

# **The Budget In Free-Fall**

Joe Minarik

Committee for Economic Development

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# **The problem with running continuing big deficits is that they pile up debt.**

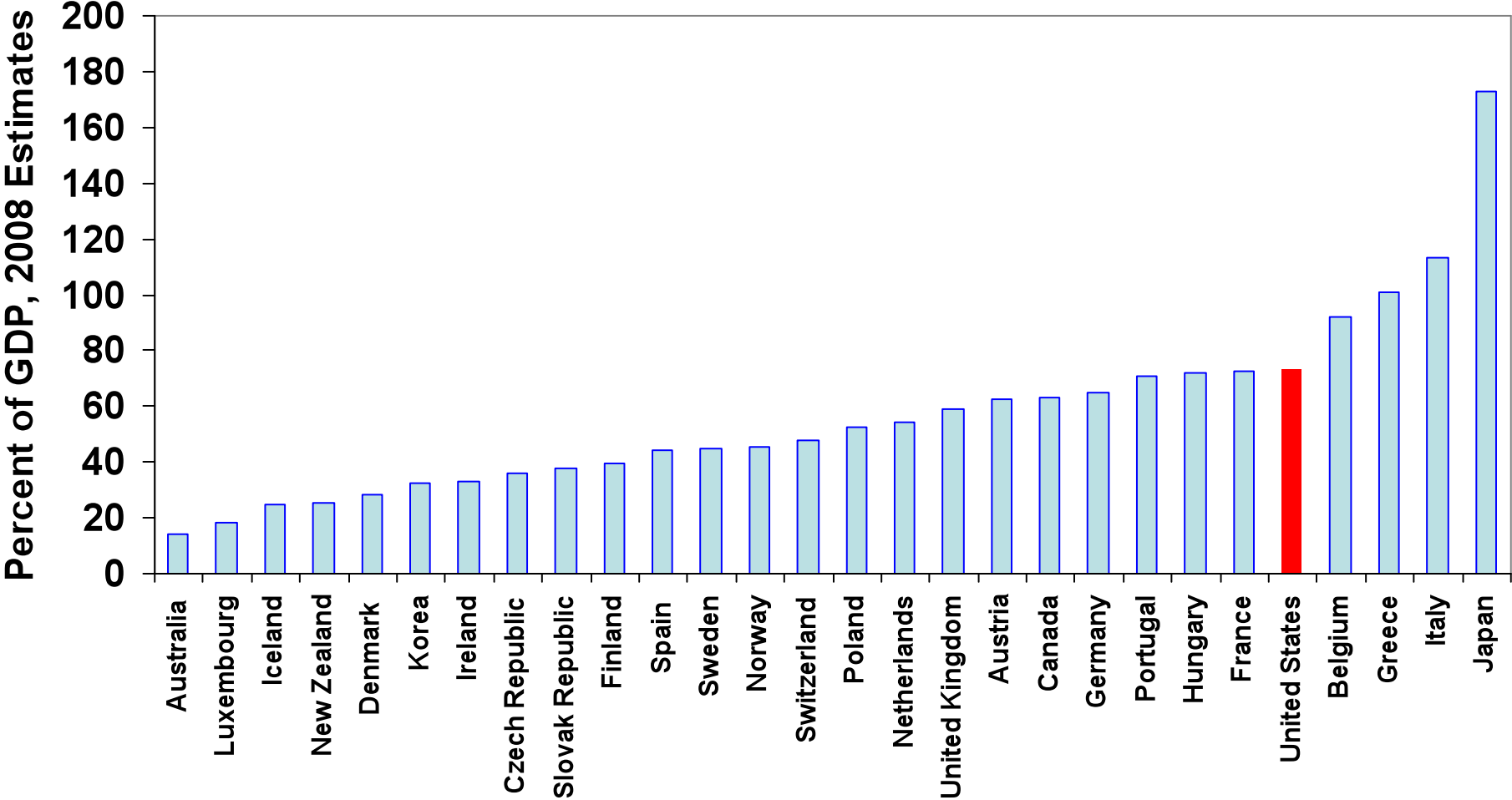
- A larger debt increases debt service costs.
- Higher debt service costs increase the deficit.
- A larger deficit increases the debt...

