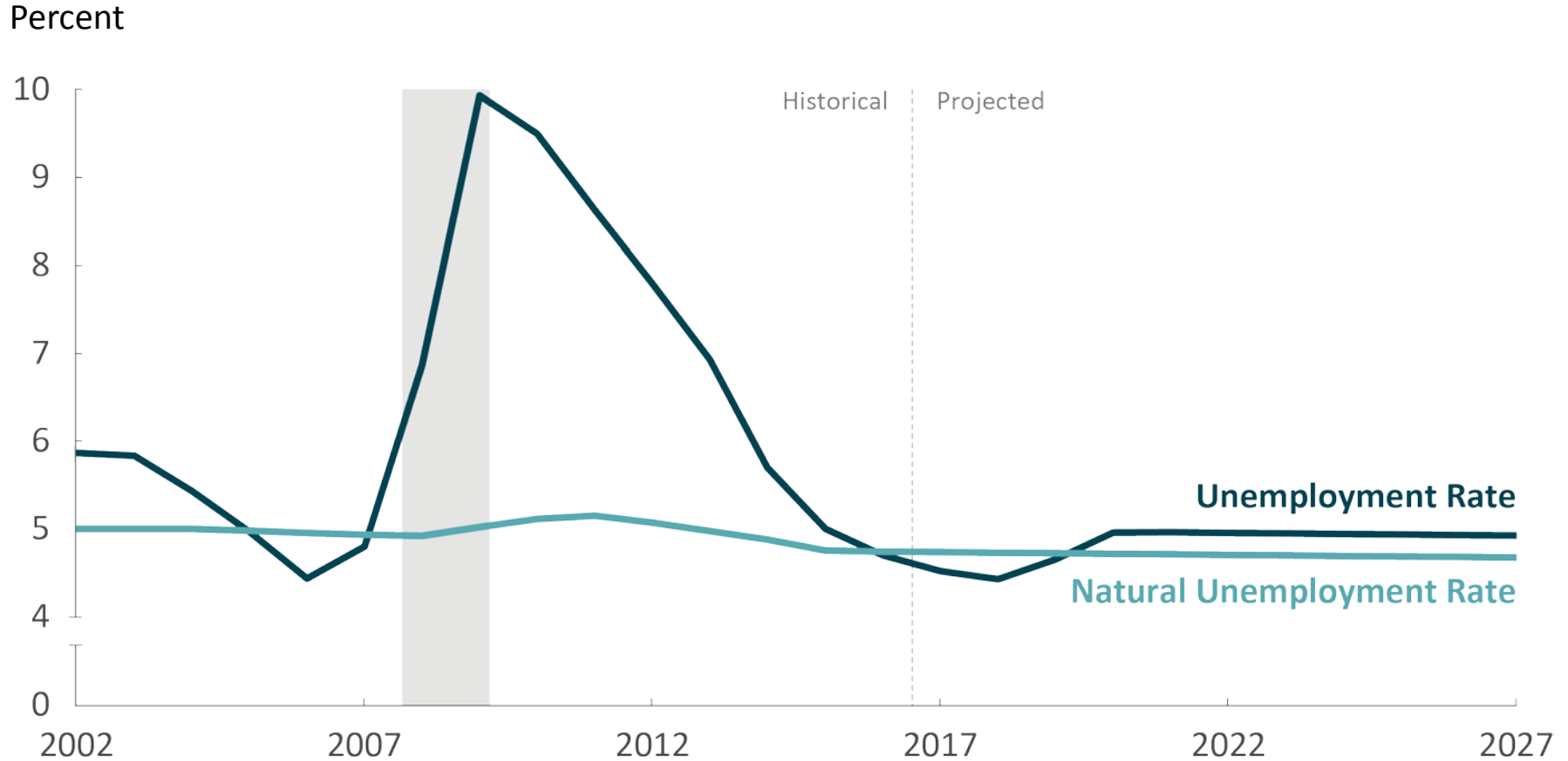
Growth of Real GDP and Real Potential GDP, and the Output Gap



