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Macro Roundup Artcile

Headline: High and Rising US Federal Debt: Causes and Implications

Article Link: https://www.economicstrategygroup.org/wp-content/uploads/2023/11/Dynan_2023_Chapter.pdf

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Tweet: Assuming that real GDP growth of 2% continues, balancing the primary budget would require spending reductions and revenue increases equal to 3.3% of GDP between 2027-2052. @KarenDynan

Summary: Figure 5 shows different vintages of CBO's federal-debt projections to offer additional perspective on how those downturns (as well as other factors) affected federal debt. Looking at just the actual realizations of debt to date, shown by the solid portion of the red line, one can see the surges in debt that occurred during the Great Recession period and during the COVID-19 pandemic. The other lines in Figure 5 show CBO's projections just prior to these episodes. The level of federal debt and its projected trajectory remained higher after each episode, even though, in both cases, the deficit (not shown) shrank considerably as the economy normalized. Related: If Markets Are Right About Long Real Rates, Public Debt Ratios Will Increase For Some Time. We Must Make Sure That They Do Not Explode and When Does Federal Debt Reach Unsustainable Levels? and Living with High Public Debt

Primary Topic: Fiscal Deficits

Topics: Academic paper, Fiscal Deficits, Fiscal Policy, Government Spending, Politics

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