# **A rising debt is dangerous**

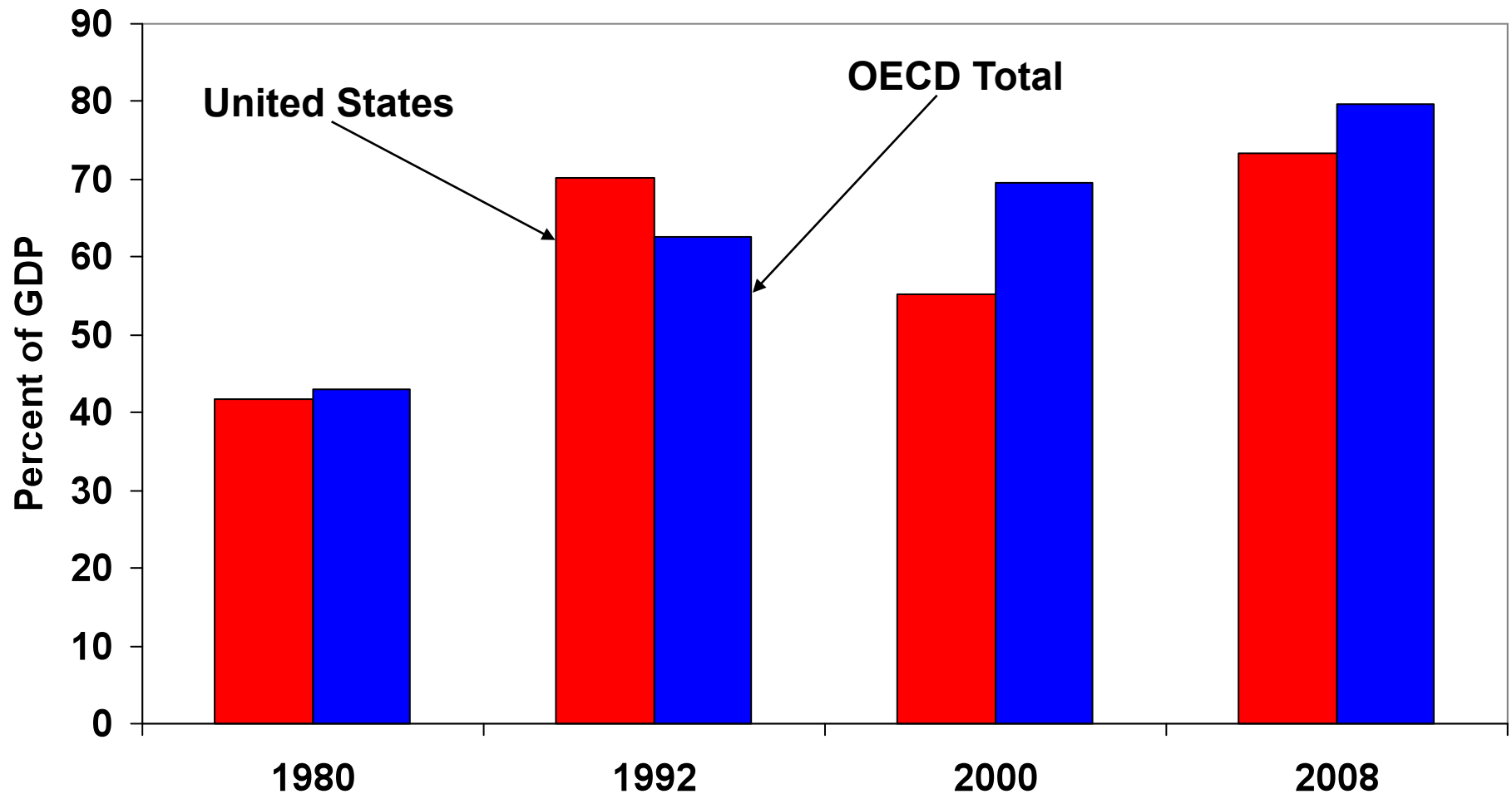
- In the long run, rising deficits and debt-service costs drain the pool of available savings, crowding out investment and thereby reducing economic growth.
- At some point, a rising national debt load could frighten both domestic and foreign investors, causing them to “run for the exits” on the nation’s paper, public and private.

