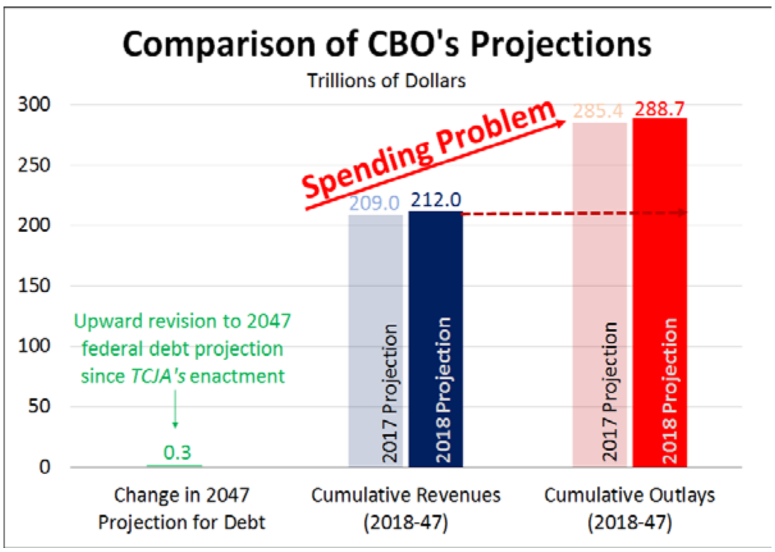
JOINT ECONOMIC COMMITTEE
CHAIRMAN ERIK PAULSEN (R-MN)

9 July 2018

Three Takeaways from CBO's 2018 Long-Term Budget Outlook

CBO's *2018 Long-Term Budget Outlook* highlights that spending continues to drive America's debt trajectory. Contrary to what some say, it also shows that the *Tax Cuts and Jobs Act* (*TCJA*) has little effect on the long-term budget outlook.

#1: The Problem is Spending, not Revenue.

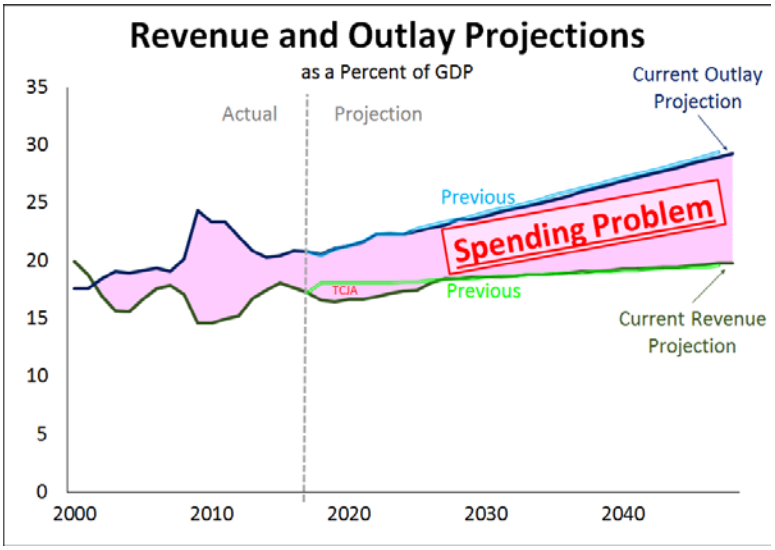


CBO projects cumulative outlays from 2018 to 2047 to be $289 *trillion*, $3.3 trillion higher than before.

Revenues were revised up by $3.0 trillion for a total of $212 trillion.

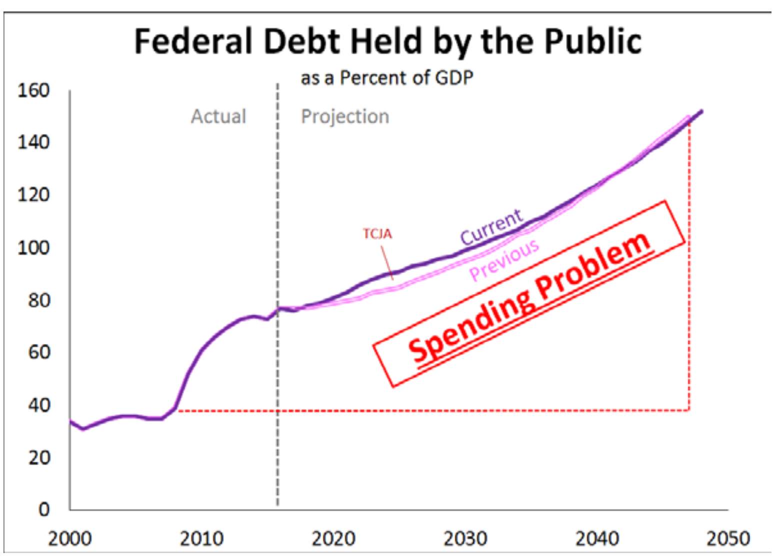
Since the enactment of *TCJA*, CBO has revised projected Federal debt held by the public in 2047 up by only $0.3 trillion, or 0.1% of total outlays.

#2: Spending Remains on an Unsustainable Path.



The reduction in projected federal revenues due to *TCJA* from the previous to the current revenue projection is insignificant in proportion to America's spending problem, especially because CBO's models have difficulty capturing TCJA's economic growth effects, which actually help alleviate America's debt burden. For example, the burgeoning economy is encouraging people to forgo Social Security Disability Insurance (DI) for gainful employment, relieving the strain on Social Security's finances. CBO reports that the DI trust fund will remain solvent until 2025, which is two year longer than the previous projection (pp. 17 and 47).

#3: The Debt-to-GDP Ratio Projection is Little Changed since *TCJA*



The debt-to-GDP ratio is little changed from CBO's pre-TCJA *Long-Term Budget Outlook*. In fact, the 2047 debt-to-GDP ratio projection is revised down 3 percentage points (p. 5).