Average Growth in Real Potential GDP



Actual and Natural Unemployment Rates



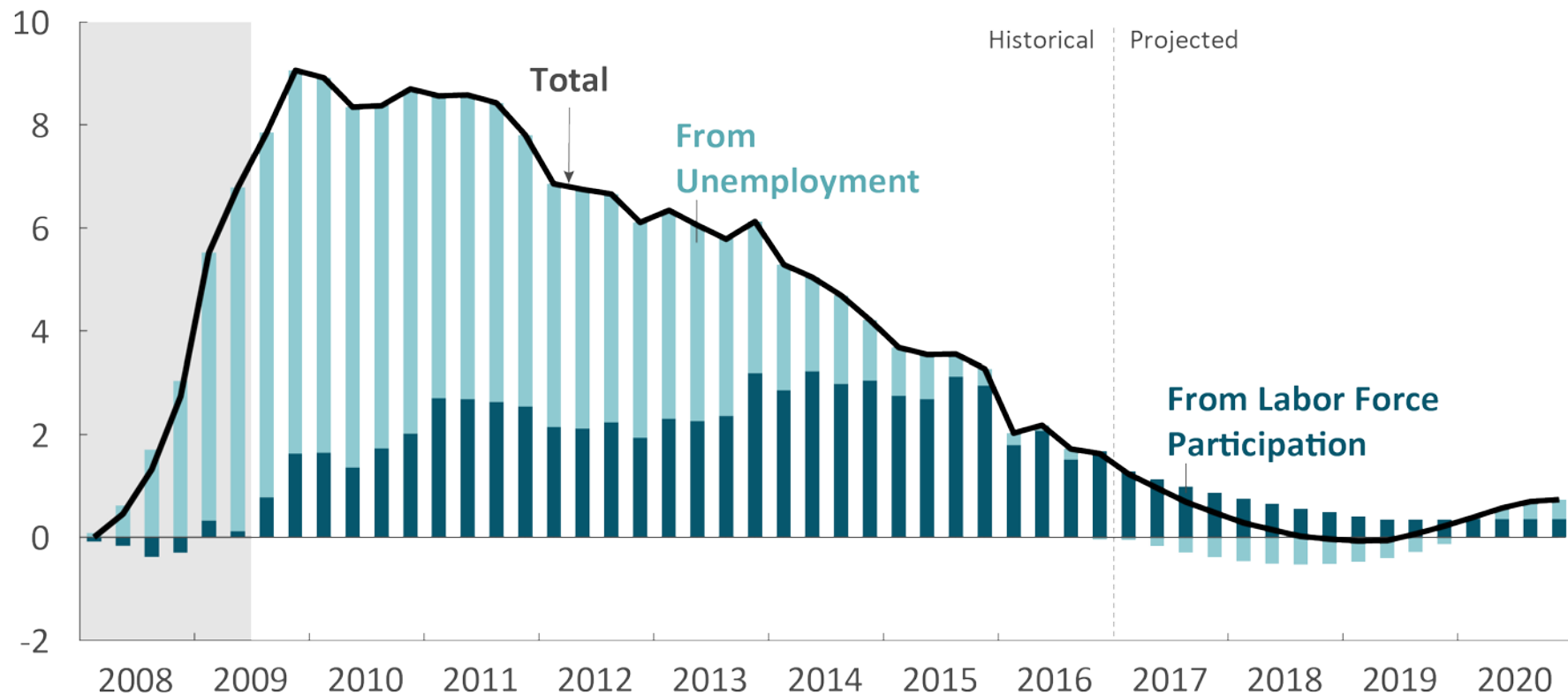
Labor Force Participation Rates

Percent



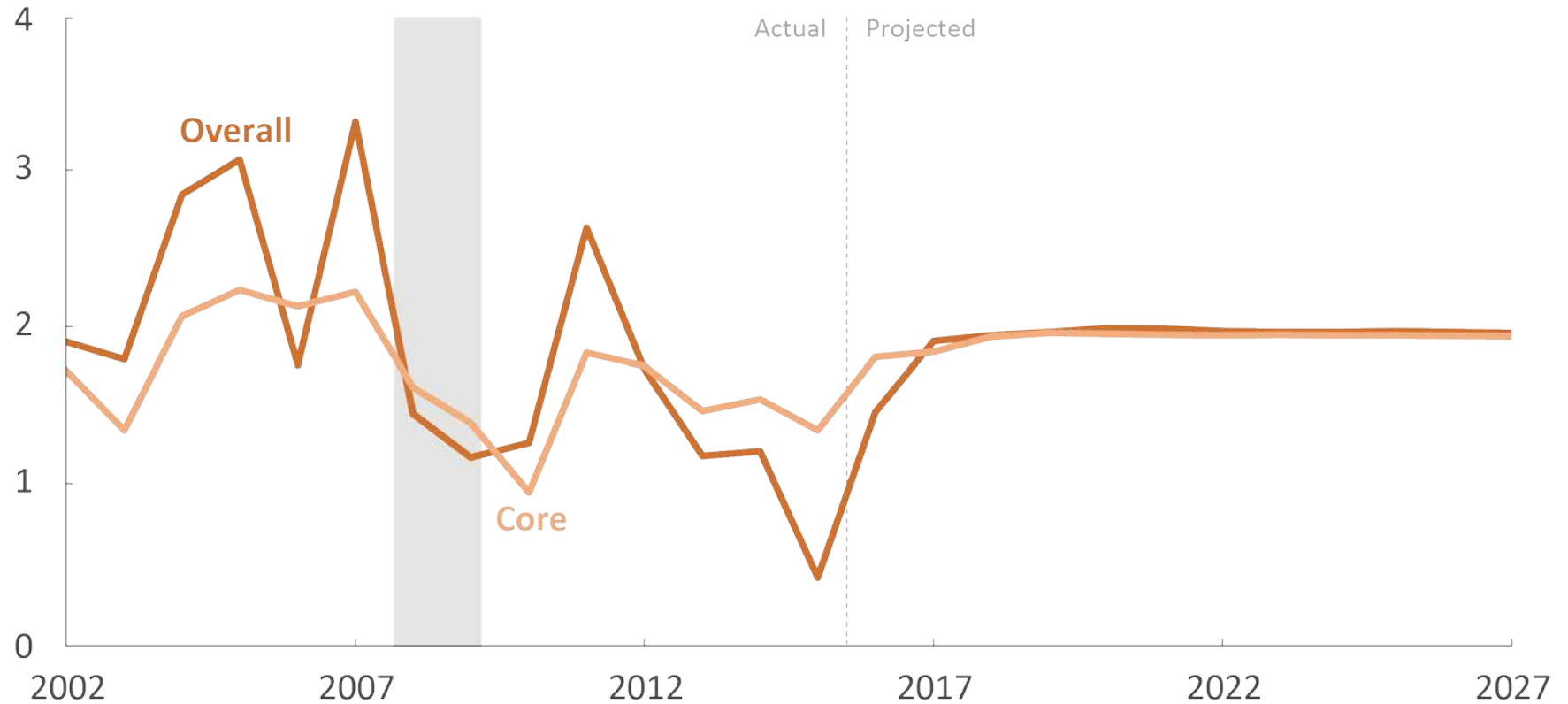
The Employment Shortfall

Millions of People



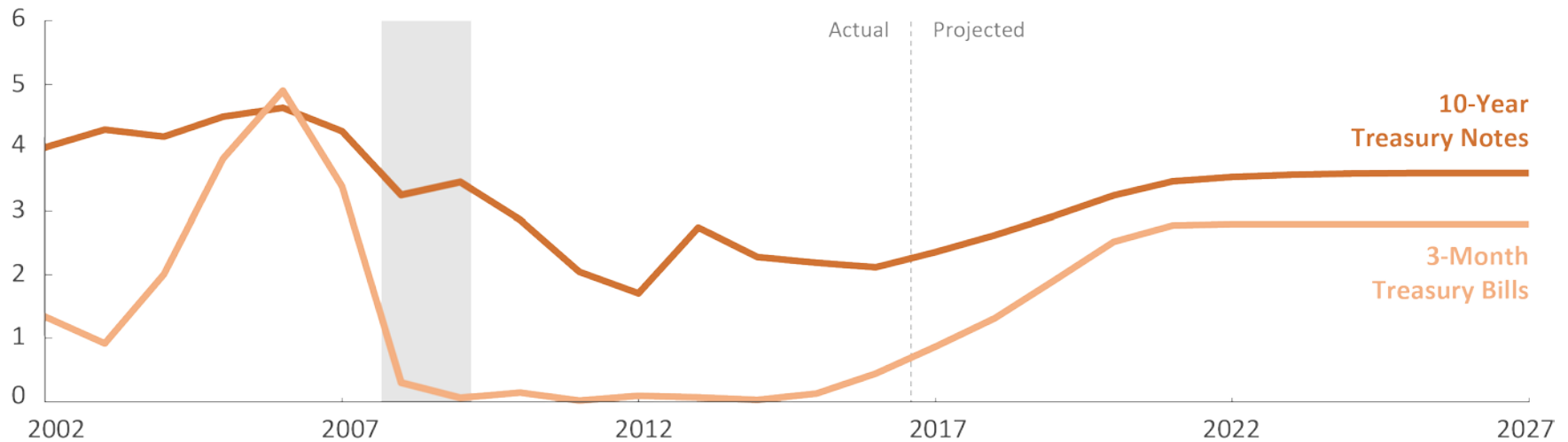
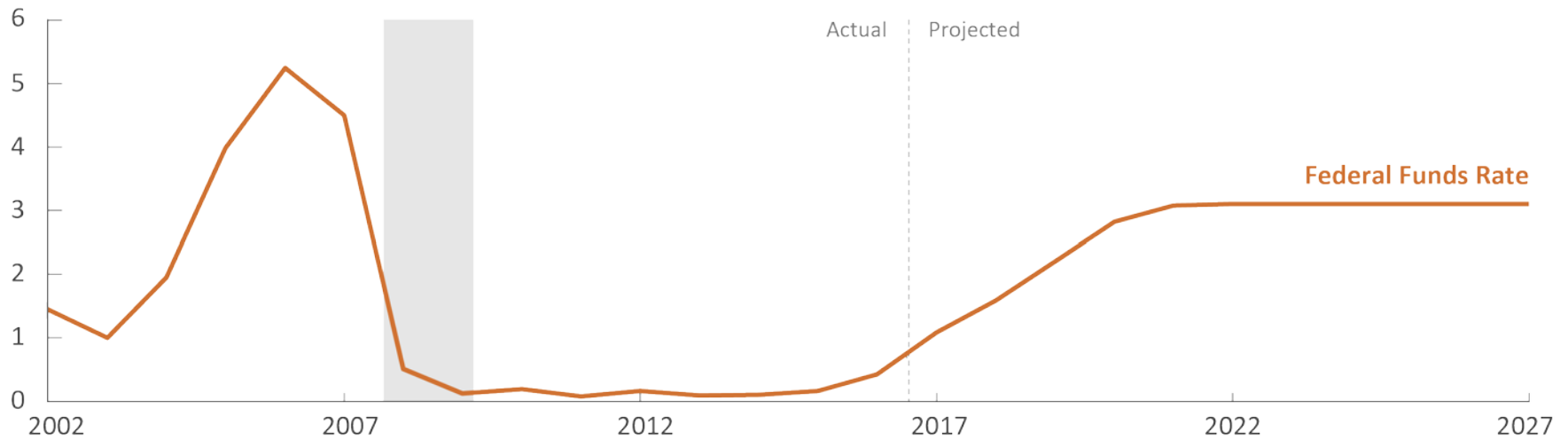
Inflation

