



# The Default Clock Initiative

FOR IMMEDIATE RELEASE  
FEBRUARY 21, 2019

FOR FURTHER INFORMATION, CONTACT:  
BAKER SPRING AT (703) 812-8178

## The Debt Default Clock now stands at four minutes from midnight.

Federal government remains on the path to default!

Today, the Debt Default Clock Review Committee completed its third update of the Debt Default Clock. The Debt Default Clock estimates how much relative time remains before the federal government's fiscal policies lead to a fiscal crisis and eventually causes the Treasury to fail to make a timely interest payment, thereby forcing the federal government into default. Such an event will impose severe financial hardships on the American people. The Review Committee has concluded the Debt Default Clock now stands at four minutes to midnight, which is where it stood at the time of its prior review in September of 2018. It sees the federal government as remaining on the path to default, but for different reasons.

The Review Committee uses twelve of the most relevant factors making up the federal government's fiscal position to set the Clock's minute hand. In general, the Review Committee, based on new data, saw changes from the prior review in two of these twelve factors.

### Ominous interest costs and stronger economic growth

The Review Committee saw a deterioration in the course of the last five months in the first of these two factors. Interest costs are growing rapidly. Specifically, this factor assesses the amount of federal revenue consumed by gross interest costs; the logic being that excessive interest costs increase the risk of fiscal crisis, particularly when paired with the amount of income. Last September, this factor bought one minute away from midnight on the Clock. Now, it buys no minutes from midnight because gross federal interest costs exceeded 15 percent of revenue in 2018.

The second of these two factors saw an improvement over the intervening time. This factor addresses the annual rate of real (inflation-adjusted) growth in the economy; the logic being that strong rates of real economic growth lessen the risk of fiscal crisis. This rate of growth is all but certain to have exceeded 3 percent in 2018. Accordingly, this factor now buys one minute from midnight on the Clock, where earlier it bought no minutes from midnight. Thus, the Review Committee found that the deteriorating situation regarding rapidly rising interest costs to the federal government offset the improving situation for economic growth.

### Describing the Clock

A full description of the Default Clock instrument, including the most recent data used and graphs depicting the current calculations for the twelve factors, is available [here](#).

Members of the Review Committee are available to discuss this update. Please contact Baker Spring at (703) 812-8178 or [baker.spring@compactforamerica.org](mailto:baker.spring@compactforamerica.org) to arrange for an interview.

###