BROOKINGS

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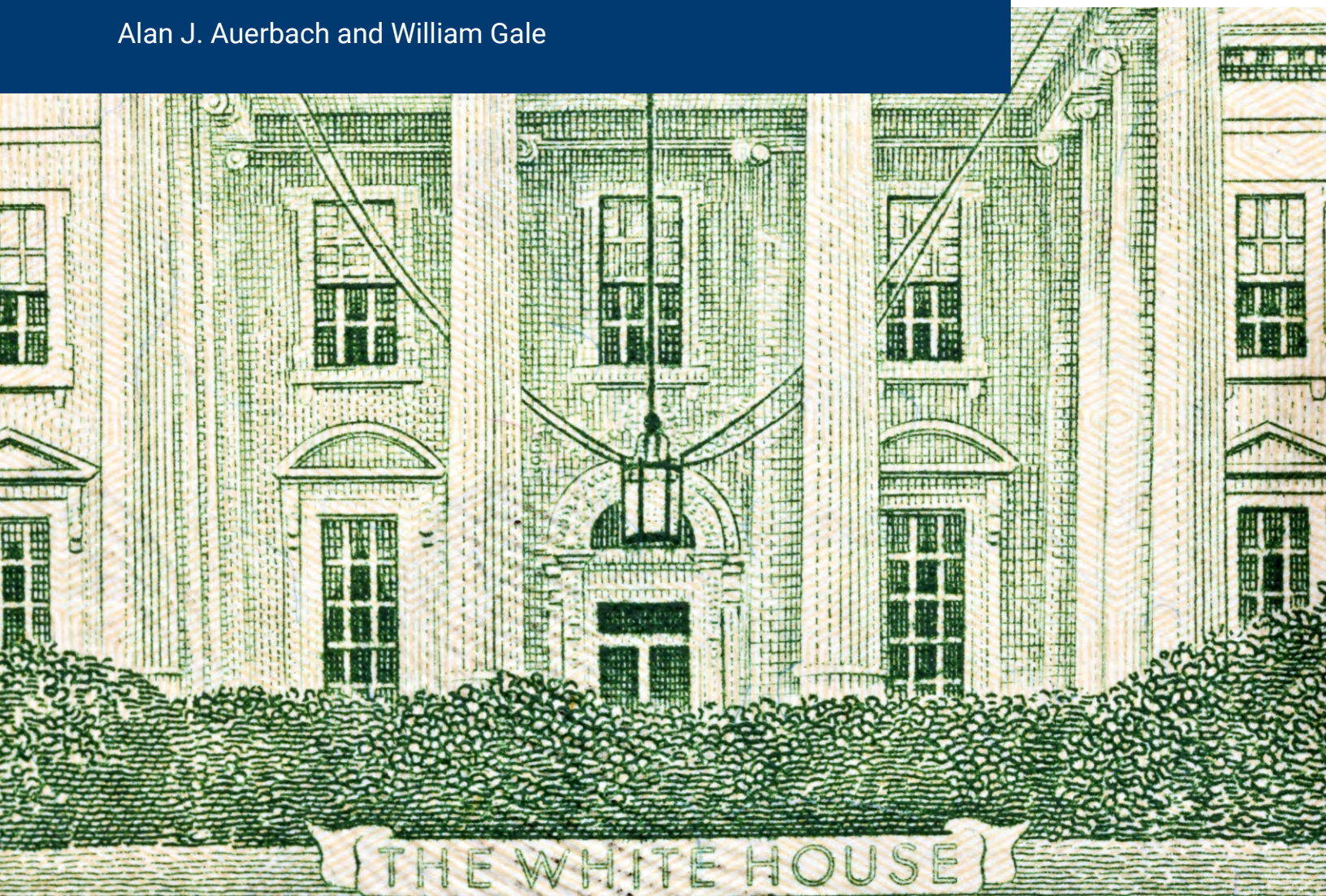
THE FISCAL OUTLOOK

AT THE BEGINNING OF THE NEW ADMINISTRATION

Alan J. Auerbach and William Gale



ABSTRACT

We examine the federal fiscal outlook in light of the most recent Congressional Budget Office (CBO) projections. CBO projects that the ratio of federal debt to GDP will rise from 98% at the end of 2024 to 118% by 2035 and to 154% in 2055 under current law. We show that under current-policy adjustments (including extending the temporary provisions of the 2017 Tax Cuts and Jobs Act and maintaining government services), debt would rise to 134% of GDP in 2035 and to 209% in 2055. Under either projection, net interest payments rise to exceed Medicare outlays by 2055, and debt would be expected to continue to rise relative to the economy thereafter. By any measure, the federal budget trajectory is unsustainable and will eventually require federal action. Under current-law projections, the 2024 debt-to-GDP ratio could be sustained in 2055 with immediate and permanent spending cuts or tax increases equaling 1.84% of GDP—equivalent to a 22% increase in income tax revenues or a 15% cut in spending other than Social Security, Medicare, and interest payments—or with larger changes enacted later. Under current-policy projections, the required adjustments are almost twice as large. How quickly actions are needed will depend on many factors, including the path of interest rates.

AUTHOR NOTES AND ACKNOWLEDGEMENTS

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DISCLOSURES

I. Introduction

In light of recent economic trends and the most recent Congressional Budget Office projections,[1] we offer new estimates of the medium- and long-term fiscal outlook, updating our previous work, most recently by Auerbach and Gale.[2]

The basic story has two components. First, federal non-interest spending and revenues are out of balance, generating persistent primary deficits that are sizable given the near-full-employment assumptions. Second, net interest payments rise steadily and substantially relative to GDP due to high pre-existing debt, persistent primary deficits, and gradually increasing interest rates. Together, these two patterns generate rising unified deficits and public debt as a share of GDP.

Under current law for the next 10 years, CBO's projections imply that primary deficits will average 2.1% of GDP. Net interest payments will rise from 3.1% of GDP to 4.1% in 2035, which would represent an all-time high. Both the unified deficit and the cyclically-adjusted deficit average about 6% of GDP over this period. Debt will rise from 98% of GDP at the end of 2024 to 118% by 2035, another all-time high.

Over the following two decades, the projected trends are even less auspicious. Sizable primary deficits persist indefinitely. The average nominal interest rate on government debt rises to exceed the nominal economic growth rate by 2046, setting off the possibility of explosive debt dynamics. By 2055, relative to GDP, annual net interest payments reach 5.4%, the unified deficit reaches 7.0%, and the public debt stands at 154%. All these figures would be all-time highs (except for deficits during World War II, the 2008 financial crisis, and in the first two years of the COVID-19 pandemic) and would continue to grow after 2055.

Budget outcomes would be even worse under "current-policy" projections that incorporate more realistic policy choices than those required by the baseline calculations. Making temporary tax provisions—such as those in the Tax Cut and Jobs Act of 2017—permanent would raise the 2055 debt ratio to 195%. In addition, making plausible assumptions about future discretionary spending to maintain current services per capita in domestic spending and maintain real outlays in defense would drive the debt-to-GDP ratio to 209% by 2055. However, we emphasize both that, at the moment, it is difficult to discern what a "current policy" scenario should look like and that our assumptions about how current policy differs from current law are probably conservative—that is, they probably understate the extent of likely policy interventions and understate future deficits. President Trump has endorsed a plethora of additional tax cuts, and some tax increases and the spending trajectory are equally uncertain.[3]

Fiscal gap calculations indicate the magnitude of the changes required to meet a future fiscal target. For example, starting from the current-law baseline, we estimate that to keep the debt-to-GDP ratio at its 2024 level (98%) in 2055 would require a combination of permanent spending cuts or tax increases equaling 1.84% of GDP if implemented starting in 2026. This represents about $530 billion, or about 22% of 2024 income tax revenues, 11% of all tax revenues, 9% of non-interest spending, or 15% of non-interest spending other than Social Security and Medicare. Delaying the implementation of the actions would raise the size of the intervention needed.

While the fiscal situation is problematic, it bears emphasis that the outlook has improved since CBO's previous projections, largely because of upward GDP revisions, which in turn lead to higher projected taxable income and individual income tax receipts.[4] For example, under the current-law projections: The projected debt-GDP ratio in 2034 fell from 122% in June 2024 to 117% in January 2025; the projected debt-GDP ratio in 2054 fell from 179% to 152%; and the fiscal gap—the adjustments required to maintain the current debt-GDP ratio in 30 years—fell from 2.65% of GDP to 1.84%. Long-term budget projections, of course, are sensitive to parameter choices in general and to interest rate projections in particular. But even with the improvement in the long-term outlook, it would take enormous

and unlikely favorable variation from baseline parameters to put fiscal policy on a sustainable course in the absence of major policy changes.

Section II describes the construction of different budget baselines. Section III summarizes how projections for gross domestic product (GDP) and interest rates have changed over the past year. Section IV examines the 10- and 30-year current-law budget projections as of January 2025 and compares them to the June 2024 baseline. Section V estimates the effects of current-policy adjustments relative to current law. Section VI discusses cyclically-adjusted deficits and sensitivity analysis. Section VII calculates fiscal gaps under various scenarios. Section VIII concludes with a discussion of a variety of perspectives on and interpretations of the budget outlook.

II. Constructing budget baselines

A. TEN-YEAR OUTLOOK

To provide perspective on both the current budget outlook and how it has changed over the past few months, we examine three baselines.[5] The "June 2024 current-law" baseline is based entirely on projections that the Congressional Budget Office made in June 2024 for both the 10-year and long-term outlooks.[6] The "January 2025 current-law" 10-year and 30-year baselines come from the most recent budget projections.[7]

These projections—by law and convention—assume that Congress does (almost) nothing in the way of new programs or tax changes for the next 10 years. Current-law projections serve an important purpose: They show where the government is headed in the absence of almost any action.[8] Another way to proceed, however, is to ask where the government is headed if policymakers continue to make choices like they have in the past. Constructing a baseline along these lines—typically characterized as "2025 current policy"—clearly requires judgment calls to project the consequences of Congress following a "business as usual" approach. Our current-policy projections start with the January 2025 current-law projections and make a series of adjustments (based largely on CBO data). These adjustments simply show the effects of what, in our judgment, can be viewed as a continuation of current policies. Given the significant uncertainty about how Congress will approach both the expiring TCJA provisions and many other campaign promises from President Trump, judgments about what constitutes current policy are particularly difficult under present circumstances, so we take a conservative approach and focus narrowly on items that are conventionally included in "current-policy" estimates.

