

The Steps to Default

1 of 12

How the U.S. debt default will likely play out



Wes Moore,
MPM, MBA

1

Details on U.S. debt

2 of 12

Year	Deficit (Trillions)	Interest (Trillions)
2011	\$1.3	\$0.423
2012	\$0.9	\$0.316
2013	\$1.0	\$0.439
2014	\$0.5	\$0.429
2015	\$1.2	\$0.454
2016	\$0.6	\$0.476
2017	\$1.3	\$0.541
2018	\$1.1	\$0.582
2019	\$0.7	\$0.582
2020	\$3.7	\$0.547
Totals	\$12.3T	\$ 4.9T

\$27 trillion

TOTAL DEBT (END OF 2020)

←————→
\$12.3 trillion

ADDED LAST 10 YEARS

\$3.7 trillion

ADDED IN 2020 ALONE

←————→
\$5 trillion

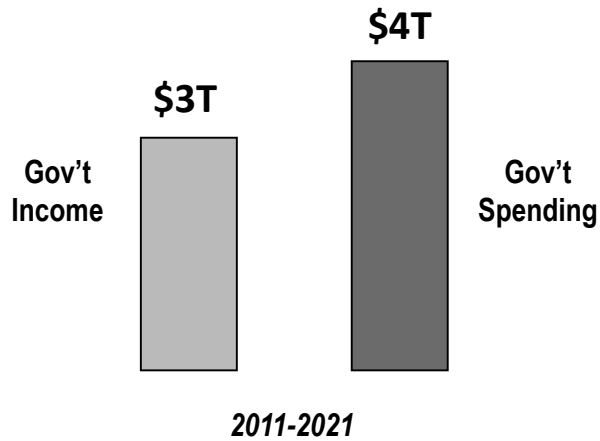
PROPOSED NEW DEBT 2021

Source: Federal Reserve Economic Data,
<https://fred.stlouisfed.org/series/GFDEBTN>

2

3 of 12

U.S. Government Income/Spending Averages

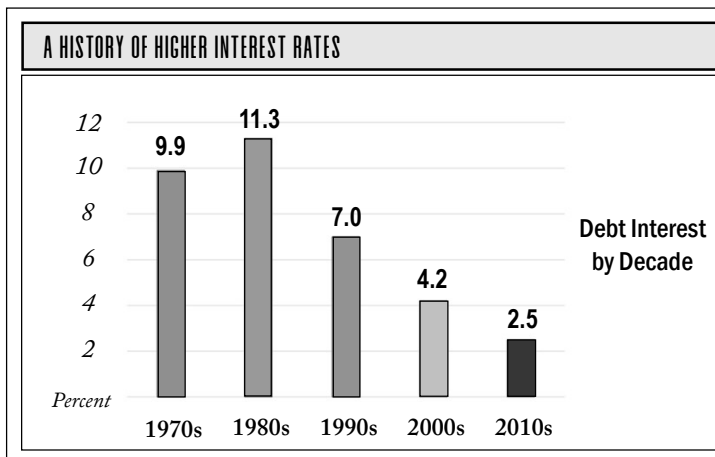


From 2011-2020 (10 years), the U.S. government averaged \$3 trillion in tax revenue but spent \$4 trillion on programs.

