



U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON THE BUDGET

134 Cannon House Office Building, Washington, D.C. 20515 ★ (202) 226-7200 ★ democrats-budget.house.gov

John Yarmuth
Ranking Democrat

January 25, 2017

CBO Releases Updated Budget and Economic Outlook: Obama Leaves Behind a Country in Much Stronger Fiscal Health

Yesterday the Congressional Budget Office released its latest report on the budget and economic outlook, showing minor changes from earlier projections.

In sharp contrast with President Obama, the incoming President is inheriting an optimistic fiscal picture. Eight years ago, the new Obama Administration faced the worst economic crisis since the Great Depression, with record deficits and massive job losses. Since then, successful efforts to create jobs and grow the economy have created a solid foundation to pass along to the next President.

But Republicans are on the path to undo all the positive gains the previous Administration achieved, repealing the Affordable Care Act (ACA) and growing the deficit.

Deficits in CBO's January Outlook											
billions of \$	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenues	3,404	3,604	3,733	3,878	4,019	4,176	4,346	4,527	4,724	4,931	5,140
Outlays	3,963	4,091	4,334	4,562	4,816	5,135	5,346	5,554	5,890	6,228	6,548
Deficits	-559	-487	-601	-684	-797	-959	-1,000	-1,027	-1,165	-1,297	-1,408
% of GDP	-2.9	-2.4	-2.9	-3.2	-3.6	-4.2	-4.2	-4.1	-4.5	-4.8	-5.0

The Economy Has Rebounded—When President Obama took office, the economy was shrinking faster than it had in more than 50 years, and Americans were losing jobs at a record pace. But under eight years of the Obama administration, the economy has rebounded:

- **Private sector job growth** – 15.8 million private sector jobs have been added since 2010. President Obama inherited an economy that was losing about 800,000 jobs per month.
- **Unemployment rate** – 4.7 percent in December 2016, down from 7.8 percent in January 2009 and its peak of 10 percent in October 2009.

CBO expects the economy to continue to grow at roughly its average pace since the end of the recession.

The Deficit Picture Has Improved in the Short Run—Since 2009, deficits have fallen by nearly two-thirds as a share of the economy. The federal deficit shrank from 9.8 percent of GDP in 2009 to 3.2 percent in 2016, the fastest sustained period of reduction since just after World War II.

Deficits Will Begin Growing Again—After declining through 2018, CBO projects that deficits over the next decade will trend upward. Spending growth driven by an aging population and rising interest payments to finance the government’s debt will outpace revenue growth. Accumulating deficits will drive debt to the highest percentage of the economy since after World War II.

Republican Solutions Are Wrong-Headed

A Smart Approach to Fiscal Policy is Needed—While the short-term budget and economic scenarios are much improved since the beginning of the Obama Administration, CBO’s report reminds us that over the long-term we must put in place policies to strengthen the economy and set the budget on a sustainable path. We should immediately move to grow our economy through infrastructure investments, an area of bipartisan agreement. As we look to the longer term the smart approach will, of necessity, require us to look beyond the set of discretionary programs that have borne the brunt of deficit reduction to date. What we cannot do, however, is improve the federal government’s fiscal outlook at the expense of the most vulnerable in our society.

Gutting Health and Retirement Security is the Wrong Policy and the Wrong Focus—Democrats fundamentally disagree with Republicans on how to address our long-term budget challenges. Their vision – driven by an obsession with repeal of the ACA, gutting Medicaid, privatizing Medicare, and reducing Social Security benefits – would shift more costs onto seniors and struggling families. Already this Congress, they have pushed through a budget resolution to set up fast-track procedures for an ACA repeal bill and held hearings after the fact to justify their actions. Yet earlier this month, CBO’s report “How Repealing Portions of the Affordable Care Act Would Affect Health Insurance Coverage and Premiums” showed that Republicans’ continued quest to repeal the law would leave 32 million people uninsured and double premiums by 2026. Outside reports have also indicated that repeal could drive up deficits by \$350 billion and eliminate 3 million jobs. We believe we can address our long-term challenges while providing meaningful retirement and health security for the middle class and economically struggling families.

Massive Tax Cuts Will Leave a Government That Benefits the Rich and Hurts Our Most Vulnerable—Republicans have proposed tax cuts that overwhelmingly go to those with the very highest incomes. Millionaires and billionaires would come out great, but deficits will balloon and less-advantaged Americans could be left behind. If Republicans succeed in this giveaway to the rich, we can expect the very same people to call for draconian spending cuts to rein in the larger deficits they created. The losers at the end of all of this will be low-income and middle-class families.