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Debunking the Dangerous Claims of Debt Deniers

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Time magazine's recent article authored by James Grant, "Make America Solvent Again,"[1] detailed the growing federal debt problem in the United States and its increasing threat to the country's solvency. This piece has caused much consternation among those who seek to downplay the dangers of our high and rising debt. These "debt deniers" would much rather ignore the current size and troubling trajectory of U.S. federal debt, seemingly in order to protect a broader economic agenda requiring increased federal spending. However, even the Obama Administration's own Treasury Department acknowledges: "The continuous rise of the debt-to-GDP ratio after 2025 indicates that current policy is unsustainable."[2] Below are some key points that the "debt deniers" miss about the federal debt, as evidenced by some of their more misguided assertions that go beyond criticizing Grant.[3]

1. The first step toward fiscal sustainability is to admit that we do, in fact, have a debt problem.

- Debt Denier Assertion: *"Time magazine's new cover trolls economically literate people with absurd scare tactics."[4]* *– Vox*

The *Time* article, which estimates that $42,998.12 is the current amount of U.S. federal debt owed per citizen,[5] personalizes an otherwise dry or inconceivable statistic, in the same way that GDP per capita is a helpful tool in understanding relative performance in standards of living over time. In fact, as Grant admits, this visualization tool doesn't even include intragovernmental holdings, or what the federal government owes to itself due to borrowing from trust funds like Social Security and Medicare. If gross federal debt were included rather than just publicly held debt, this would bring the amount owed per citizen close to $60,000. While on its face, Grant's debt-framing exercise may seem overly simplistic—at least to some critics—it serves as an effective visualization that shows the enormity of the issue. It's not an outlandish statistic on its own, and there are certain limitations—that Grant acknowledges—as to what can be inferred from it.

2. Time has already run out to avoid tough fiscal decisions.

- Debt Denier Assertion: *"If the U.S. devoted a fifth of tax revenue to paying down the entire national debt, it would take 30 years to do it."[6]* *– Bloomberg View*

This appears to be a simple, back-of-the-envelope calculation of approximately 20 percent of federal revenue, multiplied by 30 years, equaling today's current value of gross federal debt. The premise is that the U.S. debt is a non-issue because the federal government has the resources to pay off the equivalent of a mortgage by devoting 20 percent of its "income" every year until the U.S. debt is paid off. In order for this scenario to work, the federal government would need to not only balance the budget every year and leave an excess 20 percent of revenue available to pay down the debt, but it would have to do this consistently for 30 years. In 2016 alone, this would equate to over a $1 trillion spending cut.

Unfortunately, as confirmed by the Congressional Budget Office's (CBO) most recent projections, there is no fiscal space to devote even one percent, let along 20 percent of federal revenue towards the debt every year. In fact, not only is more than 98 percent of federal revenue committed just to mandatory spending and interest payments on the debt alone within a decade, overwhelming discretionary spending on other priorities, but annual deficits are expected to grow, meaning that total federal debt will continue to expand over time.

The timeframe policymakers are, or at least should be, concerned with relates to how much fiscal reform will hurt the longer it is delayed. Analysis from CBO, the U.S. Treasury, and other institutions paint a very stark picture about the inability of the economy to stabilize debt. Publicly held debt was 74 percent in 2015, roughly double the historical average of 39 percent debt-to-GDP. Given the projected debt growth going forward, CBO estimates that if lawmakers acted immediately in order to stabilize publicly held debt at 74 percent of GDP by 2040, revenues would need to increase an additional six percent annually above current projections, or noninterest spending would need to fall an additional 5.5 percent annually below current projections, equivalent to 1.1 percent of GDP.[7] The U.S. Treasury states that some combination of spending reductions or revenue increases amounting to 1.2 percent of GDP on average for the next 75 years would be necessary, provided policy action begins immediately.[8] In mid-2015, the Wells Fargo Economics Group also noted the dire consequences associated with the current policy trajectory:

