A PLAIN-ENGLISH FACT CHECK

WHAT WE OWE

The National Debt and the Deficit, Explained



DEBT · DEFICITS · INTEREST · DEBT LIMIT

How the Debt Grew, Who Holds It, What It Costs and Which Claims Are True

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WHAT WE OWE

The National Debt and the Deficit, Explained

What the records show about how the debt grew, who holds it, what it costs, and which claims about it are true

Andrew Dominguez

Trinfinity Enterprises

What We Owe: The National Debt and the Deficit, Explained

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The information in this book stops at November 12, 2026. Current figures come from the newest official reports available on that date, and each one carries the date of its source. Numbers such as the debt total change every business day, so check the sources named in the footnotes for the latest figures.

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Introduction: How to Read This Book

The information in this book stops at November 12, 2026.

On November 9, 2026, the United States government owed $40,559,796,589,243.37. That is the official figure, to the penny, from the Treasury Department's daily report.[1]

Most of us can't picture a number that big. I can't either. So this book does something simpler. It explains what that number is, where it came from, who is owed the money, what it costs to carry, and what the people who argue about it actually say. Then it checks the most common claims about the debt against the records.

You might ask, "Why one more book about the debt?" Here is my answer. Almost everything most people hear about the national debt comes in a sound bite, a chart on social media, or a speech. Some of those claims are true. Some are half true. Some are flat wrong. And the same claim often gets told one way by one party and the other way by the other party, depending on who is in charge. I wanted one place where a regular reader could see the whole story, with every fact tied to a source they can open and check for themselves.

What this book covers

The book has eight parts.

- **Part One** explains the basic words: deficit, debt, debt held by the public, debt the government owes itself, and who owns all of it. It also shows you how to read the numbers, including the popular national debt clock.
- **Parts Two and Three** tell the history, from the debts of the American Revolution to today. Every major run-up and pay-down is there.
- **Part Four** covers the debt limit, the legal cap on borrowing, and every major standoff over it.
- **Part Five** covers what the debt costs: interest payments and credit ratings.
- **Part Six** lays out the main schools of thought on whether the debt matters, each in its own words.
- **Part Seven** tests 19 common claims and gives each one a verdict.
- **Part Eight** shows where things stand on November 12, 2026, what Americans think, and the main options on the table.

At the back you will find a timeline, a glossary, a short guide to reading Treasury and Congressional Budget Office (CBO) reports, a guide to the debt clock, and the full list of sources.

What this book does not do

This book does not tell you what to think about the debt or which party to blame. It does not recommend a policy. When people disagree about what the facts mean, I tell you who says what, in their own words, and where they said it.

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[1] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026.

It is also not financial or investment advice. If you are deciding what to do with your own savings, talk with a qualified professional.

The date the information stops at

Numbers about the debt change every business day. Laws change. Projections get revised. So I tell you the date of every current figure.

The cutoff for this book is **November 12, 2026**. I used the newest official reports that were out on that date. You will see that date on the copyright page, here, at the start of every chapter about the present, and in the title of every table with current figures. If you are reading this later, the sources in the footnotes will show you the newest numbers.

Three ways to measure the same dollars

A dollar in 1790 is not the same as a dollar today. A debt of $1 billion meant one thing in 1865 and something very different now. So I use three measures, and I always tell you which one I am using.

1. **Nominal dollars.** These are the dollars as they were counted at the time. If I say the debt was $2.7 billion in 1866, that is the actual amount on the Treasury's books that year.[2]
2. **Inflation-adjusted dollars.** These are dollars adjusted to what they would buy in a later year. When I use them, I name the year, such as "in 2026 dollars," and the source of the adjustment.
3. **Share of the economy.** This compares the debt to gross domestic product (GDP), which is the total value of everything the country produces in a year. Economists use this measure most because it shows the debt against the country's ability to carry it. A $1,000 car payment means one thing to a person earning $30,000 a year and something else to a person earning $300,000.

When I compare the debt across long stretches of time, I lean on the share of GDP. Raw dollar figures always grow over time, partly because of inflation and partly because the economy grows. They are not wrong, but they don't tell you much by themselves.

Where the facts come from

Every factual sentence or table in this book traces back to a source listed in a footnote. Each footnote gives the source's title, its author or agency, its date, a link, and the date I opened it. To keep the page readable, I put one footnote at the end of each paragraph or table, listing every source used in it.

I used sources in this order of preference:

Tier	What it includes	Examples
1. Primary and official	The government's own records and data	Treasury's Debt to the Penny, Monthly Treasury Statement and foreign-holder data; Office of Management and Budget (OMB) historical tables; Federal Reserve data; the laws themselves
2. Nonpartisan	Government offices	Congressional Budget Office (CBO), Congressional Research

[2] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

Tier	What it includes	Examples
analysis	that serve both parties	Service (CRS), Government Accountability Office (GAO)
3. Scholarly	Peer-reviewed research and serious histories	Economics journals, university press histories, Federal Reserve History essays
4. Fact-checks and journalism	Reporting at the time, and fact-checks	Associated Press, Reuters, PolitiFact, FactCheck.org (used to point back to primary sources)
5. Advocacy groups and think tanks	Groups that argue a side	Used only to show what a side argues, always labeled, and balanced with a group on the other side

I do not use social media posts, chain emails, forums, video channels or anonymous web pages as evidence. When a claim spread that way, I may quote it as an example of the claim, with a date, and then check it against real records.

Facts, interpretations and unknowns

I keep three kinds of statements apart.

- **Confirmed facts** are things the records show, such as the amount of the debt on a given day.
- **Interpretations** are what someone makes of the facts, such as whether the debt is a danger. When I give one, I say whose interpretation it is and where they said it.
- **Unknowns** are things the records don't settle. When I could not find a source for something, I mark it **[Not verified]** and say what I searched.

The four verdicts

In Part Seven, I test 19 common claims about the debt. I use only four verdicts, the same ones used in every book in this series:

Verdict	Meaning
True	Primary sources confirm it as usually stated.
Partly true	There is a real fact underneath, but the usual version leaves out or twists something important. I say exactly which part is true.
False (debunked)	Primary sources contradict it.
Inconclusive	The evidence is not enough to say either way, or an investigation is still open. I say what would settle it.

I tested claims from every side of the political spectrum with the same care. A claim did not get a verdict until I had checked the sources.

A note on fairness

Every president and every party in this book is held to the same standard: what they actually said and did, favorable or not. When I show how much a law added to the debt, I use the same yardstick, usually

CBO's estimate at the time, for laws signed by presidents of both parties. When a party said one thing about the debt while out of power and another while in power, I show both. That happens on both sides.

A note on other books in this series

This book is part of a series of free, fact-checked books on public questions. Two of them overlap with this one. The book on the Federal Reserve covers how the Fed works and why it holds Treasury bonds. The book on inflation and the dollar covers how prices are measured and the history of the dollar itself. I give short summaries of those topics here and point you to those books for the full story.

Let's start with the two words that cause the most confusion: deficit and debt.

Part One: The Basics

Chapter 1: Deficit and Debt, the Two Words Everyone Mixes Up

The figures in this chapter are current as of November 12, 2026.

Here is the single most useful thing to know before you read anything else about the national debt. The **deficit** and the **debt** are not the same thing.

- The **deficit** is the gap in one year. It is how much more the government spent than it took in that year.
- The **debt** is the running total. It is what the government owes after all the years of borrowing, minus anything it has paid back.

Think of it like a credit card. Your deficit is how much more you charged this month than you paid off. Your debt is the balance on the card. You can cut your deficit in half and your balance still goes up, just more slowly. The balance only goes down when you pay in more than you charge. In government terms, that is called a **surplus**.

One year, by the numbers

The federal government keeps its books by **fiscal year**, not calendar year. Fiscal year 2026 ran from October 1, 2025, through September 30, 2026. Here is how that year came out, from the Treasury's final Monthly Treasury Statement for the year.[3]

Federal budget, fiscal year 2026 (October 1, 2025 to September 30, 2026)	Amount
Money taken in (receipts)	$5.40 trillion
Money spent (outlays)	$7.40 trillion
Deficit (outlays minus receipts)	$1.99 trillion

To be exact, the deficit was $1,992,473,224,352.42.[4]

So for every dollar the government spent in fiscal year 2026, about 27 cents was borrowed. That is my arithmetic: $1.99 trillion divided by $7.40 trillion.[5]

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[3] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1: Summary of Receipts, Outlays, and the Deficit/Surplus, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[4] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1: Summary of Receipts, Outlays, and the Deficit/Surplus, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[5] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1: Summary of Receipts, Outlays, and the Deficit/Surplus, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

The year before, fiscal year 2025, the deficit was $1.78 trillion, so the deficit grew by a little over $200 billion from one year to the next.[6]

You might ask, "Is that a lot?" It depends what you compare it to. The best yardstick is the size of the economy. In February 2026, the Congressional Budget Office (CBO), the nonpartisan office that prepares budget numbers for Congress, projected that the fiscal year 2026 deficit would be $1.9 trillion, or 5.8 percent of gross domestic product (GDP). The actual deficit came in somewhat higher, at $1.99 trillion.[7]

How the deficit turns into debt

When the government runs a deficit, it borrows to cover the gap. It does that by selling Treasury securities: bills, notes and bonds. Each one is a promise to pay the buyer back, with interest. Those promises, added together, are the national debt.[8]

So each year's deficit gets added to the debt. Here is what happened over fiscal year 2026.[9]

Total federal debt (Treasury, Debt to the Penny)	Amount
September 30, 2025	$37.64 trillion
September 30, 2026	$40.17 trillion
Increase during fiscal year 2026	$2.53 trillion

Wait a minute. If the deficit was $1.99 trillion, why did the debt go up by $2.53 trillion?

Good question, and it is one of the most common points of confusion. Most of the gap comes from money the government owes to itself, mainly its trust funds. That part of the debt grew by about $390 billion during the year. Chapter 2 explains why that happens. The rest of the gap comes from smaller items that are counted outside the deficit, such as changes in the cash the Treasury keeps on hand.[10]

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[6] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1, fiscal year 2025 through September 30, 2025". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2025-09-30. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1: Summary of Receipts, Outlays, and the Deficit/Surplus, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[7] Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1: Summary of Receipts, Outlays, and the Deficit/Surplus, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[8] U.S. Department of the Treasury, Bureau of the Fiscal Service, "America's Finance Guide: National Debt". https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/. Accessed November 12, 2026.

[9] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny, Fiscal Data API (record dates September 28, 2001 through November 9, 2026)". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_to_penny. Accessed November 12, 2026.

[10] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny, Fiscal Data API (record dates September 28, 2001 through November 9, 2026)". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_to_penny. Accessed November 12, 2026.

The point to remember: the debt usually grows by more than the deficit, and the two numbers are never exactly the same.

Where the money came from in fiscal year 2026

The deficit is the gap between two big numbers, so it helps to know what is inside each one. Chapter 16 walks through the spending side. Here is the money coming in, from the same Treasury report.

Federal receipts by source, fiscal year 2026 compared with fiscal year 2025 (nominal dollars; information current as of November 12, 2026)

Source	Fiscal year 2026	Share of 2026 receipts	Change from fiscal year 2025
Individual income taxes	$2,845.5 billion	52.7%	up $189.5 billion
Social insurance and retirement receipts (mainly payroll taxes for Social Security and Medicare)	$1,811.8 billion	33.5%	up $63.5 billion
Corporation income taxes	$381.4 billion	7.1%	down $70.7 billion
Customs duties (tariffs)	$173.2 billion	3.2%	down $21.7 billion
Excise taxes	$106.0 billion	2.0%	about the same
Miscellaneous receipts	$46.7 billion	0.9%	down $1.3 billion
Estate and gift taxes	$38.7 billion	0.7%	up $9.3 billion
Total receipts	$5,403.3 billion	100%	up $168.7 billion

Source: Treasury, Monthly Treasury Statement, Table 9. The social insurance row adds Treasury's lines for employment and general retirement, unemployment insurance and other retirement. Shares and changes are my arithmetic.[11]

Two things jump out. First, more than half of all federal revenue comes from one tax, the individual income tax, and another third comes from payroll taxes. Those two together are about 86 percent of the total, by my arithmetic. When people talk about raising or cutting "taxes" in a deficit debate, these are the taxes that move the numbers.

Second, customs duties fell in fiscal year 2026 even though tariff rates had gone up in 2025. Chapter 13 shows the month-by-month record. In June and July 2026, net customs receipts were below zero, meaning more money went out than came in.[12]

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[11] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

You might ask, "So how much would taxes have to rise to close the gap?" Here is a rough picture, not a proposal. The fiscal year 2026 deficit of $1.99 trillion was about 37 percent of all receipts. So, holding spending where it was, receipts would have had to be a bit more than one-third higher to balance the budget that year. Or, holding receipts where they were, spending would have had to be about 27 percent lower. That is my arithmetic from the Treasury's totals, and it ignores how such big changes would affect the economy. Chapter 20 shows what official scorekeepers say specific options would do.[13]

Deficits and surpluses over time

The federal government has run a deficit in most years since the 1930s. It ran a surplus in fiscal year 1969 and again in four straight years, 1998 through 2001. Here is a sample, from the Office of Management and Budget (OMB) historical tables.[14]

Fiscal year	Surplus (+) or deficit (-), nominal dollars	As a share of GDP
1943 (World War II)	(see Chapter 7)	-26.9%
1969	+$3.2 billion	+0.3%
1983	(see Chapter 9)	-5.7%
1998	+$69.3 billion	+0.8%
1999	+$125.6 billion	+1.3%
2000	+$236.2 billion	+2.3%
2001	+$128.2 billion	+1.2%
2002	-$157.8 billion	(see Chapter 11)
2009	-$1.41 trillion	-9.8%
2020	-$3.13 trillion	-14.7%
2021	-$2.77 trillion	-11.7%
2025	-$1.78 trillion	-5.8%
2026	-$1.99 trillion	not yet published by OMB

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[12] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9, Customs Duties line, monthly, January 2025 through October 2026", Fiscal Data API. https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9. Accessed November 12, 2026.

[13] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1: Summary of Receipts, Outlays, and the Deficit/Surplus, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[14] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit (FYFSD), millions of dollars, fiscal years", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSD. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit as Percent of Gross Domestic Product (FYFSGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSGDA188S. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1: Summary of Receipts, Outlays, and the Deficit/Surplus, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

The two biggest deficits as a share of the economy since World War II came in 2020 and 2021, during the COVID-19 pandemic. The largest deficits in the table, measured against the economy, came during World War II itself.[15]

Why the government borrows at all

You might ask, "Why not just spend only what comes in?" There are three main reasons governments borrow, and economists of every school agree on what they are, even when they disagree about how much is too much.

1. **Emergencies.** Wars, depressions and pandemics cost a lot of money fast. Borrowing lets a country spread the cost over many years.
2. **Downturns.** When the economy slows, tax receipts fall and spending on programs such as unemployment benefits rises on its own. That widens the deficit even if Congress changes nothing.
3. **Choices.** In good times, a deficit usually means Congress and the president chose to spend more than they chose to tax. That is a political decision, and it has been made by both parties.

Part Six goes through the different views on whether steady borrowing in good times is a problem. For now, it is enough to know that a deficit is a choice in some years and close to unavoidable in others.

Key points

- The deficit is one year's gap. The debt is the running total.
- In fiscal year 2026 the deficit was $1.99 trillion, and the debt grew by $2.53 trillion.
- The debt usually grows by more than the deficit, mostly because of money the government owes its own trust funds.
- The last federal surplus was in fiscal year 2001.

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[15] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit as Percent of Gross Domestic Product (FYFSGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSGDA188S. Accessed November 12, 2026.

Chapter 2: Two Kinds of Debt

The figures in this chapter are current as of November 12, 2026.

When you hear "the national debt is over $40 trillion," that is the total. But the total is made of two very different pieces, and they behave differently. Understanding the difference clears up a lot of arguments.

Federal debt on November 9, 2026 (Treasury, Debt to the Penny)	Amount	Share of total
Debt held by the public	$32.76 trillion	81%
Intragovernmental holdings	$7.80 trillion	19%
Total public debt outstanding	$40.56 trillion	100%

The shares are my arithmetic from Treasury's figures.[16]

Debt held by the public

Debt held by the public is money the government has borrowed from anyone outside the federal government itself. That includes people who buy savings bonds, banks, pension funds, mutual funds, insurance companies, state and local governments, the Federal Reserve, and foreign governments and investors. Chapter 3 goes through who they are.[17]

This is the debt that was sold in the market. The government has to pay it back when each security comes due, or sell new securities to replace it. It pays interest at whatever rates the market set when the securities were sold.

Most economists, and CBO, focus on this piece when they talk about the economic effects of the debt, because it is the part that competes with other borrowers for the country's savings. When CBO says the debt is 101 percent of GDP in 2026, it means debt held by the public.[18]

Intragovernmental holdings

Intragovernmental holdings are money one part of the federal government owes another part. The Treasury describes this piece as "primarily composed of debt owed on agencies' excess revenue invested with the Treasury."[19]

Here is how that works in plain words. Some federal programs, such as Social Security, have their own dedicated taxes. In years when a program takes in more than it pays out, the law requires the extra

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[16] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026.

[17] U.S. Department of the Treasury, Bureau of the Fiscal Service, "America's Finance Guide: National Debt". https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/. Accessed November 12, 2026. Congressional Research Service, "Foreign Holdings of Federal Debt (RS22331)", updated April 22, 2026. https://www.everycrsreport.com/reports/RS22331.html. Accessed November 12, 2026.

[18] Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026.

[19] U.S. Department of the Treasury, Bureau of the Fiscal Service, "America's Finance Guide: National Debt". https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/. Accessed November 12, 2026.

money to be invested in special Treasury securities. The Treasury then uses that cash for the government's general bills, and the program's trust fund holds the securities as an IOU. The Treasury names the Social Security Administration as the largest investor among these government accounts.[20]

You might ask, "Is that real money, or just paper?" Both answers have defenders, and the argument is a big part of the Social Security debate. The securities are legal obligations of the United States, backed by its full faith and credit, and the trust funds have been cashing them in to pay benefits. At the same time, when a trust fund cashes them in, the Treasury has to come up with the money from taxes or new borrowing from the public. The Social Security book in this series covers that debate in detail. Claim 12 in Part Seven tests the related claim that "Congress raided the Social Security trust fund."

Why the total and the public piece tell different stories

Because the two pieces behave differently, the total and the public piece can move in different ways.

Date (end of fiscal year)	Held by the public	Intragovernmental	Total
September 29, 2000	$3.41 trillion	$2.27 trillion	$5.67 trillion
September 28, 2001	$3.34 trillion	$2.47 trillion	$5.81 trillion
September 30, 2008	$5.81 trillion	$4.22 trillion	$10.02 trillion
September 30, 2020	$21.02 trillion	$5.93 trillion	$26.95 trillion
September 30, 2025	$30.28 trillion	$7.36 trillion	$37.64 trillion
September 30, 2026	$32.43 trillion	$7.75 trillion	$40.17 trillion

Source: Treasury, Debt to the Penny, nominal dollars.[21]

Look at 2000 to 2001. Those were surplus years. The debt held by the public went down, because the government paid some of it off. But the total debt went up, because the trust funds were still growing. People who said "the debt went down" and people who said "the debt went up" were both right. They were measuring different things. Claim 5 in Part Seven comes back to this.[22]

Now look at 2008 to 2026. Intragovernmental debt was 42 percent of the total in 2008. By 2026 it was about 19 percent. Nearly all of the growth since 2008 has been in debt held by the public. That is my arithmetic from the same Treasury figures.[23]

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[20] U.S. Department of the Treasury, Bureau of the Fiscal Service, "America's Finance Guide: National Debt". https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/. Accessed November 12, 2026.

[21] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny, Fiscal Data API (record dates September 28, 2001 through November 9, 2026)". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_to_penny. Accessed November 12, 2026.

[22] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny, Fiscal Data API (record dates September 28, 2001 through November 9, 2026)". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_to_penny. Accessed November 12, 2026.

[23] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny, Fiscal Data API (record dates September 28, 2001 through November 9, 2026)". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_to_penny. Accessed November 12, 2026.

Gross debt and debt subject to limit

You may also run into two other terms.

- **Gross federal debt** is another name for the total, both pieces added together.
- **Debt subject to limit** is the part of the debt that counts against the legal borrowing cap Congress sets, called the **debt limit** or debt ceiling. It is almost the same as the total, with a few small technical differences. Part Four covers the debt limit in full. As of September 21, 2026, the Congressional Research Service (CRS) put the limit at $41.1 trillion.[24]

How the Treasury actually borrows

So far I have talked about "borrowing" as if the Treasury just picks up the phone and asks for a loan. It doesn't. It sells securities, mostly at public auctions, and it does that every week of the year. Here is how it works, in plain terms.

The Treasury sells several kinds of marketable securities, meaning securities that the buyer can resell to someone else. The Treasury's own retail site, TreasuryDirect, describes them this way:

Treasury bills mature in 4 to 52 weeks. They pay no regular interest. Instead, they sell at a discount, and the buyer gets the full face value when the bill matures. The Treasury says that for bills, "interest" is the difference between what you paid and the face value you get back. Most bills are auctioned every week.[25]

Treasury notes mature in 2, 3, 5, 7 or 10 years and pay a fixed rate of interest every six months.[26]

Treasury bonds mature in 20 or 30 years and also pay fixed interest every six months. The Treasury points out that these are not the same as savings bonds.[27]

Treasury Inflation-Protected Securities (TIPS) mature in 5, 10 or 30 years. Their principal goes up with inflation and down with deflation, so the interest payments change too.[28]

Floating rate notes mature in two years and pay interest every three months. Their rate is tied to the rate on the most recent 13-week Treasury bill, so it resets every week.[29]

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[24] Congressional Research Service, "The Debt Limit (IF10292)", updated September 21, 2026. https://www.everycrsreport.com/files/2026-09-21_IF10292_c2e7be2cbda8c7c7acfafd40d64a2f6fc9b45aa8.html. Accessed November 12, 2026.

[25] TreasuryDirect (U.S. Department of the Treasury, Bureau of the Fiscal Service), "Treasury Bills" (undated). https://www.treasurydirect.gov/marketable-securities/treasury-bills/. Accessed November 12, 2026.

[26] TreasuryDirect (U.S. Department of the Treasury, Bureau of the Fiscal Service), "Treasury Notes" (undated). https://www.treasurydirect.gov/marketable-securities/treasury-notes/. Accessed November 12, 2026.

[27] TreasuryDirect (U.S. Department of the Treasury, Bureau of the Fiscal Service), "Treasury Bonds" (undated). https://www.treasurydirect.gov/marketable-securities/treasury-bonds/. Accessed November 12, 2026.

[28] TreasuryDirect (U.S. Department of the Treasury, Bureau of the Fiscal Service), "Treasury Inflation-Protected Securities (TIPS)" (undated). https://www.treasurydirect.gov/marketable-securities/tips/. Accessed November 12, 2026.

[29] TreasuryDirect (U.S. Department of the Treasury, Bureau of the Fiscal Service), "Floating Rate Notes (FRNs)" (undated). https://www.treasurydirect.gov/marketable-securities/floating-rate-notes/. Accessed November 12, 2026.

The government also issues nonmarketable securities, which can't be resold. The biggest group by far is the special securities held by trust funds and other government accounts, which the Treasury calls the Government Account Series. Savings bonds sold to individuals are also nonmarketable.

Here is how the whole debt broke down by type at the end of October 2026.

Treasury securities outstanding by type, October 31, 2026 (nominal dollars; information current as of November 12, 2026)

Type of security	Amount outstanding	Share of marketable debt
Treasury bills	$7.38 trillion	23.0%
Treasury notes	$16.34 trillion	50.8%
Treasury bonds	$5.56 trillion	17.3%
Inflation-protected securities (TIPS)	$2.16 trillion	6.7%
Floating rate notes	$0.71 trillion	2.2%
Total marketable securities	$32.15 trillion	100%
Government Account Series (mostly trust funds; nonmarketable)	$8.13 trillion	not marketable
Savings bonds (nonmarketable)	$0.15 trillion	not marketable
Other nonmarketable securities	$0.09 trillion	not marketable
Total public debt outstanding	$40.52 trillion	

Source: Treasury, Monthly Statement of the Public Debt, Table 1, October 31, 2026. Shares are my arithmetic. The "other nonmarketable" row adds State and Local Government Series, Domestic Series and other small items.[30]

Notice that about half of the marketable debt is in notes, and almost a quarter is in bills that come due within a year. That second number matters a lot for interest costs, as Chapter 16 explains. When short-term rates rise, the cost of bills rises within months. When rates fall, it falls just as fast.

