Fix the Debt
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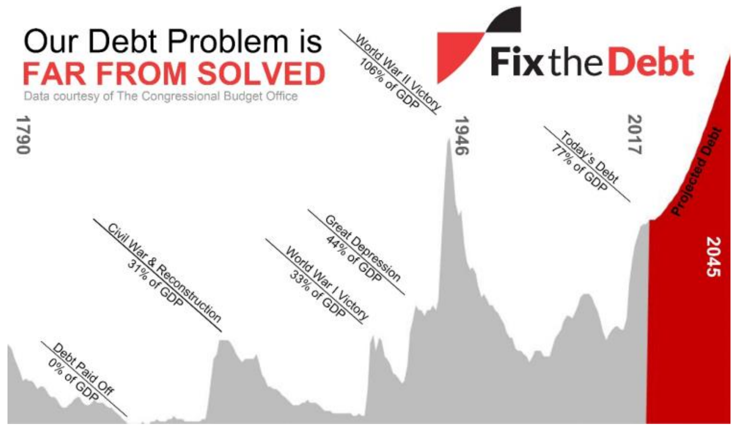
State of the Debt

No assessment of the state of the union would be complete without acknowledging the country's deteriorating budget situation and unprecedented fiscal challenges. Instead of ignoring high and rising national debt, our leaders must confront the situation and find ways to finance the future responsibly. For more, see an analysis by the Committee for a Responsible Federal Budget of the new budget projections from the Congressional Budget Office.

National debt is historically high. Gross debt surpassed the $20 trillion mark for the first time ever in 2017 and recently exceeded $21 trillion. Debt held by the public stands at over $15 trillion, or about 77 percent of the U.S. economy, which is the highest it has been since just following World War II.



$1 trillion deficits are just around the corner. The federal budget deficit in fiscal year 2017 was an ominous $666 billion, or 3.5 percent of the economy. Trillion dollar deficits are set to return permanently within two years.

Policymakers are making the problem worse instead of fixing it. Recent developments have only added to our budget problems. Policies enacted since June of 2017 are forecast to add $2.7 trillion to the debt by 2028. Most of that increase is due to the massive tax cut bill signed in December 2017 and the budget deal reached earlier this year. If temporary tax and spending policies are extended, another $2.6 trillion will be added to the debt in the next decade.

Debt will soon exceed the size of the economy. Debt is projected to exceed the size of the U.S. economy by 2031 and surpass the all-time record by 2034, reaching 107% of the economy. If temporary provisions are extended, debt will exceed the size of the economy by 2027 and hit a new record by 2029.

We will spend more on interest payments on the debt. Net interest payments are the fastest-growing part of the budget and will nearly triple from $316 billion in 2018 to $915 billion in 2028. More of the budget dedicated to interest means less available for investments in areas such as education, infrastructure, or defense.

An increasing share of government spending is on autopilot. Today, about 70 percent of the budget is mandatory spending not subject to the annual spending process and interest payments while nearly 30 percent is discretionary (i.e. annually appropriated programs such as education, research, transportation and defense). The discrepancy will only grow in the coming years.

Rising debt will be a drag on economic growth and standard of living. Failing to address the debt will result in higher interest rates, slower economic growth, greater burdens on future generations, and an increased chance of a fiscal crisis. The Congressional Budget Office estimates that average income in 2048 will be $6,000 lower than if Congress put debt on a downward path. Over 30 years of working starting today, it represents $60,000 in lost income.

We owe it to the future to fix the debt. Policymakers must put aside partisan warfare and work together to get the debt under control and eventually put it on a downward path. At the very least, our leaders must stop digging our fiscal hole even deeper by ensuring that any new initiatives are fully offset and do not add to the debt.