

Jason Furman on Growth and the Government Deficit

	Change in GDP
Estimate (CBO 2013a)	
Estimate (Barro and Furman 2018)	
Change in primary budget deficit (CBO)	
Comparison with Europe and Asia (World Bank 2013)	
Public investment (Gaspar et al 2016 and others)	
Estimates (Holtz-Eakin 2015 and Barro)	
Estimate (PWBM 2021)	

How can we reduce the government budget deficit? A number of economists have proposed policies to increase U.S. economic growth using government programs. In theory, higher growth means more tax revenue, a higher GDP, and lower deficits. But there are other factors. TL;DR version: **higher growth will have a minimal impact on the deficit.** Jason Furman has put together a simple, straightforward model of the relationship between growth, interest rates, the deficit, the debt, and GDP. Read the first three paragraphs carefully to better understand the model. (If you're an economist, feel free to skip that suggestion.)

Here's Jason Furman on growth and the government deficit. (I believe the last paragraph should read "But even large growth policies are like a relatively small tax or spending policy when it comes to their impact on the trajectory of debt relative to GDP.")