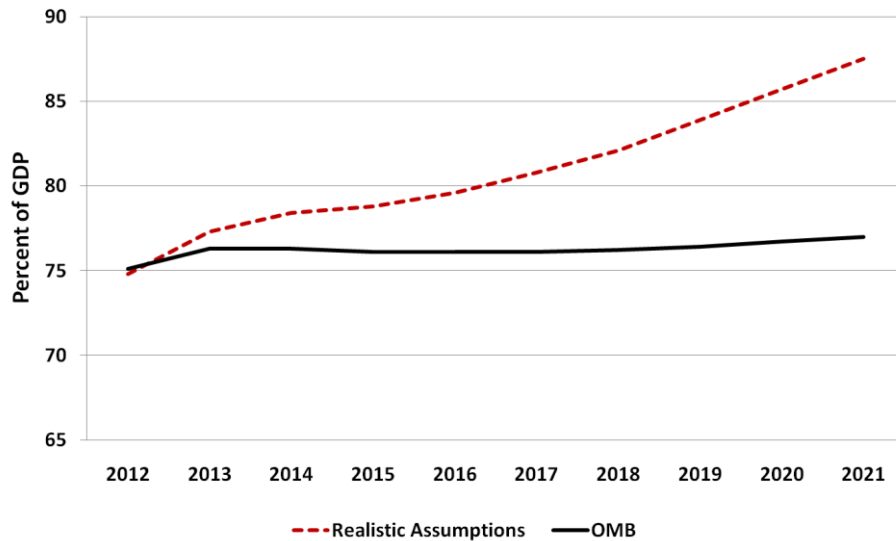## Projected Debt vs. Potential Debt

Source: Committee for a Responsible Federal Budget
Produced by: Veronique de Rugy, Mercatus Center at George Mason University

This week, Mercatus Center Senior Research Fellow Veronique de Rugy challenges the Office of Management and Budget's (OMB) projections of debt using data from the *Committee for a Responsible Federal Budget* (CRFB).

The above chart plots future debt held by the public as projected by the OMB in the President's FY2012 Budget Request (black), and as projected by the CRFB (red). These projections are based on the same data and policy realities, but the CRFB projection incorporates more realistic assumptions of economic growth and projected budget savings; under these conditions, the net effects of current policy look far more dire.

First, the OMB debt projections seen above incorporate unrealistic assumptions about the future rate of growth of the United States economy. Between 2012 and 2021 the OMB projects real GDP growth of more than 3.2%. Compare this to the less than 2.9% projected by OMB. Since faster growth means greater revenues and less federal spending to support the economically disadvantaged, this rosy assumption leads the OMB to underestimate future debt and deficits.

Second, OMB's budget relies on decreased spending levels as a result of *unspecified* policy actions. In other words, this budget incorporates smaller deficits due to spending decreases, but it provides neither policy changes nor specific cuts to explain these budget savings.

 When the unspecified savings cited in the President's budget are removed and realistic projections of economic growth are put in place, debt in 2021 looks far worse than the OMB's projected level of 77 percent of GDP. Debt held by the public would breach 77 percent in 2013, 80 percent in 2016, and reach 87 percent of GDP by 2021.
These facts remind us that debt is simply a symptom of over-spending; spending cuts, not budget gimmicks, will be required to quash it.

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