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Macro Roundup Article

Headline: Jason Furman On CBO Forecast

Article Link: https://twitter.com/jasonfurman/status/1755359709689942410

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Publication	@jasonfurman
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Tweet: Noting the US fiscal outlook is on "an unsustainable course" @jasonfurman argues that cutting the primary deficit by 1.5% of GDP would stabilize the debt at ~125% of GDP, and “should be doable.”

Summary: The latest CBO outlook is projecting a slightly smaller deficit and debt over the next ten years. This despite the fact that the actual 2023 deficit was well above what CBO had forecast. The most fiscally favorable change is that the forecast for the primary deficit as a share of GDP (that is non-interest spending minus revenue) has fallen dramatically relative to recent forecasts. The biggest improvement is due to the discretionary limits in the debt limit deal. The budget is still on an unsustainable course. But the adjustment needed for sustainability is not especially daunting. In particular cutting the primary deficit by ~1.5% of GDP would stabilize the debt at ~125% of GDP. This is similar to the adjustment from 1990 or 1993 or what is needed for Social Security solvency. To be clear, getting Congress not to extend tax cuts (or worse, extending everything except the limit on the State & Local Tax deduction) could be hard. Another 1.5% of GDP on top of that is hard given the current political climate. Forecast could worsen. But should be doable.

Related Articles: The Budget and Economic Outlook: 2024 to 2034 and When Does Federal Debt Reach Unsustainable Levels? and If Markets Are Right About Long Real Rates, Public Debt Ratios Will Increase For Some Time. We Must Make Sure That They Do Not Explode

Primary Topic: Fiscal Deficits

Topics: Fiscal Deficits, Fiscal Policy, Op-Ed/Blog Post, Politics

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