To adjust taxes, we assume that, as it has often done in the past, Congress makes temporary tax-cut provisions permanent, including the temporary provisions in the 2017 Tax Cuts and Jobs Act.[9]

We project non-defense discretionary spending to be constant on a real, per-capita basis at its 2024 level. This accounts for the fact that maintaining current services for these programs is likely to require a population adjustment.

In contrast, defense spending, which largely provides a non-rival public good, plausibly can maintain current services over the relatively short 10-year horizon without a population adjustment. We therefore adjust the projected values of defense spending only to maintain the real level of such spending in 2024. This adjustment may well be optimistic (from a budget perspective) given the situations in Ukraine, the Middle East, and elsewhere.

We assume all provisions of COVID-era legislation are allowed to expire as scheduled. We calculate the added net interest payments based on CBO data.[10]

B. 30-YEAR OUTLOOK

Looking only at the next 10 years gives an incomplete picture of the fiscal outlook, even with adjustments made to characterize current policy. Projections covering 30 years are generally sufficient to capture most long-term trends. The long-term current-law (January 2025 and June 2024) and current-policy projections use data from CBO for GDP, revenues, and outlays for Social Security and health-related programs.[11]

For the current-policy projections, we keep all mandatory spending estimates consistent with the current-law baseline. For revenue, we start with the 2035 value under the current-policy scenario and have it rise at the same rate as in the current-law baseline. For discretionary spending (defense and non-defense), we assume that outlays are maintained at the 2035 share of GDP.[12] These specifications and the current-policy adjustments for the first 10 years cause primary deficits to differ from the current-law baseline during years after 2035.

To calculate the change in net interest payments for 2035-2055, we first calculate, using parameters from the current-law baseline, the average interest rate on government debt, defined as the ratio of (a) net interest payments in a given year to (b) the sum of (i) half of the primary deficit in that year plus (ii) debt at the end of the previous year. Then, in the current-policy projections, we apply this interest rate to changes in the primary deficit and previous year's debt to calculate net interest payments, the unified deficit (as the primary deficit plus net interest), and the current year's debt (as the previous year's debt plus the current year's unified deficit).

III. Economic projections

Figure 1 shows that the 2025 current-law baseline projects real GDP to be higher in all years than the 2024 current-law baseline. This affects some of our comparisons of different categories as a share of GDP, since the 2025 denominator is strictly larger. Figure 2 shows that the 2025 current-law baseline projects interest rates to be lower in all years after 2035 than in the 2024 current-law baseline. Over the longer term, a key assumption is related to the relationship between the average nominal government interest rate and the nominal economic growth rate. Figure 3 shows that the average nominal interest rate is projected to rise gradually, remain below the nominal growth rate for about 21 years, and then exceed the growth rate starting in 2046. (Presumably, this growth in the interest rate in CBO's economic forecast is at least partially attributable to the rising debt-GDP ratio because CBO models the interest rate as being increased by the debt-GDP ratio.) In the 2025 current-law baseline, the average nominal government interest rate exceeds the nominal economic growth rate by 0.19 percentage points in 2055. These economic projections help drive the budget outcomes discussed below.

IV. Current-law baselines: February 2024 and June 2024

A. THE 2025 CURRENT-LAW BASELINE

Under the January 2025 current-law baseline, revenues are 17.1% of GDP in 2025. After falling from their 2022 value of 19.2%, revenues slowly rise to 18.3% in 2035 and eventually to 19.3% of GDP in 2055 (Figure 4). Income tax revenues increase after 2025 due to the expiration of provisions in the Tax Cuts and Jobs Act of 2017 and in the long term due to bracket creep.

Non-interest spending is 20.2% of GDP in 2025, staying relatively constant through 2035 and subsequently rising to 21.0% of GDP in 2055 (Figure 5).[13] About 77% of this increase is due to rising outlays for mandatory programs such as Social Security and health-related programs (Medicare, Medicaid, CHIPS, and exchange subsidies).

The primary deficit is 3.0% of GDP in 2025, declines somewhat over most of the rest of the 2020s, and then falls to 1.7% in 2055 (Figure 6). This long uninterrupted stretch of large primary deficits suggests that the government budget is fundamentally out of balance.

Net interest payments grow steadily as a share of the economy over the next 10 years, from 3.2% of GDP in 2025 to 4.1% in 2035 and 5.4% by 2055 (Figure 7). By comparison, the previous peak historical share of net interest in the economy was 3.2% in 1991.

Unified deficits, which combine the effects of primary deficits and net interest payments, are 6.2% of GDP in

2025, 6.1% in 2035, and then reach 7.0% in 2055 under current law (Figure 8). Over the next 30 years, net interest is projected not only to rise faster than other programs but to become the second biggest single expenditure item after Social Security (Figure 9).

Indeed, as Figure 10 shows, with primary deficits that decline slightly over time as a share of GDP, more than 100% of the increase in the unified deficit through 2055 is due to increases in net interest payments, which rise, in turn, because of both higher debt levels and higher interest rates on that debt.

Debt is projected to be 100% of GDP at the end of 2025 and 118% at the end of 2035 (Figure 11). After 2034, debt accumulates more rapidly and reaches 154% in 2055, due to both rising primary deficits and rising interest payments.

B. COMPARISONS WITH THE JUNE 2024 CURRENT-LAW BASELINE

Over the period from 2025 to 2034, the January 2025 current-law baseline includes an additional $0.9 trillion in projected outlays and $1.9 trillion in added revenues relative to the June 2024 current-law baseline. Most of the increase in projected revenues is due to CBO's upward revisions of GDP by $7.2 trillion over the 2025-2034 period, leading projected income tax receipts to increase by $1.5 trillion. Technical changes to CBO's model also lead to higher projected outlays for Medicaid and lower projected corporate income tax revenues, but these deficit-increasing effects are outweighed by the revenue effects of the economic revisions.

Over the 30-year horizon, the January 2025 projections show a substantial reduction in debt relative to the June 2024 projections. Projected debt in 2054 was 179% of GDP in the June 2024 current-law baseline and is 152% in the January 2025 current-law baseline. The difference arises largely because of the GDP and revenue changes noted above.

V. Current law versus current policy

While comparing the June 2024 current-law baseline to the January 2025 current-law baseline shows the impact of recent policies and economic developments, comparing the January 2025 current-law baseline to January 2025 current-policy projections shows the impact of certain "business as usual" changes that Congress tends to make. Almost all these differences occur during the first 10 years, given our process for generating projections, but they have ramifications for longer-term outcomes as well because we assume that the differences persist.

Making the temporary provisions of the Tax Cuts and Jobs Act permanent, extending other expiring tax provisions, and providing modest adjustments to spending cause the primary deficit to diverge sharply from its current-law values starting in 2026. By 2035, revenues would be just 16.9% of GDP, compared to 18.3% under current law (Figure 4); the primary deficit would rise to 3.8% of GDP and interest payments would rise to 4.5% of GDP, compared to 2.1% and 4.1%, respectively, under current law (Figures 6 and 7). Under current policy, the 2035 debt-to-GDP ratio would be 134% compared to 118% under current law (Figure 11).

The long-term effects are quite substantial. By 2055, revenues would be just 17.9% of GDP compared to 19.3% under current law (Figure 4); the primary deficit would rise to 3.6% of GDP, and interest payments would rise to 7.2% of GDP compared to 1.7% and 5.4%, respectively, under current law (Figures 6 and 7). Under current policy, the 2055 debt-to-GDP ratio would be 209% compared to 154% under current law (Figure 11). By comparison, the previous peak in the debt-GDP ratio occurred in the 1940s at 106%.

The current-policy projections are conservative in using the same interest rate assumptions as the current-law projections; incorporating any upward impact of higher debt in the current-policy projections on interest rates would raise debt by additional amounts.

VI. Extensions and sensitivity analysis

A. CYCLICALLY-ADJUSTED DEFICITS

Figure 12 shows that projected actual GDP and potential GDP are close to each other in the second half of the budget window, consistent with the CBO convention of not including business cycle fluctuations in its economic forecast once short-term adjustments have played out. The ratio of actual to potential GDP over that period is 0.995. Using the approximate relationship between the output gap and the size of automatic stabilizers reported by CBO, we report histor-ical and projected future cyclically-adjusted deficits in Figure 13.[14] Projected cyclically-adjusted deficits would be high and persistent relative to historical values outside the Great Recession and the COVID-19 pandemic. At the end of the budget window, we esti-mate a cyclically adjusted deficit of about 5.9% of GDP.

B. VARIATION IN ECONOMIC PARAME-TERS

The projections above are sensitive to a variety of economic parameters. We report the sensitivity of the budget projections over a 10-year horizon for the February 2024 baseline using the CBO workbook,[15] and over a 30-year horizon for the March 2024 Long Term Budget Outlook.[16]

As CBO reports,[17] if annual productivity growth rates were lower than projected by 0.1 percentage points for each of the next 10 years, the debt-to-GDP ratio would rise by 2.3% of GDP by 2034 under current law. If labor force growth rates were 0.1 percentage points lower than predicted over the next 10 years, the debt-to-GDP ratio would increase by 1.1% of GDP by 2034 under current law. If interest rates were 0.1 percentage point higher than predicted over the next 10 years, the debt-to-GDP ratio would be higher by 0.8% of GDP by 2034 under current law. If both interest rates and inflation were higher by 0.1 percentage point, debt-to-GDP would fall by 0.6% of GDP by 2034 under current law—the increase in GDP would outweigh the higher debt service payments.

