



## News Release

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### **CED Issues Plan for Financing Massive Public Debt from COVID-19**

**Washington, DC, June 17, 2020...**Today, the Committee for Economic Development (CED) of The Conference Board issued a [report](#) detailing how to pay for the enormous addition of public debt caused by the fallout from COVID-19. As part of the plan, CED recommends that Congress and the Administration segregate the new debt (incurred from costs and financing) from normal government finances into a single separate financial entity.

The report, [Paying for the COVID-19 Catastrophe](#), sounds the alarm bells on the proliferating public debt, the level of which will soon reach and then exceed 100 percent of the nation's GDP. CED makes clear, however, that now is not the time to impose new burdens on the public. Doing so would only slow the economy and thus the recovery. But it is not too early for the federal government to start considering what such a plan should entail. Moreover, as the markets are asked to purchase that debt, widely held expectations that the burden will be managed responsibly will only help the financing of the extraordinary but necessary cost of economic recovery.

"Left unaddressed, America's mountain of public debt will not only diminish prosperity by hindering investment and economic growth, but also jeopardize the country's ability to respond to national emergencies in the future," said Lori Esposito Murray, President of CED. "The blueprint offered by CED is a plan toward fiscal soundness – one that would prevent the recovery from the pandemic from undermining the federal government's ongoing fiscal standing."

As further detailed in the report, a reasonable assessment is that when all the dust has settled, the nation will have lost the equivalent of all of its production over a period of three months – that is, 25 percent of its annual GDP, or approximately \$6 trillion. To raise that amount of money, CED recommends:

- 1) Segregating the new debt (incurred from recovery costs and financing) from normal government finances into a single separate financial entity (probably organized as a public corporation);
- 2) Financing the recovery debt with bonds of the longest maturity – a 40- or even 50-year maturity if possible – even longer than the longest 30-year bonds the Treasury sells today; and
- 3) Paying the interest through an addition to current revenues – a tax increase – that would be cleanly segregated from other revenues.



In the report, CED also stresses that its recommended plan – segregating the cost of the recovery, financing it with long-term debt, and providing for its servicing – marks just the first step toward long-term fiscal soundness. True and comprehensive fiscal responsibility must follow.

Read the new report, *Paying for the COVID-19 Catastrophe*, [here](#).

#### **About CED**

The Committee for Economic Development is the Public Policy Center of The Conference Board that delivers well-researched analysis, and non-partisan, reasoned solutions in the nation's interest. [www.ced.org](http://www.ced.org).

#### **About The Conference Board**

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