> *Waiting until 2021 to enact tax policy changes to stabilize the debt-to-GDP ratio at the current 74 percent of GDP would translate into an additional $570 in taxes per year for a household in the middle income quintile (making around $66,400 per year)... In the case that Congress and the administration wait until 2021 and decide to enact across-the-board spending cuts, the impact on Social Security benefits for the average individual would be rather dramatic as well. For example, to just stabilize the national debt, across the board cuts to all non-interest spending would reduce the average annual Social Security benefits for a median income earner for someone born in 1955 by approximately $1,393 per year.*[9]

The Wells Fargo analysis noted that, on net, the long-run fiscal and economic benefits of addressing the unsustainable fiscal policy outlook outweigh the short-term costs. All of these estimates come with a time-sensitive component: namely, that the longer it takes for policy action, even over the next five or ten years, the more significant the change must be.

3. Simply because default hasn't happened yet doesn't mean it won't.

- Debt Denier Assertion: *"The national debt never has to be repaid in the credit card-style manner the cover implies. And trying to do so would be economically disastrous for the entire world's population..."*[10]
  – Think Progress

Treasury securities are indeed currently considered the safest debt security instruments in the world. However, America's time as an economic superpower is thus far relatively short, and history confirms that even the smartest and strongest nations can become victims of their own hubris, repeating the same foibles that have stripped other nations of their top-tier creditor status. There are numerous examples of nations that have suffered the economic consequences of defaulting on sovereign debt.[11] Furthermore, there is considerable uncertainty about U.S. debt capacity, as there is no exact threshold from which to surmise insolvency. Given that the threshold is unknown, policymakers need to be cautious to avoid potentially testing the limits of U.S. debt capacity, particularly when taking into consideration the risk of the next financial crisis or recession.

Worries over slowing global growth have largely fueled the buy up of government bonds, $7.8 trillion of which have yields now below zero. Policy moves from the European Central Bank and Bank of Japan have driven interest rates into negative territory.[12] The fact that investors are willing to entertain zero or negative rates on bonds continues to suggest significant concerns over global growth. These concerns are not wholly unfounded. The International Monetary Fund (IMF) recently cut global growth forecasts again, suggesting that the global economy is "faltering from too slow growth for too long."[13] Extending borrowing to investors clamoring for quality because of growth concerns may prove far more disastrous for the world's population, because as George Melloan states: "Such 'investment' produces no economic growth, but it has to be paid back nonetheless."[14] As statistical risk expert Nassim Taleb notes, government deficits represent a significant source of fragility,[15] and government debt raises the risk of catastrophe in terms of the economy or security.[16]

- Debt Denier Assertion: *"The government doesn't have to pay down its debt. We can roll this over forever."*[17] *– International Business Times*

The federal government does not need to pay federal debt down to zero percent. In fact, just returning to the historical average for publicly held federal debt of about 39 percent of GDP from the current 75 percent of GDP would put the United States on rather solid fiscal ground. The problem is significant spending cuts, tax increases, or some combination thereof must take place to prevent federal debt from rising beyond its current share of GDP, and those fiscal choices look even worse when attempting to reduce debt to its historical norm. Curbing the growth of publicly held federal debt to at least maintain the current 75 percent of GDP level would signal to creditors that the federal government continues to be serious and capable of fiscal sustainability for years to come. Reducing the debt to its historical norm would further restore sustainability and provide greater assurance for creditors willing to lend to the United States. A 2014 IMF working paper notes the continued belief in many policy circles that advanced economies are better equipped to manage crises and do not resort to the gimmicks of emerging markets is not only "at odds with the historical track record,"[18] but also serves to ultimately damage credibility and block a lasting solution.[19]

4. Focusing only on a snapshot of today's fiscal picture ignores the dangerous debt trajectory going forward.

- Debt Denier Assertion: *"The United States of America is not a business enterprise, so there is no particular reason to think about it in solvency terms anyway, but if you want to do this we are clearly solvent."*[20] *– Vox*