CBO also reports sensitivity analysis over a 30-year period.[18] For example, if total factor productivity in the non-farm business sector were 0.5 percentage points higher than in the baseline, federal debt would be 42% of GDP lower by 2054 relative to the current-law projections. If the average nominal government interest rate were boosted by a differential starting at 5 basis points in 2024 and rising by 5 basis points each year (before macroeconomic responses), 2054 debt would increase by 51% of GDP, again relative to the current-law projections. If a dollar of public debt crowds out twice as much private investment as CBO typically assumes (that is, 66 cents per dollar instead of the typical 33 cents assumption), the debt-to-GDP ratio would increase by more than 71 percentage points relative to the June 2024 current law baseline by 2054.

As an extreme example of how results might differ at the 30-year horizon, we estimate a scenario under current law where the average nominal interest rate paid by the government remains constant through 2055 at the 2024 level projected in the June 2024 outlook. In that scenario, debt rises to 146% of GDP by 2055 and net interest payments rise to 4.7% of GDP. These figures are lower than the 154% debt-to-GDP ratio and 5.4% net interest-to-GDP ratio projected under the current-law baseline with rising interest rates, but they are still substantially higher than the current values of debt and net interest.

C. TRUST FUNDS

The federal government runs several trust funds, most notably for Social Security (Old-Age and Survivors Insurance), Disability Insurance, Medicare (two separate funds), civilian and military retirement, and transportation spending. All the projections highlighted above integrate the trust funds into the overall budget. These projections also assume that scheduled benefit payments will be made even if trust fund balances run to zero. However, many of the trust funds are not legally allowed to pay out benefits that draw their balances below zero.

This is not just an academic concern. This trust fund constraint was one of the proximate causes of Social Security reform in 1983; the trust fund literally had almost run out of money, an eventuality that would have

required cuts in promised benefits so that they would not exceed incoming revenue.

In the current projections, the Social Security (Old-Age and Survivors Insurance) Trust Fund is scheduled to be depleted by 2033 according to CBO[19] and the Social Security trustees.[20] The Disability Insurance Trust Fund is not scheduled to be depleted within the 30-year budget window according to CBO,[21] and it is projected to be able to adequately pay full benefits through the 75-year projection period, according to the Social Security trustees. The budget projections above assume that Social Security continues to pay scheduled benefits (i.e., what retirees have earned) even when the combined OASDI trust fund is exhausted, which is projected to occur in 2034. According to the CBO,[22] the Medicare Part A (Hospital Insurance) Trust Fund appears likely to hit a similar constraint by 2035; according to the Medicare Trustees the constraint will occur in 2036.[23]

Each of those dates may prompt at least limited fiscal action, as legislators will be forced to reduce benefits, raise taxes, make interfund transfers, or allow for general revenue funding. In contrast, the Medicare Part B (Supplementary Medical Insurance) and Part D (Prescription Drug Coverage) trust funds are designed to receive substantial general revenue funding and do not have the constraint that spending can be financed only by trust fund payments. We note that "solving" the problems of Social Security and Medicare Part A through the use of general revenue funding is what is implicit in our current law and current policy projections.

VII. Fiscal gap

In addition to projecting debt and deficits over the 30-year horizon, we also present estimates of the "fiscal gap," an accounting measure that is intended to reflect the long-term budgetary status of the government.[24] The fiscal gap answers the question, "If one starts a policy change in a given year to reach a given fiscal target in a given future year, what is the size of the annual, constant-share-of-GDP increase in taxes or reductions in non-interest expenditures (or combination of the two) that would be required, holding projected economic performance unchanged?" For example, one might ask what immediate and constant-share-of-GDP policy change would be needed to obtain some debt-to-GDP target in 2055.[25] Or, one might ask what constant share-of-GDP change would be required starting in 2031 to achieve a real net interest-to-GDP ratio of 2% by 2055.

Results are presented in Table 1. We begin with current-law projections and policy actions beginning in 2026. Under those circumstances, obtaining a debt-to-GDP ratio in 2055 equal its 2024 level of approximately 98% would require (ignoring any macroeconomic feedback effects) permanent tax increases or non-interest spending cuts equaling 1.84% of GDP. This would equal about $530 billion in today's economy and would be the equivalent to a sustained tax increase equal to about 22% of current income tax revenues or 11% of all current tax revenues; a 9% reduction in current non-interest spending; or a 15% reduction in all non-interest spending other than Social Security and Medicare.

Policymakers could choose a net-interest-to-GDP target instead of a debt target. To hold 2055 interest payments equal to 3.2% of GDP—the historical maximum for this ratio, obtained in 1991—would require policy changes equal to about 2.05% of GDP starting in 2026 under current law.

Furman and Summers argue that real net interest payments of 2% of GDP would be an appropriate target to stay below to ensure fiscal sustainability.[26] Achieving this goal would not require any fiscal retrenchment under a current law scenario, but an adjustment of 0.32% of GDP is needed under current policy. Furman and Summers also suggest that 150% would be an appropriate debt-to-GDP ratio to stay below. To achieve that target by 2055 would require spending cuts or tax increases equal to 0.13% of GDP.

As Table 1 shows, all the required policy changes to reach a given target would be larger under the current-policy scenario. Likewise, the fiscal gaps are larger if policymakers delay action because the debt must be brought down to meet the assumed target over fewer years.[27]

VIII. Perspectives

If projected trends continue, the U.S. will soon be in uncharted fiscal waters. From the nation's founding until about 1980, debt as a share of the economy rose only when we were at war or in recession, and it only rose temporarily. After the war or recession ended, the debt-GDP ratio fell rapidly as policymakers ran primary surpluses and interest rates stayed low.

Starting in 1981, Ronald Reagan's tax cuts and defense spending increases raised the debt-GDP ratio during peacetime prosperity. A series of tax increases and budget deals from 1990 to 1997 along with the "peace dividend" associated with the breakup of the Soviet Union helped turn persistent deficits into surpluses by the end of the century.

More generally, Auerbach and Yagan[28] show that, during the 1984-2003 period, policymakers responded in a fiscally stabilizing manner to changes in the deficit, undoing through legislation a significant share of increases in projected deficits. However, they also find that this stabilizing behavior completely disappeared in the ensuing 20 years, even as deficits were increasing as a share of GDP. Given that the fiscal paths shown above are unsustainable, how policymakers react in the future will have a first-order effect on the fiscal outlook.

How quickly those actions are needed will depend on many factors, including the path of interest rates, the performance of the economy, and political developments at home and abroad.

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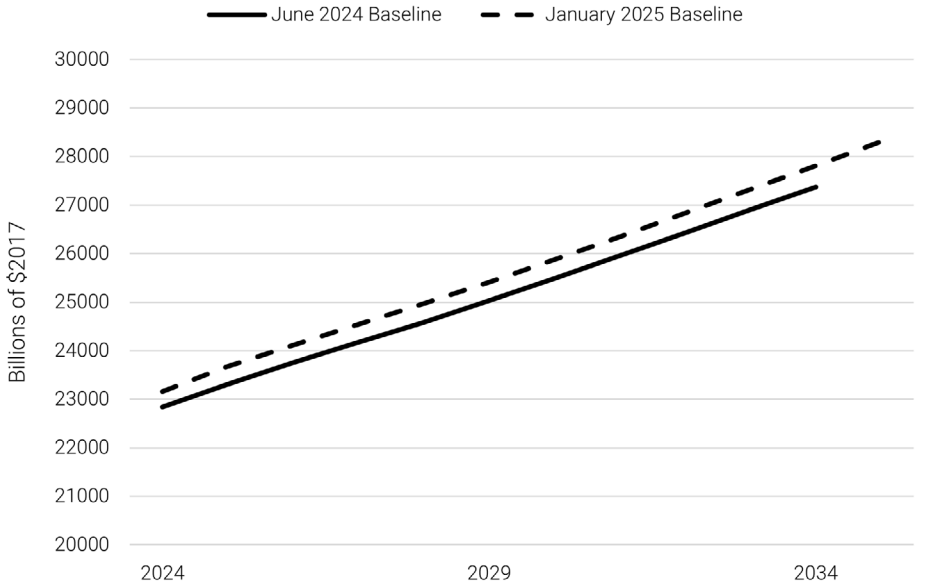
Figures and appendix

FIGURE 1

Real GDP, 2024 – 2035



SOURCE: CBO (2024a, 2025a)

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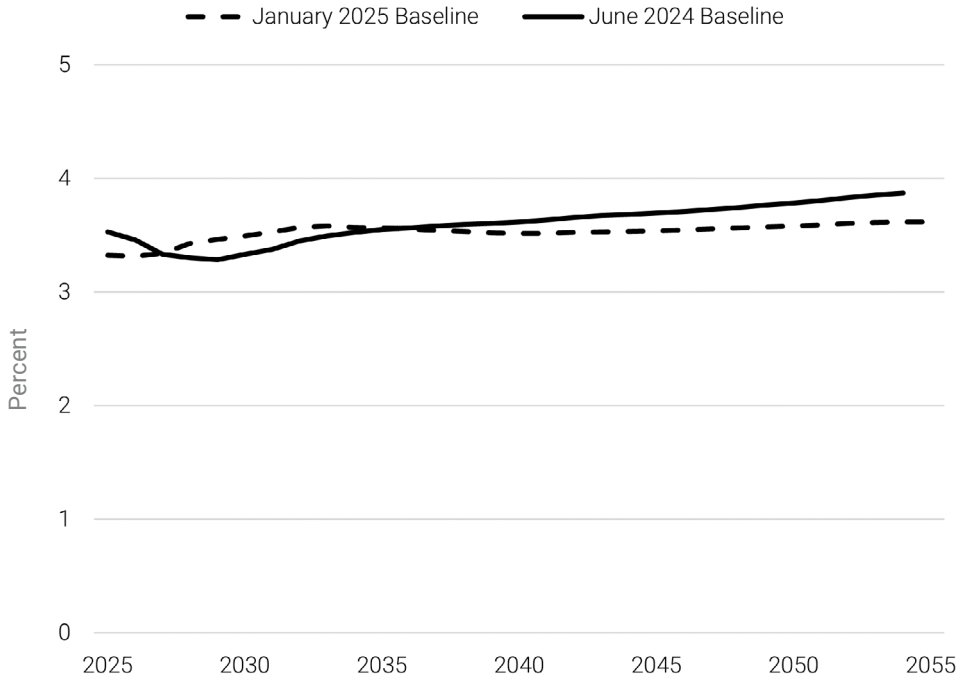
FIGURE 2

Average Nominal Government Interest Rate, 2024 – 2055



SOURCE: CBO (2025a)

NOTE: Nominal interest rate on government debt is calculated as the ratio of net interest payments to the sum of (a) debt at the end of the prior year and (b) one-half of the primary deficit in the given year.

