



Written by [Bob Adelman](#) on August 12, 2020

National Debt Projected to Hit \$41 Trillion by 2030

[If the Manhattan Institute is correct](#), the national debt will reach \$41 trillion no later than 2030, less than 10 years from now. Their calculations take into account the budget deficits baked into the numbers before the COVID crisis hit, the stimulus packages initiated since, the impact of an aging demographic on Social Security and Medicare, falling tax revenues due to a smaller economy, and rising interest rates.



Said the institute:

Over the full decade, the coronavirus recession is expected to add nearly \$8 trillion to the national debt, pushing the debt held by the public to \$41 trillion within a decade, or 128% of the economy....

This gives lawmakers six years or less to avert a potential debt crisis in which rising debt and interest costs would overwhelm Washington's ability to tax and borrow.

Two key questions arise: 1) Who will buy that new debt?, and 2) Who will ultimately pay it off? And there is a third question: Does anyone care?

Who will buy the new debt? China is an unlikely buyer of new debt in light of increasing tensions between the communists running the country and the Trump administration. Japan is no longer a predictable buyer of new U.S. debt. Aside from relatively insignificant other foreign buyers that leaves U.S. banks, pension plans, local and state governments, and bond funds.

And the Federal Reserve.

Since March 11, the national debt has jumped by \$3.1 trillion. \$1.4 trillion of the new debt has been bought internally by those institutions. The Fed has purchased the rest.

And that is making the credit-rating agency Fitch Ratings nervous. It just reaffirmed its top credit rating of AAA to the U.S. government, but its "outlook has been revised to Negative to reflect the ongoing deterioration of the U.S. finances and the absence of a credible fiscal ... plan."

Fitch expects general government debt to exceed 130% of GDP (gross domestic product) by 2021, adding,

There is a growing risk that U.S. policymakers will not consolidate public finances sufficiently to stabilize public debt after the pandemic shock has passed....

Political polarization ... reduces the scope for bipartisan cooperation, hindering attempts to address structural issues ... and longer-term fiscal challenges.

The other question is, how will all that massive and increasingly expensive debt ultimately be paid off?

Best estimates are that, on a per-taxpayer basis, the amount "shared" by each one is approaching \$250,000. If the average taxpayer earns \$40,000 a year, one can see the insurmountable task facing him.

For the moment, few seem to care. There was scarcely a ripple when Fitch announced its downgrade of



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U.S. credit. Robert Samuelson, writing in the Washington Post, expressed it perfectly:

The national debt is out of control. There is a general disregard for covering new spending with new taxes or other spending cuts. It's so much easier to borrow against the future.

The debts pile up, and more often than not, the consequences can be evaded for many years to come.

But at some point, those debts will be paid, somehow. The path of least resistance is gradually to reduce the purchasing power of each future dollar owed so that the obstacle can be shrunk. Given sufficient time, those future dollar-denominated debts can be paid off with mere pennies.

History doesn't treat that scenario kindly. Once inflation begins to show up at the retail level, it's increasingly hard to stop. The runaway inflation in Germany between 1921 and 1923 has endlessly been studied. It ended when two things happened: The old worthless currency was discarded and replaced with new currency indexed to gold-backed bonds, and the government stopped spending more than it was taking in.

While historians pore over histories such as these, politicians continue to spend money created out of nothing. As Herb Stein famously said, "If something cannot continue forever, it will stop." As Woody Allen said, in a different context, "I'm not afraid of dying. I just don't want to be there when it happens."

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