



# Congressional Budget Office

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## The 2017 Economic and Budget Outlook

Presentation to the Realtor<sup>®</sup> University Speaker Series

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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](http://www.cbo.gov/publication/52370), and *The 2017 Long-Term Budget Outlook* (March 2017), [www.cbo.gov/publication/52480](http://www.cbo.gov/publication/52480).

# CBO's Mission

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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

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- 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

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- 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

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- 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

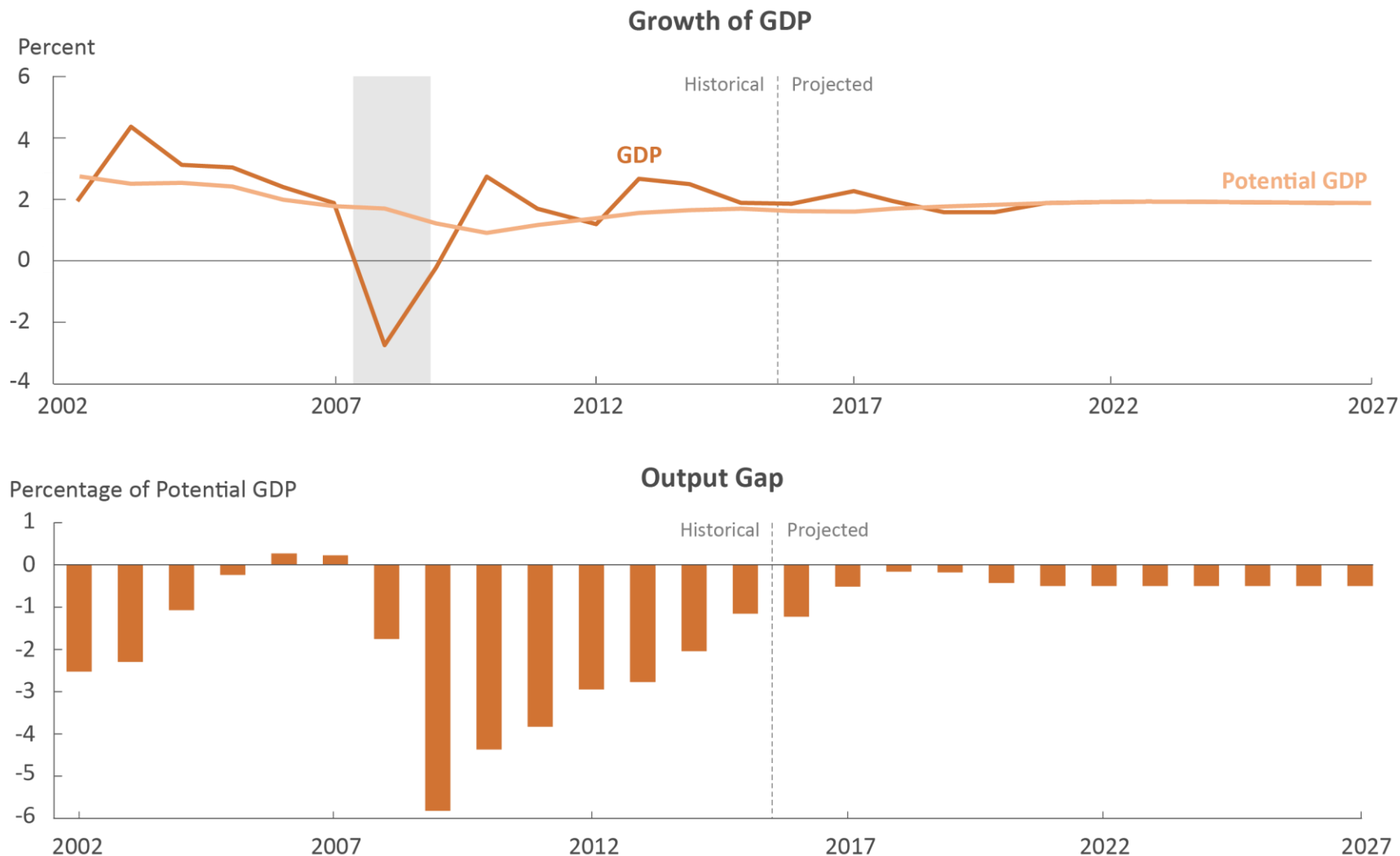
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- Make policy recommendations
  - Strictly nonpartisan; no judgments about a legislative proposal's merits
- Write legislation
  - Instead, evaluates different proposals and options
- Implement programs and regulations and enforce budget rules
  -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

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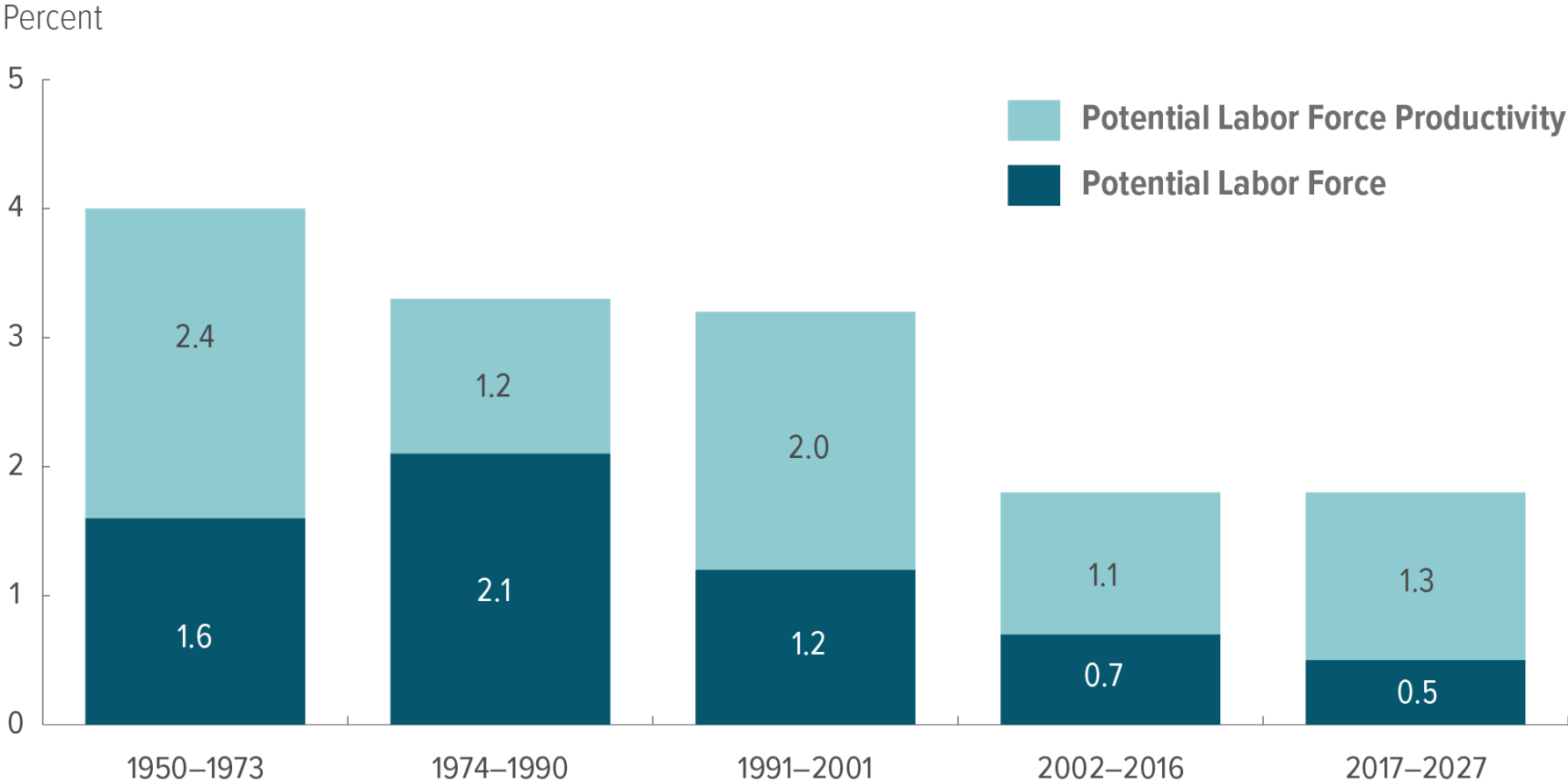
# **The 10-Year Economic Outlook**

