

Macro Roundup Article

Headline: [The True Shape of America's Debt & Deficit "Burdens"](#)

Article Link: <https://braddelong.substack.com/p/the-true-shape-of-americas-debt-and>

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Tweet: [@delong proposes roughly matching federal program spending with taxes and running a deficit of ~ 3% of GDP to pay interest on federal debt. He is bearish on the prospect of building a legislative coalition to get there.](#)

Summary: Federal debt held by the public reached a low point as a percentage of GDP reached a low point of 21.9% in the third quarter of 1974. Debt-to-GDP reached a peak of 103.2% in the middle of the COVID plague in mid-2020. It stood at 94.0% at the start of Biden's first budget-year. And it stands at 95.4% today. If the United States can roughly match government program spending to taxes in the future while it rolls over its debt as it matures and borrows more money to pay the interest, the debt is highly likely to gradually diminish, and eventually fade away. Such a policy is a "deficit gamble", but it is one on very favorable terms. That is if the United States matches program spending to taxes: and attains an average level of zero for what economists call the primary deficit. That does not mean a balanced budget. It means borrowing more only to pay the interest owed on what had been borrowed before. It means a current-cash deficit of around 3% of GDP—of approximately \$800 billion a year. Related: [When Does Federal Debt Reach Unsustainable Levels?](#) and [Living with High Public Debt and R versus G and the National Debt](#)

Primary Topic: Fiscal Deficits

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

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