

**Paul Krugman - New York Times Blog**

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### **The Non-Decisive Decade**

Yesterday the CBO came out with its updated budget outlook — and the release was met with a collective yawn. Why? Basically, because the projections over the next decade just didn't show the kind of fiscal disaster everyone in DC wants to believe in. That's not to say that the outlook is completely benign — CBO still thinks we'll end the decade with high debt by historical standards, especially under the "alternative fiscal scenario" that assumes that some cuts that are supposed to happen under current law won't. (I'm still waiting for the wonks at CBPP and elsewhere to do a full analysis; as best I can tell, a truly realistic scenario would lie in between the baseline and the alternative). But there's nothing there lending comfort to the Greece, Greece I tell you crowd.

And there's one especially telling point. CBO does show rising deficits by the end of the decade — but not, it turns out, mainly because of rising entitlement spending. Here's their chart:

The big driver here is CBO's assumption that interest costs on federal debt will rise sharply. And that's not mainly because of rising debt; it's because of an assumed rise in interest rates.

Why is this important? Well, one of the lines used by people determined to panic about the deficit is to say that relatively optimistic projections are based on the assumption that the economy will recover smoothly, and that there won't be any setbacks. What people saying this fail to realize is that if recovery falters, it's also more or less certain that interest rates will stay low, offsetting much of the deficit impact.

Anyway, the numbers continue to refuse to justify panic. But that won't stop the Very Serious People.