

# Economic Update



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# This is an Election Year



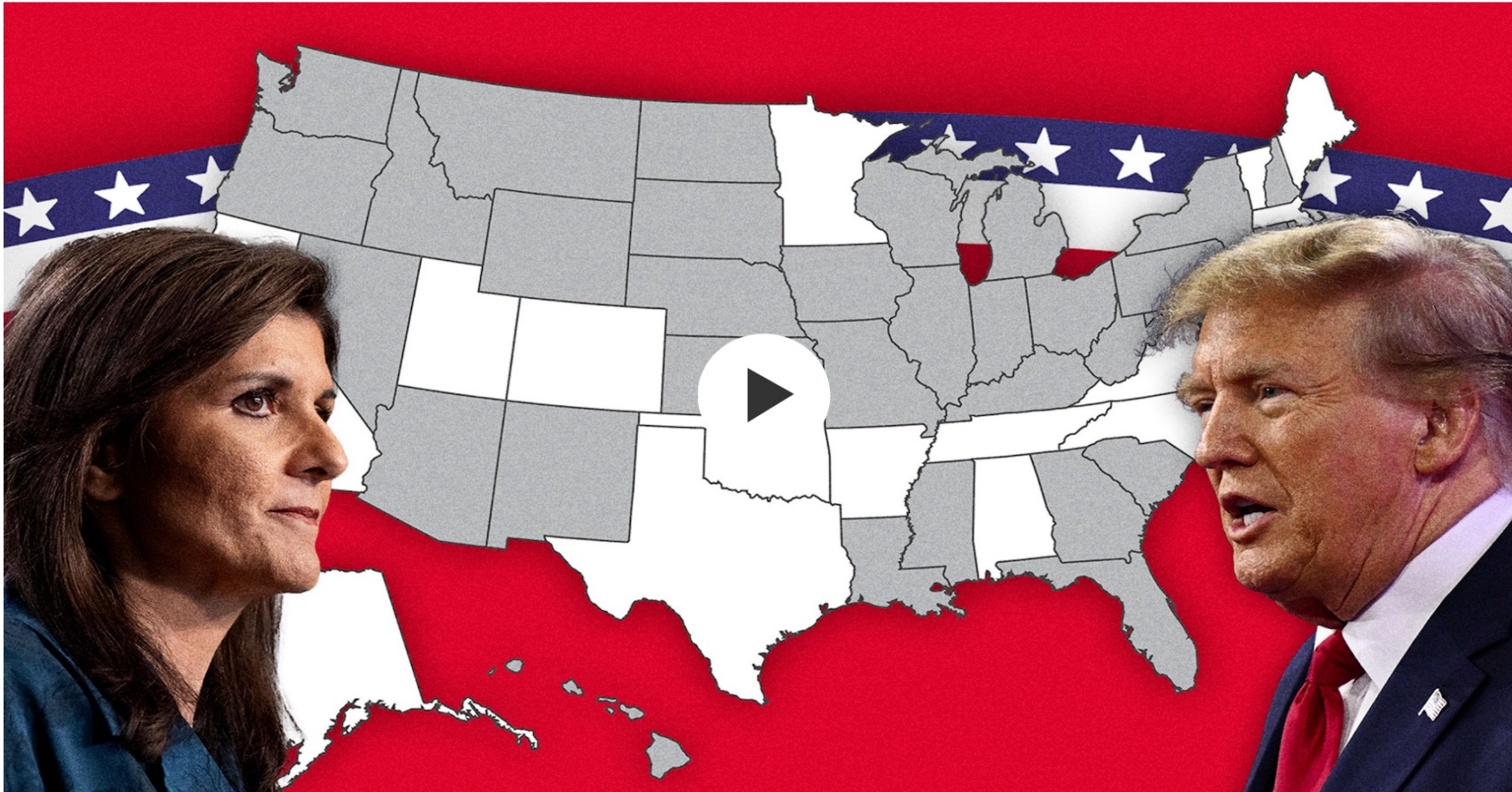
# Everyone Needs Ugly Baby Glasses





# Will We Get Biden vs. Trump II?

EXCLUSIVE

## Nikki Haley to Exit Republican Presidential Race



The former South Carolina governor isn't expected to make an endorsement but will encourage Donald Trump to earn the support of the voters who backed her.  946  7 min read

- **Schiff, Garvey Advance in California Senate Race**
- Latest Updates

# This is the People's Republic of California

For a six-year term ending January 2031

## Class I

	CANDIDATE	% VOTES	TOTAL
✓	<b>Adam Schiff (D)</b>	33.2 %	1,247,723
✓	<b>Steve Garvey (R)</b>	32.4	1,220,683
	Katie Porter (D)	13.8	519,631
	Barbara Lee (D)	7.4	276,854
	Eric Early (R)	3.6	135,396
	James Bradley (R)	1.6	60,542



For a six-year term ending January 2031

# Immigration Is A Super Hot Button

snopes.com/fact-check/million-migrants-border-biden/

JND | Stock Prices |... Ranking: World's 10... Lake Travis Water Le... • Infographics | Stati... Business Databases...

## Claim:

As of January 2024, more than 7.2 million migrants had illegally crossed into the U.S. over the Southwest border during U.S. President Joe Biden's administration — a number higher than the individual populations of 36 states.

## Rating:



**True**

[About this rating](#) 

## Context

The number specifically reflected border encounters with U.S. officials, not an increase of that magnitude in the immigrant population.

# These Should Be Synchronized

## Fiscal Policy vs. Monetary Policy

<b>Fiscal Policy</b>	<b>Monetary Policy</b>
<b>Government Policies that Affect Economic Growth</b>	
<b>CONGRESS</b>	<b>FEDERAL RESERVE</b>
<b>Taxes &amp; Government Spending</b>	<b>Interest Rates &amp; Money Supply</b>
<b>Fund the Government's Operations Encourage Economic Growth</b>	<b>Encourage (or Discourage) Borrowing Control Inflation</b>
<b>Elected Officials</b> <i>(More Political)</i>	<b>Appointed Governors</b> <i>(Less Political)</i>

<https://www.tomrichey.net/blog/fiscal-policy-vs-monetary-policy-ap-government-review>



# When Powell Speaks, We All Listen

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- **Powell Says Fed on Track to Cut Rates This Year.**
- Fed chair characterizes last year's inflation slowdown as notable and widespread
- Brisk inflation and [hiring data](#) in January haven't altered the Federal Reserve's expectation that it will be appropriate to cut interest rates later this year, but Chair Jerome Powell said officials want more evidence that inflation is slowing sustainably in remarks prepared for the House Financial Services Committee today.





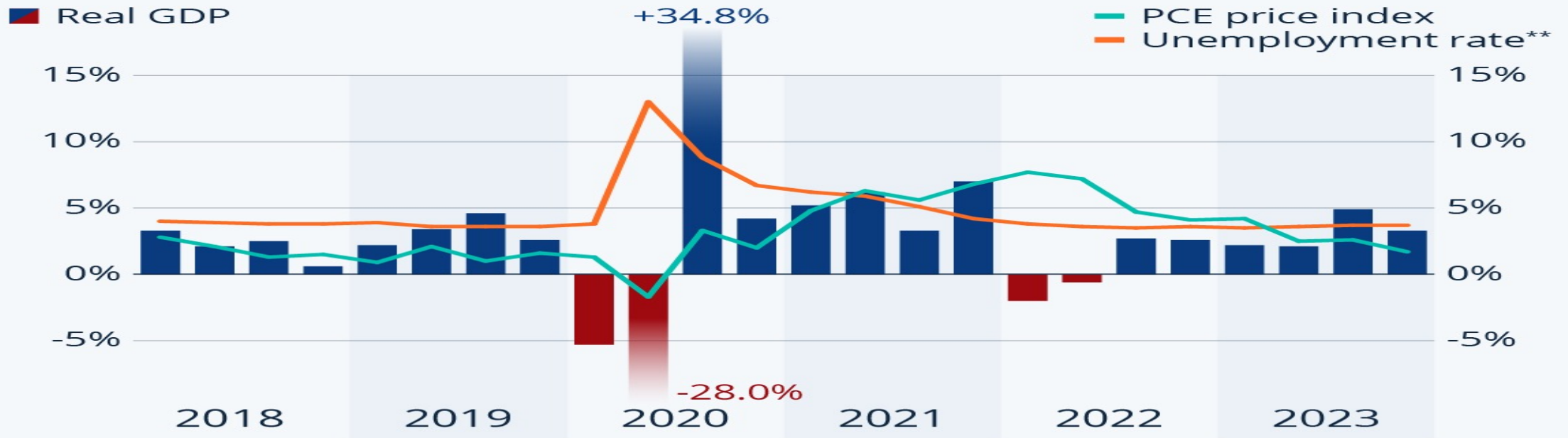
# Balancing Monetary Policy Goals

- Rate cuts won't be warranted until officials have “gained greater confidence that inflation is moving sustainably” toward [the central bank's 2% goal](#) . . . .
- Fed officials are trying [to balance two risks](#): One is that they move too slowly to ease policy and the economy crumples under the weight of higher interest rates. The other is that they ease prematurely, allowing inflation to become entrenched at a level well above their 2% goal.
  - [https://www.wsj.com/economy/central-banking/powell-says-fed-on-track-to-cut-rates-this-year-52e5feb3?mod=hp\\_lead\\_pos1](https://www.wsj.com/economy/central-banking/powell-says-fed-on-track-to-cut-rates-this-year-52e5feb3?mod=hp_lead_pos1)

# Recovering From the Pandemic

## Robust GDP Growth Adds to Hopes of a Soft Landing

Real GDP growth, change in the price index for personal consumption expenditure and unemployment in the U.S.\*



\* Both seasonally adjusted at annual rates \*\* Quarterly average  
Source: U.S. Bureau of Economic Analysis

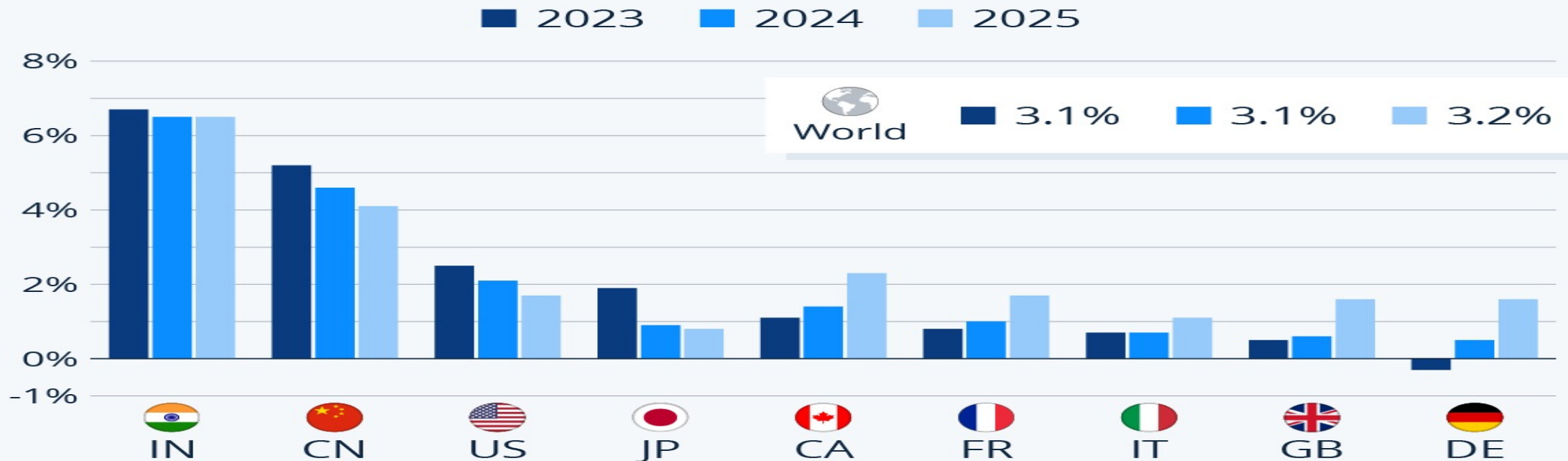


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# The IMF Likes What It Sees

