

Macro Roundup Article

Headline: [A Unified Long-Run Macroeconomic Projection of Health Care Spending, the Federal Budget, and Benefit Programs in the US](#)

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Tweet: A new @AEIecon analysis suggests that, as a result of the low-productivity healthcare sector's growing share of the economy, America's debt-to-GDP ratio will be 134% in 2032 relative to CBO's 115% projection.

Summary: Within the next ten years, the federal government budget deficit relative to national income will grow significantly beyond historical experience. We project that debt-to-GDP will be 134% in 2032 and 263% in 2052, compared to CBO's 115% and 189%, respectively. Real interest rates rise in the long run in a ratcheting cycle of higher interest payments and growing deficits and debt. Our projection of national health expenditures relative to GDP in 2072 is 29.6%, compared to 28.4% by the Centers for Medicare & Medicaid Services used by the Medicare Trustees. These higher rates of healthcare inflation arise from labor shortage effects in an aging economy because healthcare is produced in a low productivity, labor-dependent sector. This rise in healthcare expenditures further deteriorates the federal budget and lowers consumer welfare. Related: The 2023 Long-Term Budget Outlook and US Fiscal Alarm Bells Are Drowning Out a Deeper Problem and Interest Costs Will Grow the Fastest Over the Next 30 Years

Primary Topic: Fiscal Deficits

Topics: Academic paper, Fiscal Deficits, Fiscal Policy, Government Spending, Weekly

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