Percentage Change in PCE Price Indexes



Interest Rates

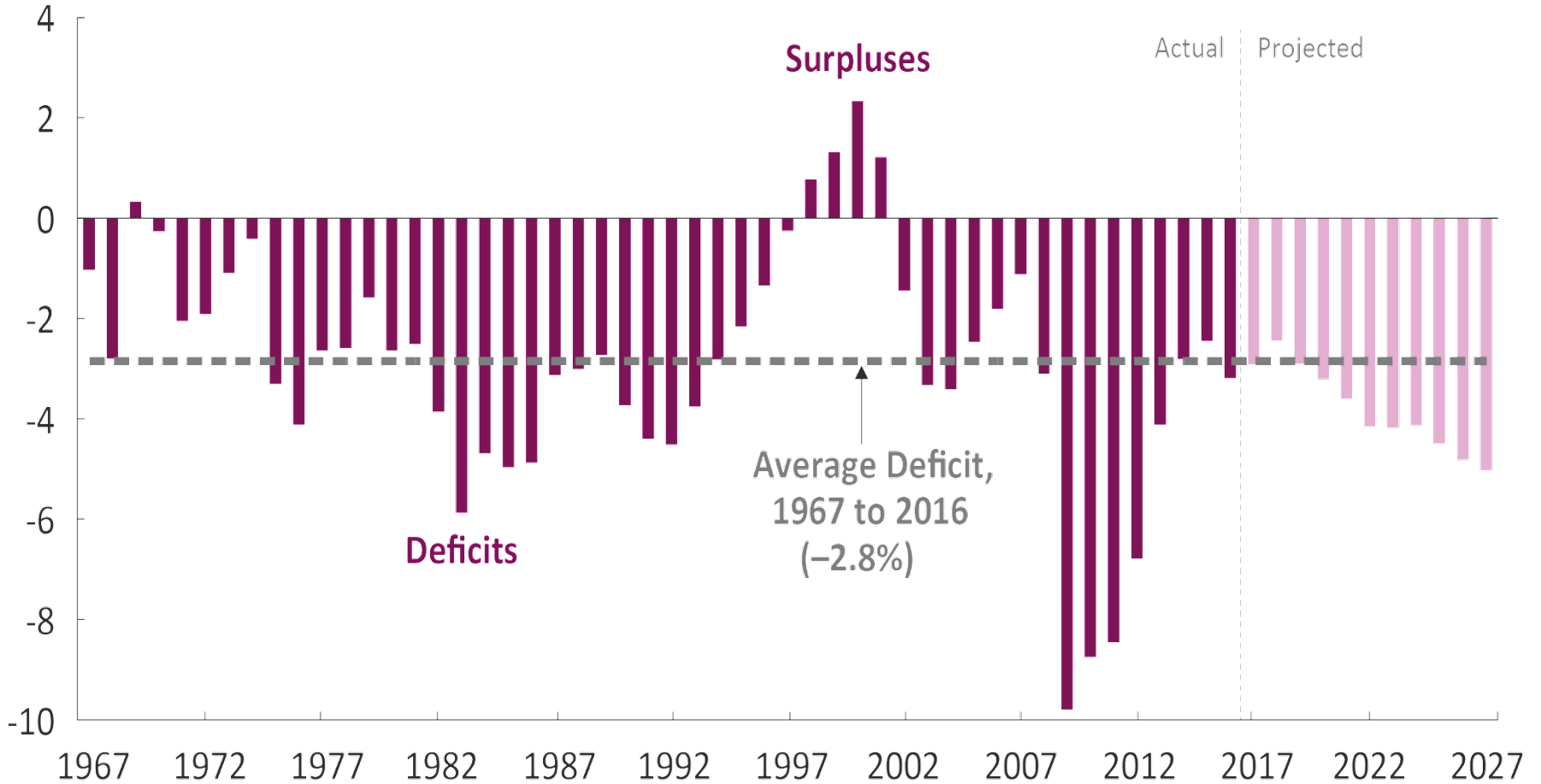
Percent



The 10-Year Budget Outlook

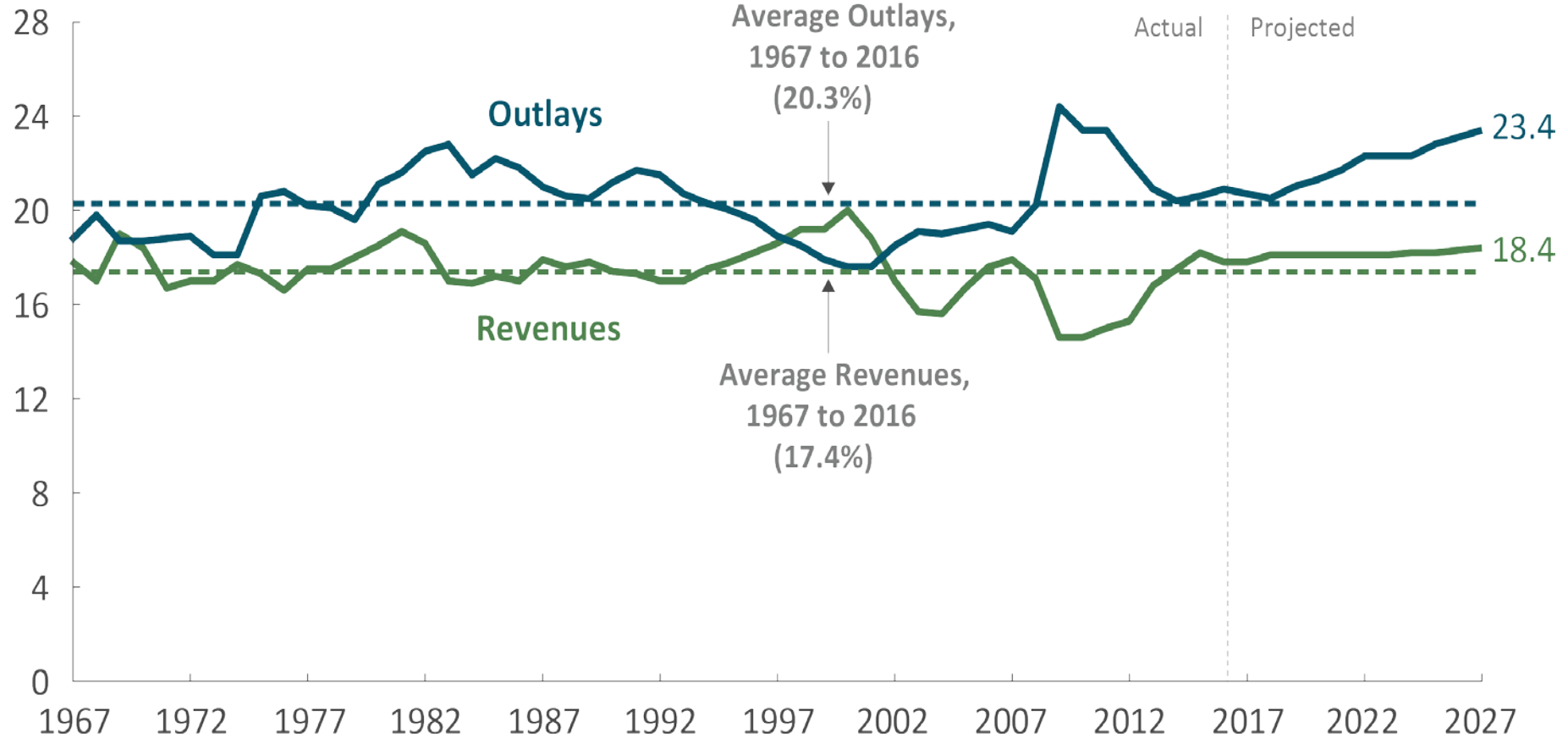