## IMF: Steady Economic Growth Clears Path to Soft Landing

Real GDP growth estimates/projections for G7 countries, China and India



Source: IMF World Economic Outlook Jan. 2024

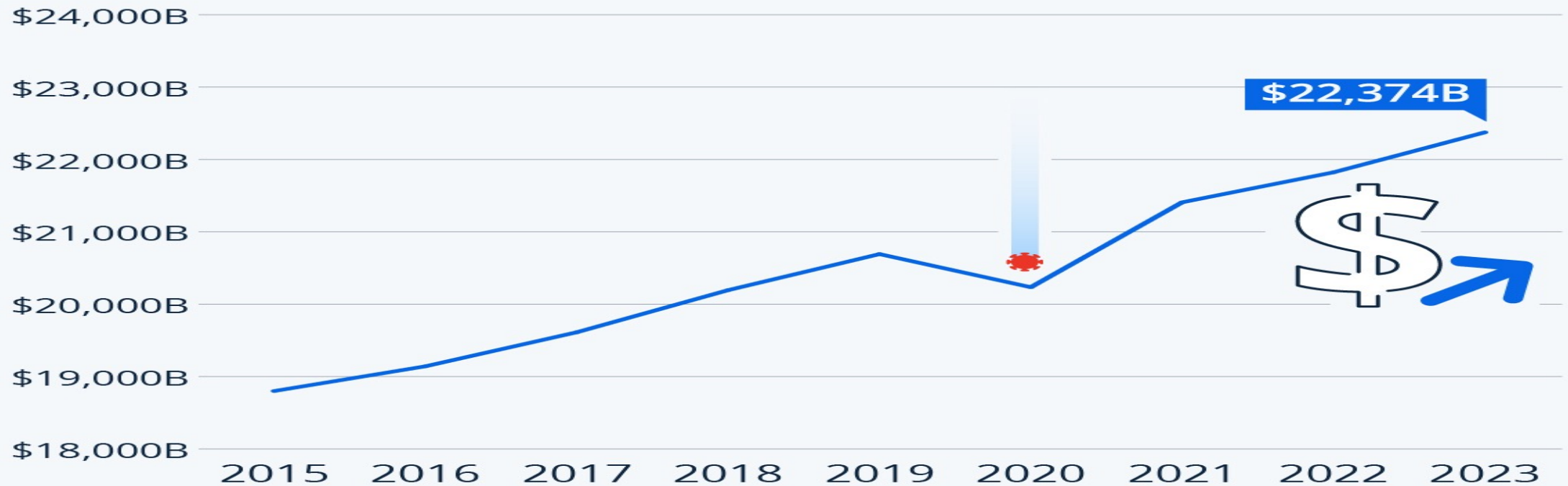


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# The Trend Lines Look Promising

## U.S. Economy Returns to Pre-Pandemic Growth Path

U.S. real gross domestic product (in chained 2017 dollars)



Source: U.S. Bureau of Economic Analysis

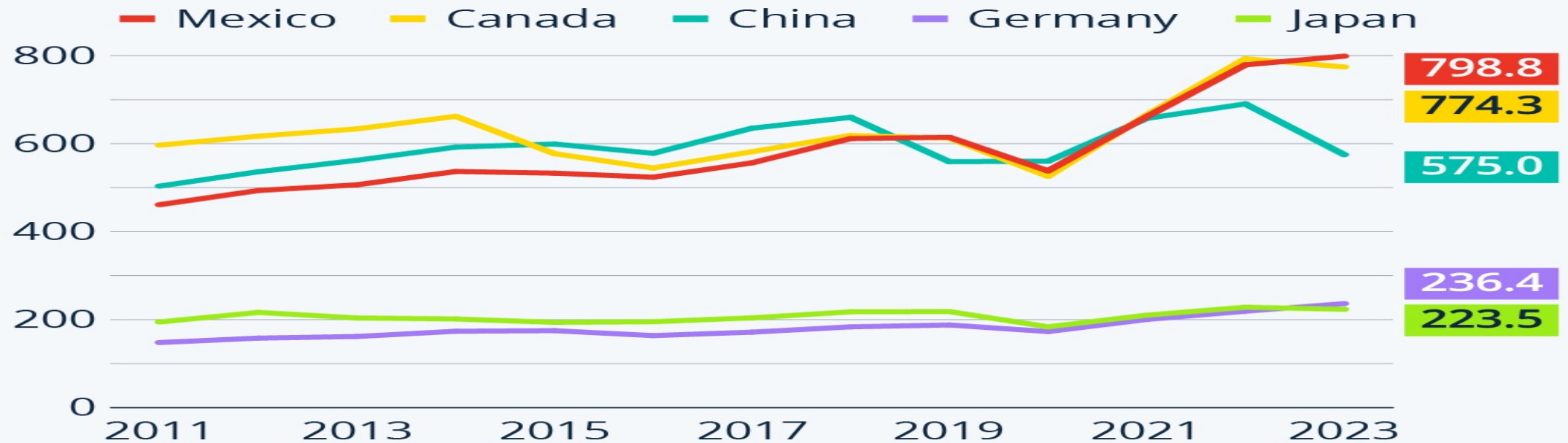


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# “Reshoring” Manufacturing is Working

## U.S. Trade With Mexico Surges to No. 1 Position

Volume of goods trade with the biggest trading partners of the U.S. (in billion U.S. dollars)



Imports plus exports  
Source: U.S. Census Bureau



# Bringing Chip Manufacturing Back Home

## A New Microchip Construction Boom?

New projects in semiconductor manufacturing in the United States announced or in progress (as of Feb. 2024)



Number of projects: ■ 1 ■ 2 ■ 4

Completion date:  
■ 2024  
■ 2025  
■ 2026  
■ 2027/28  
■ TBD



Announced investments of \$1 billion or more. Samsung plans to build 11 new projects in Texas. Sources: Semiconductor Industry Association, Z2 Insights, Statista research



# AI is Growing on Steroids

## Nvidia Lives Up to the Hype, Delivers Another Huge Quarter

Quarterly revenue of Nvidia\*



\* Nvidia's fiscal year ends on the last Sunday of January

\*\* Outlook given on Feb. 21, 2024, plus or minus 2 percent

Source: Nvidia

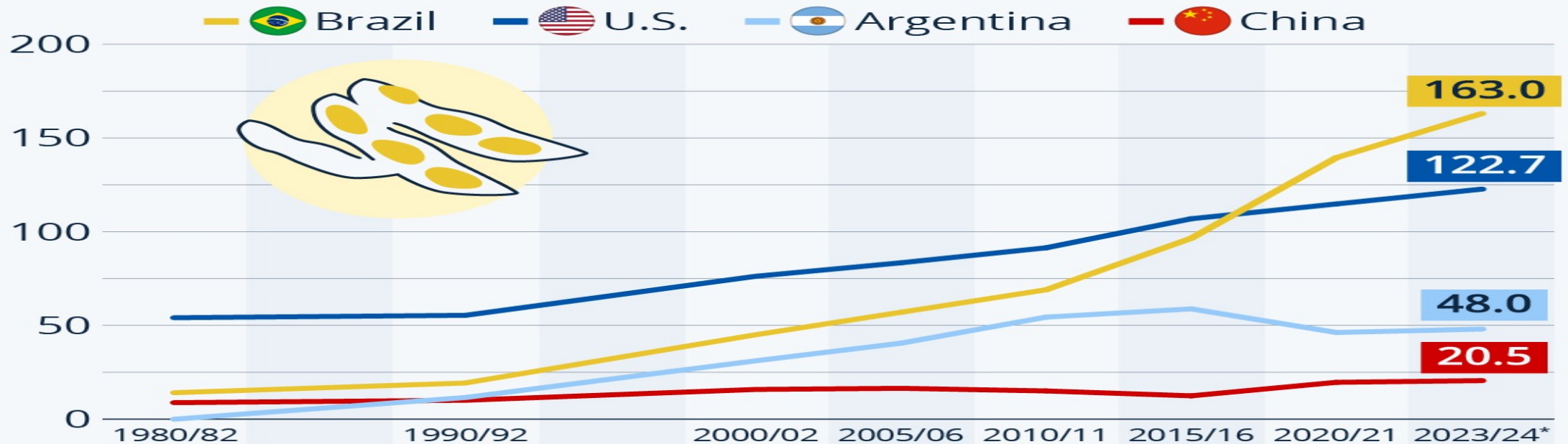


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# Food Exports Are Growing

## The World's Leading Soybean Producers

Harvests of the world's main soybean-producing countries by year (in millions of tonnes)



\* Forecasts (as of June 2023)

Source: USDA Foreign Agricultural Service



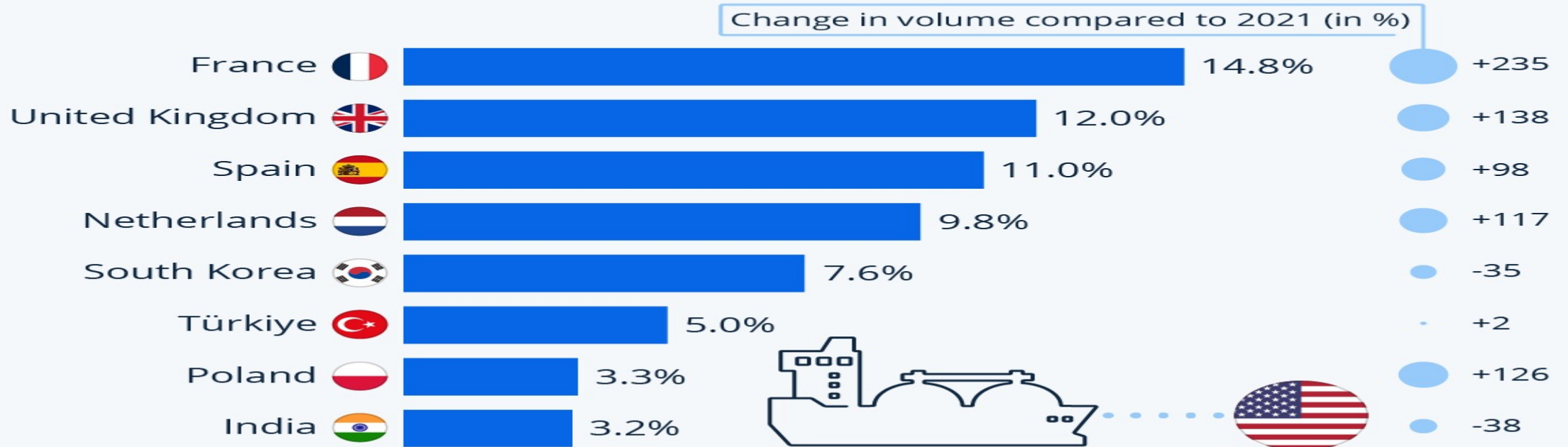
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# LNG Exports Are Growing