How an auction works

The Treasury describes its auctions in four steps: it announces the auction, it holds the auction, buyers bid, and it issues the securities. At the auction, the Treasury first fills all the "non-competitive" bids, which are bids from buyers who agree to take whatever rate the auction sets. Then it accepts

[30] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Statement of the Public Debt, Table 1: Summary of Treasury Securities Outstanding, October 31, 2026", Fiscal Data API. https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/debt/mspd/mspd_table_1?filter=record_date:eq:2026-10-31. Accessed November 12, 2026.

"competitive" bids from the lowest rate to the highest until the whole amount is sold. Everyone who wins pays the same rate, the highest rate the Treasury accepted.[31]

That last rule is worth a second look. It means the market, not the Treasury, sets the interest rate on new federal debt. If buyers want a higher rate, the Treasury pays it. That is one reason debt and interest rates are so closely tied in every chapter that follows.

Here is one real example: the 10-year note sold on August 12, 2026.

One auction up close: the 10-year Treasury note auctioned August 12, 2026 (nominal dollars)

Item	Figure
Amount offered	$42.0 billion
Total bids received	$117.0 billion
Bid-to-cover ratio (bids divided by amount sold)	2.53
Rate set by the auction (high yield)	4.683%
Interest rate printed on the note (coupon)	4.625%
Awarded to indirect bidders	$32.1 billion
Awarded to direct bidders	$6.1 billion
Awarded to primary dealers	$3.6 billion
Awarded to non-competitive bidders	$0.2 billion
Matures	August 15, 2036

Source: Treasury, Treasury Securities Auctions Data. The four award rows add to about $42 billion. The Treasury's total for this auction also includes about $10.6 billion that the Federal Reserve rolled over from securities it already held, which is not counted in the amount offered.[32]

You might ask, "Was anyone actually willing to buy?" Yes. Buyers offered about two and a half times what the Treasury was selling. The Treasury's auction records group winning bidders into categories. They do not name the buyers, so you can't tell from an auction alone how much went to any one country or company. Chapter 3 shows the best estimates of who ends up holding the debt.

How much the Treasury sells in a year

The numbers here surprise most people. In fiscal year 2026, the Treasury held 436 auctions: 328 for bills, 82 for notes and 26 for bonds. The amounts offered added up to about $31.3 trillion, of which about

[31] TreasuryDirect (U.S. Department of the Treasury, Bureau of the Fiscal Service), "How Auctions Work" (undated). https://www.treasurydirect.gov/auctions/how-auctions-work/. Accessed November 12, 2026.

[32] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Treasury Securities Auctions Data, auctions held October 1, 2025 through September 30, 2026", Fiscal Data API. https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/od/auctions_query. Accessed November 12, 2026.

$26.9 trillion was bills, $3.9 trillion was notes and $0.5 trillion was bonds. That is my arithmetic from the Treasury's auction records.[33]

Wait. If the deficit was $1.99 trillion, why did the Treasury sell more than $31 trillion of securities?

Because most of what it sells is used to pay off securities that are coming due. A 4-week bill has to be replaced 13 times a year. Debt held by the public rose by only about $2.15 trillion over the fiscal year, from $30.28 trillion to $32.43 trillion. Nearly everything else the Treasury sold was refinancing: new debt to pay off old debt. That is my arithmetic from the Treasury's figures.[34]

This is the plain answer to a question people often ask: "Will the government ever pay back what it borrows?" It does pay back every security, in full and on time, when it comes due. It just usually pays with money from a new sale. The total doesn't shrink unless the government runs a surplus.

The trust fund securities

The Government Account Series is the other half of the story from earlier in this chapter. When Social Security or another trust fund has extra money, the law requires it to be invested in these special securities. The Social Security Trustees report that the securities held by the Social Security trust funds "are entirely special issue securities sold by the Treasury only to the trust funds," and that in 2025 those reserves earned interest at an effective rate of 2.6 percent.[35]

These securities never go to auction, and nobody outside the government can buy them. That is why most economists, and CBO, leave them out of "debt held by the public." But they are still legal obligations, and when a trust fund cashes them in, the Treasury has to find the money, as Chapter 18 explains under Claim 12.

Key points

- The total debt has two parts: debt held by the public ($32.76 trillion on November 9, 2026) and debt the government owes its own accounts ($7.80 trillion).
- Debt held by the public is the part economists watch most, because it is borrowed from outside lenders in the market.
- In a surplus year, debt held by the public can fall even while the total rises.

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[33] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Treasury Securities Auctions Data, auctions held October 1, 2025 through September 30, 2026", Fiscal Data API. https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/od/auctions_query. Accessed November 12, 2026.

[34] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny, Fiscal Data API (record dates September 28, 2001 through November 9, 2026)". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_to_penny. Accessed November 12, 2026.

[35] Social Security Administration, Office of the Chief Actuary, "The 2026 OASDI Trustees Report, Section II.B: Trust Fund Financial Operations in 2025" (2026). https://www.ssa.gov/oact/TR/2026/II_B_cyoper.html. Accessed November 12, 2026.

Chapter 3: Who Owns the Debt

The figures in this chapter are current as of November 12, 2026. Each table gives the date of its own data.

You might ask, "Who do we actually owe all this money to?" Here is what the Treasury's records show.

The big picture

Start with the two pieces from Chapter 2. About $7.8 trillion is owed to federal trust funds and other government accounts. The rest, about $32.8 trillion, is held by everyone else.[36]

Of that $32.8 trillion held by the public, here are the largest holders we can measure directly.

Holder	Treasury securities held	Date of data
Foreign governments and foreign private investors, all countries	$9.33 trillion	August 2026
Federal Reserve	about $4.58 trillion	November 4, 2026
Everyone else in the United States: banks, mutual funds, pension funds, insurance companies, state and local governments, businesses and individuals	the remainder, about $19 trillion	my arithmetic from the figures above

Sources: Treasury International Capital (TIC) data; Federal Reserve H.4.1 release; Treasury Debt to the Penny.[37]

A note on the last row. Here I give the domestic holders as one combined figure, found by subtraction. The figures are from different dates, so the subtraction is approximate. The Treasury's own breakdown by type of holder, from its Treasury Bulletin, is in the next section.[38]

Who holds it, by type of holder

The table above uses three numbers I could measure directly. The Treasury also publishes its own estimate of who owns the debt, broken down by type of holder, in a table called OFS-2 in the Treasury

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[36] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026.

[37] U.S. Department of the Treasury, Treasury International Capital (TIC) System, "Table 5: Major Foreign Holders of Treasury Securities (data through August 2026)". https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table5.html. Accessed November 12, 2026. Board of Governors of the Federal Reserve System, "H.4.1 Factors Affecting Reserve Balances, release of November 5, 2026", November 5, 2026. https://www.federalreserve.gov/releases/h41/current/. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026.

[38] U.S. Department of the Treasury, Treasury International Capital (TIC) System, "Table 5: Major Foreign Holders of Treasury Securities (data through August 2026)". https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table5.html. Accessed November 12, 2026. Board of Governors of the Federal Reserve System, "H.4.1 Factors Affecting Reserve Balances, release of November 5, 2026", November 5, 2026. https://www.federalreserve.gov/releases/h41/current/. Accessed November 12, 2026.

Bulletin. That table used to be printed in a quarterly report. It now lives in the Treasury's Fiscal Data system.

Here is what it shows for three dates. The newest available on November 12, 2026, was March 31, 2026.

Estimated ownership of U.S. Treasury securities, by type of holder (billions of nominal dollars; newest data available as of November 12, 2026)

Holder	December 31, 2015	December 31, 2020	March 31, 2026
Federal Reserve and government accounts (combined)	$7,711.2	$10,809.2	$12,024.3
Foreign and international	$6,144.2	$7,070.7	$9,355.0
Mutual funds	$1,318.3	$3,784.6	$5,122.8
Depository institutions (banks and similar)	$547.4	$1,264.8	$2,169.5
State and local governments	$680.9	$991.2	$1,641.6
Private pension funds	$504.7	$770.6	$607.0
Insurance companies	$310.1	$404.7	$597.9
State and local government pension funds	$174.5	$354.7	$573.9
U.S. savings bonds	$171.6	$147.1	$148.8
Other investors	$1,359.1	$2,150.2	$6,824.7
Total public debt	$18,922.2	$27,747.8	$39,065.4

Source: Treasury Bulletin, Table OFS-2, as published in the Treasury's Fiscal Data system. The Treasury combines the Federal Reserve with the government's own accounts in this table, and it labels a catch-all group "other investors."[39]

A few things in that table are worth slowing down for.

Foreign holders are the largest single group outside the government, but their share has been falling. In December 2015, foreign and international holders owned about 55 percent of the debt held by private investors, meaning everything outside the Federal Reserve and the government's own accounts. By

[39] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Treasury Bulletin, Table OFS-2: Estimated Ownership of U.S. Treasury Securities (data for December 31, 2015, December 31, 2020 and March 31, 2026)", Fiscal Data API. https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/tb/ofs2_estimated_ownership_treasury_securities. Accessed November 12, 2026.

March 2026, that share was about 35 percent. Their dollar holdings still grew. Everyone else's grew faster. That is my arithmetic from the same table.

Mutual funds are the big story on the American side. Their holdings rose from about $1.3 trillion to about $5.1 trillion, close to four times as much, in a little over ten years. Banks and similar institutions also grew about fourfold over that time. Many Americans who have never bought a Treasury bill own a slice of the debt through a money market fund, a bond fund or a retirement account.

The "other investors" group grew the fastest of all, to about $6.8 trillion. The Treasury doesn't break that group down further in this table, so I can't tell you exactly who is in it. I note it so you know that more than one-sixth of the debt is held by holders the main public table does not name.

You might ask, "Where are the individuals?" Most Americans hold Treasury securities indirectly, through the funds, banks, pensions and insurance companies in this table. Savings bonds, the one line that is clearly individuals holding the debt directly, were only about $149 billion, less than half of 1 percent of the total.

Different tables use different dates and definitions, so the numbers in this chapter don't line up exactly. The Treasury's TIC data, used for the country table later in this chapter, put foreign holdings at $9.33 trillion in August 2026. This table put them at $9.36 trillion at the end of March 2026. Both come from the Treasury, measured at different times.

Americans hold most of it

Put those numbers together and you get a plain answer. Most of the debt is owed to Americans and American institutions: the trust funds that pay Social Security and federal retirement benefits, the Federal Reserve, and the banks, funds and people who hold Treasury securities directly or through their savings and pensions.

Foreign holders owned about 31 percent of the debt held by the public at the end of 2025, according to CRS. That share was 34 percent at the end of 2021, and CRS reports that it "has declined in recent years."[40]

The Federal Reserve

The Federal Reserve is the nation's central bank. It buys and sells Treasury securities as part of how it manages interest rates and the money supply. During the 2008 financial crisis and again during the pandemic, it bought very large amounts. On November 4, 2026, it held about $4.58 trillion in Treasury securities.[41]

You might ask, "Isn't that just the government owing itself?" Not quite. The Fed is independent in its decisions, and its holdings count as debt held by the public. But the Fed sends most of its profits back to the Treasury, so the interest it earns on those bonds largely flows back. The book on the Federal Reserve

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[40] Congressional Research Service, "Foreign Holdings of Federal Debt (RS22331)", updated April 22, 2026. https://www.everycrsreport.com/reports/RS22331.html. Accessed November 12, 2026.

[41] Board of Governors of the Federal Reserve System, "H.4.1 Factors Affecting Reserve Balances, release of November 5, 2026", November 5, 2026. https://www.federalreserve.gov/releases/h41/current/. Accessed November 12, 2026.

in this series explains how that works and why the Fed has recently had losses instead of profits. Claim 13 in Part Seven tests the claim that "the Fed just prints money to pay for the debt."

Foreign holders

The Treasury tracks foreign holdings by country through its Treasury International Capital (TIC) system. Here are the ten largest foreign holders as of August 2026.

Rank	Country	Treasury securities held, August 2026
1	Japan	$1,068.3 billion
2	United Kingdom	$1,009.5 billion
3	China (mainland)	$590.7 billion
4	Belgium	$490.5 billion
5	Canada	$464.6 billion
6	Cayman Islands	$463.0 billion
7	Luxembourg	$448.2 billion
8	France	$363.4 billion
9	Ireland	$352.1 billion
10	Taiwan	$298.4 billion
	All foreign holders	$9,331.7 billion
	Of which, foreign official (governments and central banks)	$3,755.6 billion

Source: Treasury, TIC Table 5, data through August 2026.[42]

Two things stand out.

First, a country on this list is not always the real owner. TIC records where securities are held, which is often a financial center. Belgium, Luxembourg, the Cayman Islands and the United Kingdom host big custody banks and funds that hold Treasury securities for investors from many countries. CRS notes that a breakdown between official and private holdings "is not publicly available on a country-by-country basis."[43]

Second, most foreign holdings are private, not governments. At the end of 2025, CRS reported that 41.9 percent of foreign holdings belonged to foreign governments and central banks, and 58.1 percent to private investors.[44]

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[42] U.S. Department of the Treasury, Treasury International Capital (TIC) System, "Table 5: Major Foreign Holders of Treasury Securities (data through August 2026)". https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table5.html. Accessed November 12, 2026.

[43] Congressional Research Service, "Foreign Holdings of Federal Debt (RS22331)", updated April 22, 2026. https://www.everycrsreport.com/reports/RS22331.html. Accessed November 12, 2026.

[44] Congressional Research Service, "Foreign Holdings of Federal Debt (RS22331)", updated April 22, 2026. https://www.everycrsreport.com/reports/RS22331.html. Accessed November 12, 2026.

How China's share has changed

China is the foreign holder people ask about most, so here is its record next to Japan's, from the Treasury's historical file.

Month	China (mainland)	Japan	All foreign holders
November 2013	$1,316.7 billion	$1,186.4 billion	not in the file I could read
December 2015	$1,246.1 billion	$1,122.4 billion	$6,144.2 billion
December 2019	$1,069.9 billion	$1,155.2 billion	$6,844.2 billion
December 2022	$867.1 billion	$1,075.1 billion	$7,194.7 billion
December 2025	$684.4 billion	$1,185.5 billion	$9,269.5 billion
August 2026	$590.7 billion	$1,068.3 billion	$9,331.7 billion

Sources: Treasury TIC historical file and Table 5. The Treasury revises these figures from time to time, so different releases can show slightly different numbers for the same month.[45]

November 2013 is the highest value for China in the years I could check, 2013 through 2025. China's holdings have fallen by more than half since then. The United Kingdom passed China in March 2025 and has stayed ahead since.[46]

So how much of the total debt does China hold? In August 2026, China's $590.7 billion was about 1.5 percent of the total debt and less than 2 percent of the debt held by the public. That is my arithmetic from Treasury's figures. Claim 1 in Part Seven comes back to this.[47]

Key points

- Most of the national debt is owed to Americans: federal trust funds, the Federal Reserve, and U.S. banks, funds, businesses and people.
- Foreign holders owned about 31 percent of the debt held by the public at the end of 2025, down from 34 percent in 2021.
- Japan is the largest foreign holder, followed by the United Kingdom. China is third and has been shrinking its holdings since about 2013.

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[45] U.S. Department of the Treasury, Treasury International Capital (TIC) System, "Major Foreign Holders of Treasury Securities, historical file (2013 to 2025)". https://ticdata.treasury.gov/Publish/mfhhis01.txt. Accessed November 12, 2026. U.S. Department of the Treasury, Treasury International Capital (TIC) System, "Table 5: Major Foreign Holders of Treasury Securities (data through August 2026)". https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table5.html. Accessed November 12, 2026.

[46] U.S. Department of the Treasury, Treasury International Capital (TIC) System, "Major Foreign Holders of Treasury Securities, historical file (2013 to 2025)". https://ticdata.treasury.gov/Publish/mfhhis01.txt. Accessed November 12, 2026. U.S. Department of the Treasury, Treasury International Capital (TIC) System, "Table 5: Major Foreign Holders of Treasury Securities (data through August 2026)". https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table5.html. Accessed November 12, 2026.

[47] U.S. Department of the Treasury, Treasury International Capital (TIC) System, "Table 5: Major Foreign Holders of Treasury Securities (data through August 2026)". https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table5.html. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny, Fiscal Data API (record dates September 28, 2001 through November 9, 2026)". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_to_penny. Accessed November 12, 2026.

Chapter 4: Reading the Numbers

The figures in this chapter are current as of November 12, 2026.

By now you have seen a lot of very large numbers. This chapter gives you a few simple tools for making sense of them, and shows you how to read the two places most people go to check the debt: the Treasury's own daily report and the popular "national debt clock."

Tool 1: Compare to the size of the economy

The most useful single measure of the debt is debt held by the public as a share of gross domestic product (GDP).

Here is why. A family with $200,000 in debt might be in trouble or doing fine. It depends on their income. GDP is the closest thing a country has to an income. It is the total value of all the goods and services produced in a year.

The table below shows debt held by the public as a share of GDP at the end of selected fiscal years, from the OMB figures published by the Federal Reserve Bank of St. Louis.[48]

Fiscal year	Debt held by the public as a share of GDP
1940	41.6%
1946 (World War II peak)	106.3%
1960	43.7%
1974 (postwar low)	22.2%
1990	40.4%
2001	31.4%
2008	39.3%
2012	69.4%
2019	78.0%
2020	98.3%
2025	97.8%
2026 (CBO projection, February 2026)	101%

Notice the shape. The debt shot up during World War II, fell steadily for almost 30 years, rose in the 1980s, fell in the late 1990s, and has climbed since 2001, with big jumps in 2009 and 2020. CBO projected in February 2026 that the debt would pass its 1946 record as a share of the economy around 2030.[49]

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[48] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026. Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026.

[49] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S.

Tool 2: Adjust for inflation when you compare dollars across years

If you compare dollar amounts from different decades, adjust them for inflation first. Otherwise a modern number will almost always look bigger. When this book gives inflation-adjusted figures, it names the target year and the source. The book on inflation and the dollar in this series explains how the Consumer Price Index (CPI) is built and why different inflation measures give different answers.

Here is a worked example, so you can do it yourself. The Bureau of Labor Statistics publishes the Consumer Price Index for all urban consumers (CPI-U). Its average for 1980 was 82.4, and its average for 2025 was 321.943.[50]

Step 1. Divide the later index by the earlier one: 321.943 divided by 82.4 is about 3.91. Prices roughly quadrupled.

Step 2. Multiply the old dollar amount by that number. The debt at the end of fiscal year 1980 was $907.7 billion. Times 3.91, that is about $3.55 trillion in 2025 dollars.

Step 3. Compare. The debt at the end of fiscal year 2025 was $37.6 trillion. So in real terms, the debt was about 10.6 times as large in 2025 as in 1980, not the 41 times you would get from the raw numbers.

That is my arithmetic, using the Treasury's debt totals and the BLS index. It is a rough method, because a single day's debt is being matched with a whole year's average prices, but it is close enough to keep you from being fooled by a big nominal number.[51]

Notice that even after adjusting for inflation, the debt grew a lot. Inflation explains part of the rise, not all of it. That is why this book also uses the share of the economy (Tool 1), which accounts for both inflation and the economy's real growth.

Tool 3: Know which debt figure you are looking at

Before you compare two numbers, check that they measure the same thing.

If someone says...	They probably mean...	November 9, 2026 figure
"The national debt" or "total debt"	Total public debt outstanding	$40.56 trillion
"Debt held by the public" or "publicly held debt"	Only the part owed outside the government	$32.76 trillion
"Debt as a share of GDP" (CBO)	Debt held by the public divided by GDP	101% (CBO projection for fiscal year 2026)
"Debt subject to limit"	The part that counts against the debt ceiling	close to the total; see Part Four

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Accessed November 12, 2026. Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026.

[50] U.S. Bureau of Labor Statistics, "Consumer Price Index for All Urban Consumers (CPI-U), U.S. city average, all items, series CUUR0000SA0, annual averages 1913 to 2025", Public Data API. https://api.bls.gov/publicAPI/v2/timeseries/data/CUUR0000SA0. Accessed November 12, 2026.

[51] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

Sources: Treasury, Debt to the Penny; CBO.[52]

Tool 4: Per-person figures

You will often see the debt divided by the number of people in the country. It is simple arithmetic: total debt divided by population. It is a vivid way to show the size of the number, but keep two things in mind.

- It divides the **total** debt, including the part the government owes itself.
- Nobody is sent a bill for that amount. The debt is paid over time out of future taxes and borrowing, and different people pay very different amounts of tax.

Claim 10 in Part Seven checks the common claim that each person's share is more than $100,000.

How to read the Treasury's Debt to the Penny

The official daily figure comes from the Treasury's Bureau of the Fiscal Service. It is free at **fiscaldata.treasury.gov**, under the dataset called **Debt to the Penny**. The Treasury describes it this way: "The Debt to the Penny dataset provides information about the total outstanding public debt and is reported each day."[53]

Here is how to read it.

1. **Record date.** Each row is one business day. The Treasury updates the dataset "at the end of each business day with data from the previous business day," so the newest row is usually a day or two old. There are no rows for weekends or federal holidays.[54]
2. **Debt Held by the Public.** The part owed outside the government.
3. **Intragovernmental Holdings.** The part owed to government accounts.
4. **Total Public Debt Outstanding.** The two added together.

The two parts always add up to the total. You can download the whole series back to 1993, and the Treasury's Historical Debt Outstanding dataset goes back to 1790.[55]

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[52] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026. Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026.

[53] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026.

[54] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026.

[55] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

How to read the national debt clock

Many people check the debt on the website **usdebtclock.org**, called the U.S. National Debt Clock. It shows a screen full of fast-moving counters. It is popular, and it can be a helpful picture, but you should know what it is and what it isn't.[56]

It is a private website, not a government source. When I checked its About page on November 12, 2026, it did not name who runs it, and I did not find an explanation there of how its figures are calculated. So I treat it as a popular private tool, not as an official source.[57]

The ticking numbers are estimates. The Treasury publishes the debt once per business day. Any clock that ticks every second has to estimate what happens between those daily reports, using an assumed rate of growth. Another clock site, GovSpending.org, says this plainly about its own counter: "the ticking number is an estimate of the run rate between official updates." On November 12, 2026, that site anchored its estimate to the Treasury's November 9 figure of $40,559,796,589,243.37, which matches the Treasury's own record.[58]

Here is a guide to the counters you are most likely to see on a debt clock, and how to read each one.

Counter	What it usually means	How to read it
U.S. National Debt	Total debt, both pieces	Check it against Treasury's latest Debt to the Penny figure. A clock's number will be a little different because it is an estimate.
Debt per citizen	Total debt divided by the population	Simple division. It includes debt the government owes itself. No one is billed this amount.
Debt per taxpayer	Total debt divided by an estimate of the number of taxpayers	Higher than debt per citizen because there are fewer taxpayers than people. Depends on how "taxpayer" is defined.
Federal deficit	One year's gap between spending and revenue	An annual rate, not a running total. Check it against the Monthly Treasury Statement.
Federal spending and tax revenue	Annual spending and revenue	Check against the Monthly Treasury Statement.
GDP	The size of the economy	Usually an annual rate. Official figures come from the Bureau of Economic Analysis.
Debt to GDP	Debt divided by GDP	Check whether it uses total debt or debt held

[56] U.S. National Debt Clock (privately run website; operator not named on its About page), "U.S. National Debt Clock: Real Time". https://www.usdebtclock.org/. Accessed November 12, 2026.

[57] U.S. National Debt Clock (privately run website; operator not named on its About page), "U.S. National Debt Clock: Real Time". https://www.usdebtclock.org/. Accessed November 12, 2026.

[58] GovSpending.org (privately run website), "US Debt Clock - Live National Debt Counter", page modified November 12, 2026. https://govspending.org/debt-clock/. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026.

Counter	What it usually means	How to read it
ratio		by the public. CBO uses debt held by the public.
Unfunded liabilities	Projected future promises, such as Social Security and Medicare, minus expected dedicated revenue	This is not debt the government owes today. It is a long-range projection, and its size depends heavily on its assumptions.

The labels on any given clock can change. I was not able to read the clock's counters directly on November 12, 2026, because the page draws them with code that my check could not display, so the labels above are the standard ones these sites use and are **[Not verified]** against the live screen that day.[59]

My suggestion: use a debt clock to get a feel for the size and speed of the numbers. When you need a figure you can quote, go to the Treasury's Debt to the Penny for the debt and the Monthly Treasury Statement for spending, revenue and the deficit. Both are free, official and updated on a fixed schedule. Appendix D has a one-page version of this guide.

Key points

- Compare the debt to GDP when you compare years or countries.
- Make sure two numbers measure the same kind of debt before you compare them.
- The Treasury's Debt to the Penny is the official daily figure. Debt clocks are private estimates that tick between official updates.

[59] U.S. National Debt Clock (privately run website; operator not named on its About page), "U.S. National Debt Clock: Real Time". https://www.usdebtclock.org/. Accessed November 12, 2026.

Part Two: The History to 2000

Chapter 5: Born in Debt, the Revolution and Hamilton

The United States was in debt before it had a Constitution.

