Latest CBO Report: Government Debt to Double by 2048

The "2018 Long Term Budget Outlook" released by the Congressional Budget Office (CBO) earlier this week said that if current conditions hold (same tax policy, no recession, etc.) in the next 10 years, the national debt will equal the national output of goods and services. In 30 years, the national debt will be 50 percent larger than the country's economic output and double what it is now relative to the GDP:

> Under current law, federal debt held by the public is projected to increase sharply over the next 30 years as spending grows more quickly than revenues do. Driving that spending growth are interest payments on the [national] debt, major health care programs, and Social Security….
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> At 78 percent of gross domestic product (GDP), federal debt held by the public is now at its highest level since shortly after World War II. If current laws generally remain unchanged, the Congressional Budget Office projects, growing budget deficits would boost the [national] debt sharply over the next 30 years; it would approach 100 percent of GDP by the end of the next decade and 152 percent by 2048.

It's a Republican plot, according to Senator Chuck Schumer (D-N.Y.): "The Republican strategy is clear: increase the deficit on behalf of special interests, then use that as an excuse to slash benefits that hardworking Americans have earned."

Schumer no doubt is referring to the unsustainable Social Security program that just announced that its trustees are starting to liquidate part of its holdings of special government bonds in order to meet its obligations.

It's far too pessimistic, according to Senator Robert Portman (R-Ohio). Portman said that lots of things can change in the next 30 years, that history is likely to record much higher revenues than the CBO predicts, and that the national debt is likely to be much lower as well.

Portman says that the CBO's estimate of just 1.9 percent annual growth in the economy is far too low: "Somehow we're just going to go right back to where we had been, at 1.9 percent, which was the annual growth rate during the Obama years? I don't think that's the new normal. I think we can keep the growth rate much higher than that."

Portman also suggested that welfare benefit payouts will continue to decline, specifically disability insurance benefits and food stamps, or SNAP.

According to the *New York Times*, fewer than 1.5 million Americans applied to the Social Security Administration for disability coverage in 2017, the lowest number since 2002, and disability applications are running even lower so far this year.

As for the SNAP program, the number receiving food stamps peaked at 47.6 million back in 2013 and has been declining ever since. In March, according to the U.S. Department of Agriculture, SNAP enrollment dropped to just over 40 million, a decline of more than 7½ million in the last five years.

Projecting those declines into the future, according to Portman, and taking into account that most prognosticators have regularly and consistently understated the economy's remarkable performance under the Trump administration, Portman is comforted that the CBO's concerns about deficits and debt inundating the economy with unsustainable burdens are overblown.

One thing missing from either senator's reaction to the CBO report is the repatriation of billions from abroad taking place under the Trump "tax holiday." As Steve Byas, writing in *The New American*, noted: "America's CEOs are not wasting any time in taking advantage of the tax reform plan. Over $300 billion was repatriated to the U.S. in the first quarter, according to the Bureau of Economic Analysis (BEA)."

That leaves nearly $3 trillion that remains abroad, much of which will likely be returned to the United States, to be invested in various projects and capital improvements already approved and just waiting to be funded. When those capital projects are completed they will add hundreds of thousands of additional jobs to the already thriving U.S. economy, further reducing demands on welfare state programs while simultaneously adding additional tax revenues to Washington.

That is not to say that these massive deficits (estimated to exceed a trillion dollars a year by 2020) and the resulting increase in the national debt are to be lightly dismissed or ignored. They will have to be dealt with eventually, either through default or diminishment of benefits. But as the economy continues to expand, so will individuals be better able financially to withstand the coming austerity that will be forced on those unsustainable government welfare programs.

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