

Where Do We Stand on the National Debt?

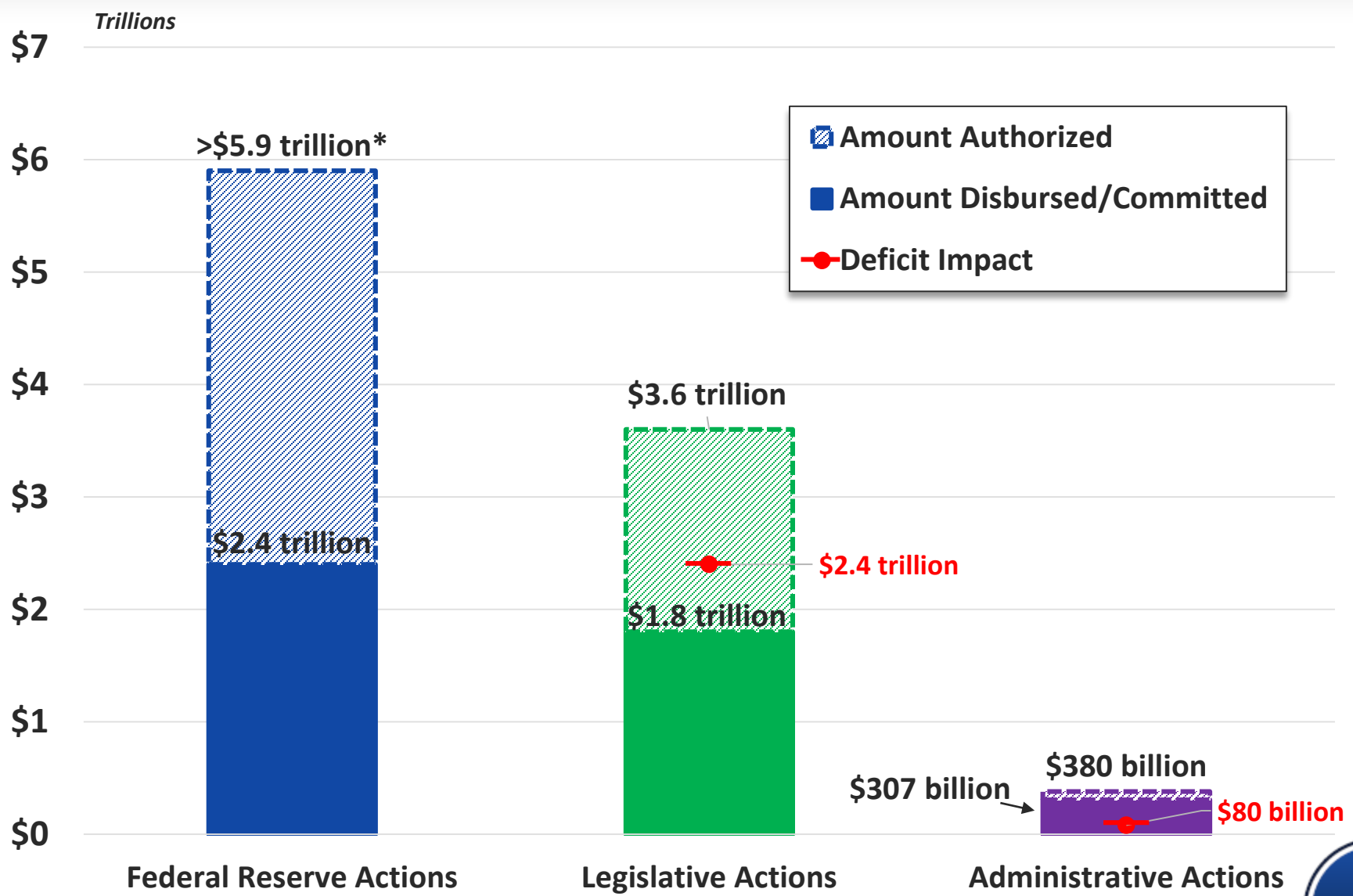
June 2020



**COMMITTEE FOR A
RESPONSIBLE FEDERAL BUDGET**

CRFB.org

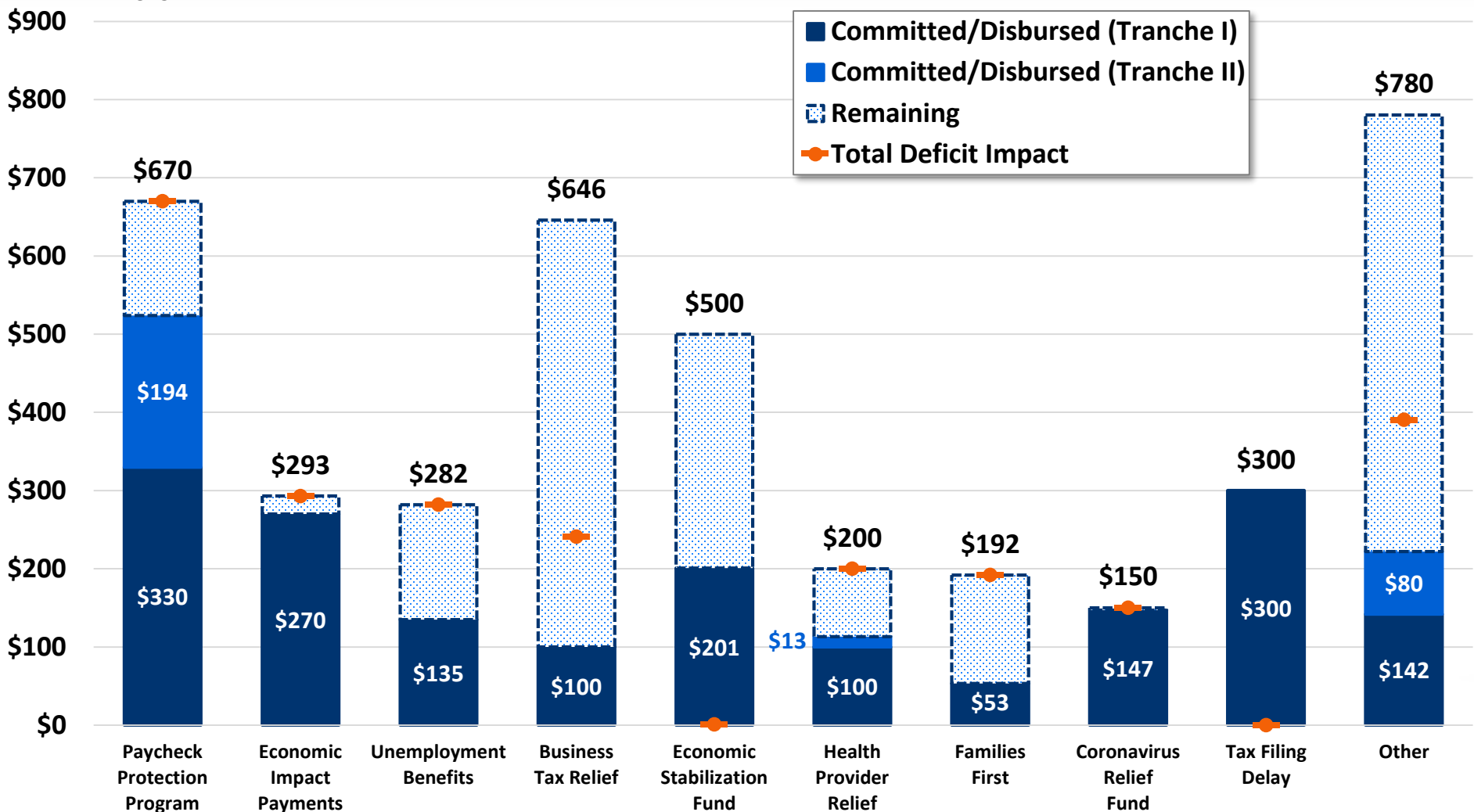
Policymakers Have Committed Trillions to Save The Economy



*Some Fed facilities and programs have no announced cap or maximum, in which case, we assume the max as the largest amount disbursed or committed since the crisis began.