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

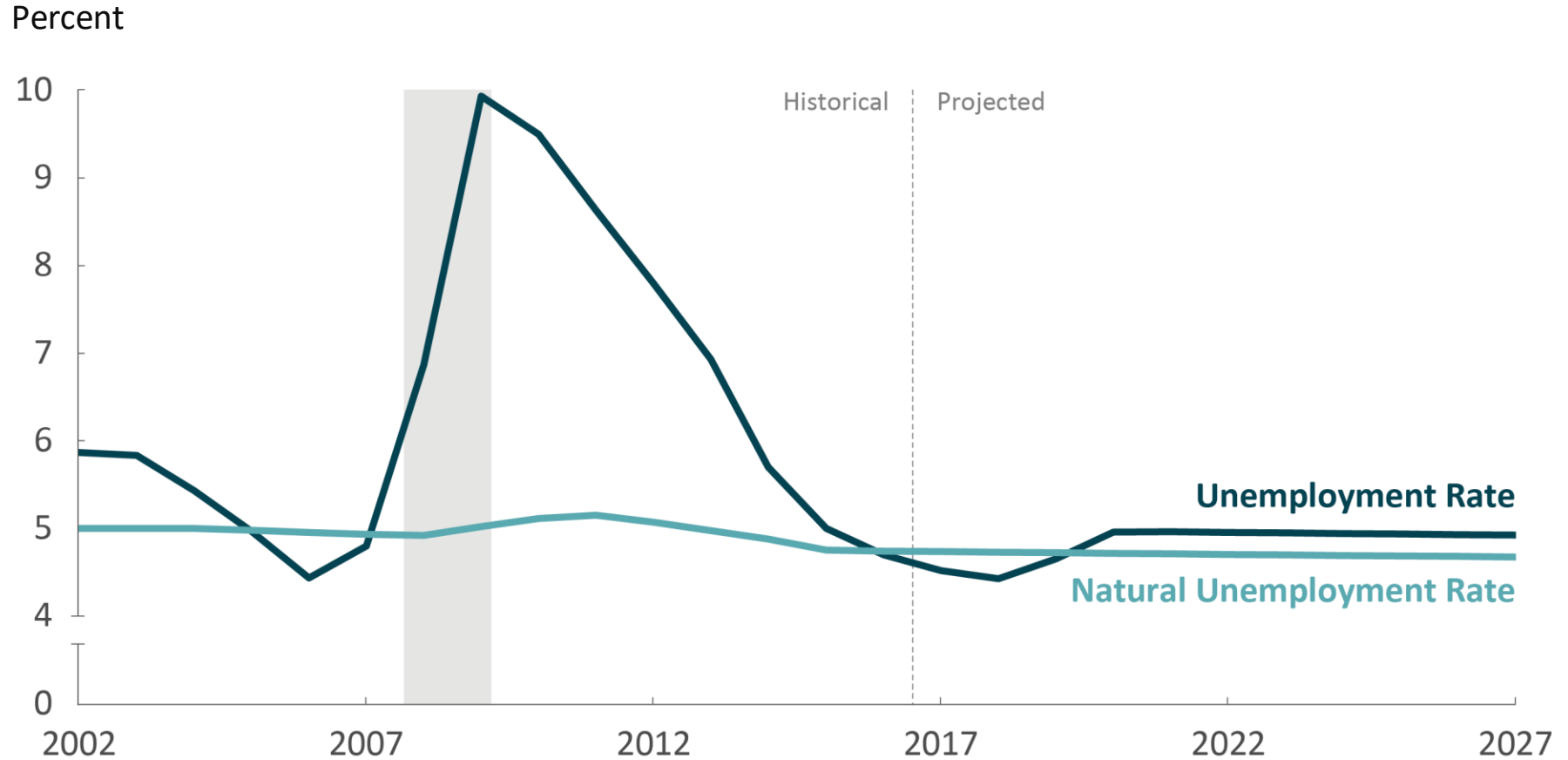




# Average Growth in Real Potential GDP



# Actual and Natural Unemployment Rates



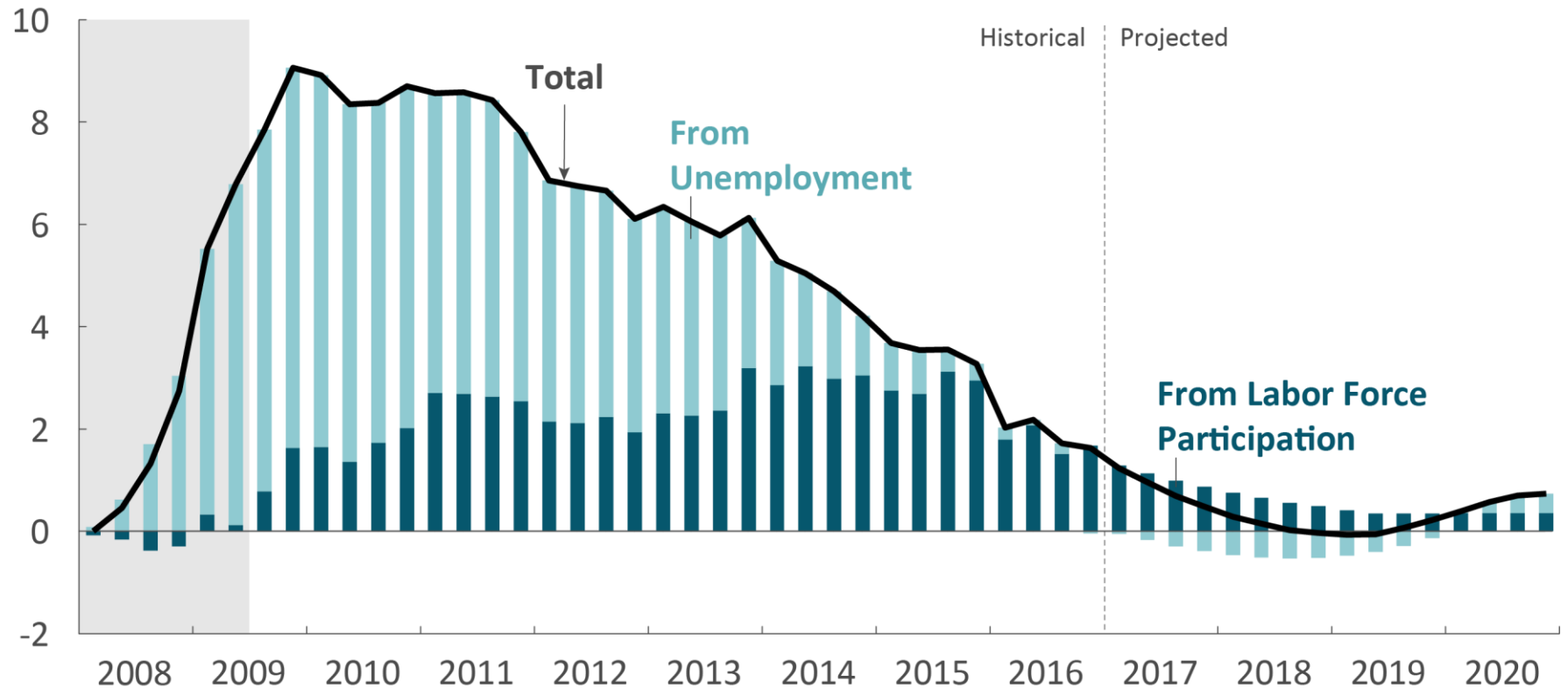