Thinking in terms of solvency is indeed a particularly useful exercise here. Solvency as a fiscal concept generally applies to balance sheets and the value of assets as compared to liabilities. In fact, the Treasury Department's annual financial report details the federal government's assets and liabilities. For 2015, the Treasury Department reported $3.2 trillion in assets and $21.5 trillion in liabilities, resulting in a net position of -$18.2 trillion.[21] For those willing to venture into the infinite-horizon fiscal gap—already a contentious issue[22]—some critics also point to the significant amount of U.S. federal assets amounting to $150 trillion in recoverable resources, by one estimate.[23] However, economics professor Laurence J. Kotlikoff argues that the true total government indebtedness over this infinite horizon is $210 trillion, still leaving the United States with a negative balance on net.[24]

- Debt Denier Assertion: *"...the U.S. deficit is now perfectly sustainable. This represents a remarkable -- possibly even excessive -- display of fiscal responsibility by the U.S. government."*[25] *– Bloomberg View*

Webster's definition of "sustainable" is "able to last or continue for a long time."[26] The day President Obama was first sworn into office, gross federal debt stood at $10.6 trillion.[27] Due to a rapid expansion of federal spending, gross federal debt now tops $19.2 trillion.[28] In fact, President Obama managed to add more to the federal debt in his first 7 years of office than during the combined 16 years Presidents Bill Clinton and George W. Bush held office.[29] Going forward, deficits are projected to double as a share of GDP over the next decade while federal spending rises to 23.1 percent of GDP. Publicly held federal debt as a share of GDP is roughly double its historical average, and on the rise, set to outpace economic growth over the next decade. Publicly held federal debt is projected to rise to 85.6 percent by 2026, and to 155 percent within three decades—the highest percentage ever recorded in the United States.[30] In its annual financial report, the U.S. Treasury projects that the publicly held federal debt-to-GDP ratio will rise to 106 percent in 2045, and 223 percent in 2090.[31]

5. The federal government increasingly does not borrow money primarily for purchases of assets or investment.

- Debt Denier Assertion: *"...when the federal government borrows money to build an aircraft carrier it ends up with both more debt and more aircraft carriers than it previously had. The same applies to schools, highways, office buildings, and the other physical assets of the American public sector."*[32] *– Vox*

Much of the borrowing the federal government is doing these days is composed less of assets and investments, and more on spending obligations, both direct and indirect payments to its citizens, in the form of health care, wage insurance, welfare, veteran and retiree benefits. Indeed, as Nate Silver points out, we are approaching an important threshold in which a majority of government expenditures will be spent on health insurance, retirement insurance, and unemployment insurance. Wealth transfer spending is not an investment asset that can be purchased, sold or seized as collateral. With less and less discretionary spending as a share of the budget as time goes on, the federal government is increasingly morphing into an insurance conglomerate, as Silver states: "We may have gone from conceiving of government as an entity that builds roads, dams and airports, provides shared services like schooling, policing and national parks, and wages wars, into the world's largest insurance broker. Most of us don't much care for our insurance broker."[33] If transfer programs are expected to continue, they cannot be funded on borrowed money.

- Debt Denier Assertion: *"This is exactly the right time for the government to take on more debt because it's cheap to borrow to build and repair infrastructure that will yield far more in economic growth than the average 1.8% a year it costs to finance it."*[34] *– LA Times*

There will always be a reason to spend more of other people's money on government prerogatives, irrespective of the interest rate. Furthermore, it is has become clearer in the aftermath of the American Recovery and Reinvestment Act[35] that much of the dollars spent on "investments" typically under-deliver on promised benefits. Research demonstrates that federal government-funded infrastructure projects all too frequently suffer from massive cost overruns, overregulation, excess time, as well as waste, fraud and abuse.[36] Instead of throwing more borrowed money after bad, embracing fiscal reform could not only prioritize spending prerogatives appropriate for the federal level of government, but also aim for better "bang for the buck" in federal investments than is the current status quo. Rather than rely on federal borrowing for infrastructure investment, there are untapped potential resources at the state and local levels in privatization and public-private partnerships that can share costs and improve efficiency.