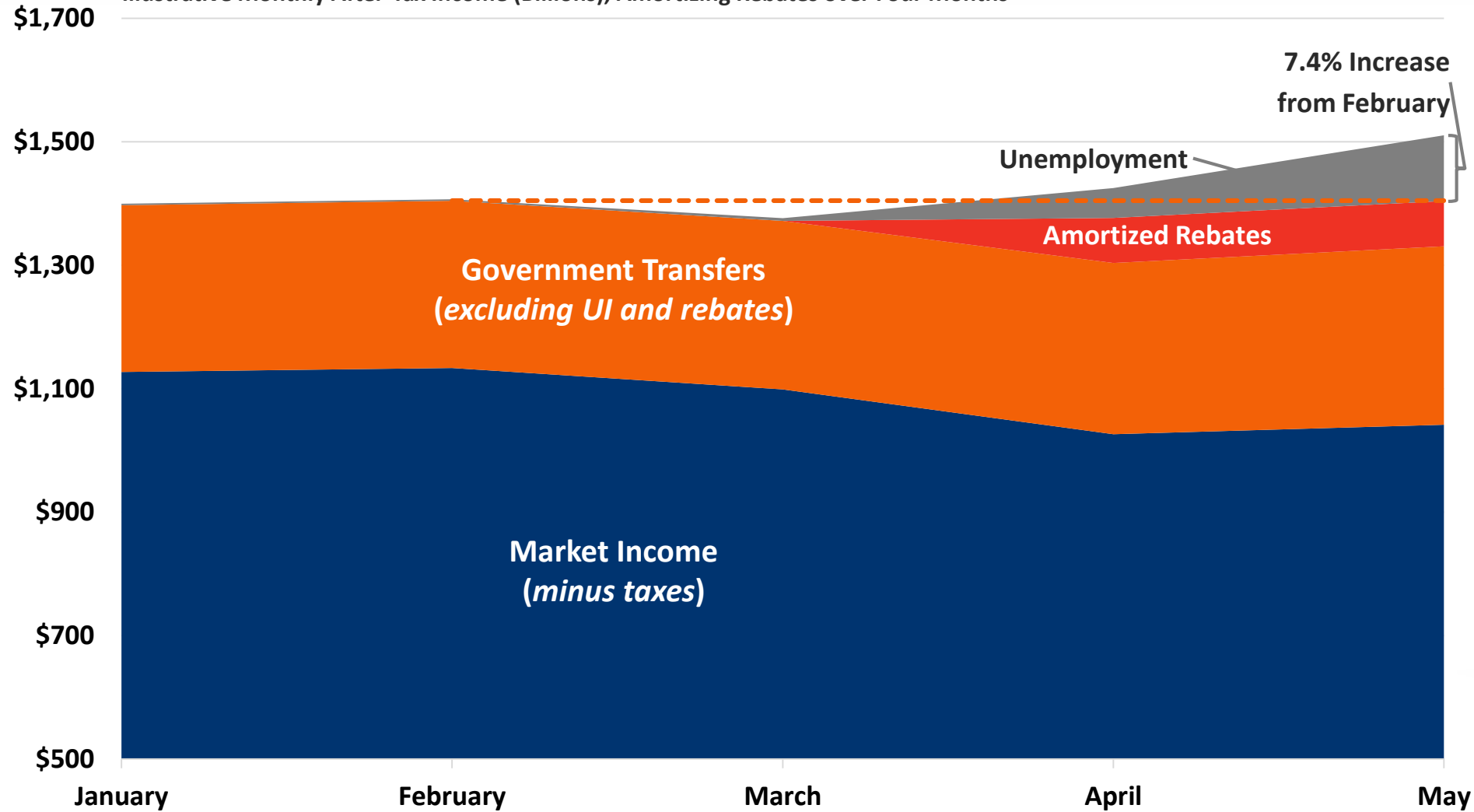
And Half the Fiscal Support is Out the Door

Billions



Efforts Stabilized the Economy, But at a Cost

Illustrative Monthly After-Tax Income (Billions), Amortizing Rebates over Four Months



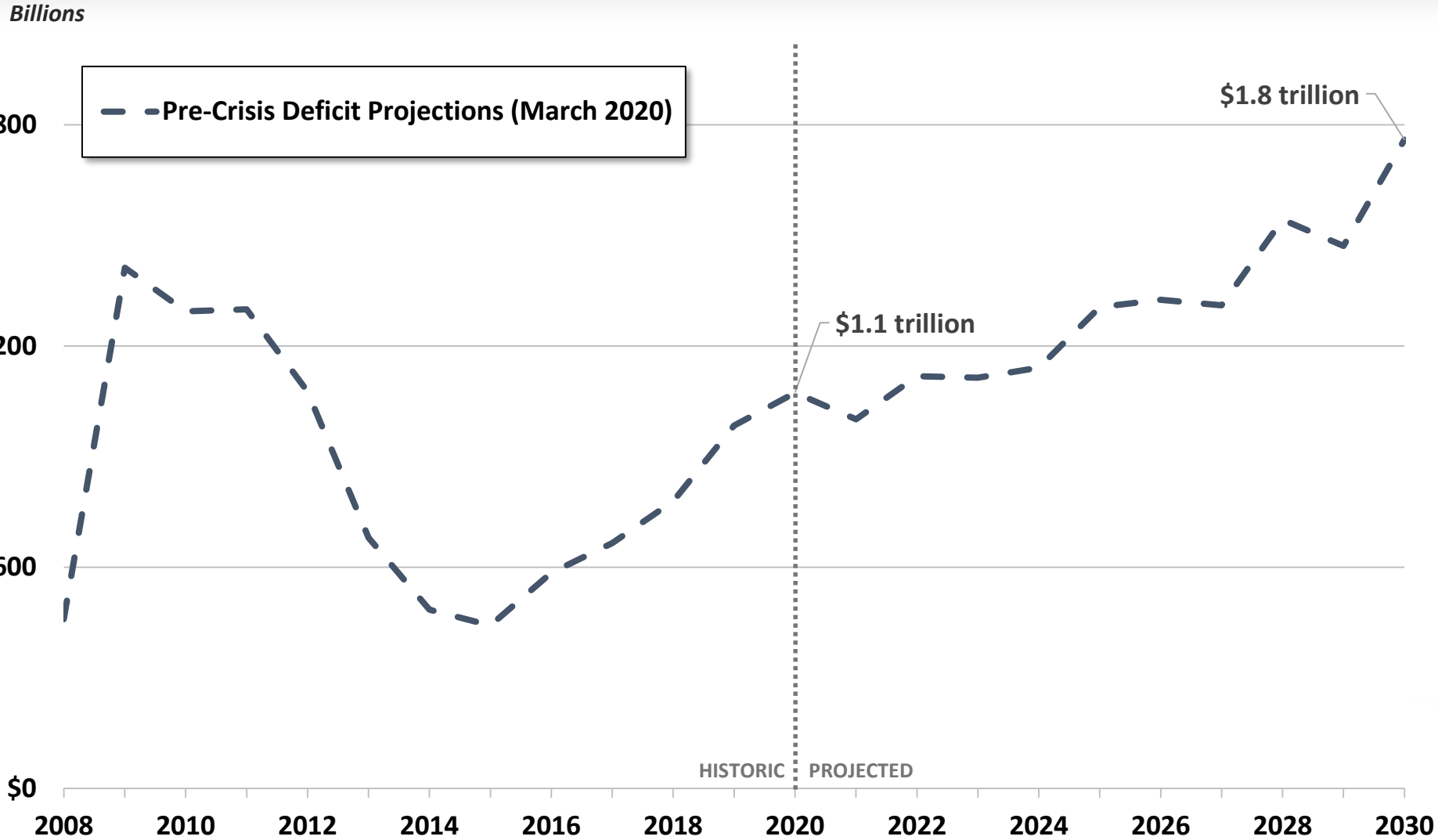
May is a rough CRFB projection, assuming no net change in market and transfer income. Refunds amortized over four months.

