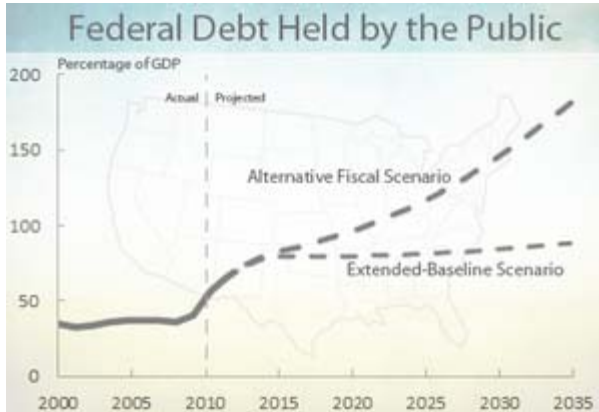


CBO: National debt will soon overtake economy

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The nonpartisan Congressional Budget Office issued a dire warning Wednesday that the nation's tax policies and spending habits could push its debt to a level that exceeds the entire U.S. economy by the end of the decade and to twice the economy's size by 2035.

The CBO in its annual long-term budget outlook describes the issues facing the nation over the next quarter-century as "daunting," thanks in part to an aging population and rising cost of health care.

The nation's debt as a percentage of its economic output has "shot upward" in recent years partly because of stimulus spending aimed at boosting the economy and tax cuts, the CBO found. The national debt is now projected to be 70 percent of the nation's gross domestic product by the end of the year.

The number represents the debt's highest level since World War II and would be far higher than the 20 percent post-World War II average.

The government will either have to raise revenue or make serious spending cuts to rein in its monstrous debt, "if policymakers are to put the federal government on a sustainable budgetary path," the CBO reported.

The report comes at a time when lawmakers are engaged in intense bipartisan negotiations led by Vice President Biden over ways to lower the debt and deficit in exchange for raising the government's \$14.3 trillion borrowing limit. Republicans want budget cuts to exceed the \$2 trillion increase in the debt ceiling that Treasury Secretary Tim Geithner requested, but Democrats want a combination of cuts and tax increases.

The CBO report cites the recent extension of tax cuts first implemented by former President George W. Bush as a contributing factor to the growing debt. Democrats want to eventually eliminate or scale back those cuts, particularly for the wealthy.

"I hope the Biden group will produce a balanced approach to start reducing the deficit now, while putting in place a process to get our budget back on track over the long-term," House Minority Whip Steny Hoyer, D-Md., said.

Republicans are insisting that the debt ceiling deal include reforms to Medicare and other entitlement programs. Democrats want to leave entitlements alone for now, though the CBO report supported the GOP argument that reforms be implemented soon. The CBO projects a 5 percent rise in spending on the major entitlement programs by 2035, which amounts to about \$750 billion.

"This report confirms what House Republicans have been saying all along," House Majority Whip Kevin McCarthy, R-Calif., said. "We cannot recklessly continue down our current fiscal course and not face serious economic consequences."

House Speaker John Boehner, R-Ohio, Wednesday warned that the higher debt projected by the CBO would result in fewer jobs and higher taxes and said he is hoping "President Obama will start listening and work with Republicans to stop spending money we don't have, remove the barriers that are holding back job growth and pay down our debt without raising taxes."

Tad DeHaven, a budget analyst for the Cato Institute, a libertarian think tank, said the solution does not require tax increases.

"This is a spending issue," DeHaven said. "And to increase taxes to pay for record-high spending doesn't make a whole lot of sense going forward."

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