

20120110 St. Louis Fed: How Accurate Are the CBO's Deficit Projections?

Source: Federal Reserve Bank of St Louis

Each year, the Congressional Budget Office (CBO) publishes its Budget and Economic Outlook. The CBO's deficit projections for the current fiscal year (FY) and the next 10 FYs are widely followed because they provide an assessment of the medium-term budget outlook based on current law and a presumed path for the economy over the next decade. Admittedly, this task is more difficult because of the required assumption that the laws governing future outlays and revenues do not change. Nevertheless, given its nonpartisan nature and the CBO's well-respected staff of professional economists and budget analysts, its projections are closely followed. In this article, the authors update their 2001 assessment of the accuracy of the CBO's short- and medium-term budget projections by adding an additional 10 years of data.

Such analysis is useful in light of the dramatic change in actual and expected fiscal policy, especially over the past few years. In addition, they investigate the extent to which the CBO's projection errors are affected by errors in forecasting key economic variables and the extent to which the errors relate more to inaccurate projections of revenues or expenditures.

For the study please click [here](#).

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