**A rising debt is unfair to future generations, who will have to pay higher taxes to service that debt.**

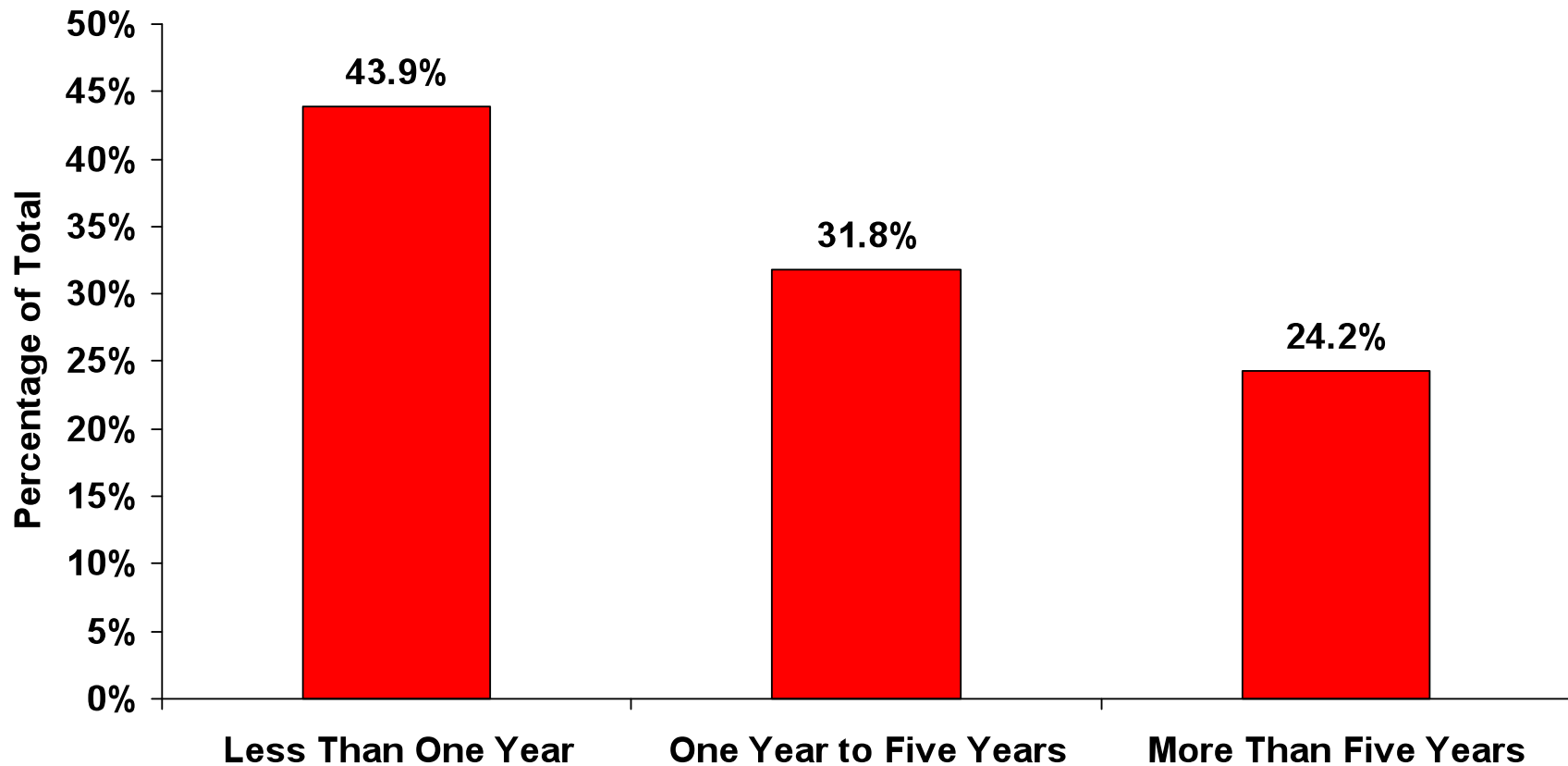
# U.S. Already Ranks High in Debt Relative to the Developed World



