Our Generation, Inc.

Minutes of

Default Clock Review Committee Meeting

February 25, 2021

The meeting was called to order at 2:10 PM (Eastern time) on February 25, 2021, and was held via Zoom. At this point, Dean Clancy asked the Chairman (Mr. Spring) whether a quorum was present, but Kevin McKechnie joined the meeting at that time. This established the quorum.

Present were Baker Spring, Jim Claire, Alan P. Dye, Dean Clancy, Kevin McKechnie, and Chip DeMoss.

Mr. Spring commenced the meeting by asking for a motion for the advanced approval of the minutes, subject to final review by all the Committee members. Mr. Clancy offered the motion, which was seconded by Mr. McKechnie. The motion was unanimously approved.

Mr. Spring then turned to the main purpose of the meeting, which was the Committee's consideration of an update of the Debt Default Clock. He indicated that by his calculation the Clock's minute hand is still at three minutes from midnight, which is where it stood at the time of the previous update in October 2020. He recommended that the minute hand should remain in this position.

Mr. Spring went on to recommend that the seven factors that bought zero minutes from midnight in October 2020 continued to buy zero minutes from midnight now. These are Factors #1, #2, #3, #8, #10, #11, and #12. Mr. Spring, however, pointed out that Factor #1 on federal outlays as a share of gross domestic product (GDP) and Factor #3 on both the federal debt held by public and the gross debt as a share of GDP are significantly worse off now, but were already buying zero minutes from midnight. This means that getting these factors back to a position where they are not contributing to the problem of the approaching federal fiscal crisis is practically impossible.

Mr. Spring then turned his attention to two factors that were discounted, as permitted by the rules governing the Clock. These are Factor #5 on the ratio of gross federal interest costs to the level of money raised by the issuance of new debt in net terms and Factor #7 on the federal debt held by foreign individuals and institutions relative to all the debt held by the public. Spring stated he is recommending to the Committee that it continue to discount these two factors, but for different reasons. In the case of Factor #5, the reason it was discounted in the October 2020 update was that it sets a "sustained basis" standard for its application that could not be met because of the unusual surge in the debt brought about by the spending bills enacted to that point in 2020 to counter the effects of the covid-19 pandemic. This standard still cannot be met. Regarding Factor #7, Mr. Spring pointed out that it was discounted in October 2020 because foreign held debt is projected to fall relative to all debt held by the public and by the standard for this factor is not a significant contributing factor to the onset of a federal fiscal crisis.

Finally, Spring turned his attention to the three factors that buy one minute each away from midnight on the Debt Default Clock. These are Factors #4, #6 and #9. Factor #4 covers the ratio of gross federal interest costs to federal revenues. In this case, projections show that gross federal interest costs will fall below the threshold of 15 percent of federal revenues early in the ten-year budget period but will exceed the threshold later in the period. By the standard of the Clock, this intermediate result buys one minute away from midnight, as opposed to two minutes away or no minutes away. This same intermediate pattern appears for Factor #6, which covers the ratio of intragovernmental debt to the gross debt, and Factor #9, which covers the ratio of federal revenues to GDP. Thus, Mr. Spring recommended to the Committee that these three factors be found to continue buying one minute from midnight each. Mr. Spring stated this is the reason why he is recommending that the Clock's minute hand remain at three minutes to midnight.

Following this presentation, Mr. Spring opened the floor for discussion of his recommendations.

Mr. Claire asked that a special note be included in the update regarding the Federal Reserve's actions that have the effect of lowering federal interest costs in relation to the update's awarding one minute away from midnight with Factor #4 on the ratio of gross interest costs to revenues. Mr. Spring responded that such a special note is fully justified not only in relation to Factor #4, but also in relation to the discounted Factor #5 on the ratio of gross interest costs relative to money raised by the federal government through the financing of new debt in net terms. Mr. Spring went on to say that that he is already drafting such notes in the descriptions for posting on the Clock website for each of the factors.

Mr. Spring than asked whether there was any further discussion regarding recommended update to the Debt Default Clock. There being no further discussion on this matter, Mr. Spring asked for a motion to approve the recommended update to the Clock, subject to review and approval by all the members of the Committee. Mr. McKechnie offered such a motion and Mr. Clancy seconded the motion. The motion was approved unanimously.

The next item on the agenda, which was a discussion of the progress the Compact for America Team, including the Compact for a Balanced Budget Commission and the Compact for America Educational Foundation as the Compact Administrator, is making in terms getting member states to extend the life of the Compact and the possible addition of a new state to the Compact. Mr. Spring turned to Mr. DeMoss to lead this discussion.

Mr. DeMoss, as the leader of the Foundation as the Compact Administrator, described to the members of the Review Committee how there are five member states of the Compact currently, but that the Compact will expire later this year if at least two of the member states do not extend it. The current member states are Alaska, Arizona, Georgia, Mississippi, and North Dakota. Arizona had already proposed to the other member states that the Compact be extended for ten years in the course of its enactment of a law for joining the Compact. Mr. DeMoss went on to describe how bills are advancing in Alaska, Mississippi, and North Dakota for accepting the Arizona proposal, but that it remains uncertain how Georgia will proceed. Mr. DeMoss also told the Committee members that initial efforts are underway to get the North Carolina legislature to enact a law that would make North Carolina the sixth state to join the Compact. Since this agenda item was only a discussion, it did not require any action by the Review Committee.

Mr. Spring then asked whether any members of the Review Committee had items for the good of the order. Hearing none, he said that he would entertain a motion to adjourn this meeting of the Debt Default Clock Review Committee. Mr. Clancy offered the motion. Mr. Claire seconded the motion. The motion was approved unanimously and the meeting stood adjourned at 2:45 PM

Respectfully submitted,

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Alan P. Dye