# Labor Force Participation Rates

Percent



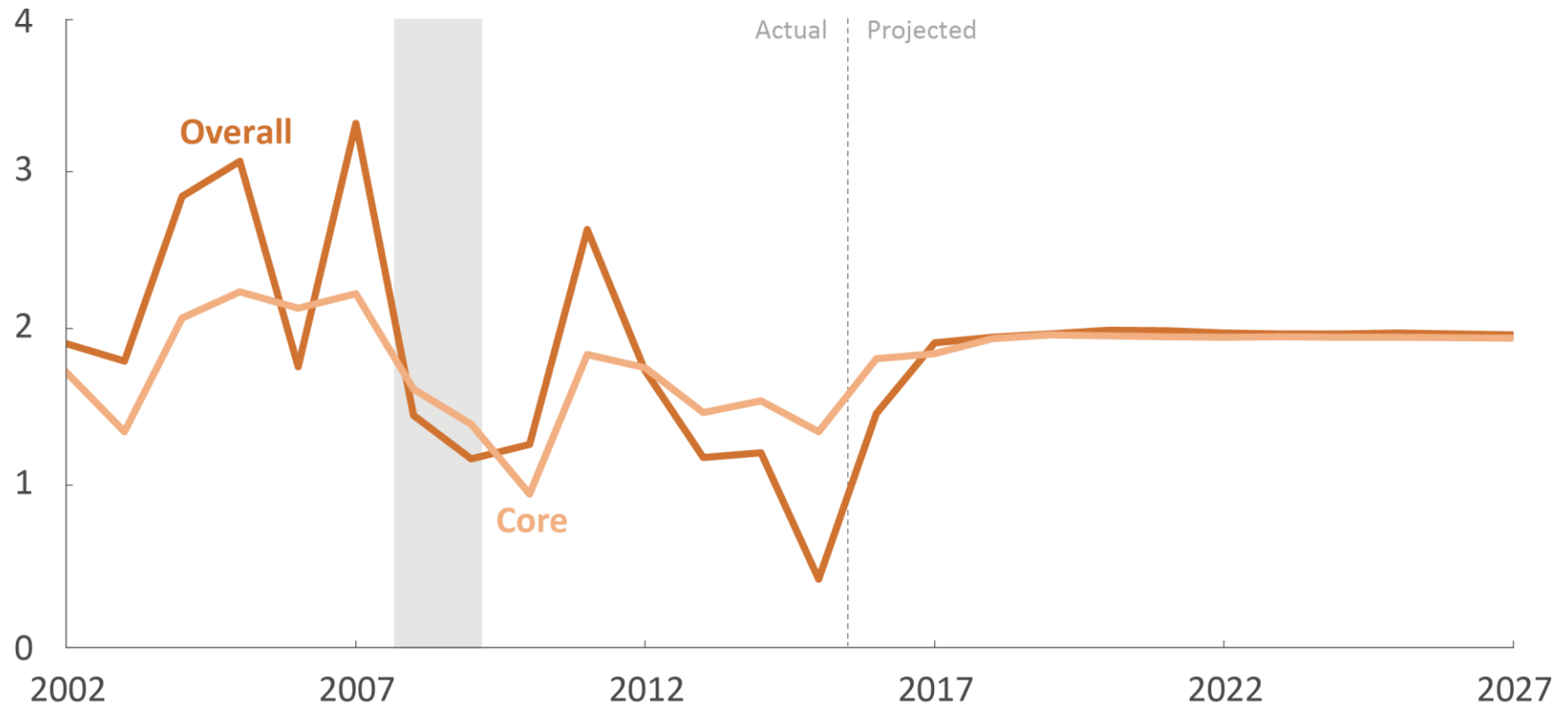
# The Employment Shortfall

Millions of People



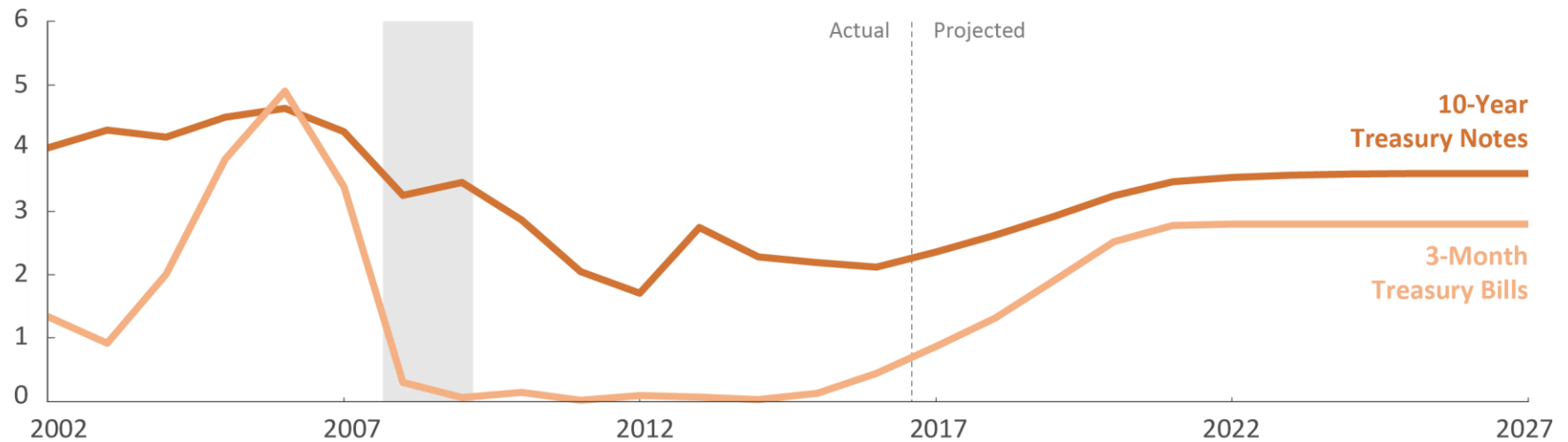
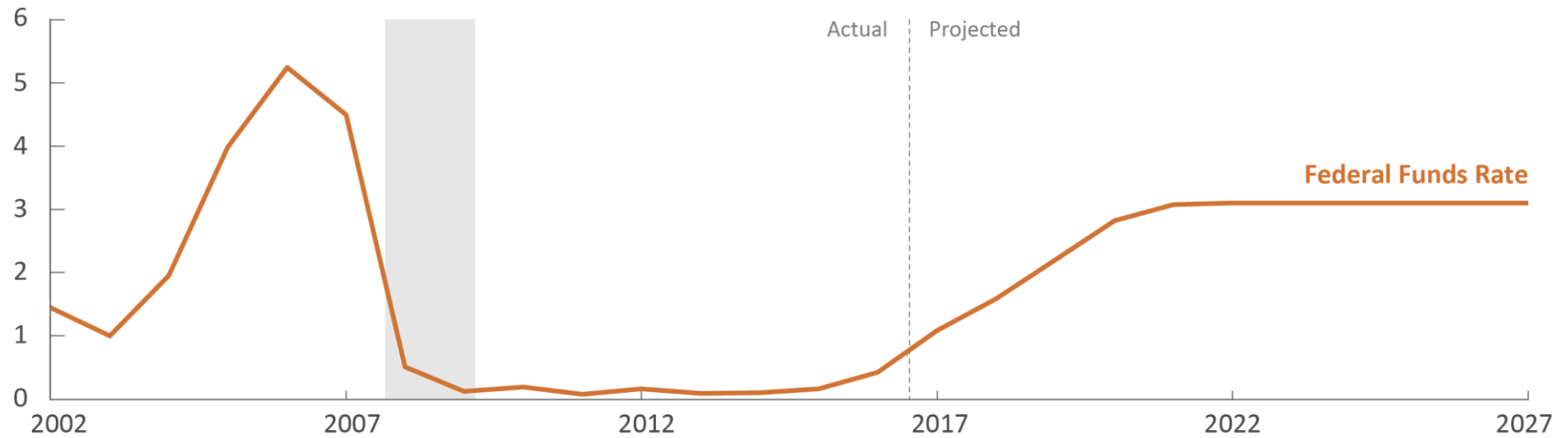
# Inflation

