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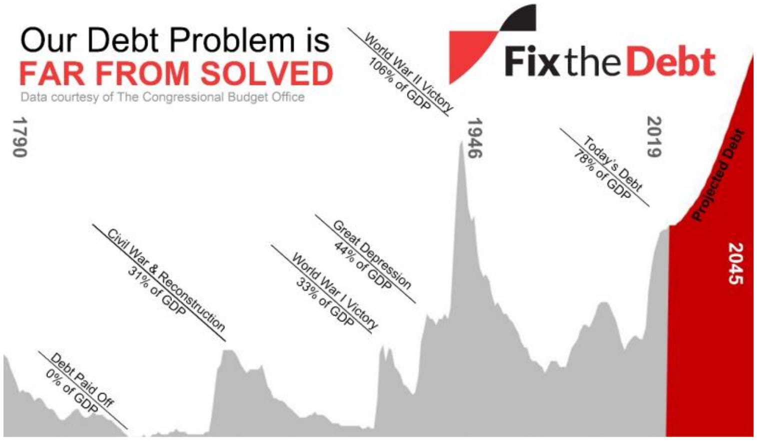
State of the Debt

No assessment of the state of the union is complete without acknowledging the country's deteriorating budget situation and unprecedented fiscal challenges. Instead of ignoring high and rising national debt, our leaders must work together 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 is around $22 trillion. Debt held by the public stands at over $16 trillion, or 78 percent of the U.S. economy, which is the highest it has been since just following World War II.

Permanent $1 trillion deficits are coming. The federal budget deficit in fiscal year 2018 was $779 billion, $113 billion higher than the previous year. The deficit is expected to be near $900 billion this year and exceed $1 trillion permanently by 2022.



Policymakers are making the problem worse instead of fixing it. Our leaders are taking us in the wrong direction. Legislation enacted in fiscal year 2018 is projected to add $2.4 trillion to the debt by 2027. Most of that increase is due to the Tax Cuts and Jobs Act and the Bipartisan Budget Act of 2018. If temporary tax cuts and spending increases in those bills are extended, they will add even more to the debt.

Debt is rapidly growing towards levels never seen before. Debt will increase by more than $12.5 trillion over the next decade. Debt held by the public will tie the all-time record of 106 percent of the economy by 2035. If tax cuts and spending increases currently set to expire are extended, debt will likely eclipse the record by 2030.

More money will go to interest payments on the debt than many priorities. Interest payments are the fastest-growing part of the budget and will more than double from $383 billion in 2019 to $928 billion in 2029. Within a few years, the federal government will pay more in interest than it does on children, Medicaid, or the military. More of the budget dedicated to interest means less is available for investments that can grow the economy and improve quality of life.

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.