

Appendix: Supplemental Data

Table A1: Average interest rates and growth rates

Period	Interest - Growth Difference	Interest Nominal	Growth Nominal	Interest Real	Growth Real	Memo: Inflation
1792-2009	-1.1%	4.4%	5.5%	2.8%	3.9%	1.5%
1915-2009	-1.9%	4.7%	6.8%	1.4%	3.4%	3.2%
1960-2009	-0.5%	6.4%	7.0%	2.6%	3.2%	3.7%

Table A2: Accounting for changes in debt/GDP

Period	Deficit Total	Deficit Primary	Interest Charge	Growth Effects:			Changes in Debt:		
				Nominal	Inflation	Real	Total	Annual	Implied
1792-2009	1.30%	0.29%	1.01%	1.34%	0.52%	0.84%	15.5%	0.06%	-0.04%
1915-2009	2.83%	1.15%	1.68%	2.43%	1.20%	1.27%	49.6%	0.52%	0.40%
1960-2009	2.25%	0.02%	2.24%	2.27%	1.15%	1.15%	7.4%	0.10%	-0.02%

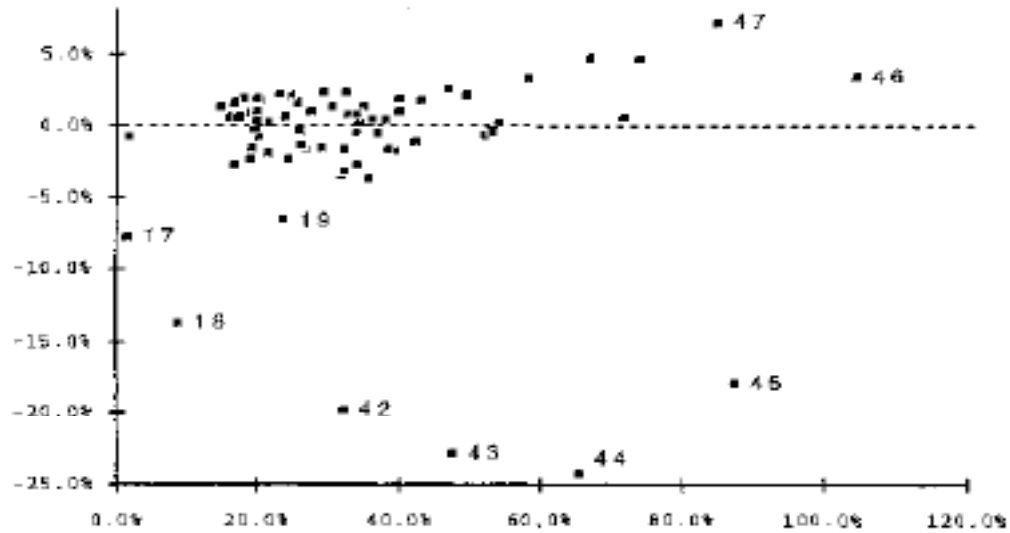
Table 7: Determinants of the Primary Surplus/GDP, 1793-2003
 (Dependent variable: s_t in Percent of GDP)

Model:	Main Model	With debt- squared	With time trend	With AR(1) for outlays	With surplus ex. seignorage
Coefficient on:	(1)	(2)	(3)	(4)	(5)
Initial Debt d_t^*	0.121 (11.3; 8.6)	0.094 (11.6; 8.2)	0.116 (10.1; 8.3)	0.117 (11.3; 8.6)	0.119 (11.3; 8.6)
Constant	-0.030 (-10.6; -8.4)	-0.030 (-10.4; -8.7)	-0.033 (-8.7; -8.4)	0.0003 (0.1; 0.2)	-0.031 (-10.9; -8.7)
GDP gap \bar{y}_t	0.088 (2.2; 1.9)	0.087 (2.1; 1.8)	0.091 (2.2; 2.0)	0.085 (2.1; 1.8)	0.090 (2.2; 2.0)
Temporary outlays \bar{g}_t	-0.815 (-19.6; -11.0)	-0.817 (-19.6; -11.0)	-0.823 (-19.5; -11.2)	-0.742 (-20.0; -11.4)	-0.818 (-19.9; -11.3)
Squared debt $(d_t^* - \bar{d})^2$		0.020 (0.8; 0.8)			
Time Trend			$3 \cdot 10^{-5}$ (1.0; 1.45)		
R-squared	0.689	0.691	0.691	0.690	0.697