## France Is the Biggest Importer of U.S. LNG

Countries receiving the highest shares of LNG\* exported from the United States in 2022



\* liquefied natural gas

Source: U.S. Department of Energy

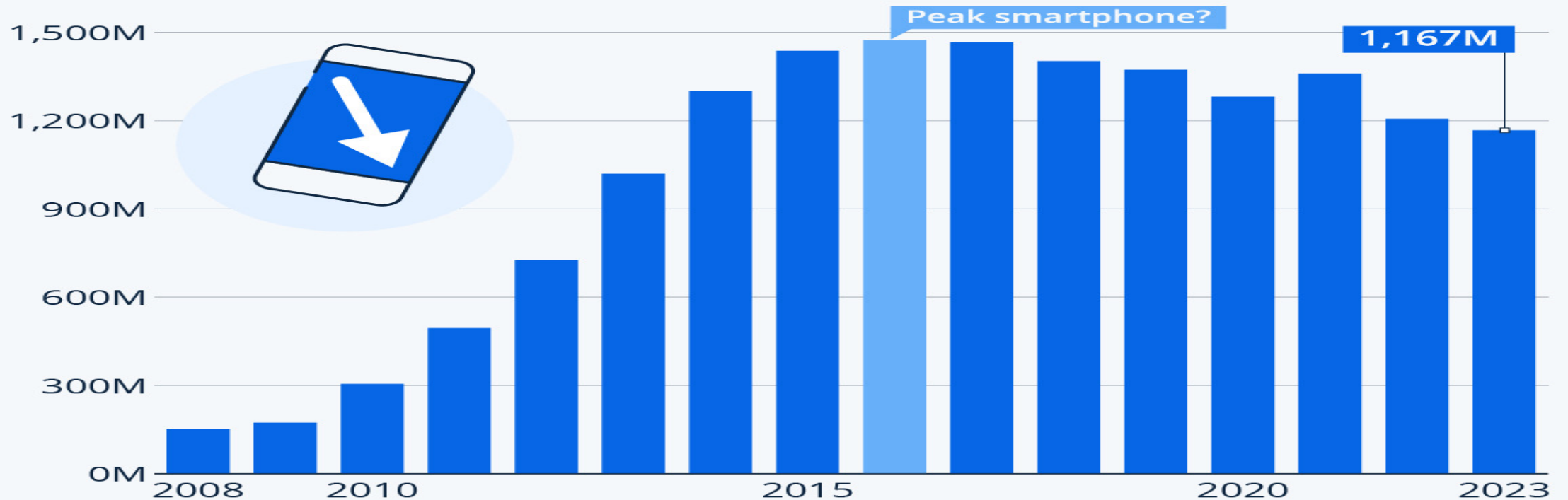


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# The Rule of Large Numbers

## Have We Passed the Peak of the Smartphone Era?

Estimated worldwide smartphone shipments



Source: IDC



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# Food Prices Are Still Higher Than Pre-Covid

## Global Food Commodity Prices Revert to 2021 Levels in 2023

FAO global food price index\*



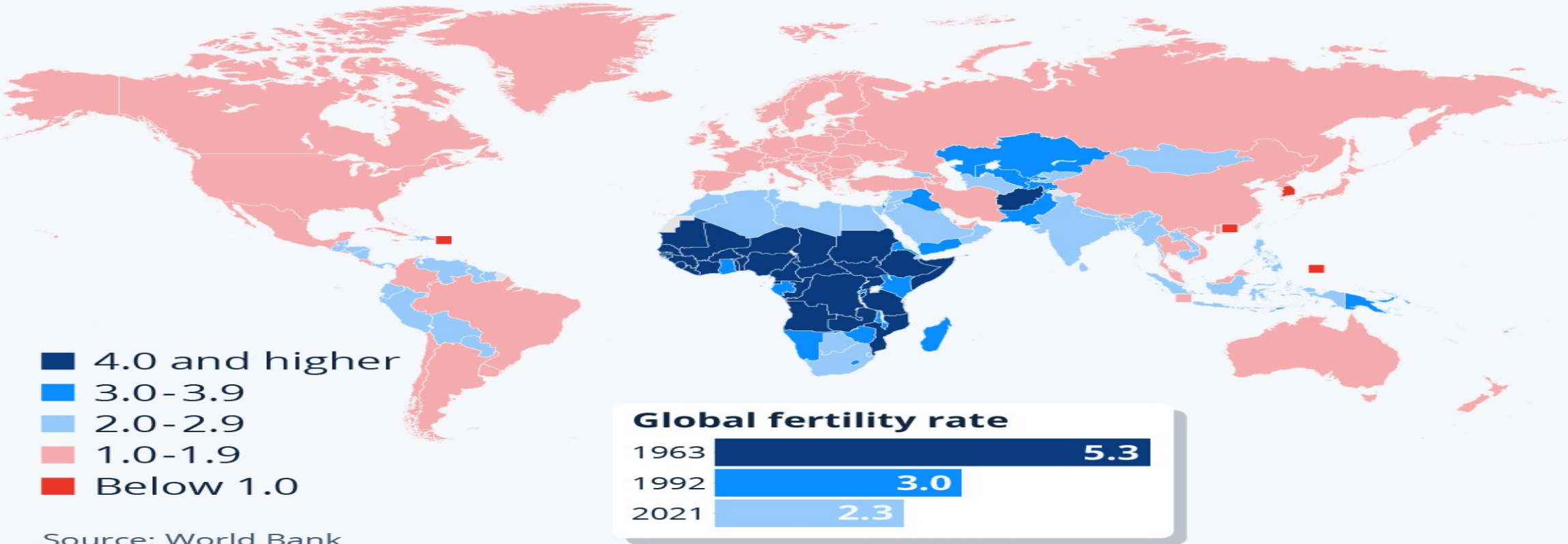
\* 100 = average price level during the base period 2014-2016  
Source: Food and Agriculture Organization of the United Nations



# Fewer Babies = Slower Growth

## The State of Global Fertility

Fertility rate by country in 2021 (births per woman)



Source: World Bank

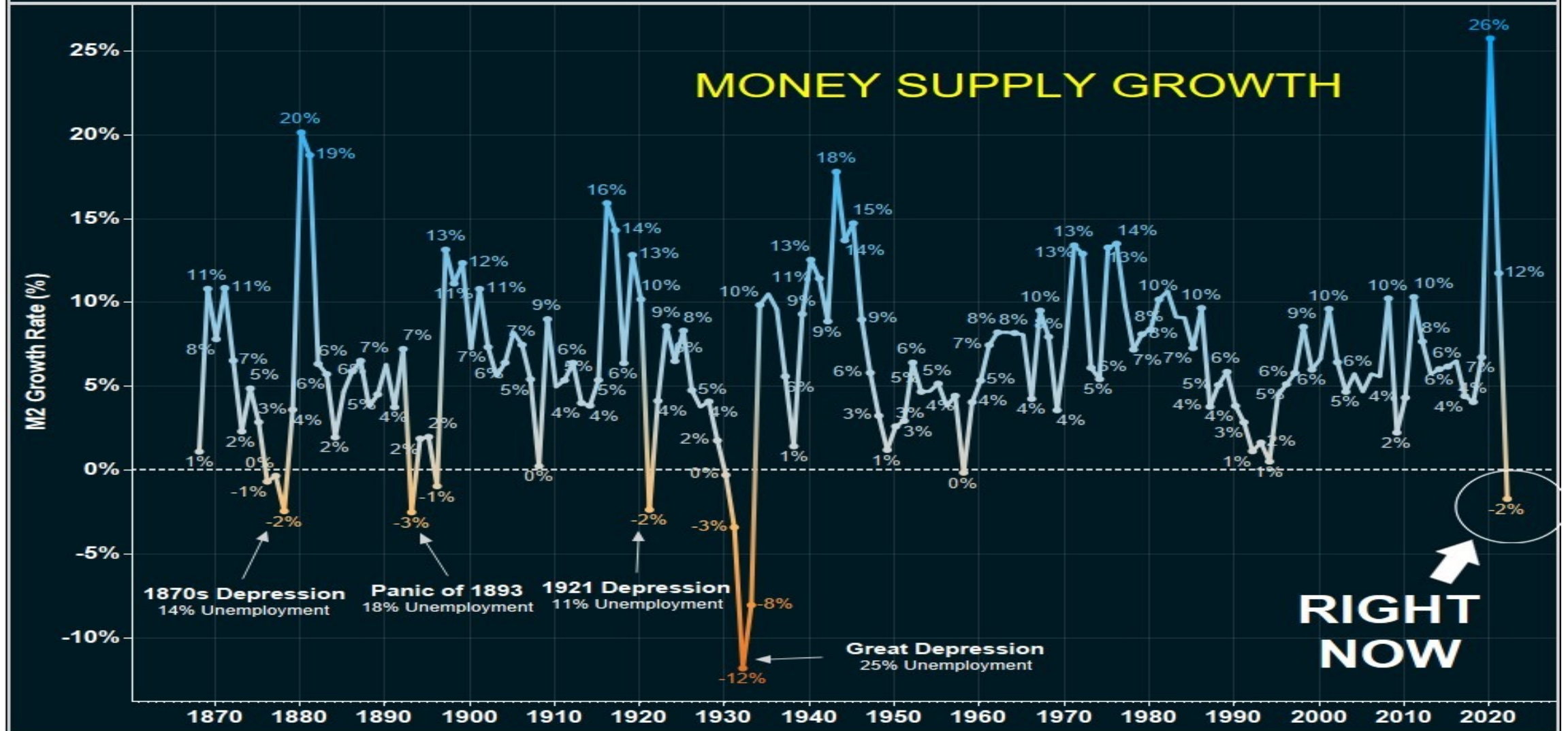


# Pandemic Hangover or . . . ?

re:venture  
CONSULTING

## Depression Warning?

M2 Money Supply Growth YoY (Source: FRED / US Census Bureau)