Note: updated 6/22 to correct an error that omitted employer pension and payroll tax contributions from income [CRFB.org](https://www.crfb.org)

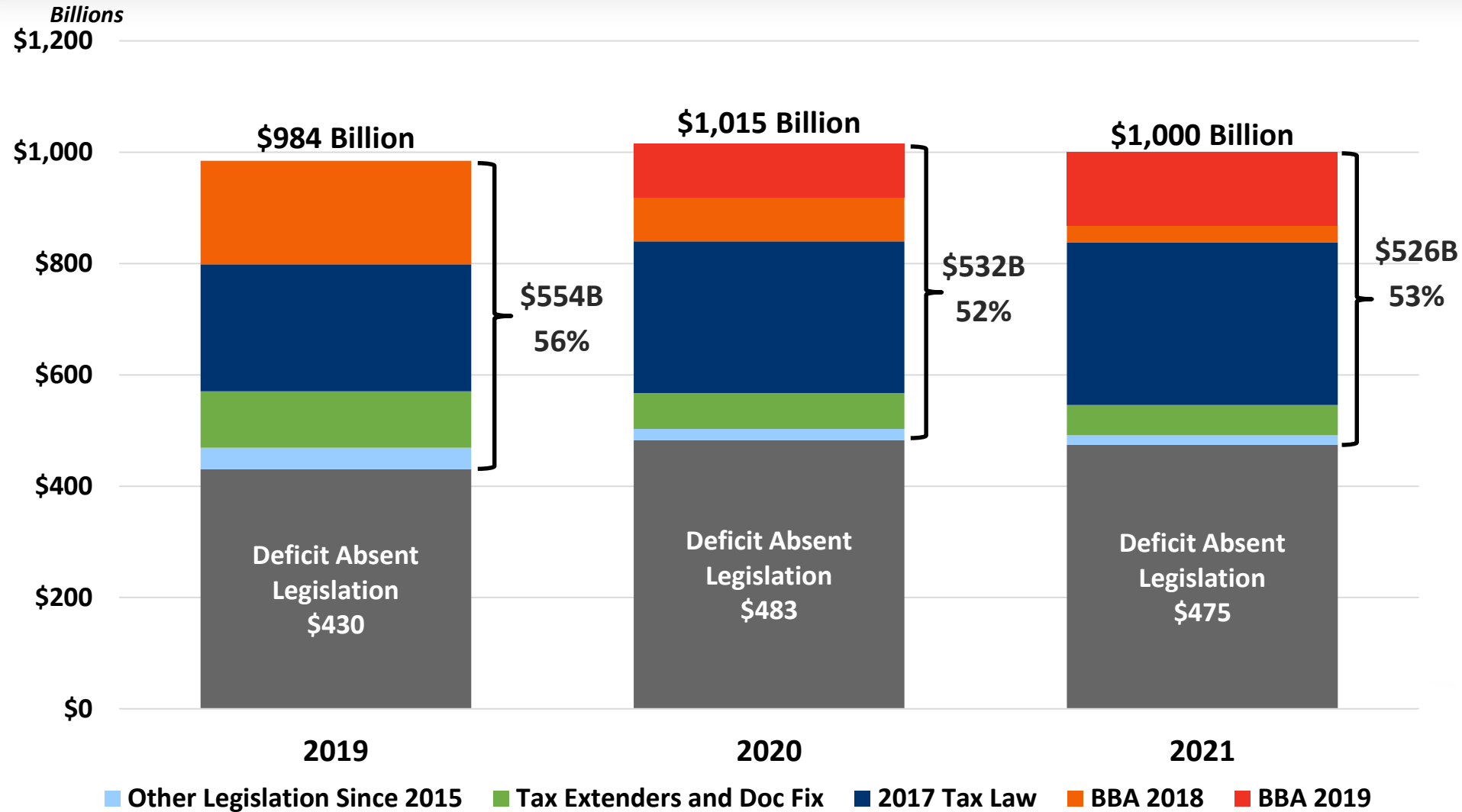
Source: Bureau of Economic Analysis



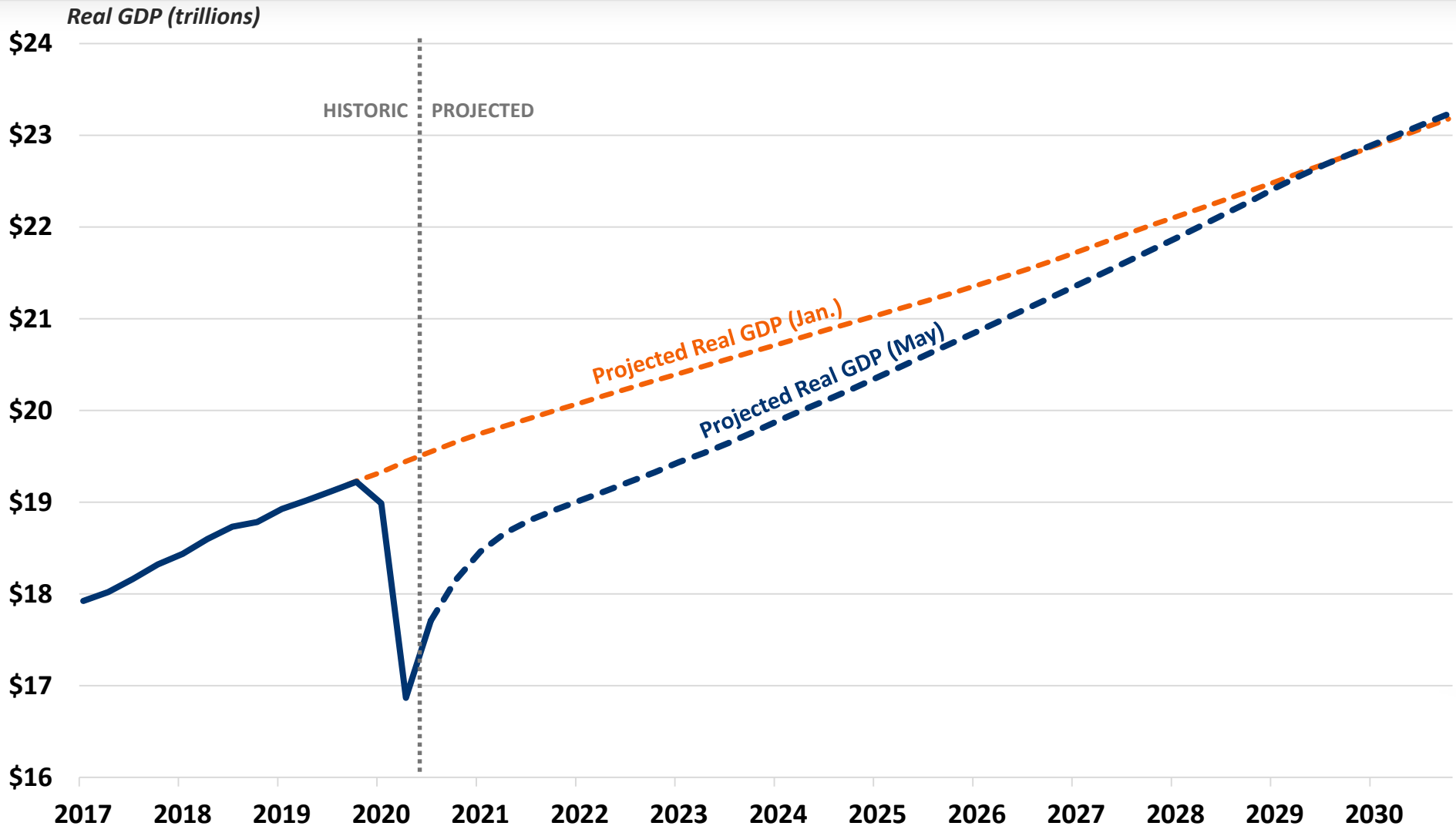
We Entered This Crisis with Trillion-Dollar Deficits