Total Deficits or Surpluses

Percentage of Gross Domestic Product



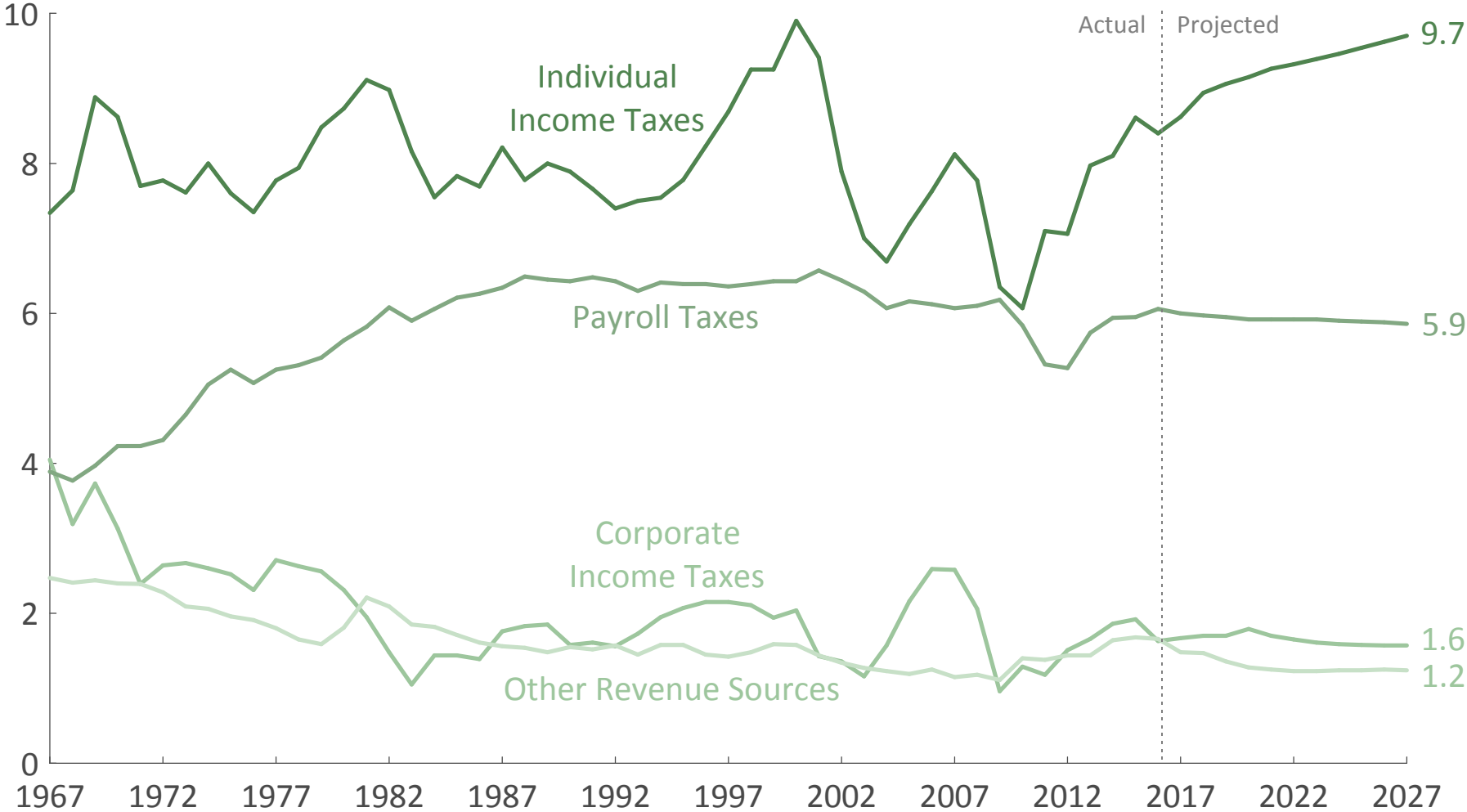
Total Revenues and Outlays

Percentage of Gross Domestic Product