**RIGHT  
NOW**



# The Elephant *Hidden* in the Room

THE NATIONAL DEBT IS

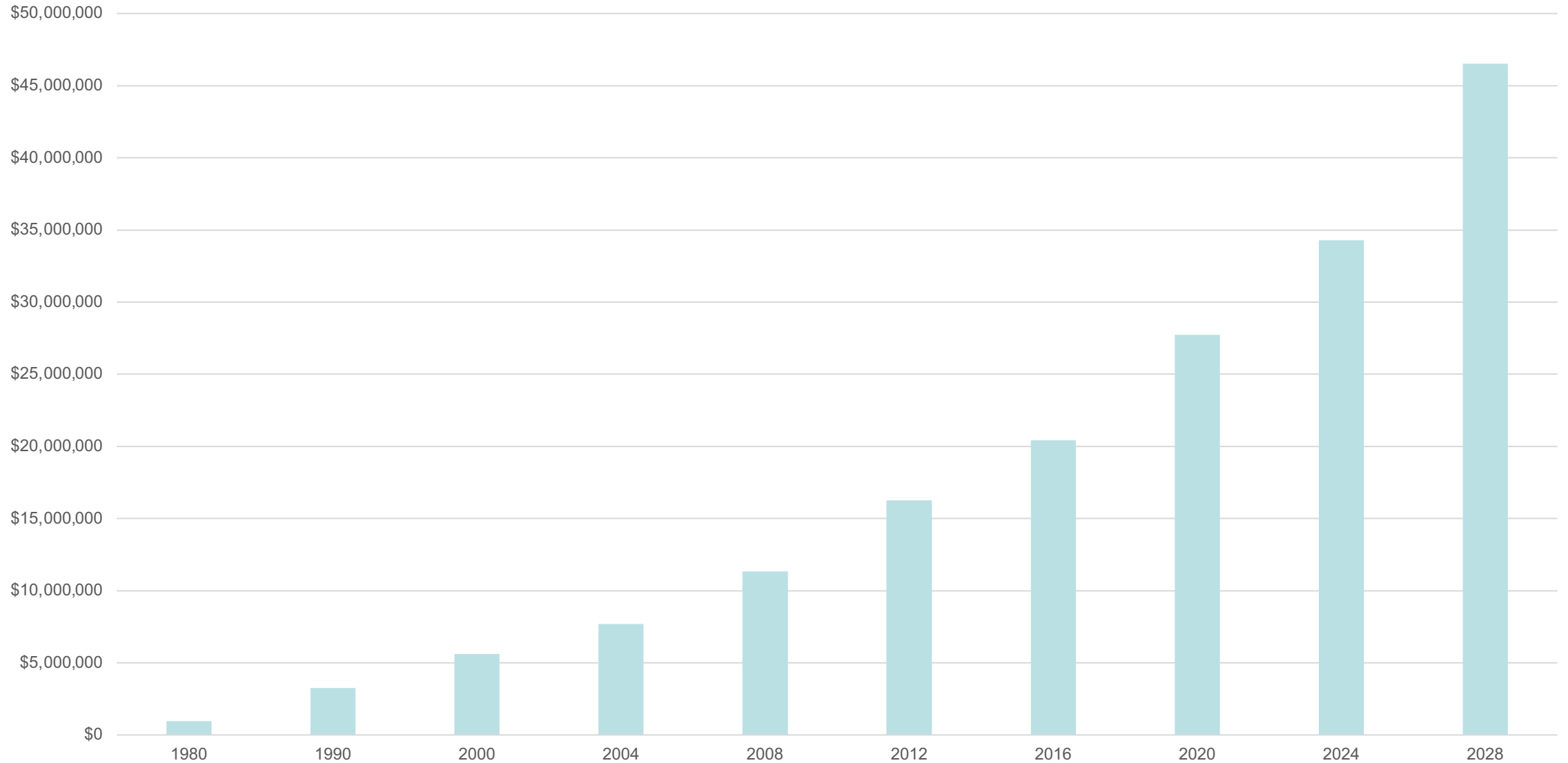


TRILLION  
AND GROWING



# US Federal Government Debt

Amount in Billions





# Why Are We Doing This?

- **US debt hit a record high in 2024.**
- **The US has the 12<sup>th</sup> highest debt to GDP in the world.**
- **In the last 100 days, an additional trillion in debt was incurred.**
- **Before June 2023, it took the US an average of eight months to increase its debt by a trillion dollars.**



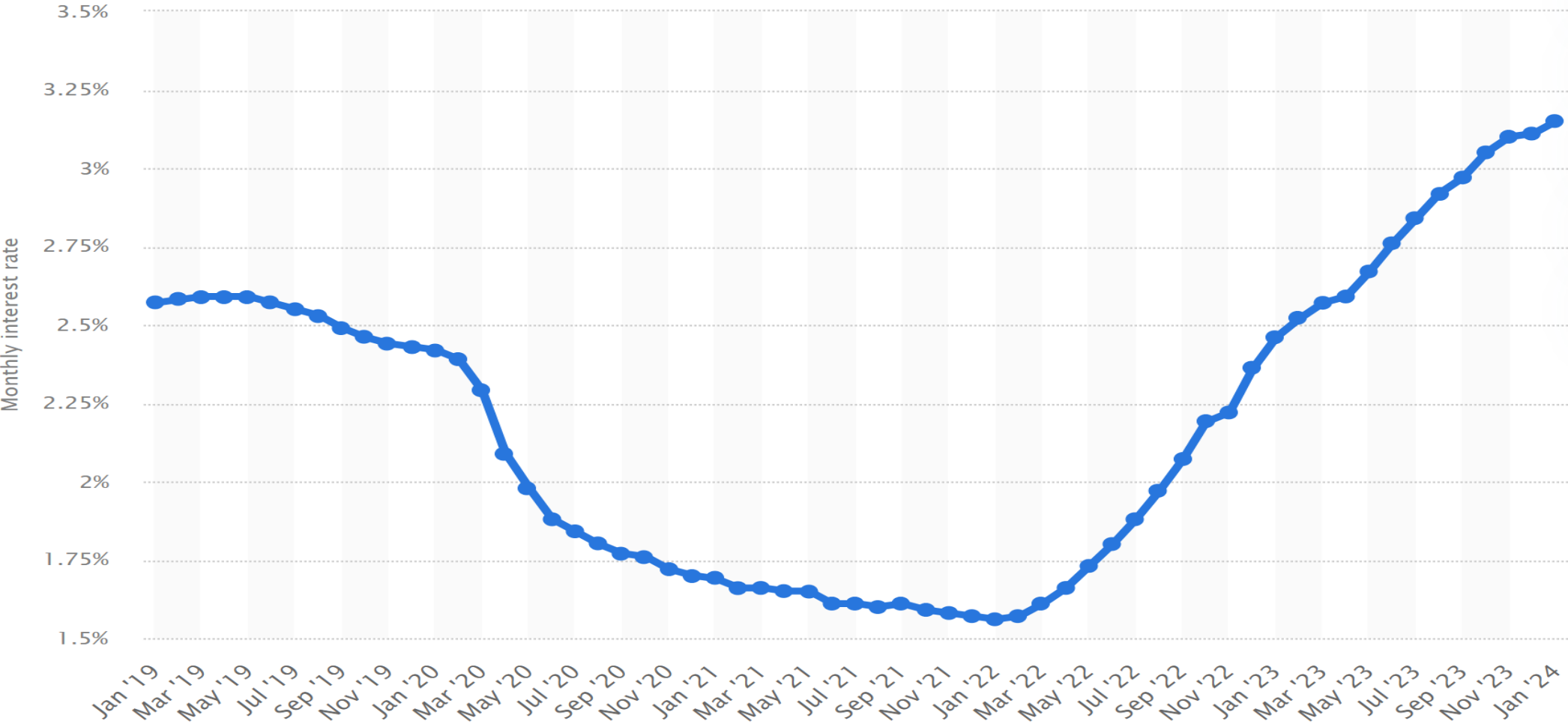


# Canaries In the Coal Mine?

- Fed Chairman Jerome Powell says it's past time to have an "adult conversation" about fiscal responsibility.
- Jamie Dimon, JPMorgan Chase CEO predicts a "market rebellion" against rising debt levels.
- Joao Gomes of Wharton, sees \$34 trillion debt triggering 2025 meltdown as mortgage rates spike above 7%: 'It could derail the next administration'.
- *Black Swan* author Nassim Taleb says the economy is in a "death spiral".



# Average monthly interest rates on United States total interest-bearing deb



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[Additional Information](#)

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# What Does This Mean?

- **Congressional Budget Office Interest cost “warning”.**
  - Federal interest payments in 2024 will total \$870 billion
  - a jump of 32 percent from the previous year
  - following increases of 35 and 39 percent in each of the two years before that.
  - Debt service amounted to 2.4% of the economy last year, CBO said, and is poised to rise to 3.1% this year and 3.9% in 2034.
  - In contrast, the previous record net interest cost for the U.S. government in CBO data that goes back to 1962 was 3.2%, reached in 1991.



## The CBO Says That In 2024

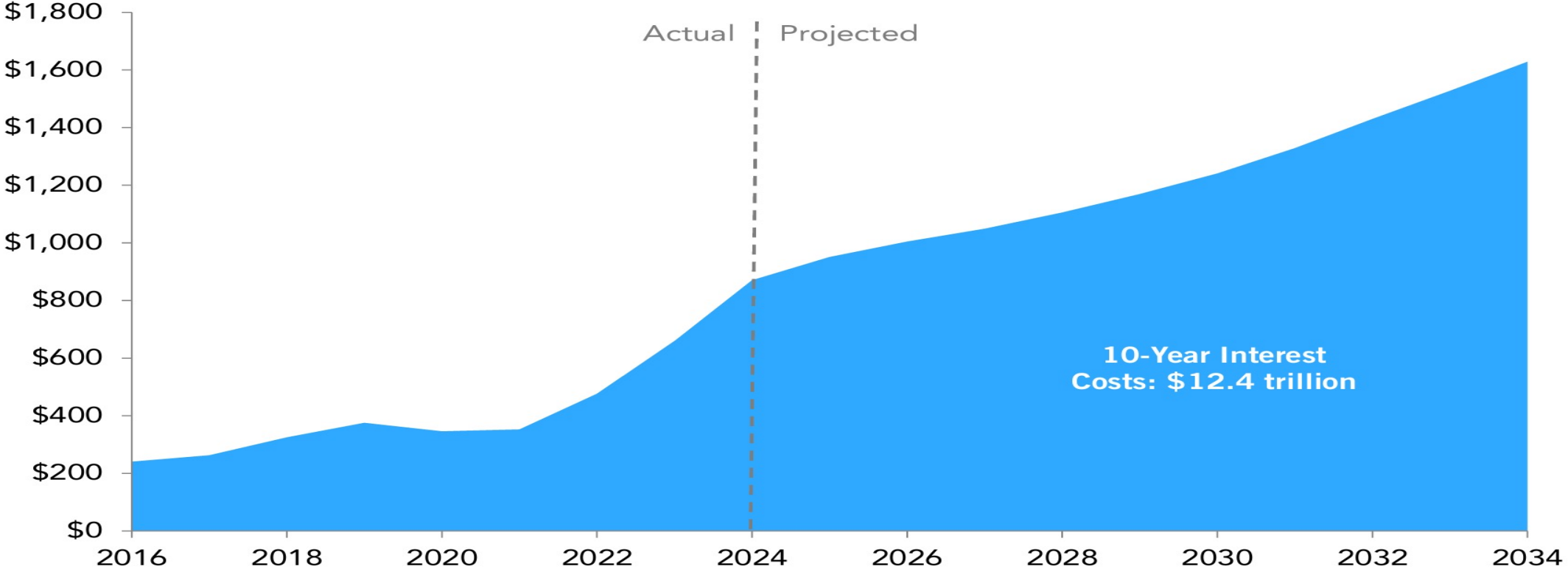
**The US government will pay \$2.38 billion every day just to *pay interest* on the government's debt.**

# \$12.4 Trillion in Interest In 10 Years



Net interest costs are projected to rise sharply

Billions of Dollars



SOURCE: Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034*, February 2024; and Office of Management and Budget, *Budget of the United States Government: Fiscal Year 2024*, March 2023.

