Update: The Steep Costs of a Republican Default Crisis

Republicans have now pushed the United States to within one month of a catastrophic and unprecedented default on the nation's existing obligations. Instead of passing a clean debt limit bill to avert this crisis, their continued threats to cause a default could trigger a massive recession that would cost 8.3 million Americans their jobs.

The longer the GOP delays in paying our bills, the more likely they are to drive up the cost of mortgages and threaten people's retirement savings. The debt ceiling is not a bargaining chip, and Congress must act to cover existing obligations before the American people start to pay the cost of a default crisis.

This is an update to the Joint Economic Committee Democrats' earlier work on the cost of the GOP default crisis. This document includes new numbers on the risk to the economy and updated figures on the increase in mortgage costs. These are just some of the ways that the GOP's reckless plan will harm people across the country. The first report includes data on how a default harms veterans, Social Security beneficiaries, and people with public health insurance.

Instead of following this dangerous path, Republicans should join Democrats in avoiding a default and passing a clean debt-limit bill like they did three times under the last president.

A default on our existing obligations would cause massive job losses

A recent analysis by the Council of Economic Advisors lays out the steep economic costs of failing to pay our existing obligations. If the GOP pushes the United States into a protracted default, **8.3 million people would lose their jobs this summer** as the unemployment rate spikes to **8.6%**, and **real GDP shrinks by 6.1 percentage points**.

That would be the largest drop in employment in United States history that was not caused by a global pandemic. Unlike during the COVID-19 recession, however, the government would be unable to send out stimulus checks, boost unemployment insurance, and prevent evictions to cushion the blow. This would be a catastrophic and completely avoidable economic crisis.

Even a brief period of default would shrink GDP by nearly $159 billion while eliminating 500,000 jobs. And despite House GOP claims that their bill represents a reasonable offer, a recent analysis by Moody's Analytics' found that the Default on America Act would cost the United States 780,000 jobs over the next year and increase the chance of a recession.

The effects of a default are enormous compared to those of a shutdown

The costs of this default calamity would not be in the same universe as the costs of a government shutdown. While the $5 billion (adjusted for inflation) hit to the economy caused by the most recent shutdown in 2018 is by no means trivial, it pales in comparison to the **$1.6 trillion** drop in GDP if the United States enters into a protracted default.

The effects of a shutdown are more limited to a smaller set of "non-essential" government operations, whereas the effects of a default are broad, massive, and difficult to predict. We know our economy can bounce back quickly from a shutdown but an unprecedented default would test the limits of the economy's resilience and will have long-lasting consequences.

Republicans' decision to push the United States to the brink of default will push up costs for families

Breaching the debt limit would be catastrophic, but even the threat of breaching the debt ceiling can have serious economic consequences. In 2011, debt limit brinkmanship pushed up interest rates on mortgages by up to 70 basis points. If this pattern held again, a new homeowner could see their monthly mortgage payment go up nearly **$160** thanks to Republicans' debt limit threats, costing them an extra **$58,000** over the life of their loan. The table below shows what these costs would be in all 50 states plus DC.

The threat of default could also make the average worker close to retirement take a $20,000 hit to their retirement savings according to analysis by Third Way, increase the cost of a small business loan by $2,500, and drive up the cost of a car loan by over $800.

Debt Limit Brinkmanship Could Push Mortgage Costs Higher in Every State

State	Median Listed Home Price	Increase in Monthly Payment	Lifetime Cost of Higher Payments
Alabama	$330,000	$120	$44,000
Alaska	$415,000	$160	$56,000
Arizona	$495,000	$190	$67,000
Arkansas	$289,900	$110	$39,000
California	$750,000	$280	$101,000
Colorado	$639,925	$240	$86,000
Connecticut	$559,900	$210	$75,000
Delaware	$494,900	$180	$67,000
District of Columbia	$649,999	$240	$87,000
Florida	$467,990	$170	$63,000
Georgia	$395,400	$150	$53,000
Hawaii	$852,500	$320	$115,000
Idaho	$574,900	$210	$77,000
Illinois	$310,000	$120	$42,000
Indiana	$299,900	$110	$40,000
Iowa	$315,000	$120	$42,000
Kansas	$314,825	$120	$42,000
Kentucky	$299,950	$110	$40,000
Louisiana	$289,250	$110	$39,000
Maine	$425,000	$160	$57,000
Maryland	$420,000	$160	$57,000
Massachusetts	$759,000	$280	$102,000

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State	**Median Listed Home Price**	**Increase in Monthly Payment**	**Lifetime Cost of Higher Payments**
Michigan	$280,000	$100	$38,000
Minnesota	$400,000	$150	$54,000
Mississippi	$279,900	$100	$38,000
Missouri	$300,000	$110	$40,000
Montana	$660,000	$250	$89,000
Nebraska	$371,900	$140	$50,000
Nevada	$475,000	$180	$64,000
New Hampshire	$549,000	$210	$74,000
New Jersey	$518,000	$190	$70,000
New Mexico	$375,000	$140	$50,000
New York	$639,945	$240	$86,000
North Carolina	$419,720	$160	$56,000
North Dakota	$332,060	$120	$45,000
Ohio	$249,900	$90	$34,000
Oklahoma	$315,000	$120	$42,000
Oregon	$569,900	$210	$77,000
Pennsylvania	$290,000	$110	$39,000
Rhode Island	$525,500	$200	$71,000
South Carolina	$359,925	$130	$48,000
South Dakota	$369,900	$140	$50,000
Tennessee	$444,900	$170	$60,000
Texas	$384,900	$140	$52,000
Utah	$619,900	$230	$83,000
Vermont	$447,250	$170	$60,000
Virginia	$449,000	$170	$60,000
Washington	$649,000	$240	$87,000
West Virginia	$229,900	$90	$31,000
Wisconsin	$374,900	$140	$50,000
Wyoming	$459,000	$170	$62,000
United States	**$430,000**	**$160**	**$58,000**

Sources: Realtor.com residential listings database, Mortgage Bankers Association's Weekly Mortgage Applications Survey

Note: Values are rounded to the nearest dollar, and calculations use 6.5% as the baseline mortgage rate. Elevated mortgage rates reflect a 0.7% increase to the baseline, as seen in 2011. Data are the most recent available and refer to April 2023 for the median listed home price by state and the week ending in April 28, 2023 for the national average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances and an 80% loan-to-value ratio.