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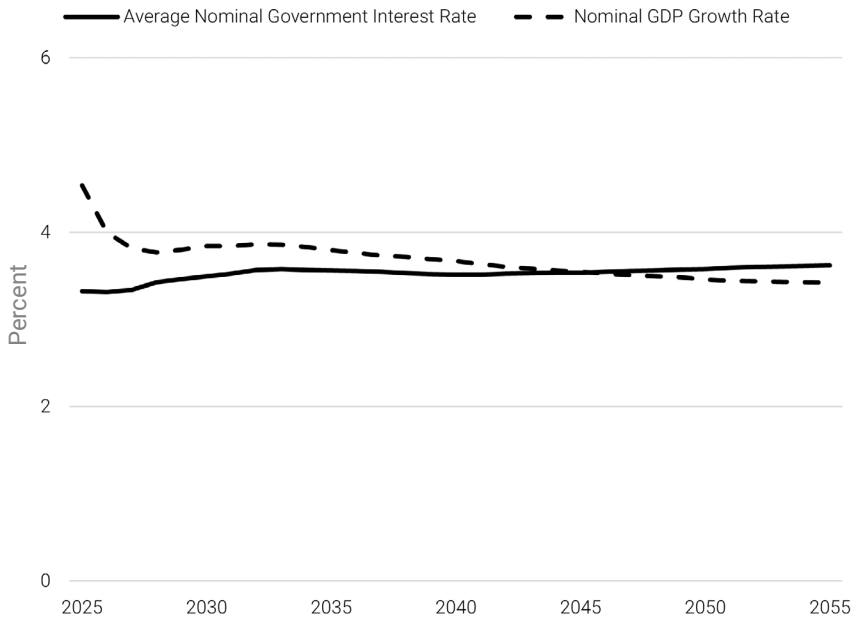
FIGURE 3

Nominal Average Government Interest Rate and GDP Growth, 2025 – 2055



SOURCE: CBO (2025a, 2025b) and authors' calculations
NOTE: Nominal interest rate on government debt is calculated as the ratio of net interest payments to the sum of (a) debt at the end of the prior year and (b) one-half of the primary deficit in the given year.

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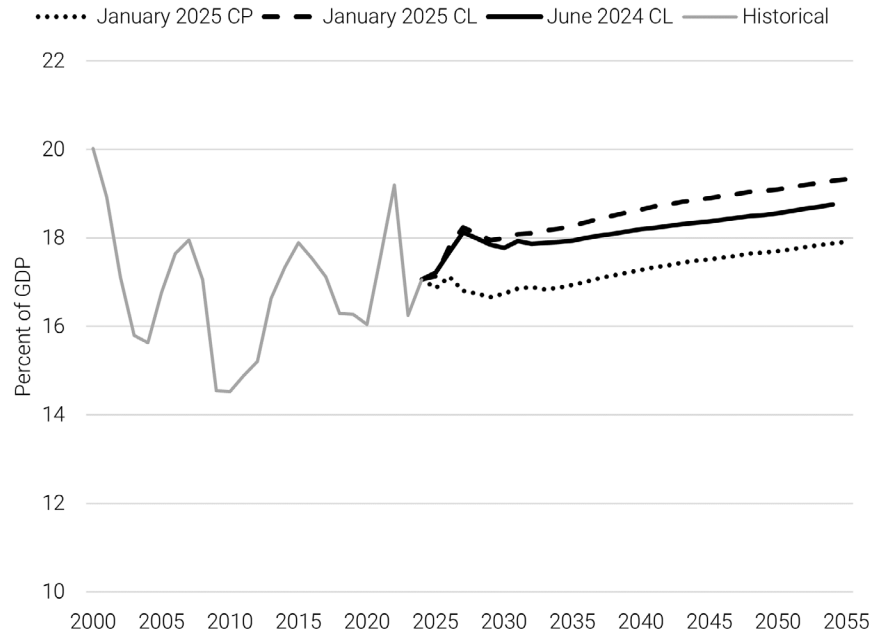
FIGURE 4

Total Revenue, 2000 – 2055



SOURCE: CBO (2025a, 2025b) and authors' calculations

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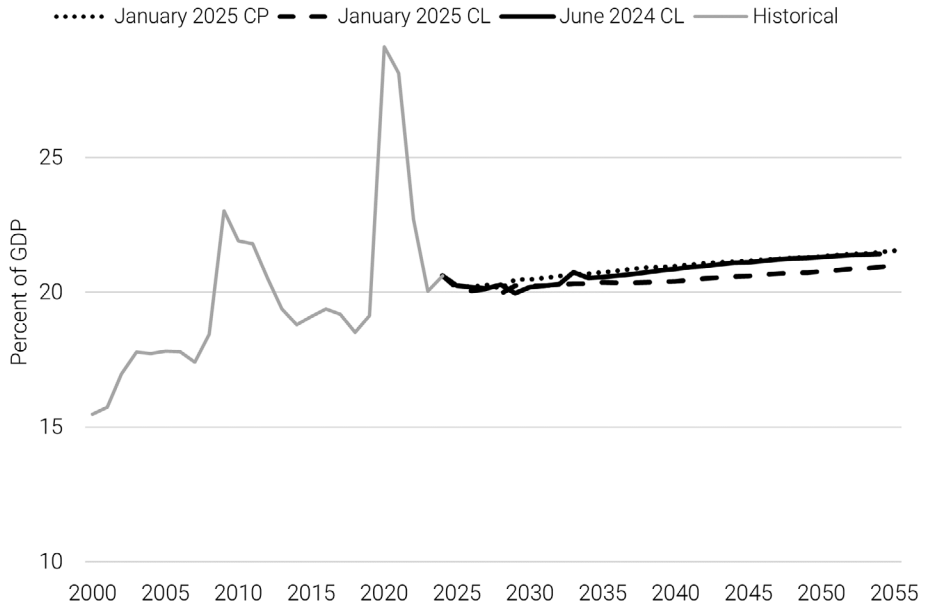
FIGURE 5

Non-Interest Spending, 2000 – 2055



SOURCE: CBO (2025a, 2025b) and authors' calculations

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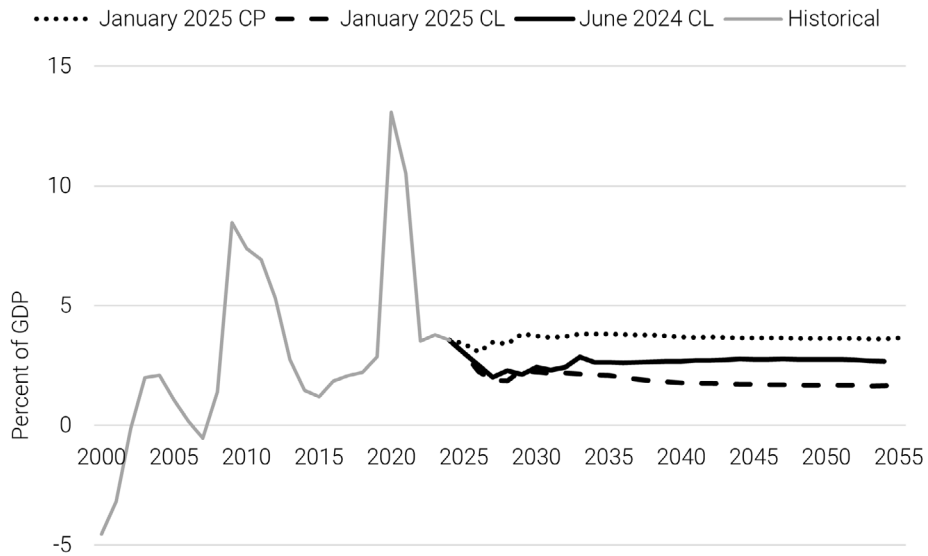
FIGURE 6

Primary Deficit, 2000 – 2055



SOURCE: CBO (2025a, 2025b) and authors' calculations

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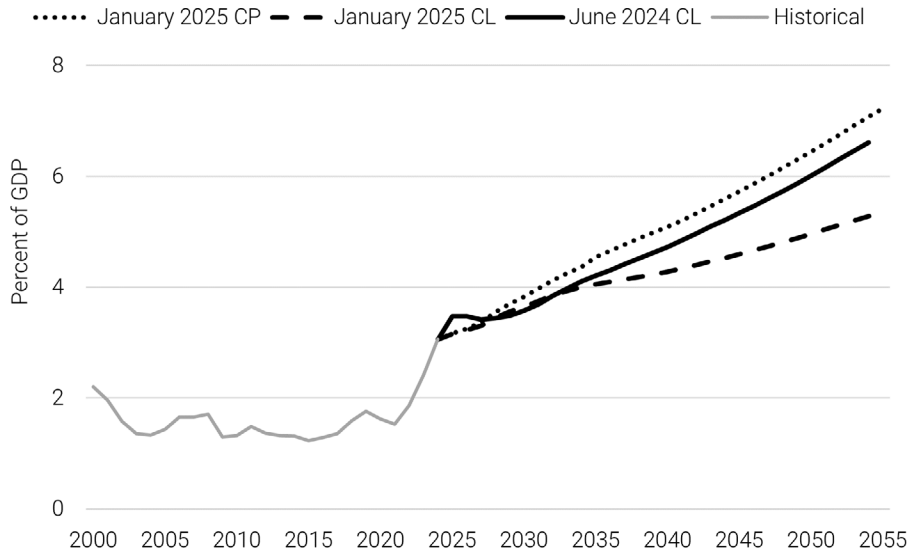
FIGURE 7