Thanks Largely to Tax Cuts and Spending Hikes



Now We're in an Economic Crisis

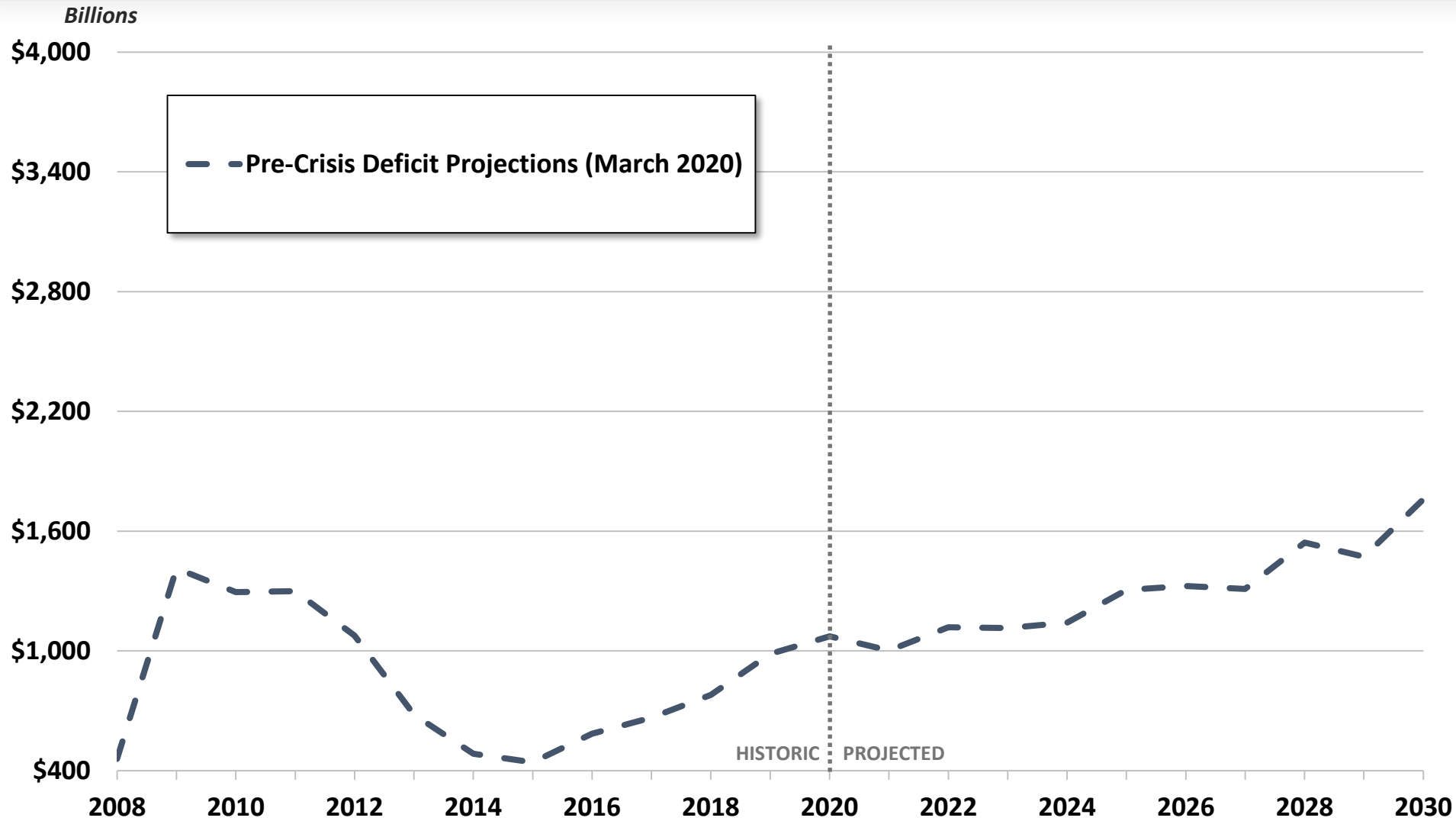


Source: Congressional Budget Office

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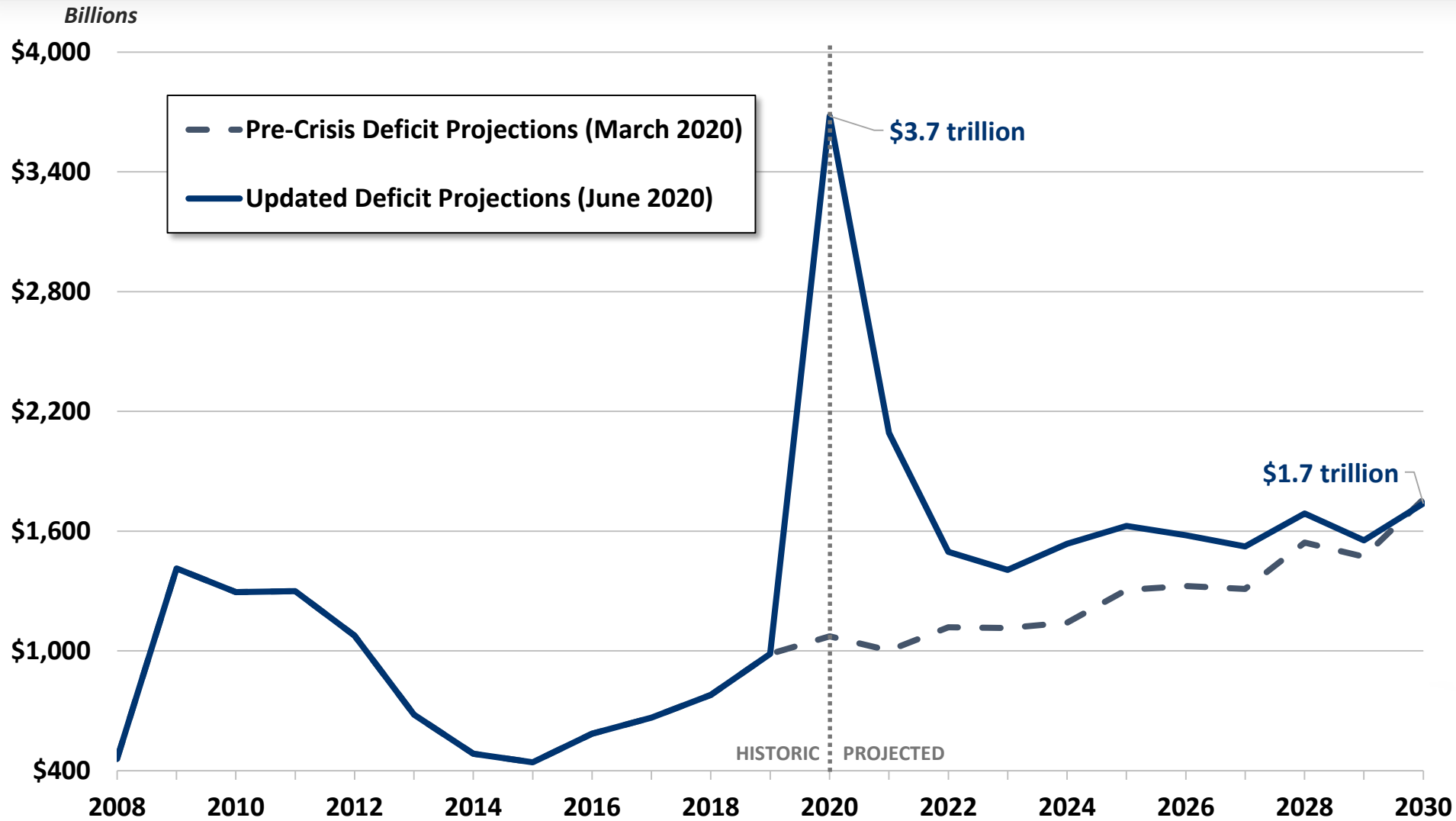


