FACT CHECK: Experts Agree Debt-To-GDP Ratio Not a Threat to the Economy

Experts across the ideological spectrum agree — stop listening to fear mongers using the size of the debt-to-GDP ratio as a reason to shortchange public investment.

The debt growing larger than GDP may sound scary — but experts agree it's not actually a threat to the economy. They say the real figure to watch is the cost of servicing the debt, or how much interest the U.S is currently required to pay on its debt. That figure is shrinking even as spending increases. In fact, experts say the cost of servicing debt today is lower than in the 1990s and early 2000s, when the United States had a budget surplus.

Fact 1: Experts Say We Should Not Listen To Fear Mongers About Debt-To-GDP Ratio

- **Former Chief Economist of the International Monetary Fund, Olivier Blanchard**:
  - "At this stage, I think, nobody is very worried about debt. It's clear that we can probably go where we are going, which is **debt ratios above 100 percent in many countries. And that's not the end of the world.**" [New York Times, 8/21/20]
  - "Put bluntly, **public debt may have no fiscal cost**...The probability that the U.S. government...can issue debt and achieve a decreasing debt-to-GDP ratio **without ever having to raise taxes later**, is high." [Associated Press, 9/5/20]
  - "**The fact that a particular number, say 100 percent, is salient, may make it scary but does not make it economically relevant**...To assess the costs of debt, the right variable to look at is not debt but the safe rate compared with the growth rate. If the inequality holds, the fiscal costs of debt are zero and the welfare costs of debt are small." [Peterson Institute for International Economics, 2/1/19]
- **Brookings**:

  - "**Is debt at that level a problem? For now, it isn't**...If interest rates remain low, as currently anticipated, the government can handle a much heavier debt load than was once thought possible." [Brookings, 7/8/20]

- **Chief Investment Officer for PIMCO, Daniel Ivascyn**:

  - "Fiscal constraints aren't nearly what economists thought they were. When you have a central bank essentially funding these deficits, **you can take debt levels to higher debt levels than people envisioned**." [New York Times, 8/21/20]

Fact 2: Experts Say Cost Of Debt Servicing — Which Is Historically Low — Is A Better Metric To Watch Than The Debt-To-GDP Ratio

- **Treasury Secretary Janet Yellen**:

  - "**Look at a different metric, which is more important, which is what is the cost of that debt**. Look for example at interest payments on the debt as a share of G.D.P. So I think we have more fiscal space than we used to because of the interest rate environment." [New York Times, 2/23/21]

- **Global Market Strategies at JP Morgan Chase, Meera Pandit**:

  - "**The critical consideration to examine is not actually the level of debt or the ratio of debt to GDP, but rather the cost of servicing the debt**...Despite the surge in government debt to combat the effects of the pandemic, **the cost to service this debt is much cheaper than it was in, for example, the mid 90's to early 00's** when debt to GDP was below 50% and the government operated with a budget surplus." [JP Morgan Chase, 1/13/21]

- **Former Chair of the Council of Economic Advisers, Jason Furman; Former Treasury Secretary, Lawrence Summers**:

  - "As a share of GDP, the cost of servicing US debt has fallen since 2000, even though federal debt has increased. In 2000, the US federal debt was 34 percent of GDP, relatively close to its post-war low. By the end of 2020, the debt-to-GDP ratio will have nearly tripled to over 100 percent of GDP. **At the same time, the cost of servicing this larger debt has fallen, relative to the size of the economy, because of the widespread fall in interest rates across advanced economies**. An environment of low interest rates makes it easier to pay off debts. If economic growth rates exceed interest rates, debt will naturally shrink relative to the size of the economy." [Peterson Institute for International Economics, 12/16/20]

- **Senior Fellow at the Center on Budget and Policy Priorities, Jared Bernstein**:
    - "The idea that we've done all this spending and **our debt service is actually lower than it was in the pre-pandemic baseline** is a remarkable testament to, in my view, how much more fiscal space you get when you have really low interest rates." [Wall Street Journal, 9/11/20]
- **Senior Fellow for International Economics at the Council on Foreign Relations, Sebastian Mallaby**:
    - "In an environment where inflation is quiescent, interest rates have been stagnant for the last decade also...**the cost of national debt is lower than we thought**." [Council on Foreign Relations, 3/30/20]
- **Founder of Yardeni Research, Ed Yardeni**:
    - "While there's been a lot of concern about the mounting debt, it hasn't caused the problems that were anticipated by the doomsters. It's not just a question of how much debt is outstanding, but **what is the cost to service that debt**." [Fortune, 9/12/20]