6. Inflating away debt involves severe economic costs.

- Debt Denier Assertion: *"...in addition to the power to tax, the United States has the near magical ability to print dollars."*[37] *– Slate*

While this particular critique acknowledged that inflating the debt away would cause bond holders to balk, thereby making an inflation strategy untenable to begin with, some policymakers may nonetheless entertain this doomed approach. As Moody's chief economist, Mark Zandi, notes, "Many countries have tried this and they've all failed."[38] Increased inflation does make current debt easier to pay off and future debt relatively more expensive. However, many government spending obligations are tied to inflation, thereby increasing the amount that must be paid out through programs like Medicare. Also, the broader effects on the economy would prove detrimental. Economic growth would only slow further, and the poorest earners may see food and service prices rapidly outpace their income.

In addition, pursuing policies that would reduce the value of U.S. dollars could also threaten the dollar's reserve currency status. Already many countries have discontinued pegging their currency exclusively to the dollar in favor of a diversification of currencies or securities. It is important to remember that the dollar's preeminent global reserve currency status that the United States has enjoyed for the better part of the last century is predicated upon demonstrated reliability. So long as foreign investors and central banks continue to believe U.S. debt represents a safe haven, then the United States will continue to receive the benefits of cheap borrowing and reserve currency status.

However, some countries have "chafed at this 'exorbitant privilege'," as the IMF notes: "...despite the Federal Reserve's aggressive and protracted use of unconventional monetary policies, investors worldwide still seem to trust that the Fed will not allow inflation to get out of hand and diminish the value of the dollar." [39] In fact, it would appear that foreign investors are counting on the leverage that domestic investors have to prevent the Fed from inflating away debt. Domestic holders of U.S. debt, including retirees, pension funds, financial institutions, and insurance companies "constitute a powerful political constituency that would inflict a huge political cost on the incumbent government if inflation were to rise sharply."[40]

7. **Discounting more than $5 trillion in intragovernmental debt, or counting it as an asset held by trust funds, ignores the impending insolvency of major federal programs and their respective roles as major debt drivers.**

- Debt Denier Assertion: *"Factor in Social Security's assets, and I've just wiped out $50 billion of the national debt, or $154 of what Time says is owed by each of us—every man, women, and child. You're welcome!"*[41]
  – Fortune

As aforementioned, Grant does not even count intragovernmental debt in his calculation of federal debt owed per person. There are two components to gross federal debt: publicly held federal debt, what the government owes to individuals and official entities both foreign and domestic, and intergovernmental holdings, what the government owes to itself. Many of Grant's critics appear to count intergovernmental holdings as an asset sitting in government trust funds. In truth, every dollar committed to the trust funds is already spent elsewhere and essentially replaced with special Treasury securities[42] (essentially IOUs). These IOUs are then cashed in with funds from the general Treasury to pay benefits.

However, even including these trust fund figures, the fiscal outlook of the United States is still not good. In this particular example, the critic notes that the Social Security trust fund has promised to pay $2.76 trillion by the end of 2015, but that is backed up by $2.81 trillion in assets—"the money that all of us have paid in," or $50 billion more than owed. Yet since 2010, the annual outlays for Social Security—including Social Security Disability Insurance (SSDI) and Old-Age and Survivors Insurance (OASI)—have exceeded non-interest revenues. This funding gap has continued since and without any changes, the combined trust funds for SSDI and OASI will be insolvent by 2029.[43] It will cost over $5.9 trillion in additional spending to preserve scheduled Social Security benefits for 10 years after its insolvency date, and it will cost over $2.8 trillion to preserve Medicare Hospital Insurance services for an additional 10 years, beyond the expected insolvency date of 2025. This means that by the time a current 50-year old becomes eligible for retirement at age 65 (and full retirement by age 67), the trust funds used to pay Medicare and Social Security retirement benefits will be exhausted.[44] Simply taking the current year as proof that the U.S. is fiscally sustainable ignores the looming long-term issue.