And Now Deficits are Slated to Quadruple

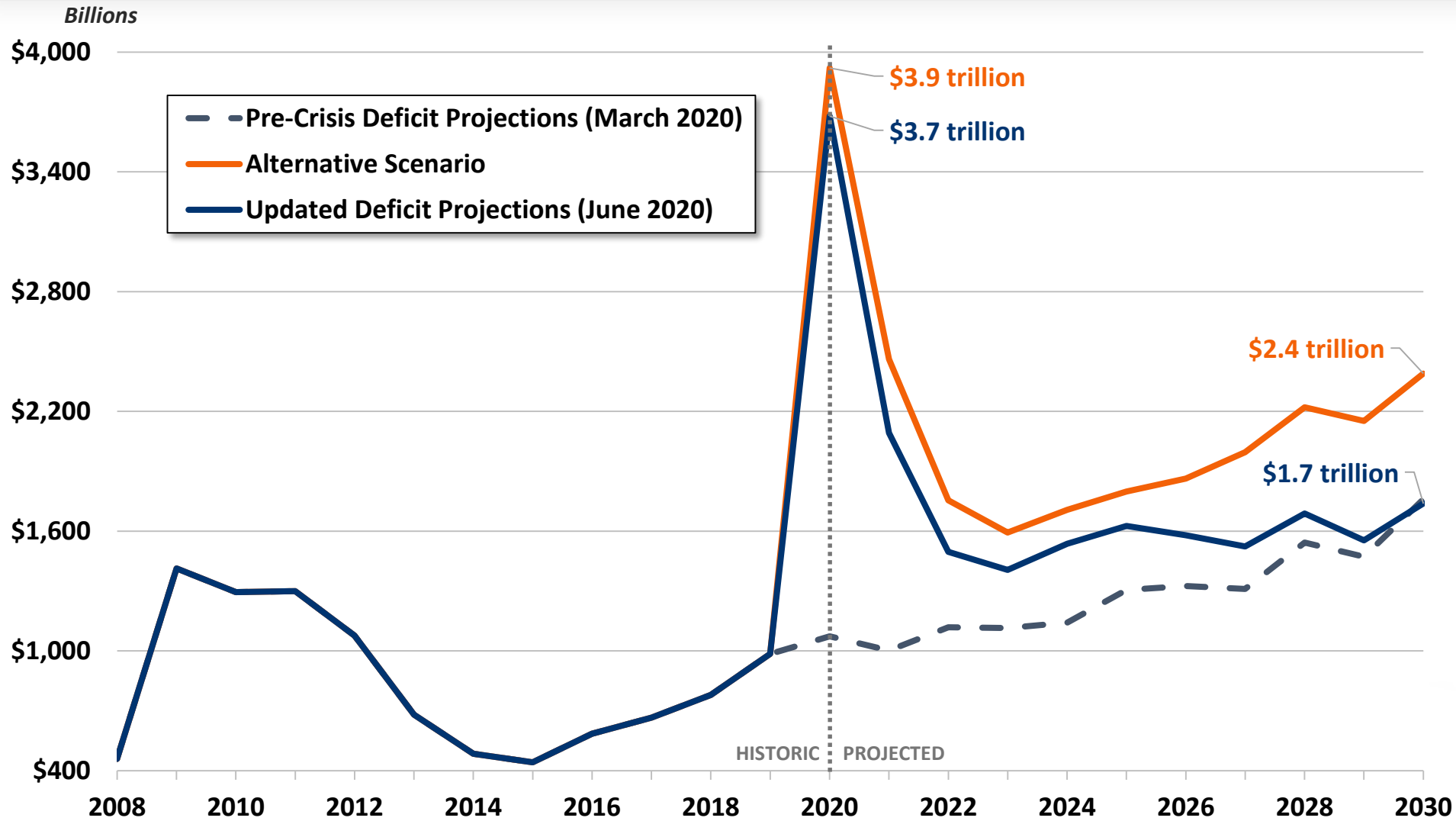


Source: Congressional Budget Office, CRFB Calculations

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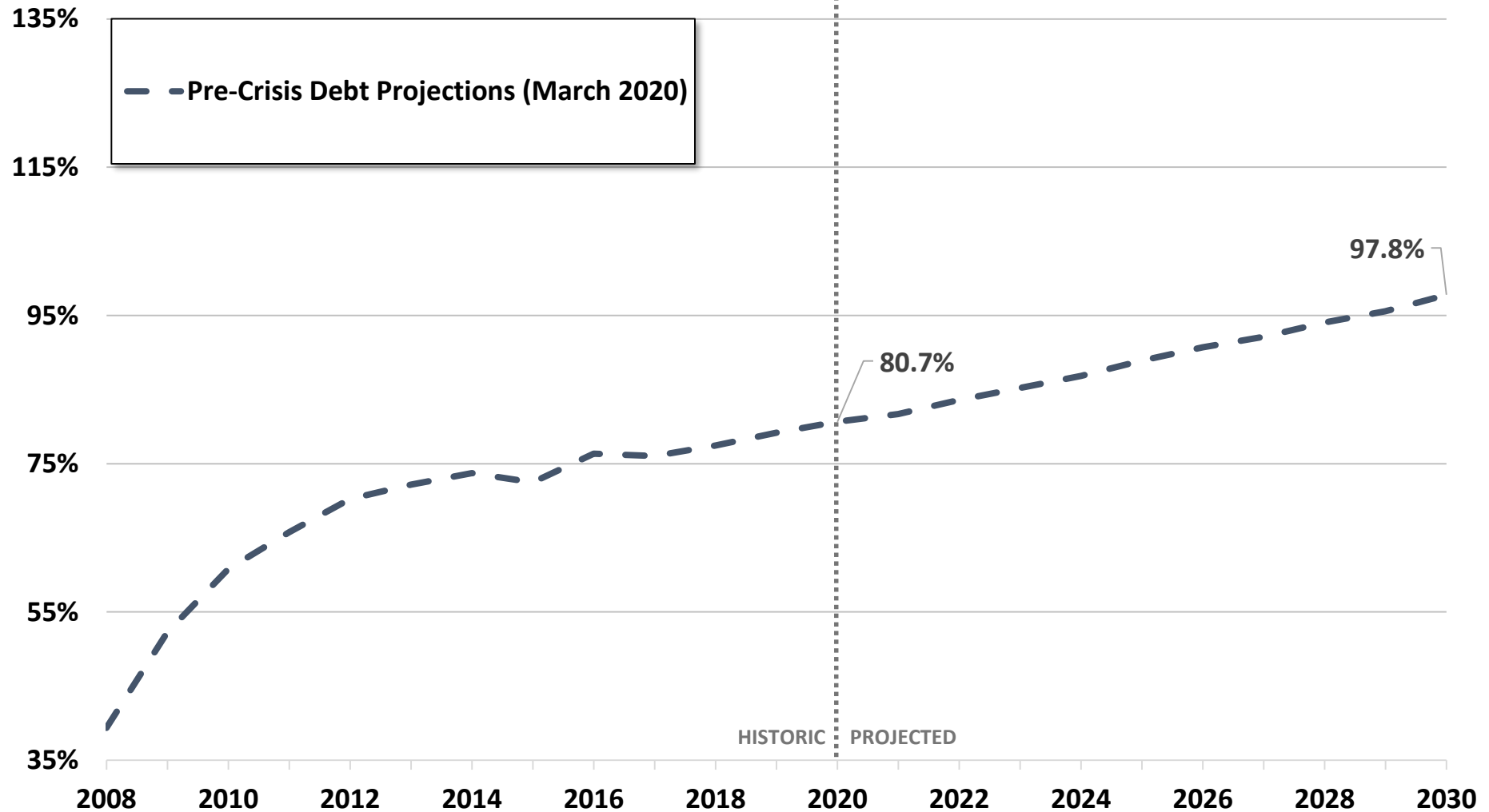
The Recession and Response Are Both Costly

	Current Law	Alternative Scenario
Pre-Crisis Deficit (CBO March 2020)	\$14,164	\$16,936
Coronavirus Preparedness & Response Supplemental Appropriations Act	\$8	\$8
Families First Coronavirus Response Act	\$192	\$192
Coronavirus Aid, Recovery, & Economic Security (CARES) Act	\$1,721	\$1,721
Paycheck Protection Program & Health Care Enhancement Act and Paycheck Protection Program Flexibility Act*	\$483	\$483
Additional Fiscal Relief (not yet enacted)	n/a	\$1,000
Effect of Economic Changes (including interest rates)	\$2,119	\$2,004
Debt Service as a result of above changes	\$1,212	\$1,441
Total Increase in Projected Deficits	\$5,735	\$6,840
Projected Deficit (CRFB)	\$19,899	\$23,776
<i>Projected Deficit as a Share of GDP</i>	7.5%	8.8%

Source: Congressional Budget Office and CRFB calculations. *Because the Paycheck Protection Program (PPP) is undersubscribed, we believe this bill would cost less than scored by CBO. However, the [Paycheck Protection Program Flexibility Act](#) would increase the direct and indirect cost of the PPP so we assume it restores net costs to CBO's score.