Percentage Change in PCE Price Indexes



# Interest Rates

Percent

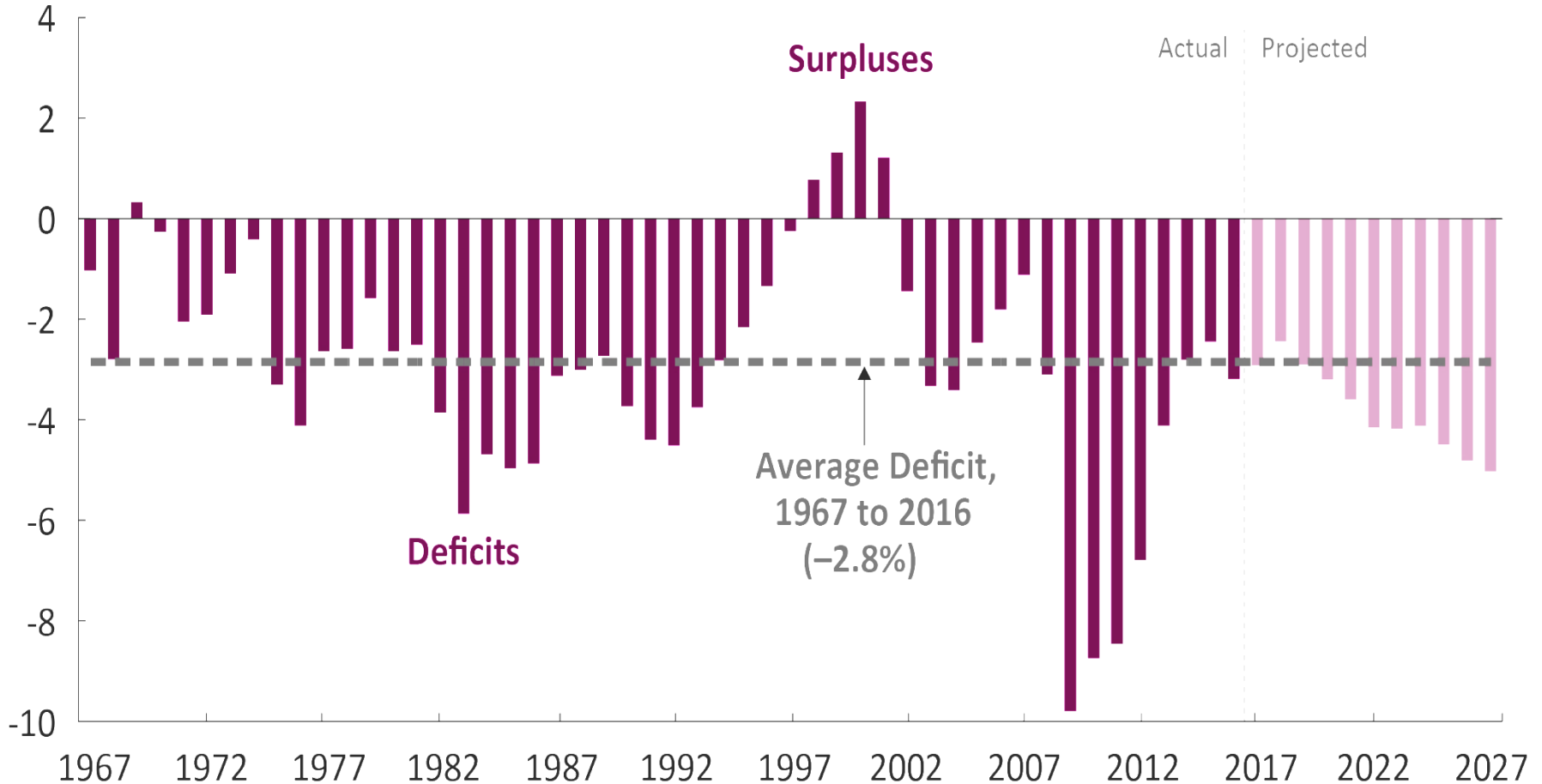


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# **The 10-Year Budget Outlook**