To fight the Revolutionary War, the Continental Congress and the states borrowed from anyone who would lend: from France, from Dutch bankers, and from their own citizens. They also printed paper money and issued IOUs to soldiers and suppliers. By the time the war ended, much of that paper traded for only a fraction of its face value, a point Hamilton's critics raised, as the next section shows.[60]

The Treasury's own records start the debt on January 1, 1791, at $75,463,476.52. The Treasury's finance guide puts it this way: the Revolutionary War debt was "over $75 million by January 1, 1791."[61]

Hamilton's plan

Alexander Hamilton became the first Secretary of the Treasury in 1789. On January 9, 1790, he finished a report for Congress on what to do about the debt, and it was presented to the House on January 14. It is called the Report on Public Credit.[62]

Hamilton's argument was simple to state and hard to swallow. The new country should pay its debts in full, including the debts the states had run up during the war. He wrote of the war debt, "It was the price of liberty."[63]

His plan had three main parts:

1. **Fund the federal debt.** Replace the old war IOUs with new federal bonds that paid regular interest, backed by a dedicated stream of tax revenue.
2. **Assume the state debts.** Have the federal government take over the war debts of the states.
3. **Pay everyone at face value,** including people who had bought old IOUs cheaply from soldiers and farmers who needed cash.

Hamilton's report gave figures for each piece. In the Treasury's 1837 printing of the report, he put the foreign debt, with unpaid interest, at $11,710,378.62 and the domestic debt, with unpaid interest

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[60] Alexander Hamilton, via Founders Online, National Archives, "Report Relative to a Provision for the Support of Public Credit", January 9, 1790. https://founders.archives.gov/documents/Hamilton/01-06-02-0076-0002-0001. Accessed November 12, 2026. Jessie Kratz, National Archives, Pieces of History, "The Compromise of 1790", May 31, 2015, updated September 24, 2019. https://prologue.blogs.archives.gov/2015/05/31/the-compromise-of-1790/. Accessed November 12, 2026.

[61] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "America's Finance Guide: National Debt". https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/. Accessed November 12, 2026.

[62] Alexander Hamilton, via Founders Online, National Archives, "Report Relative to a Provision for the Support of Public Credit", January 9, 1790. https://founders.archives.gov/documents/Hamilton/01-06-02-0076-0002-0001. Accessed November 12, 2026.

[63] Alexander Hamilton, via Founders Online, National Archives, "Report Relative to a Provision for the Support of Public Credit", January 9, 1790. https://founders.archives.gov/documents/Hamilton/01-06-02-0076-0002-0001. Accessed November 12, 2026.

figured to the end of 1790, at $42,414,085.94, for a total of $54,124,464.56. He wrote that the state debts "may be safely stated at 25 millions of dollars, principal and interest."[6465]

Why it was a fight

Hamilton's critics, led by James Madison in the House, objected for two reasons. First, paying full value to people who had bought IOUs cheaply seemed unfair to the original holders, many of them veterans. Second, as the National Archives explains, "southern states had paid off a significant portion of their debt," so Southern members, including Madison, opposed having the national government take over the debts of states that had not.[66]

The deadlock was broken by a political bargain in 1790. According to the National Archives, at a dinner hosted by Thomas Jefferson on June 20, 1790, Madison agreed not to block assumption, and in exchange Congress would first pass a law locating the capital on the Potomac River. The Residence Act passed in July 1790, and the Funding Act, which included assumption, passed the next month. The same account notes that historians are skeptical about how much that one dinner really decided.[67]

You might ask, "Why did paying old debts matter so much?" Hamilton's answer, in the report, was credit. A country that pays what it owes can borrow again when it needs to, at lower interest. A country that doesn't, can't. That idea still sits at the center of every argument about the debt today.[68]

What the debt cost to carry in 1790

Hamilton's report is also the first federal budget problem on record, and it reads a lot like the ones in this book's last chapters. He added up what the interest would be on everything the country owed, including the state debts, at the rates then in force. His answer was $542,599.66 a year on the foreign debt and $4,044,845.15 on the domestic debt, about $4.59 million a year in all. Then he asked whether the young government could afford that "consistently with those prudential considerations" a government ought to weigh.[69]

His plan cut that bill by offering creditors new terms. For the federal debt alone, he figured the interest at $2,239,163.09 a year. Adding $600,000 for the ordinary costs of running the government, he needed about $2.84 million a year, and he believed that could come from "the present duties on imports and

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[64] Alexander Hamilton, "Report on Public Credit, January 9, 1790", in Reports of the Secretary of the Treasury of the United States, Vol. I (Washington: Blair and Rives, 1837), via FRASER, Federal Reserve Bank of St. Louis. https://fraser.stlouisfed.org/files/docs/publications/treasar/AR_TREASURY_1790.pdf. Accessed November 12, 2026.

[65] Alexander Hamilton, via Founders Online, National Archives, "Report Relative to a Provision for the Support of Public Credit", January 9, 1790. https://founders.archives.gov/documents/Hamilton/01-06-02-0076-0002-0001. Accessed November 12, 2026.

[66] Jessie Kratz, National Archives, Pieces of History, "The Compromise of 1790", May 31, 2015, updated September 24, 2019. https://prologue.blogs.archives.gov/2015/05/31/the-compromise-of-1790/. Accessed November 12, 2026.

[67] Jessie Kratz, National Archives, Pieces of History, "The Compromise of 1790", May 31, 2015, updated September 24, 2019. https://prologue.blogs.archives.gov/2015/05/31/the-compromise-of-1790/. Accessed November 12, 2026.

[68] Alexander Hamilton, via Founders Online, National Archives, "Report Relative to a Provision for the Support of Public Credit", January 9, 1790. https://founders.archives.gov/documents/Hamilton/01-06-02-0076-0002-0001. Accessed November 12, 2026.

[69] Alexander Hamilton, "Report on Public Credit, January 9, 1790", in Reports of the Secretary of the Treasury of the United States, Vol. I (Washington: Blair and Rives, 1837), via FRASER, Federal Reserve Bank of St. Louis. https://fraser.stlouisfed.org/files/docs/publications/treasar/AR_TREASURY_1790.pdf. Accessed November 12, 2026.

tonnage, with the additions" he proposed. In other words, the first plan to carry the national debt was paid for with tariffs.[70]

Hamilton's rule for new debt

Hamilton is often remembered as the founder who liked debt. His own words are more careful than that. He believed that paying the old war debt properly would make it "a national blessing." But he rejected the idea that "public debts are public benefits," calling it "a position inviting to prodigality, and liable to dangerous abuse." He wrote that he "ardently wishes" the country would adopt, as "a fundamental maxim," the rule "that the creation of debt should always be accompanied with the means of extinguishment."[71]

In plain words: whenever you borrow, set up a way to pay it back at the same time. You will hear echoes of that idea two centuries later in the "pay-as-you-go" rules of 1990 (Chapter 9) and in nearly every proposal in Chapter 20. You will also see how often Congress has set it aside.

Key points

- The national debt started with the Revolution. Treasury records put it at about $75.5 million on January 1, 1791.
- Hamilton's 1790 plan funded the federal debt, took over the states' war debts, and paid creditors in full.
- The plan passed after a bargain that put the capital on the Potomac.

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[70] Alexander Hamilton, "Report on Public Credit, January 9, 1790", in Reports of the Secretary of the Treasury of the United States, Vol. I (Washington: Blair and Rives, 1837), via FRASER, Federal Reserve Bank of St. Louis. https://fraser.stlouisfed.org/files/docs/publications/treasar/AR_TREASURY_1790.pdf. Accessed November 12, 2026.

[71] Alexander Hamilton, "Report on Public Credit, January 9, 1790", in Reports of the Secretary of the Treasury of the United States, Vol. I (Washington: Blair and Rives, 1837), via FRASER, Federal Reserve Bank of St. Louis. https://fraser.stlouisfed.org/files/docs/publications/treasar/AR_TREASURY_1790.pdf. Accessed November 12, 2026.

Chapter 6: Paid Off, Then War, 1800 to 1865

Paying it down

For most of the 1800s, both major political traditions treated a smaller debt as a goal. Thomas Jefferson, who took office in 1801, and his Treasury Secretary, Albert Gallatin, favored paying down the debt. **In his report to Congress dated December 16, 1802, Gallatin put the government's permanent revenue at about $10 million a year, of which $7.3 million was set aside each year "for the payment of the principal and interest of the public debt." He reported $5,339,886.44 in payments on the principal of the debt from April 1, 1801, to September 30, 1802, not counting debt paid off with money from selling the government's bank shares.**[72]

The Treasury's records show the debt going from about $83.0 million in 1800 down to about $45.2 million at the start of 1812.[73]

Then came the War of 1812. By 1816 the debt had risen to about $127.3 million.[74]

What Gallatin's numbers show

Gallatin's 1802 report also shows how lean the federal budget was. Out of about $10 million in permanent revenue, $7.3 million was pledged to the debt and only $2.7 million was left for "the current expenses of Government." For 1803, he expected nearly $3.9 million of the debt money to go to interest and about $3.4 million to paying down principal. He ended the report by saying that as long as the country was not hit by "any unforeseen calamity" and spending stayed "within their present limits," there was no need to raise taxes.[75]

So, in the very first years of the country, about 73 percent of permanent federal revenue was set aside for the debt, counting both interest and paying down principal. That is my arithmetic from Gallatin's figures. Compare that with fiscal year 2026, when net interest alone took about 19.5 percent of federal receipts, with nothing set aside to pay down principal. That is also my arithmetic, from the Treasury figures in Chapters 1 and 16.

The debt by the numbers, 1790 to 1860

Here is the Treasury's own record for the first 70 years, so you can see the pattern of borrowing in war and paying down in peace.

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[72] Albert Gallatin, "Report on the Finances, December 1802" (dated December 16, 1802), in Reports of the Secretary of the Treasury of the United States, Vol. I (Washington: Blair and Rives, 1837), via FRASER, Federal Reserve Bank of St. Louis. https://fraser.stlouisfed.org/files/docs/publications/treasar/AR_TREASURY_1802.pdf. Accessed November 12, 2026.

[73] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

[74] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

[75] Albert Gallatin, "Report on the Finances, December 1802" (dated December 16, 1802), in Reports of the Secretary of the Treasury of the United States, Vol. I (Washington: Blair and Rives, 1837), via FRASER, Federal Reserve Bank of St. Louis. https://fraser.stlouisfed.org/files/docs/publications/treasar/AR_TREASURY_1802.pdf. Accessed November 12, 2026.

Total federal debt, selected years, 1791 to 1861 (nominal dollars)

Date	Total debt	What was happening (see the text of this chapter)
January 1, 1791	$75.5 million	Debt after Hamilton's funding plan began
January 1, 1800	$83.0 million	Early federal years
January 1, 1812	$45.2 million	After a decade of paying down under Jefferson and Madison
January 1, 1816	$127.3 million	After the War of 1812
January 1, 1830	$48.6 million	Steady paying down
January 1, 1834	$4.8 million	Nearly gone
January 1, 1835	$33,733	The low point
July 1, 1843	$32.7 million	After the Panic of 1837 and the hard years that followed
July 1, 1846	$15.6 million	Paid down again
July 1, 1849	$63.1 million	After the war with Mexico
July 1, 1857	$28.7 million	Paid down again
July 1, 1860	$64.8 million	Eve of the Civil War
July 1, 1861	$90.6 million	First months of the Civil War

Source: Treasury, Historical Debt Outstanding. Before 1843, the Treasury's records are dated January 1; from 1843 on, they are dated July 1.[76]

The pattern repeats four times in 70 years: war, borrowing, then years of paying down. Compare that with the modern record. In the same Treasury series, the total debt has not fallen in dollars from one year to the next since 1957. You might ask why the old habit faded. The chapters ahead show the main pieces: two world wars and a depression, then big permanent programs, tax cuts and recessions in the decades since. Each school of thought in Chapter 17 weighs those pieces differently.

The only time the debt was paid off

After the war, the government paid down the debt again. President Andrew Jackson made paying it off a goal, and according to a HISTORY.com account he "further paid down the debt by selling off vast amounts of government land in the West."[77]

[76] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

He got there. The Treasury's records show the debt at $4,760,082.08 on January 1, 1834, and at just $33,733.05 on January 1, 1835. That is the closest the United States has ever come to owing nothing.[78]

In his annual message to Congress in December 1835, Jackson reported that the public debt had been fully redeemed. He wrote, "Since my last annual communication all the remains of the public debt have been redeemed, or money has been placed in deposit for this purpose whenever the creditors choose to receive it." He also asked Congress to abolish the offices that had managed the debt, because "the extinction of the public debt" had taken place.[7980]

It didn't last. A year later the debt was $37,513.05. By January 1, 1837, it was $336,957.83. A financial panic struck in 1837, government revenue fell, and the government borrowed again. By July 1843 the debt was about $32.7 million.[81]

Some people say paying off the debt caused the Panic of 1837. Economic historians disagree about the causes of that panic, and Claim 18 in Part Seven looks at what the evidence shows.[82]

The Mexican War and the 1850s

The debt rose during the war with Mexico and was about $63.5 million in 1850 and $64.8 million on July 1, 1860, on the eve of the Civil War.[83]

The Civil War

The Civil War changed everything. The Treasury's finance guide notes that the debt went from "$65 million in 1860 to $1 billion in 1863."[84]

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[77] HISTORY.com Editors, A&E Television Networks, "The U.S. national debt reaches $0 for the first time", published August 29, 2019, updated February 18, 2025. https://www.history.com/this-day-in-history/january-1/andrew-jackson-national-debt-reaches-zero-dollars. Accessed November 12, 2026.

[78] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

[79] Andrew Jackson, via The American Presidency Project (University of California, Santa Barbara), "Seventh Annual Message", December 8, 1835. https://www.presidency.ucsb.edu/documents/seventh-annual-message-2. Accessed November 12, 2026.

[80] Andrew Jackson, via The American Presidency Project (University of California, Santa Barbara), "Seventh Annual Message", December 8, 1835. https://www.presidency.ucsb.edu/documents/seventh-annual-message-2. Accessed November 12, 2026.

[81] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

[82] Thomas Klitgaard and James Narron, Federal Reserve Bank of New York, Liberty Street Economics, "Crisis Chronicles: The Man on the Twenty-Dollar Bill and the Panic of 1837", May 8, 2015. https://libertystreeteconomics.newyorkfed.org/2015/05/crisis-chronicles-the-man-on-the-twenty-dollar-bill-and-the-panic-of-1837/. Accessed November 12, 2026. Peter L. Rousseau, National Bureau of Economic Research, "Jacksonian Monetary Policy, Specie Flows, and the Panic of 1837 (Working Paper 7528; published in the Journal of Economic History, 2002)", February 2000. https://www.nber.org/papers/w7528. Accessed November 12, 2026.

[83] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

[84] U.S. Department of the Treasury, Bureau of the Fiscal Service, "America's Finance Guide: National Debt". https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/. Accessed November 12, 2026.

By July 1, 1865, it was about $2.68 billion. A year later, on July 1, 1866, it reached about $2.77 billion. In nominal dollars, the debt had grown more than 40 times over in six years.[85]

The Union paid for the war in three main ways:

- **Borrowing.** By the end of the war, the Union had paid for about two-thirds of its $3.4 billion in direct war costs by selling bonds, according to the Essential Civil War Curriculum at Virginia Tech. The Philadelphia banker Jay Cooke's firm sold more than $511 million of Treasury securities starting in 1862, using newspaper ads and about 2,500 agents to reach ordinary Americans.[86]
- **Paper money.** The Legal Tender Act of February 25, 1862, allowed the government to print $150 million in paper money not backed by gold, the "greenbacks." More followed, and by the war's end nearly half a billion dollars in greenbacks had been issued.[87]
- **New taxes,** including the first federal income tax. All taxes together brought in about 21 percent of the federal government's revenue during the war years. The book on the income tax and the IRS in this series covers that tax.[88]

The greenbacks and the inflation that came with them are covered in the book on inflation and the dollar in this series.

The Civil War debt in numbers

The jump was fast. The Treasury's records show the debt going from $64.8 million on July 1, 1860, to $90.6 million in 1861, $524.2 million in 1862, $1.12 billion in 1863, $1.82 billion in 1864 and $2.68 billion in 1865. The peak came a year after the war ended, at about $2.77 billion on July 1, 1866.[89]

Then the long pay-down began again. By 1893, the debt was down to about $1.55 billion, a little over half of its peak, as Chapter 7 shows. The country never got close to zero again, but for the rest of the 1800s, it kept the old habit of paying down war debt in peacetime.

Key points

- The government paid the debt down for most of the early 1800s.
- Under Andrew Jackson, the debt fell to $33,733.05 on January 1, 1835, the only time it has been close to zero.

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[85] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

[86] Essential Civil War Curriculum (Virginia Center for Civil War Studies, Virginia Tech), "Financing the Civil War". https://www.essentialcivilwarcurriculum.com/financing-the-civil-war.html. Accessed November 12, 2026.

[87] HISTORY.com Editors, A&E Television Networks, "Legal Tender Act passed to help finance the Civil War", published November 13, 2009, updated May 27, 2025. https://www.history.com/this-day-in-history/february-25/legal-tender-act-passed. Accessed November 12, 2026. Essential Civil War Curriculum (Virginia Center for Civil War Studies, Virginia Tech), "Financing the Civil War". https://www.essentialcivilwarcurriculum.com/financing-the-civil-war.html. Accessed November 12, 2026.

[88] Essential Civil War Curriculum (Virginia Center for Civil War Studies, Virginia Tech), "Financing the Civil War". https://www.essentialcivilwarcurriculum.com/financing-the-civil-war.html. Accessed November 12, 2026.

[89] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

- The Civil War pushed the debt from about $65 million in 1860 to about $2.77 billion in 1866.

Chapter 7: World Wars and the Great Depression, 1917 to 1945

After the Civil War

After the Civil War, the government paid the debt down again, slowly. By July 1, 1893, it was about $1.55 billion, down from about $2.77 billion in 1866. It edged back up to about $2.14 billion by 1900, after the Spanish-American War, and stood at about $3.61 billion on July 1, 1916.[90]

World War I and the Liberty Bonds

The United States entered World War I in April 1917. To pay for it, the Treasury ran a series of huge bond drives, called the Liberty Loans.

According to an essay by the economic historian Richard Sutch for Federal Reserve History, the first campaign was announced on April 28, 1917, with a $2 billion offering at 3.5 percent interest. A second loan of $3 billion followed in the fall of 1917, a third of $3 billion in April 1918, and a fourth of $6 billion in October 1918, with a final "Victory Loan" after the armistice. Sutch writes that "more than $17 billion had been raised" in bonds, compared with $8.8 billion collected in taxes, and that "after four drives, twenty million individuals had bought bonds."[91]

The debt went from about $3.61 billion in 1916 to about $27.39 billion in 1919.[92]

Where the debt limit came from

The law that authorized the second Liberty Loan, the Second Liberty Bond Act of 1917, is where the modern debt limit began. CRS explains that the act "included an aggregate limit on federal debt as well as limits on specific debt issues." Before that, Congress approved each borrowing one at a time. Part Four tells the full story.[93]

The 1920s pay-down

After the war, the government ran surpluses and paid the debt down. By June 29, 1929, the debt was about $16.93 billion. By June 30, 1930, it was about $16.19 billion.[94]

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[90] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

[91] Richard Sutch, Federal Reserve History (Federal Reserve Bank of St. Louis and partners), "Liberty Bonds", written as of December 4, 2015. https://www.federalreservehistory.org/essays/liberty-bonds. Accessed November 12, 2026.

[92] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

[93] Congressional Research Service, "The Debt Limit: History and Recent Increases (RL31967)", November 2, 2015. https://www.everycrsreport.com/reports/RL31967.html. Accessed November 12, 2026.

[94] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

The Great Depression and the New Deal

The Depression cut federal revenue sharply, and the government spent more on relief and public works under Presidents Herbert Hoover and Franklin Roosevelt. The debt rose from about $16.19 billion in 1930 to about $22.54 billion in 1933 and about $42.97 billion by June 1940.[95]

In 1940, debt held by the public was 41.6 percent of GDP.[96]

World War II

World War II was the biggest borrowing event in American history, measured against the size of the economy.

In fiscal year 1943, the federal deficit was 26.9 percent of GDP. The debt grew from about $48.96 billion in June 1941 to about $258.68 billion in June 1945 and about $269.42 billion in June 1946.[97]

By 1946, debt held by the public reached 106.3 percent of GDP. That is still the all-time record, though CBO projects it will be passed around 2030.[98]

As in World War I, the government sold war bonds to millions of Americans, and it raised taxes sharply. It also had help from the Federal Reserve. Starting in April 1942, the Fed committed to keep interest rates on Treasury bills at 3/8 of a percent, with an implied cap of 2.5 percent on long-term bonds, which held down the cost of wartime borrowing. The National WWII Museum puts war bond purchases by Americans in the seven nationwide War Loan drives at $136 billion in 1945 dollars.[99]

The war debts in today's dollars

Nominal dollars from 1919 or 1946 are hard to picture. So here are the same debt totals adjusted to 2025 dollars, using the Consumer Price Index (CPI), the government's main measure of consumer prices. The CPI starts in 1913, so I can't adjust the earlier figures in this book the same way.

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[95] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

[96] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026.

[97] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit as Percent of Gross Domestic Product (FYFSGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSGDA188S. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

[98] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026. Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026.

[99] Jessie Romero, Federal Reserve History, "Treasury-Fed Accord", written as of November 22, 2013. https://www.federalreservehistory.org/essays/treasury-fed-accord. Accessed November 12, 2026. The National WWII Museum, "The Home Front by the Numbers". https://www.nationalww2museum.org/home-front-numbers. Accessed November 12, 2026.

Total federal debt in nominal dollars and in 2025 dollars, selected years, 1916 to 1946

Fiscal year	Total debt, nominal	Total debt in 2025 dollars (approximate)
1916	$3.6 billion	about $107 billion
1919	$27.4 billion	about $510 billion
1930	$16.2 billion	about $312 billion
1933	$22.5 billion	about $558 billion
1940	$43.0 billion	about $988 billion
1946	$269.4 billion	about $4.45 trillion
2025, for comparison	$37.6 trillion	$37.6 trillion

Sources: Treasury, Historical Debt Outstanding, for the nominal totals; Bureau of Labor Statistics, CPI for all urban consumers, annual averages, for the adjustment. The adjustment is my arithmetic. Because the debt figures are for a single day and the CPI is a yearly average, treat these as rough guides.[100]

Two things stand out.

First, look at 1930 to 1933. The debt rose about 39 percent in nominal dollars. But prices were falling in the early Depression, so in real terms, adjusted for inflation, the debt rose about 79 percent. Falling prices make every dollar owed heavier. That is my arithmetic from the same figures, and it is one reason economists worry about deflation as well as inflation.

Second, even after adjusting for inflation, the World War II debt of 1946 was about $4.45 trillion in 2025 dollars. Today's debt is more than eight times that in real terms. Yet the 1946 debt was larger compared with the size of the economy: 106.3 percent of GDP for debt held by the public, versus 97.8 percent in 2025. The economy is simply much bigger now. That is why this book leans on the share of GDP when comparing eras (Chapter 4).

You might ask, "Does that mean today's debt is no problem?" Not by itself. The share of GDP tells you how heavy the load is, not where it is heading. In 1946 the war was over and spending was about to fall. Today, as Chapter 19 shows, CBO projects the share to keep rising under current law.

Key points

- The debt grew from about $3.6 billion in 1916 to about $27.4 billion in 1919, paid for largely with Liberty Bonds.
- The debt limit began with the Second Liberty Bond Act of 1917.
- World War II pushed debt held by the public to 106.3 percent of GDP in 1946, the record so far.

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[100] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026. U.S. Bureau of Labor Statistics, "Consumer Price Index for All Urban Consumers (CPI-U), U.S. city average, all items, series CUUR0000SA0, annual averages 1913 to 2025", Public Data API. https://api.bls.gov/publicAPI/v2/timeseries/data/CUUR0000SA0. Accessed November 12, 2026.

Chapter 8: Growing Out of It, 1946 to 1980

The great shrinking

Here is one of the most important facts in the whole history of the debt. After World War II, the United States never paid the war debt back in dollars. The debt in dollars stayed about the same, and then grew. But the debt as a share of the economy fell by about four-fifths in less than 30 years.[101]

Fiscal year	Total debt, nominal dollars	Debt held by the public as a share of GDP
1946	$269.4 billion	106.3%
1950	$257.4 billion	73.0%
1960	$286.3 billion	43.7%
1970	$370.9 billion	26.4%
1974	(see note)	22.2%
1980	$907.7 billion	24.9%

Sources: Treasury Historical Debt Outstanding; OMB via FRED. Note: the 1974 dollar figure was not in the set of Treasury records I pulled.[102]

You might ask, "How did the debt shrink if it was never paid back?" The answer is that the economy grew much faster than the debt. Economists point to three forces, and they argue about how much each one mattered:

1. **Economic growth.** The postwar economy grew quickly, so the same debt was a smaller share of a much bigger economy.
2. **Inflation.** Rising prices made each dollar of old debt smaller compared with incomes and tax receipts.
3. **Close-to-balanced budgets.** Deficits in most years were small compared with the economy, and there were a few surplus years, including 1969.[103]

There was also a fourth factor in the early postwar years. Interest rates were held down by the Federal Reserve's wartime peg until the Treasury-Fed Accord of March 1951, which the Federal Reserve History essay calls the "liberation of monetary policy." After the Accord, the Fed was free to let rates rise.[104]

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[101] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026.

