Where Do We Stand on the National Debt?

June 2020
Policymakers Have Committed Trillions to Save The Economy

Federal Reserve Actions
- Amount Authorized: >$5.9 trillion*
- Amount Disbursed/Commited: $2.4 trillion

Legislative Actions
- Amount Authorized: $3.6 trillion
- Amount Disbursed/Commited: $1.8 trillion

Administrative Actions
- Amount Authorized: $380 billion
- Amount Disbursed/Commited: $307 billion
- Deficit Impact: $80 billion

*Some Fed facilities and programs have no announced cap or maximum, in which case, we assume the max as the largest amount disbursed or committed since the crisis began.
And Half the Fiscal Support is Out the Door

Billions

Paycheck Protection Program: $670
- Committed/Disbursed (Tranche I): $330
- Committed/Disbursed (Tranche II): $194
- Remaining: $194

Economic Impact Payments: $293
- Committed/Disbursed (Tranche I): $270
- Committed/Disbursed (Tranche II): $23
- Remaining: $23

Unemployment Benefits: $282
- Committed/Disbursed (Tranche I): $135
- Committed/Disbursed (Tranche II): $47
- Remaining: $47

Business Tax Relief: $646
- Committed/Disbursed (Tranche I): $201
- Committed/Disbursed (Tranche II): $42
- Remaining: $42

Economic Stabilization Fund: $500
- Committed/Disbursed (Tranche I): $200
- Committed/Disbursed (Tranche II): $192
- Remaining: $192

Health Provider Relief: $100
- Committed/Disbursed (Tranche I): $100
- Committed/Disbursed (Tranche II): $0
- Remaining: $0

Families First: $53
- Committed/Disbursed (Tranche I): $53
- Committed/Disbursed (Tranche II): $0
- Remaining: $0

Coronavirus Relief Fund: $147
- Committed/Disbursed (Tranche I): $147
- Committed/Disbursed (Tranche II): $0
- Remaining: $0

Tax Filing Delay: $300
- Committed/Disbursed (Tranche I): $300
- Committed/Disbursed (Tranche II): $0
- Remaining: $0

Other: $780
- Committed/Disbursed (Tranche I): $300
- Committed/Disbursed (Tranche II): $80
- Remaining: $80

Total Deficit Impact: $780
- Total Deficit Impact: $780

And Half the Fiscal Support is Out the Door
Efforts Stabilized the Economy, But at a Cost

Illustrative Monthly After-Tax Income (Billions), Amortizing Rebates over Four Months

May is a rough CRFB projection, assuming no net change in market and transfer income. Refunds amortized over four months. Note: updated 6/22 to correct an error that omitted employer pension and payroll tax contributions from income. Source: Bureau of Economic Analysis
We Entered This Crisis with Trillion-Dollar Deficits

Source: Congressional Budget Office, CRFB Calculations
Thanks Largely to Tax Cuts and Spending Hikes

Sources: Congressional Budget Office, CRFB calculations
Now We’re in an Economic Crisis

Source: Congressional Budget Office
And Now Deficits are Slated to Quadruple

Pre-Crisis Deficit Projections (March 2020)

Source: Congressional Budget Office, CRFB Calculations
And Now Deficits are Slated to Quadruple

Pre-Crisis Deficit Projections (March 2020)

Updated Deficit Projections (June 2020)

$3.7 trillion

$1.7 trillion

Source: Congressional Budget Office, CRFB Calculations
And Now Deficits are Slated to Quadruple

Source: Congressional Budget Office, CRFB Calculations
# The Recession and Response Are Both Costly

<table>
<thead>
<tr>
<th>Description</th>
<th>Current Law</th>
<th>Alternative Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Crisis Deficit (CBO March 2020)</td>
<td>$14,164</td>
<td>$16,936</td>
</tr>
<tr>
<td>Coronavirus Preparedness &amp; Response Supplemental Appropriations Act</td>
<td>$8</td>
<td>$8</td>
</tr>
<tr>
<td>Families First Coronavirus Response Act</td>
<td>$192</td>
<td>$192</td>
</tr>
<tr>
<td>Coronavirus Aid, Recovery, &amp; Economic Security (CARES) Act</td>
<td>$1,721</td>
<td>$1,721</td>
</tr>
<tr>
<td>Paycheck Protection Program &amp; Health Care Enhancement Act and Paycheck Protection Program Flexibility Act*</td>
<td>$483</td>
<td>$483</td>
</tr>
<tr>
<td>Additional Fiscal Relief (not yet enacted)</td>
<td>n/a</td>
<td>$1,000</td>
</tr>
<tr>
<td>Effect of Economic Changes (including interest rates)</td>
<td>$2,119</td>
<td>$2,004</td>
</tr>
<tr>
<td>Debt Service as a result of above changes</td>
<td>$1,212</td>
<td>$1,441</td>
</tr>
<tr>
<td><strong>Total Increase in Projected Deficits</strong></td>
<td><strong>$5,735</strong></td>
<td><strong>$6,840</strong></td>
</tr>
<tr>
<td>Projected Deficit (CRFB)</td>
<td>$19,899</td>
<td>$23,776</td>
</tr>
</tbody>
</table>