# Total Deficits or Surpluses

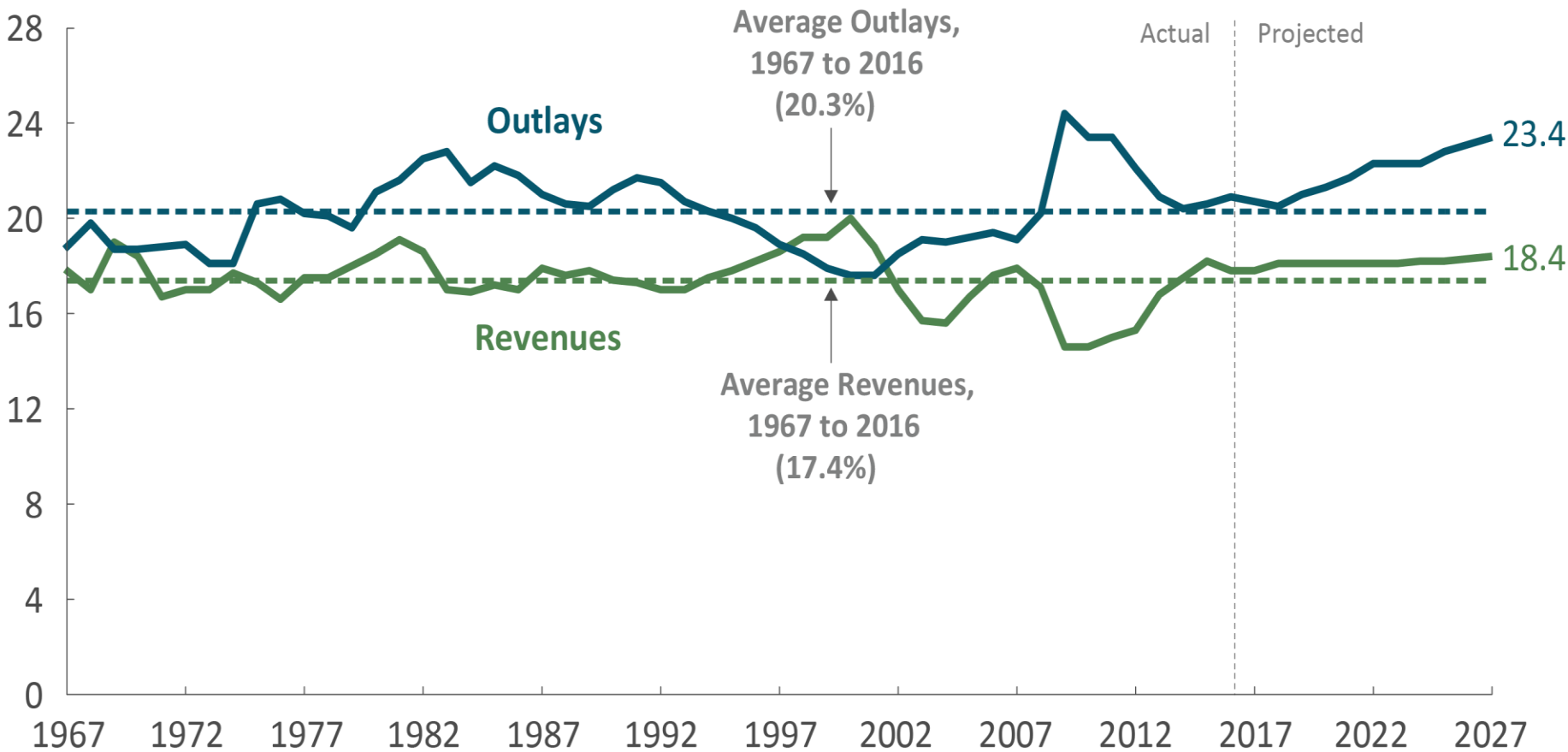
Percentage of Gross Domestic Product





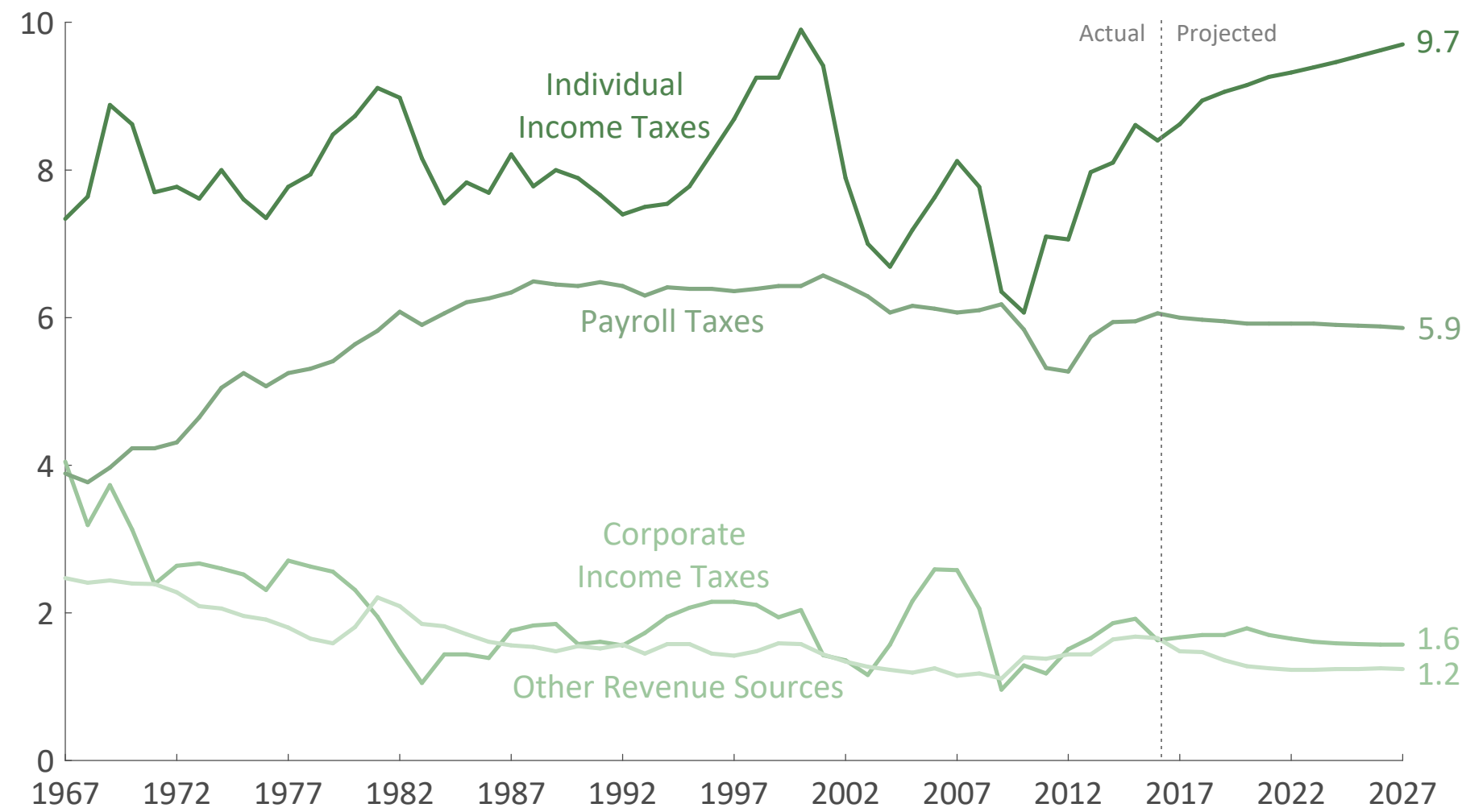
# Total Revenues and Outlays

Percentage of Gross Domestic Product



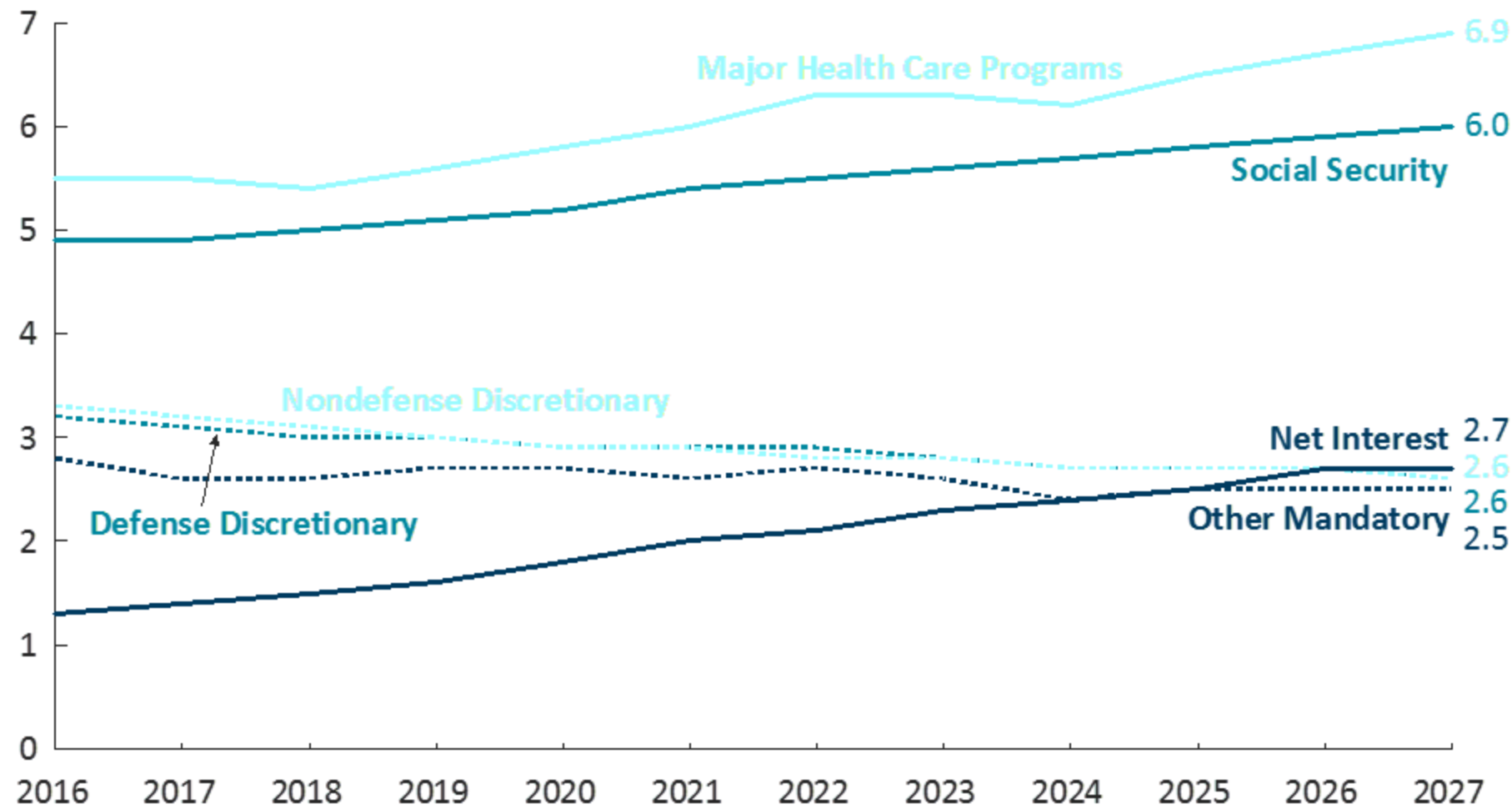