3

4 of 12

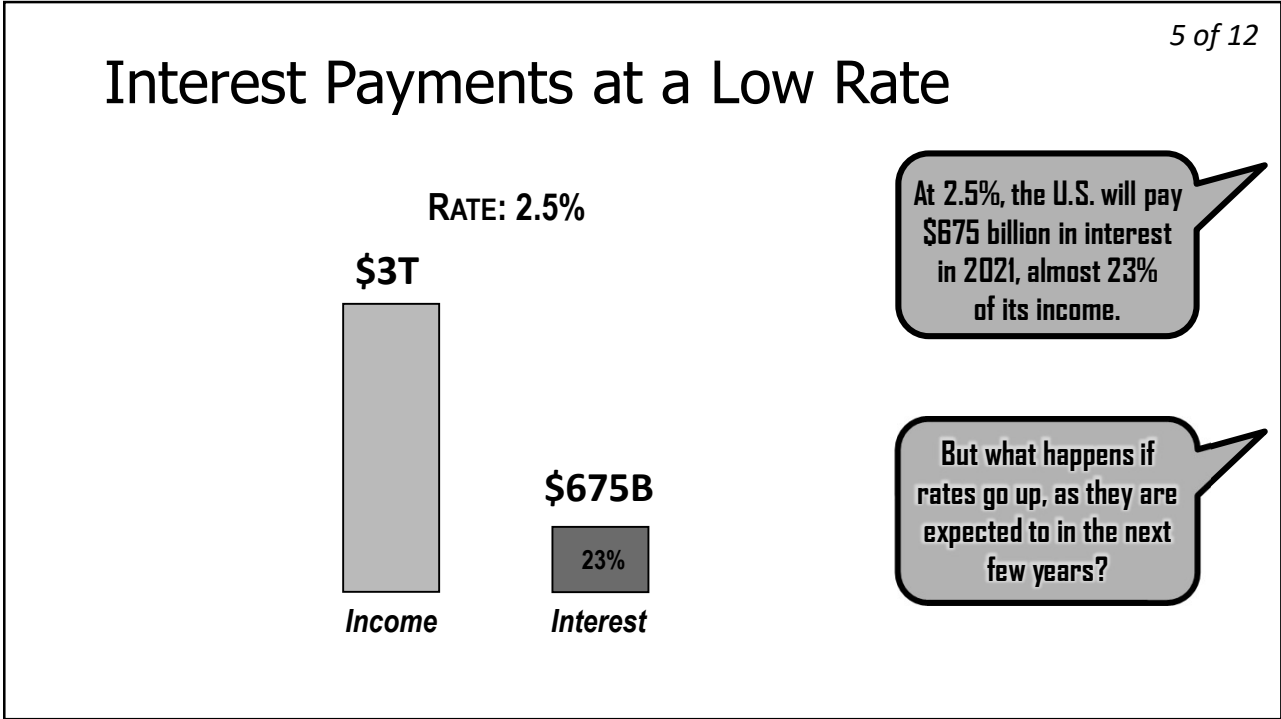
The Problem: Interest Rates



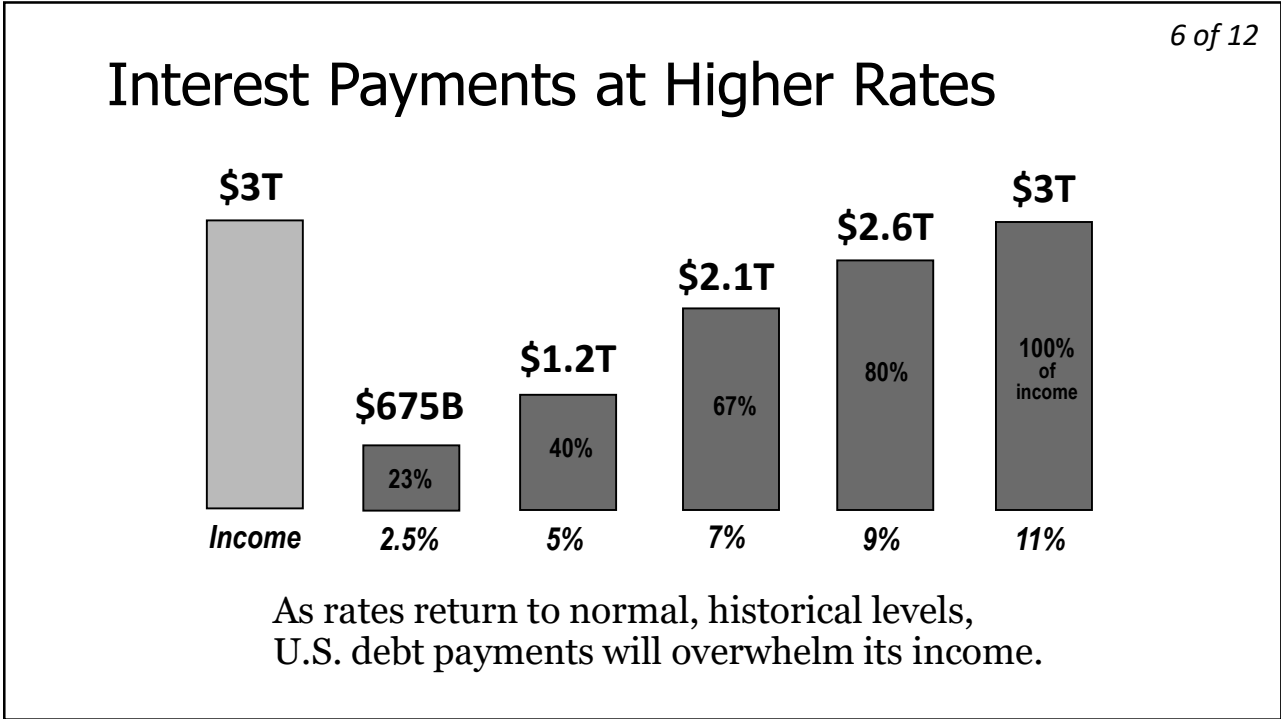
Interest rates affect how much of the budget must go to interest payments

