



Insight

Debt Facts

GORDON GRAY | JUNE 7, 2013

Debt and Deficits: The Obama Factor

Current Debt: The total Public Debt stands at over \$16.2 trillion, with FY2012's \$1.1 trillion deficit, 7.0 percent of GDP, having contributed significantly to our nation's credit card bill.

- The Obama's Administration's Credit Card Bill after its First 1598 days in Office:
- Debt increase since inauguration = \$6.11 trillion
- Debt increase per day in office = \$3.82 billion
- Debt increase per person since inauguration = \$19,342
- Debt increase per child since inauguration = \$79,686
- **The Ten-Year Deficit Outlook:** The Obama administration's budget would continue to contribute to the debt by running significant deficits over the budget window, averaging \$533 billion annually from 2013 to 2023, according to the Congressional Budget Office (CBO).
- **Interest Costs:** By 2022, interest payments under the President's budget approach historical levels as share of GDP, and reach the highest level in 25 years (3.0 percent of GDP by 2022; meeting the 3.0 percent in interest paid in 1997).
- Interest grows from \$220 billion in 2012 to \$782 billion in 2023, consuming 15 cents out of every dollar of receipts (compared to roughly 9 cents per dollar in 2012).
- **Increasing Foreign Ownership:** According to the most recent data, foreign holdings of U.S. Treasuries stands at \$5.76 trillion, or 48 percent of debt held by the public.
- Of this total amount held outside the U.S, foreign government holdings of U.S. debt stand at \$4.10 trillion, or 34 percent of debt held by the public.
- China, the U.S.'s largest foreign creditor, has holdings of \$1.25 trillion (10 percent of U.S. debt held by the public).
- Federal interest payments on foreign-owned debt have increased by over 50 percent since 2000, rising from \$85 billion to \$130 billion in 2012.
- **Long Term Budget Outlook:** The U.S. long-term fiscal pathway is unsustainable. Assuming many of the current fiscal policies remain in place, CBO projects that debt held by the public will reach 247 percent of GDP in 2042 – well above any level seen in U.S. history. After 2042, debt levels so vastly exceed historical experience that CBO's models essentially fail. Factoring in the economic effects of such high debt, this statistical implosion arrives sooner – as early as 2035.