- Debt Denier Assertion: *"...just because the U.S. government owes money doesn't mean the U.S. itself owes money...If the federal government paid down the national debt, two-thirds of the money would be paid to Americans."*[45] *– Bloomberg View*

First, while the U.S. government has the power to borrow, it is current and future taxpayers who will ultimately bear the burden of repaying these obligations. Second, simply because Americans represent two-thirds of the investors should not make us feel any better about the possibility of default. Should distinguishing between foreign and domestic investors matter? Under the incorrect assumption that debt owed to U.S. citizens somehow does not count as "real" debt, then perhaps we should be questioning the actual existence of the national debt, since it would be absurd to think that a defaulted U.S. Treasury would abandon its own citizen-investors while paying foreign creditors. Furthermore, should the federal government find itself in dire straits, delay of payment to American bond holders would likely include delay of payments the federal government owes to itself: intragovernmental holdings held in trust funds, like the Social Security trust fund. Such a delay would put the most vulnerable of Americans—retirees and persons with disabilities—in jeopardy.

8. Rising U.S. federal debt poses a security threat.

- Debt Denier Assertion: *"As a rule, it does not matter how much money a country owes if it can easily meet its interest payments."*[46] *– Slate*

Particularly during this current period of geopolitical unrest, the lack of discussion regarding the adverse effects of debt on national security is concerning. A high level of debt leaves lawmakers with less flexibility to respond to future unexpected military actions or other challenges.[47] Former Chairman of the Joint Chiefs of Staff, U.S. Navy Admiral Michael Mullen, rightfully stressed this, stating, "The most significant threat to our national security is our debt," in large part because the United States must have a strong economy in order to provide the resources necessary to defend its citizens. Adm. Mullen went on to say, "That's why it's so important that the economy move in the right direction, because the strength and the support and the resources that our military uses are directly related to the health of our economy over time."[48]

Recent reports on the implications of foreign holdings of U.S. debt find that potentially serious problems would occur if a country like China decided to "suddenly" significantly reduce its U.S. security holdings.[49] Critics have argued that the United States would be able to absorb such an action given that any one country has only a small part of the total U.S. credit market. That may be true today, but with critics calling for greater federal borrowing, the national security risk of such a scenario rises with it. For instance, during the Suez Canal crisis of 1956, the United States used its position as a major sovereign debt holder to effect a desired foreign policy outcome.[50] It would be foolish to presume that opponents of America are not aware of these lessons and their potential applications to the United States one day.[51]

In the meantime, foreign central banks may continue dumping U.S. securities for less nefarious reasons, namely, in attempt to buy up and bolster their own currencies. In fact, a divergence between foreign private residents and foreign official entities persists as foreign official entities continue to deleverage themselves of U.S. long-term securities, while foreign private residents continue to buy them.[52] As of October of last year, four of the larger purchasers of U.S. securities, China, Russia, Norway, and Brazil, divested themselves of U.S. securities at a record pace. While other buyers continue to purchase the U.S. securities that foreign central banks have sold, it begs the question of what would happen should global selling pressures outpace buyer appetite, and whether the Fed would position itself as buyer of last resort.[53]

9. Low interest rates are not forever, and interest payments are one of the top drivers of federal spending.

- Debt Denier Assertion: *"The responsibility of the government is to help make the economy function smoothly by ensuring that there is adequate supply of debt to meet this massive demand."*[54] *– Vox*

