Facing the Future: Our Fiscal Challenge

The Concord Coalition
Our national debt is on an unsustainable path

Debt Held by the Public as a Percent of GDP, 1900-2053

World War I
Great Depression
World War II
COVID-19
Great Recession

Source: Congressional Budget Office - historical data and The 2023 Long-Term Budget Outlook, June 2023
Our fiscal challenges do not end with COVID

Annual Budget Deficits as a Percent of GDP, 2019-2053

-10% of GDP in 2053

Projected

Waning Budgetary Effects of COVID-19

Source: Congressional Budget Office, The 2023 Long-Term Budget Outlook, June 2023

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The gap between federal spending and revenue widens

Total Federal Revenues and Outlays as a Percent of GDP

Percent of GDP

Average 1970-2019: 20.4%

Average 1970-2019: 17.4%

Outlays

Revenues

Projected

18.1% in 2033

25.3% in 2033

Source: Congressional Budget Office, An Update to the Budget Outlook, May 2023
Composition of FY 2023 Federal Budget (proj.)

Deficit: $1,539 billion

Source: The Congressional Budget Office, An Update to the Budget Outlook, May 2023
Automatic expenditures are squeezing out discretionary priorities

Spending as a Percent of Total Federal Outlays

1973

- Mandatory: 40%
- Net Interest: 7%
- Discretionary: 53%

2023 est.

- Mandatory: 63%
- Net Interest: 10%
- Discretionary: 27%

2053 est.

- Mandatory: 59%
- Net Interest: 23%
- Discretionary: 18%

Source: Congressional Budget Office; historical data and long-term budget projections published in conjunction with The 2023 Long-Term Budget Outlook, June 2023
Outlays for Select Mandatory Programs in FY 2023 (Projected)

- Social Security: $1,345
- Medicare: $826
- Net Interest: $663
- Medicaid: $594
- Federal Civilian & Military Retirement: $196
- Veterans' Programs: $172
- Food Stamps, Child Nutrition: $179
- SSI, Family Support, Foster Care: $109
- Family-Based Refundable Tax Credits: $107
- ACA Premium Tax Credits: $88
- Pension Benefit Guarantee Corporation: $72

Source: Congressional Budget Office, An Update to the Budget Outlook, May 2023
Defense Discretionary Spending as a Share of GDP

Source: Congressional Budget Office, An Update to the Budget Outlook, May 2023 (calculations by The Concord Coalition)

Historical Average 1973-2022: 4.3%
Projected Average 2023-2033: 3.0%
Nondefense Discretionary Spending as a Share of GDP

Historical Average
1973-2022: 3.8%

Projected Average
2023-2033: 3.5%

Source: Congressional Budget Office, An Update to the Budget Outlook, May 2023
(calculations by The Concord Coalition)
All Types of Federal Investment Have Declined

Federal Investment by Category, as a Percent of Total Outlays

Source: Office of Management and Budget, Historical Budget Data, tables 9.2, 9.3, 9.8

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Spending Through the Tax Code
Top Tax Expenditures in 2023
Total Foregone Revenue: $1,348 billion (Projected)

Source: Joint Committee on Tax, JCX 22-22, December 2022
Tax Expenditures Relative to Other Select Budget Categories

Percent of GDP in FY 2023 (Projected)

- Individual Income Taxes: 9.6%
- Tax Expenditures: 7.4%
- Payroll Taxes: 6.0%
- Major Health Programs: 5.7%
- Social Security: 5.1%
- Defense Discretionary: 3.1%

Source: Congressional Budget Office, The Budget and Economic Outlook, February 2023
Probable extension of expiring tax cuts after 2025 means revenue projections are optimistic.

