

THE PATH OF SUSTAINABLE GROWTH

By contrast, *A Roadmap for America's Future* charts a path of fiscal sustainability by keeping revenues as a percent of GDP at their historical average, and restraining spending to hold deficits within their historical levels. The result is that interest and debt accumulate at much slower rates than projected under current fiscal policy, and actually begin to decrease after peaking in mid-century.

Table 6: A Roadmap for America's Future – Projected Federal Spending and Revenue, as Percentages of Gross Domestic Product

	2007	2030	2050	2082
Primary Spending ^a				
Social Security	4.3	6.5	6.4	4.1
Medicare	2.7	5.3	5.1	5.0
Medicaid	1.4	1.3	1.2	1.0
Other Noninterest	9.8	7.3	6.1	3.1
Subtotal: Primary Spending	18.2	20.3	18.7	13.1
Interest	1.7	2.9	5.3	2.9
Total Spending	19.9	23.2	24.0	16.0
Revenue	18.7	18.5	18.5	18.5
Deficit (-)	-1.2	-4.7	-5.5	2.5

Source: Committee on the Budget.

Under this plan, Federal spending peaks in 2041 at 24.7 percent of GDP. With revenue projections held to 18.5 percent of GDP, this means the largest deficit faced under this plan is 6.2 percent of GDP. Although this number is large, recent history shows it is sustainable for a short period. (In 1983, the Federal Government ran a deficit of 6 percent of GDP.) What is important about this plan, however, is not how it compares with the past, but how it compares with the trajectory under current policy – and whether the economy can sustain these deficit levels. Absent policy reforms, the Federal Government will face a deficit of 6.2 percent of GDP in 2022, which will then swell to nearly 20 percent of GDP in 2041, and continue growing to more than 50 percent of GDP in 2082. In contrast, deficits in *A Roadmap for America's Future* peak in 2041 and then begin a rapid decline, until the budget reaches surplus.

Similarly, *A Roadmap for America's Future* keeps debt held by the public from spiraling to unsustainable levels. Under current policy, debt held by the public soars to the improbable level of more than 800 percent of GDP (though the economy would crash well before this level were reached). As CBO notes in *The Long-Term Budget Outlook*, countries that carry debt of more than 100 percent of GDP must change their fiscal policies because those levels are not sustainable over the long run.

The *Roadmap* also slows the accumulation of debt held by the public, and eventually reduces debt year over year beginning just after the middle of the century. Although deficit and debt levels rise in the *Roadmap*, CBO concluded the economy could sustain them, and would be “considerably stronger” than under current policy (see Appendix II).

Most important, real living standards continue to increase under this budget path. Data from CBO show that, under this scenario, the standard of living for a child born today would double (i.e. per-capita output would rise from \$45,000 to more than \$90,000) by the time he or she reached middle age, just after the middle of the century (see Figure 12). In this way, the sustainable budget path continues the American legacy of leaving the next generation better off. *This is in sharp contrast with current fiscal policy, which would lead to stagnant, and eventually declining, standards of living.*