Interest rates averaged 9.5% from 1970 to 2000

4



5



6

7 of 12

What happens as rates rise on U.S. debt?

Investors recognize that the U.S. will not be able to pay its interest payments in the future.

1 

Investors will refuse to lend the U.S. anymore money, except at high rates.

2 

The U.S. will be forced to default on its debts. It will no longer have the money to pay the interest.

3 

7

8 of 12

It's Happened to Other Nations



After joining the euro area in 2001, Greece looked fairly successful..., but its growth was based too much on *fiscal deficit spending and foreign borrowing*. ... With the recession caused by the global financial crisis, Greece's *fiscal deficit and debt rose to high levels*.

By April 2010 the Greek government effectively *lost access to regular borrowing*—the interest rate at which the government could issue new government bonds rose to prohibitively high levels. Either the Greek government had to instantly slash government spending and enact a massive tax increase or it needed an official rescue.

William McBride, "What is the evidence on taxes and growth?" *The Tax Foundation*, 18 December 2012.

8

9 of 12

Economic Results of the Default

Internationally

- \$27 trillion taken from the global economy
- Savings of banks, foreign governments, and individuals lost overnight
- Global depression ensues

In the U.S.

- Gov't loses \$1 trillion in income overnight
 - Drastic cuts in Social Security, Medicare, welfare, unemployment, military
 - U. S. economy drops 5% due to gov't spending cuts
- Trillions lost from 401k and retirement accounts
- Tax revenue shrinks; spending cuts increase; benefit levels decrease further

9

Following the Default

How would our citizens, government, & foreign nations respond to our default?

10 of 12



Chaos, Fear, & Violence



Inflation, Shortages, & Crime



Increased Gov't Control



Economic & Military Retaliation

10

11 of 12

What should believers do?

Ask why God would allow such an event to happen in our nation. What is he saying through this?

1 

Repent for the sins that have caused God to do such a thing to our nation.

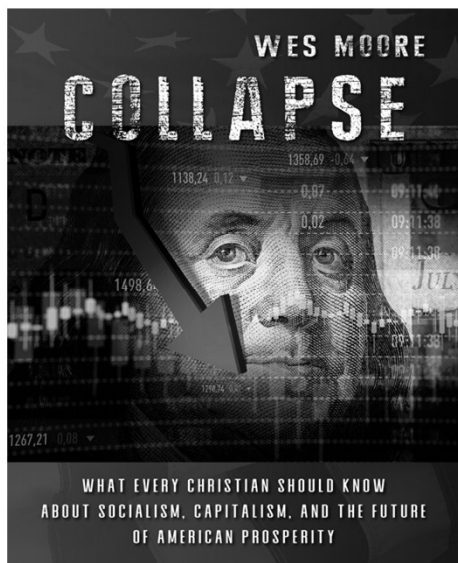
2 

Ban together to prepare for such an event and be able to prosper through it should God bring it about.

3 

11

12 of 12



WANT TO LEARN MORE?

by
Wes Moore,
MPM, MBA



www.wesmoorenow.com

12