



Debt and Economic Growth

Since the initiation of the massive quantitative easing in 2008, when the Federal Reserve expanded its balance sheet from under a billion to \$4.5 trillion by January 2015, public debt climbed exponentially while the federal deficit reached an unprecedented level of \$1.7 trillion. However, despite the massive public spending, the impact on real disposable income and real GDP was modest. Additionally, despite the increase in household debt, it failed to bring car sales back to the 2005 level. The inability of the fiscal expansion to make a significant footprint on economic growth raises concerns about economic growth if the government returns to a sustainable fiscal path.