Net Interest Payments, 2000 – 2055



SOURCE: CBO (2025a, 2025b) and authors' calculations

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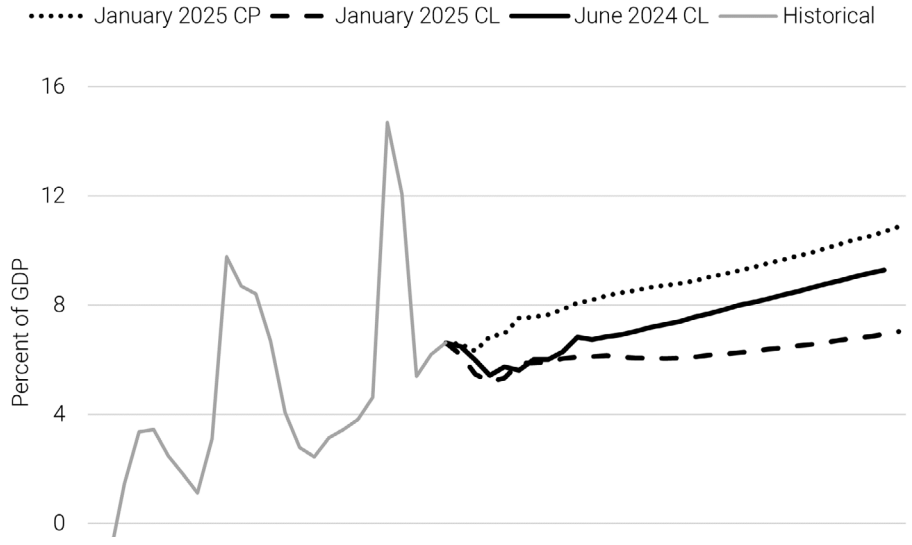
FIGURE 8

Unified Deficit, 2000 – 2055



SOURCE: CBO (2025a, 2025b) and authors' calculations

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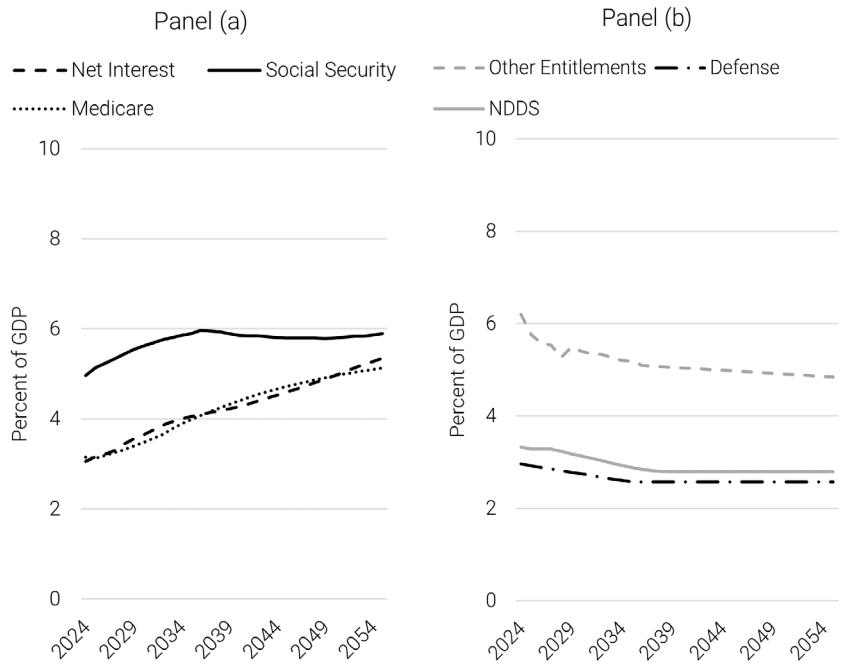
FIGURE 9

Major Spending Categories under Current Law



SOURCE: CBO (2025a, 2025b) and authors' calculations

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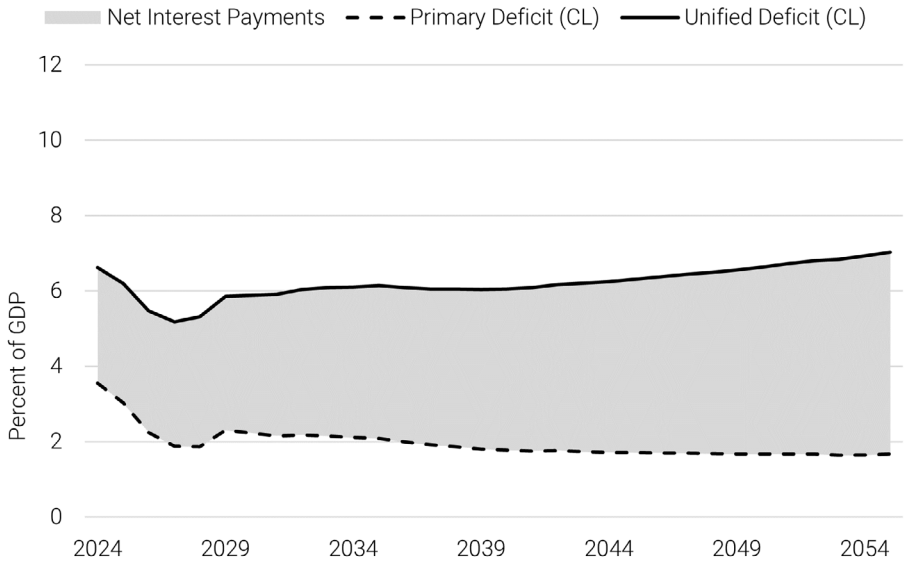
FIGURE 10

Primary and Unified Deficit, 2024 – 2055



SOURCE: CBO (2025a, 2025b) and authors' calculations

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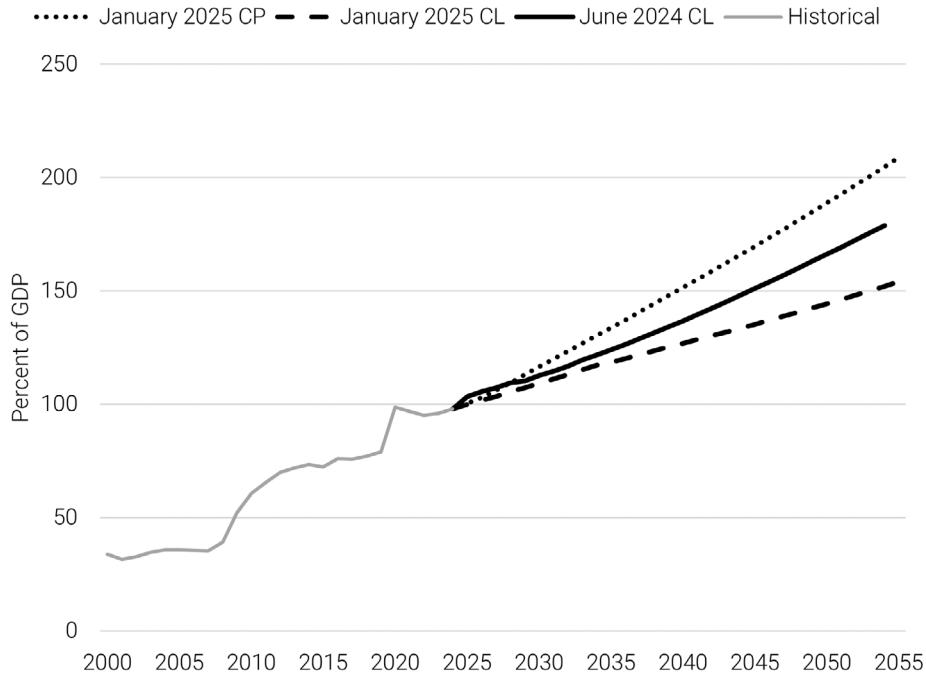
FIGURE 11

Public Debt, 2000 – 2053



SOURCE: CBO (2025a, 2025b) and authors' calculations

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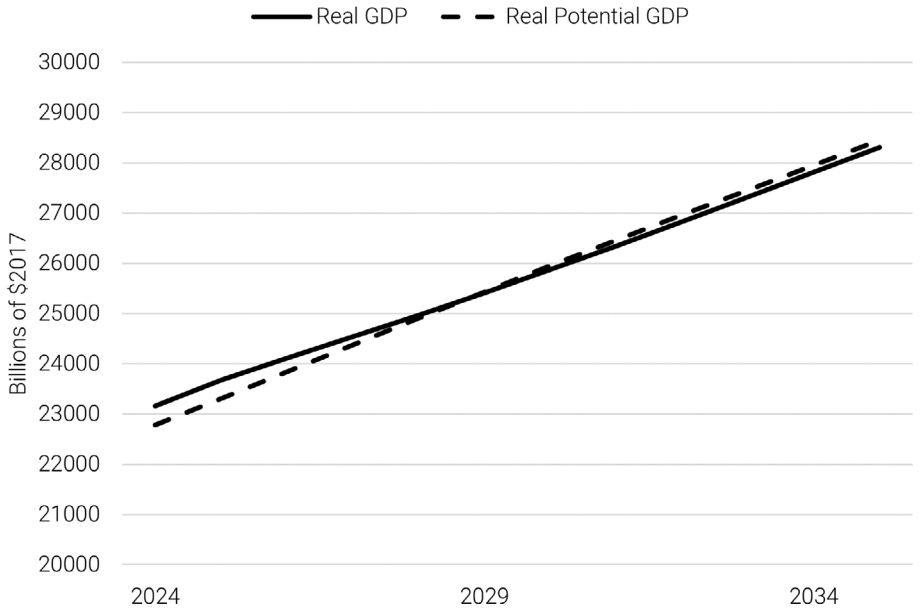
FIGURE 12