# Revenues, by Major Source

Percentage of Gross Domestic Product



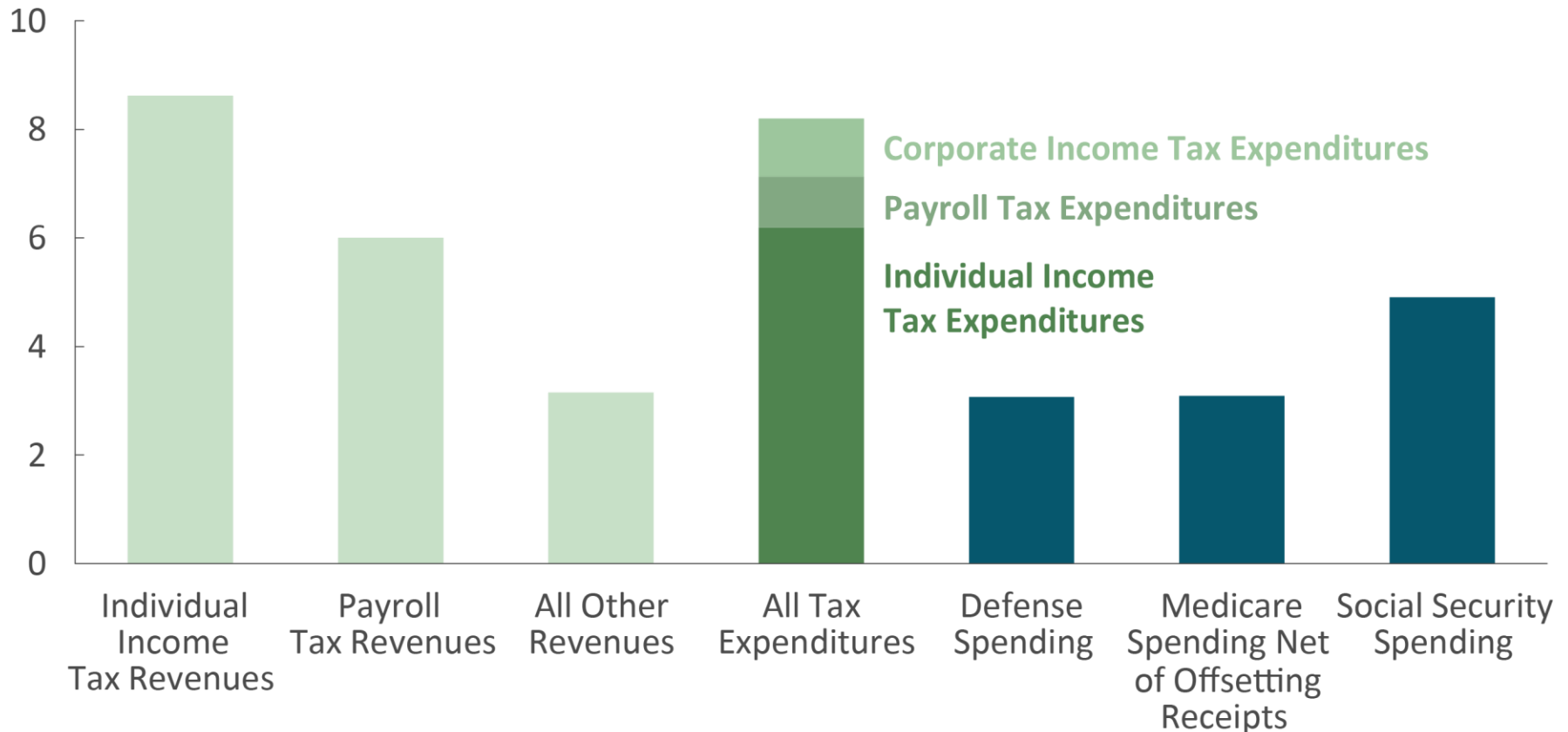
# Projected Outlays in Major Budget Categories

Percentage of Gross Domestic Product



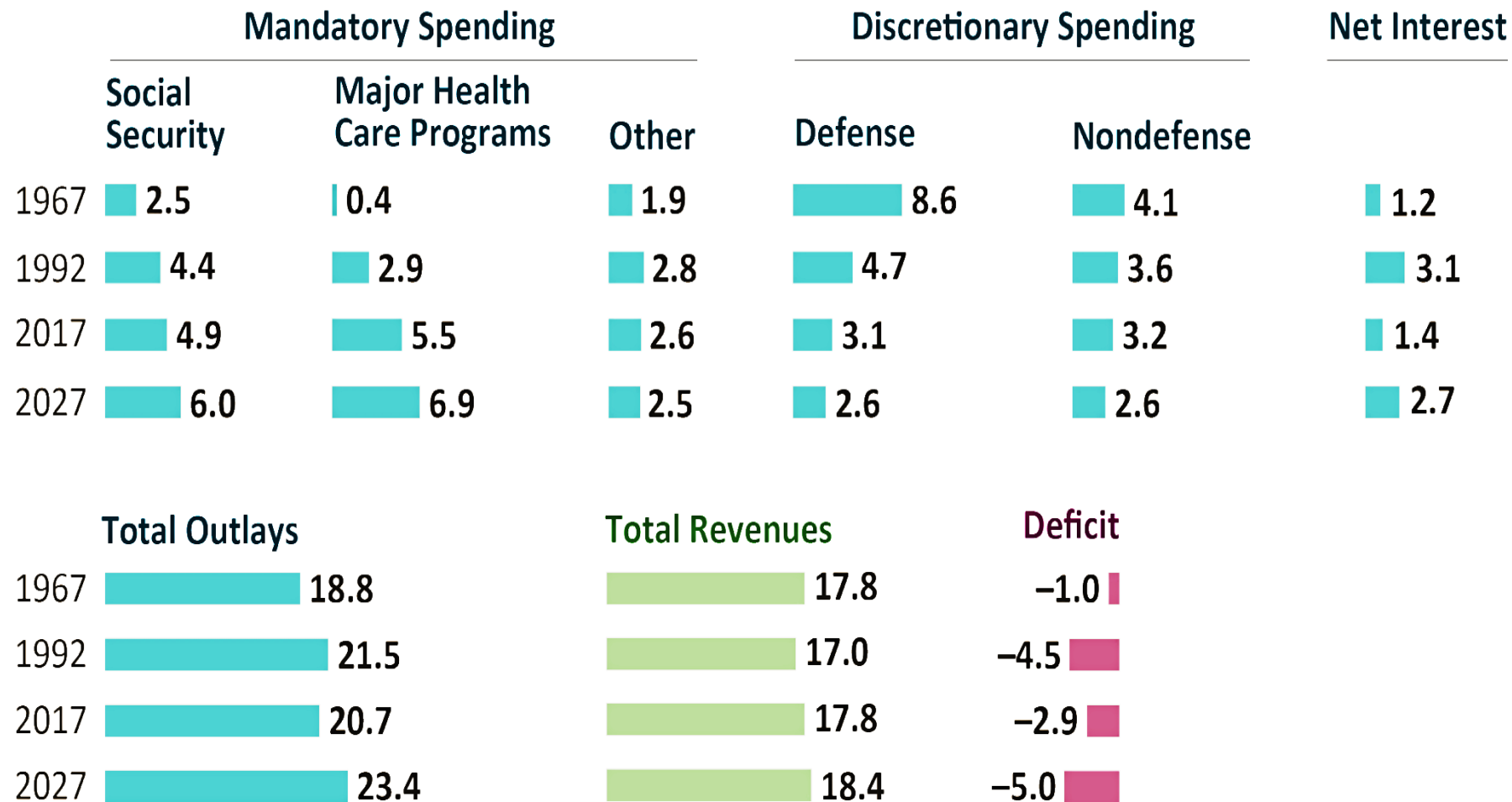
# Revenues, Tax Expenditures, and Selected Components of Spending in 2017

