Myron Scholes Global Market Forum

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Panel Discussion on Budget Options for the United States

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Baseline CBO projections are too rosy, because they reflect current law…

… not current practice or current policy

Under current law or current practices, the longer term US fiscal outlook is grim ….

… in considerable part due to demographic trends and their implications for spending on the elderly under existing entitlement programs.

Critical Questions

• Is the United States headed towards a major fiscal crisis characterized by much higher interest rates on its debt and a serious threat of default?

• How will the United States close the gap—large over the next decade and enormous in the out years—between projected government expenditures and projected tax revenues?
Government Spending with a VAT

Policymaker Marginal Benefits (PMB) of Government Spending

PMC with No VAT

PMC with VAT

PMC, PMB

Government Spending/GDP