Real and Potential GDP, 2024 – 2035



SOURCE: CBO (2025a) and authors' calculations

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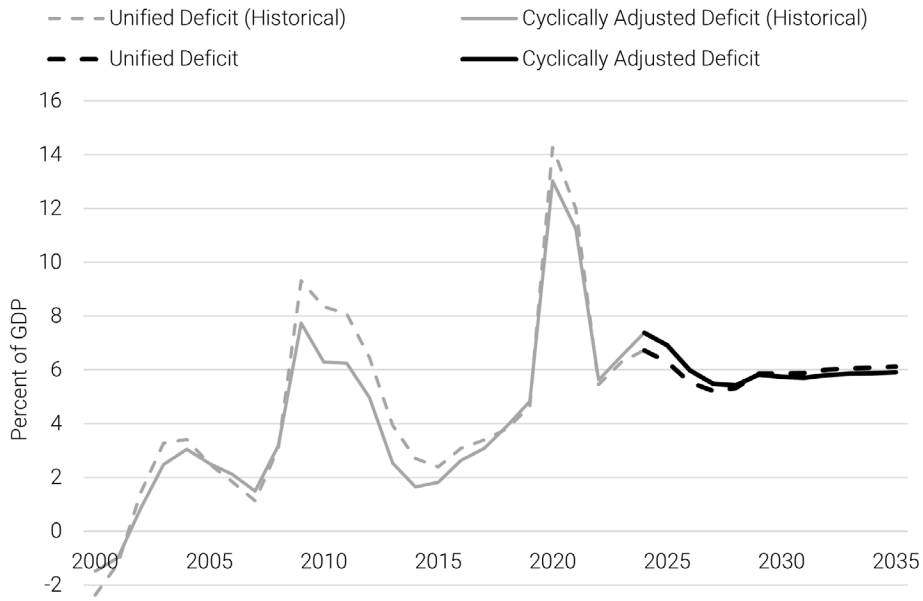
FIGURE 13

Cyclically Adjusted and Unified Deficit, 2000 – 2035



SOURCE: CBO (2024b, 2025a) and authors' calculations

NOTE: CBO (2024b) reports the output gap and the size of the automatic stabilizers (both variables as a share of potential GDP) for the historical data from 1965-2023 and for projected data for 2024-2034. Regressing the size of the automatic stabilizers on the output gap yields a coefficient of about 0.4, for a sample using the historical data, the projected data, or the combined data (with or without a constant term, which is estimated very precisely to be zero). Thus, using CBO (2025a) data on historical and projected GDP and potential GDP for 2025-2035, we estimate the output gap for each year, apply the coefficient noted above to generate the size of automatic stabilizers in that year, which we subtract from the projected unified deficit to generate an estimate of the cyclically-adjusted deficit.

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TABLE 1

Fiscal Gaps to Reach 2055 Targets

	Current law beginning		Current policy beginning	
Target	**2026**	**2031**	**2026**	**2031**
Debt = 98% of GDP	1.84	2.20	3.65	4.36
Debt = 150% of GDP	0.13	0.16	1.94	2.32
Net Interest = 3.2% of GDP	2.05	2.45	3.85	4.61
Real Net Interest Payments = 2% of GDP	0.00[29]	0.00	0.32	0.39

APPENDIX TABLE 1

June 2024 Current Law Baseline

Year	Total Revenue	Non-Interest Spending	Primary Deficit	Net Interest	Total Spending	Unified Deficit	Public Debt
2023	4,440.9 (16.464)	5,424.6 (20.111)	983.7 (3.647)	658.3 (2.440)	6,082.9 (22.551)	1,642.0 (6.087)	26,235.6 (97.263)
2024	4,889.8 (17.354)	5,688.6 (20.189)	798.8 (2.835)	892.3 (3.167)	6,580.9 (23.356)	1,691.1 (6.002)	28,327.7 (100.535)
2025	5,037.6 (17.219)	5,921.7 (20.241)	884.0 (3.022)	1,015.7 (3.472)	6,937.4 (23.713)	1,899.7 (6.493)	30,268.5 (103.461)
2026	5,393.6 (17.682)	6,158.3 (20.189)	764.7 (2.507)	1,060.7 (3.477)	7,219.1 (23.666)	1,825.5 (5.984)	32,192.9 (105.537)
2027	5,756.1 (18.126)	6,394.1 (20.135)	638.0 (2.009)	1,083.9 (3.413)	7,478.1 (23.548)	1,722.0 (5.422)	34,027.4 (107.153)
2028	5,943.9 (17.988)	6,701.3 (20.281)	757.4 (2.292)	1,135.6 (3.437)	7,836.9 (23.717)	1,893.0 (5.729)	36,140.7 (109.375)
2029	6,133.4 (17.843)	6,863.5 (19.967)	730.1 (2.124)	1,198.8 (3.487)	8,062.3 (23.454)	1,928.8 (5.611)	37,901.1 (110.258)
2030	6,354.0 (17.775)	7,221.1 (20.201)	867.1 (2.426)	1,277.9 (3.575)	8,499.0 (23.776)	2,145.0 (6.001)	40,234.8 (112.558)
2031	6,661.1 (17.927)	7,521.4 (20.242)	860.2 (2.315)	1,372.8 (3.695)	8,894.2 (23.937)	2,233.0 (6.010)	42,532.2 (114.466)
2032	6,899.4 (17.870)	7,840.9 (20.308)	941.5 (2.439)	1,483.5 (3.842)	9,324.4 (24.151)	2,425.0 (6.281)	45,031.9 (116.636)
2033	7,176.0 (17.893)	8,319.5 (20.744)	1,143.5 (2.851)	1,594.3 (3.975)	9,913.7 (24.719)	2,737.7 (6.826)	47,955.9 (119.573)
2034	7,458.7 (17.910)	8,552.1 (20.535)	1,093.3 (2.625)	1,710.2 (4.106)	10,262.3 (24.642)	2,803.5 (6.732)	50,670.4 (121.669)
2035	7,755.9 (17.943)	8,893.9 (20.575)	1,138.0 (2.633)	1,820.9 (4.213)	10,714.9 (24.788)	2,958.9 (6.845)	53,616.7 (124.038)
2036	8,074.0 (18.003)	9,246.9 (20.618)	1,172.9 (2.615)	1,932.1 (4.308)	11,179.0 (24.926)	3,105.0 (6.923)	56,712.8 (126.453)
2037	8,400.2 (18.056)	9,621.5 (20.681)	1,221.4 (2.625)	2,053.2 (4.413)	11,674.7 (25.094)	3,274.5 (7.038)	59,984.3 (128.932)
2038	8,732.1 (18.096)	10,014.3 (20.754)	1,282.2 (2.657)	2,180.2 (4.518)	12,194.4 (25.272)	3,462.4 (7.175)	63,447.7 (131.490)

APPENDIX TABLE 1 CONT.

Year	Total Revenue	Non-Interest Spending	Primary Deficit	Net Interest	Total Spending	Unified Deficit	Public Debt
2039	9,080.3 (18.148)	10,416.5 (20.819)	1,336.2 (2.671)	2,311.6 (4.620)	12,728.1 (25.439)	3,647.8 (7.291)	67,097.1 (134.103)
2040	9,436.1 (18.193)	10,824.6 (20.870)	1,388.5 (2.677)	2,452.9 (4.729)	13,277.4 (25.600)	3,841.3 (7.406)	70,939.3 (136.774)
2041	9,799.4 (18.230)	11,254.0 (20.936)	1,454.6 (2.706)	2,606.0 (4.848)	13,860.0 (25.784)	4,060.5 (7.554)	75,001.8 (139.528)
2042	10,174.6 (18.267)	11,684.2 (20.977)	1,509.6 (2.710)	2,769.9 (4.973)	14,454.0 (25.950)	4,279.4 (7.683)	79,282.3 (142.341)
2043	10,569.0 (18.314)	12,142.8 (21.041)	1,573.8 (2.727)	2,941.4 (5.097)	15,084.2 (26.138)	4,515.2 (7.824)	83,799.2 (145.207)
2044	10,965.0 (18.339)	12,618.7 (21.105)	1,653.7 (2.766)	3,117.8 (5.214)	15,736.5 (26.319)	4,771.5 (7.980)	88,572.5 (148.137)
2045	11,383.7 (18.377)	13,087.6 (21.127)	1,703.9 (2.751)	3,305.6 (5.336)	16,393.2 (26.464)	5,009.5 (8.087)	93,583.0 (151.072)
2046	11,818.6 (18.415)	13,590.0 (21.175)	1,771.5 (2.760)	3,505.7 (5.462)	17,095.8 (26.637)	5,277.2 (8.222)	98,862.4 (154.039)
2047	12,270.1 (18.453)	14,110.5 (21.220)	1,840.3 (2.768)	3,720.9 (5.596)	17,831.3 (26.816)	5,561.2 (8.363)	104,424.3 (157.041)
2048	12,746.2 (18.501)	14,649.1 (21.263)	1,902.9 (2.762)	3,948.6 (5.731)	18,597.6 (26.994)	5,851.5 (8.493)	110,277.1 (160.063)
2049	13,223.2 (18.524)	15,191.6 (21.281)	1,968.4 (2.757)	4,189.5 (5.869)	19,381.1 (27.150)	6,157.9 (8.626)	116,438.2 (163.111)
2050	13,730.1 (18.562)	15,769.8 (21.320)	2,039.7 (2.758)	4,445.8 (6.011)	20,215.7 (27.331)	6,485.6 (8.768)	122,924.7 (166.189)
2051	14,260.9 (18.607)	16,365.3 (21.353)	2,104.4 (2.746)	4,721.7 (6.161)	21,086.9 (27.514)	6,826.1 (8.907)	129,753.0 (169.300)
2052	14,815.8 (18.658)	16,985.7 (21.391)	2,170.0 (2.733)	5,012.9 (6.313)	21,998.7 (27.704)	7,182.9 (9.046)	136,937.8 (172.453)
2053	15,388.1 (18.704)	17,606.8 (21.401)	2,218.7 (2.697)	5,319.1 (6.465)	22,925.9 (27.866)	7,537.8 (9.162)	144,478.5 (175.613)
2054	15,990.1 (18.760)	18,263.9 (21.428)	2,273.8 (2.668)	5,637.8 (6.614)	23,901.7 (28.042)	7,911.6 (9.282)	152,392.3 (178.791)