Causing Debt to Eclipse the Economy This Year

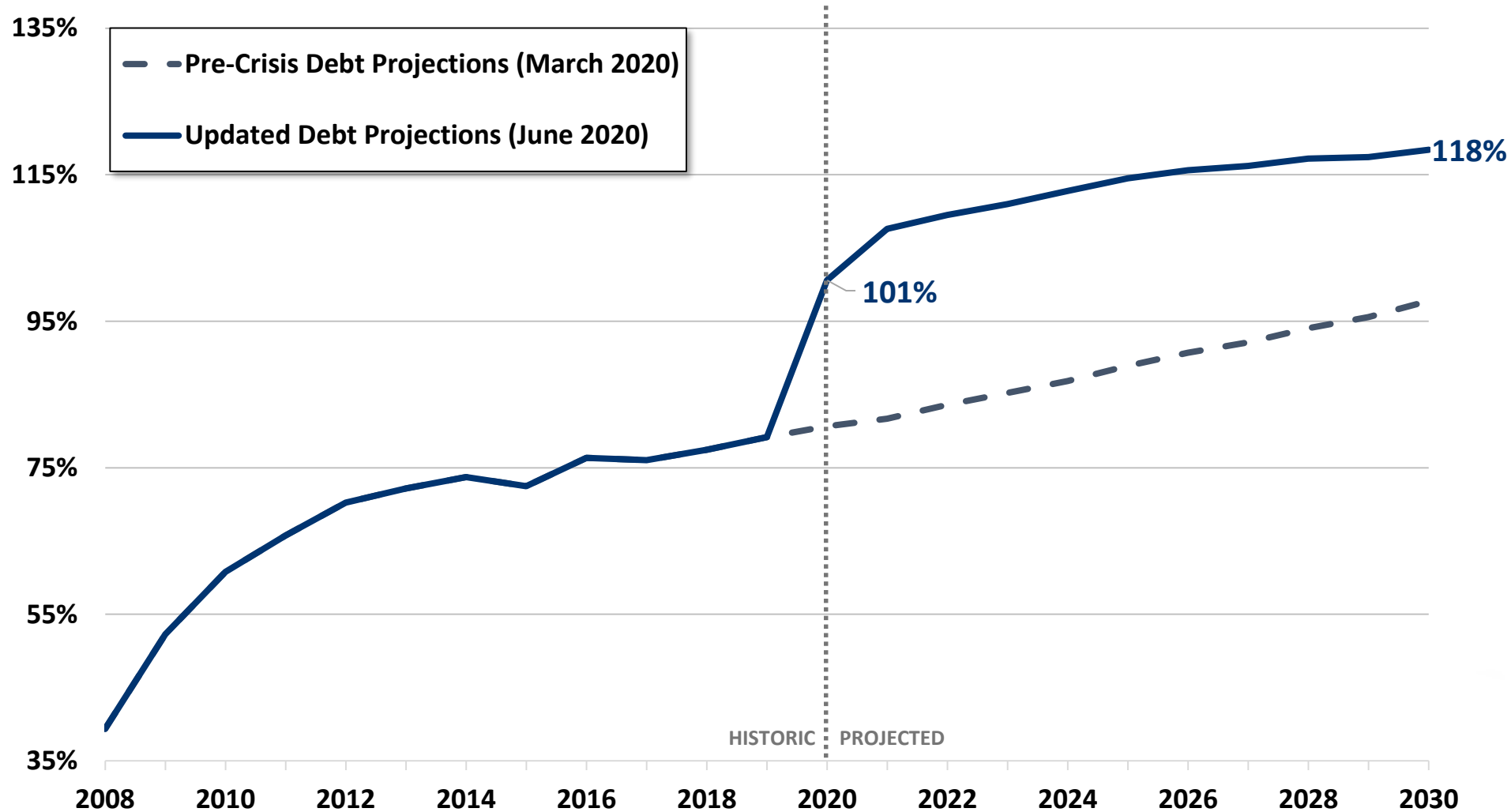
Percent of GDP



HISTORIC PROJECTED

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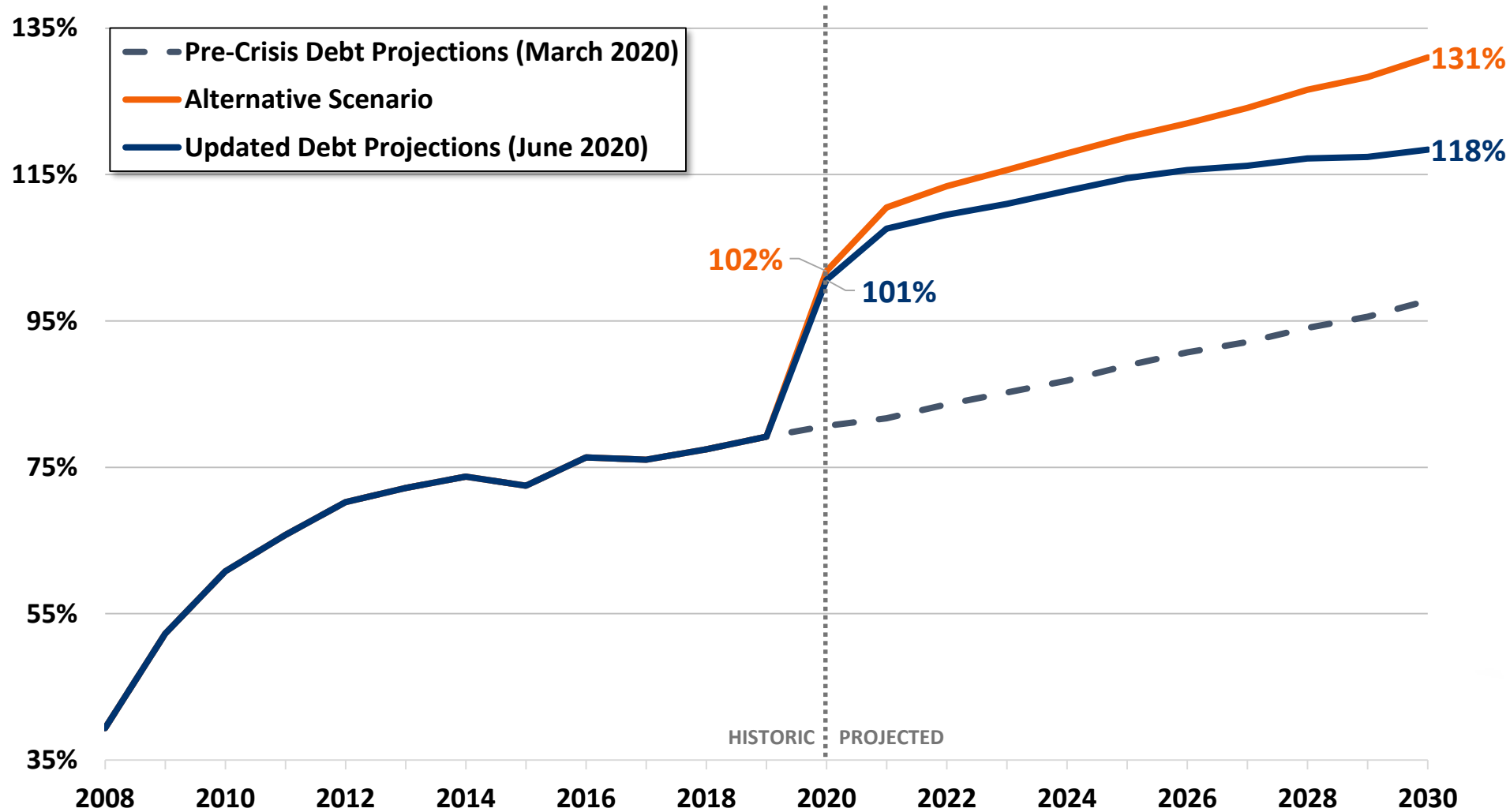
Percent of GDP



