

October 4, 2018

This Fiscal New Year May Mark a Permanent Return to Trillion-Dollar Deficits

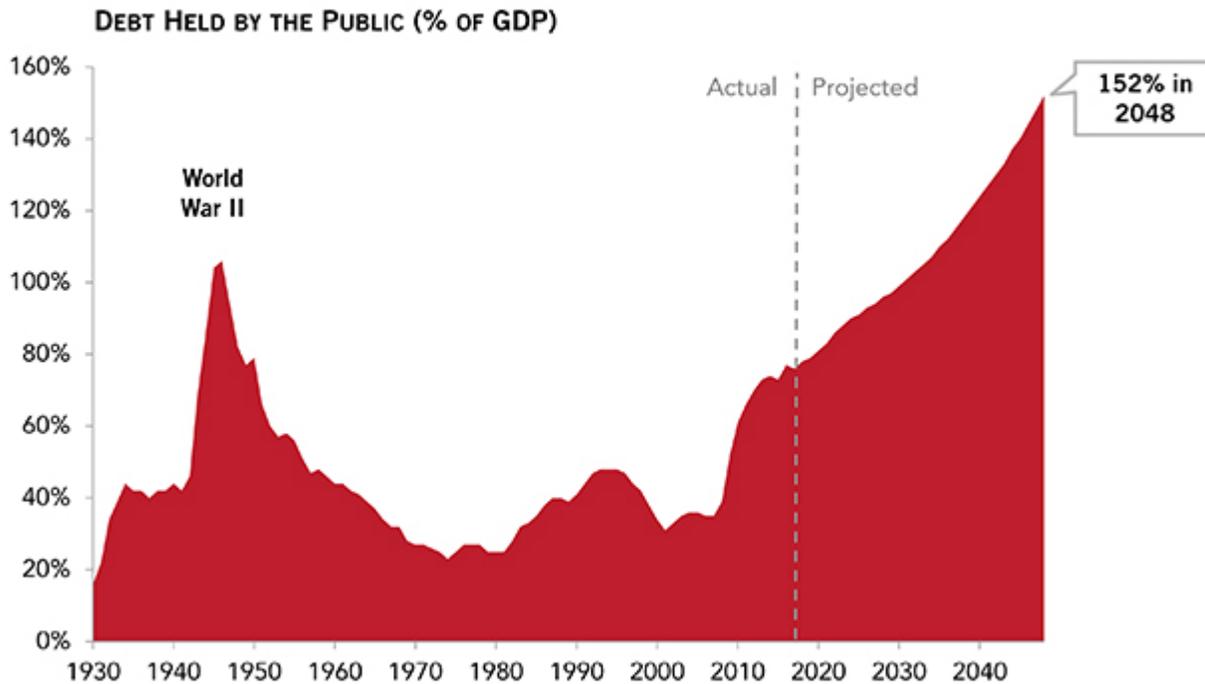


Fiscal year 2019 started on October 1 and may mark an unfortunate milestone: a permanent return to trillion-dollar deficits for the federal government.

The non-partisan Congressional Budget Office (CBO) projects that the deficit this fiscal year (October 1, 2018 – September 30, 2019) will total \$973 billion if current policies remain the same; the Trump Administration anticipates a deficit of \$1.085 trillion under their budget proposal. Other than during the recent recession caused by the financial crisis and its aftermath, the U.S. government has never witnessed deficits that exceeded \$1 trillion.

Moreover, due to recent tax and spending legislation as well as a foreseeable wave of demographic changes, deficits are projected to continue rising in the years ahead.

More troubling than crossing the trillion-dollar milestone is the fact that debt is increasing relative to the size of the economy. Debt in 2019 is expected to creep closer to 80 percent of GDP — about twice the level that existed before the financial crisis. Under CBO's long-term budget projections, debt would nearly double again in 30 years, rising to 152 percent of GDP by 2048. Those are clearly unsustainable and dangerous levels.



SOURCE: Congressional Budget Office, *The 2018 Long-Term Budget Outlook*, June 2018. Compiled by PGPF.

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Looking ahead to the first few months of this fiscal year, here are key fiscal and economic dates to consider:

- **October 26** — Release of the estimate for gross domestic product for July-September 2018.
- **November 6** — Election Day. See our Campaign Fiscal Toolkit with resources for voters and candidates.
- **November 30** — The deadline for the Joint Select Committee on Budget and Appropriations Process Reform to release a set of recommendations. See our principles for reform here.
- **December 7** — Recent legislation preventing a government shutdown included full-year funding for five of twelve appropriations bills, which include the departments of Defense, Labor, Education, and Health and Human Services. The remaining seven bills fall under a short-term continuing resolution that expires on 12/7. If lawmakers can't come to agreement on the remaining seven appropriations bills by then, they will risk a partial government shutdown.

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