



Written by [Thomas R. Eddlem](#) on July 1, 2010

CBO Labels Current U.S. Debt Path “Unsustainable”

The non-partisan U.S. Congressional Budget Office declared that the U.S. government is on an “unsustainable” path of accumulating debt in a new analysis entitled The Long-Term Budget Outlook.

The document declares that the United States has undergone a “sharp deterioration in the fiscal situation” and calculates that under current law health care costs, Social Security and interest on the national debt will exceed all tax money coming in to the federal government by 2035.

If Congress continues to make expected changes to current law, such as increasing healthcare payments to doctors under Medicare and extend provisions of the Bush-era tax cuts to the middle class, then the United States government will still experience Greek-level deficits on the order of 10 percent of Gross Domestic Product (GDP) 25 years from now. “Under current laws and policies, an aging population and rapidly rising health care costs will sharply increase federal spending for health care programs and Social Security. Unless revenues increase at a similar pace, such spending will cause federal debt to grow to unsustainable levels,” the report concluded. But that’s not because taxes will be cut; the opposite is true, the CBO [explained](#):



Federal revenues would increase to significantly higher levels under current law than have ever been seen in the United States, but they would still fall short of spending, according to CBO’s long-term projections.... Revenues would also rise considerably under current law; by the 2020s, they would reach higher levels relative to the size of the economy than ever recorded in the nation’s history.

In addition to the aging of the population and the costs on Social Security — and increased costs of maintaining the mounting national debt — the CBO notes that healthcare costs will continue to spiral out of control. Although passage of Obama’s healthcare package “will slightly reduce federal spending for health care [compared to pre-existing law] if all of its provisions are fully implemented,” the CBO [claims](#), the legislation didn’t bend the curve of expected unsustainable federal healthcare costs:

CBO projects that if current laws do not change, federal spending on major mandatory health care



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programs will grow from roughly 5 percent of GDP today to about 10 percent in 2035 and will continue to increase thereafter. Those projections include all of the effects of the recently enacted health care legislation, which is expected to increase federal spending in the next 10 years and for most of the following decade.

To the contrary, it could be argued that the Obama healthcare package locked in the unsustainable healthcare spending path.

There was one [Austrian economic school](#) thought in the document, when the author of the CBO's study, Joyce Manchester [wrote](#) that huge national budget deficits will reduce savings and stifle economic growth: "Large budget deficits would reduce national saving, leading to higher interest rates, more borrowing from abroad, and less domestic investment — which in turn would lower income growth in the United States."

The CBO predicts that the United States will face a Greek-style financial crisis in the future unless the federal government brings the budget nearer to balance. The combination of higher deficits, more accumulated debt, and stagnated growth could even create a spiraling effect, the CBO [concluded](#): "Over time, higher debt would increase the probability of a fiscal crisis in which investors would lose confidence in the government's ability to manage its budget, and the government would be forced to pay much more to borrow money."

Photo of Greek finance crisis riot: AP Images



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