Macro Roundup Article

Headline: Rising Debt Could Reduce Income Growth by One-Third

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Author(s)	CRFB Staff
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Tweet: Under the CBO's "Rising Debt" scenario, real GDP per person in 2054 would be almost $15,000 lower than the "Stable Debt" scenario, due to higher debt levels crowding out private investment and slowing growth. @MarcGoldwein

Summary: This year, CBO estimates average income, as measured by GNP per person, will total about $84,400. Assuming debt remains stable at 99% of GDP over the next three decades, CBO projects average income will grow by more than $44,000 (when adjusted for inflation), to $128,600. However, rising national debt will stifle this growth. Under CBO's current law baseline, where debt is projected to rise to 166% of GDP by FY 2054, CBO projects income will grow by less than $39,000, to $123,200 per person. In other words, income growth would slow by about 12%. This is the result of crowding out, whereby a higher national debt reduces private investment and slows income growth. With additional debt, income growth would slow further. For example, CBO constructs an alternative scenario where revenue and certain spending returns to historical averages and, as a result, debt rises to 294% of GDP by FY 2054. Under that scenario, we estimate per person income would grow by less than $30,000 over thirty years, to about $114,100. In other words, income growth would slow by about one-third relative to if debt was stable.

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Primary Topic: Fiscal Deficits

Topics: Database, Fiscal Deficits, Fiscal Policy, GDP, Growth, Op-Ed/Blog Post, Wages/Income, Weekly, Workforce

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