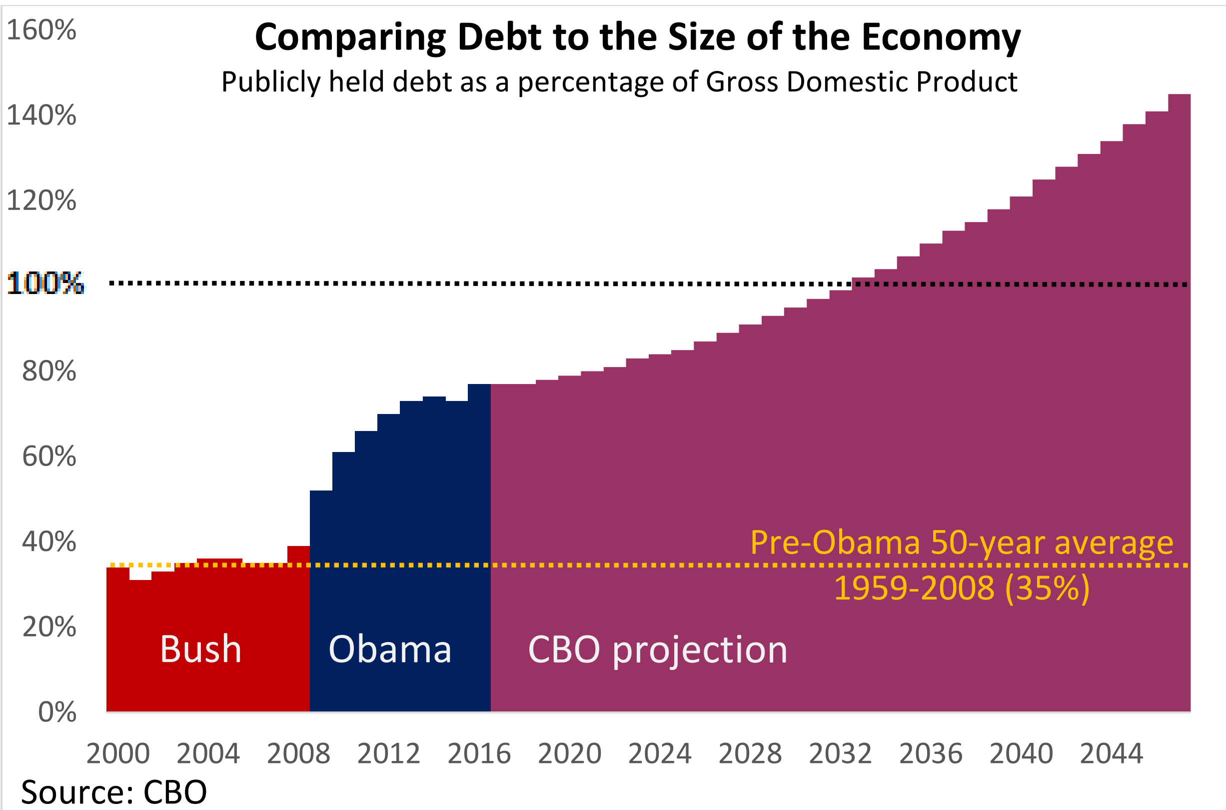
Joint Economic Committee
Representative Pat Tiberi, Chairman
Senator Mike Lee, Vice Chairman

January 27, 2017

Did the Obama Administration Leave America "Better Off"?