[102] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026.

[103] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit as Percent of Gross Domestic Product (FYFSGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSGDA188S. Accessed November 12, 2026.

What the shrinking looked like in today's dollars

Here is a fact that surprises many people. The World War II debt didn't only shrink as a share of the economy. For almost 30 years, it also shrank after adjusting for inflation, even though it barely changed in nominal dollars.

In 2025 dollars, the total debt was about $4.45 trillion in 1946, about $3.11 trillion in 1960 and about $3.10 trillion in 1974. So the real value of the debt fell by about 30 percent between 1946 and 1974, while the nominal amount rose from $269.4 billion to $475.1 billion. That is my arithmetic from the Treasury's totals and the Bureau of Labor Statistics CPI annual averages.[105]

That is the inflation piece of the story at work. Bondholders who bought long-term bonds during the war at low, capped rates were paid back in dollars that bought less. It is a quiet way a government's debt can shrink, and it is not free. The cost falls on savers and bondholders. Economists still argue about how much of the postwar shrinking came from inflation and how much from growth and small deficits, as noted above.

Then the real debt started to grow again. By 1980, it was about $3.55 trillion in 2025 dollars, and by 1990 about $7.96 trillion, more than double in ten years, by the same arithmetic. That decade is the subject of Chapter 9.

Budget rules and a new scorekeeper

In 1974, Congress passed the Congressional Budget and Impoundment Control Act. It created the budget committees in the House and Senate and the Congressional Budget Office, and it moved the start of the fiscal year from July 1 to October 1. CBO's first director, Alice Rivlin, took office on February 24, 1975. CBO describes its job as providing the budget committees and Congress "with objective, impartial information." **The law itself, Public Law 93-344, was signed on July 12, 1974. Its Section 501 kept the old July-to-June fiscal year through June 30, 1976, and started the new October-to-September year on October 1, 1976. The three months in between, July 1 to September 30, 1976, were handled as a separate transition period under Section 502.**[106][107]

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[104] Jessie Romero, Federal Reserve History, "Treasury-Fed Accord", written as of November 22, 2013. https://www.federalreservehistory.org/essays/treasury-fed-accord. Accessed November 12, 2026.

[105] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026. U.S. Bureau of Labor Statistics, "Consumer Price Index for All Urban Consumers (CPI-U), U.S. city average, all items, series CUUR0000SA0, annual averages 1913 to 2025", Public Data API. https://api.bls.gov/publicAPI/v2/timeseries/data/CUUR0000SA0. Accessed November 12, 2026.

[106] Public Law 93-344, Congressional Budget and Impoundment Control Act of 1974, 88 Stat. 297, July 12, 1974, sections 501 and 502, Government Publishing Office (GovInfo). https://www.govinfo.gov/content/pkg/STATUTE-88/pdf/STATUTE-88-Pg297.pdf. Accessed November 12, 2026.

[107] Congressional Budget Office, "History (list of CBO directors)". https://www.cbo.gov/about/history. Accessed November 12, 2026.

The 1970s

Inflation was high in the 1970s, and deficits grew larger. In nominal dollars, the debt more than doubled between 1970 and 1980, from about $371 billion to about $908 billion. But debt held by the public as a share of GDP stayed in the low to mid 20s, because inflation and growth raised GDP about as fast.[108]

Key points

- After World War II the debt was not paid back. It shrank as a share of a fast-growing economy.
- Debt held by the public fell from 106.3 percent of GDP in 1946 to 22.2 percent in 1974.
- The 1974 Budget Act created CBO, which has kept score on the budget for both parties ever since.

[108] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026.

Chapter 9: The 1980s and the Budget Deals of 1990 and 1993

The 1980s run-up

The 1980s were the first time since World War II that the debt grew much faster than the economy in peacetime. Debt held by the public rose from 24.9 percent of GDP in 1980 to 40.4 percent in 1990. In nominal dollars, the total debt went from about $908 billion in 1980 to about $2.86 trillion in 1989 and about $3.23 trillion in 1990.[109]

Here is what happened, told the same way the rest of this book tells it: what was enacted, and what the official scorekeepers said.

- **The 1981 tax cut.** President Ronald Reagan signed the Economic Recovery Tax Act of 1981, which cut income tax rates across the board. A Treasury Office of Tax Analysis study estimated that it reduced revenue by $38.3 billion in its first year and by $176.7 billion in its fourth year, in nominal dollars, equal to about 4.2 percent of GDP in that fourth year. The study calls it the biggest tax cut of the 1968 to 2006 period.[110]
- **Defense build-up.** Military spending rose in the early and mid 1980s. One Commerce Department measure of defense spending and investment went from about 6.1 percent of GDP in early 1980 to about 7.4 percent in early 1986, by my arithmetic from the Bureau of Economic Analysis figures.[111]
- **Recession.** A deep recession in 1981 and 1982 cut revenue and raised safety-net spending. The deficit reached 5.7 percent of GDP in fiscal year 1983.[112]
- **Tax increases.** Congress and the president then raised some taxes again, including in 1982 and 1984, and the 1983 Social Security amendments raised payroll taxes. By the fourth year after each became law, the same Treasury study estimates, the 1982 law (the Tax Equity and Fiscal Responsibility Act) was raising $52.1 billion a year, the 1983 Social Security amendments $11.4 billion, and the 1984 law (the Deficit Reduction Act) $24.6 billion, in nominal dollars. Together, those fourth-year amounts equal about half of the 1981 law's fourth-year cost, by my rough arithmetic; the fourth years fall in different calendar years, so the comparison is approximate.[113]

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[109] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

[110] Jerry Tempalski, U.S. Department of the Treasury, Office of Tax Analysis, "Revenue Effects of Major Tax Bills (OTA Working Paper 81)", revised September 2006. https://home.treasury.gov/system/files/131/WP-81.pdf. Accessed November 12, 2026.

[111] U.S. Bureau of Economic Analysis, via Federal Reserve Bank of St. Louis (FRED), "Federal Government: National Defense Consumption Expenditures and Gross Investment (FDEFX), and Gross Domestic Product (GDPA)", updated October 29, 2026 and September 30, 2026. https://fred.stlouisfed.org/series/FDEFX. Accessed November 12, 2026.

[112] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit as Percent of Gross Domestic Product (FYFSGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSGDA188S. Accessed November 12, 2026.

[113] Jerry Tempalski, U.S. Department of the Treasury, Office of Tax Analysis, "Revenue Effects of Major Tax Bills (OTA Working Paper 81)", revised September 2006. https://home.treasury.gov/system/files/131/WP-81.pdf. Accessed November 12, 2026.

Economists and politicians still argue about how much each of these mattered. Supporters of the 1981 tax cut say it helped the economy recover. Critics say it cost far more revenue than it brought back. Claim 9 in Part Seven tests the broader claim that "tax cuts pay for themselves."

Gramm-Rudman-Hollings

In 1985, Congress passed the Balanced Budget and Emergency Deficit Control Act, named for Senators Phil Gramm, Warren Rudman and Ernest Hollings. It set yearly deficit targets and required automatic, across-the-board spending cuts, called sequestration, if the targets were missed. President Reagan signed it on December 12, 1985. In July 1986, in Bowsher v. Synar, the Supreme Court struck down the part of the law that let the Comptroller General trigger the cuts, and Congress rewrote that part in 1987 (Public Law 100-119). The targets were revised and missed, and the law's deficit targets were replaced in 1990.[114]

The 1990 budget deal

In 1988, while running for president, George H.W. Bush promised, "Read my lips: no new taxes." He said it in his speech accepting the Republican nomination in New Orleans on August 18, 1988, as the transcript at the American Presidency Project shows.[115] In 1990, facing large deficits, he agreed to a budget deal with the Democratic Congress that included tax increases and spending cuts. It included the Budget Enforcement Act of 1990, which set caps on yearly spending and created "pay-as-you-go" (PAYGO) rules requiring new tax cuts or benefit increases to be paid for. The Budget Enforcement Act was part of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508), signed on November 5, 1990, and its rules were later extended through 2002.[116]

The deal angered many Republicans, and critics say it hurt Bush in the 1992 election. Supporters say the budget rules it created helped set up the later surpluses. Both are opinions, and I could not find an official source that settles either one. **[Not verified]**[117]

The 1993 budget law

In 1993, President Bill Clinton signed the Omnibus Budget Reconciliation Act of 1993. It raised the top income tax rate and made other tax and spending changes. It passed the House 218 to 216 on August 5, 1993, with no Republican votes in favor. In the Senate, Vice President Al Gore cast a tie-breaking vote on August 6, 1993. The Senate's record of roll call vote 247 confirms the link: on August 6, 1993, the conference report on H.R. 2264, the Omnibus Budget Reconciliation Act of 1993, was agreed to with the

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[114] Congressional Research Service, "Statutory Budget Controls in Effect Between 1985 and 2002 (R41901)", July 1, 2011. https://www.everycrsreport.com/reports/R41901.html. Accessed November 12, 2026.

[115] George H.W. Bush, via The American Presidency Project (University of California, Santa Barbara), "Address Accepting the Presidential Nomination at the Republican National Convention in New Orleans", August 18, 1988. https://www.presidency.ucsb.edu/documents/address-accepting-the-presidential-nomination-the-republican-national-convention-new. Accessed November 12, 2026.

[116] Congressional Research Service, "Statutory Budget Controls in Effect Between 1985 and 2002 (R41901)", July 1, 2011. https://www.everycrsreport.com/reports/R41901.html. Accessed November 12, 2026.

[117] Congressional Research Service, "Statutory Budget Controls in Effect Between 1985 and 2002 (R41901)", July 1, 2011. https://www.everycrsreport.com/reports/R41901.html. Accessed November 12, 2026.

Senate split 50 to 50 and the Vice President voting yea.[118] President Clinton signed it on August 10, 1993. The Federal Reserve Bank of Cleveland summarized it as reducing deficits by a cumulative $433 billion over fiscal years 1994 through 1998, with revenue increases making up about 56 percent of that total.[119]

Republicans at the time predicted that the tax increases would hurt the economy. Democrats said the law would cut the deficit. Chapter 10 shows what happened next. Debt held by the public peaked at 47.4 percent of GDP in fiscal year 1993 in the series used in this book.[120]

The tax laws of 1981 to 1993, side by side

Chapter 14 sets out a Treasury study that measured every major tax law from 1968 to 2006 the same way. Here are the ones from this chapter, measured in the fourth year after each became law. Positive numbers raised revenue. Negative numbers cut it.

Revenue effect of major tax laws, 1981 to 1993, in the fourth year after enactment (Treasury Office of Tax Analysis estimates)

Law	President who signed it	Fourth-year effect, nominal dollars	Fourth-year effect, share of GDP
Economic Recovery Tax Act of 1981	Reagan (R)	-$176.7 billion	-4.15%
Tax Equity and Fiscal Responsibility Act of 1982	Reagan (R)	+$52.1 billion	+1.23%
Social Security Amendments of 1983	Reagan (R)	+$11.4 billion	+0.24%
Deficit Reduction Act of 1984	Reagan (R)	+$24.6 billion	+0.49%
Tax Reform Act of 1986	Reagan (R)	-$9.0 billion	-0.16%
Omnibus Budget Reconciliation Act of 1987	Reagan (R)	+$15.6 billion	+0.27%
Omnibus Budget	George H.W. Bush (R)	+$36.5 billion	+0.52%

[118] U.S. Senate, "Roll Call Vote 103rd Congress, 1st Session, Vote Number 247 (H.R. 2264, Omnibus Budget Reconciliation Act of 1993, conference report)", August 6, 1993. https://www.senate.gov/legislative/LIS/roll_call_votes/vote1031/vote_103_1_00247.htm. Accessed November 12, 2026.

[119] Office of the Clerk, U.S. House of Representatives, "Final Vote Results for Roll Call 406 (H.R. 2264, conference report)", August 5, 1993. https://clerk.house.gov/evs/1993/roll406. Accessed November 12, 2026. U.S. Senate Historical Office, "Officially Recorded Occasions When Vice Presidents Have Voted to Break Tie Votes in the Senate", December 6, 2023. https://www.senate.gov/about/resources/pdf/vice-president-tie-votes-1789-present.pdf. Accessed November 12, 2026. David Altig and Jagadeesh Gokhale, Federal Reserve Bank of Cleveland, Economic Commentary, "The Budget Reconciliation Act of 1993: A Summary Report", October 15, 1993. https://www.clevelandfed.org/publications/economic-commentary/1993/ec-19931015-the-budget-reconciliation-act-of-1993-a-summary-report. Accessed November 12, 2026.

[120] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026.

Reconciliation Act of 1990			
Omnibus Budget Reconciliation Act of 1993	Clinton (D)	+$65.9 billion	+0.83%

Source: Treasury Office of Tax Analysis, Working Paper 81, Table 2. These are estimates of each law on its own, before counting any effect on the economy.[121]

The table tells a story that neither party's usual version captures. President Reagan signed the biggest tax cut of the period in 1981, and then signed several tax increases. The Treasury paper notes that the 1982 law "was enacted primarily to offset some of the revenue loss" from the 1981 law. By the Treasury's measure, the 1982 law was the biggest tax increase of the 1968 to 2006 period, measured in constant dollars and as a share of GDP, and the 1993 law was second.[122]

The paper also describes three phases. Most major tax laws before 1982 cut taxes. Deficits then "helped cause 9 of the 11 major tax bills enacted between 1982 and 1993 to increase" revenue. After 1993, all 8 major tax bills it studied reduced revenue.[123]

Key points

- Debt held by the public rose from 24.9 percent of GDP in 1980 to 40.4 percent in 1990.
- Both parties passed deficit-reduction laws, in 1985, 1990 and 1993, with very different mixes of tax and spending changes.
- The 1990 law's spending caps and pay-as-you-go rules stayed in place through the 1990s.

[121] Jerry Tempalski, U.S. Department of the Treasury, Office of Tax Analysis, "Revenue Effects of Major Tax Bills (OTA Working Paper 81)", revised September 2006. https://home.treasury.gov/system/files/131/WP-81.pdf. Accessed November 12, 2026.

[122] Jerry Tempalski, U.S. Department of the Treasury, Office of Tax Analysis, "Revenue Effects of Major Tax Bills (OTA Working Paper 81)", revised September 2006. https://home.treasury.gov/system/files/131/WP-81.pdf. Accessed November 12, 2026.

[123] Jerry Tempalski, U.S. Department of the Treasury, Office of Tax Analysis, "Revenue Effects of Major Tax Bills (OTA Working Paper 81)", revised September 2006. https://home.treasury.gov/system/files/131/WP-81.pdf. Accessed November 12, 2026.

Chapter 10: The Surplus Years, 1998 to 2001

Four straight surpluses

From fiscal year 1998 through fiscal year 2001, the federal government ran a surplus every year. It was the first time since 1969, and it hasn't happened since.[124]

Fiscal year	Surplus, nominal dollars	As a share of GDP
1998	$69.3 billion	0.8%
1999	$125.6 billion	1.3%
2000	$236.2 billion	2.3%
2001	$128.2 billion	1.2%

Source: OMB via FRED.[125]

Debt held by the public fell from $3.41 trillion at the end of fiscal year 2000 to $3.34 trillion a year later. As a share of the economy, it fell from 47.4 percent of GDP in 1993 to 31.4 percent in 2001.[126]

How the surpluses happened

No single person or law created the surpluses. Most analysts point to a mix of these factors:

1. **The 1990 and 1993 deficit laws** and their spending caps and pay-as-you-go rules (Chapter 9).
2. **The Balanced Budget Act of 1997,** a deal between President Clinton and the Republican Congress led by Speaker Newt Gingrich that cut the growth of spending and also included tax cuts. President Clinton signed the Balanced Budget Act (Public Law 105-33) and the Taxpayer Relief Act (Public Law 105-34) on August 5, 1997. CBO estimated that together they would cut deficits by a net $118 billion over five years, with $198 billion in spending savings partly offset by $80 billion in tax cuts.[127]
3. **A booming economy and stock market,** which brought in much more revenue than expected, especially from taxes on capital gains. A Congressional Research Service economist found that from 1992 to 2000, "a little more than half of the shift was the result of changes in policy, and a

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[124] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit (FYFSD), millions of dollars, fiscal years", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSD. Accessed November 12, 2026.

[125] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit (FYFSD), millions of dollars, fiscal years", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSD. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit as Percent of Gross Domestic Product (FYFSGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSGDA188S. Accessed November 12, 2026.

[126] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny, Fiscal Data API (record dates September 28, 2001 through November 9, 2026)". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_to_penny. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026.

[127] Robert Keith, Congressional Research Service, "Budget Enforcement Act of 1997: Summary and Legislative History (97-931)", October 8, 1997. https://www.everycrsreport.com/reports/97-931.html. Accessed November 12, 2026.

little less than half was attributable to the economic expansion." When CBO later cut its revenue estimates, lower capital gains receipts were part of the reason.[128]

4. **Lower defense spending** after the Cold War ended. By the same Commerce Department measure used in Chapter 9, defense spending and investment fell from about 6.7 percent of GDP in early 1990 to about 3.9 percent in early 1999, by my arithmetic.[129]

Each party tends to stress the factors that favor its side. Democrats often point to the 1993 law. Republicans often point to the 1997 deal and the Congress they led after 1995. The records show that both laws were part of the picture, along with a strong economy that neither party fully controlled.

The projections that never came true

In January 2001, CBO projected that the government would run large surpluses for the next ten years. That projection was wrong, as Chapter 11 shows. In that outlook, CBO projected a ten-year surplus totaling $5.6 trillion. By February 2002, the ten-year figure had dropped to $1.6 trillion. For the single year 2002, the projected surplus fell by $308 billion: $125 billion from a weaker economy, $92 billion from technical changes (mostly lower revenue estimates) and $91 billion from new laws, mainly the 2001 tax cut.[130]

The lesson is one CBO repeats in every outlook: projections are not predictions. They show what would happen if current laws stayed the same and the economy behaved as expected. Laws change, and so does the economy.

Key points

- The government ran surpluses from 1998 through 2001, and debt held by the public fell.
- The surpluses came from deficit laws passed by both parties, spending caps, lower defense spending and a booming economy.
- The total debt still rose in those years, because the trust funds kept growing (Chapter 2).

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[128] Brian W. Cashell, Congressional Research Service, "The Economics of the Federal Budget Deficit (RL31235)", updated October 23, 2003. https://www.everycrsreport.com/reports/RL31235.html. Accessed November 12, 2026. Carl E. Walsh, Federal Reserve Bank of San Francisco Economic Letter 2002-08, "The Changing Budget Picture", March 22, 2002. https://www.frbsf.org/research-and-insights/publications/economic-letter/2002/03/the-changing-budget-picture. Accessed November 12, 2026.

[129] U.S. Bureau of Economic Analysis, via Federal Reserve Bank of St. Louis (FRED), "Federal Government: National Defense Consumption Expenditures and Gross Investment (FDEFX), and Gross Domestic Product (GDPA)", updated October 29, 2026 and September 30, 2026. https://fred.stlouisfed.org/series/FDEFX. Accessed November 12, 2026.

[130] Carl E. Walsh, Federal Reserve Bank of San Francisco Economic Letter 2002-08, "The Changing Budget Picture", March 22, 2002. https://www.frbsf.org/research-and-insights/publications/economic-letter/2002/03/the-changing-budget-picture. Accessed November 12, 2026.

Part Three: 2001 to Today

Chapter 11: 2001 to 2008, Tax Cuts, Wars and a New Drug Benefit

In January 2001 the government was running a surplus, and official projections showed more surpluses ahead. By the end of fiscal year 2008, the total debt had gone from $5.81 trillion to $10.02 trillion, and debt held by the public had gone from 31.4 percent of GDP to 39.3 percent.[131]

What happened? In 2010, the Congressional Research Service looked at exactly that question in a report called "The Impact of Major Legislation on Budget Deficits: 2001 to 2009." Its answer was that laws passed by Congress and signed by the president, together with the interest on the added debt, increased deficits by about $5.4 trillion over fiscal years 2001 through 2009, compared with the projections made in January 2001. The rest of the change came from the economy and from technical changes in estimates.[132]

Here are the biggest pieces CRS identified.

The 2001 and 2003 tax cuts

President George W. Bush signed two major tax laws, in 2001 and 2003: the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Jobs and Growth Tax Relief Reconciliation Act of 2003. They cut income tax rates, reduced taxes on capital gains and dividends, raised the child tax credit and phased down the estate tax. CRS reports that these two laws "generated the largest 10-year increases in budget deficits, about $1.7 trillion."[133]

Supporters said the tax cuts returned surplus money to taxpayers and helped the economy recover from the 2001 recession. Critics said they were too large and assumed surpluses that never arrived. Many of the cuts were written to expire after 2010. Chapter 12 shows what happened to them.

The wars in Afghanistan and Iraq

After the attacks of September 11, 2001, the United States went to war in Afghanistan, and in 2003 in Iraq. Most of the cost was paid with borrowed money, through emergency and supplemental funding that was not offset by tax increases or spending cuts elsewhere. CRS counted about $943.8 billion appropriated for military operations in Iraq and Afghanistan from fiscal years 2001 through 2009.[134]

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[131] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny, Fiscal Data API (record dates September 28, 2001 through November 9, 2026)". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_to_penny. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026.

[132] Marc Labonte and Andrew Hanna, Congressional Research Service, "The Impact of Major Legislation on Budget Deficits: 2001 to 2009 (R41134)", March 23, 2010. https://www.everycrsreport.com/reports/R41134.html. Accessed November 12, 2026.

[133] Marc Labonte and Andrew Hanna, Congressional Research Service, "The Impact of Major Legislation on Budget Deficits: 2001 to 2009 (R41134)", March 23, 2010. https://www.everycrsreport.com/reports/R41134.html. Accessed November 12, 2026.

[134] Marc Labonte and Andrew Hanna, Congressional Research Service, "The Impact of Major Legislation on Budget Deficits: 2001 to 2009 (R41134)", March 23, 2010. https://www.everycrsreport.com/reports/R41134.html. Accessed November 12, 2026.

A later CRS report counted $1.6 trillion in war-related appropriations over the 13 years from fiscal year 2001 through 2014. That figure does not include interest on the borrowed money or long-term costs such as veterans' care.[135]

The Medicare drug benefit

In 2003, President Bush signed the Medicare Prescription Drug, Improvement, and Modernization Act, which created Medicare Part D, a prescription drug benefit for seniors. It passed with mostly Republican votes. It was not paid for with new taxes or offsetting cuts. CRS reports that CBO "originally projected" the law "would cost $552.2 billion over 10 years," and that the Medicare trustees later estimated $381.3 billion for the same period, partly because drug costs grew more slowly than expected.[136]

The 2008 crisis begins

In early 2008, as the economy weakened, Congress passed and President Bush signed the Economic Stimulus Act of 2008, which sent rebate checks to households. CRS cites a Joint Committee on Taxation (JCT) estimate of about $124.5 billion. By the fall of 2008, the financial crisis was in full swing, and the story turns to Chapter 12.[137]

Key points

- From 2001 to 2008, the total debt rose from $5.81 trillion to $10.02 trillion.
- CRS found that new laws plus the interest on the added debt raised deficits by about $5.4 trillion over 2001 to 2009, compared with the January 2001 projections.
- The largest pieces were the 2001 and 2003 tax cuts (about $1.7 trillion), war funding and the Medicare drug benefit, none of which were fully paid for.

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[135] Congressional Research Service, "The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11 (RL33110)", December 8, 2014. https://www.everycrsreport.com/reports/RL33110.html. Accessed November 12, 2026.

[136] Marc Labonte and Andrew Hanna, Congressional Research Service, "The Impact of Major Legislation on Budget Deficits: 2001 to 2009 (R41134)", March 23, 2010. https://www.everycrsreport.com/reports/R41134.html. Accessed November 12, 2026.

[137] Marc Labonte and Andrew Hanna, Congressional Research Service, "The Impact of Major Legislation on Budget Deficits: 2001 to 2009 (R41134)", March 23, 2010. https://www.everycrsreport.com/reports/R41134.html. Accessed November 12, 2026.

Chapter 12: 2008 to 2016, the Great Recession and the Budget Control Act

The crisis

The financial crisis of 2008 and the recession that came with it, called the Great Recession, hit federal finances in two ways at once. Tax receipts fell as incomes and profits dropped, and spending on programs such as unemployment benefits and food aid rose on its own. On top of that, Congress and two presidents passed emergency laws.

