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National Debt Is Projected To Nearly Double in 30 Years

BY KATE DAVIDSON

The national debt is on track to nearly double over the next three decades, the Congressional Budget Office said Thursday, highlighting a challenge for the Trump administration, which has yet to propose any policies to lower deficits.

President Donald Trump has signaled that he intends to pursue policies that may in fact drive deficits even higher, including a sweeping tax cut and infrastructure spending, while ruling out changes to the Social Security and Medicare programs, which are the biggest drivers of higher government spending.

The CBO's annual report on long-term federal spending and revenue shows the federal debt, which has doubled since 2008 to about 77% of gross domestic product, would reach 150% of GDP in 2047, the highest level since its post-World War II peak. That is up from an estimate of 145% made this past January.

"Such high and rising debt would have serious budgetary and economic consequences," the agency warned.

The increase reflects higher costs for health-care programs and Social Security, the result of an aging population, and higher interest payments on the federal government's debts.

The CBO also lowered its projections for GDP growth over the next 30 years—in part because of slower productivity growth—which boosted the estimates of debt as a share of GDP.

The report's estimates are based on the assumption that current laws will remain generally unchanged, and that potential GDP will grow 1.9% on average each year through 2047, significantly lower than the 2.9% average seen over the previous 50 years.

Lower interest rates than previously estimated are expected to soften the impact of larger deficits and slower economic growth by effectively offsetting the costs to the federal government. The latest CBO estimates envision the 10-year Treasury rate, after inflation, reaching 1.5% over the long term, down from estimates of 1.9% last year and 2.2% in 2015.

Net interest costs are expected to average 2.1% of gross domestic product over the coming decade, according to Thursday's report, down from 2.5% last year. Despite the downward revision, however, those costs are expected to triple as a share of total federal spending over the next 30 years, from 7% today to 21% by 2047.

The Federal Reserve started lifting short-term interest rates in December 2015 after keeping them pinned near zero for nearly a decade. Thursday's CBO report assumes two Fed rate increases in 2017, including one earlier in March, and two increases in 2018.

CBO also significantly lowered its projections for immigration, mainly because of an apparent slowdown in unauthorized immigration in recent years, the agency said.

The CBO's forecasts have consistently shown health-care programs and Social Security will be by far the biggest drivers of federal spending in the coming decades as an aging workforce leaves fewer workers to support more retirees.

CORRECTIONS & AMPLIFICATIONS

A side deal covering import surges was enacted as part of the North American Free Trade Agreement. In some editions Thursday, a Page One article about Nafta incorrectly suggested that component of the pact was blocked by Mexico.

Adrian College is in Adrian, Mich. A photo caption with a U.S. News article on Tuesday about student debt incorrectly said the college is in Howell, Mich.

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