The Cost of…Bidenomics
RAGING INTEREST COSTS

The Cost Of… **breaks down the budgetary impact of what's driving our political discourse, giving context and analysis of its impact on our exploding $33.6 trillion in national debt.**

This document details how interest costs have become a growing burden on taxpayers during the Biden Administration.

PRESENTING THE PROBLEM

On March 11, 2021, with the economy already well into a recovery, President Biden signed into law the American Rescue Plan (ARP), a nearly $2 trillion deficit-financed stimulus package that initiated the worst inflationary environment in 40 years. Cumulative inflation has increased by 17.1 percent under the Biden Administration.

In order to address inflation, the Federal Reserve has increased interest rates at the fastest pace since the early 1980s. As a result, the yield on 10-year U.S. treasuries has surged from 1.1 percent when President Biden took office to almost 5 percent now, the highest figure in 16 years. This has had a devastating impact on the cost of many household expenses.

The alarming rate hikes are causing interest paid on the federal debt to become the fastest growing portion of the federal budget. According to the nonpartisan Congressional Budget Office (CBO), interest payments on the debt will triple under current law from $475 billion (1.9 percent of GDP) in 2022 to $1.4 trillion (3.7 percent of GDP) in 2033—the highest level in American history.

Americans do not see any benefits from government spending on interest costs—those dollars don't go towards fixing our crumbling infrastructure, providing services to seniors or veterans, or fulfilling the core functions of government. We are throwing money into the wind simply by continuing our unsustainable spending spree.

COUNTING THE COST

40-year High Inflation Leads to Interest Rate Hikes

When Biden took office, the CBO projected inflation would increase by an annual average of 2 percent in 2021 and 2022. After enactment of Biden Administration policies, actual average annual inflation increased by 7 percent over this period. Cumulative inflation under President Biden has grown by more than 17 percent.

The president's inflationary policies forced the Federal Reserve to raise interest rates at the fastest rate in four decades. When President Biden took office, the CBO projected the Federal Funds Rate would be 0.1 percent at the end of 2023. Instead, the Federal Funds rate is currently 5.25-5.5 percent, the highest rate in 22 years.

Consequently, the interest rate on 10-year Treasury notes for 2023 has increased from a projected 1.5 percent when President Biden took office to near 5 percent. The growth in interest rates has dramatically worsened the federal budget outlook. According to the CBO, due to higher interest rates and inflation, the President's economic policies have caused interest payments on the debt to increase by $3.6 trillion over the next decade.

Surging Interest Payments on the Debt

In just two years, interest payments on the debt have nearly doubled, increasing from $352 billion in 2021 to $663 billion in 2023—an increase of $311 billion or 88 percent. By 2033, CBO projects interest payments on the debt will grow to $1.4 trillion—more than four times what was spent servicing the debt the year Biden took office. At this point, interest payments on the debt will account for half of federal borrowing. ***Another way to look at this is interest payments on the debt will have grown from being less than $1 billion a day in 2021 to almost $4 billion a day by 2033.***

Growth of Interest Payments Under Biden Policies

When Biden took office, CBO projected fiscal year (FY) 2023 interest costs would amount to only $278 billion. After enactment of Biden's economic policies actual interest paid on debt amounted to $663 billion—***an increase of $385 billion or 138 percent compared to previous projections.***

The change over ten years is equally dramatic. When President Biden took office, the CBO projected interest payments in the debt would amount to $4.5 trillion over the next ten years. In the CBO's latest projections this figure has increased to $10.6 trillion over the next ten years.

Interest Payments on the Debt Crowding Out Other Federal Priorities

In less than five years, interest payments on the debt will exceed what we spend on national defense. By 2033, interest payments will be the third most expensive federal program (behind only Social Security and Medicare) and consume 20 percent of federal revenue.

By 2047, CBO projects interest payments on the debt will exceed discretionary spending. By 2051, interest payments on the debt will be the largest item in the federal budget. By 2053, CBO projects interest payments on the debt will amount to $5.4 trillion, or 6.7 percent of GDP, which would consume 35 percent of federal revenue.