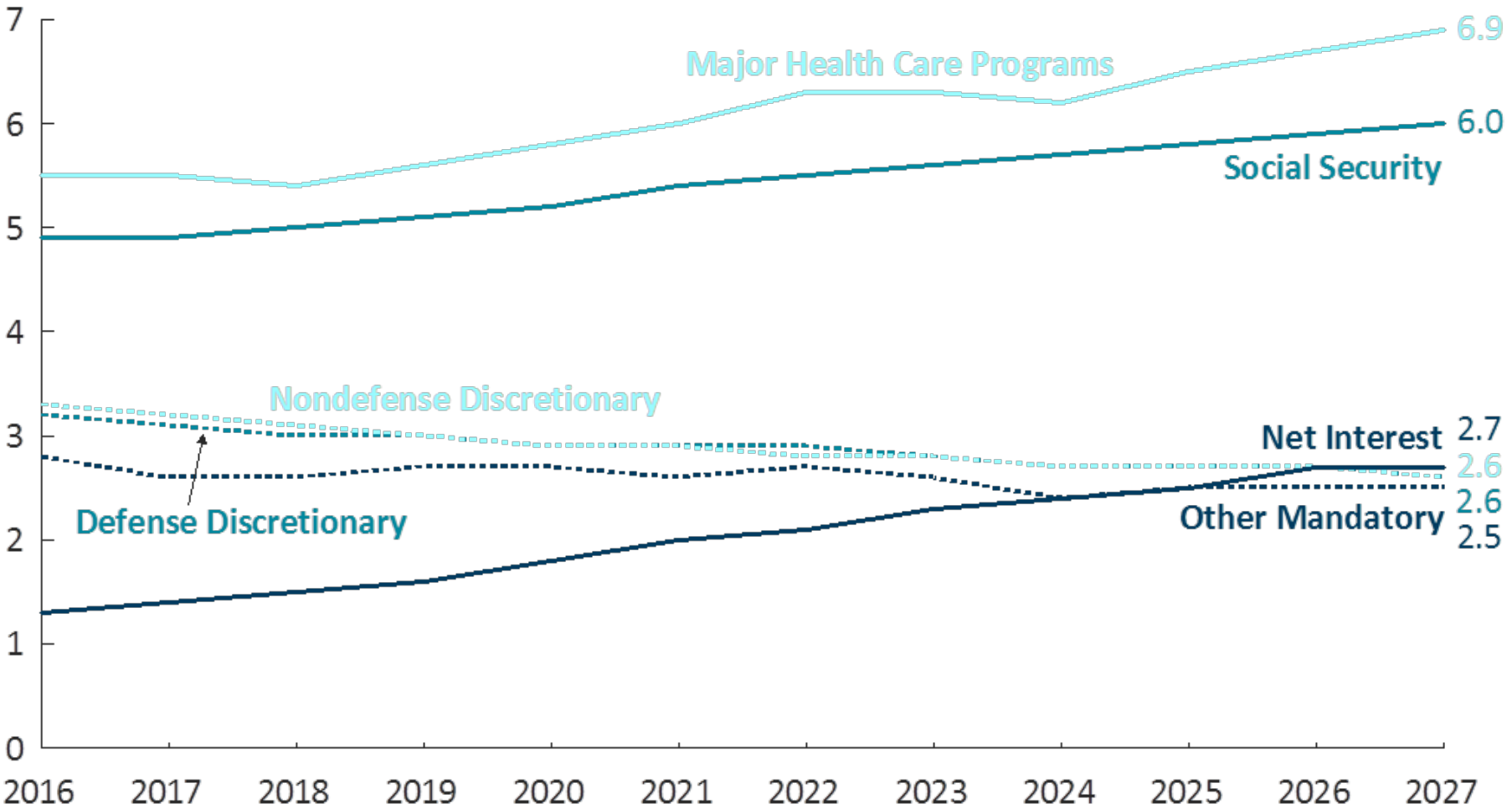
Revenues, by Major Source

Percentage of Gross Domestic Product



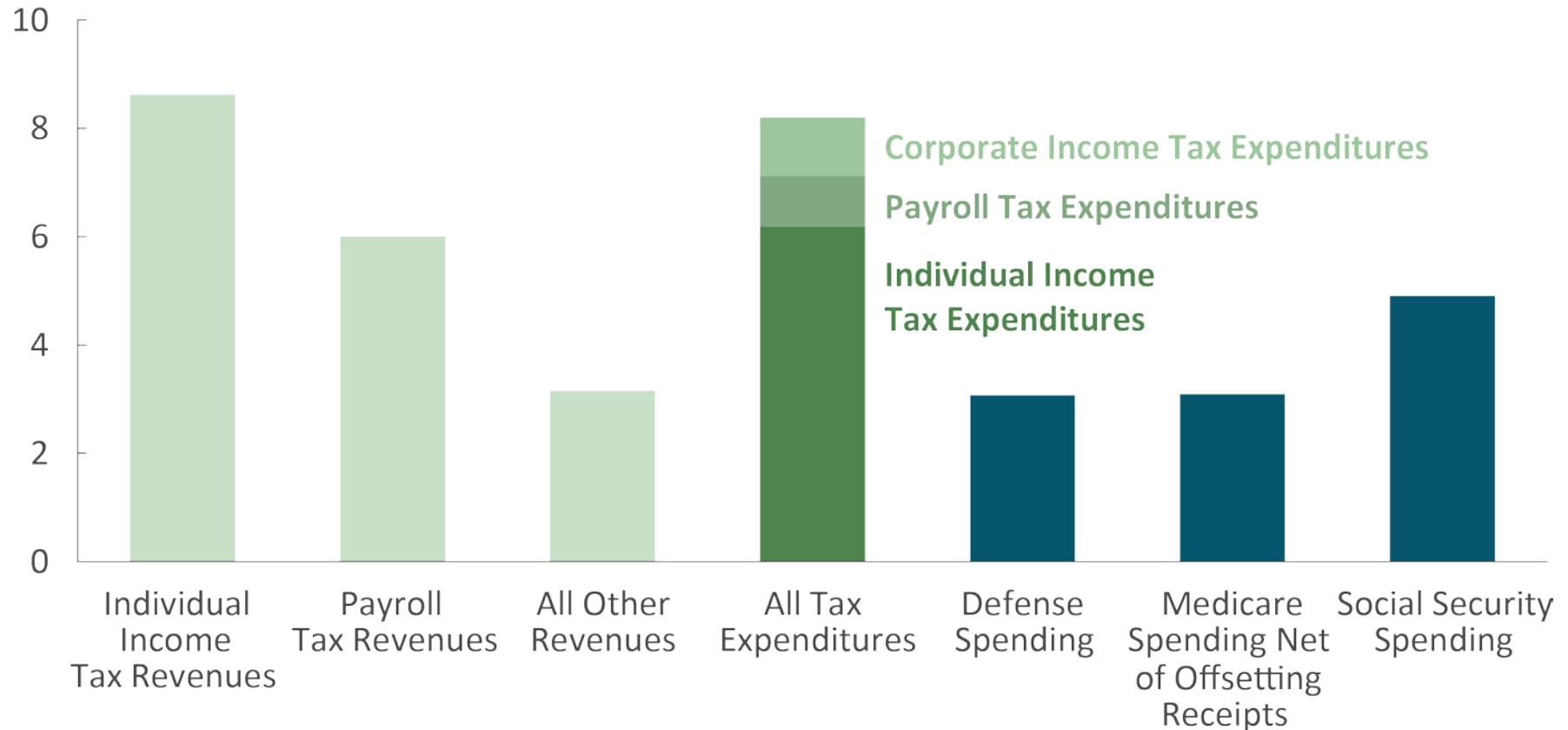
Projected Outlays in Major Budget Categories