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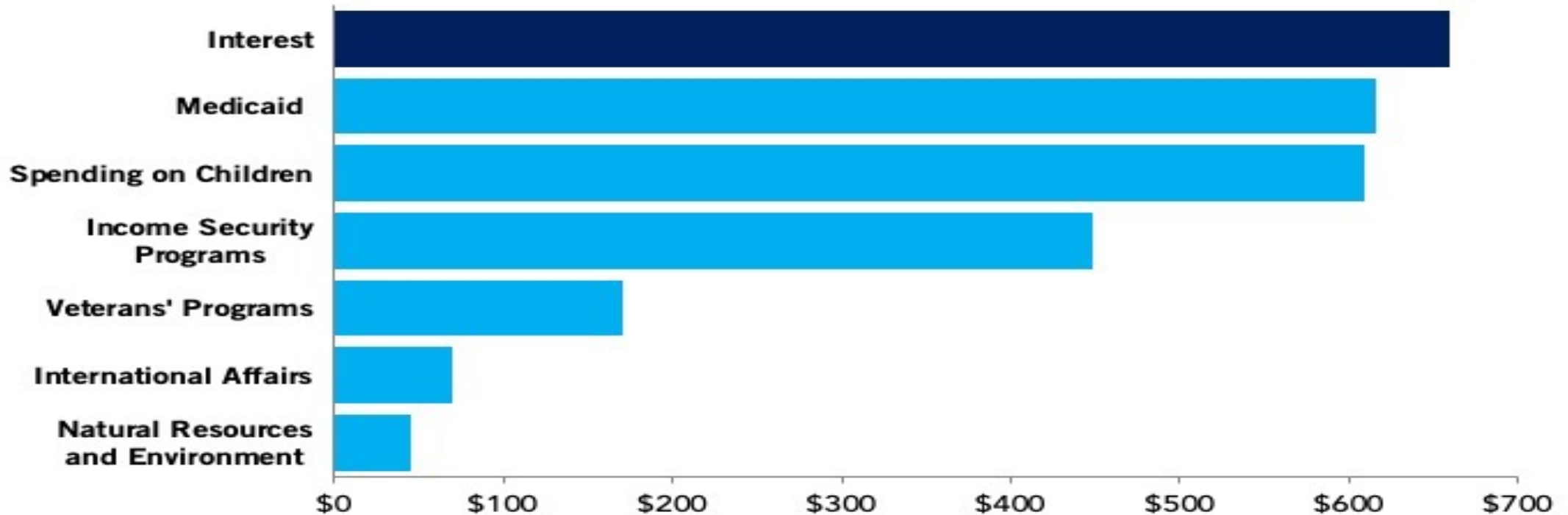
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# Our Debt Addiction Has a Price



## Spending on interest exceeded a number of other budget categories

Fiscal Year 2023 (Billions of Dollars)



SOURCE: Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034*, February 2024, Department of the Treasury, *Monthly Treasury Statement*, Issue for September 2023, and Urban Institute, *Kids' Share 2023: Report on Federal Expenditures on Children through 2022 and Future Projections*, November 2023.

NOTES: Spending on children is for fiscal year 2022. Income security programs include SNAP; the refundable portions of earned income, child, and other tax credits; Supplemental Security Income; unemployment compensation; child nutrition; and family support and foster care

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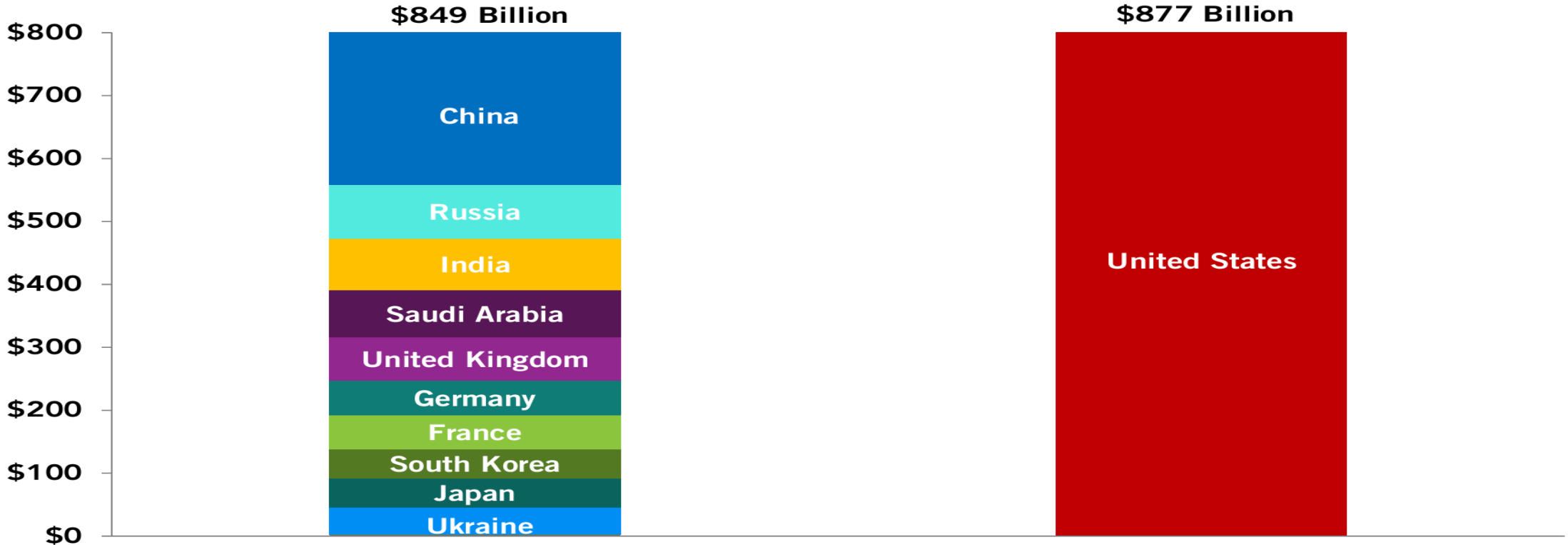
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# We Spend More on Defense



The United States spends more on defense than the next 10 countries combined

Defense Spending (Billions of Dollars)



SOURCE: Stockholm International Peace Research Institute, *SIPRI Military Expenditure Database*, April 2023.

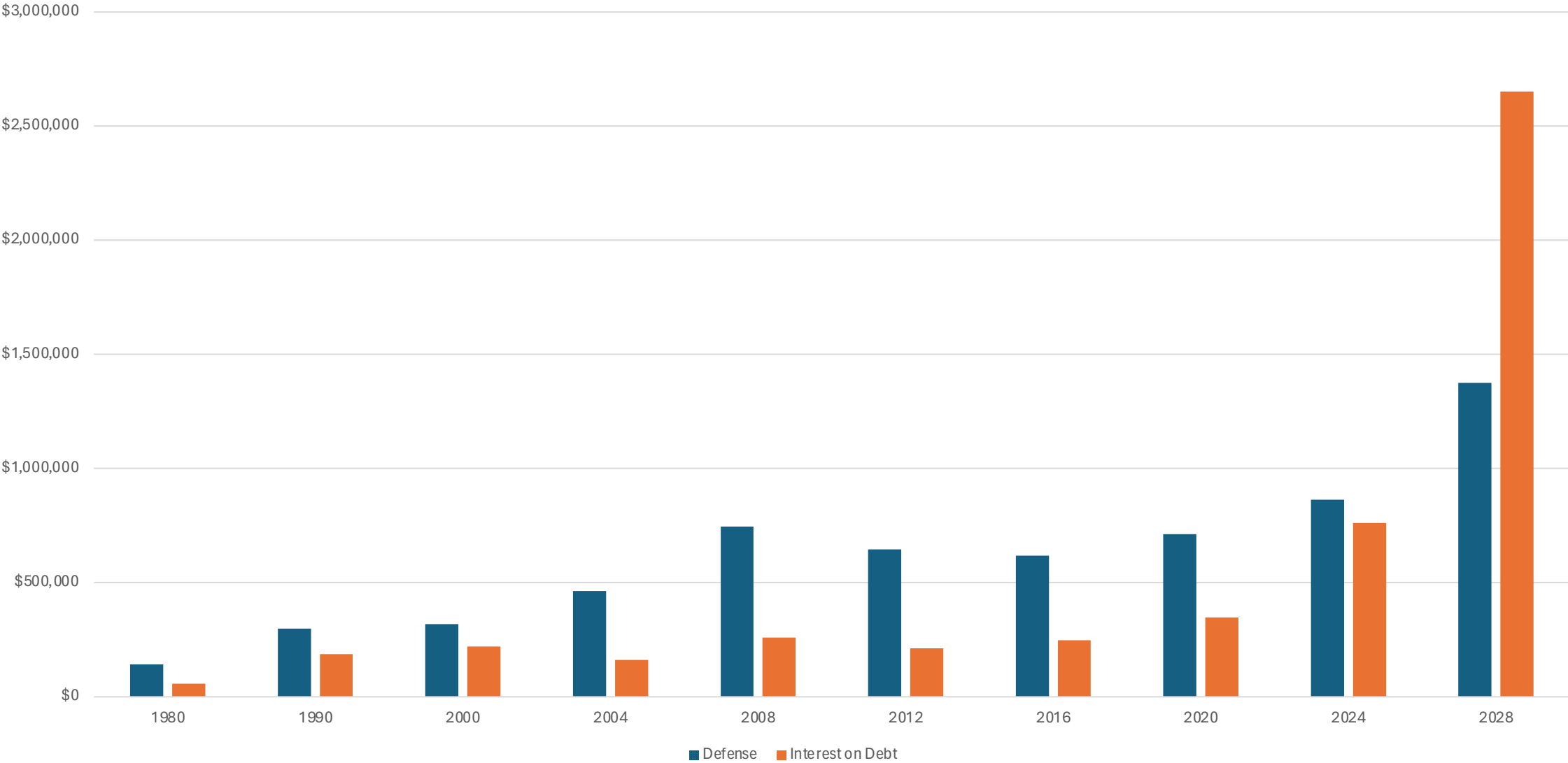
NOTES: Figures are in U.S. dollars converted from local currencies using market exchange rates. Data for the United States are for fiscal year 2022, which ran from October 1, 2021 through September 30, 2022. Data for the other countries are for calendar year 2022. The source for this chart uses a definition of defense spending that is more broad than budget function 050 and defense discretionary spending.

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# Interest Payments vs. Defense Budget

Interest Payments on Federal Debt (\$ Trillions)





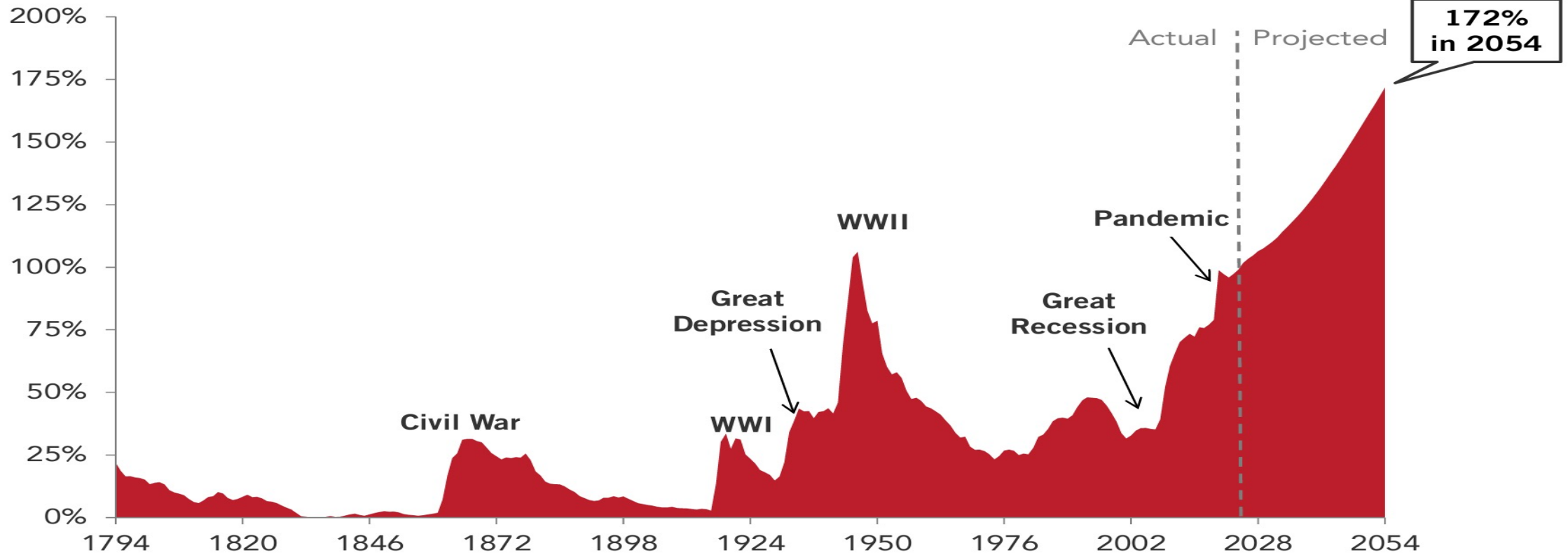
# Cut Spending and Raise Taxes?



