

United States Senate  
WASHINGTON, DC 20510

December 11, 2023

Dr. Phillip L. Swagel  
Director  
Congressional Budget Office  
441 2<sup>nd</sup> Street SW  
Washington, DC 20515

Dear Director Swagel:

We write seeking an updated assessment from the Congressional Budget Office (CBO) of the effects of decades-high interest rates on the net interest costs of servicing the nearly \$34 trillion, and growing, federal debt, and effects of elevated consumer price inflation that continues to remain above the Federal Reserve's two percent target.

In Fiscal Year 2023, the federal government ran a deficit of \$1.7 trillion, \$320 billion more than the previous fiscal year.<sup>1</sup> It was the largest annual budget shortfall ever recorded outside of the COVID-19 pandemic years and effectively double last year's deficit. In just the first half of Fiscal Year 2024, the Treasury Department is projected to borrow nearly \$1.6 trillion.<sup>2</sup> During the pandemic years, debt held by the public increased by a staggering \$9.5 trillion.<sup>3</sup> According to CBO's 2023 long-term budget outlook, over the next 30 years, debt held by the public is set to surpass its historic high of 107 percent of GDP by 2029, and climb to 181 percent of GDP by 2053.<sup>4</sup>

Driven by out of control federal spending and rising interest rates, the U.S. spent \$659 billion on servicing the federal debt in Fiscal Year 2023, a \$184 billion increase from the previous year and nearly double the cost from just three years ago.<sup>5</sup> Since March 2022, the Federal Reserve has raised interest rates eleven times, pursuing such an aggressive rate-hiking campaign in an effort to combat the out-of-control inflation that has hung over the U.S. economy for years as a result of trillions of dollars in reckless partisan spending passed by congressional Democrats and signed into law by President Biden.<sup>6</sup> Future rate hikes and higher-for-longer rates are likely as elevated inflation remains a major concern for American households who continue to see the purchasing power of their wages erode.<sup>7</sup>

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<sup>1</sup> "Final Monthly Treasury Statement: Receipts and Outlays of the United States Government." U.S. Department of the Treasury Bureau of the Fiscal Service, <https://www.fiscal.treasury.gov/files/reports-statements/mts/mts0923.pdf>.

<sup>2</sup> "Treasury Announces Marketable Borrowing Estimates." U.S. Department of the Treasury, <https://home.treasury.gov/news/press-releases/jy1851>

<sup>3</sup> "Federal Debt: Total Public Debt." FRED, <https://fred.stlouisfed.org/series/GFDEBTN>

<sup>4</sup> "The 2023 Long-Term Budget Outlook." CBO, <https://www.cbo.gov/system/files/2023-06/59014-LTBO.pdf>

<sup>5</sup> "2023 Interest Costs Reach \$659 Billion." Committee for a Responsible Federal Budget, <https://www.crfb.org/blogs/2023-interest-costs-reach-659-billion>.

<sup>6</sup> Bianchi, Francesco and Melosi, Leonardo, Inflation as a Fiscal Limit (September 21, 2022). FRB of Chicago Working Paper No. 2022-37, Available at SSRN: <https://ssrn.com/abstract=4205158> or <http://dx.doi.org/10.2139/ssrn.4205158>

<sup>7</sup> "US Consumer Year-Ahead Inflation Expectations Rise Further." Bloomberg, <https://www.bloomberg.com/news/articles/2023-11-22/us-consumer-year-ahead-inflation-expectations-increase-further#xj4y7vzkg>

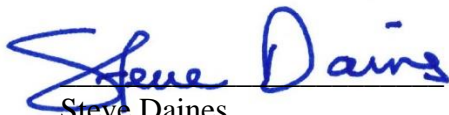
With the market yield on 10-year Treasury securities reaching near 20-year highs and the federal government continuing to add roughly \$2 trillion to the national debt every year, the economic pain yet to come is hard to imagine. The cost of interest, which is the fastest growing part of the federal budget, will exceed \$10 trillion over the course of the next decade and exceed the entirety of the U.S. defense budget by as early as 2027.<sup>8</sup> As the cost of servicing the national debt continues to grow, discretionary spending will continue to decline, reducing lawmakers' ability to fund critical projects for taxpayers. By 2051, interest payments will be the single largest item in the federal budget, surpassing Social Security, Medicare, Medicaid, and all other mandatory and discretionary spending programs.<sup>9</sup>

