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Macro Roundup Artcile

Headline: R versus G and the National Debt

Article Link: https://www.crfb.org/sites/default/files/media/documents/CRFB_R_versus_G_and_the_National_Debt.pdf

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Tweet: Noting for the past 15 years R < G, @MarcGoldwein argues that in a world where R > G, at current debt stocks and primary deficits, the US will face a debt spiral.

Summary: Debt Sustainability = When national debt grows slower than gross domestic product (GDP) or expected to stop growing before getting too high. Average interest rate on government debt (R) describes the growth of current debt, while G the average growth rate of U.S. economy represents its erosion (relative to GDP). When R<G, debt may be sustainable even when non-interest spending exceeds revenue. When R<G, one-time borrowing has little effect on long-term debt-to-GDP. For the last 15 years, R has been below G. Related: When Does Federal Debt Reach Unsustainable Levels? and Are High Interest Rates the New Normal? and Living with High Public Debt

Primary Topic: Financial Markets

Topics: Database, Financial Markets, Fiscal Deficits, Fiscal Policy, GDP, Op-Ed/Blog Post, Weekly

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