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Federal debt is on an unsustainable path

Debt Held by the Public (% of GDP)



SOURCES: Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034*, February 2024, and *The Budget and Economic Outlook: 2020 to 2030*, January 2020.

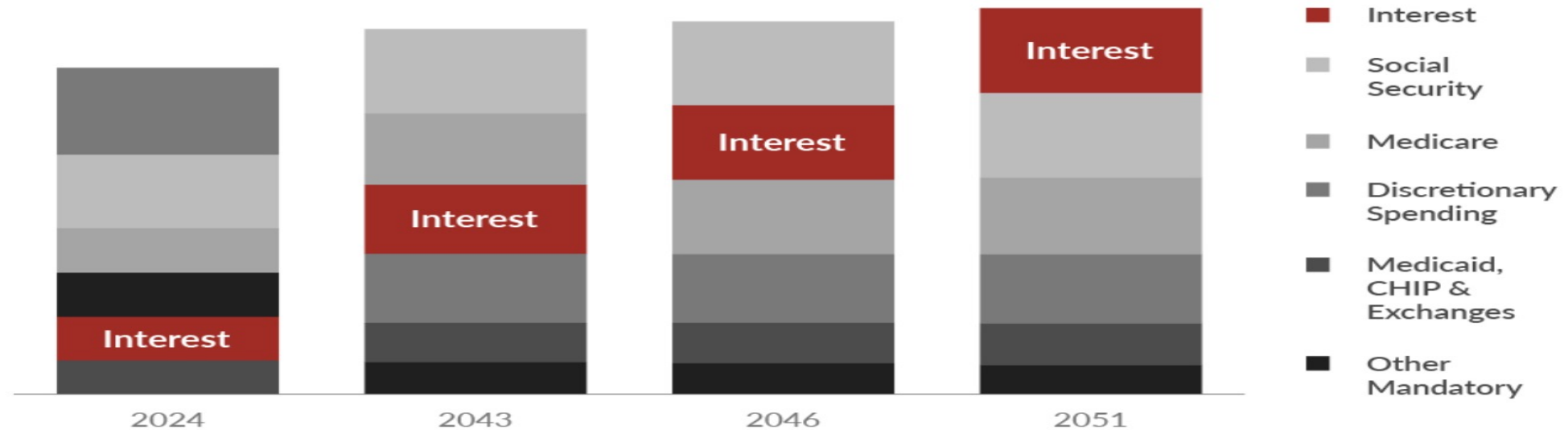
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# What Will Our Children Do?

Interest costs will become the single largest category of the budget – bigger than Social Security, Medicare or national defense.

Budget Categories (Percent of GDP)



Note: Medicare is net of offsetting receipts

# Actions Have Consequences



Moody's is the only rating agency that maintains the US' AAA credit rating, but downgraded the outlook to negative

Rating Agency	Fitch	Moody's	Standard & Poor's
United States' Credit Rating	AA+	AAA	AA+
United States' Outlook	Stable	Negative	Stable

SOURCE: Fitch Ratings, Rating Action Commentary: Fitch Downgrades the United States' Long-Term Ratings to 'AA+' from 'AAA'; Outlook Stable, August 2023.

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# What Business Could Do This?

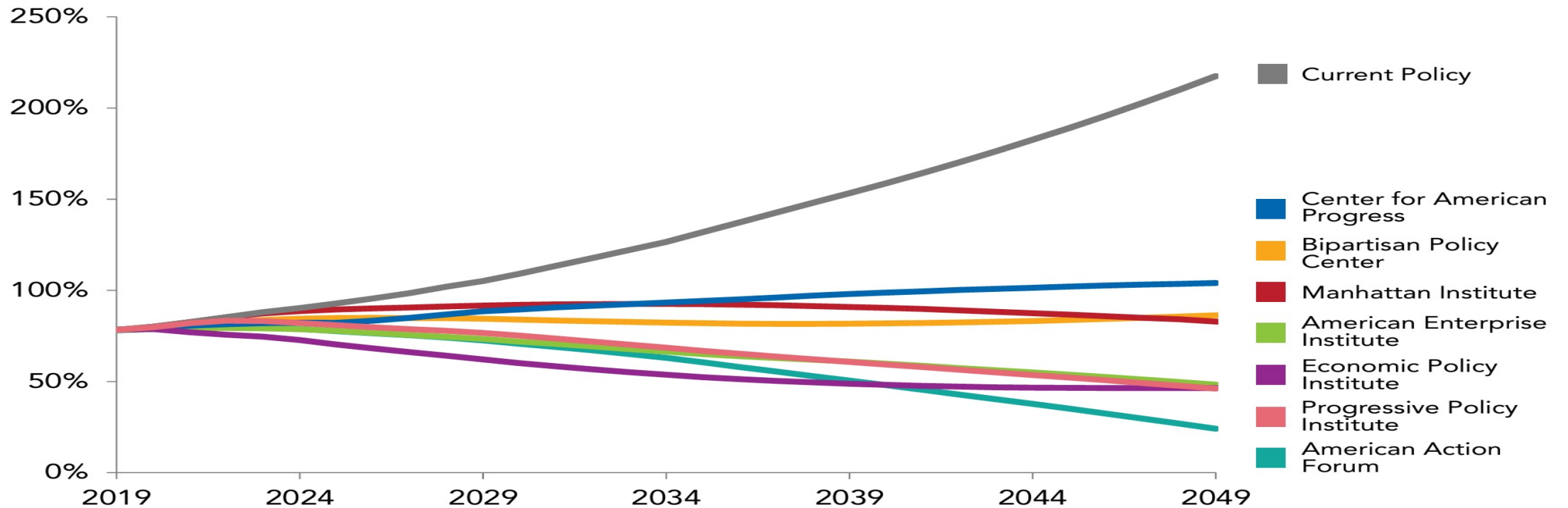
- Interest on the national debt will soon grow beyond its highest level since 1940, when such data were first collected.

# This “Problem” Can Be Fixed



## Solutions Initiative 2019: Projected federal debt

### Debt Held by the Public (% of GDP)



SOURCE: Peter G. Peterson Foundation, *Solutions Initiative 2019*, June 2019.

NOTE: Current Policy reflects the Alternative Fiscal Scenario for 2019–2029 in CBO’s *The Budget and Economic Outlook: 2019 to 2029* (January 2019) and PGPF calculations for 2030–2049 based on CBO’s *The Long-Term Budget Outlook Under Alternative Scenarios for Fiscal Policy* (August 2018) and *The 2018 Long-Term Budget Outlook* (June 2018).

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# Voters Want A Fiscal Commission

Voters across party lines agree that a bipartisan commission to reduce the national debt would:



With the 2024 campaigns underway, 92% of voters are more likely to support a candidate that backs a fiscal commission to reduce the national debt.



**89%** of voters agree that the \$34 trillion national debt contributes to inflation and higher consumer costs

**76%** of voters support a bipartisan fiscal commission that would put a plan in place to prevent the 23% automatic Social Security benefit reductions

**68%** of voters say rising interest costs and the government spending more than \$2 billion per day on interest make it more urgent for lawmakers to form a fiscal commission

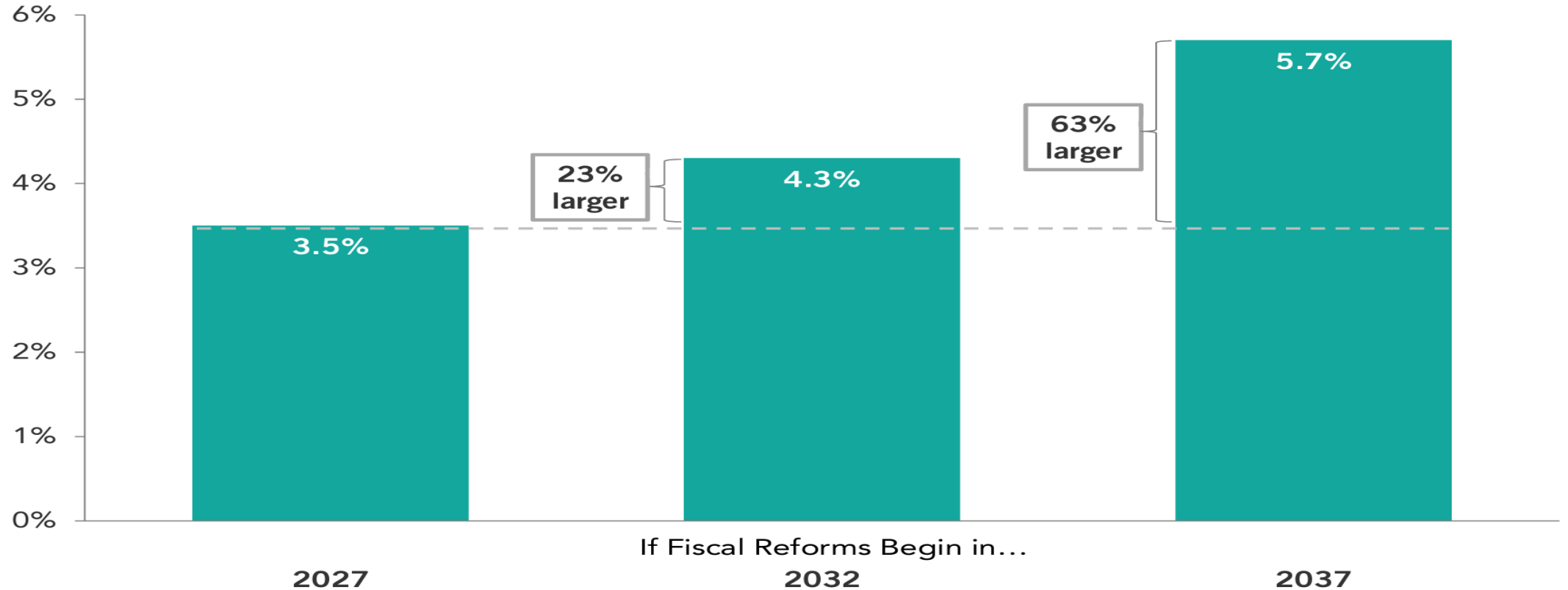
# Kicking The Can Costs Money



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Waiting to act raises the cost of stabilizing the debt

Size of Annual Budget Changes Needed to Stabilize the Debt (% of GDP)



SOURCE: Congressional Budget Office, *The 2022 Long-Term Budget Outlook*, July 2022.