Percentage of Gross Domestic Product



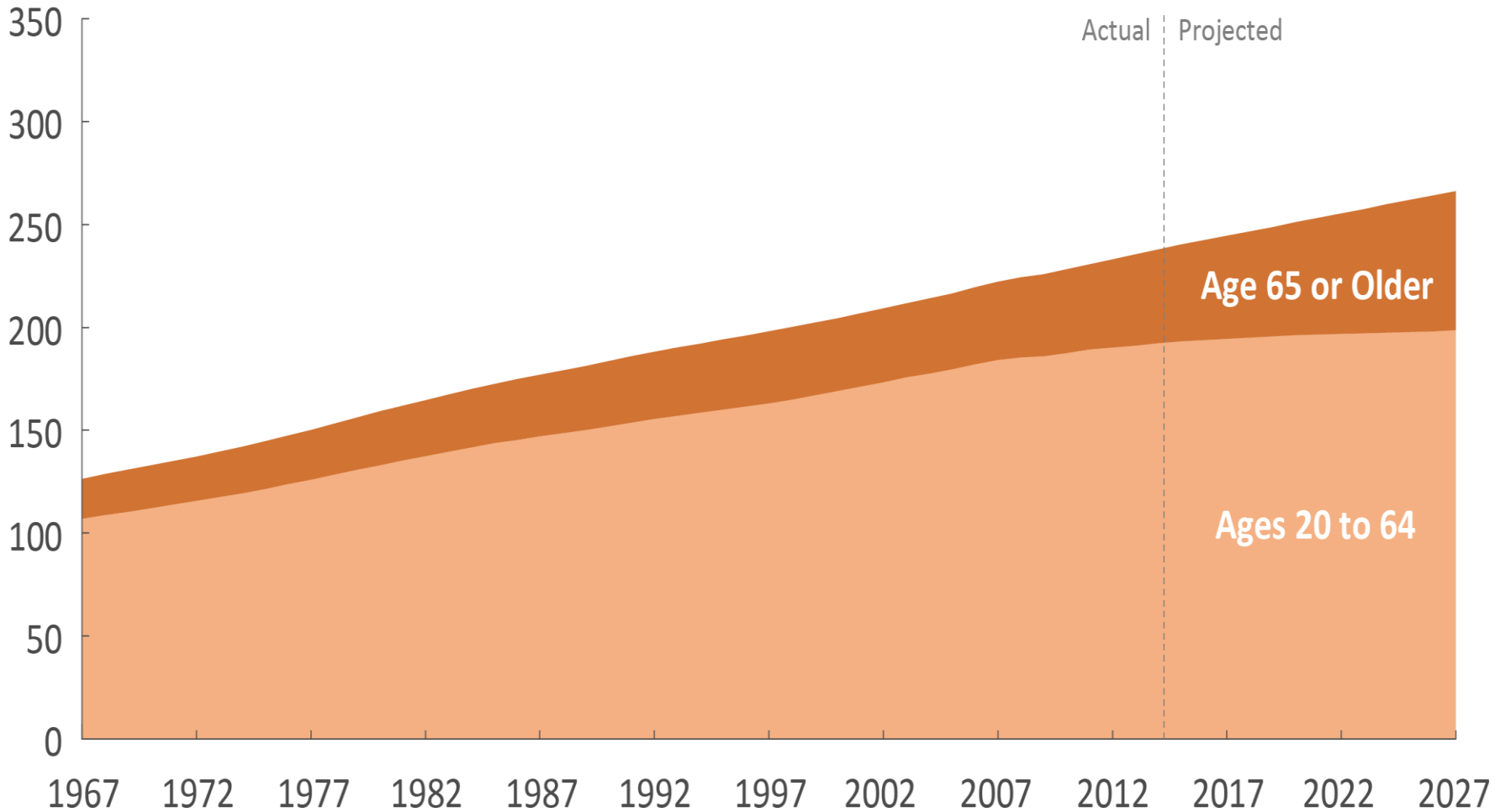
# Spending and Revenues Projected in CBO's Baseline, Compared With Actual Values in 1967 and 1992

Percentage of Gross Domestic Product

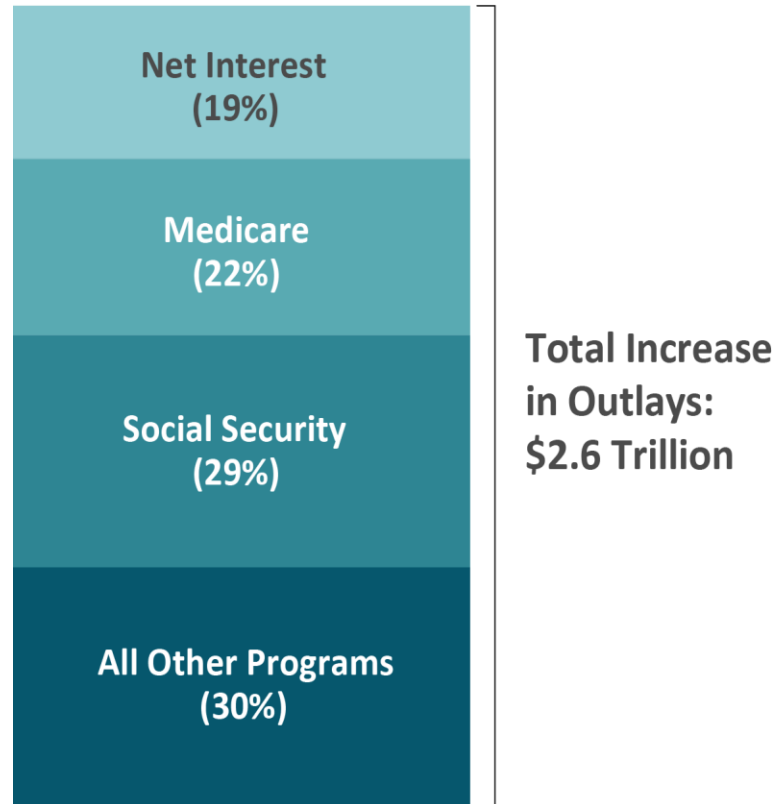


# Population, by Age Group

Millions of People



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



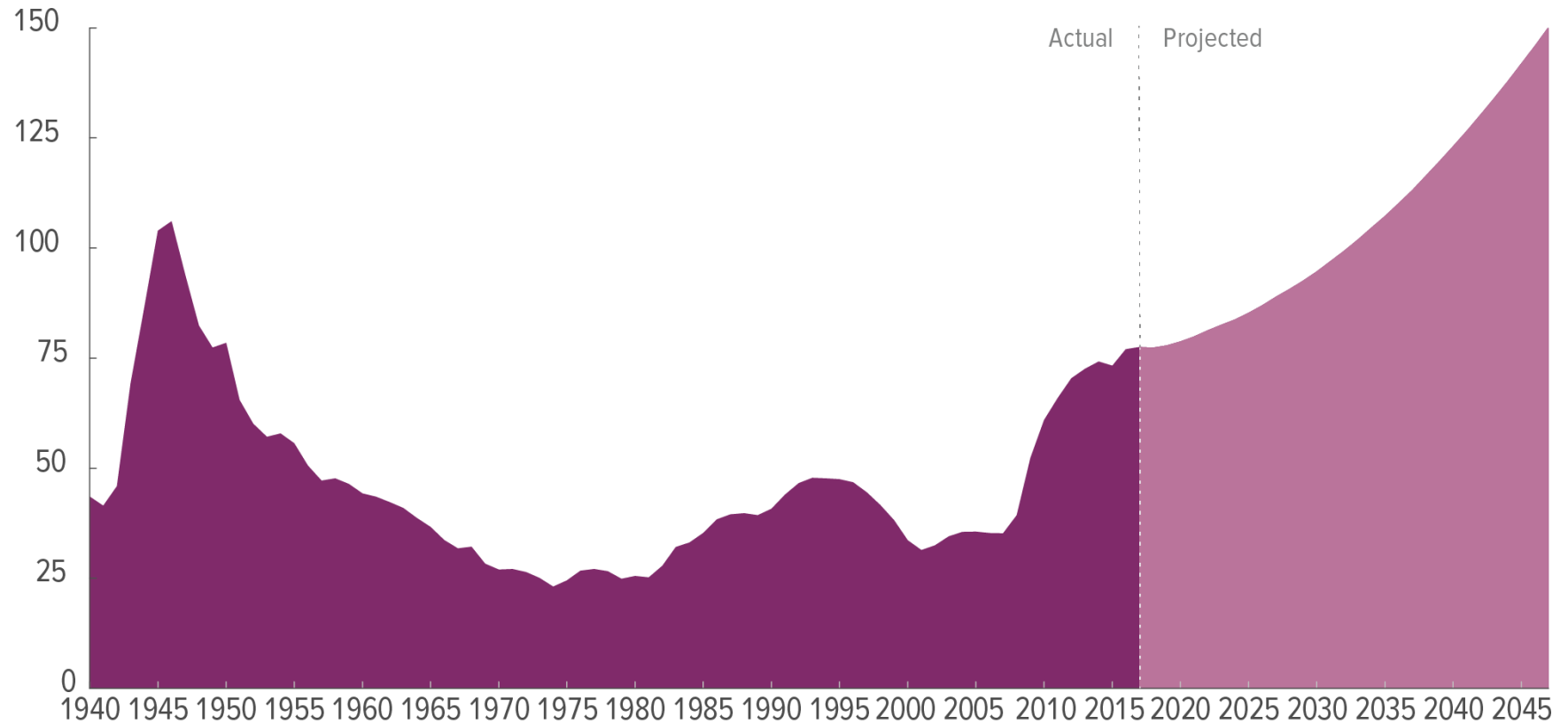
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# **The Long-Term Budget Outlook**