APPENDIX TABLE 2

January 2025 Current Law Baseline

Year	Total Revenue	Non-Interest Spending	Primary Deficit	Net Interest	Total Spending	Unified Deficit	Public Debt
2024	4,918.1 (17.060)	5,944.5 (20.620)	1,026.4 (3.560)	881.1 (3.056)	6,825.6 (23.677)	1,907.5 (6.617)	28,199.3 (97.819)
2025	5,162.9 (17.132)	6,075.9 (20.161)	913.0 (3.030)	952.3 (3.160)	7,028.1 (23.321)	1,865.3 (6.189)	30,102.7 (99.889)
2026	5,580.3 (17.805)	6,283.3 (20.048)	703.0 (2.243)	1,010.3 (3.223)	7,293.6 (23.272)	1,713.3 (5.466)	31,882.6 (101.727)
2027	5,934.8 (18.240)	6,546.5 (20.120)	611.7 (1.880)	1,075.2 (3.305)	7,621.8 (23.424)	1,686.9 (5.185)	33,636.1 (103.375)
2028	6,108.4 (18.091)	6,738.8 (19.958)	630.4 (1.867)	1,164.5 (3.449)	7,903.3 (23.407)	1,794.9 (5.316)	35,600.6 (105.438)
2029	6,289.9 (17.947)	7,096.9 (20.249)	807.0 (2.303)	1,247.2 (3.559)	8,344.1 (23.808)	2,054.2 (5.861)	37,580.5 (107.228)
2030	6,549.5 (17.996)	7,361.7 (20.228)	812.2 (2.232)	1,327.5 (3.648)	8,689.2 (23.876)	2,139.7 (5.879)	39,747.7 (109.216)
2031	6,834.1 (18.084)	7,649.9 (20.242)	815.8 (2.159)	1,417.0 (3.749)	9,066.9 (23.992)	2,232.8 (5.908)	41,992.4 (111.114)
2032	7,106.3 (18.104)	7,963.0 (20.287)	856.7 (2.182)	1,513.9 (3.857)	9,476.9 (24.144)	2,370.6 (6.039)	44,371.8 (113.042)
2033	7,404.5 (18.163)	8,281.2 (20.313)	876.7 (2.150)	1,604.5 (3.936)	9,885.7 (24.249)	2,481.2 (6.086)	46,985.0 (115.250)
2034	7,708.3 (18.210)	8,600.8 (20.318)	892.6 (2.109)	1,693.6 (4.001)	10,294.4 (24.319)	2,586.1 (6.109)	49,555.5 (117.068)
2035	8,031.4 (18.280)	8,947.4 (20.364)	916.0 (2.085)	1,782.6 (4.057)	10,730.0 (24.422)	2,698.6 (6.142)	52,055.9 (118.480)
2036	8,366.4 (18.352)	9,276.1 (20.347)	909.7 (1.995)	1,868.3 (4.098)	11,144.4 (24.445)	2,778.0 (6.093)	54,810.2 (120.225)
2037	8,721.5 (18.442)	9,627.3 (20.357)	905.8 (1.915)	1,959.3 (4.143)	11,586.7 (24.500)	2,865.2 (6.058)	57,659.9 (121.922)
2038	9,076.8 (18.505)	9,993.3 (20.373)	916.5 (1.868)	2,053.8 (4.187)	12,047.1 (24.560)	2,970.3 (6.055)	60,622.8 (123.590)
2039	9,449.2 (18.578)	10,369.0 (20.386)	919.8 (1.808)	2,150.5 (4.228)	12,519.5 (24.614)	3,070.3 (6.036)	63,692.7 (125.223)

APPENDIX TABLE 2 CONT.

Year	Total Revenue	Non-Interest Spending	Primary Deficit	Net Interest	Total Spending	Unified Deficit	Public Debt
2040	9,829.8 (18.642)	10,763.9 (20.413)	934.1 (1.771)	2,255.3 (4.277)	13,019.1 (24.690)	3,189.3 (6.048)	66,881.1 (126.836)
2041	10,225.6 (18.712)	11,183.8 (20.465)	958.2 (1.753)	2,369.0 (4.335)	13,552.8 (24.800)	3,327.2 (6.088)	70,207.2 (128.471)
2042	10,619.8 (18.757)	11,619.4 (20.522)	999.6 (1.765)	2,491.8 (4.401)	14,111.2 (24.923)	3,491.4 (6.166)	73,697.9 (130.164)
2043	11,037.8 (18.821)	12,056.2 (20.557)	1,018.4 (1.736)	2,619.8 (4.467)	14,676.0 (25.024)	3,638.1 (6.203)	77,335.5 (131.865)
2044	11,455.3 (18.861)	12,499.6 (20.580)	1,044.3 (1.719)	2,752.0 (4.531)	15,251.6 (25.111)	3,796.3 (6.250)	81,131.4 (133.579)
2045	11,887.2 (18.902)	12,961.6 (20.610)	1,074.4 (1.708)	2,890.4 (4.596)	15,852.0 (25.206)	3,964.8 (6.304)	85,095.6 (135.309)
2046	12,336.4 (18.948)	13,446.8 (20.653)	1,110.4 (1.705)	3,037.9 (4.666)	16,484.7 (25.319)	4,148.3 (6.371)	89,243.1 (137.069)
2047	12,798.8 (18.991)	13,942.1 (20.687)	1,143.3 (1.696)	3,193.2 (4.738)	17,135.3 (25.425)	4,336.5 (6.434)	93,580.0 (138.852)
2048	13,281.1 (19.041)	14,455.3 (20.724)	1,174.2 (1.683)	3,356.4 (4.812)	17,811.8 (25.536)	4,530.6 (6.495)	98,109.8 (140.656)
2049	13,763.2 (19.068)	14,968.1 (20.737)	1,205.0 (1.669)	3,526.0 (4.885)	18,494.2 (25.622)	4,731.0 (6.554)	102,840.4 (142.476)
2050	14,264.2 (19.101)	15,514.6 (20.775)	1,250.4 (1.674)	3,704.8 (4.961)	19,219.4 (25.736)	4,955.3 (6.635)	107,795.5 (144.345)
2051	14,791.9 (19.148)	16,086.2 (20.823)	1,294.3 (1.675)	3,895.8 (5.043)	19,982.0 (25.866)	5,190.1 (6.718)	112,985.7 (146.256)
2052	15,338.7 (19.196)	16,672.6 (20.865)	1,334.0 (1.669)	4,096.0 (5.126)	20,768.7 (25.991)	5,430.0 (6.795)	118,413.7 (148.189)
2053	15,901.4 (19.240)	17,258.0 (20.881)	1,356.6 (1.641)	4,301.1 (5.204)	21,559.1 (26.085)	5,657.7 (6.845)	124,070.2 (150.116)
2054	16,489.2 (19.290)	17,897.4 (20.937)	1,408.2 (1.647)	4,511.8 (5.278)	22,409.2 (26.215)	5,920.0 (6.925)	129,988.7 (152.065)
2055	17,082.3 (19.322)	18,560.0 (20.993)	1,477.7 (1.671)	4,730.8 (5.351)	23,290.9 (26.344)	6,208.5 (7.022)	136,196.7 (154.050)

APPENDIX TABLE 3

January 2025 Current Policy Baseline

Year	Total Revenue	Non-Interest Spending	Primary Deficit	Net Interest	Total Spending	Unified Deficit	Public Debt
2024	4,918.1 (17.060)	5,944.5 (20.620)	1,026.4 (3.560)	881.1 (3.056)	6,825.6 (23.677)	1,907.5 (6.617)	28,199.3 (97.819)
2025	5,081.9 (16.863)	6,109.5 (20.273)	1,027.6 (3.410)	954.4 (3.167)	7,063.9 (23.440)	1,982.0 (6.577)	30,219.5 (100.277)
2026	5,367.3 (17.125)	6,329.0 (20.194)	961.7 (3.068)	1,017.6 (3.247)	7,346.7 (23.441)	1,979.3 (6.315)	32,265.5 (102.949)
2027	5,467.8 (16.804)	6,597.4 (20.276)	1,129.5 (3.471)	1,094.6 (3.364)	7,692.0 (23.640)	2,224.2 (6.836)	34,556.1 (106.202)
2028	5,653.4 (16.744)	6,801.8 (20.145)	1,148.4 (3.401)	1,199.9 (3.554)	8,001.8 (23.699)	2,348.4 (6.955)	36,958.3 (109.459)
2029	5,837.9 (16.657)	7,176.9 (20.478)	1,339.0 (3.821)	1,297.2 (3.701)	8,474.2 (24.179)	2,636.3 (7.522)	39,636.1 (113.094)
2030	6,094.5 (16.746)	7,453.8 (20.481)	1,359.3 (3.735)	1,393.6 (3.829)	8,847.4 (24.310)	2,752.9 (7.564)	42,416.4 (116.549)
2031	6,371.1 (16.858)	7,758.1 (20.528)	1,387.0 (3.670)	1,502.3 (3.975)	9,260.4 (24.503)	2,889.2 (7.645)	45,317.6 (119.913)
2032	6,629.3 (16.889)	8,088.4 (20.606)	1,459.1 (3.717)	1,618.8 (4.124)	9,707.2 (24.730)	3,077.9 (7.841)	48,404.3 (123.315)
2033	6,864.5 (16.838)	8,420.9 (20.656)	1,556.4 (3.818)	1,733.5 (4.252)	10,154.4 (24.908)	3,289.9 (8.070)	51,670.2 (126.742)
2034	7,142.3 (16.873)	8,755.9 (20.685)	1,613.7 (3.812)	1,847.0 (4.363)	10,602.9 (25.048)	3,460.6 (8.175)	55,104.0 (130.176)
2035	7,443.9 (16.943)	9,116.6 (20.750)	1,672.7 (3.807)	1,996.3 (4.544)	11,112.9 (25.293)	3,669.0 (8.351)	58,742.0 (133.698)
2036	7,754.5 (17.009)	9,484.6 (20.804)	1,730.1 (3.795)	2,124.5 (4.660)	11,609.1 (25.464)	3,854.6 (8.455)	62,573.1 (137.253)
2037	8,083.5 (17.093)	9,868.1 (20.866)	1,784.6 (3.774)	2,258.0 (4.775)	12,126.2 (25.641)	4,042.6 (8.548)	66,600.0 (140.826)
2038	8,412.9 (17.151)	10,259.7 (20.916)	1,846.9 (3.765)	2,394.0 (4.881)	12,653.7 (25.797)	4,240.9 (8.646)	70,833.2 (144.406)
2039	8,758.0 (17.219)	10,653.4 (20.945)	1,895.4 (3.726)	2,536.6 (4.987)	13,190.0 (25.932)	4,432.0 (8.714)	75,264.9 (147.975)

APPENDIX TABLE 3 CONT.