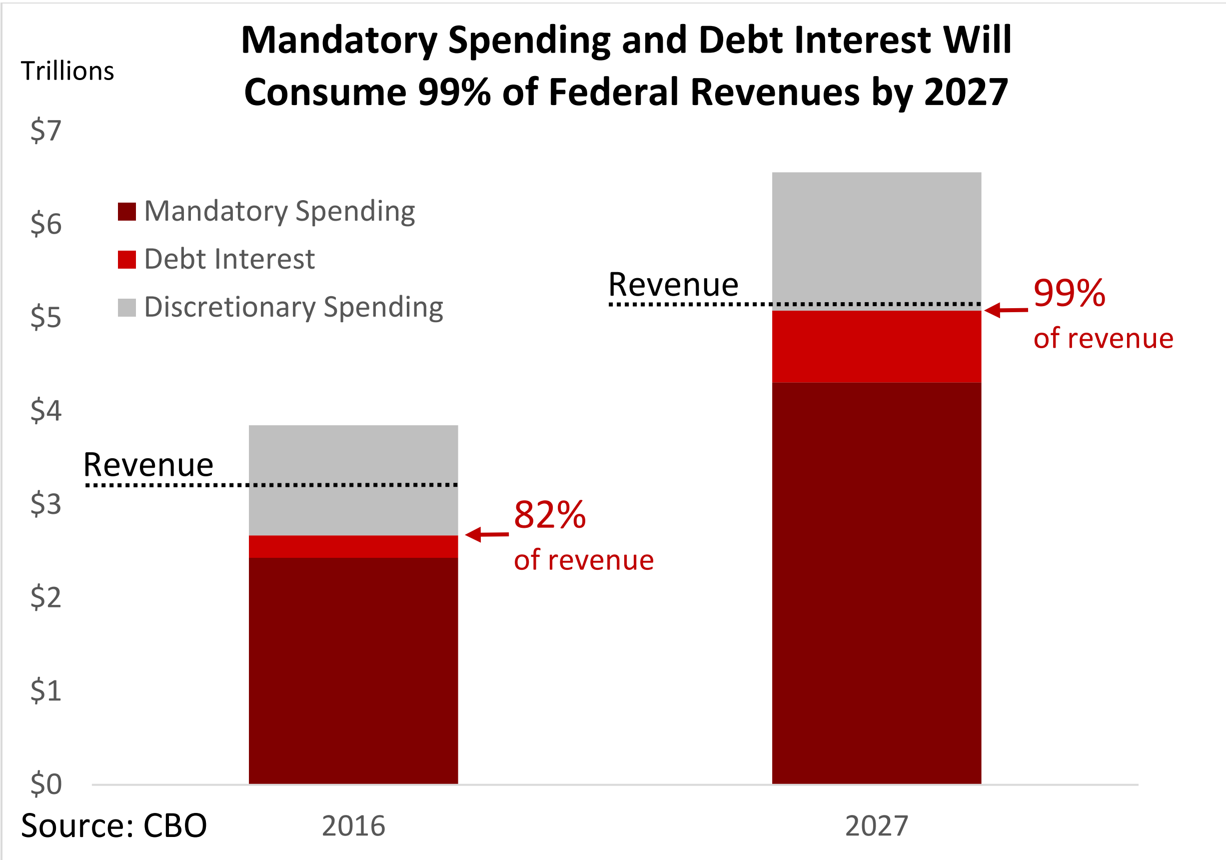
Five Ways New CBO Projections Make the Case for a Course Correction

1. Federal debt spiked in the Obama Administration and is on an unsustainable path.



- **Twice the average.** In the 50 years before President Obama took office, the publicly held debt averaged **35%** of the economy.[1] Today, the ratio is more than twice that size at **77%**.[2]
- **Unsustainable.** If we don't change course, CBO warns that in 30 years the debt will eclipse the size of the economy to an extent that will make a fiscal crisis much more likely.[3]
- **It gets worse.** Publicly held debt only includes debt owed to U.S. and foreign investors. Our total debt (including what has been borrowed from trust funds like Social Security and Medicare) was already larger than GDP last year at **105%**.[4]