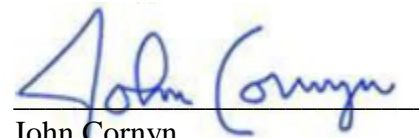
With the evident unsustainability of the nation's fiscal course, elevated inflation, and interest rates, which continue to rise, please provide responses to the questions below:

1. How much would each percentage point increase in inflation above 3 percent cost a middle-class American worker?
2. Does CBO believe that both the ten-year Treasury yield and the average rate paid on federal debt over the next two years will be realized at rates that CBO projected in its June 2023 long-term budget outlook?
3. What is CBO's most current projections for GDP growth for a one-year period, two-year period, and ten-year period?
4. For every GDP growth point that misses the mark, how will this increase the deficit?
5. If GDP growth remains stagnant for the next two years, how would this increase the deficit?
6. Can CBO offer its projections of the amount by which the federal deficit will rise if 10-year Treasury yield rates hit 4 percent and persist at such a rate over the next 5 and 10 years?

Given the upcoming two-day meeting of the Federal Open Market Committee on December 12<sup>th</sup> and 13<sup>th</sup> at which the Federal Reserve may choose to raise interest rates for a twelfth time, please reply as soon as possible after December 13<sup>th</sup> so that lawmakers and the public can be equipped with the most accurate data possible when making policy decisions.

Sincerely,

  
Steve Daines  
United States Senator

  
John Cornyn  
United States Senator

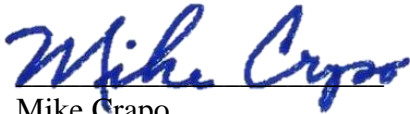
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<sup>8</sup> "Net Interest Will Total \$10.5 Trillion Over the Next Decade." Committee for a Responsible Federal Budget, <https://www.crfb.org/blogs/net-interest-will-total-105-trillion-over-next-decade>

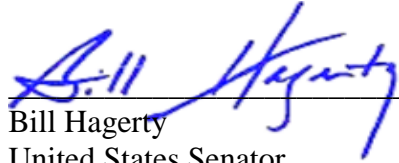
<sup>9</sup> "Interest Costs Will Grow the Fastest Over the Next 30 Years." Committee for a Responsible Federal Budget, <https://www.crfb.org/blogs/interest-costs-will-grow-fastest-over-next-30-years>

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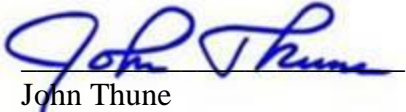
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Mike Crapo  
United States Senator



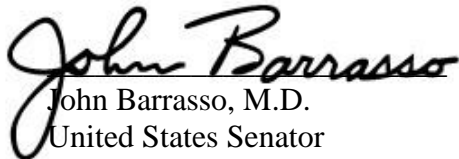
Bill Hagerty  
United States Senator



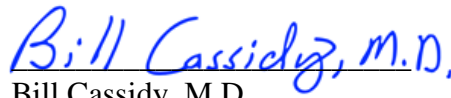
John Thune  
United States Senator




Thom Tillis  
United States Senator



John Barrasso, M.D.  
United States Senator



Bill Cassidy, M.D.  
United States Senator



Marsha Blackburn  
United States Senator



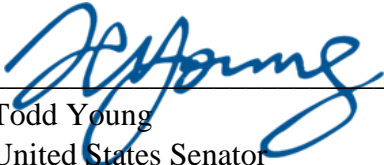
Katie Boyd Britt  
United States Senator



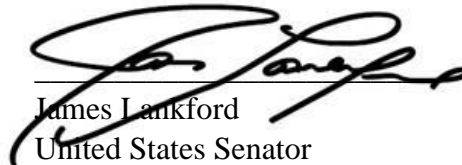
Cynthia M. Lummis  
United States Senator



Ron Johnson  
United States Senator



Todd Young  
United States Senator



James Lankford  
United States Senator