Source: Congressional Budget Office, CRFB Calculations

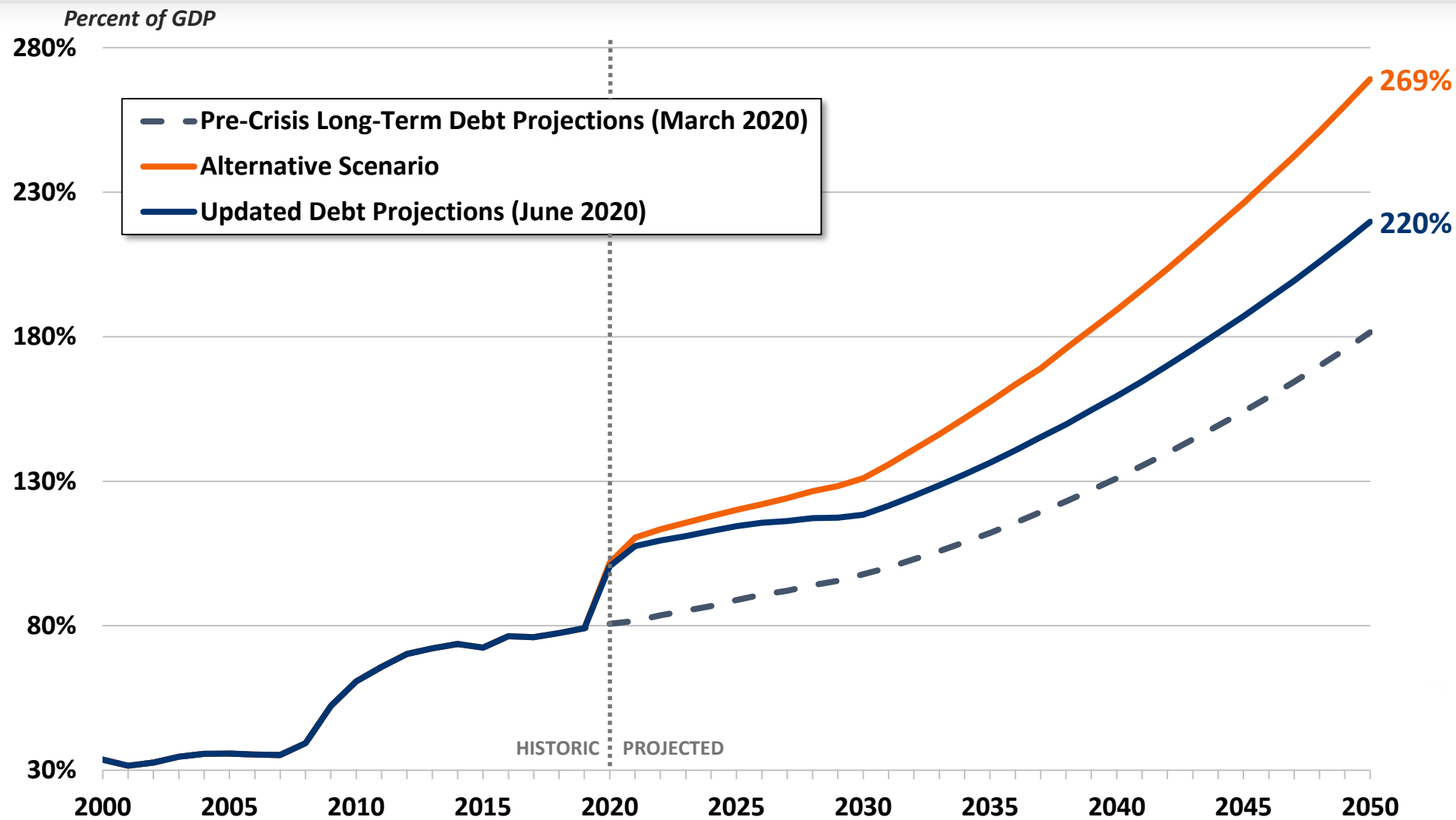
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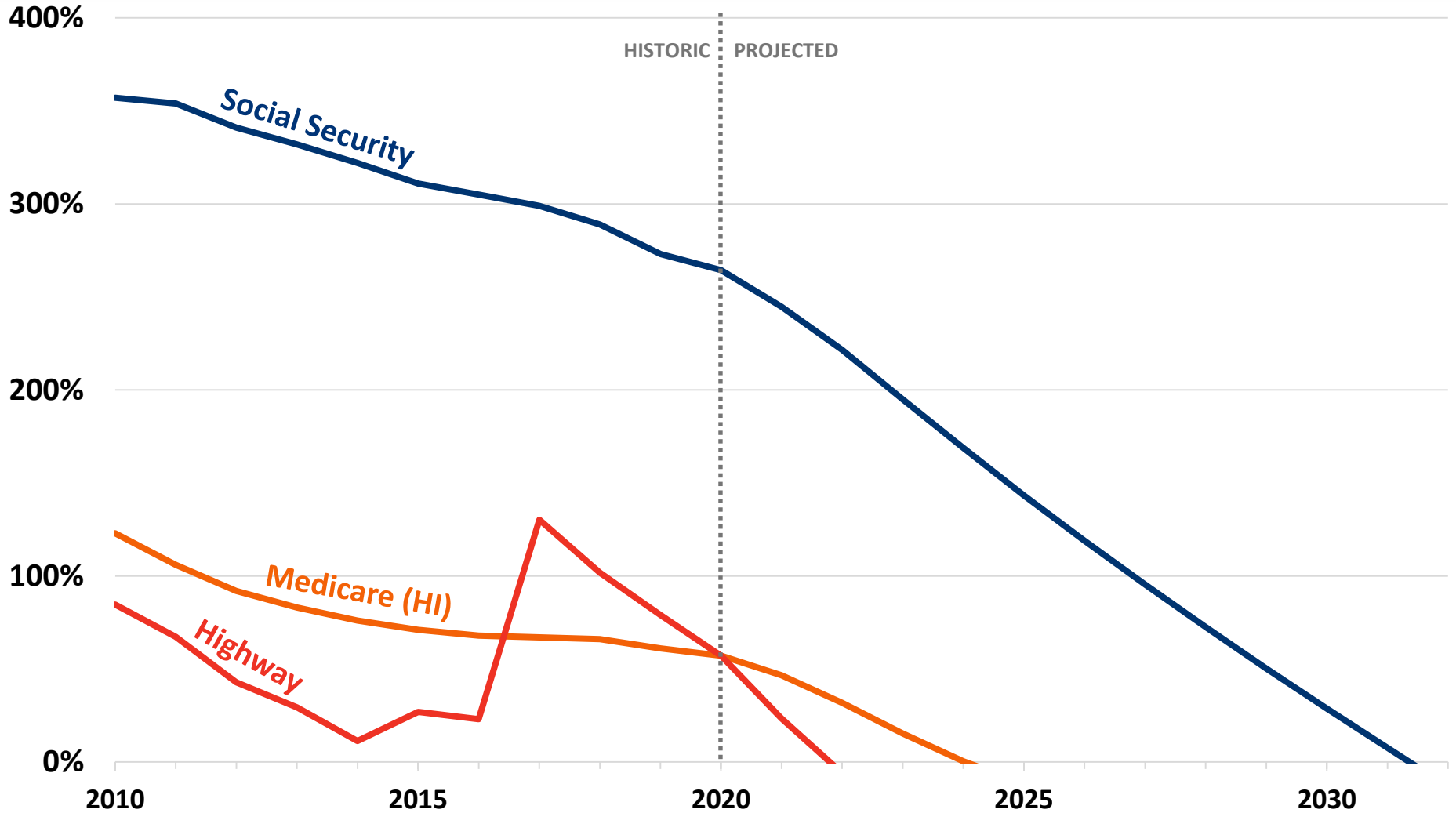
And Reach Unprecedented Levels Over Long-Term



Source: Congressional Budget Office, CRFB Calculations

Major Trust Funds Are Also In Trouble

Size of Trust Fund Reserve Relative to Annual Costs



Source: Congressional Budget Office, CRFB Calculations

Don't Believe Pervasive Debt Myths

➤ **Low interest rates don't make debt costless**

- Low rates are in spite of, not because of, high debt
- Debt not paid back must be rolled over as interest rates rise
- One-time costs are added to high structural deficits

