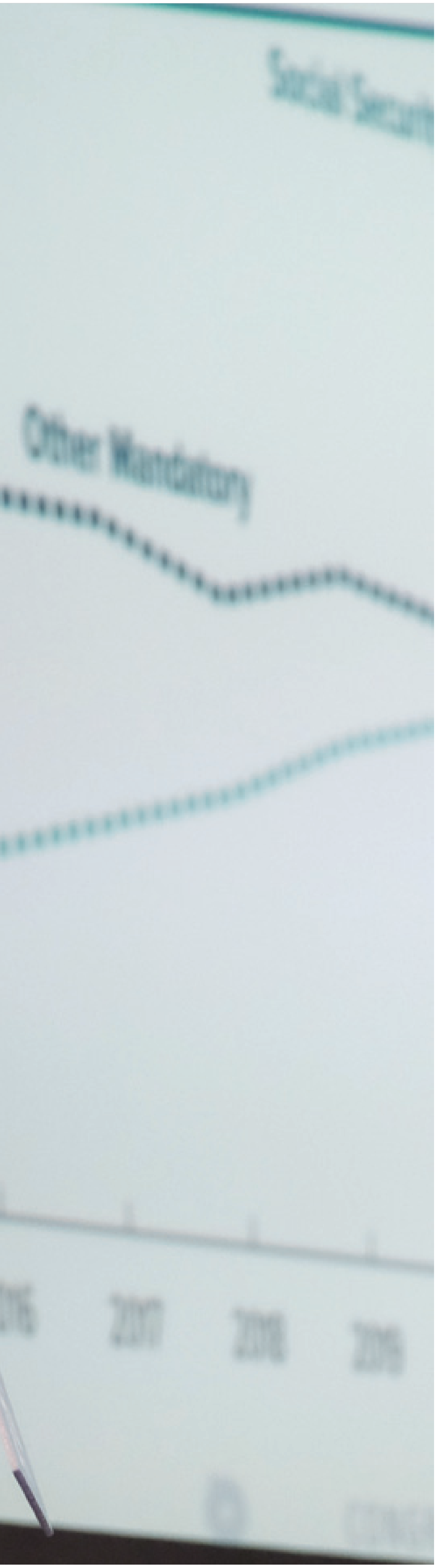
Keith Hall
Director, Congressional Budget Office



The State of Play: America's Fiscal and Economic Outlook

Keith Hall

KEITH HALL, Director of the Congressional Budget Office (CBO), opened the program, discussing the current budget outlook and projections for America's fiscal and economic future. Hall leads the work of the CBO, an independent, nonpartisan agency charged with providing Congress with cost estimates of proposed legislation and analyses of the budget and the economy.

Hall began by summarizing the nation's structural imbalance between spending and revenue. On the spending side, he noted that Social Security and major health programs are key drivers of this imbalance, accounting for 60 percent of the spending increase over the next decade. At the same time, interest costs will become a larger and larger part of the budget, more than doubling from 1.4 percent of GDP to 3 percent of GDP over that period.

With respect to revenues, Hall illustrated that tax receipts are not projected to keep pace with spending. He noted in particular the size of tax expenditures—sometimes called tax preferences or tax loopholes—which amount to approximately $1.5 trillion this year alone, or nearly 8 percent of GDP. Hall said these expenditures are "quite significant," and include "an array of exclusions, deductions, preferential rates, and credits that reduce revenues for any given level of tax rates."

Next, Hall turned to the fiscal picture beyond 10 years, stating that if current laws remain in place, "the outlook for the budget would steadily worsen over the long term" with an even more substantial gap between spending and revenue over the next 25 years. He cited the aging of the population and rising healthcare costs as the most important factors driving the increase in spending.

Hall identified a number of potential negative consequences of our growing debt, including reduced national savings and incomes, lower GDP and wage growth, reduced flexibility to respond to unforeseen events, and increased pressure on the federal budget.

To address these challenges, Hall advised, lawmakers "would have to make major policy changes to tax policy, spending policies, or both to make this path sustainable." He added that "the longer you wait, the more change you have to make over time."