# Federal Debt Held by the Public

Percentage of Gross Domestic Product



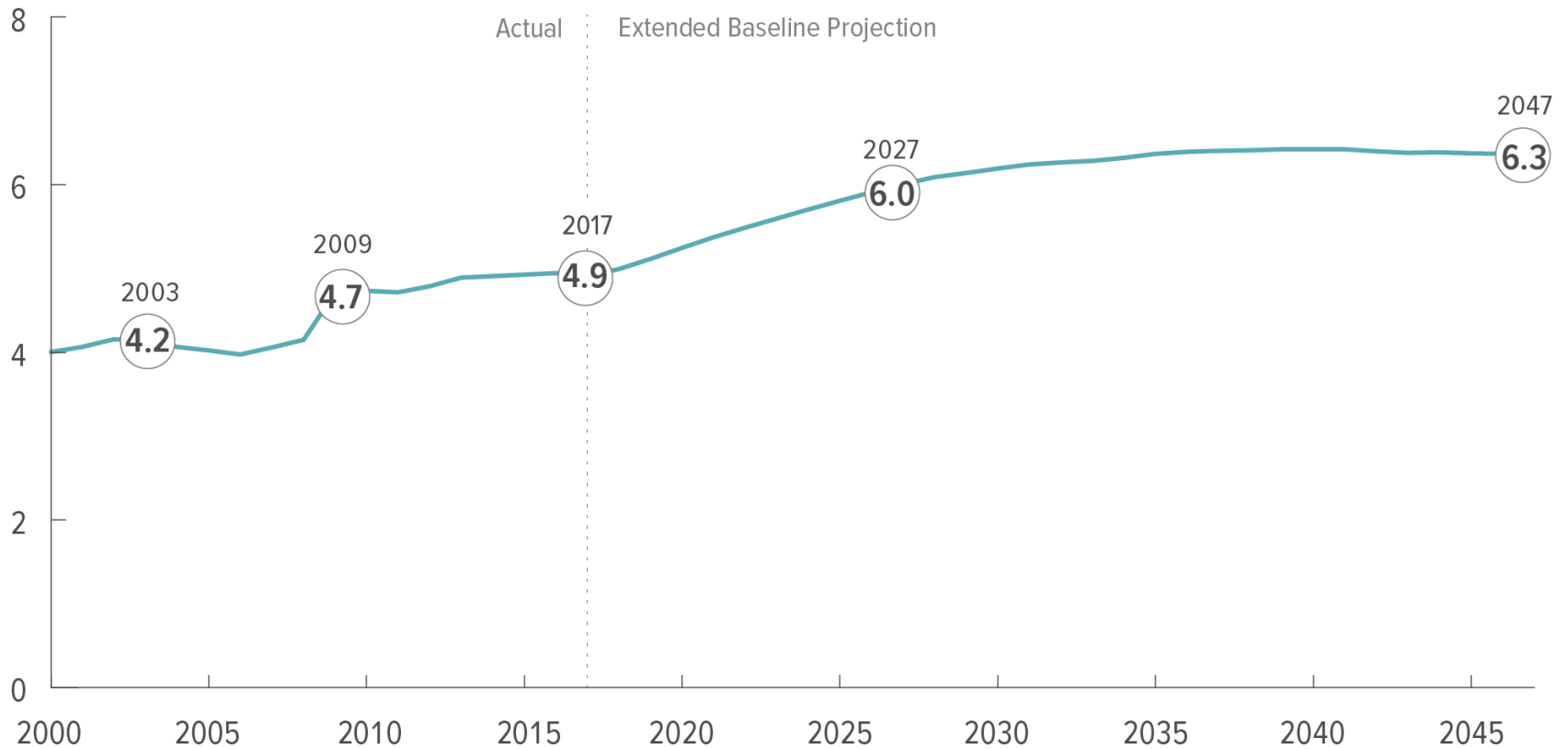
# Why Does Rising Federal Debt Matter?

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- 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

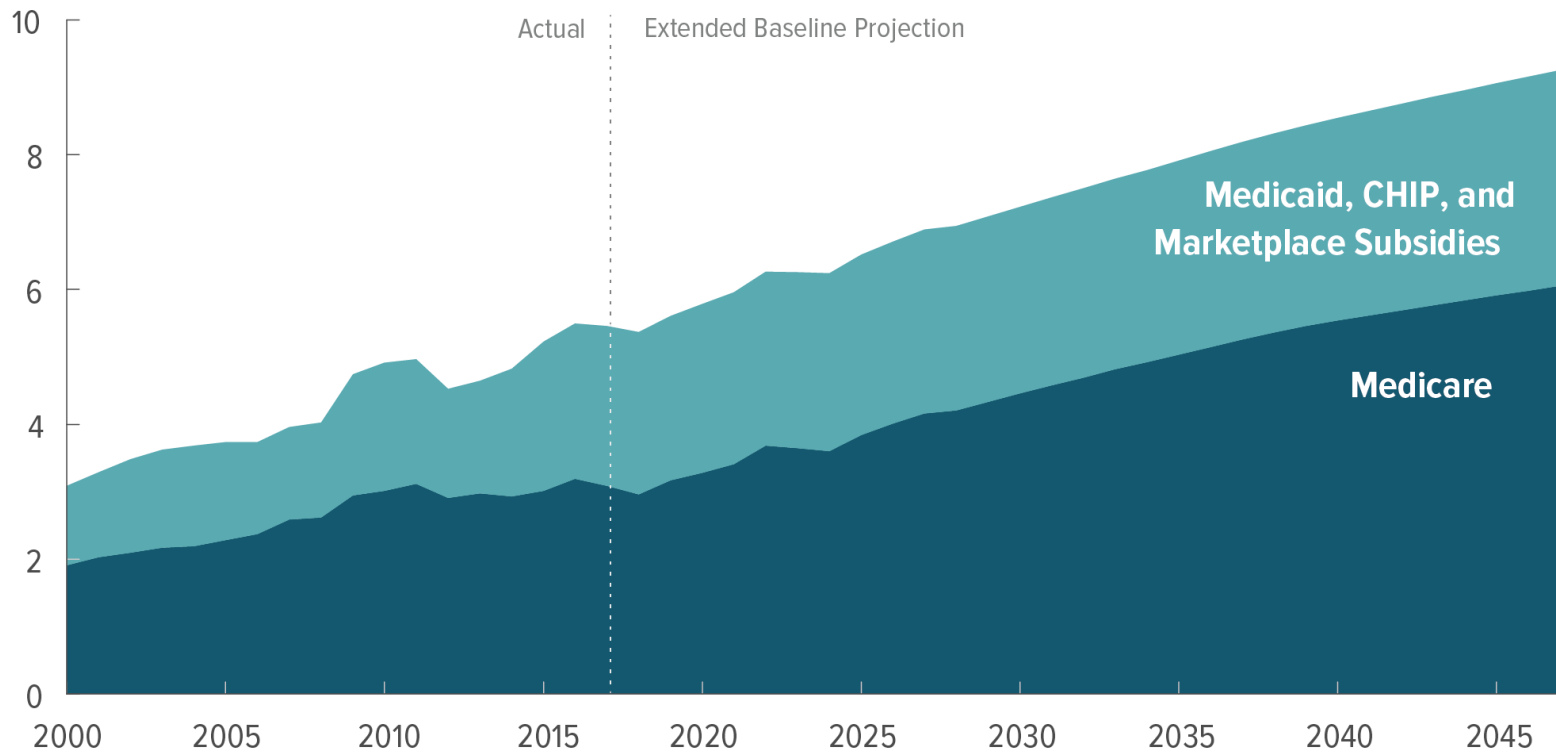
# Spending for Social Security

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

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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.