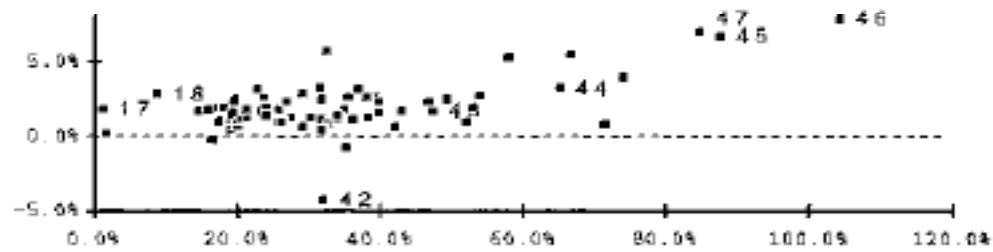
From Bohn (2008): Evidence that primary surpluses respond to debt.

Figure A1: Primary Surplus & Debt (Bohn 1998)

(a) The simple correlation



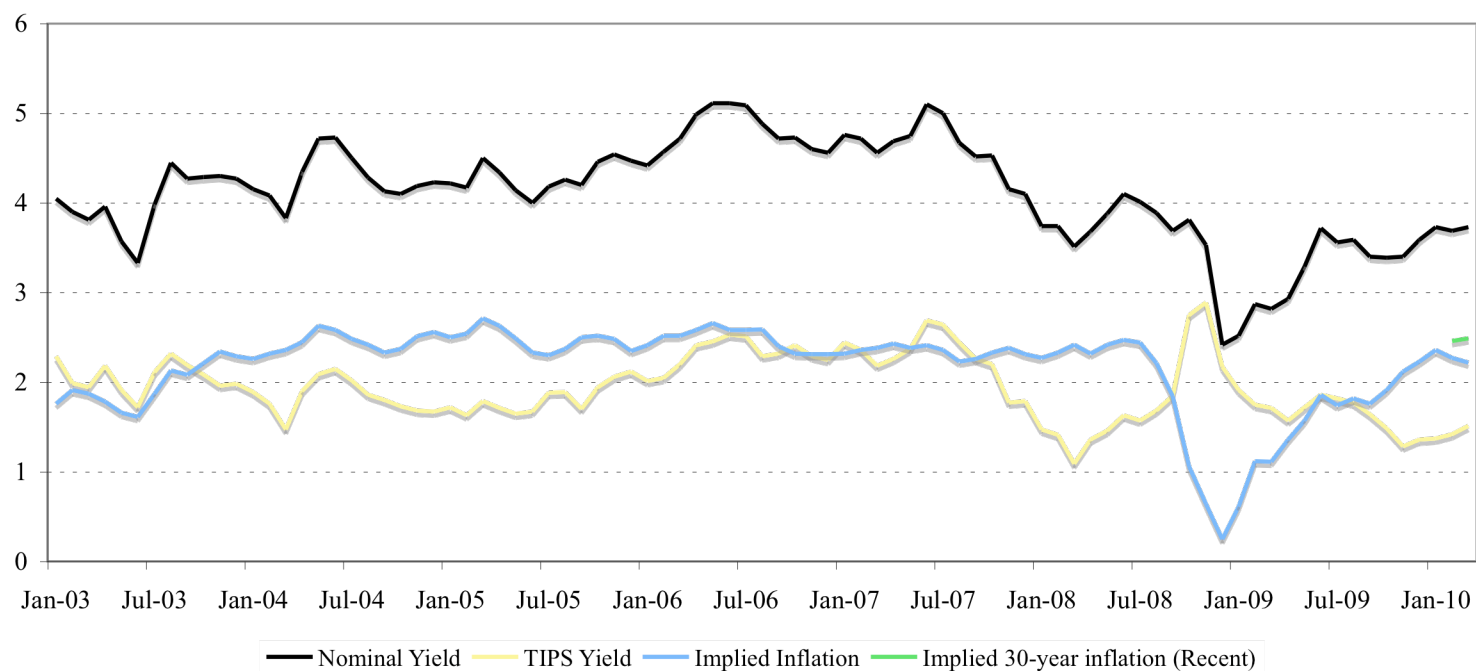
(b) With adjustment for temporary spending and output fluctuations



From Bohn (1998): Adjustment for cyclical and war-time spending.

Figure A2

Inflation implied by 10-year Treasury Yields



Note: CBO projections of public debt 5-years ahead more than doubled between 2007 and 2010. The implied 10-year inflation is about 2.3% as of March 2010, no higher than before the financial crisis. The implied 30-year inflation is slightly higher at 2.6%; there are no comparable earlier data.