REPUBLICAN CAUCUS
THE COMMITTEE ON THE BUDGET
B-71 Cannon House Office Building
Washington, DC 20515
Representative Paul D. Ryan, *Ranking Republican*
Phone: (202)-226-7270
Fax: (202)-226-7174
Augustine T. Smythe, *Republican Staff Director*

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Contact: Angela Kuck
202-226-6764

RYAN STATEMENT
CBO: DEFICITS COULD GROW BY MORE THAN $1 TRILLION WITH HIGHER INTEREST RATES

Federal deficits and debt would increase by at least $1.2 trillion over the next 10 years under three different potential interest paths, according to estimates released by the Congressional Budget Office [CBO].

The figures, calculated at the request of House Budget Ranking Republican Paul Ryan (WI), show that if Treasury bond rates differ from current government projections, the additional interest costs would drive deficits and debt significantly higher than CBO previously projected in its analysis of the President's budget. Ryan asked for the estimates because current interest rates are unusually low, and are almost certain to rise. The government's current economic policy mix – record debt issuance combined with monetary stimulus at full throttle – almost guarantee that higher-than-expected borrowing costs will become a reality.

The three interest rate scenarios and CBO's estimated effects on the deficit are as follows:

1) If interest rates average their level of the 1990s, deficits rise by $1.26 trillion;
2) If interest rates average their level of the 1980s, deficits rise by a whopping $5.3 trillion;
3) If interest rates track the "upper bound" of the latest private-sector Blue Chip forecast, deficits rise by $1.2 trillion.

Additional CBO findings under these scenarios for the 10-year Obama budget:

- The deficit never dips below 5 percent of GDP;

- Debt soars to nearly 90 percent of GDP in two of the scenarios, and to well over 100 percent in the scenario in which interest rates return to 1980s' levels.

Ryan said the following:

"While interest rates are at historic lows, government spending, borrowing, and debt are at historic highs – and are on course to explode from here. What happens when interest rates rise, as they inevitably will?

"The analysis I requested from CBO underscores the hazards of the fiscal path the current Administration and Congress are pursuing. Their course will drive our nation even further into

debt than we are prepared to acknowledge. We need to hit the brakes, and seriously reconsider this course."

Please see CBO's letter to Ryan at http://www.cbo.gov/ftpdocs/104xx/doc10416/RyanLetterInterestRates.pdf.

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