

Macro Roundup Article

Headline: [A Fiscal Crisis, and What It Will Take to Avoid It, Come into View](#)

Article Link: <https://www.aei.org/economics/a-fiscal-crisis-and-what-it-will-take-to-avoid-it-come-into-view/>

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Tweet: .@AEIecon cites Penn Wharton Budget Model's analysis suggesting. "If and when the market consensus shifts toward assuming a [tax and spending] fix is not coming after all, a debt crisis would emerge in short order."

Summary: The Penn Wharton Budget Model (PWBM) notes that the only reason a debt crisis has not already occurred is that market participants assume a tax and spending correction is coming at some point. The PWBM brief also outlines the effects of real interest rate increases on future debt projections. In the base case, the authors project federal debt rising from 98% of GDP in 2023 to 189% in 2050. The Congressional Budget Office (CBO) forecast shows debt reaching 169 percent of GDP that same year. If the real average interest rate for U.S. borrowing rises by 50 basis points above the PWBM forecast of 2.3%, then federal debt would climb to 208% of GDP in 2050.

Related Articles: [When Does Federal Debt Reach Unsustainable Levels?](#) and [Interest Expense: A Bigger Impact on Deficits than Debt and Living with High Public Debt](#)

Primary Topic: Fiscal Deficits

Topics: Fiscal Deficits, Fiscal Policy, Op-Ed/Blog Post, Politics, Taxation

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