

Macro Roundup Article

Headline: [You Are Right to Worry About the Economy](#)

Article Link: https://www.wsj.com/articles/economy-debt-spending-inequality-4592c154?mod=opinion_feat4_letterstoeditors_pos1

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Tweet: [.@EdwardConard](#) argues that “Americans are wisely alarmed” about the economy with Federal deficits running at 6% of GDP deep in the business cycle. “Without greatly accelerating productivity growth, this is reckless driving.”

Summary: America is on what Federal Reserve Chairman Jerome Powell calls “an unsustainable fiscal path.” Well into the business cycle, we are pumping fiscal stimulus equal to an unprecedented 6% of GDP and a quarter of all government spending into the economy, with no end in sight. Federal debt has risen from 70% of GDP after the financial crisis to nearly 100% today, following \$5 trillion of pandemic spending to close what was likely a \$1 trillion shortfall. Tax revenues as a share of GDP are projected to remain above their 50-year average, but spending has grown to a historically high 23% of GDP from 19% before the financial crisis. Only half that increase is driven by retiring baby boomers, whose growth is expected to increase spending by another 2% of GDP over 10 years. A political resolution doesn’t seem likely. Retirees have pitted Democrats against Republicans to avoid benefit cuts. Policy makers are unlikely to raise middle-class taxes—they are engineering cuts by expanding the child tax credit. Heavy tax increases on the highest earners are estimated to contribute less than 2% of GDP. Without greatly accelerating productivity growth, this is reckless driving. Americans are wisely alarmed. Related: Sea Change and Interest Costs Will Leapfrog Medicare and Defense This Year and When Does Federal Debt Reach Unsustainable Levels?

Primary Topic: Fiscal Deficits

Topics: Business Cycle, Fiscal Deficits, Fiscal Policy, GDP, Government Spending, Op-Ed/Blog Post, Politics, Weekly

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