THE DAILY CALLER

Tuesday's CBO report is bad news for the economy

Posted By Breanna Deutsch On 12:39 PM 02/05/2014

The U.S. deficit is expected to decline, but not for long.

The Congressional Budget Office announced on Tuesday that it predicts the deficit will fall to $514 billion in the fiscal 2014 year, down from its previous estimate of $560 billion and a fiscal 2013 deficit of $680 billion.

According to the CBO report, the deficit will continue to decline in 2015 to $478 billion. However, as the 2015 fiscal year draws to an end, the chronically low labor force combined with large expected government expenditures will cause the U.S. deficit to begin rising again — both in dollar terms and relative to the size of the economy.

The report explained that spending will be "boosted by the aging of the population, the expansion of federal subsidies for health insurance, rising health care costs per beneficiary, and mounting interest costs on federal debt."

An unemployment rate that still sits above 6.0 percent and a waning working population also has researchers at the CBO concerned about the growth of America's economy.

The report dramatically cut its projections of U.S. GDP growth in 2015 by a full percentage point to 3.4 percent, down nearly a full point from the CBO's previous estimates. GDP growth is expected to remain at this rate during the 2016 fiscal year.

"CBO estimates that the economy will continue to have considerable unused labor and capital resources, or 'slack' for the next few years," the agency noted in the report.

Analysts believe the jobless rate will continue to sit at 6.8 percent this year. Although, a recent national study found the unemployment rate sitting at 6.7 percent. They do not foresee employment numbers returning to a healthy rate throughout the remainder of President Obama's term.

The stunted work force will constrict revenue gains, causing deficits to worsen by about $100 billion a year by the end of the decade. Researchers predict that the deficit will top $1 trillion again in 2022, a number that parallels last year's deficit as a percentage of economic output.

Authors of the report also warned of the perils of the growing U.S. debt. The report read, "The amount of debt relative to the size of the economy is now very high by historical standards."

It explained “that federal debt held by the public will equal 74 percent of GDP at the end of this year and 79 percent in 2024…Such large and growing federal debt could have serious negative consequences, including restraining economic growth in the long term, giving policymakers less flexibility to respond to unexpected challenges, and eventually increasing the risk of a fiscal crisis.”

Commenting on the report’s findings, Chris Edwards, the director of tax policy studies at Cato and editor of www.DownsizingGovernment.org, told The Daily Caller News Foundation that this study shows us that if we want a healthy budget and to reduce our national debt, “the government needs to enact policies that strengthen economic growth.”

Researchers at the CBO outlined these baseline projections of the U.S. economy would look like over the next decade assuming that current laws governing federal taxes and spending remained unchanged.

However, this methodology paints an overly rosy picture, says Edwards. Among other costly contributing factors to our national debt, future presidents and congresses may launch expensive new spending programs and the United States may face unforeseen wars and military challenges.