**Projected Deficit as a Share of GDP**

- 7.5%
- 8.8%

*Source: Congressional Budget Office and CRFB calculations. *Because the Paycheck Protection Program (PPP) is undersubscribed, we believe this bill would cost less than scored by CBO. However, the Paycheck Protection Program Flexibility Act would increase the direct and indirect cost of the PPP so we assume it restores net costs to CBO’s score.*
Causing Debt to Eclipse the Economy This Year

Percent of GDP

Pre-Crisis Debt Projections (March 2020)

80.7%

97.8%

Source: Congressional Budget Office, CRFB Calculations
Causing Debt to Eclipse the Economy This Year

Percent of GDP

Source: Congressional Budget Office, CRFB Calculations
Causing Debt to Eclipse the Economy This Year

Percent of GDP

Pre-Crisis Debt Projections (March 2020)
Alternative Scenario
Updated Debt Projections (June 2020)

35% 55% 75% 95% 115% 135%

Source: Congressional Budget Office, CRFB Calculations
And Reach Unprecedented Levels Over Long-Term

Pre-Crisis Long-Term Debt Projections (March 2020)
Alternative Scenario
Updated Debt Projections (June 2020)

Source: Congressional Budget Office, CRFB Calculations
Major Trust Funds Are Also In Trouble

Source: Congressional Budget Office, CRFB Calculations
Low interest rates don’t make debt costless

- Low rates are in spite of, not because of, high debt
- Debt not paid back must be rolled over as interest rates rise
- One-time costs are added to high structural deficits
Don’t Believe Pervasive Debt Myths

➢ Low interest rates don’t make debt costless
  ▪ Low rates are in spite of, not because of, high debt
  ▪ Debt not paid back must be rolled over as interest rates rise
  ▪ One-time costs are added to high structural deficits

➢ We can’t reduce debt easily like after World War II
Unlike After Past Wars, This Debt is Here to Stay

Source: Congressional Budget Office, CRFB Calculations
Don’t Believe Pervasive Debt Myths

➢ Low interest rates don’t make debt costless
  ▪ Low rates are in spite of, not because of, high debt
  ▪ Debt not paid back must be rolled over as interest rates rise
  ▪ One-time costs are added to high structural deficits

➢ We can’t reduce debt easily like after World War II
  ▪ After WWII, we ran ~2 decades of roughly balanced budgets
  ▪ Over that time, nominal economic growth exceeded 6% per year
  ▪ Reducing debt at WWII pace would require $20 trillion of deficit reduction, 6% real annual growth, or 12% annual inflation
Don’t Believe Pervasive Debt Myths

➢ Low interest rates don’t make debt costless
  ▪ Low rates are in spite of, not because of, high debt
  ▪ Debt not paid back must be rolled over as interest rates rise
  ▪ One-time costs are added to high structural deficits

➢ We can’t reduce debt easily like after World War II
  ▪ After WWII, we ran ~2 decades of roughly balanced budgets
  ▪ Over that time, nominal economic growth exceeded 6% per year
  ▪ Reducing debt at WWII pace would require $20 trillion of deficit reduction, 6% real annual growth, or 12% annual inflation

➢ The Fed can’t and won’t buy our debt forever
The Fed has Absorbed Most New COVID Debt

Source: Federal Reserve Board of Governors, Treasury Department
The Fed has Absorbed Most New COVID Debt

Source: Federal Reserve Board of Governors, Treasury Department
Don’t Believe Pervasive Debt Myths

➢ Low interest rates don’t make debt costless
  ▪ Low rates are in spite of, not because of, high debt
  ▪ Debt not paid back must be rolled over as interest rates rise
  ▪ One-time costs are added to high structural deficits

➢ We can’t reduce debt easily like after World War II
  ▪ After WWII, we ran ~2 decades of roughly balanced budgets
  ▪ Over that time, nominal economic growth exceeded 6% per year
  ▪ Reducing debt at WWII pace would require $20 trillion of deficit reduction, 6% real annual growth, or 12% annual inflation

➢ The Fed can’t and won’t buy our debt forever
  ▪ Monetizing debt in good times could drive high inflation
  ▪ In normal times, reserves pay interest like bonds
  ▪ Low interest rates can be economically damaging