

Macro Roundup Article

Headline: [A Million Simulations, One Verdict for US Economy: Debt Danger Ahead](#)

Article Link: <https://www.bloomberg.com/news/articles/2024-04-01/us-government-debt-risk-a-million-simulations-show-danger-ahead?sref=U3dOGIDF>

Author(s)	Bhargavi Sakthivel, Maeva Cousin, and David Wilcox
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Summary: Bloomberg Economics has built a forecast model using market pricing for future interest rates and data on the maturity profile of bonds. Keeping all the CBO's other assumptions in place, that shows debt equaling 123% of GDP for 2034. Debt at that level would mean servicing costs reach close to 5.4% of GDP — more than 1.5 times as much as what the federal government spent on national defense in 2023, and comparable to the entire Social Security budget. To put some parameters around the uncertainty, Bloomberg Economics has run a million simulations on the CBO's baseline view — an approach economists call stochastic debt sustainability analysis. Each simulation forecasts the debt-to-GDP ratio with a different combination of GDP growth, inflation, budget deficits, and interest rates, with variations based on patterns seen in the historical data. In the worst 5% of outcomes, the debt-to-GDP ratio ends 2034 above 139%, which means that the US would have a higher debt ratio in 2034 than crisis-prone Italy did last year. Related: The Long Term Budget Outlook: 2024 to 2054 and Olivier Blanchard on Debt Explosions and From Riches to Rags: Causes of Fiscal Deterioration Since 2001

Primary Topic: Fiscal Deficits

Topics: Financial Markets, Fiscal Deficits, Fiscal Policy, GDP, News article, Politics

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