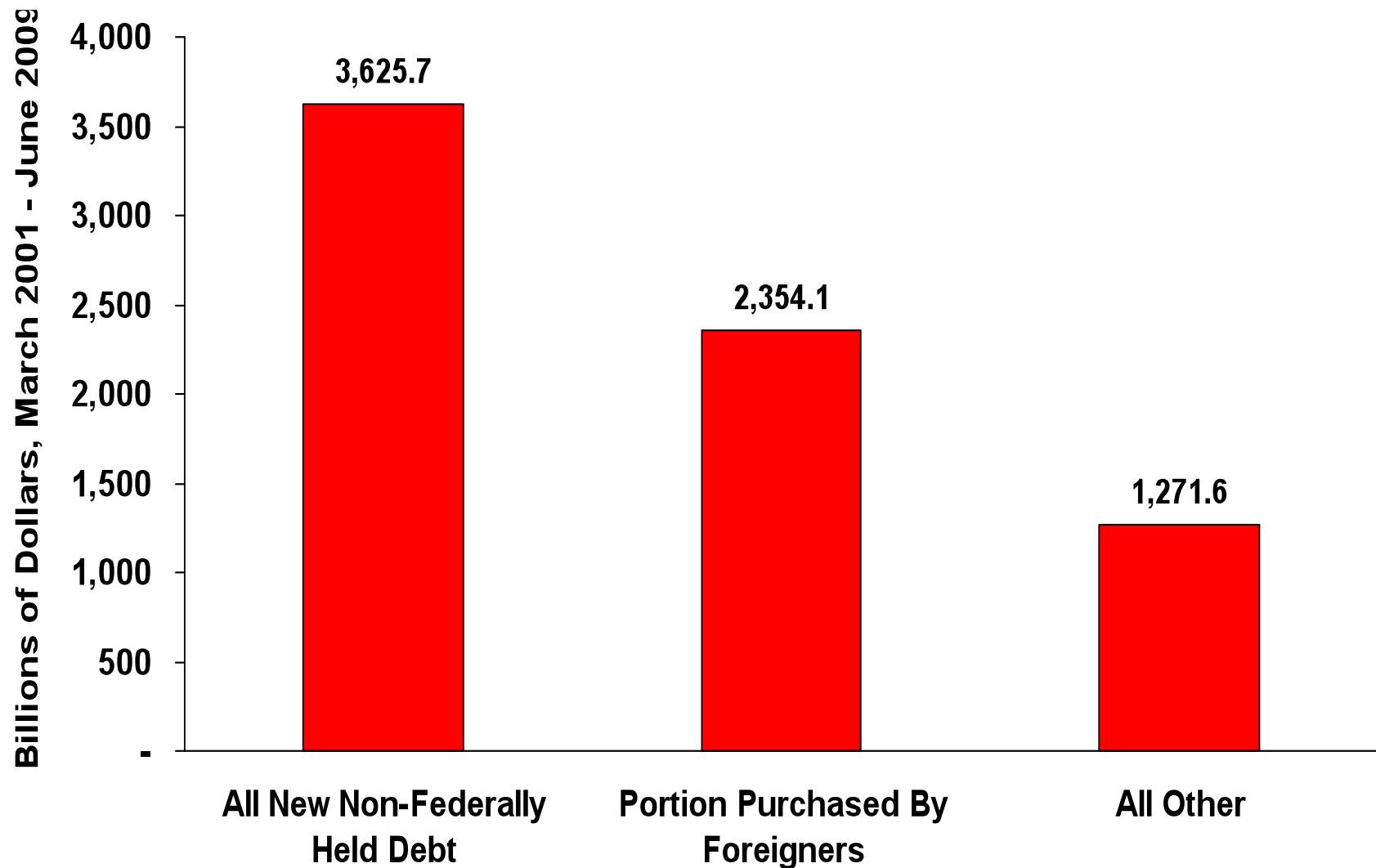
# U.S. Loses Debt Advantage Over Rest of Developed World