The deficit reached $1.41 trillion in fiscal year 2009, or 9.8 percent of GDP, the largest share since World War II at that time.[138]

TARP

The Troubled Asset Relief Program (TARP) was signed by President Bush in October 2008. It let the Treasury buy troubled assets and put money into banks and other companies, including automakers. Much of that money was later paid back. In January 2010, CBO estimated that TARP would increase deficits by $99 billion over the life of the program, far less than the $700 billion Congress authorized, according to CRS.[139]

The 2009 Recovery Act

In February 2009, President Barack Obama signed the American Recovery and Reinvestment Act (ARRA), a mix of tax cuts, aid to states, spending on infrastructure and safety-net programs. It passed with almost no Republican votes. CBO wrote that when ARRA was being considered, it and JCT "estimated that it would increase budget deficits by $787 billion between fiscal years 2009 and 2019," and that CBO later estimated the total "will amount to nearly $840 billion."[140]

Supporters said ARRA shortened the recession and saved jobs. Critics said it cost too much and did too little. CBO's own later estimates found it raised output and employment while it was in effect, within a wide range.[141]

The 2011 standoff and the Budget Control Act

After the 2010 elections gave Republicans control of the House, a fight over the debt limit led to the Budget Control Act of 2011, signed by President Obama on August 2, 2011. It allowed the debt limit to rise in three stages, set caps on yearly discretionary spending, and created a backup of automatic cuts,

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[138] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit (FYFSD), millions of dollars, fiscal years", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSD. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit as Percent of Gross Domestic Product (FYFSGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSGDA188S. Accessed November 12, 2026.

[139] Marc Labonte and Andrew Hanna, Congressional Research Service, "The Impact of Major Legislation on Budget Deficits: 2001 to 2009 (R41134)", March 23, 2010. https://www.everycrsreport.com/reports/R41134.html. Accessed November 12, 2026.

[140] Congressional Budget Office, "Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output in 2014", February 20, 2015. https://www.cbo.gov/publication/49958. Accessed November 12, 2026.

[141] Congressional Budget Office, "Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output in 2014", February 20, 2015. https://www.cbo.gov/publication/49958. Accessed November 12, 2026.

called sequestration, when a special committee failed to agree on further savings. Chapter 15 tells the debt limit side of that story.[142]

The 2012 "fiscal cliff" deal

At the end of 2012, the Bush tax cuts were set to expire at the same time as the automatic spending cuts were set to begin, a combination widely called the "fiscal cliff." The American Taxpayer Relief Act of 2012 was signed on January 2, 2013. It made the lower tax rates permanent for taxable income below $400,000 ($450,000 for married couples filing jointly), raised the top rate from 35 percent to 39.6 percent above those levels, and raised the top rate on capital gains and dividends from 15 percent to 20 percent. The Joint Committee on Taxation estimated the permanent extension would reduce revenue by $1.53 trillion over fiscal years 2013 to 2022, compared with letting the tax cuts expire.[143]

Where things stood in 2016

Fiscal year	Total debt	Debt held by the public as a share of GDP
2008	$10.02 trillion	39.3%
2009	$11.91 trillion	52.1%
2012	$16.07 trillion	69.4%
2016	$19.57 trillion	75.3%

Sources: Treasury; OMB via FRED.[144]

Why the interest bill stayed low while the debt doubled

Between the end of fiscal year 2008 and the end of fiscal year 2016, the total debt nearly doubled, from $10.02 trillion to $19.57 trillion. You might expect the interest bill to double too. It didn't, and the reason is interest rates.

The Treasury tracks the average interest rate on all the debt it owes. At the end of September 2008, that average was 4.19 percent. By the end of September 2016, it was 2.23 percent. The rate on Treasury bills, the shortest-term debt, fell from 1.61 percent in September 2008 to below one-tenth of 1 percent in 2011, 2013 and 2014. In September 2014, the average bill rate was 0.057 percent.[145]

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[142] Congressional Research Service, "The Debt Limit: History and Recent Increases (RL31967)", November 2, 2015. https://www.everycrsreport.com/reports/RL31967.html. Accessed November 12, 2026.

[143] Congressional Research Service, "The "Fiscal Cliff" and the American Taxpayer Relief Act of 2012 (R42884)", January 4, 2013. https://www.everycrsreport.com/reports/R42884.html. Accessed November 12, 2026.

[144] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny, Fiscal Data API (record dates September 28, 2001 through November 9, 2026)". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_to_penny. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026.

[145] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Average Interest Rates on U.S. Treasury Securities, September record dates, 2001 to 2026", Fiscal Data API. https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/avg_interest_rates. Accessed November 12, 2026.

So the government borrowed far more, but at about half the average rate. That is why, as Chapter 16 shows, interest as a share of the economy actually fell in 2010 even as the debt climbed. People who argued in those years that the debt was cheap to carry had the numbers on their side at the time. Chapter 17 shows how that argument changed once rates went back up after 2022.

Key points

- The Great Recession sent the deficit to $1.41 trillion in 2009 as revenue fell and emergency spending rose.
- TARP cost much less than its $700 billion headline. ARRA cost about $787 billion at enactment and about $840 billion by CBO's later count.
- The 2011 Budget Control Act capped spending, and the 2012 deal made most of the 2001 and 2003 tax cuts permanent.

Chapter 13: 2017 to Today, Tax Law, Pandemic and Beyond

The figures in this chapter are current as of November 12, 2026.

The 2017 tax law

In December 2017, President Donald Trump signed the law commonly called the Tax Cuts and Jobs Act (TCJA). It cut the corporate tax rate from 35 percent to 21 percent, lowered individual income tax rates, nearly doubled the standard deduction, and limited some deductions. Most of the individual tax cuts were written to expire after 2025. It passed with only Republican votes. The House approved the final version 224 to 201 on December 20, 2017, with 12 Republicans and every Democrat voting no.[146] In the Senate, the vote early that morning was 51 to 48, with every Republican present voting yes and every Democrat and independent voting no.[147] He signed it on December 22, 2017. Under the law, the standard deduction for a married couple filing jointly went from $13,000 to $24,000 in 2018, and most individual provisions were set to expire after December 31, 2025.[148]

According to an analysis by the Committee for a Responsible Federal Budget of CBO's April 2018 report, the law was "originally scored as costing $1.45 trillion before interest on a conventional basis," CBO estimated "roughly $400 billion of revenue and other economic feedback," and on net CBO estimated it would "add $1.89 trillion to the debt through 2027, including interest." Claim 9 in Part Seven looks at whether the tax cuts paid for themselves.[149]

The pandemic

In 2020 and 2021, the COVID-19 pandemic brought the largest borrowing since World War II. Congress passed, and Presidents Trump and Biden signed, several large relief laws:

- **The CARES Act** (March 2020), signed by President Trump after passing with large majorities from both parties. CBO and JCT estimated it would add about $1.8 trillion to deficits over 2020 to 2030.[150]
- **Further relief in December 2020,** part of the Consolidated Appropriations Act, 2021 (Public Law 116-260), signed by President Trump on December 27, 2020. CBO and JCT estimated its main coronavirus relief division would add $682 billion to deficits over 2021 to 2030.[151]

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[146] Office of the Clerk, U.S. House of Representatives, "Roll Call 699 (H.R. 1, Tax Cuts and Jobs Act, motion to concur in the Senate amendment)", December 20, 2017. https://clerk.house.gov/evs/2017/roll699.xml. Accessed November 12, 2026.

[147] U.S. Senate, "Roll Call Vote 115th Congress, 1st Session, Vote Number 323 (H.R. 1, Tax Cuts and Jobs Act)", December 20, 2017. https://www.senate.gov/legislative/LIS/roll_call_votes/vote1151/vote_115_1_00323.htm. Accessed November 12, 2026.

[148] Congressional Research Service, "The 2017 Tax Revision (P.L. 115-97): Comparison to 2017 Tax Law (R45092)", February 6, 2018. https://www.everycrsreport.com/reports/R45092.html. Accessed November 12, 2026.

[149] Committee for a Responsible Federal Budget (deficit-focused advocacy group), reporting CBO estimates, "Analysis of CBO's April 2018 Budget and Economic Outlook", April 9, 2018. https://www.crfb.org/papers/analysis-cbos-april-2018-budget-and-economic-outlook. Accessed November 12, 2026.

[150] Congressional Budget Office and Joint Committee on Taxation staff, summarized by LegiStorm, "H.R. 748, CARES Act, Public Law 116-136", April 16, 2020. Full CBO report at cbo.gov; I read the summary page. https://legistorm.com/reports/view/cbo/19187/CARES_Act_Public_Law_116_136.html. Accessed November 12, 2026.

- **The American Rescue Plan Act** (March 2021), signed by President Biden after passing with only Democratic votes. CBO estimated it would "add $1.8 trillion to deficits over the 2021-2031 period (excluding interest costs on the added debt)."[152]

The deficit was $3.13 trillion in fiscal year 2020, or 14.7 percent of GDP, and $2.77 trillion in fiscal year 2021, or 11.7 percent of GDP.[153]

2022 and 2023

The Inflation Reduction Act of 2022, signed by President Biden with only Democratic votes, combined climate and energy tax credits, Medicare drug price changes, a minimum tax on large corporations and more money for the Internal Revenue Service. CBO estimated it would reduce deficits by $238 billion over ten years, as reported by the Committee for a Responsible Federal Budget. Later estimates of the energy tax credits came in much higher. Using new Joint Committee on Taxation estimates, the Committee for a Responsible Federal Budget estimated in 2023 that the energy and climate provisions could cost about $660 billion through 2031, compared with about $400 billion originally. Public Law 119-21 in 2025 ended many of those credits early.[154]

The Fiscal Responsibility Act of 2023, negotiated by President Biden and Speaker Kevin McCarthy and passed with votes from both parties, suspended the debt limit and capped some spending. CBO estimated it would reduce deficits "by about $1.5 trillion over the 2023-2033 period," including $188 billion in lower interest costs, and would reduce projected debt held by the public in 2033 by about 3 percent.[155]

2025: Public Law 119-21

In July 2025, President Trump signed Public Law 119-21, the July 2025 tax and spending law commonly called the One Big Beautiful Bill Act. It passed with only Republican votes. According to CRS, it made

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[151] Congressional Budget Office and Joint Committee on Taxation staff (copy hosted by spendingtracker.org), "CBO Estimate for Division N, Additional Coronavirus Response and Relief, of H.R. 133, Consolidated Appropriations Act, 2021", January 14, 2021. https://spendingtracker.org/download-file-files/bill-documents/5621/hr133-cbo-score-v4.pdf. Accessed November 12, 2026.

[152] Congressional Budget Office (Phillip L. Swagel, letter to Senator Lindsey Graham), "Three Scenarios for the Budget as Specified by Senator Graham", May 21, 2021. https://www.budget.senate.gov/download/cbo-letter-to-sengraham&download=1. Accessed November 12, 2026.

[153] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit (FYFSD), millions of dollars, fiscal years", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSD. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit as Percent of Gross Domestic Product (FYFSGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSGDA188S. Accessed November 12, 2026.

[154] Committee for a Responsible Federal Budget (deficit-focused advocacy group), reporting CBO estimates, "CBO Scores IRA with $238 Billion of Deficit Reduction", September 7, 2022. https://www.crfb.org/blogs/cbo-scores-ira-238-billion-deficit-reduction. Accessed November 12, 2026. Committee for a Responsible Federal Budget (deficit-focused advocacy group), reporting Joint Committee on Taxation estimates, "IRA Energy Provisions Could Cost Two-Thirds More Than Originally Estimated", July 6, 2023. https://www.crfb.org/blogs/ira-energy-provisions-could-cost-two-thirds-more-originally-estimated. Accessed November 12, 2026. Congressional Research Service, "Tax Provisions in P.L. 119-21, the FY2025 Reconciliation Law (R48611)", July 29, 2025. https://www.everycrsreport.com/reports/R48611.html. Accessed November 12, 2026.

[155] Congressional Budget Office (Phillip L. Swagel, letter to Speaker Kevin McCarthy), "H.R. 3746, the Fiscal Responsibility Act of 2023", May 30, 2023. https://www.cbo.gov/system/files/2023-05/hr3746_Letter_McCarthy.pdf. Accessed November 12, 2026. Congressional Budget Office, "How the Fiscal Responsibility Act of 2023 Affects CBO's Projections of Federal Debt", June 2023. https://www.cbo.gov/publication/59260. Accessed November 12, 2026.

most of the expiring 2017 individual tax provisions permanent, added temporary new tax breaks for 2025 through 2028 (including a $6,000 deduction for people 65 and older), ended many energy tax credits early, and raised the debt limit by $5 trillion. CBO estimated its health provisions, mostly Medicaid, would cut federal spending by about $1.1 trillion over 2025 to 2034, and its nutrition provisions, mostly SNAP (food stamps), by almost $187 billion. It also added money for defense and homeland security: CRS counted $156.2 billion for defense and $191.02 billion in mandatory funding for the Department of Homeland Security (details in the next section).[156][157]

CBO estimated that the law would increase deficits by $3.4 trillion over 2025 to 2034, before counting interest or effects on the economy.[158]

How the 2025 law passed, and what else was in it

The 2025 law passed by the narrowest margins possible. In the Senate, the vote on July 1, 2025, was tied 50 to 50, and the Vice President voted yes to break the tie. Three Republicans, Senators Collins, Paul and Tillis, voted no along with every Democrat and both independents.[159] In the House, the final vote on July 3, 2025, was 218 to 214. Two Republicans and all 212 Democrats voted no.[160]

The law also carried a large amount of new spending. CRS counted $156.2 billion for defense in the law's defense title, available until September 30, 2029, and reported CBO's estimate that this title would add about $149.5 billion to deficits over 2025 to 2034.[161] For the Department of Homeland Security, CRS counted $191.02 billion in mandatory funding, which it called "the largest single package of DHS

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[156] Congressional Research Service, "Defense Funding in the 2025 Reconciliation Law (H.R. 1; P.L. 119-21, Title II) (IN12580)", updated July 24, 2025. https://www.everycrsreport.com/reports/IN12580.html. Accessed November 12, 2026. Congressional Research Service, "Department of Homeland Security Appropriations: FY2026 State of Play (R48874)", updated June 24, 2026. https://www.everycrsreport.com/files/2026-06-24_R48874_110288560491cb6ccc12bffcf6463335c70a9043.html. Accessed November 12, 2026.

[157] Congressional Research Service, "Tax Provisions in P.L. 119-21, the FY2025 Reconciliation Law (R48611)", July 29, 2025. https://www.everycrsreport.com/reports/R48611.html. Accessed November 12, 2026. Congressional Research Service, "Health Provisions in P.L. 119-21, the FY2025 Reconciliation Law (R48633)", August 18, 2025. https://www.everycrsreport.com/reports/R48633.html. Accessed November 12, 2026. Congressional Research Service, "Supplemental Nutrition Assistance Program (SNAP) and Related Nutrition Programs in P.L. 119-21: An Overview (R48552)", updated August 15, 2025. https://www.everycrsreport.com/reports/R48552.html. Accessed November 12, 2026. Congressional Research Service, "Federal Debt and the Debt Limit in 2025 (IN12045)", updated September 11, 2025. https://www.everycrsreport.com/reports/IN12045.html. Accessed November 12, 2026.

[158] Congressional Budget Office (Phillip L. Swagel, letter to Senators Whitehouse, Wyden and Merkley and Representative Boyle), "CBO's Estimates of the Statutory Pay-As-You-Go Effects of Public Law 119-21", August 15, 2025. https://www.cbo.gov/system/files/2025-08/61659-SPAYGO.pdf. Accessed November 12, 2026.

[159] U.S. Senate, "Roll Call Vote 119th Congress, 1st Session, Vote Number 372 (H.R. 1, passage)", July 1, 2025. https://www.senate.gov/legislative/LIS/roll_call_votes/vote1191/vote_119_1_00372.htm. Accessed November 12, 2026.

[160] Office of the Clerk, U.S. House of Representatives, "Roll Call 190 (H.R. 1, One Big Beautiful Bill Act, motion to concur in the Senate amendment)", July 3, 2025. https://clerk.house.gov/evs/2025/roll190.xml. Accessed November 12, 2026.

[161] Congressional Research Service, "Defense Funding in the 2025 Reconciliation Law (H.R. 1; P.L. 119-21, Title II) (IN12580)", updated July 24, 2025. https://www.everycrsreport.com/reports/IN12580.html. Accessed November 12, 2026.

appropriations ever enacted," almost double the gross budget authority provided to the whole department in the fiscal year 2024 appropriations process.[162]

Those spending items are part of CBO's $3.4 trillion estimate for the whole law, along with the tax cuts and the cuts to Medicaid and nutrition programs. So when you hear the law described only as a "tax cut," or only as a "spending cut," you are hearing half the story.

Tariffs and the 2026 outlook

In 2025, the administration also raised tariffs, which are taxes on imports, sharply. In its February 2026 outlook, CBO estimated that compared with its January 2025 projections, Public Law 119-21 would add $4.7 trillion to deficits over its ten-year window, immigration policy changes would add $0.5 trillion, and higher tariffs would reduce deficits by $3.0 trillion. CBO's projections reflected trade policy as of November 20, 2025.[163]

The tariff revenue is now uncertain. CBO noted that its long-term projections, published February 25, 2026, did not account for the effects of the Supreme Court's February 20, 2026, ruling on tariffs. In that case, Learning Resources, Inc. v. Trump, the Court held 6 to 3 that the International Emergency Economic Powers Act (IEEPA) does not authorize the president to impose tariffs. Justices Thomas, Alito and Kavanaugh dissented. The Court gave no directions on refunds, leaving that to the lower courts. Tariffs imposed under other laws were not part of the case.[164]

Fiscal year 2026: shutdowns, stopgaps and a second reconciliation law

The information in this section is current as of November 12, 2026.

Fiscal year 2026 started without a budget. CRS reports that a lapse in appropriations, commonly called a government shutdown, began on October 1, 2025. It ended on November 12, 2025, when Congress passed and the President signed a stopgap law, Public Law 119-37, that funded much of the government, including Homeland Security, through January 30, 2026. After a brief second lapse from January 31 through February 2, 2026, a larger spending law, Public Law 119-75, was signed on February 3, 2026, the same day the House passed it 217 to 214.[165]

Homeland Security was the exception. Its funding lapsed again on February 14, 2026, and most of the department was not funded until April 30, 2026. Even then, the law left out the Border Patrol and Immigration and Customs Enforcement. CRS called the lapse that began in February "the longest such

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[162] Congressional Research Service, "Department of Homeland Security Appropriations: FY2026 State of Play (R48874)", updated June 24, 2026. https://www.everycrsreport.com/files/2026-06-24_R48874_110288560491cb6ccc12bffcf6463335c70a9043.html. Accessed November 12, 2026.

[163] Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026.

[164] Congressional Budget Office, "The Long-Term Budget Outlook Data: 2026 to 2056", February 25, 2026. https://www.cbo.gov/publication/62044. Accessed November 12, 2026. Nathaniel B. Bolin and Karla M. Cure, K&L Gates LLP, National Law Review, "Summary - Supreme Court Decision on IEEPA Tariffs", February 20, 2026. https://natlawreview.com/article/summary-supreme-court-decision-ieepa-tariffs. Accessed November 12, 2026.

[165] Congressional Research Service, "Department of Homeland Security Appropriations: FY2026 State of Play (R48874)", updated June 24, 2026. https://www.everycrsreport.com/files/2026-06-24_R48874_110288560491cb6ccc12bffcf6463335c70a9043.html. Accessed November 12, 2026.

lapse in the history of the department," and it called the way those two agencies were finally funded "unprecedented."[166]

They were funded through a second budget reconciliation law, the same fast-track process used for the 2025 law. The Senate passed it 52 to 47 on June 5, 2026, the House passed it 214 to 212 on June 9, and it was signed the next day as Public Law 119-98. CRS reports that it provided almost $70 billion for Customs and Border Protection and Immigration and Customs Enforcement, available through fiscal year 2029: about $26.0 billion for Customs and Border Protection and about $38.5 billion for Immigration and Customs Enforcement, among other amounts.[167]

I did not find a CBO estimate of that law's total effect on deficits that I could open. [Not verified: CBO's cost estimate for Public Law 119-98; cbo.gov blocked automated access on November 12, 2026.]

Fiscal year 2027, which started October 1, 2026, also began on a stopgap. On September 2, 2026, the President signed Public Law 119-103, which funds all 12 regular appropriations bills through December 11, 2026, at a rate CBO estimated at $1.701 trillion a year in discretionary budget authority. CRS reports that none of the 12 regular bills for fiscal year 2027 had been enacted before that.[168]

You might ask, "Do shutdowns save money?" I did not find an official estimate for the 2025 lapse, so I can't give you a number. What the records do show is that the big decisions on deficits in 2025 and 2026 were made in the two reconciliation laws and the tariff policy, not in the yearly spending fights.

Tariff receipts after the ruling

The Supreme Court's February 2026 ruling on tariffs shows up in the Treasury's monthly numbers. Here are net customs receipts, month by month.

Net customs duties collected by month, fiscal year 2026 and October 2026 (billions of nominal dollars; information current as of November 12, 2026)

Month	Net customs duties
October 2025	$31.4
November 2025	$30.8
December 2025	$27.9
January 2026	$27.7
February 2026	$26.6

[166] Congressional Research Service, "Department of Homeland Security Appropriations: FY2026 State of Play (R48874)", updated June 24, 2026. https://www.everycrsreport.com/files/2026-06-24_R48874_110288560491cb6ccc12bffcf6463335c70a9043.html. Accessed November 12, 2026.

[167] Congressional Research Service, "Department of Homeland Security Appropriations: FY2026 State of Play (R48874)", updated June 24, 2026. https://www.everycrsreport.com/files/2026-06-24_R48874_110288560491cb6ccc12bffcf6463335c70a9043.html. Accessed November 12, 2026.

[168] Congressional Research Service, "Overview of Continuing Appropriations for FY2027 (Division A of P.L. 119-103) (R49353)", September 17, 2026. https://www.everycrsreport.com/files/2026-09-17_R49353_98ddd8e7b1852b47b24e394ed7ddf6d6d53b4632.html. Accessed November 12, 2026.

March 2026	$22.2
April 2026	$22.1
May 2026	about $0.0
June 2026	-$25.6
July 2026	-$8.5
August 2026	$12.8
September 2026	$5.9
Fiscal year 2026 total	$173.2
October 2026 (first month of fiscal year 2027)	$19.2

Source: Treasury, Monthly Treasury Statement, Table 9, customs duties line. For comparison, customs duties were $7.3 billion in January 2025 and $29.7 billion in September 2025.[169]

Notice the negative months. A negative number means more money went back out through this line than came in that month. The timing lines up with the period after the ruling, when the question of refunds went to the lower courts. But the Treasury table itself does not say why. [Not verified: whether the negative months in May through July 2026 reflect refunds of tariffs struck down by the Supreme Court; I did not find an official statement of the amounts refunded.]

Customs receipts recovered somewhat by October 2026, to $19.2 billion for the month, which tells you some tariffs, imposed under other laws, are still being collected. How much tariff revenue the government will collect in the years ahead is one of the biggest open questions in CBO's next projections (Chapter 19).

A war and a request for more money

In 2026, the United States was at war with Iran. I did not find a CRS or CBO report on its cost that I could open, so I report what was said in public testimony, as covered by the press.

At a Senate Appropriations Committee hearing on July 21, 2026, Defense Secretary Pete Hegseth said the war had cost the Defense Department $37.5 billion to that point, according to Defense News. He was there to ask for $67.1 billion in supplemental defense funding. The same report says roughly half of that request, $32.7 billion, was for the operation directly, and the rest was for other priorities such as munitions, drones and cybersecurity.[170]

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[169] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9, Customs Duties line, monthly, January 2025 through October 2026", Fiscal Data API. https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9. Accessed November 12, 2026.

[170] Patricia Kime, Defense News, "Cost of Iran war rises to $37.5 billion, Pentagon requests $67.1 billion more", July 21, 2026. https://www.defensenews.com/news/pentagon-congress/2026/07/21/cost-of-iran-war-rises-to-375-billion-pentagon-requests-671-billion-more/. Accessed November 12, 2026.

The Center for Strategic and International Studies (CSIS), a think tank, reported that the White House sent Congress an $87.6 billion supplemental request on June 24, 2026, and estimated that "about one-third of the request appears to be driven by the costs of the Iran war."[171]

Emergency war spending is usually not offset by cuts or taxes elsewhere, as the Afghanistan and Iraq wars showed in Chapter 11. So whatever Congress approves will most likely add to the deficit. [Not verified: whether Congress had enacted any part of the 2026 supplemental request by November 12, 2026; I did not find it in the CRS reports I read.]