The current global economic environment has perhaps lulled many into believing that low-interest borrowing is here to stay. However, even in the current environment, within only 10 years, the nominal interest payments alone on the debt held by the public will have nearly quadrupled, costing taxpayers $839 billion in 2026.[55] Net interest payments, which are the third-largest driver of increased spending—behind only Social Security and mandatory health care programs—can only truly be addressed by paying down debt and restructuring programs so that the United States borrows less.[56] Unfortunately, many analysts also believe that there is no chance of the market ever rejecting rolled-over U.S. debt. The grave mistake here is counting on massive investor demand for U.S. government debt in perpetuity, regardless of how bad federal balance sheets look. Policymakers should ensure fiscal sustainability while America is in a position of strength, not after our creditors have lost faith in the U.S. federal government's ability to make good on its debt.

- Debt Denier Assertion: *"If the U.S. wants to issue bonds to cover debt payments, there is literally a world of investors who will happily buy up bonds at low interest rates. The world has little fear that America will ever default."*[57] *– International Business Times*

Though current economic growth in the United States measured against its own yardstick is still rather dim, it currently prevails as a bright spot relative to the rest of the world, and as such, its status as premium safe haven remains intact. A world of investors still means there is a finite amount of investors with finite demand for U.S. debt, even at low interest rates. Furthermore, not all Treasury securities can be rolled over into longer-term securities in hopes of locking in low interest rates. As aforementioned, low interest rates are not forever, and if matured securities issued today are rolled over in a higher interest rate environment, U.S. debt problems will only multiply. As Brookings Institution's David Wessel notes, "...the trajectory of the debt is worrisome for one inescapable reason: When you owe a lot of money and interest rates rise, your interest tab mounts."[58]

The low interest rates on publicly held federal debt also suggest that creditors still believe that the federal government will be able to untangle its large and looming impending debt obligations. However, the current low-interest rate environment is a double edged sword—it has reduced interest payments below what was expected in previous years, but it also carries the temptation to borrow more and thereby delay fiscal reforms. Rather than borrow more under the current favorable circumstances, the federal government would do well to prove to creditors that the full faith and credit of the United States government will continue to mean something for generations to come by altering the growth trajectory of fiscal obligations and reining in publicly held debt as a share of the economy to the historical long-term average of 39 percent of GDP.[59]

10. High publicly held federal debt as a share of the economy negatively affects the private sector.

- Debt Denier Assertion: *"So the U.S. debt isn't frighteningly large, nor is it growing in relation to the economy."*[60]
  – Bloomberg View

Actually, U.S. debt is already frighteningly large by historical standards. CBO expects deficits to begin rising again in 2016 according to the updated March *Budget and Economic Outlook*, one year sooner than projected in August 2015. CBO also projects trillion-dollar deficits will return in 2022, three years earlier than previously projected, with debt growth projected to outpace economic growth by 2019.[61]

- Debt Denier Assertion: *"Cutting spending to pay off debt, on the other hand, could slow growth, and leave us right back where we started."*[62] *– Slate*

The consequences of the United States' unmanaged debt include reduced private capital in the economy, lower productivity and wages, and higher interest rates. This is something that the 2016 *Economic Report of the President and the Annual Report of the Council of Economic Advisers* ironically recognizes of other major advanced economies, resulting in "persistently disappointing world growth over the last half-decade,"[63] but fails to extend its analysis to the potentially destructive consequences of high U.S. federal debt. The Congressional Research Service (CRS) has also concluded that increased Federal debt dampens economic growth and burdens future generations:

> *The current consensus view among economists is that the source of the burden associated with the national debt is the government budget deficit that gives rise to the debt. In a fully employed economy, the deficit "crowds out" private sector spending, especially spending on capital goods. Thus, a smaller private capital stock and a lower level of output are passed along to future generations and it is this lower level of output that is the burden of the national debt. And, it is a burden that is largely shifted forwarded [sic] to future generations. Thus, according to the consensus view, the burden of a national debt is borne by future generations.*[64]

As Grant points out in the *Time* article, "[The debt] will have to be repaid or refinanced. If repaid, where would the money come from? It would come from you, naturally. The debt is ultimately deferred tax."[65]