NOTE: Data reflect changes needed to stabilize the debt at 80 percent of gross domestic product by 2052.

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**IF WE HAVE TIME**

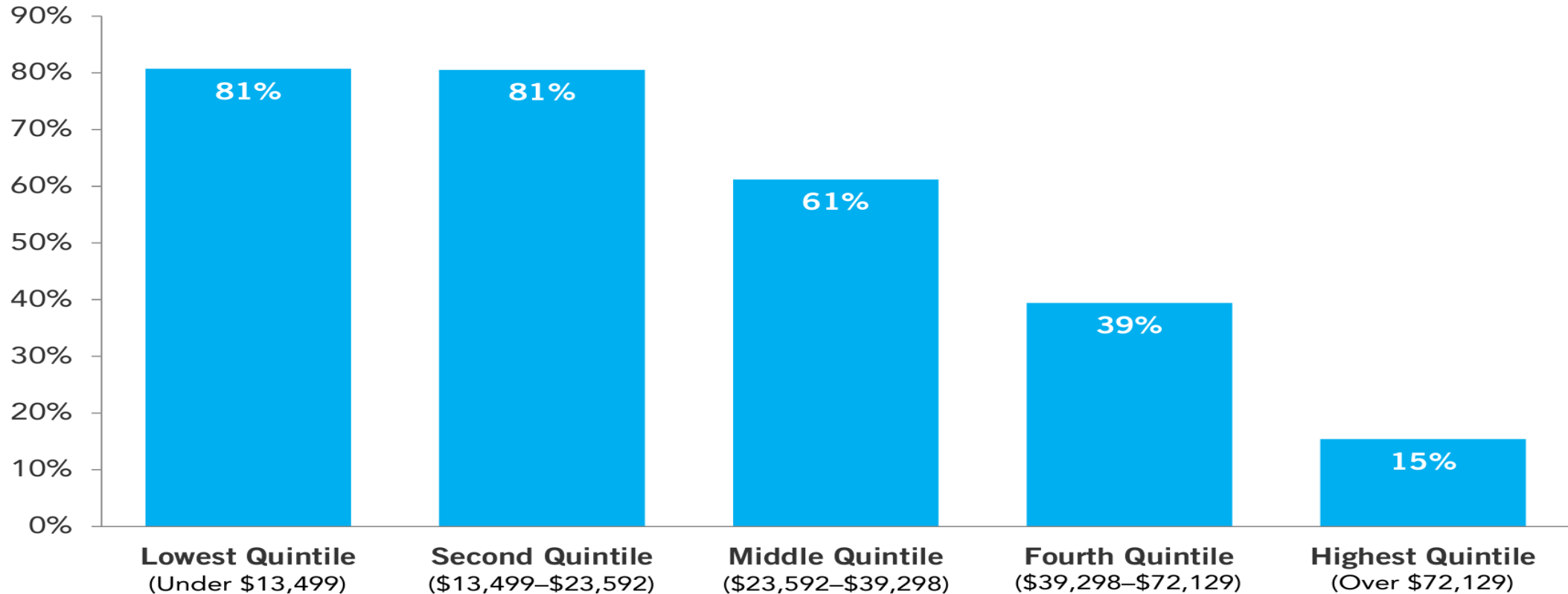


# We Can't Cut Social Security



Low-income seniors rely on Social Security benefits for a major share of their retirement income

## Social Security Benefits (% of Total Income)



SOURCE: Social Security Administration, *Income of the Population 55 or Older, 2014*, April 2016.

NOTE: A quintile is one-fifth of the population. Data are for 2014.

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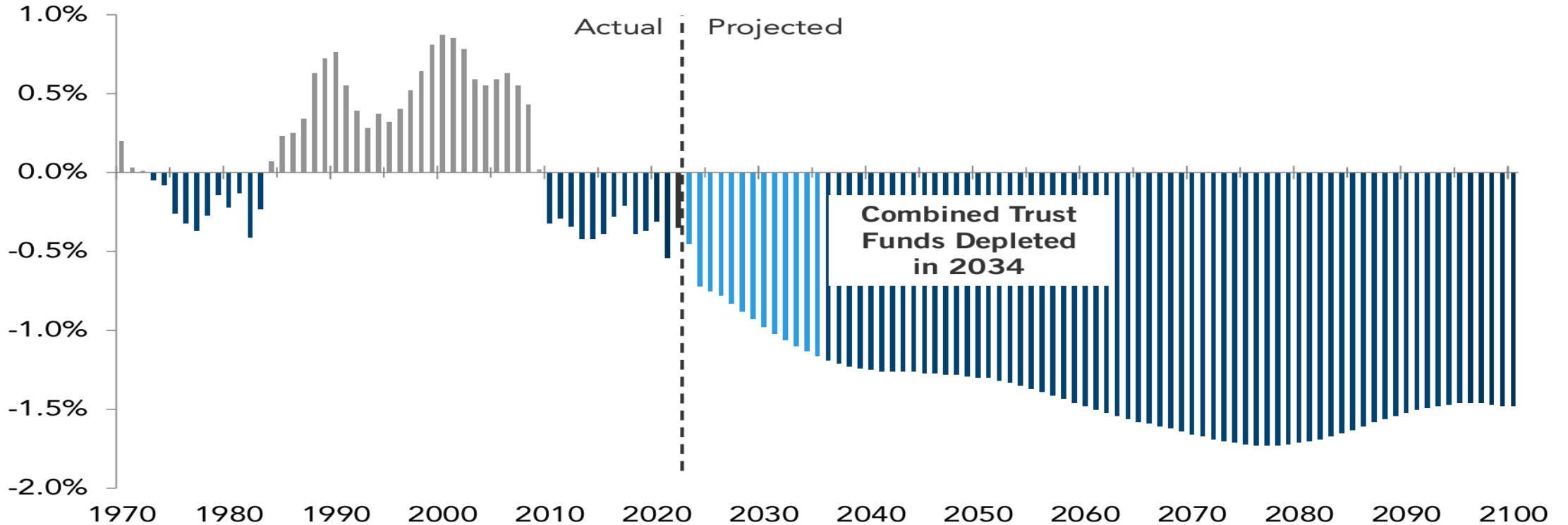
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# Congress Has Wasted Our Money



Social Security is facing significant cash shortfalls

Social Security Surpluses/Deficits (% of GDP)



SOURCE: Social Security Administration, *The 2023 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, March 2023.

NOTES: Surplus/deficit numbers exclude interest income. The Old-Age & Survivors Insurance trust fund is projected to be depleted in 2033 and lead to a 23 percent cut in benefits that year; the Disability Insurance trust fund is not projected to become depleted during the 75-year period ending in 2097.

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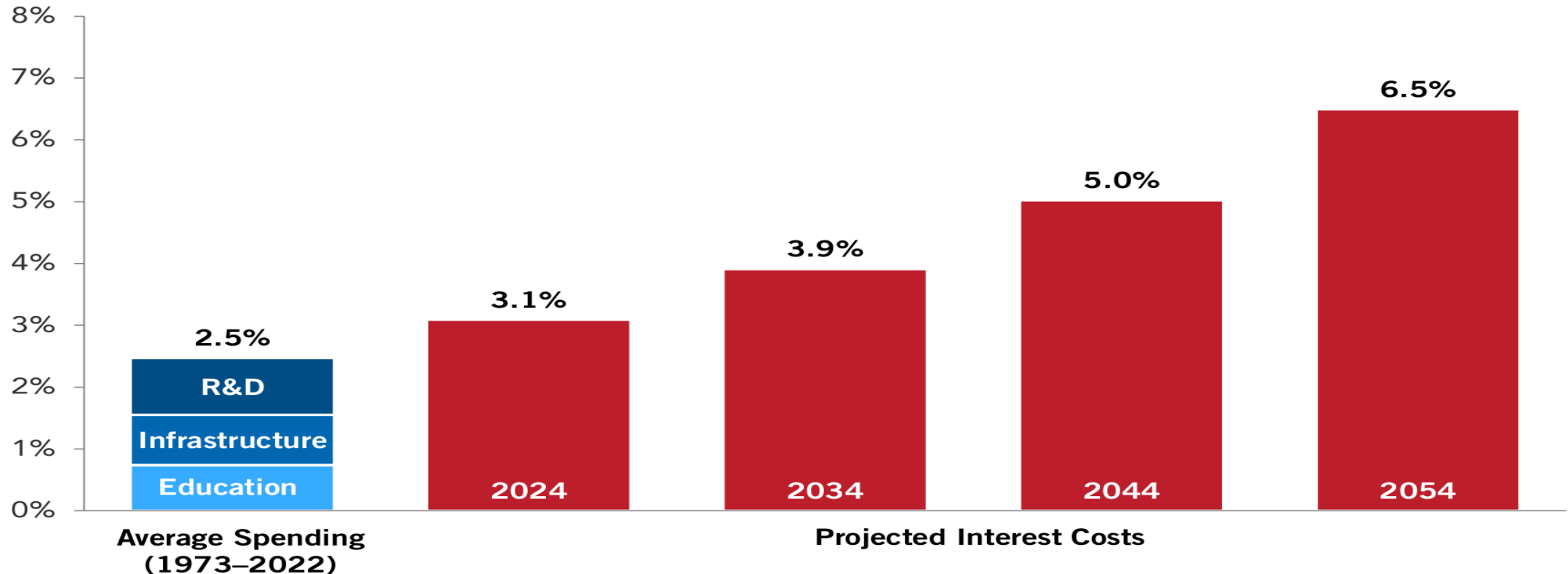
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# Follow the Money



By 2054, interest costs are projected to be nearly three times the amount the federal government has historically spent on R&D, infrastructure, and education combined

Federal Spending (% of GDP)



SOURCES: Congressional Budget Office, *The Budget and Economic Outlook: 2024 to 2034*, February 2024; and Office of Management and Budget, *Historical Tables, Budget of the United States Government, Fiscal Year 2024*, March 2023.

NOTE: Infrastructure excludes defense.