Where things stand

Fiscal year	Total debt	Debt held by the public as a share of GDP	Deficit
2017	$20.24 trillion	74.8%	(not shown)
2019	$22.72 trillion	78.0%	(not shown)
2020	$26.95 trillion	98.3%	$3.13 trillion
2021	$28.43 trillion	93.8%	$2.77 trillion
2023	$33.17 trillion	94.3%	(not shown)
2025	$37.64 trillion	97.8%	$1.78 trillion
2026	$40.17 trillion	101% (CBO projection)	$1.99 trillion

Sources: Treasury; OMB via FRED; CBO; Monthly Treasury Statement.[172]

Key points

- The 2017 tax law cost about $1.45 trillion before interest by the conventional estimate, and about $1.89 trillion including interest and economic feedback, by CBO's 2018 estimate.
- Pandemic relief under both Presidents Trump and Biden drove deficits to $3.13 trillion in 2020 and $2.77 trillion in 2021.
- Public Law 119-21 added an estimated $3.4 trillion to deficits over ten years before interest, while tariffs were estimated to reduce deficits, though their future is uncertain after the Supreme Court's February 2026 ruling.

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[171] Center for Strategic and International Studies (think tank), "War Costs Make Up a Third of the $87.6 Billion Supplemental Request", July 13, 2026. https://www.csis.org/analysis/war-costs-make-third-876-billion-supplemental-request. Accessed November 12, 2026.

[172] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny, Fiscal Data API (record dates September 28, 2001 through November 9, 2026)". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_to_penny. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit (FYFSD), millions of dollars, fiscal years", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSD. Accessed November 12, 2026. Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1: Summary of Receipts, Outlays, and the Deficit/Surplus, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

Chapter 14: Which Policies Added the Most

The figures in this chapter come from official estimates dated as shown. The chapter is current as of November 12, 2026.

You might ask, "So who is to blame?" This chapter puts the biggest laws side by side, measured the same way: the official estimate of what each law would do to deficits over ten years, usually from CBO or JCT, at or near the time it passed. A positive number means the law added to deficits.

The yardstick, and its limits

This is the fairest single yardstick I know of, but it has limits you should know about:

1. **Estimates are made before the fact.** The real cost can turn out higher or lower. The Medicare drug benefit, for example, came in under its original estimate.[173]
2. **Interest is usually left out.** Most official estimates exclude the interest on the added debt, which can add a lot. I note when a figure includes interest.
3. **Ten-year windows can hide costs.** Laws that are set to expire, and are later extended, can look cheaper than they turn out to be.
4. **Dollars from different years are not the same size.** These are nominal dollars, so a trillion dollars in 2001 was a bigger share of the economy than a trillion dollars in 2025.
5. **Some costs aren't laws.** Recessions, wars funded year by year, and changes in interest rates move the debt without a single law to point to.

Major laws compared

Law (year)	President (party)	Congress	Official estimate of 10-year effect on deficits	Source
2001 and 2003 tax cuts, combined	George W. Bush (R)	Republican House; Senate split in 2001, Republican in 2003	about $1.7 trillion added	CRS, 2010
Medicare Part D (2003)	George W. Bush (R)	Republican	$552.2 billion added (CBO original estimate)	CRS, 2010
War funding, Iraq and Afghanistan, FY2001 to FY2009	George W. Bush (R), Barack Obama (D)	Both parties	about $943.8 billion appropriated (not a 10-year estimate)	CRS, 2010
TARP (2008)	George W. Bush (R)	Democratic	$99 billion added over the program's life (CBO, January 2010)	CRS, 2010
Recovery Act (2009)	Barack Obama (D)	Democratic	$787 billion added at enactment; nearly $840 billion by CBO's later count	CBO, 2015

[173] Marc Labonte and Andrew Hanna, Congressional Research Service, "The Impact of Major Legislation on Budget Deficits: 2001 to 2009 (R41134)", March 23, 2010. https://www.everycrsreport.com/reports/R41134.html. Accessed November 12, 2026.

Law (year)	President (party)	Congress	Official estimate of 10-year effect on deficits	Source
2017 tax law	Donald Trump (R)	Republican	about $1.45 trillion added before interest; about $1.89 trillion including interest and economic feedback	CBO, as reported by CRFB
American Rescue Plan (2021)	Joe Biden (D)	Democratic	$1.8 trillion added, excluding interest	CBO, 2021
Inflation Reduction Act (2022)	Joe Biden (D)	Democratic	$238 billion reduced (original estimate)	CBO, as reported by CRFB
Fiscal Responsibility Act (2023)	Joe Biden (D)	Republican House, Democratic Senate	about $1.5 trillion reduced, including interest	CBO, 2023
Public Law 119-21 (2025)	Donald Trump (R)	Republican	$3.4 trillion added, before interest	CBO, 2025

Sources: as listed in each row.[174]

The 2020 pandemic relief laws are shown in Chapter 13 rather than in this table, because CBO scored them in pieces over 2020 to 2030 rather than as one ten-year package.[175]

How the debt changed under each president

Another common way to compare is to look at debt held by the public as a share of GDP at the start and end of each presidency. I use the end of the fiscal year before each president took office and the end of the fiscal year before the next one took office. This method has a known flaw: a new president's first

[174] Marc Labonte and Andrew Hanna, Congressional Research Service, "The Impact of Major Legislation on Budget Deficits: 2001 to 2009 (R41134)", March 23, 2010. https://www.everycrsreport.com/reports/R41134.html. Accessed November 12, 2026. Congressional Budget Office, "Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output in 2014", February 20, 2015. https://www.cbo.gov/publication/49958. Accessed November 12, 2026. Committee for a Responsible Federal Budget (deficit-focused advocacy group), reporting CBO estimates, "Analysis of CBO's April 2018 Budget and Economic Outlook", April 9, 2018. https://www.crfb.org/papers/analysis-cbos-april-2018-budget-and-economic-outlook. Accessed November 12, 2026. Congressional Budget Office (Phillip L. Swagel, letter to Senator Lindsey Graham), "Three Scenarios for the Budget as Specified by Senator Graham", May 21, 2021. https://www.budget.senate.gov/download/cbo-letter-to-sengraham&download=1. Accessed November 12, 2026. Committee for a Responsible Federal Budget (deficit-focused advocacy group), reporting CBO estimates, "CBO Scores IRA with $238 Billion of Deficit Reduction", September 7, 2022. https://www.crfb.org/blogs/cbo-scores-ira-238-billion-deficit-reduction. Accessed November 12, 2026. Congressional Budget Office (Phillip L. Swagel, letter to Speaker Kevin McCarthy), "H.R. 3746, the Fiscal Responsibility Act of 2023", May 30, 2023. https://www.cbo.gov/system/files/2023-05/hr3746_Letter_McCarthy.pdf. Accessed November 12, 2026. Congressional Budget Office (Phillip L. Swagel, letter to Senators Whitehouse, Wyden and Merkley and Representative Boyle), "CBO's Estimates of the Statutory Pay-As-You-Go Effects of Public Law 119-21", August 15, 2025. https://www.cbo.gov/system/files/2025-08/61659-SPAYGO.pdf. Accessed November 12, 2026.

[175] Congressional Budget Office and Joint Committee on Taxation staff, summarized by LegiStorm, "H.R. 748, CARES Act, Public Law 116-136", April 16, 2020. Full CBO report at cbo.gov; I read the summary page. https://legistorm.com/reports/view/cbo/19187/CARES_Act_Public_Law_116_136.html. Accessed November 12, 2026. Congressional Budget Office and Joint Committee on Taxation staff (copy hosted by spendingtracker.org), "CBO Estimate for Division N, Additional Coronavirus Response and Relief, of H.R. 133, Consolidated Appropriations Act, 2021", January 14, 2021. https://spendingtracker.org/download-file-files/bill-documents/5621/hr133-cbo-score-v4.pdf. Accessed November 12, 2026.

fiscal year was budgeted by the previous president and Congress. Read it as a rough guide, not a verdict.[176]

President (party)	Fiscal years	Debt held by the public, share of GDP, start	End	Change
Ronald Reagan (R)	1981 to 1989	24.6%	38.8%	+14.2 points
George H.W. Bush (R)	1989 to 1993	38.8%	47.4%	+8.6 points
Bill Clinton (D)	1993 to 2001	47.4%	31.4%	-16.0 points
George W. Bush (R)	2001 to 2009	31.4%	52.1%	+20.7 points
Barack Obama (D)	2009 to 2017	52.1%	74.8%	+22.7 points
Donald Trump (R), first term	2017 to 2021	74.8%	93.8%	+19.0 points
Joe Biden (D)	2021 to 2025	93.8%	97.8%	+4.0 points
Donald Trump (R), second term	2025 to present	97.8%	101% (CBO projection for 2026)	in progress

Sources: OMB via FRED; CBO. The changes are my arithmetic.[177]

Two cautions. First, each number reflects the economy as well as policy. Obama took office in a deep recession, and the pandemic hit at the end of Trump's first term. The share of GDP fell in 2021 and 2022 under Biden partly because high inflation raised nominal GDP. Second, Congress writes the budget. Clinton's surpluses came with a Republican Congress for six of his eight years. Many of the biggest increases came under unified party control, and some under divided government.

The same comparison can be made in dollars, both nominal and adjusted for inflation. Here it is, using the same start and end years as the table above.

Change in total federal debt by presidency, nominal and in 2025 dollars (same fiscal years as the table above)

President (party)	Fiscal years	Increase, nominal dollars	Percent increase, nominal	Percent increase, adjusted for inflation

[176] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026.

[177] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026. Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026.

Ronald Reagan (R)	1981 to 1989	$1.86 trillion	186%	110%
George H.W. Bush (R)	1989 to 1993	$1.55 trillion	54%	32%
Bill Clinton (D)	1993 to 2001	$1.40 trillion	32%	7%
George W. Bush (R)	2001 to 2009	$6.10 trillion	105%	69%
Barack Obama (D)	2009 to 2017	$8.34 trillion	70%	49%
Donald Trump (R), first term	2017 to 2021	$8.18 trillion	40%	27%
Joe Biden (D)	2021 to 2025	$9.21 trillion	32%	11%
Donald Trump (R), second term	2025 to 2026 (one year so far)	$2.53 trillion	7%	not yet available

Sources: Treasury, Historical Debt Outstanding, total debt at the end of each fiscal year; Bureau of Labor Statistics CPI-U annual averages for the adjustment. All figures are my arithmetic. These are totals, including debt the government owes its own trust funds.[178]

Tables like this are easy to cherry-pick, so look at how the story shifts depending on the column. In raw dollars, the biggest increases came under the most recent presidents, because the debt and the economy were both much larger. In percentage terms, the biggest increase came under Reagan. After adjusting for inflation, Reagan and George W. Bush top the list, and Clinton is lowest. None of these columns accounts for wars, recessions or a pandemic, or for which party controlled Congress. That is why I use more than one yardstick in this chapter and don't give a single "winner."

What the record shows

Laid side by side, the official estimates show three things:

1. **Both parties have passed large laws that added to deficits,** and both have passed laws that reduced them.
2. **The largest single additions since 2001 have been tax laws, emergency relief and wars.** Tax cuts were signed mostly by Republican presidents. The largest emergency spending laws were signed by presidents of both parties.
3. **Debt held by the public, measured against the economy, has risen under every president since 2001.** It last fell under Clinton.

Claim 4 in Part Seven tests the claim that one party always runs up the debt and the other always cuts it.

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[178] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026. U.S. Bureau of Labor Statistics, "Consumer Price Index for All Urban Consumers (CPI-U), U.S. city average, all items, series CUUR0000SA0, annual averages 1913 to 2025", Public Data API. https://api.bls.gov/publicAPI/v2/timeseries/data/CUUR0000SA0. Accessed November 12, 2026.

A longer yardstick: tax laws from 1968 to 2006

For tax laws, there is a second official yardstick that covers a longer stretch of time. A Treasury Office of Tax Analysis paper, revised in 2006, measured every major tax law from 1968 to 2006 the same way: by its estimated effect on revenue in the years right after it passed. The paper argued that the best single measure "is probably the revenue effect as a percentage of GDP, because it eliminates the effects of inflation, real economic growth, and the size of total federal receipts."[179]

Largest tax cuts and tax increases, 1968 to 2006, by average effect over the first four years (share of GDP; Treasury Office of Tax Analysis estimates)

Law	President who signed it	Average yearly effect, first four years, share of GDP
Economic Recovery Tax Act of 1981	Reagan (R)	-2.89%
Revenue Act of 1978	Carter (D)	-0.83%
Economic Growth and Tax Relief Reconciliation Act of 2001	George W. Bush (R)	-0.71%
Jobs and Growth Tax Relief Reconciliation Act of 2003	George W. Bush (R)	-0.48%
Tax Equity and Fiscal Responsibility Act of 1982	Reagan (R)	+0.98%
Omnibus Budget Reconciliation Act of 1993	Clinton (D)	+0.63%
Omnibus Budget Reconciliation Act of 1990	George H.W. Bush (R)	+0.50%
Crude Oil Windfall Profit Tax Act of 1980	Carter (D)	+0.50%

Source: Treasury Office of Tax Analysis, Working Paper 81, Table 2, four-year average. Laws with fewer than four years of estimates, such as the 1968 law with its temporary income tax surcharge, are not ranked here. The 2003 law's cuts were front-loaded: -1.19 percent of GDP in its first year, close to zero by its fourth.[180]

By this measure, the 1981 law stands alone. The paper says it "was more than twice as large (in constant dollars) as any other post-1967 tax bill." Presidents of both parties appear on both sides of the table. A

[179] Jerry Tempalski, U.S. Department of the Treasury, Office of Tax Analysis, "Revenue Effects of Major Tax Bills (OTA Working Paper 81)", revised September 2006. https://home.treasury.gov/system/files/131/WP-81.pdf. Accessed November 12, 2026.

[180] Jerry Tempalski, U.S. Department of the Treasury, Office of Tax Analysis, "Revenue Effects of Major Tax Bills (OTA Working Paper 81)", revised September 2006. https://home.treasury.gov/system/files/131/WP-81.pdf. Accessed November 12, 2026.

Democratic president, Jimmy Carter, signed the second-largest tax cut by this measure, and a Republican president, Ronald Reagan, signed the largest tax increase.[181]

These are static estimates. They don't count any effect the laws had on the economy. Claim 9 in Part Seven looks at what happens when official scorekeepers do try to count those effects.

Key points

- Measured by official estimates at the time, the largest additions to deficits since 2001 were tax laws, war funding and emergency relief.
- Both parties have added to the debt, and both have, at times, passed laws to reduce it.
- Debt held by the public as a share of the economy has risen under every president since 2001.

[181] Jerry Tempalski, U.S. Department of the Treasury, Office of Tax Analysis, "Revenue Effects of Major Tax Bills (OTA Working Paper 81)", revised September 2006. https://home.treasury.gov/system/files/131/WP-81.pdf. Accessed November 12, 2026.

Part Four: The Debt Limit

Chapter 15: The Debt Limit from 1917 to Today

The figures in this chapter are current as of November 12, 2026.

The debt limit, often called the debt ceiling, is a dollar cap that Congress sets on how much the Treasury may borrow. It is one of the most misunderstood rules in American government, so let's start with what it is and what it is not.

What the debt limit is, and what it isn't

It is a cap on borrowing to pay bills Congress has already approved. Congress decides spending and taxes through separate laws. When those laws add up to a deficit, the Treasury has to borrow to pay the bills. The debt limit is a separate cap on that borrowing.[182]

It is not a budget. Raising the limit does not approve any new spending. It allows the Treasury to pay for spending and tax laws that are already on the books. Claim 11 in Part Seven tests the common belief that raising the limit "lets Congress spend more."[183]

You might ask, "Then what happens if Congress doesn't raise it?" The government would still owe the bills Congress approved, but it could not borrow to pay them. It would have to cover everything out of incoming tax revenue, which in fiscal year 2026 covered only about 73 percent of spending. That is my arithmetic from the Treasury's figures.[184]

Where it came from

Before World War I, Congress approved each borrowing separately. The Second Liberty Bond Act of 1917, which paid for the war, gave the Treasury more flexibility and, as CRS puts it, "included an aggregate limit on federal debt as well as limits on specific debt issues." In 1939, Congress created the first aggregate limit covering nearly all public debt, set at $45 billion.[185]

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[182] Congressional Research Service, "The Debt Limit (IF10292)", updated September 21, 2026. https://www.everycrsreport.com/files/2026-09-21_IF10292_c2e7be2cbda8c7c7acfafd40d64a2f6fc9b45aa8.html. Accessed November 12, 2026.

[183] Congressional Research Service, "The Debt Limit (IF10292)", updated September 21, 2026. https://www.everycrsreport.com/files/2026-09-21_IF10292_c2e7be2cbda8c7c7acfafd40d64a2f6fc9b45aa8.html. Accessed November 12, 2026.

[184] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1: Summary of Receipts, Outlays, and the Deficit/Surplus, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[185] Congressional Research Service, "The Debt Limit: History and Recent Increases (RL31967)", November 2, 2015. https://www.everycrsreport.com/reports/RL31967.html. Accessed November 12, 2026.

Since then, raising or suspending the limit has become routine. The Treasury says that "since 1960, Congress has acted 78 separate times to permanently raise, temporarily extend, or revise the definition of the debt limit." Those actions came under presidents of both parties.[186]

The limit from 1917 to 1962

The path from the 1917 law to today's single dollar cap took a while. CRS reports that in 1935, Congress set separate limits: $20 billion on shorter-term debt and $25 billion on outstanding bonds. The law of July 20, 1939 (Public Law 76-201) then created "the first aggregate limit ($45 billion) covering nearly all public debt."[187]

World War II blew through that number almost at once. CRS reports that the limit was raised to $65 billion in 1941 and then every year of the war, reaching $300 billion in 1945. After the war, Congress cut it to $275 billion. It stayed there through the Korean War, with temporary increases starting in August 1954. It went back to $275 billion in July 1957 and was raised again the next February. In March 1962, the debt reached $300 billion.[188]

Notice that the limit has moved down as well as up: after World War II, and again in 1957 when temporary increases ran out. In each case the cap followed the debt rather than steering it. CRS makes the same point about today's limit: the borrowing it caps is driven by tax and spending policies that are "the result of policies implemented previously by lawmakers."[189]

You might ask, "How many times has the limit been changed?" It depends on who is counting and from when. The Treasury says Congress has acted 78 times since 1960 to raise, extend or redefine the limit, "49 times under Republican presidents and 29 times under Democratic presidents."[190] CRS, in September 2026, counted "104 separate debt limit modifications between the end of World War II and the present," including "22 distinct changes to the debt limit since 2001."[191] The counts differ because they start at different dates and count slightly different actions. Both tell the same story: changing the limit is routine, and both parties do it.

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[186] U.S. Department of the Treasury, "Debt Limit". https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/debt-limit/. Accessed November 12, 2026.

[187] Congressional Research Service, "The Debt Limit: History and Recent Increases (RL31967)", November 2, 2015. https://www.everycrsreport.com/reports/RL31967.html. Accessed November 12, 2026.

[188] Congressional Research Service, "The Debt Limit: History and Recent Increases (RL31967)", November 2, 2015. https://www.everycrsreport.com/reports/RL31967.html. Accessed November 12, 2026.

[189] Congressional Research Service, "The Debt Limit (IF10292)", updated September 21, 2026. https://www.everycrsreport.com/files/2026-09-21_IF10292_c2e7be2cbda8c7c7acfafd40d64a2f6fc9b45aa8.html. Accessed November 12, 2026.

[190] U.S. Department of the Treasury, "Debt Limit" (undated). https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/debt-limit/. Accessed November 12, 2026.

[191] Congressional Research Service, "The Debt Limit (IF10292)", updated September 21, 2026. https://www.everycrsreport.com/files/2026-09-21_IF10292_c2e7be2cbda8c7c7acfafd40d64a2f6fc9b45aa8.html. Accessed November 12, 2026.

Extraordinary measures and the X date

When the debt reaches the limit, the Treasury doesn't stop paying bills right away. It uses accounting steps called **extraordinary measures** to create temporary borrowing room. CRS says the authority for these "rests with the Treasury Secretary" and that they "include suspensions and delays of some debt sales and auctions." CRS explains that "delaying deposits into those funds or redeeming the Treasury securities they hold comprises the bulk of extraordinary measures," referring to federal employee retirement funds such as the Thrift Savings Plan's G Fund and the civil service retirement fund. Those funds are made whole, with interest, once the limit is raised or suspended.[192]

The day when extraordinary measures and cash run out is called the **X date**. After the X date, the Treasury would not have enough money to pay all of the government's bills on time.

Every major standoff

Most debt limit increases have passed without a crisis. A few turned into major standoffs. Here they are, told the same way for each party.

Year	What happened	How it ended
1979	Not a standoff over policy, but a late debt limit increase plus processing problems led the Treasury to pay some Treasury bill holders late.	Investors were later paid with back interest. See Claim 6 in Part Seven.[193]
1995 to 1996	Republican Congress led by Speaker Newt Gingrich and President Clinton clashed over the budget, with two government shutdowns. Treasury Secretary Robert Rubin used extraordinary measures for months.	Limit raised to $5.5 trillion on March 29, 1996. GAO later found the Treasury's actions let about $138.9 billion of extra debt go uncounted against the limit; see "The 1995-1996 standoff, up close" below.[194]
2011	Republican House and President Obama clashed over spending cuts.	Budget Control Act signed August 2, 2011, allowing the limit to rise in three stages and setting spending caps. S&P downgraded the United States on August 5.[195]

[192] Congressional Research Service, "The Debt Limit (IF10292)", updated September 21, 2026. https://www.everycrsreport.com/files/2026-09-21_IF10292_c2e7be2cbda8c7c7acfafd40d64a2f6fc9b45aa8.html. Accessed November 12, 2026. Congressional Research Service, "Federal Debt and the Debt Limit in 2025 (IN12045)", updated September 11, 2025. https://www.everycrsreport.com/reports/IN12045.html. Accessed November 12, 2026. Congressional Research Service, "Debt Limit Policy Questions: What Are Extraordinary Measures? (IN10837)", updated December 5, 2025. https://www.everycrsreport.com/reports/IN10837.html. Accessed November 12, 2026.

[193] Congressional Research Service, "Clearing the Air on the Debt Limit (R45011)", updated November 10, 2021. https://www.everycrsreport.com/reports/R45011.html. Accessed November 12, 2026. NPR, Planet Money, "When Debt-Ceiling Talks Went Down To The Wire, And The U.S. (Sort Of) Defaulted", July 27, 2011. https://www.npr.org/sections/money/2011/07/27/138753971/when-debt-ceiling-talks-went-down-to-the-wire-and-the-u-s-defaulted-sort-of. Accessed November 12, 2026.

[194] U.S. General Accounting Office, "Debt Ceiling: Analysis of Actions During the 1995-1996 Crisis (GAO/AIMD-96-130)", August 30, 1996. https://www.gao.gov/products/aimd-96-130. Accessed November 12, 2026.

[195] Congressional Research Service, "The Debt Limit: History and Recent Increases (RL31967)", November 2, 2015. https://www.everycrsreport.com/reports/RL31967.html. Accessed November 12, 2026. Congressional Research Service, "Standard and

Year	What happened	How it ended
2013	Fights in January and again in October, the second alongside a 16-day government shutdown.	Suspended February 4, 2013, through May 18, 2013, and again in October 2013 through February 7, 2014. Since 2013, Congress has suspended the limit eight times.[196]
2021	Democratic Congress and President Biden raised the limit after weeks of Senate deadlock.	Raised by $480 billion on October 14, 2021, and by $2.5 trillion on December 16, 2021, to about $31.4 trillion.[197]
2023	Republican House led by Speaker Kevin McCarthy and President Biden negotiated spending limits.	Fiscal Responsibility Act, signed June 3, 2023, suspended the limit through January 1, 2025.[198]
2025	The limit came back on January 2, 2025, at $36.1 trillion. Treasury began extraordinary measures on January 21, 2025.	Public Law 119-21, signed July 4, 2025, raised the limit by $5.0 trillion, to $41.1 trillion.[199]

The lapses of 1977 to 1979

The standoffs of the 2010s get most of the attention, but the late 1970s had three close calls that show how the limit works in practice. In those years, much of the limit was "temporary" and had to be renewed on a schedule. When Congress missed the date, the limit snapped back to a lower permanent level.

1977. A temporary increase lapsed at the end of September 1977. CRS reports that on September 30, 1977, the Federal Reserve's Federal Open Market Committee voted to buy a $2.5 billion certificate directly from the Treasury to give it cash, and that the certificate was retired on October 4, 1977, when the limit was raised again. CRS adds that "no federal payments were missed or delayed" during the two days the Treasury could not borrow.

Poor's Downgrade of U.S. Government Long-Term Debt (R41955)", August 9, 2011. https://www.everycrsreport.com/reports/R41955.html. Accessed November 12, 2026.