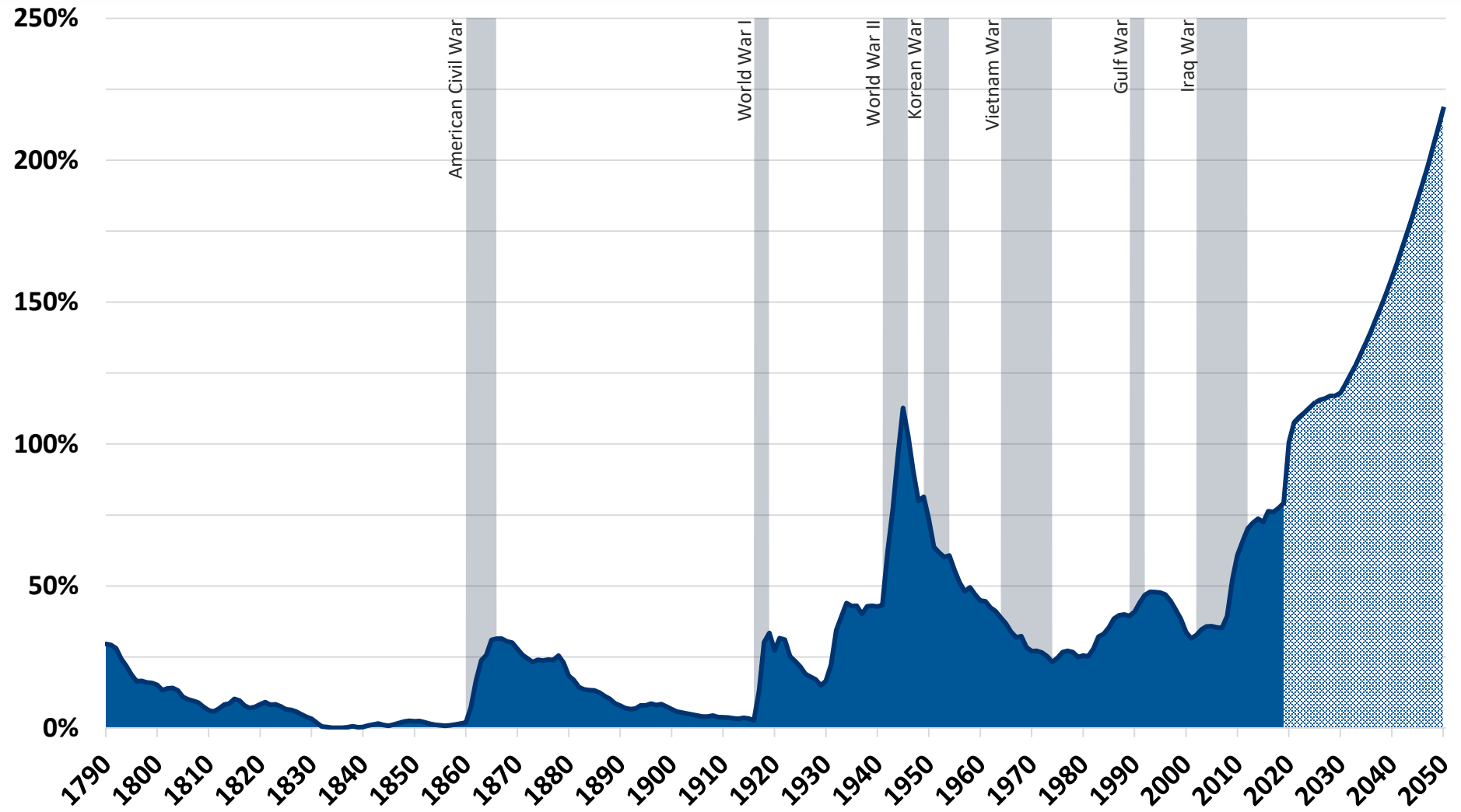
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Unlike After Past Wars, This Debt is Here to Stay



Source: Congressional Budget Office, CRFB Calculations

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- Over that time, nominal economic growth exceeded 6% per year
- Reducing debt at WWII pace would require \$20 trillion of deficit reduction, 6% *real* annual growth, or 12% annual inflation

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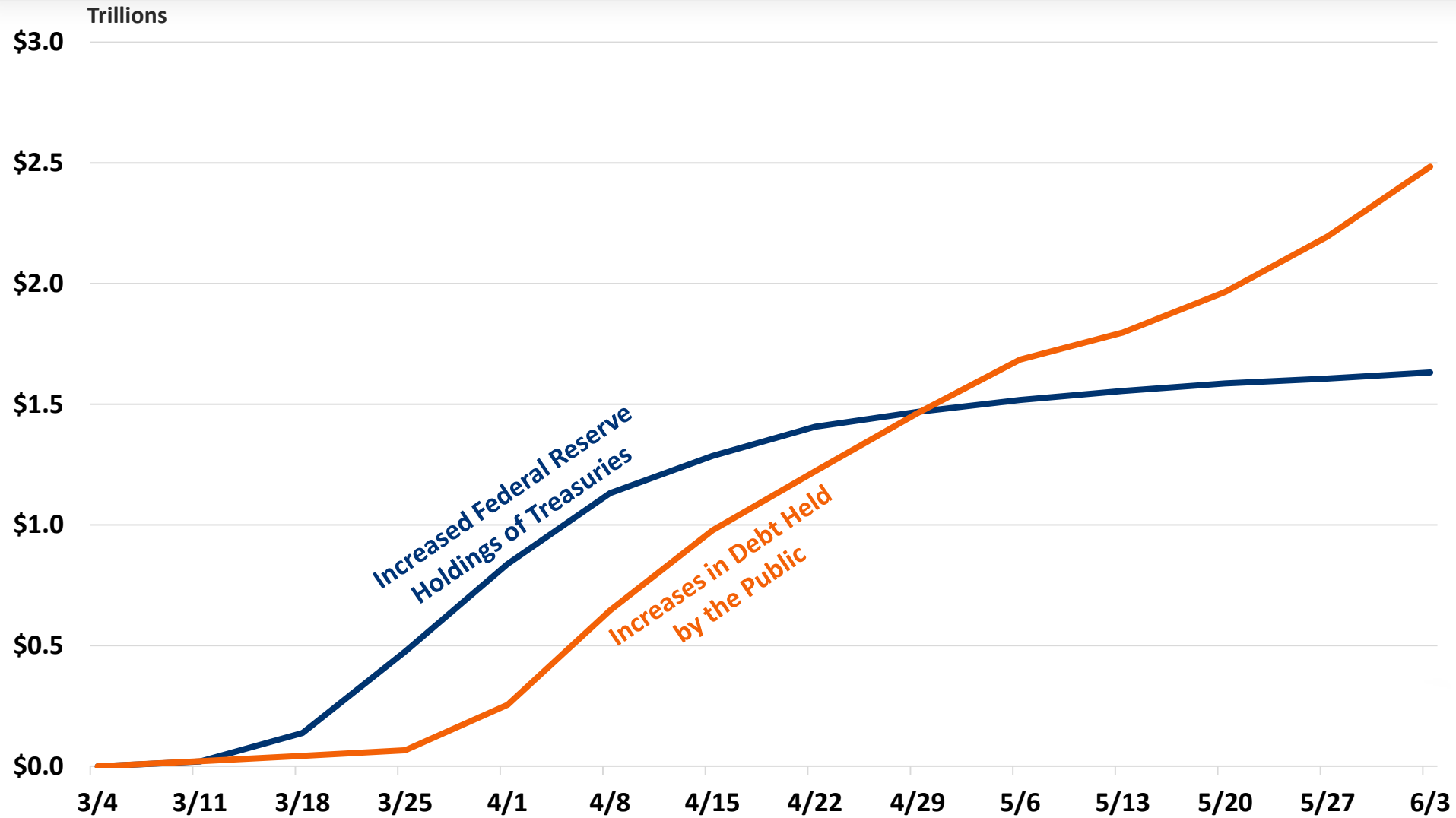
➤ **The Fed can't and won't buy our debt forever**

The Fed has Absorbed Most New COVID Debt



Source: Federal Reserve Board of Governors, Treasury Department

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- Monetizing debt in good times could drive high inflation
- In normal times, reserves pay interest like bonds
- Low interest rates can be economically damaging