2. Growing mandatory spending is driving up deficits and crowding out other priorities.

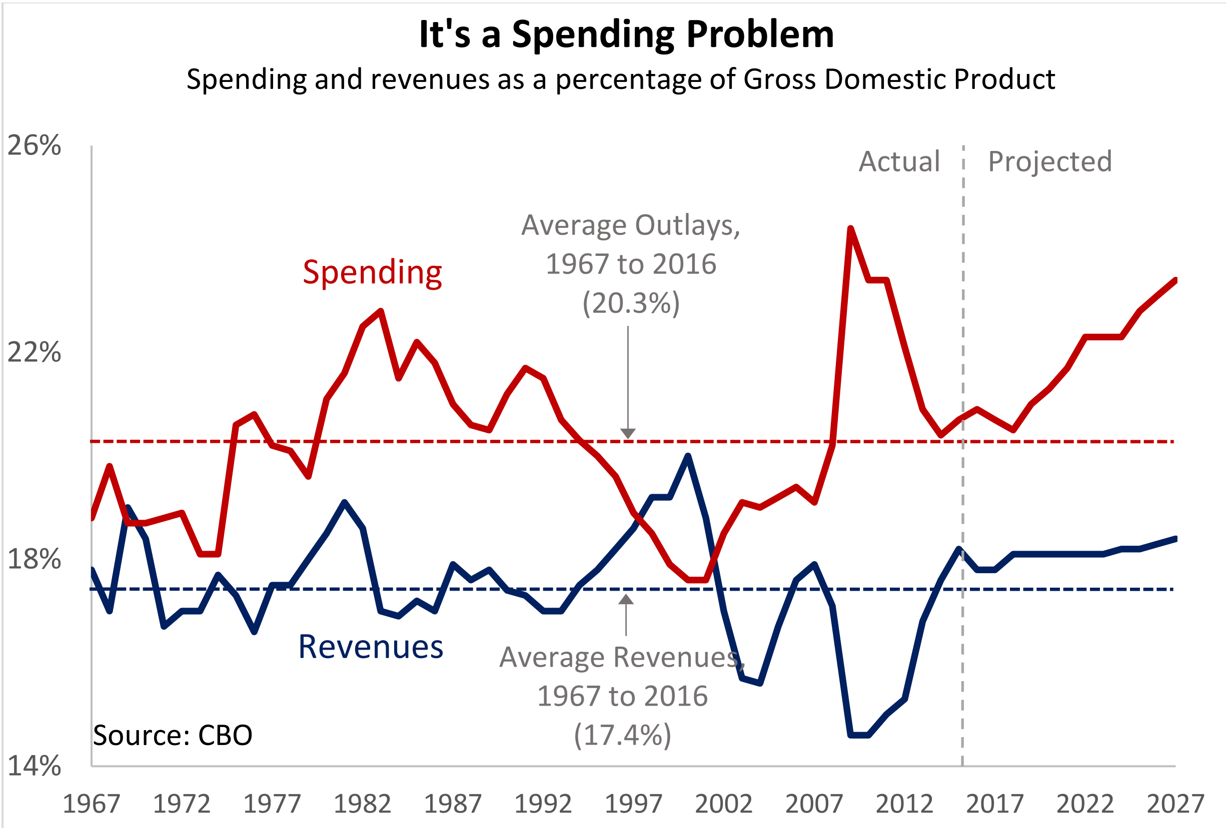


- **No discretion.** In just 10 years, mandatory spending and interest payments on the debt will consume 99% of all federal revenues.[5] At that point, discretionary programs like national defense, disaster relief, and other priorities will be entirely deficit financed with borrowed dollars.

- **The deficit strikes back.** Without a policy change, trillion-dollar deficits are slated to return just 6 years from now.[6]