Revenues as a Percent of GDP

Tax cuts are allowed to EXPIRE
Avg 2023-2033 = 18.1% GDP

Tax cuts are EXTENDED
Avg 2023-2032 = 17.0% GDP

Source: Congressional Budget Office, *Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues*, May 2023
Healthcare inflation, an aging population, and rising net interest costs drive spending growth

Change in Outlays as a Percent of GDP, 2022-2053

- Social Security: 1.4%
- Major Health Care Programs: 3.0%
- Net Interest: 4.8%
- Other Mandatory: -3.7%
- Discretionary: -1.2%

Source: Congressional Budget Office, *The Long-Term Budget Outlook*, June 2023
Aging and Excess Cost Growth Drive Spending in Major Healthcare Programs

Outlays for Major Healthcare Programs as a Percent of GDP

- Aging of the Population: 1.2%
- Excess Cost Growth: 3.0%

Baseline: 5.9%

2023: 6.5%
2053: 12%

Source: Congressional Budget Office, The Long-Term Budget Outlook, June 2023
Social Security Promised Benefits and Revenue are Driven by an Aging Population

OASDI Income and Outlays as a Percent of GDP

Projected Promised Benefits

Revenue

Source: 2023 Social Security Trustees Report, Table VI.G4
America’s Population is Aging: Senior Citizens are the Fastest Growing Age Group

Projected Total Population Change, by Age Group, 2022-2053

How do we know these projections are accurate? People who will be 65 in 2053 have already been born and we can count them

Source: Congressional Budget Office, The Demographic Outlook, January 2023
The U.S. Economy Can Grow Only as Fast as It Can Produce Output

Annual Percent Change in Real GDP

Sources: St. Louis Federal Reserve (historical); Congressional Budget Office, An Update to the Economic Outlook: 2023 to 2025, July 2023 (projection)
Domestic output is constrained by two key labor market variables.

Average Annual Growth of Potential GDP Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Potential Labor Force Size</th>
<th>Potential Labor Force Productivity</th>
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</thead>
<tbody>
<tr>
<td>1993-2022</td>
<td>0.8%</td>
<td>1.6%</td>
</tr>
<tr>
<td>2023-2053</td>
<td>1.6%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

Source: Congressional Budget Office, *The 2023 Long-Term Budget Outlook*, June 2023
By 2042, U.S. deaths exceed births and population growth will be driven solely by immigration.
Delay in corrective action makes policy solutions more challenging

Deficit Reduction Needed as a Percent of GDP

- **2027**
  - $1 trillion savings in first year: 3.5%, to reach 80% debt/GDP ratio by 2052
  - $800 billion savings in first year: 2.8%, to reach 100% debt/GDP ratio by 2052

- **2032**
  - $1.5 trillion savings in first year: 4.3%

- **2037**
  - $2.5 trillion savings in first year: 5.7%

Source: Congressional Budget Office, *The 2022 Long-Term Budget Outlook*, July 2022
Why the National Debt Matters

• Rising debt reduces the fiscal space needed to respond to the next crisis (natural disasters, recession, another pandemic).

• Our fiscal security is closely linked to our national security and our ability to maintain a leading role in the world.

• We’ve run up so much debt, net interest costs will eventually exceed the cost of Social Security unless changes are implemented. Net interest cost is the fastest growing category of spending in the federal budget.

• If we don’t cut spending, the only way to repay our debt will be higher taxes.

• Politicians have strong incentives to leave the debt problem for future generations – an unjust legacy to leave our children and grandchildren.
Key Points of Agreement

In our travels around the country with experts of diverse perspectives, we have found agreement on the following key points:

• Current fiscal policy is unsustainable.

• There are no easy solutions, such as cutting waste fraud and abuse, eliminating foreign aid, or growing our way out of the problem.

• Finding solutions will require bipartisan cooperation and a willingness to discuss all options.

• Public engagement and understanding is vital in finding solutions.

• This is not only about numbers. This is also an issue of intergenerational inequity.
How can I learn more?

• Sign up for our email updates at concordcoalition.org.

• Download and share our podcast Facing the Future

• Volunteer to be a Fiscal Lookout.

• Give this chart talk in your community, take the Fiscal Challenge, or lead a Principle & Priorities exercise.

• Follow us on (Twitter: @ConcordC; LinkedIn: The-Concord-Coalition, Facebook: ConcordCoalition

• Support The Concord Coalition financially. We need your help!