

A new reminder of America's debt problem

Editoriale

Amid so many crises around the world, it's easy to forget the scale of America's debt problem. But a new report from the Congressional Budget Office puts the stakes in sharp relief: Even under the best circumstances, America's finances are on track to get much worse.

The CBO's Budget and Economic Outlook [provides forecasts](#) for spending and revenue over the next decade, and the latest findings are dramatic. This fiscal year, the government is projected to suffer a \$1.9 trillion budget deficit, which translates to 5.8 percent of gross domestic product. In 10 years, the gap will widen to \$3.1 trillion, which would total nearly 7 percent of GDP.

This year, the federal debt is set to cross 100 percent of GDP, not far behind the post-World War II high of 106 percent in 1946. That number is projected to increase to a staggering 120 percent by 2036.

The latest outlook from the CBO assumes that unemployment will stay relatively low and that inflation will keep hovering above the Federal Reserve's target, but not by much. And it does not factor in the possibility of a major war or other disaster that could radically derail the government's finances. So the real trajectory might be worse than the CBO projects.

Some in Washington believe that the only solution is to increase revenue by taxing Americans even more. Yet federal revenue, about [17 percent of GDP](#) in 2025, is in line with the average for the last half-century. Raising taxes could put a small dent in the debt but wouldn't meaningfully change its trajectory.

In reality, the debt is driven by two factors. First is America's growing entitlement state. Government spending is on track to rise to more than 24 percent of the country's GDP in 2036, according to the CBO. The average from 1976 to 2025 was about 21

percent. The increase is driven by Social Security, Medicare and interest on the national debt (which is projected to be nearly twice as much as the defense budget in 2036).

The second and more important problem is economic growth. The best way to make the debt a smaller percentage of GDP is to increase GDP. Even a small increase in the annual economic growth rate meaningfully shrinks debt projections.

The economy is projected to grow 2.2 percent this year, up from 1.9 percent the year before. Compared with other developed countries, that's not bad. But Americans can't settle for these mild numbers with a fiscal storm on the way.

America doesn't need government to make that growth happen. It just needs government to get out of the way to let business thrive and return to the headier growth the country once enjoyed.