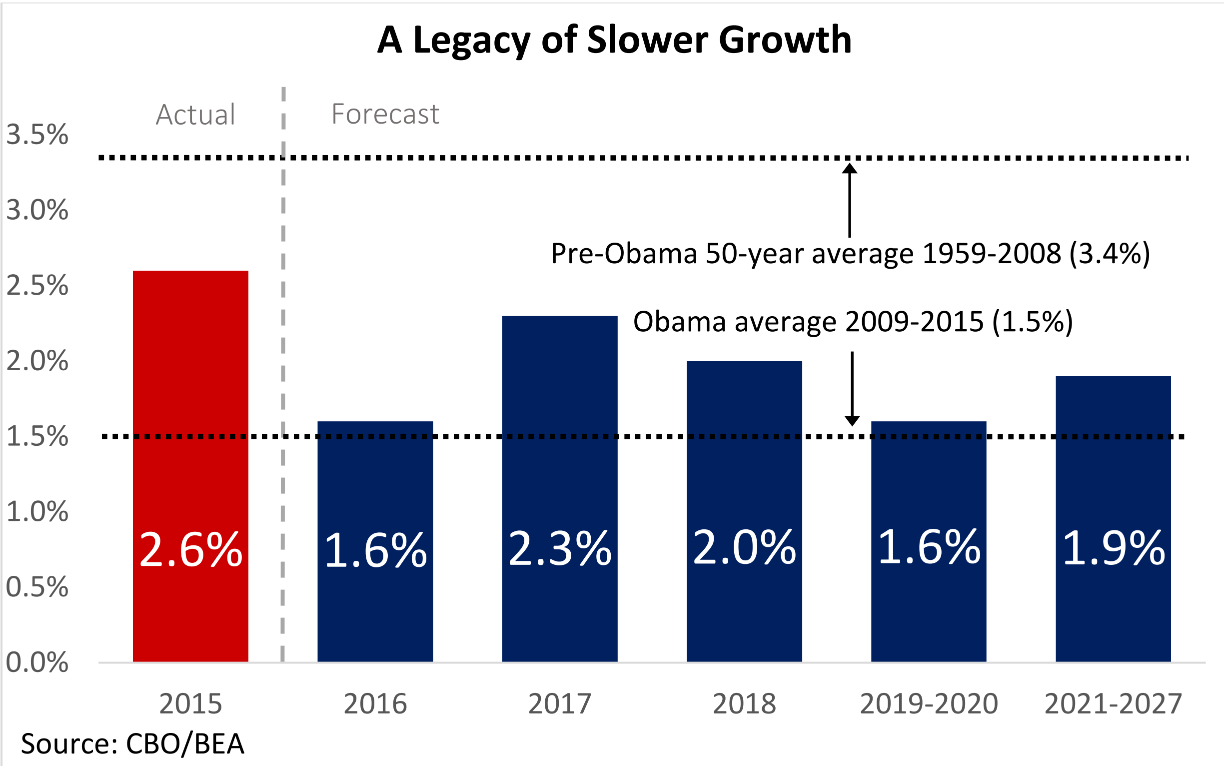
- **Thanks, Obamacare.** Due to an aging population and Obamacare's expansion of healthcare entitlements, spending on major healthcare programs grew by 10% last year and absent reforms will nearly double to $2.2 trillion over the next 10 years.[7] Spending on Obamacare premium subsidies will more than double over the decade as premiums rise in the exchanges.[8]

3. It's still a spending problem, not a revenue problem.



- **Revenues aren't the problem.** While some want to raise taxes, revenues are already a larger share of the economy than the average over the past 50 years and will grow over the decade.[9]
- **Spending is the outlier.** Spending is rising much more steeply and, if left unchecked, will consume nearly a quarter of the economy in 10 years at 23.4% of GDP. In contrast, the 50-year average is 20.3%.[10]
- **Government growing larger.** Both taxes and spending make the federal government's reach into the economy larger, shackling the job-creating private sector.

