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Macro Roundup Article

Headline: The High Cost of Borrowing at Low Rates

Article Link: https://www.crfb.org/blogs/high-cost-borrowing-low-rates

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Tweet: 60% of outstanding US debt was issued when ten-year Treasury rates were below 3% according to a @BudgetHawks analysis. As the Treasury refinances this debt at rates between 4.5% and 5.6%, interest payments will soon exceed defense spending.

Summary: Most of the exploding interest costs resulted from borrowing when interest rates were low. We estimate that nearly 60% of our debt originated when the average interest rate on ten-year Treasury notes was less than 3%, while 75% of current debt originated when three-month Treasuries paid less than 3%. That debt, borrowed at low rates, is now being rolled over into Treasuries paying interest rates between 4.5 and 5.6%. Though borrowing seemed cheap during those periods, policymakers failed to account for rollover risk, and we are now facing the cost.

Related Articles: U.S. Deficit Explodes Even As Economy Grows and Interest Expense: A Bigger Impact on Deficits than Debt and Interest Costs Will Grow the Fastest Over the Next 30 Years

Primary Topic: Fiscal Deficits

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

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