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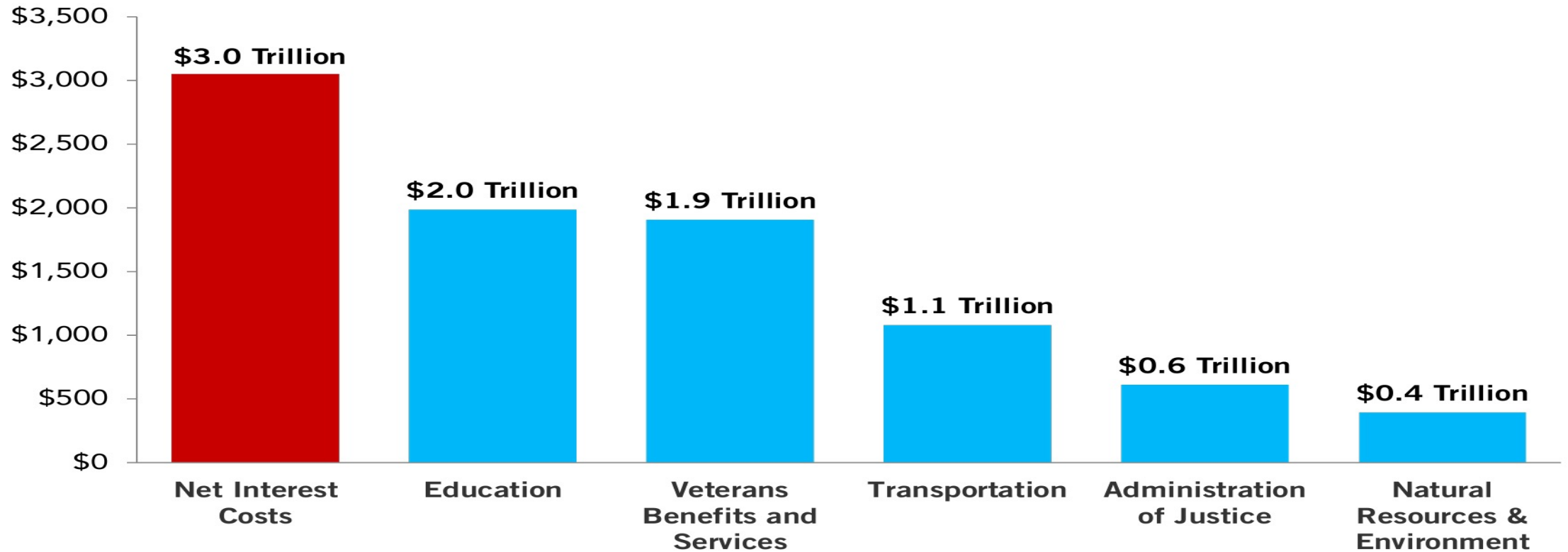
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# Does This Reflect Our Real Needs?



Over the past decade, the U.S. spent more on interest on the national debt than it did on other national priorities

Federal Spending From FY2013 to FY2022 (Dollars)



SOURCES: Office of Management and Budget, *Historical Tables, Budget of the United States Government: Fiscal Year 2024*, March 2023.

NOTE: Education includes education, training, employment, and social services.

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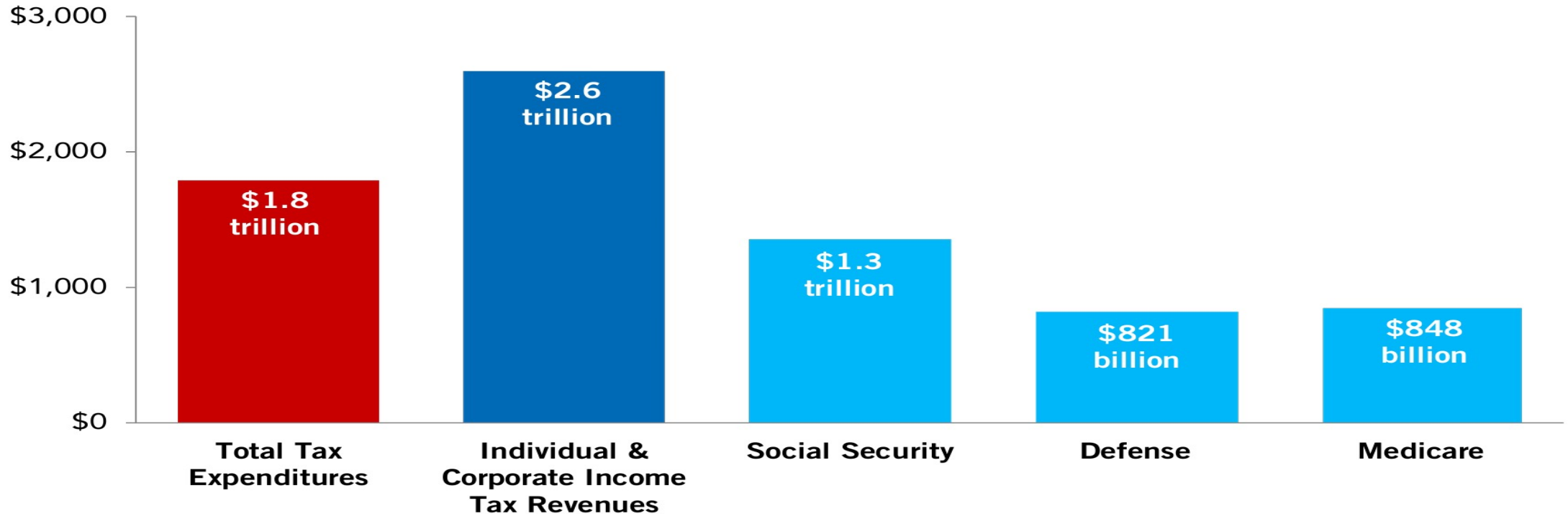
# Tax Breaks Have A Cost



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Tax breaks cost more than any individual government spending program

## Budgetary Cost in 2023 (Dollars)



SOURCES: Bureau of the Fiscal Service, *Monthly Treasury Statement*, September 2023; and The Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2023-2027*, December 2023.

NOTES: Tax expenditures are deductions, credits, exclusions, and preferential rates. The estimates for tax expenditures reflect the total in the individual and corporate income tax systems; they do not account for any interactive effects of combining various provisions. Medicare spending is net of premiums and payments from the states. Defense represents discretionary defense spending.

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# Something Has to Change



Eight popular tax provisions account for 70 percent of annual tax expenditures

Major Tax Expenditures	Budgetary Costs (2023)
Exclusion of pension contributions and earnings and individual retirement arrangements*	\$369 billion
Exclusions of and reductions on dividends and long-term capital gains**	\$311 billion
Exclusion of employer contributions for medical insurance and care	\$202 billion
Child Tax Credit (CTC)	\$122 billion
Subsidies for insurance purchased through health benefit exchanges	\$80 billion
Earned Income Tax Credit (EITC)	\$71 billion
Step-up basis of capital gains at death	\$58 billion
20-Percent deduction for certain Pass-through income	\$56 billion
<b>Total</b>	<b>\$1.3 trillion</b>

SOURCE: The Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2023-2027*, December 2023.

NOTES: \*Estimate includes defined benefit plans and defined contribution plans. \*\*Estimate includes qualified dividends, home sales, and exclusion of small corporate stock. Entries do not sum due to rounding.

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# Is This What We Want?



The growing federal debt is projected to reduce family incomes substantially

Income Loss For a Four-Person Family, on Average (2019 Dollars)



SOURCE: Congressional Budget Office, *The Deficit Reductions Necessary to Meet Various Targets for Federal Debt*, August 2018.

NOTE: The income measures are based on CBO's projections of real gross national product per person. The income loss is the difference between the income level if debt rises as it does under current law and the income level if debt remains near its current share of gross domestic product.

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# This Must Not Happen in 2028



US Debt Clock.org

On This Day In • 2028 • at Current Rates

State Debt Clocks

World Debt Clocks

Debt Clock Time Machine

## US NATIONAL DEBT

**\$46,529,206,028,493**

DEBT PER CITIZEN  
**\$133,000**

DEBT PER TAXPAYER  
**\$332,786**

### US FEDERAL SPENDING (OFFICIAL)

**\$10,056,487,063,112**

### US FEDERAL BUDGET DEFICIT (OFFICIAL)

**\$3,111,353,422,128**

### US FEDERAL SPENDING (ACTUAL)

**\$11,669,065,454,436**

### US FEDERAL BUDGET DEFICIT (ACTUAL)

**\$3,530,736,386,164**

### US FEDERAL DEBT TO GDP RATIO

1960 • **53.17%**    1980 • **34.53%**    2000 • **58.90%**    2028 • **150.35%**

## US FEDERAL TAX REVENUE

**\$6,081,897,793,307**

## REVENUE PER CITIZEN

**\$17,400**

## INCOME TAX REVENUE

**\$3,083,950,520,491**

## PAYROLL TAX REVENUE

**\$1,930,250,531,579**

## TOTAL STATE REVENUE

**\$2,727,375,042,879**

## TOTAL LOCAL REVENUE

**\$1,463,643,674,845**

## CORPORATE TAX REVENUE

**\$503,438,769,666**

## TARIFF TAX REVENUE

**\$55,729,072,535**

## STATE DEBT

**\$1,511,241,843,132**

## DEBT PER CITIZEN

**\$4,323**

## LOCAL DEBT

**\$2,838,040,784,150**

## DEBT PER CITIZEN

**\$8,120**

## US GROSS DOMESTIC PRODUCT

**\$30,948,200,586,648**

## TOTAL FEDERAL/STATE/LOCAL SPENDING

**\$15,989,185,969,232**

## TOTAL DEBT TO GDP RATIO

**164.08%**

## SPENDING TO GDP RATIO

**51.67%**

## Largest Budget Items

### MEDICARE/MEDICAID

**\$2,333,923,591,292**

### SOCIAL SECURITY

**\$2,004,020,748,196**

### DEFENSE/WAR

**\$1,374,841,959,839**

### INTEREST ON DEBT (NET)

**\$2,652,566,238,873**

## Unfunded Debt/Interest

### US TOTAL INTEREST PAID

**\$10,123,086,132,673**

### INTEREST PER ADULT

**\$37,367**

### US TOTAL DEBT

**\$109,457,990,231,387**

### SAVINGS PER FAMILY

**\$25,621**

### BANK INTEREST RECEIVED

**\$2,022,012,085,894**

### BANK INTEREST PAID

**\$508,545,627,214**

### TOTAL PERSONAL DEBT

**\$28,310,146,951,543**

### PERSONAL DEBT PER CIT.

**\$80,900**

### STUDENT LOAN DEBT

**\$1,631,313,414,020**

### PER STUDENT

**\$39,811**

### CREDIT CARD DEBT

**\$1,447,407,580,101**

### PER HOLDER

**\$8,900**

### US POPULATION

**349,796,588**

### US WORKFORCE 2028

**176,430,840**

### OFFICIAL UNEMPLOYED

**10,929,193**

### DOLLAR TO OIL RATIO 2028

**\$0 PER BARREL**

### US INCOME TAXPAYERS

**139,584,531**

### US WORKFORCE 2000 \*

**160,998,478**

### ACTUAL UNEMPLOYED

**8,167,406**

### DOLLAR TO OIL RATIO 1913

**\$2.24 PER BARREL**

### PRIVATE SECTOR JOBS

**140,575,131**

### NOT IN LABOR FORCE 2028

**95,890,441**

### FULL-TIME WORKERS

**146,008,641**

### DOLLAR TO SILVER RATIO 2028

**\$0 PER OUNCE**

### US SELF-EMPLOYED

**9,117,961**

### NOT IN LABOR FORCE 2000 \*

**85,619,018**

### PART-TIME WORKERS

**31,010,688**

### DOLLAR TO SILVER RATIO 1913

**\$2.69 PER OUNCE**

### US UNION WORKERS

**16,769,167**

### MEDIAN INCOME 2028

**\$41,822**

### MEDIAN NEW HOME 2028

**\$327,256**

### DOLLAR TO GOLD RATIO 2028

**\$0 PER OUNCE**

### GOVERNMENT EMPLOYEES

**24,319,548**

### MEDIAN INCOME 2000 \*

**\$36,889**

### MEDIAN NEW HOME 2000

**\$162,419**

### DOLLAR TO GOLD RATIO 1913

**\$28.51 PER OUNCE**

[mail.usdebtclock.org/current-rates.html#](mailto:mail.usdebtclock.org/current-rates.html#)