As Greg Ip notes in the *Wall Street Journal*, it remains unclear if the current slow pace of economic growth is due to inadequate demand or if it is due to inadequate supply, relating to structural changes resulting from demographics, technological change, or burdensome regulation. If forecasts of economic growth are wrong because the underlying trends are misunderstood, then federal debt could rapidly increase as a share of the economy: "For example, suppose the government projects debt will remain at 100% of GDP for the next decade or two. If growth turns out 1 percentage point lower than expected, the debt ratio would soar to 200% after 20 years."[66] Ip additionally points to an IMF study that found governments repeatedly fail to mend their budgets when long-term economic growth slows.

Certainly, not all government debt is bad, as it depends on what it finances and its level as a percent of the economy. As mentioned by Dartmouth professor Charles Wheelan, federal government debt helped the United States during World War II, helped to build a national highway network, and at the state and local levels, debt helped build schools, sewer systems, hospitals, and airports. Wheelan likens debt to fire, wonderful yet capable of spreading out of control. He argues that debt should come with two "bold warnings": "First, debt is a good thing only if you do something sensible with the borrowed funds... [Second:] Financial institutions are prone to panic."[67] The U.S. federal government may well one day face Dornbusch's Law: The crisis takes a much longer time coming than you think, and then it happens much faster than you would have thought."[68] If a time comes when lenders want their money back immediately because they can no longer determine good debt from bad, even if the loan is healthy, every part of the economy dependent on credit is vulnerable. Even healthy institutions, whether they be banks or governments, can fail in a panic.

- Debt Denier Assertion: *"There are BILLIONS of Americans—some in this generation, some still unborn—who can repay our debt"*[69]

At the end of the day, publicly held debt stands at roughly 75 percent of GDP, roughly double the 50-year historical average. While this doesn't amount to the 106 percent publicly held debt-to-GDP ratio borrowed to finance WWII, the major difference then is that debt fell back to historical norms, largely carried by the incredible economic growth that occurred during subsequent peacetime and that led to America's rise as a major world power. Today's debt is on the opposite trajectory—it is only expected to grow, with no official declaration of war prodding it upward, and no "inherent recovery mechanisms typically seen at war's end—the return of a larger labor force, the deployment of resources to economic goods rather than wartime production."[70]

However, with downward revisions to economic growth in recent years, the federal debt is only expected to grow as a share of the economy and to expand faster than the pace of economic growth. That includes projections of the revenue received from incomes of Americans not even born yet, and estimates of a future economy that looks less and less robust than anticipated in past years. What these projections don't include is the next recession, geopolitical upheaval, major natural disaster, or financial crisis, for which there is no fiscal space except to borrow more than what is already projected. The responses critical of the *Time* article tiptoe around this fact, or ignore it altogether.

Conclusion

Unfortunately, too many analysts and commentators believe U.S. debt is a non-issue. The debt deniers' assertions would implicitly lead to theft, and intergenerational theft to be specific. Debt deniers' theories would leave future generations economically disadvantaged, reaping little to no benefit from the delayed debt tax they will be burdened with. As noted by the St. Louis Fed, starting with Generation X, the average per-capita lifetime net benefit from federal benefits received minus taxes paid turns from significantly positive to significantly negative and worsens for the Millennial Generation and Post-Millennials.[71] Theft is no way to govern.

For critics to frame federal debt as a non-issue, or that its growth trajectory is easily surmountable, is to grossly underestimate the difficult decisions policymakers must take to ensure America's fiscal sustainability for the future. Framing the U.S. debt as a minor issue does a greater disservice to average Americans than any perceived debt hyperbole, and makes it more difficult for their elected representatives to come together in bipartisan agreement to make credible, lasting fiscal reforms. Creditors trust the U.S. federal government to make the right choices to remain fiscally sustainable, even if those aren't the easy choices.

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