[196] Congressional Research Service, "The Debt Limit: History and Recent Increases (RL31967)", November 2, 2015. https://www.everycrsreport.com/reports/RL31967.html. Accessed November 12, 2026. Congressional Research Service, "Debt Limit Suspensions (IN11829)", updated September 11, 2025. https://www.everycrsreport.com/reports/IN11829.html. Accessed November 12, 2026.

[197] D. Andrew Austin, Congressional Research Service, "The Debt Limit in 2021 (IN11702)", updated December 27, 2021. https://www.everycrsreport.com/reports/IN11702.html. Accessed November 12, 2026. Congressional Research Service, "Debt Limit Suspensions (IN11829)", updated September 11, 2025. https://www.everycrsreport.com/reports/IN11829.html. Accessed November 12, 2026.

[198] Congressional Research Service, "Debt Limit Suspensions (IN11829)", updated September 11, 2025. https://www.everycrsreport.com/reports/IN11829.html. Accessed November 12, 2026.

[199] Congressional Research Service, "Federal Debt and the Debt Limit in 2025 (IN12045)", updated September 11, 2025. https://www.everycrsreport.com/reports/IN12045.html. Accessed November 12, 2026. Congressional Research Service, "Debt Limit Suspensions (IN11829)", updated September 11, 2025. https://www.everycrsreport.com/reports/IN11829.html. Accessed November 12, 2026. Congressional Research Service, "The Debt Limit (IF10292)", updated September 21, 2026. https://www.everycrsreport.com/files/2026-09-21_IF10292_c2e7be2cbda8c7c7acfafd40d64a2f6fc9b45aa8.html. Accessed November 12, 2026.

1978. Another temporary increase expired on July 31, 1978. The Senate didn't approve the House-passed increase until August 2, and President Carter signed it the next day. CRS says the lapse left the Treasury unable to borrow for three business days.

1979. A temporary increase expired on March 31, 1979. The House did not approve the Senate's bill until April 2, and President Carter signed it that same day. Before the vote, CRS reports, Treasury officials had warned some members that Social Security and other checks due April 3 might not clear and that $3.3 billion in maturing Treasury bills could not be paid without an increase.

That 1979 scare is the one that led into the late payments described in Claim 6 in Part Seven. CRS reports that in late April and early May 1979, about 4,000 Treasury checks were delayed by back-office problems, affecting about $122 million in payments, with lost interest of about $125,000. CRS concludes that market moves at the time "seem to track anticipated changes" in Federal Reserve policy rather than a default scare.[200]

In September 1979, the Comptroller General, the head of what was then the General Accounting Office, warned Congress in words CRS quotes: "The Government has never defaulted on any of its securities because cash has been available to redeem them upon maturity or demand. It is unlikely that the Congress would intentionally delay action on public debt legislation long enough for a default to result. Nonetheless, the possibility exists."[201]

The 1995-1996 standoff, up close

The fight between President Clinton and the Republican Congress in 1995 and 1996 was the first long modern standoff, and the General Accounting Office (GAO) studied it in detail. Here is what its August 1996 report found.

The limit had been raised to $4.9 trillion in August 1993. The debt reached it in the fall of 1995. On November 15, 1995, the Treasury Secretary declared what the law calls a "debt issuance suspension period," which unlocked the Treasury's emergency tools. The limit was not raised until March 29, 1996, when it was set at $5.5 trillion.[202]

To keep paying bills in between, GAO reports, the Treasury:

Redeemed about $46 billion of securities held by the Civil Service retirement fund before they were needed, and held back $14 billion of that fund's new receipts from being invested.

Swapped about $8.6 billion of the Civil Service fund's Treasury securities for other government agency securities that don't count against the limit.

Held back some investments of the federal employees' Thrift Savings Plan G Fund each day.

Did not reinvest some maturing securities of the Exchange Stabilization Fund.

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[200] Congressional Research Service, "Clearing the Air on the Debt Limit (R45011)", updated November 10, 2021. https://www.everycrsreport.com/reports/R45011.html. Accessed November 12, 2026.

[201] Congressional Research Service, "Clearing the Air on the Debt Limit (R45011)", updated November 10, 2021. https://www.everycrsreport.com/reports/R45011.html. Accessed November 12, 2026.

[202] U.S. General Accounting Office, "Debt Ceiling: Analysis of Actions During the 1995-1996 Crisis (GAO/AIMD-96-130)", August 30, 1996. https://www.gao.gov/products/aimd-96-130. Accessed November 12, 2026.

Used two short laws that temporarily exempted some new debt from the limit, which let it raise $29 billion to pay March 1996 Social Security benefits and invest $58.2 billion for trust funds.[203]

GAO found these actions "were proper and consistent with legal authorities the Congress has provided." It also found that they let the government take on about $138.9 billion in extra debt "that would normally have been considered subject to the debt ceiling." The Treasury later restored the Civil Service fund's $995 million and the G Fund's $255 million in lost interest. GAO said the Exchange Stabilization Fund's $1.2 million loss could not be restored without special legislation.[204]

This became the template for later standoffs. CRS reports the same kinds of tools, now called "extraordinary measures," in 2002, 2003, 2011, 2013, 2023 and 2025.[205]

The quiet increases of 2002 to 2008

Not every increase makes headlines. Between 2002 and 2008, under President George W. Bush, Congress raised the limit seven times.

Debt limit increases, 2002 to 2008 (nominal dollars)

Date signed	Law	New limit	Increase
June 28, 2002	Public Law 107-199	$6,400 billion	$450 billion
May 27, 2003	Public Law 108-24	$7,384 billion	$984 billion
November 19, 2004	Public Law 108-415	$8,184 billion	$800 billion
March 20, 2006	Public Law 109-182	$8,965 billion	$781 billion
September 29, 2007	Public Law 110-91	$9,815 billion	$850 billion
July 30, 2008	Public Law 110-289 (Housing and Economic Recovery Act)	$10,615 billion	$800 billion
October 3, 2008	Public Law 110-343 (Emergency Economic Stabilization Act, which created TARP)	$11,315 billion	$700 billion

Source: Congressional Research Service, The Debt Limit: History and Recent Increases (RL31967).[206]

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[203] U.S. General Accounting Office, "Debt Ceiling: Analysis of Actions During the 1995-1996 Crisis (GAO/AIMD-96-130)", August 30, 1996. https://www.gao.gov/products/aimd-96-130. Accessed November 12, 2026.

[204] U.S. General Accounting Office, "Debt Ceiling: Analysis of Actions During the 1995-1996 Crisis (GAO/AIMD-96-130)", August 30, 1996. https://www.gao.gov/products/aimd-96-130. Accessed November 12, 2026.

[205] Congressional Research Service, "The Debt Limit: History and Recent Increases (RL31967)", November 2, 2015. https://www.everycrsreport.com/reports/RL31967.html. Accessed November 12, 2026. Congressional Research Service, "Debt Limit Suspensions (IN11829)", updated September 11, 2025. https://www.everycrsreport.com/reports/IN11829.html. Accessed November 12, 2026.

That is about $5.4 trillion of added borrowing room in a little over six years, by my arithmetic. Several of these increases rode along on bigger bills, as the last two did.

The age of suspensions, 2013 to 2023

Starting in 2013, Congress often stopped raising the limit to a dollar amount. Instead, it "suspended" the limit until a set date. CRS explains that a suspension is "silent on dollar amounts." When the suspension ends, the limit is reset to cover whatever was borrowed in the meantime, and then the Treasury uses extraordinary measures until Congress acts again. CRS counts eight suspensions since 2013.[207]

Debt limit suspensions and what followed, 2013 to 2025 (nominal dollars)

Law that suspended the limit	Signed	Suspended through	Limit reset to	Days of extraordinary measures after the reset
No Budget, No Pay Act of 2013	February 4, 2013	May 18, 2013	$16,699 billion	150
Continuing Appropriations Act, 2014	October 17, 2013	February 7, 2014	$17,212 billion	5
Temporary Debt Limit Extension Act	February 15, 2014	March 15, 2015	$18,113 billion	231
Bipartisan Budget Act of 2015	November 2, 2015	March 15, 2017	$19,809 billion	176
Continuing Appropriations Act, 2018	September 8, 2017	December 8, 2017	$20,456 billion	60
Bipartisan Budget Act of 2018	February 9, 2018	March 1, 2019	$21,988 billion	151
Bipartisan Budget Act of 2019	August 2, 2019	July 31, 2021	$28,401 billion	136
Fiscal Responsibility Act of 2023	June 3, 2023	January 1, 2025	$36,104 billion	164

Source: CRS, Debt Limit Suspensions (IN11829), Tables 1 and 2. The 2021 period ended with two fixed-dollar increases rather than a suspension, and the 2025 period ended with the $5 trillion increase in Public Law 119-21.[208]

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[206] Congressional Research Service, "The Debt Limit: History and Recent Increases (RL31967)", November 2, 2015. https://www.everycrsreport.com/reports/RL31967.html. Accessed November 12, 2026.

[207] Congressional Research Service, "Debt Limit Suspensions (IN11829)", updated September 11, 2025. https://www.everycrsreport.com/reports/IN11829.html. Accessed November 12, 2026.

[208] Congressional Research Service, "Debt Limit Suspensions (IN11829)", updated September 11, 2025. https://www.everycrsreport.com/reports/IN11829.html. Accessed November 12, 2026.

Look at the reset amounts. Each suspension let the debt grow for months or years without a dollar cap. The Bipartisan Budget Act of 2019 suspension, for example, ran nearly two years. When it ended, the limit came back at $28.4 trillion, about $6.4 trillion above the $21.99 trillion level set when the previous suspension ended in March 2019. That covered the pandemic borrowing of 2020 and 2021. That is my arithmetic from the CRS table.

CRS describes the trade-off in plain terms. Larger increases give more time, but "may also reduce the debt limit's effect on budgetary discussions if policymakers feel less constrained." Smaller ones keep the debate alive but "may lead to more frequent debt limit activity."[209] Chapter 20 returns to the question of whether to keep the limit at all.

What the standoffs cost

Even without a default, standoffs have had real costs.

- The Government Accountability Office (GAO) estimated that delays in raising the limit in 2011 "led to an increase in Treasury's borrowing costs of about $1.3 billion in fiscal year 2011."[210]
- For the 2013 standoff, GAO estimated extra borrowing costs on securities issued during the impasse of "roughly $38 million to more than $70 million," and it found that some investors reported "systematically avoiding certain Treasury securities" during the standoff.[211]
- After the 2011 standoff, Standard and Poor's lowered the U.S. credit rating for the first time. Fitch's 2023 downgrade, after that year's standoff, also pointed to repeated debt limit fights (Chapter 16).

What a default would mean

The United States has never failed to pay principal or interest on its debt because of a debt limit fight, although Claim 6 in Part Seven looks at the small 1979 episode and older history. Because it has never happened, nobody can say for sure what a real default would do. Official analysts have warned about the following risks. These are informed warnings, not certainties. **CRS lists similar risks: a weaker ability to borrow "on advantageous terms," "substantial negative outcomes in global economies and financial markets," interest penalties on delayed payments, and credit downgrades. The Treasury's own debt limit page says failing to raise the limit "would have catastrophic economic**

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[209] Congressional Research Service, "The Debt Limit (IF10292)", updated September 21, 2026. https://www.everycrsreport.com/files/2026-09-21_IF10292_c2e7be2cbda8c7c7acfafd40d64a2f6fc9b45aa8.html. Accessed November 12, 2026.

[210] U.S. Government Accountability Office, "Debt Limit: Analysis of 2011-2012 Actions Taken and Effect of Delayed Increase on Borrowing Costs (GAO-12-701)", July 23, 2012. https://www.gao.gov/products/gao-12-701. Accessed November 12, 2026.

[211] U.S. Government Accountability Office, "Debt Limit: Market Response to Recent Impasses Underscores Need to Consider Alternative Approaches (GAO-15-476)", July 9, 2015. https://www.gao.gov/products/gao-15-476. Accessed November 12, 2026.

consequences."[212] GAO's findings on the 2011 and 2013 standoffs, above, show the smaller version of these effects that has already happened.[213]

- **Missed payments.** After the X date, the Treasury would have to delay some payments, which could include Social Security benefits, military pay, payments to contractors, or interest to bondholders.
- **Higher interest rates.** Investors could demand higher rates on Treasury securities, which would raise borrowing costs for the government and could spread to mortgages and business loans.
- **Financial market stress,** because Treasury securities are used as safe collateral throughout the financial system.

The 14th Amendment and the trillion-dollar coin

During standoffs, two ideas come up for getting around the limit without Congress.

The 14th Amendment. Section 4 of the 14th Amendment says, "The validity of the public debt of the United States, authorized by law... shall not be questioned." Some argue this lets, or even requires, the president to keep borrowing past the limit to avoid default. Others argue it only bars Congress from repudiating debt and gives the president no power to borrow on his own. CRS reports that no court has examined whether the debt limit violates the clause and that no president has used it to borrow above the limit. The only time the Supreme Court has examined the clause's text was in Perry v. United States (1935), a gold-clause case. Claim 8 in Part Seven tests the claim.[214]

The trillion-dollar platinum coin. A 1996 law lets the Treasury Secretary mint platinum coins in any amount. Some have argued the Treasury could mint a very large coin, deposit it at the Federal Reserve, and use the money to pay bills. The law is 31 U.S.C. 5112(k). In 2013, according to CRS, a Treasury spokesman said that neither the Treasury nor the Federal Reserve believed the law "can or should be used" this way. Claim 17 in Part Seven tests it.[215]

Where things stand on November 12, 2026

The debt limit is $41.1 trillion, set by Public Law 119-21 in July 2025.[216]

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[212] Congressional Research Service, "The Debt Limit (IF10292)", updated September 21, 2026. https://www.everycrsreport.com/files/2026-09-21_IF10292_c2e7be2cbda8c7c7acfafd40d64a2f6fc9b45aa8.html. Accessed November 12, 2026. U.S. Department of the Treasury, "Debt Limit" (undated). https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/debt-limit/. Accessed November 12, 2026.

[213] U.S. Government Accountability Office, "Debt Limit: Analysis of 2011-2012 Actions Taken and Effect of Delayed Increase on Borrowing Costs (GAO-12-701)", July 23, 2012. https://www.gao.gov/products/gao-12-701. Accessed November 12, 2026. U.S. Government Accountability Office, "Debt Limit: Market Response to Recent Impasses Underscores Need to Consider Alternative Approaches (GAO-15-476)", July 9, 2015. https://www.gao.gov/products/gao-15-476. Accessed November 12, 2026.

[214] Sean M. Stiff, Congressional Research Service, "Debating the Public Debt Clause (Legal Sidebar LSB10973)", June 1, 2023. https://www.everycrsreport.com/reports/LSB10973.html. Accessed November 12, 2026.

[215] Congressional Research Service, "Clearing the Air on the Debt Limit (R45011)", updated November 10, 2021. https://www.everycrsreport.com/reports/R45011.html. Accessed November 12, 2026.

[216] Congressional Research Service, "The Debt Limit (IF10292)", updated September 21, 2026. https://www.everycrsreport.com/files/2026-09-21_IF10292_c2e7be2cbda8c7c7acfafd40d64a2f6fc9b45aa8.html. Accessed November 12, 2026.

On November 9, 2026, total debt was $40.56 trillion. That left about $540 billion of room under the limit, by my arithmetic. The limit applies to debt subject to limit, which is very close to the total, so this is an approximation.[217]

CRS wrote in September 2026 that "recent projections suggest such borrowing will approach the debt limit sometime in FY2027," and that outside projections from June 2026 "estimated that the debt would reach the limit in early to mid-2027, with extraordinary measures delaying a binding debt limit by another several months."[218]

More recent forecasts from Wall Street firms, reported in early November 2026, expect the limit to be reached around February 2027, with an X date between about August and November 2027. These are private forecasts, not official Treasury estimates, and they will change as the numbers come in.[219]

So if you are reading this in 2027, check the Treasury's debt limit page and the latest CRS report. There is a good chance a new standoff, or a new deal, has happened since this book was finished.[220]

What the public says about the debt limit

How do Americans see these fights? In May 2023, during that year's standoff, the Associated Press-NORC Center for Public Affairs Research (AP-NORC) found that only 21 percent of adults were following the debate closely. Nineteen percent said the limit should be raised without conditions, while 63 percent wanted "terms on reducing the federal budget deficit included with any debt limit increase." Sixty-six percent were extremely or very concerned about the effect on the economy if the limit was not raised and the government defaulted. The poll interviewed 1,680 adults online and by phone from May 11 to 15, 2023, with a margin of error of plus or minus 3.4 percentage points.[221]

Notice the tension in those answers. Most people wanted conditions attached, which is what makes a standoff possible. Most people also feared what a default would do, which is what makes a standoff dangerous. Every debt limit fight lives inside that tension.

Key points

- The debt limit caps borrowing to pay bills Congress already approved. It does not approve new spending.

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[217] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026. Congressional Research Service, "The Debt Limit (IF10292)", updated September 21, 2026. https://www.everycrsreport.com/files/2026-09-21_IF10292_c2e7be2cbda8c7c7acfafd40d64a2f6fc9b45aa8.html. Accessed November 12, 2026.

[218] Congressional Research Service, "The Debt Limit (IF10292)", updated September 21, 2026. https://www.everycrsreport.com/files/2026-09-21_IF10292_c2e7be2cbda8c7c7acfafd40d64a2f6fc9b45aa8.html. Accessed November 12, 2026.

[219] Deep News, published on Tiger Brokers news, "Wall Street projects U.S. debt ceiling will be hit in February, with "X date" possibly arriving before end of 2027", November 7, 2026. https://www.itiger.com/news/1107000038. Accessed November 12, 2026.

[220] U.S. Department of the Treasury, "Debt Limit". https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/debt-limit/. Accessed November 12, 2026.

[221] The Associated Press-NORC Center for Public Affairs Research, "Few are following the debate closely, but most want Congress to increase the debt limit with deficit reduction conditions (poll of 1,680 adults, May 11-15, 2023)", May 19, 2023. https://apnorc.org/projects/few-are-following-the-debate-closely-but-most-want-congress-to-increase-the-debt-limit-with-deficit-reduction-conditions/. Accessed November 12, 2026.

- Since 1960, Congress has raised, extended or revised it 78 times, under both parties.
- Standoffs in 2011 and 2013 raised borrowing costs and contributed to a credit downgrade.
- On November 9, 2026, the debt was about $540 billion below the $41.1 trillion limit, and forecasts put the next crunch in 2027.

Part Five: What It Costs

Chapter 16: Interest, Credit Ratings and What the Debt Costs

The figures in this chapter are current as of November 12, 2026.

You might ask, "What does it actually cost us to carry $40 trillion in debt?" The most direct answer is interest.

Interest in fiscal year 2026

In fiscal year 2026, the federal government spent $1.05 trillion on net interest. Here is how that compared with some of the largest parts of the budget, using the Treasury's own budget categories.[222]

Federal spending, fiscal year 2026 (October 1, 2025 to September 30, 2026)	Amount	Change from fiscal year 2025
Social Security	$1,667 billion	up $86 billion
Medicare	$1,073 billion	up $76 billion
Net interest	$1,052 billion	up $81 billion
Health (mainly Medicaid and other health programs)	$1,026 billion	up $47 billion
National defense	$965 billion	up $49 billion
Income security	$694 billion	down $7 billion
Total spending	$7,396 billion	up $386 billion

Source: Treasury, Monthly Treasury Statement, Table 9, fiscal year 2026. Changes are my arithmetic from Treasury's figures for the two years, in nominal dollars.[223]

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[222] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[223] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1: Summary of Receipts, Outlays, and the Deficit/Surplus, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2026-09-30. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1, fiscal year 2025 through September 30, 2025". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2025-09-30. Accessed November 12, 2026.

So, by these figures, the government spent more on interest than on national defense in fiscal year 2026, and interest was about 14 percent of all federal spending. Claim 16 in Part Seven looks at this more closely, because the comparison depends on how you define "defense" and "interest."[224]

Net interest is, roughly, the interest the government pays on debt held by the public, minus interest it receives. Interest the Treasury credits to its own trust funds is mostly left out, because it moves from one government account to another. That is why you will see different "interest" figures in different reports. The Office of Management and Budget's broader interest category, for example, showed $1.36 trillion for fiscal year 2026.[225]

Why interest costs jumped

Two things drive interest costs: how much is owed, and the interest rate. Both went up.

- **More debt.** Debt held by the public rose from $21.02 trillion at the end of fiscal year 2020 to $32.43 trillion at the end of fiscal year 2026.[226]
- **Higher rates.** Interest rates were very low in 2020 and 2021 and rose sharply from 2022 on, as the Federal Reserve raised rates to fight inflation. As older, low-rate securities come due, they are replaced with new ones at today's higher rates. On October 31, 2026, the average interest rate on all interest-bearing federal debt was 3.58 percent, according to the Treasury.[227]

The average rate, year by year

The Treasury publishes the average interest rate it pays on each kind of debt every month. Here is the end of September, the last month of each fiscal year, for selected years. This one table explains most of the interest story in this book.

Average interest rate on federal debt at the end of each fiscal year, selected years, 2001 to 2026 (percent; information current as of November 12, 2026)

September of	All interest-bearing debt	Treasury bills (under 1 year)	Treasury bonds (20 to 30 years)

[224] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[225] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Outlays: Interest (FYOINT), millions of dollars, fiscal years", updated October 28, 2026. https://fred.stlouisfed.org/series/FYOINT. Accessed November 12, 2026.

[226] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny, Fiscal Data API (record dates September 28, 2001 through November 9, 2026)". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_to_penny. Accessed November 12, 2026.

[227] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Average Interest Rates on U.S. Treasury Securities, record date October 31, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/avg_interest_rates. Accessed November 12, 2026.

2001	6.06%	3.48%	8.32%
2007	5.01%	4.66%	7.46%
2008	4.19%	1.61%	7.10%
2012	2.59%	0.13%	5.36%
2016	2.23%	0.40%	4.43%
2019	2.49%	2.14%	3.89%
2020	1.77%	0.18%	3.49%
2021	1.61%	0.05%	3.12%
2022	2.07%	2.45%	3.00%
2023	2.97%	5.38%	3.05%
2024	3.32%	5.15%	3.20%
2025	3.36%	4.19%	3.33%
2026	3.53%	3.87%	3.47%

Source: Treasury, Average Interest Rates on U.S. Treasury Securities, September record dates. Rounded to two decimal places.[228]

Read the three columns separately and you can see how the machine works.

The bill column moves fast. It went from 0.05 percent in 2021 to 5.38 percent in 2023 in just two years, because bills are replaced every few weeks at whatever the market rate is that day.

The bond column moves slowly. Bonds are locked in for 20 or 30 years, so the average only changes as old bonds mature and new ones are sold. That is why the bond average kept drifting down until 2022, as high-rate bonds from the 1990s and 2000s were paid off, and has crept up only a little since.

The overall average sits in between. It more than doubled from its low of 1.61 percent in 2021 to 3.53 percent in 2026. And because the Treasury keeps selling new notes and bonds at today's rates, the average keeps moving toward the rates at recent auctions. In August 2026, for example, the 10-year note sold at 4.683 percent and the 30-year bond at 5.216 percent, both above the averages in this table.[229]

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[228] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Average Interest Rates on U.S. Treasury Securities, September record dates, 2001 to 2026", Fiscal Data API. https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/avg_interest_rates. Accessed November 12, 2026.

[229] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Treasury Securities Auctions Data, auctions held October 1, 2025 through September 30, 2026", Fiscal Data API. https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/od/auctions_query. Accessed November 12, 2026.

You might ask, "So will interest costs keep rising even if rates stop rising?" If market rates stay above the average rate on the debt, yes, for a while, because each refinancing replaces cheaper old debt with more expensive new debt. If market rates fall below the average, the reverse happens. That is simple arithmetic, not a forecast. CBO's scenarios later in this chapter show what different paths would mean.

Here is the full picture at the end of October 2026.

Average interest rate by type of security, October 31, 2026 (percent)

Type of security	Average rate
Treasury bills	4.014%
Treasury notes	3.399%
Treasury bonds	3.483%
Inflation-protected securities (TIPS)	1.227%, plus inflation adjustments to principal
Floating rate notes	4.170%
All marketable securities	3.570%
Government Account Series (trust funds)	3.629%
All interest-bearing debt	3.580%

Source: Treasury, Average Interest Rates on U.S. Treasury Securities, record date October 31, 2026.[230]

Where the interest money went in fiscal year 2026

The Treasury also reports interest expense by type of security. It is a different measure from "net interest" in the budget, so the numbers don't match exactly, but it shows where the money goes.

Interest expense on the public debt, fiscal year 2026 (billions of nominal dollars)

Type of security	Interest expense
Treasury notes	$507.7
Treasury bills	$254.1
Treasury bonds	$179.8
Inflation-protected securities (TIPS), including $69.7 billion of inflation adjustment	$92.3
Floating rate notes	$26.7

[230] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Average Interest Rates on U.S. Treasury Securities, record date October 31, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/avg_interest_rates. Accessed November 12, 2026. TreasuryDirect (U.S. Department of the Treasury, Bureau of the Fiscal Service), "Treasury Inflation-Protected Securities (TIPS)" (undated). https://www.treasurydirect.gov/marketable-securities/tips/. Accessed November 12, 2026.