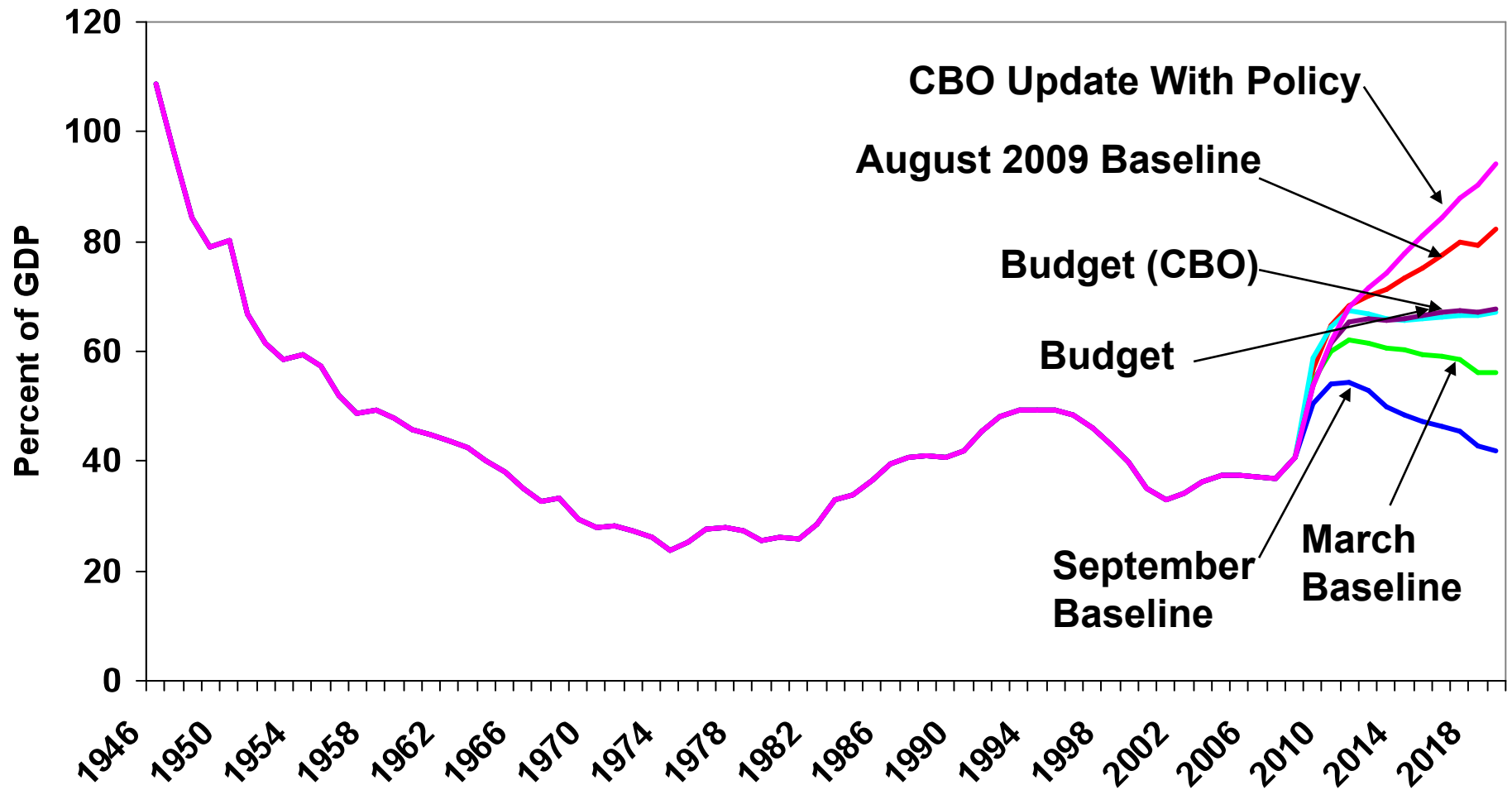
# Public Debt Matures Quickly (Privately Held Marketable Debt, June 2009)

