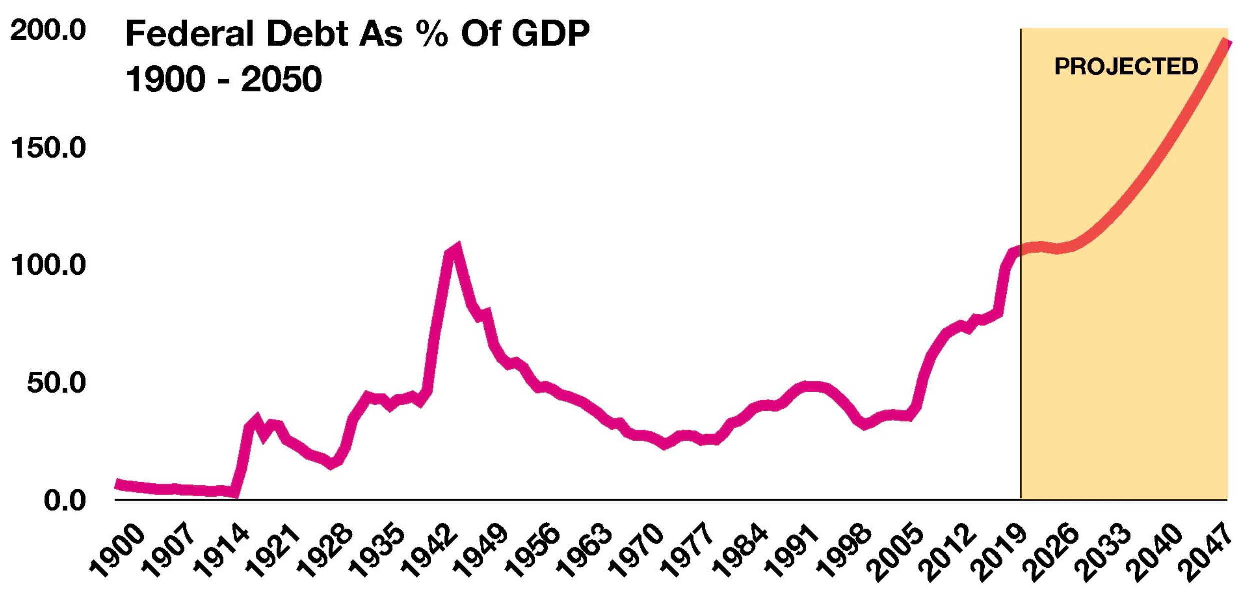
National Debt As Percentage of GDP - Fiscal Policy

The three rounds of stimulus spending to combat the coronavirus and its economic affects have contributed to a nearly $4.5 trillion increase in federal debt held by the public, raising it to $21.9 trillion as of March 1. Existing federal debt is now the highest since World War II and exceeding the size of the nation's entire economic output, as measured by Gross Domestic Product (GDP).

Congressional Budget Office (CBO) forecasts show that the nation's debt as a percentage of GDP will continue to increase for the following 30 years, with debt reaching nearly 200% of GDP by 2050. Various factors are taken into account when calculating future debt estimates, including economic activity, tax revenue and government spending. The enormous injection of federal funds into the economy over the past year has been primarily derived by massive debt issuance but with no tax increases in place. Historically, increases in debt have eventually been followed by tax rate increases. The currently proposed tax hikes are meant to offset not only existing debt but also possible future debt issuance should economic circumstances require it.

Sources: CBO, Federal Reserve



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