Percentage of Gross Domestic Product



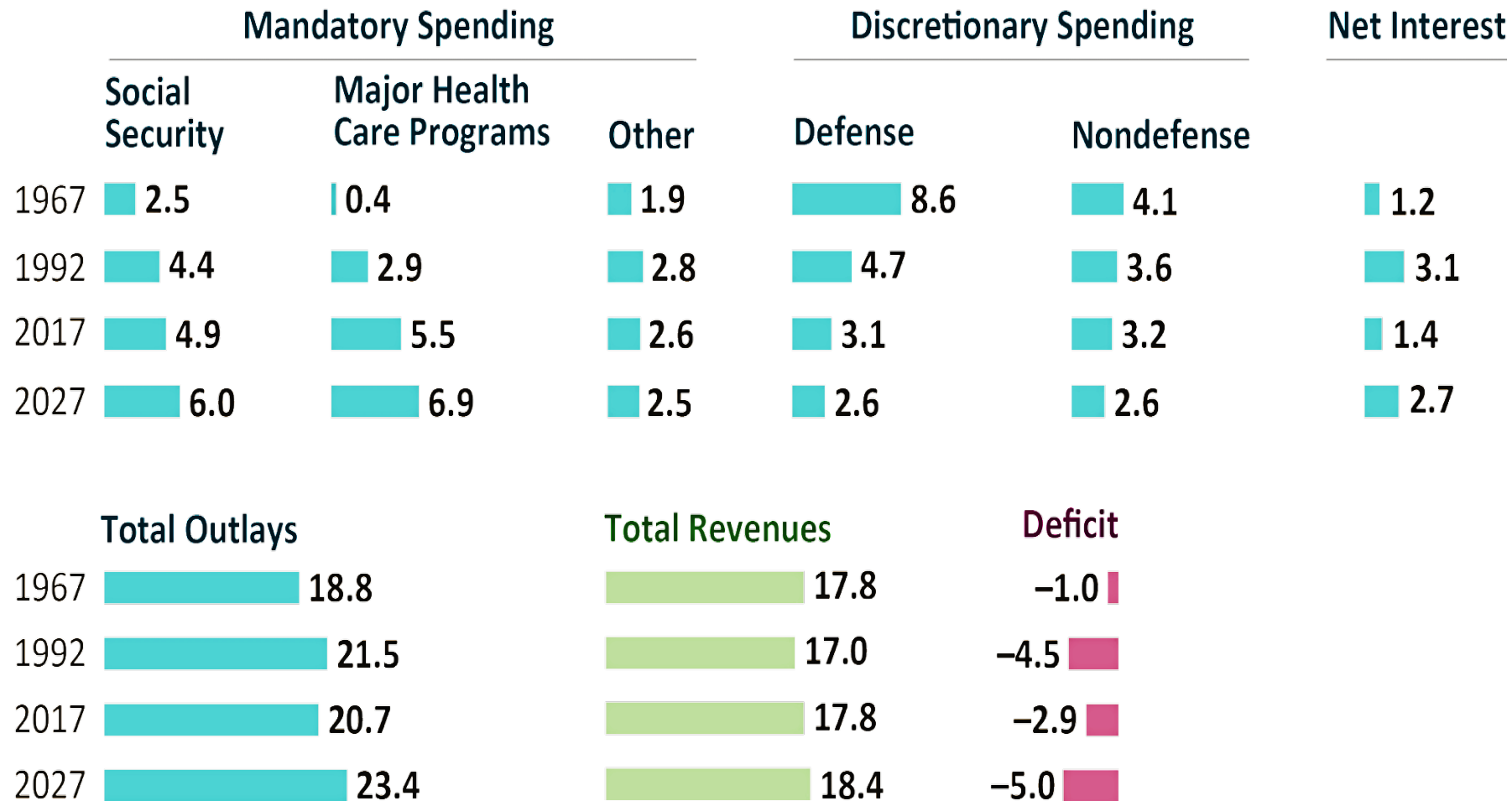
Revenues, Tax Expenditures, and Selected Components of Spending in 2017

Percentage of Gross Domestic Product



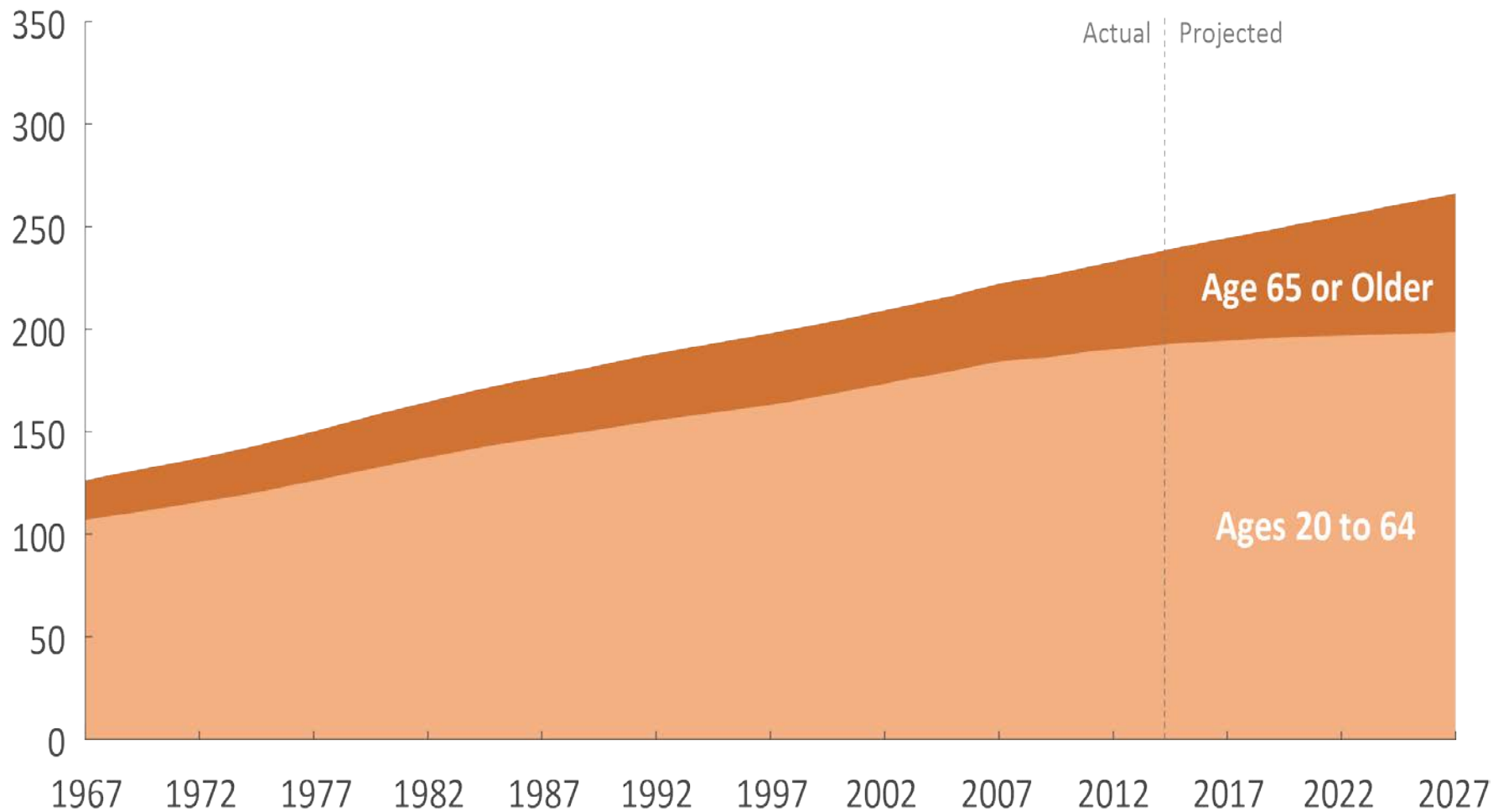
Spending and Revenues Projected in CBO's Baseline, Compared With Actual Values in 1967 and 1992