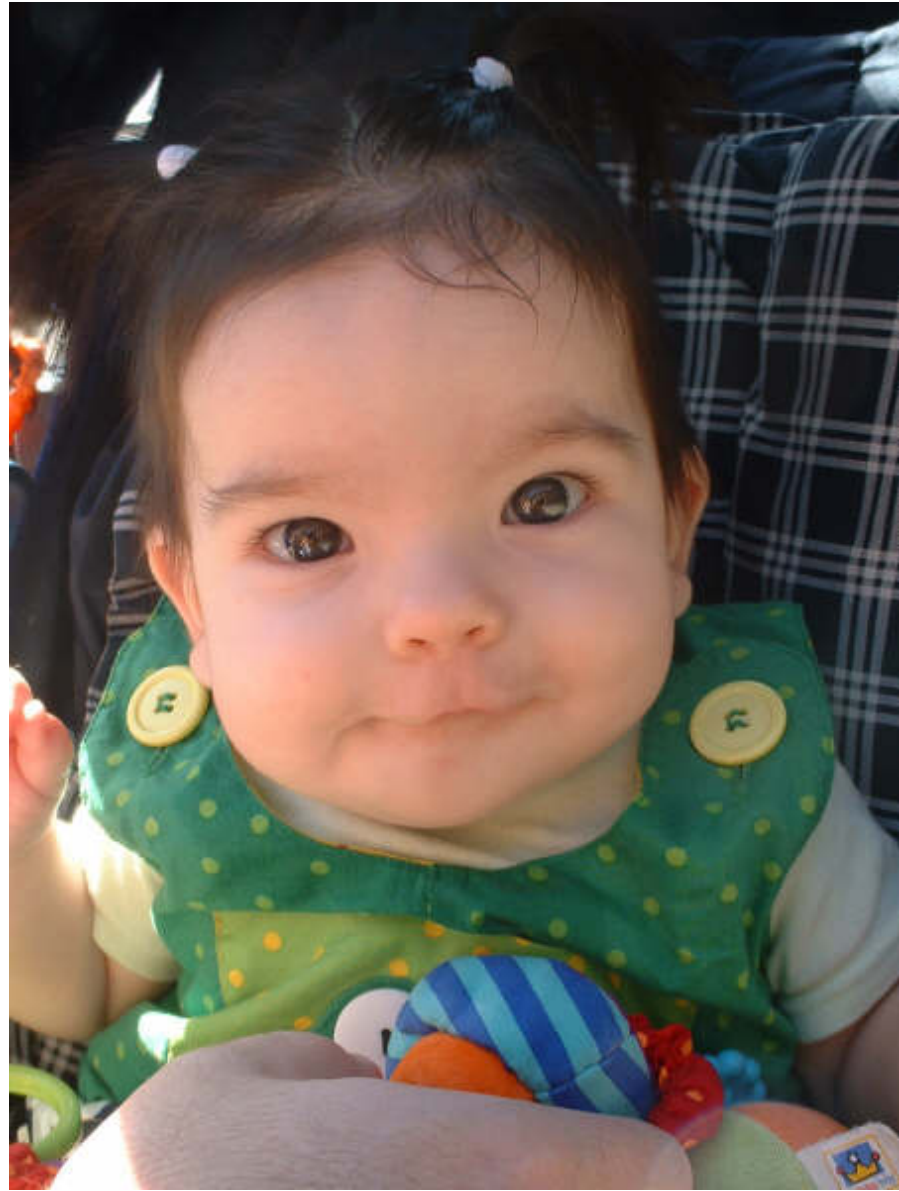


# Foreign Investors Have Purchased Most New U.S. Debt

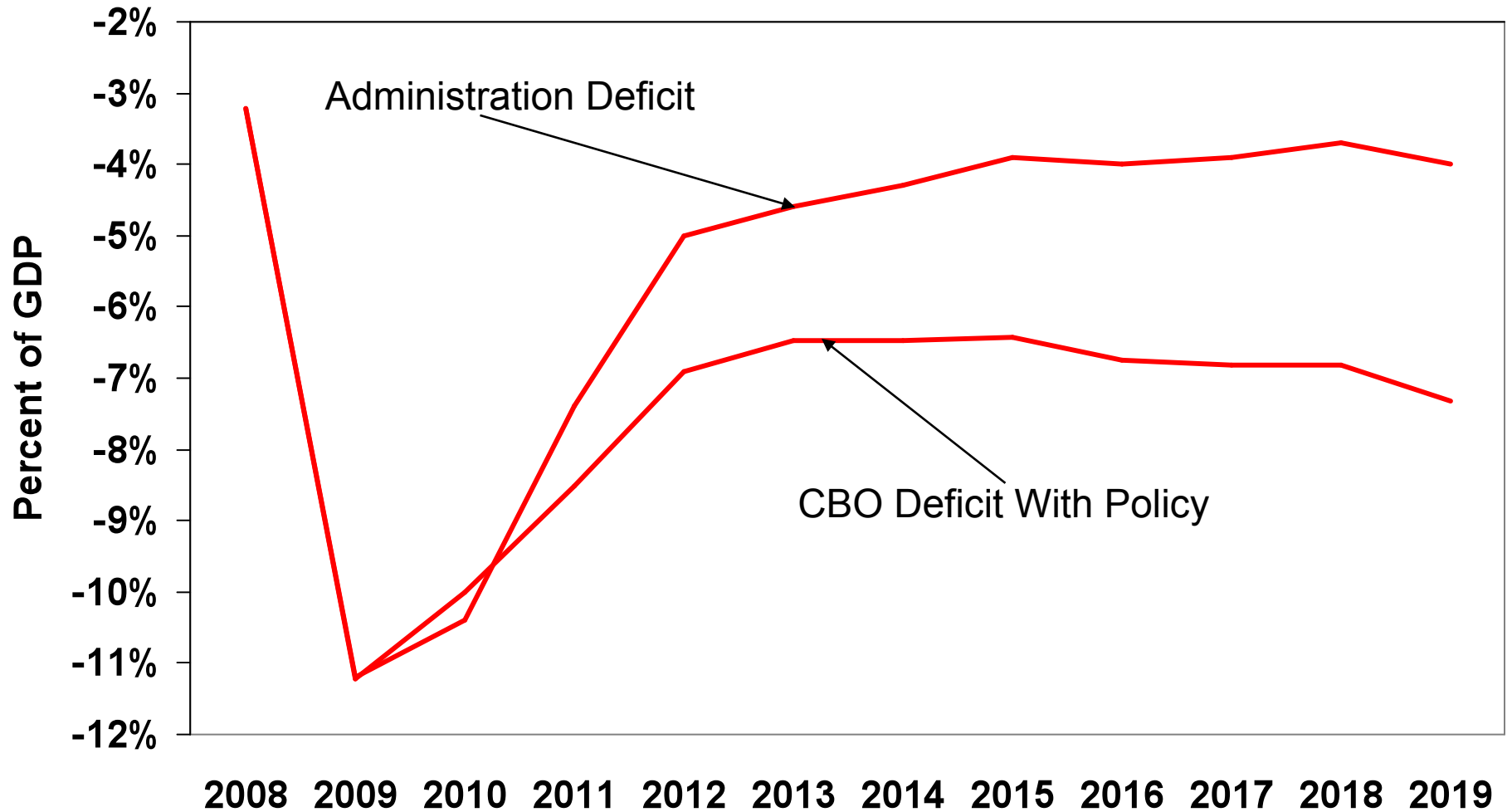


# A Longer-Term View: Debt Approaches World War II Levels





# CBO Baseline and the Budget



# Outlays As Percents of GDP