4. The Obama Administration set a lower bar for economic growth.

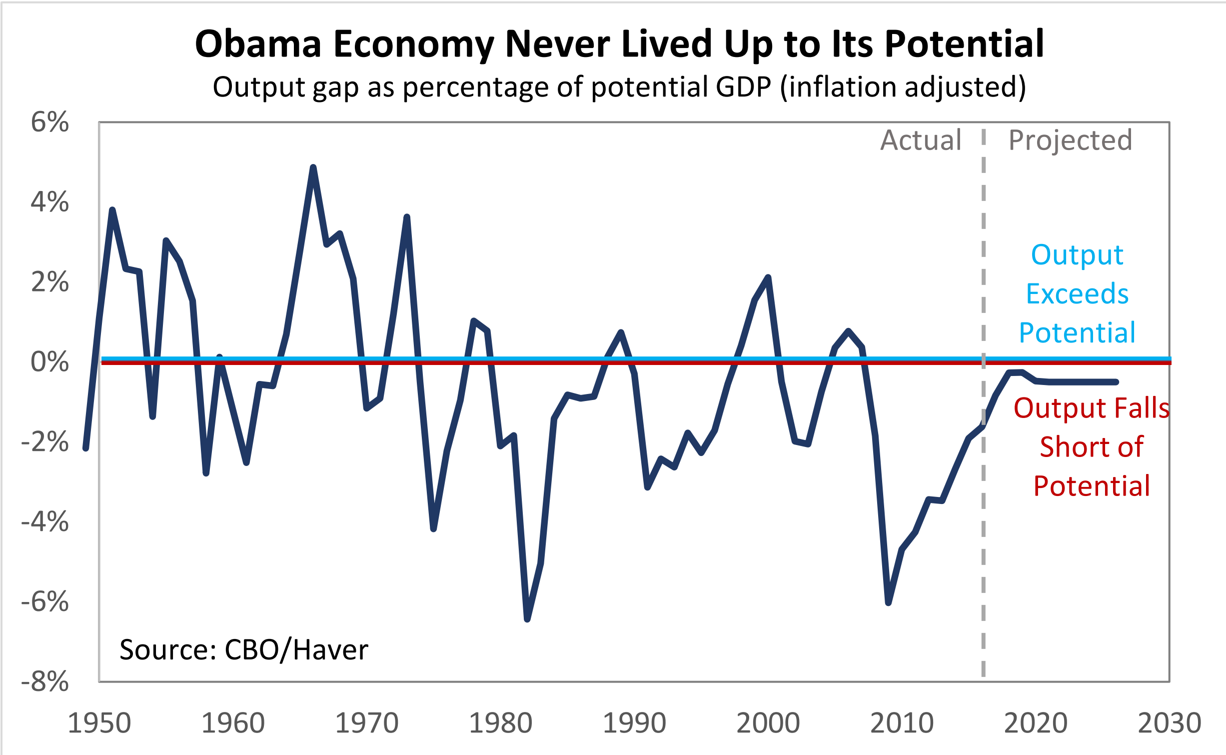


- **Bigger government, slower growth.** During an administration marked with higher taxes, higher spending, and regulatory overreach, economic growth was nearly 2 percentage points below the 50-year average before President Obama began his term.[11]

- **Future growth at half the average.** CBO downgraded its projections for growth over the course of the Obama Administration, and its most recent estimate continues that trend.[12] CBO now projects that unless we change direction, economic growth over the decade will average 1.9%, nearly half the 50-year average of 3.4% prior to the Obama Administration.[13]

- **Prosperity waiting twice as long.** CBO's projected growth rate of 1.9% means it will take nearly twice as long (37 years) for the economy to double in size compared to the 50-year average preceding President Obama (21 years).[14]

5. Economic growth never reached its potential.



- **A dubious distinction.** The Obama Administration was the first in half a century in which economic growth failed to reach its potential.[15]
- **What does "potential GDP" mean?** Potential GDP is the maximum output the economy can produce without inflation.
- **Time to change course.** CBO forecasts that over the next decade the economy will continue failing to reach its potential unless we change course.[16]

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[1] Congressional Budget Office, "The Budget and Economic Outlook: 2017 to 2027," January 24, 2017, Fig. 1-8 supplementary table.
[2] CBO, 2017, p. 2.
[3] CBO, 2017, p. 37.
[4] CBO, 2017, pp. 10 and 29.
[5] CBO, 2017, p. 10.
[6] CBO, 2017, p. 10.
[7] CBO, 2017, p. 16, compared with "An Update to the Budget and Economic Outlook: 2016 to 2026," Congressional Budget Office, August 23, 2016, p. 16.
[8] CBO, 2017, pp. 15, 16.
[9] CBO, 2017, pp. 9, 10.
[10] CBO, 2017, p. 10.
[11] Based on JEC estimates using Bureau of Economic Analysis (BEA) and Haver Analytics data.
[12] CBO, 2016, p. 34.
[13] CBO, 2017, p. 40, and BEA/Haver data.
[14] JEC estimates the number of years to double output using the Rule of 70.
[15] JEC estimate using data from BEA/CBO/Haver.
[16] BEA/CBO/Haver.