Percentage of Gross Domestic Product

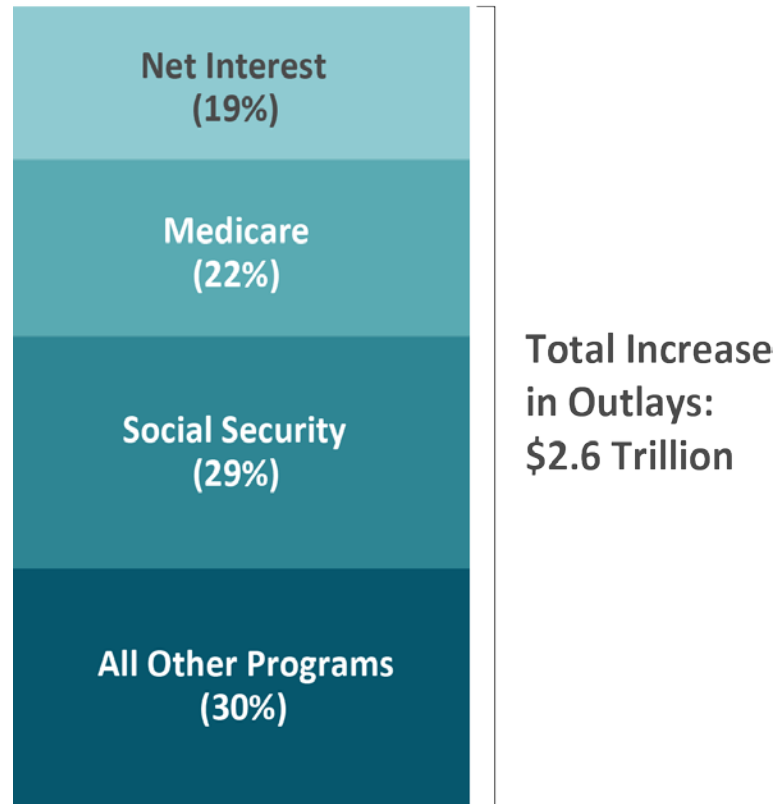


Population, by Age Group

Millions of People



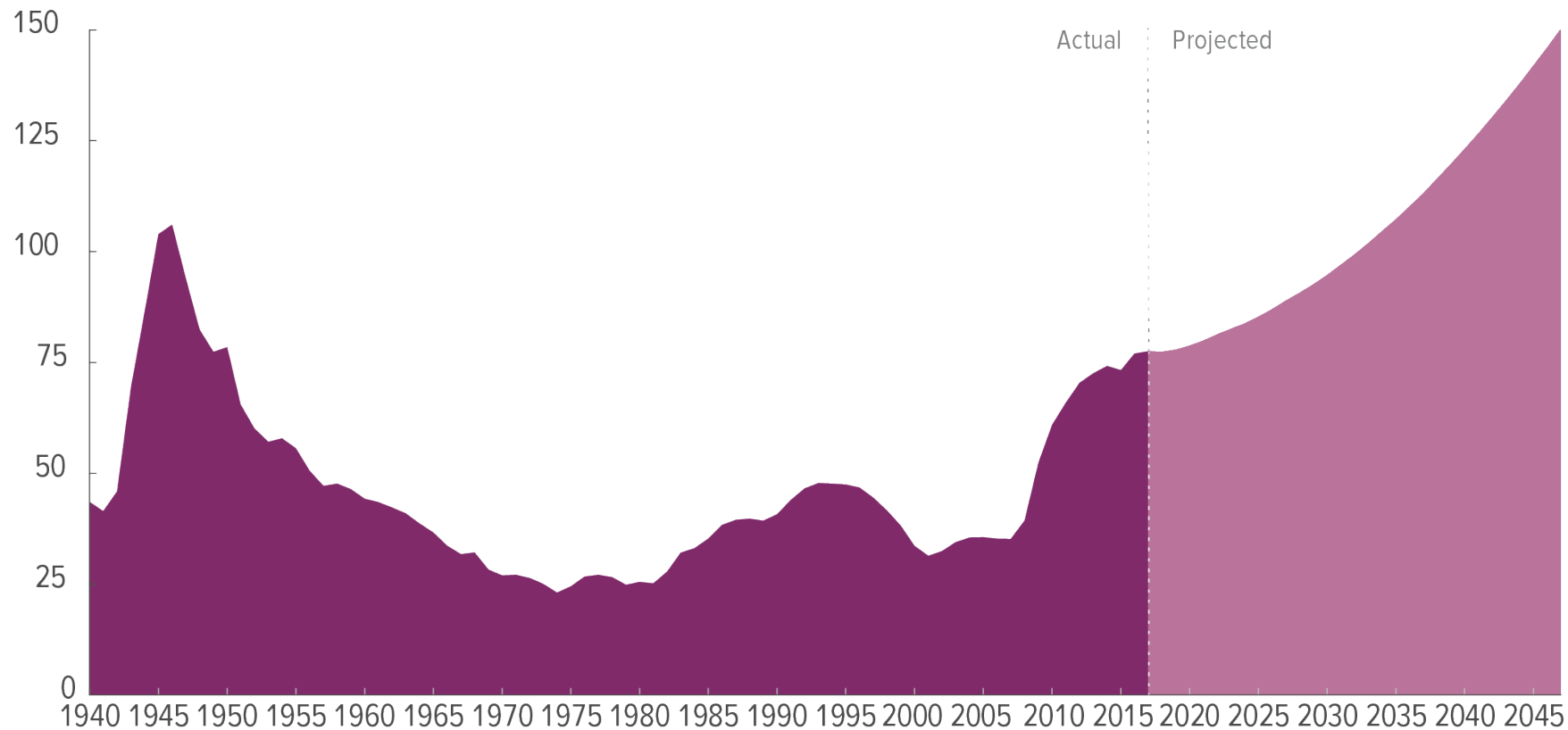
Components of the Total Increase in Outlays in CBO's Baseline Between 2017 and 2027