Year	Total Revenue	Non-Interest Spending	Primary Deficit	Net Interest	Total Spending	Unified Deficit	Public Debt
2040	9,110.8 (17.278)	11,058.7 (20.972)	1,947.9 (3.694)	2,684.1 (5.090)	13,742.8 (26.062)	4,632.0 (8.784)	79,896.8 (151.520)
2041	9,477.6 (17.343)	11,489.3 (21.024)	2,011.8 (3.681)	2,843.8 (5.204)	14,333.2 (26.228)	4,855.6 (8.885)	84,752.0 (155.086)
2042	9,843.0 (17.385)	11,936.0 (21.081)	2,093.0 (3.697)	3,017.5 (5.329)	14,953.5 (26.411)	5,110.4 (9.026)	89,862.5 (158.714)
2043	10,230.4 (17.444)	12,384.1 (21.116)	2,153.7 (3.672)	3,204.8 (5.465)	15,588.9 (26.581)	5,358.5 (9.137)	95,220.8 (162.361)
2044	10,617.4 (17.481)	12,839.2 (21.139)	2,221.9 (3.658)	3,400.9 (5.599)	16,240.1 (26.739)	5,622.7 (9.258)	100,843.3 (166.034)
2045	11,017.7 (17.519)	13,313.3 (21.169)	2,295.6 (3.650)	3,605.0 (5.732)	16,918.3 (26.901)	5,900.6 (9.382)	106,743.6 (169.731)
2046	11,434.1 (17.562)	13,810.9 (21.212)	2,376.8 (3.651)	3,819.9 (5.867)	17,630.8 (27.079)	6,196.7 (9.518)	112,940.5 (173.466)
2047	11,862.6 (17.601)	14,319.0 (21.246)	2,456.4 (3.645)	4,049.4 (6.008)	18,368.4 (27.255)	6,505.8 (9.653)	119,446.9 (177.233)
2048	12,309.6 (17.648)	14,845.4 (21.283)	2,535.7 (3.635)	4,291.8 (6.153)	19,137.1 (27.436)	6,827.5 (9.788)	126,274.5 (181.035)
2049	12,756.4 (17.673)	15,371.8 (21.296)	2,615.3 (3.623)	4,547.5 (6.300)	19,919.2 (27.596)	7,162.8 (9.923)	133,436.6 (184.864)
2050	13,220.8 (17.703)	15,932.2 (21.334)	2,711.4 (3.631)	4,814.8 (6.447)	20,747.0 (27.782)	7,526.2 (10.078)	140,963.0 (188.758)
2051	13,709.9 (17.747)	16,518.2 (21.382)	2,808.2 (3.635)	5,097.8 (6.599)	21,616.0 (27.981)	7,906.0 (10.234)	148,869.3 (192.706)
2052	14,216.7 (17.791)	17,119.5 (21.424)	2,902.8 (3.633)	5,400.3 (6.758)	22,519.8 (28.182)	8,303.1 (10.391)	157,171.6 (196.693)
2053	14,738.3 (17.832)	17,720.2 (21.440)	2,981.9 (3.608)	5,718.2 (6.919)	23,438.4 (28.359)	8,700.1 (10.527)	165,871.6 (200.693)
2054	15,283.1 (17.879)	18,375.4 (21.496)	3,092.4 (3.618)	6,046.4 (7.073)	24,421.8 (28.569)	9,138.8 (10.691)	175,010.1 (204.732)
2055	15,832.8 (17.908)	19,054.4 (21.552)	3,221.6 (3.644)	6,386.5 (7.224)	25,440.9 (28.776)	9,608.1 (10.868)	184,618.9 (208.820)

Endnotes

1 CBO, "The Budget and Economic Outlook: 2025 to 2035" (January 17, 2025).

2 Alan J. Auerbach and William G. Gale, "The Sound of Silence: Ignoring the U.S. Fiscal Problem," Tax Notes Federal (September 9, 2024).

3 In a February 6, 2025, posting by the White House on X, the president is said to endorse—in addition to TCJA extension, which is described as "renewing the Trump Tax Cuts"—eliminating income taxes on tips, seniors' Social Security, and overtime pay; adjusting the SALT cap; eliminating special tax breaks for "billionaire sports team owners," taxing carried interest; and cutting taxes for products that are made in America. https://x.com/WhiteHouse/status/1887631465648681364. Of course, the president has endorsed a variety of tariffs as well. For revenue effects of these and other alternatives, see https://www.crfb.org/blogs/trump-tax-priorities-total-5-11-trillion.

4 CBO, supra note 1.

5 Appendix Tables 1, 2, and 3 provide details on the key budgetary aggregates – in billions of dollars and as a percentage of GDP – in the three baselines.

6 CBO, "An Update to Budget and Economic Outlook: 2024 to 2034" (June 18, 2024).

7 CBO, supra note 1 and CBO, "Long-Term Budget Projections" (January 2025).

8 The current-law projections do assume that Congress increases or suspends the debt limit as needed to carry out the tax and spending programs in the baseline, that temporary entitlement programs (like SNAP and TANF) are reauthorized on schedule, and that outlays for discretionary spending programs remain constant in real terms over the decade, unless such authority is governed by a specific law. Also, current-law projections assume that when the Social Security, Disability, and Medicare (part A) trust funds are exhausted, Congress will (a) authorize full payment of promised benefits and (b) cover any shortfalls with general revenue.

9 CBO, "The Long-Term Budget Outlook Under Alternative Assumptions about Spending and Revenues" (May 16, 2024), tables 2 and 3. Some of the expirations in TCJA have already begun. For example, 100% bonus depreciation (i.e., expensing) of business investment in qualifying equipment only applied through January 1, 2023, and is currently being phased down. Likewise, R&D expenses, which were previously expensed, now face an amortization schedule. The vast bulk of the individual income tax provisions and estate tax provisions expire at the end of 2025. CBO provides estimates for extending individual income tax provisions, higher estate and gift tax exemptions, and changes to the tax treatment of investment costs, as well as an estimate for maintaining certain business tax provisions altered by TCJA.

10 For revenue changes through 2034, we calculate the change in net interest payments using the information on added interest payments reported in CBO, supra note 1. For changes in non-discretionary defense spending, we calculate changes in net interest using CBO, "Workbook for How Changes in Revenues and Outlays Would Affect Debt Service, Deficits, and Debt" (October 29, 2024). For all years 2035-2055, we use the calculated average nominal government interest rate.

11 CBO, supra note 6; and CBO, supra note 7.

12 In the current law baseline, defense (non-defense) outlays fall from 2.4% (2.9%) of GDP in 2035 to 2.3% (2.8%) in 2039 and then stabilize at that GDP share in subsequent years.

13 Yagan (2025) discusses alternative ways to interpret the rise in net interest spending.

14 CBO, "Effects of Automatic Stabilizers on the Federal Budget: 2024 to 2034" (November 7, 2024) reports the cyclically adjusted deficit, the output gap, and the size of automatic stabilizers (all as a share of GDP) for historical data from 1965-2023 and for projected data for 2024-2034. Regressing the size of automatic stabilizers on the output gap yields a coefficient of about 0.4 (with a t-statistic of about 50), for a sample using the historical data, the projected data, or the combined data (with or without a constant term, which is estimated very precisely to be zero). We use the historical data on cyclically adjusted deficits for 2000-2023. For 2024-2035 we use CBO, supra note 1, data on actual GDP in 2024, projected GDP for 2025-2035 and estimates of potential GDP for 2025-2035. We estimate the output gap for each year, apply the coefficient noted above to

generate the size of automatic stabilizers in that year, which we subtract from the projected unified deficit to generate an estimate of the cyclically-adjusted deficit.

15 CBO, "Workbook for how Changes in Economic Conditions Might Affect the Federal Budget: 2024 to 2034" (April 9, 2024).

16 CBO, supra note 9.

17 CBO, supra note 14.

18 CBO supra note 15.

19 CBO, supra note 7.

20 Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, "2024 Annual Report of the Boards of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds" (May 6, 2024).

21 CBO, supra note 7.

22 CBO, supra note 7.

23 Board of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Trust Funds "2024 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds" (May 6, 2024).

24 Auerbach (1994). Auerbach et al. (2003) discuss the relationship between the fiscal gap, generational accounting, accrual accounting, and other ways of accounting for government. Note that estimates of the fiscal gap do not in any way imply that level reductions as a share of GDP are the best way to achieve a given fiscal target, rather than, say, level reductions as a share of primary deficits (which in the present circumstance would imply a growing path of primary deficit reductions) or some other pattern over time. The fiscal gap measure just provides one convenient way to think about the magnitude of a fiscal shortfall, given a future fiscal goal.

25 Implementing the adjustments indicated by the fiscal gap does not stabilize debt after the target year; it only adjusts tax and spending trajectories so that the debt hits a target by the target year (e.g., 2055). Under all the scenarios considered in this paper, the debt-to-GDP ratio would continue rising after hitting the specified target in a specified year.

26 Jason Furman and Lawrence Summers "A Reconsideration of Fiscal Policy in the Era of Low Interest Rates," Harvard University and Peterson Institute for International Economics (unpublished manuscript November 30, 2020).

27 Note that delaying the adjustments would still increase the size of the required adjustment even if the debt were to be brought down over 30 years if the target date were moved later because of the growing deficit-GDP ratio.

28 Auerbach, Alan J, and Danny Yagan. 2025. "Robust Fiscal Stabilization." Brookings Papers on Economic Activity. Forthcoming.

29 No adjustment needed under current law

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