The Long-Term Budget Outlook

Federal Debt Held by the Public

Percentage of Gross Domestic Product

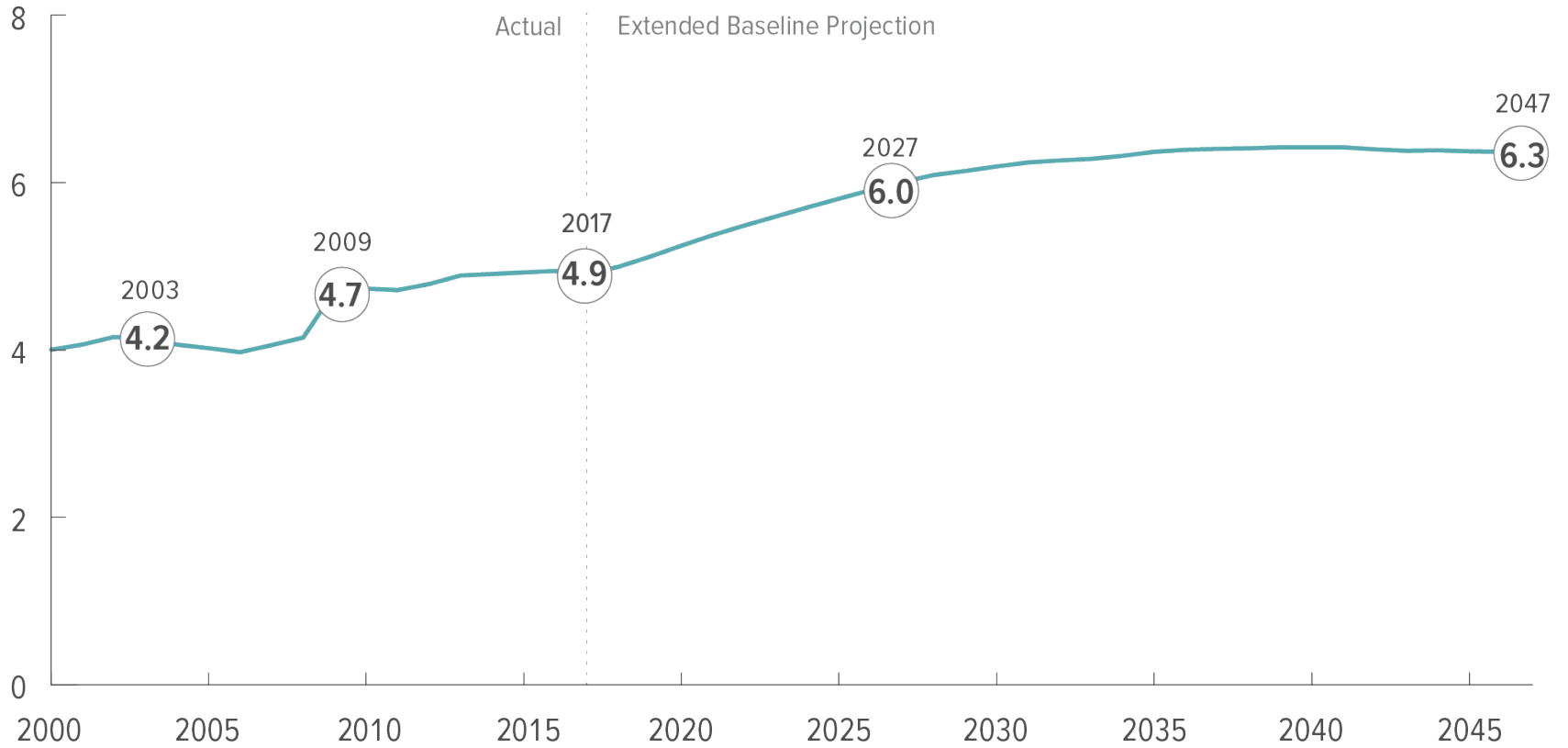


Why Does Rising Federal Debt Matter?

- Boosts interest costs, putting more pressure on the rest of the budget and making it more difficult to constrain future deficits
- Restrains economic growth and people's income in the long term
- Limits the ability of the government to respond to future challenges
- Increases the risk of a fiscal crisis

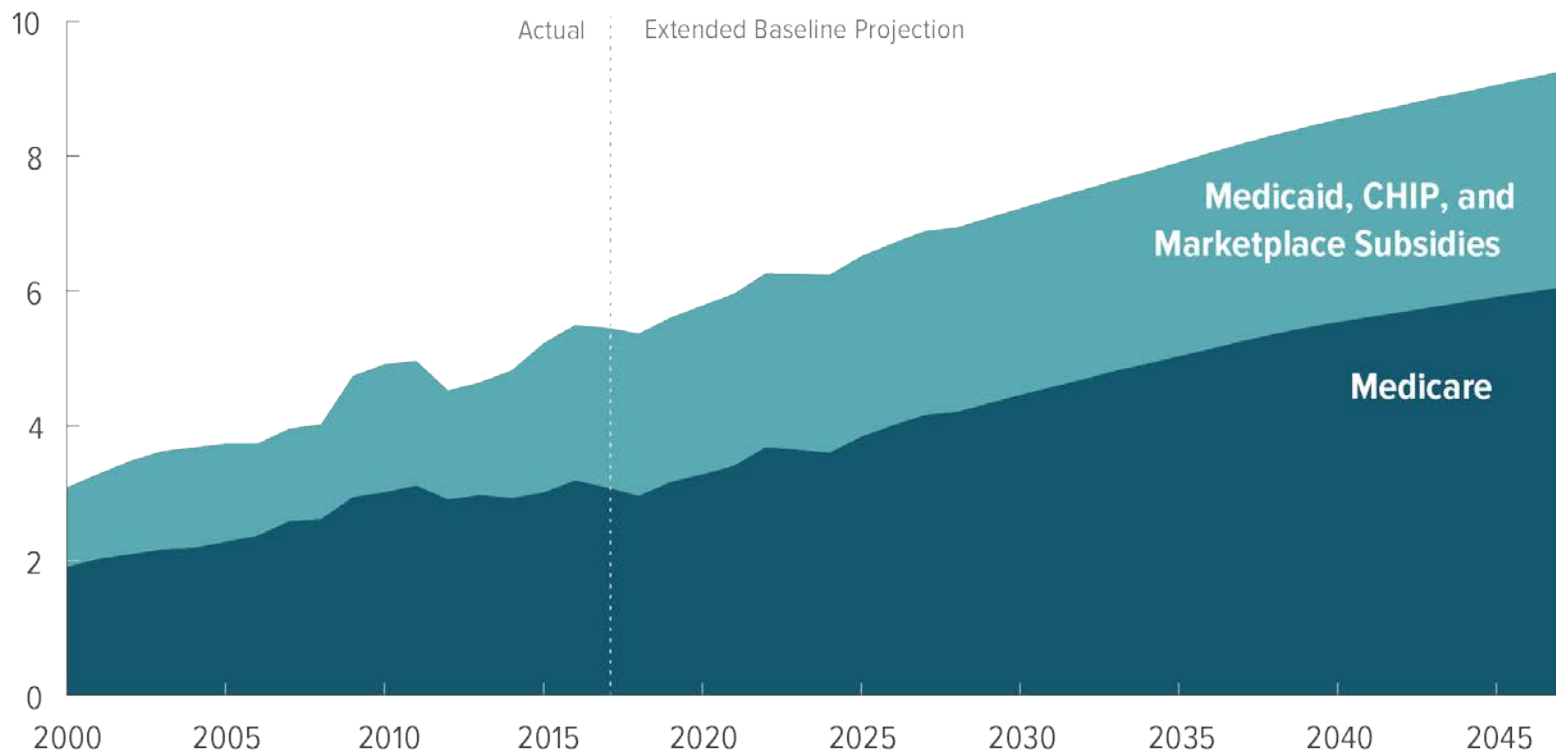
Spending for Social Security

Percentage of Gross Domestic Product



Federal Spending on the Major Health Care Programs, by Category

Percentage of Gross Domestic Product



Ways to Address the Budget Imbalance

Given the aging of the population and rising costs for health care, attaining a sustainable federal budget will require the United States to deviate from the policies of the past 50 years in at least one of the following ways:

- Letting revenues rise more than they would under current law
- Reducing spending for large benefit programs below the projected amounts

Reducing spending for other federal activities could reduce, but not eliminate, the changes needed in taxes or large benefit programs.