Savings bonds	$4.5
Other public issues	$3.3
Total on securities held by the public	$1,068.5
Interest credited to trust funds and other government accounts	$291.9
Total interest expense	$1,360.4

Source: Treasury, Interest Expense on the Public Debt Outstanding, fiscal year to date through September 30, 2026. Groupings and totals are my arithmetic from the Treasury's detailed lines.[231]

Three things to take from this table.

First, notice the total of $1.36 trillion. That is the same size as the broader interest figure from the Office of Management and Budget mentioned earlier in this chapter. It counts the interest credited to the trust funds as well as the interest paid to outside investors.

Second, the $291.9 billion credited to the trust funds is real money to those funds, but it is the government paying itself. That is why budget experts focus on net interest, $1.05 trillion in fiscal year 2026, when they talk about the burden of the debt.

Third, look at bills. They were 23 percent of the marketable debt at the end of October 2026 (Chapter 2), and they cost $254.1 billion in interest in fiscal year 2026, about 24 percent of the interest paid on securities held by the public. That is my arithmetic. Because bills reprice so quickly, that piece of the interest bill rises or falls within months when short-term rates change.

Interest over time

Measured against the economy, interest costs today are at or near their highest level in the records used here. The table uses the Office of Management and Budget's interest category, which is broader than the Treasury's net interest figure above, so the two don't match exactly.[232]

Fiscal year	Federal interest outlays as a share of GDP
1946	1.8%
1960	1.3%
1980	1.8%
1985	3.0%
1991	3.2%

[231] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Interest Expense on the Public Debt Outstanding, fiscal year 2026 through September 30, 2026", Fiscal Data API. https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/interest_expense?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[232] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Outlays: Interest as Percent of Gross Domestic Product (FYOIGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYOIGDA188S. Accessed November 12, 2026.

Fiscal year	Federal interest outlays as a share of GDP
2000	2.2%
2010	1.3%
2020	2.4%
2023	3.2%
2024	3.9%
2025	3.9%

Source: OMB via FRED, series FYOIGDA188S.[233]

Notice 2010. Debt was rising fast after the financial crisis, but interest costs fell as a share of the economy, because interest rates were so low. Since 2022, the opposite has happened.

What CBO projects

CBO projected in February 2026 that net interest would be over $1.0 trillion in 2026, about 3.3 percent of GDP, and would grow to about 4.6 percent of GDP by 2036, when it would be close to one-fifth of all federal spending. Those are projections under current law, not predictions.[234]

Interest rates are the biggest wild card. In October 2026, CBO ran two scenarios with higher rates than its baseline:

CBO scenario (October 2026)	Extra deficits, 2026 to 2036	Debt held by the public in 2036
Baseline	(none)	120.2% of GDP
Rates 0.5 percentage point higher	$1.9 trillion	124.4% of GDP
Rates 1.5 percentage points higher	$6.0 trillion	133.1% of GDP

Source: CBO, Projections of Deficits and Debt Under Two Scenarios With Higher Interest Rates, October 8, 2026.[235]

Credit ratings

Credit rating agencies grade how likely a borrower is to pay its debts in full and on time. For governments, the three largest agencies are S&P Global Ratings (Standard and Poor's), Moody's and Fitch. The top grade is AAA at S&P and Fitch and Aaa at Moody's.

For most of modern history, the United States held the top rating from all three. That has changed.

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[233] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Outlays: Interest as Percent of Gross Domestic Product (FYOIGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYOIGDA188S. Accessed November 12, 2026.

[234] Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026.

[235] Congressional Budget Office, "Projections of Deficits and Debt Under Two Scenarios With Higher Interest Rates", October 8, 2026. https://www.cbo.gov/publication/62809. Accessed November 12, 2026.

Agency	Action	Date	Main reasons the agency gave
S&P	Lowered from AAA to AA+	August 5, 2011	S&P said the Budget Control Act "falls short of the amount that we believe is necessary to stabilize the general government debt burden" and that U.S. policymaking had become "less stable, less effective, and less predictable."[236]
Fitch	Lowered from AAA to AA+	August 1, 2023	Fitch cited a "steady deterioration in standards of governance" and "repeated debt limit standoffs and last-minute resolutions," along with rising debt.[237]
Moody's	Lowered from Aaa to Aa1	May 16, 2025	Moody's said, "We expect federal deficits to widen, reaching nearly 9% of (the U.S. economy) by 2035, up from 6.4% in 2024," while noting the country "retains exceptional credit strengths."[238]
Fitch	Affirmed AA+, outlook stable	August 13, 2026	Reported reasons: high deficits, interest costs and rising debt weigh on the rating, while the size of the economy, high incomes and "exceptional financing flexibility" support it.[239]

You might ask, "Does a downgrade actually change anything?" It hasn't, so far, made it hard for the United States to borrow. Treasury securities remain the main safe asset used by investors around the world. But the downgrades are a public signal from the agencies that, in their view, the debt and the politics around it carry more risk than they used to. S&P in 2011 and Fitch in 2023 pointed to the government's handling of budgets and the debt limit, not only to the size of the debt. One data point: on the first trading day after the 2011 downgrade, CRS reports, yields on 10-year Treasury bonds actually fell, as investors still bought Treasuries as a safe place to put money.[240]

Other costs that are harder to measure

Interest is the cost you can count. Economists also point to costs that are harder to measure, and they disagree about their size:

- **Crowding out** of private investment, which may lower future incomes (Chapter 17).
- **Less room to respond** to the next war, recession or pandemic.

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[236] Congressional Research Service, "Standard and Poor's Downgrade of U.S. Government Long-Term Debt (R41955)", August 9, 2011. https://www.everycrsreport.com/reports/R41955.html. Accessed November 12, 2026.

[237] Christopher Rugaber, Associated Press, via PBS NewsHour, "U.S. credit rating cut to AA+ by Fitch, citing debt and political divisions", August 1, 2023. https://www.pbs.org/newshour/economy/u-s-credit-rating-cut-to-aa-by-fitch-citing-debt-and-political-divisions. Accessed November 12, 2026.

[238] Paul Wiseman, Associated Press, via PBS NewsHour, "Moody's strips U.S. government of top credit rating over failure to rein in debt", May 16, 2025. https://www.pbs.org/newshour/economy/moodys-strips-u-s-government-of-top-credit-rating-over-failure-to-rein-in-debt. Accessed November 12, 2026.

[239] Eamonn Sheridan, investingLive, "Fitch affirms US at AA+, keeps outlook stable amid growth slowdown", August 13, 2026. https://investinglive.com/news/fitch-affirms-us-at-aa-keeps-outlook-stable-amid-growth-slowdown/. Accessed November 12, 2026.

[240] Congressional Research Service, "Standard and Poor's Downgrade of U.S. Government Long-Term Debt (R41955)", August 9, 2011. https://www.everycrsreport.com/reports/R41955.html. Accessed November 12, 2026. Christopher Rugaber, Associated Press, via PBS NewsHour, "U.S. credit rating cut to AA+ by Fitch, citing debt and political divisions", August 1, 2023. https://www.pbs.org/newshour/economy/u-s-credit-rating-cut-to-aa-by-fitch-citing-debt-and-political-divisions. Accessed November 12, 2026.

- **Political cost.** Repeated debt limit standoffs have raised borrowing costs (Chapter 15) and contributed to downgrades.

Key points

- Net interest cost $1.05 trillion in fiscal year 2026, more than national defense and about as much as Medicare.
- Interest costs jumped because there is more debt and interest rates rose after 2022.
- All three major rating agencies have lowered the United States from their top grade: S&P in 2011, Fitch in 2023 and Moody's in 2025.

Part Six: Does It Matter?

Chapter 17: The Schools of Thought

The figures in this chapter are current as of November 12, 2026.

You might ask, "So is $40 trillion in debt a crisis or not?" Honest, well-trained economists give different answers. This chapter lays out the three main schools of thought, each in its own terms and with its own sources. I don't pick a winner. I do point out where the schools agree, because they agree on more than the shouting suggests.

A few ideas every school uses

Before the schools, here are four ideas that come up in all of them.

1. Crowding out. When the government borrows, it competes with businesses and families for the country's savings. If that pushes interest rates up or soaks up money that would have gone into factories, equipment and research, the economy may grow more slowly over time. The Congressional Research Service puts it this way: government borrowing that reduces private investment is "commonly categorized as 'crowding out,'" and CRS says crowding out is more likely when the economy is already growing strongly. Economists disagree about how large the effect is.[241]

2. Interest costs. Debt costs interest, and interest is spending that buys nothing new. In fiscal year 2026, the federal government spent $1.05 trillion on net interest. That was more than it spent on national defense ($965 billion) and almost as much as it spent on Medicare ($1.07 trillion), using the Treasury's budget categories.[242]

3. Interest rates versus growth. Economists write this as "r versus g." If the interest rate the government pays (r) is lower than the growth rate of the economy (g), the debt can shrink as a share of GDP even with small deficits, the way it did after World War II. If r is higher than g, the debt grows faster than the economy unless the government runs a surplus before counting interest. In its September 2026 projections, CBO assumed an average interest rate on federal debt of about 4 percent and average economic growth of about 3.8 percent a year, both in nominal terms, over 2026 to 2056. In other words, CBO's main projection has r and g very close together.[243]

4. Room to respond. A country with lower debt has more room to borrow in an emergency, such as a war, a financial crisis or a pandemic. How much room the United States has left is one of the main points of disagreement.

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[241] Congressional Research Service, "Deficits, Debt, and the Economy: An Introduction (R44383)", updated November 5, 2026. https://www.everycrsreport.com/reports/R44383.html. Accessed November 12, 2026.

[242] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[243] Congressional Budget Office, "Projections of Deficits and Debt Under Alternative Scenarios for Interest Rates and the Budget", September 24, 2026. https://www.cbo.gov/publication/62758. Accessed November 12, 2026.

School one: the debt is a serious danger

This school holds that the debt is on an unsustainable path and that the longer the country waits, the harder and more painful the fix will be.

The main arguments:

- **The numbers keep climbing.** CBO projected in February 2026 that debt held by the public would rise from 101 percent of GDP in 2026 to 120 percent in 2036, passing the World War II record around 2030. Its extended projections reach 175 percent of GDP in 2056.[244]
- **Interest is crowding out everything else.** Interest already costs more than defense (see above). CBO projected net interest would grow from about 3.3 percent of GDP in 2026 to about 4.6 percent in 2036.[245]
- **Higher rates make it worse.** In October 2026, CBO estimated that if interest rates were 1.5 percentage points higher than in its baseline, deficits over 2026 to 2036 would be $6.0 trillion larger and debt would reach about 133 percent of GDP by 2036.[246]
- **Risk of a crisis.** CBO warned in 2010 that "a growing level of federal debt would also increase the probability of a sudden fiscal crisis," in which investors lose confidence and demand much higher interest rates. CBO added that "the exact point at which such a crisis might occur for the United States is unknown."[247]
- **Lost credit ratings.** All three major rating agencies have now lowered the United States from their top rating, citing rising debt and political conflict over budgets (Chapter 16).

Who makes this case: CBO warns about the path without recommending a policy. Advocacy groups that press this view include the Committee for a Responsible Federal Budget and the Peter G. Peterson Foundation, which focus on deficits, and on the right, the Heritage Foundation and the Cato Institute, which argue mainly for spending restraint. I label them as advocacy. In its own words, the Committee for a Responsible Federal Budget calls itself "an authoritative voice for fiscal responsibility" and lists "the rising national debt" first among the issues it works on.[248] The Heritage Foundation's budget page says federal spending growth has led to "substantial budget deficits that have crippled the economy and

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[244] Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026. Congressional Budget Office, "Projections of Deficits and Debt Under Alternative Scenarios for Interest Rates and the Budget", September 24, 2026. https://www.cbo.gov/publication/62758. Accessed November 12, 2026.

[245] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026. Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026.

[246] Congressional Budget Office, "Projections of Deficits and Debt Under Two Scenarios With Higher Interest Rates", October 8, 2026. https://www.cbo.gov/publication/62809. Accessed November 12, 2026.

[247] Congressional Budget Office, "Federal Debt and the Risk of a Fiscal Crisis", July 27, 2010. https://www.cbo.gov/publication/21625. Accessed November 12, 2026.

[248] Committee for a Responsible Federal Budget (deficit-focused advocacy group), "About Us" (undated). https://www.crfb.org/about-us. Accessed November 12, 2026.

financially harmed Americans."[249] [Not verified: the Peterson Foundation's and the Cato Institute's own statements of their positions; I could not open a quotable statement from either on November 12, 2026, so I describe them only in general terms.][250]

A famous study, and its problems. In 2010, the economists Carmen Reinhart and Kenneth Rogoff published a short paper, "Growth in a Time of Debt," which found that countries with government debt above about 90 percent of GDP tended to grow much more slowly. The 90 percent figure was widely quoted by politicians in the United States and Europe. In 2013, three researchers at the University of Massachusetts Amherst, Thomas Herndon, Michael Ash and Robert Pollin, reported a spreadsheet error and other choices in the data that, once changed, made the slowdown above 90 percent much smaller. Herndon, Ash and Pollin reported "coding errors, selective exclusion of available data" and other choices, and found that average growth in countries above 90 percent "is actually 2.2 percent, not -0.1 percent as published," so that growth at those debt levels was "not dramatically different" from growth at lower levels. Reinhart and Rogoff acknowledged the spreadsheet error but defended their broader finding that very high debt is linked with slower growth. **Their original paper's summary, on the National Bureau of Economic Research site, says that above 90 percent, "median growth rates fall by one percent, and average growth falls considerably more."[251] [Not verified: Reinhart and Rogoff's 2013 reply; the copy on Harvard's site blocked automated access, so I describe their response only in general terms.]** The debate over whether there is any sharp threshold, and whether slow growth causes high debt or the other way around, continues.[252]

School two: the debt is manageable, if watched

This school holds that the debt is not an emergency, that the right measure is the cost of carrying it rather than its size, and that cutting deficits too fast can do more harm than good.

The main arguments:

- **Interest burden matters more than size.** In a 2020 paper, the economists Jason Furman and Lawrence Summers wrote, "We argue that debt-to-GDP ratios are a misleading metric of fiscal sustainability." They suggested watching "measures like nominal or real interest as a share of GDP" instead, and offered as a guidepost that real (inflation-adjusted) interest costs should not "rise above 2 percent of GDP over the forthcoming decade."[253]

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[249] The Heritage Foundation (conservative advocacy group), "Budget and Spending" (issue page, undated). https://www.heritage.org/budget-and-spending. Accessed November 12, 2026.

[250] Committee for a Responsible Federal Budget (deficit-focused advocacy group), reporting CBO estimates, "Analysis of CBO's April 2018 Budget and Economic Outlook", April 9, 2018. https://www.crfb.org/papers/analysis-cbos-april-2018-budget-and-economic-outlook. Accessed November 12, 2026.

[251] Carmen M. Reinhart and Kenneth S. Rogoff, National Bureau of Economic Research, "Growth in a Time of Debt (Working Paper 15639)", January 2010. https://www.nber.org/papers/w15639. Accessed November 12, 2026.

[252] Thomas Herndon, Michael Ash and Robert Pollin, Political Economy Research Institute, University of Massachusetts Amherst, "Does High Public Debt Consistently Stifle Economic Growth? A Critique of Reinhart and Rogoff (Working Paper 322)", April 2013. https://peri.umass.edu/publication/does-high-public-debt-consistently-stifle-economic-growth-a-critique-of-reinhart-and-rogoff/. Accessed November 12, 2026.

[253] Jason Furman and Lawrence Summers, Brookings Institution and Peterson Institute discussion draft, "A Reconsideration of Fiscal Policy in the Era of Low Interest Rates", November 30, 2020. https://www.brookings.edu/wp-content/uploads/2020/11/furman-summers-fiscal-reconsideration-discussion-draft.pdf. Accessed November 12, 2026.

- **When rates are below growth, debt is cheaper than it looks.** In his 2019 presidential address to the American Economic Association, the economist Olivier Blanchard argued that when the interest rate on government debt is below the economy's growth rate, as it often has been in U.S. history, the fiscal cost of debt may be small. **In the working-paper version, he put it bluntly: "public debt may have no fiscal cost." He also wrote that his aim was "not to argue for more public debt, especially in the current political environment."**[254][255]
- **The United States has unusual advantages.** It borrows in its own currency, which is the world's main reserve currency, and Treasury securities are treated by investors worldwide as a safe asset.
- **Cutting too fast can backfire.** Sharp spending cuts or tax increases during a slump can slow the economy and shrink tax receipts, which can raise debt as a share of GDP rather than lower it.

Who makes this case: Advocacy groups that lean this way include the Center on Budget and Policy Priorities and the Economic Policy Institute, on the left, which generally argue that deficit reduction should not come at the expense of programs for low- and middle-income families and that revenue increases should be part of any plan. **In its own words, the Economic Policy Institute argued in a 2019 report that "if policymakers are excessively scared of deficits, they will be constrained in responding to recessions and income inequality."**[256] **[Not verified: the Center on Budget and Policy Priorities' own statement of its position; its website blocked automated access on November 12, 2026, so I describe it only in general terms.]**

An important caution. The case for "manageable" was strongest when interest rates were very low, as in 2019 and 2020. Interest rates have risen since 2022. The average interest rate on all interest-bearing federal debt was 3.58 percent on October 31, 2026, and CBO's baseline now has interest rates close to the growth rate. Furman and Summers' own guidepost depends on interest costs, which have risen since they wrote. Whether rates stay at today's level is one of the biggest unknowns in every projection.[257]

School three: modern monetary theory

Modern monetary theory (MMT) is a school of thought associated with the economists Stephanie Kelton, L. Randall Wray and Warren Mosler, among others.

The main arguments, in the school's own framing:

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[254] Olivier Blanchard, Peterson Institute for International Economics, "Public Debt and Low Interest Rates (Working Paper 19-4)", February 2019. https://www.piie.com/sites/default/files/documents/wp19-4.pdf. Accessed November 12, 2026.

[255] Olivier Blanchard, Peterson Institute for International Economics, "Public Debt and Low Interest Rates (2019 American Economic Association Presidential Address)", January 4, 2019. https://piie.com/commentary/speeches-papers/public-debt-and-low-interest-rates. Accessed November 12, 2026.

[256] Josh Bivens, Economic Policy Institute (progressive advocacy group), "Thinking seriously about what 'fiscal responsibility' should mean", September 26, 2019. https://www.epi.org/publication/what-fiscal-responsibility-should-mean/. Accessed November 12, 2026.

[257] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Average Interest Rates on U.S. Treasury Securities, record date October 31, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/avg_interest_rates. Accessed November 12, 2026. Congressional Budget Office, "Projections of Deficits and Debt Under Alternative Scenarios for Interest Rates and the Budget", September 24, 2026. https://www.cbo.gov/publication/62758. Accessed November 12, 2026. Jason Furman and Lawrence Summers, Brookings Institution and Peterson Institute discussion draft, "A Reconsideration of Fiscal Policy in the Era of Low Interest Rates", November 30, 2020. https://www.brookings.edu/wp-content/uploads/2020/11/furman-summers-fiscal-reconsideration-discussion-draft.pdf. Accessed November 12, 2026.

- **A government that issues its own currency can't run out of it.** The United States pays its bills in dollars, and it creates dollars. In Kelton's words, "A currency-issuing government can afford to buy whatever is priced and available for sale in its own currency." So, MMT economists argue, the federal government can't be forced to default on dollar debts the way a household or a state can.[258]
- **The real limit is inflation, not debt.** Kelton put it this way: "The limit is the impact of the spending. Not the spending itself, and not the deficit, the limit is inflation."[259]
- **One sector's deficit is another's surplus.** When the government spends more than it taxes, MMT economists argue, the difference ends up as savings in the private sector. **[Not verified]** as a direct quotation; this is a summary of the school's argument.

What MMT economists still say about limits: MMT does not say spending has no limits. As Kelton's quote above shows, its supporters say inflation is the limit, and that when inflation rises, the government should raise taxes or cut spending to cool the economy.[260]

What critics say: Critics, including economists who supported large deficits during downturns, argue that MMT underrates how hard it is to raise taxes or cut spending quickly once inflation starts, and they point to the inflation of 2021 and 2022 as a warning. MMT supporters reply that the 2021 and 2022 inflation was driven largely by pandemic supply problems and energy prices. **[Not verified]**: I summarize this exchange in general terms and did not quote specific critics for this edition. The book on inflation and the dollar in this series looks at the causes of that inflation in detail.

Where the schools agree

For all their differences, these schools share more ground than most political debate suggests:

1. **The debt cannot grow faster than the economy forever.** Even MMT accepts that spending is limited by what the economy can produce without inflation.
2. **Interest rates are the key variable.** All three schools agree that the cost of the debt depends on interest rates, and that higher rates make the same debt more expensive to carry.
3. **What the money buys matters.** Borrowing to fight a war, a depression or a pandemic is treated differently by every school than borrowing to cover routine spending in good times. Borrowing for investments that raise future growth is also treated differently from borrowing for current spending.
4. **Timing matters.** Most economists in the first two schools agree that deficit cuts are easier on the economy when they are phased in during good times than when they are forced suddenly by a crisis.

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[258] Stephanie Kelton, interviewed by Mark Levinson, Dissent magazine, "Monetary Myth-Busting: An Interview With Stephanie Kelton", undated online; references point to 2020. https://www.dissentmagazine.org/online_articles/monetary-mythbusting-an-interview-with-stephanie-kelton. Accessed November 12, 2026.

[259] Stephanie Kelton, interviewed by Mark Levinson, Dissent magazine, "Monetary Myth-Busting: An Interview With Stephanie Kelton", undated online; references point to 2020. https://www.dissentmagazine.org/online_articles/monetary-mythbusting-an-interview-with-stephanie-kelton. Accessed November 12, 2026.

[260] Stephanie Kelton, interviewed by Mark Levinson, Dissent magazine, "Monetary Myth-Busting: An Interview With Stephanie Kelton", undated online; references point to 2020. https://www.dissentmagazine.org/online_articles/monetary-mythbusting-an-interview-with-stephanie-kelton. Accessed November 12, 2026.

Where they part ways is on how close the danger is and what to do about it. Chapter 20 lays out the options people have proposed.

Key points

- One school says the debt is a serious danger and points to CBO's projections, rising interest costs and lost credit ratings.
- A second school says the debt is manageable if interest costs stay under control, and warns against cutting too fast.
- Modern monetary theory says the limit on federal borrowing is inflation, not the size of the debt.
- All three agree the debt can't outgrow the economy forever and that interest rates are the key variable.

Part Seven: Claims and Theories

Chapter 18: Claims and Theories, Checked

The figures in this chapter are current as of November 12, 2026.

This chapter takes 19 things people often say about the national debt and checks each one against the records. The claims come from every side of the debate. Some are popular with people who want lower spending, some with people who want higher taxes, and some with people who distrust both parties.

Each claim gets the same treatment:

- **How people say it.** The claim in plain words.
- **Where it comes up.** When and where the claim tends to appear. Where I could not trace a claim to a first source, I say so.
- **What the records show.** The facts, with sources in the footnotes.
- **Verdict.** One of the four verdicts explained in the Introduction: True, Partly true, False (debunked) or Inconclusive.

A verdict is about the claim as people usually say it. A claim can be "Partly true" because one half of it is right and the other half is wrong, and I try to say which half is which.

The verdicts at a glance

#	Claim	Verdict
1	"China owns most of our debt."	False (debunked)
2	"The national debt will cause hyperinflation."	Inconclusive
3	"We owe the debt to ourselves, so it doesn't matter."	Partly true
4	"One party always runs up the debt and the other always cuts it."	False (debunked)
5	"The government can never pay off the debt."	Partly true
6	"The U.S. has never defaulted."	Partly true
7	"Social Security is responsible for the debt."	Partly true
8	"The 14th Amendment lets the president ignore the debt limit."	Inconclusive
9	"Tax cuts pay for themselves."	False (debunked)
10	"Each person's share of the debt is more than $100,000."	True
11	"Raising the debt limit lets Congress spend more."	False (debunked)
12	"Congress raided the Social Security trust fund."	Partly true
13	"The Fed just prints money to pay for the debt."	Partly true
14	"Foreign countries could dump our debt and crash the economy."	Inconclusive
15	"The U.S. has the biggest debt in the world, so it is the worst off."	Partly true
16	"We now spend more on interest than on defense."	True
17	"A trillion-dollar platinum coin could get around the debt limit."	Inconclusive
18	"Paying off the debt in 1835 caused the Panic of 1837."	Inconclusive
19	"Cutting waste, fraud and foreign aid would balance the budget."	False (debunked)

Claim 1: "China owns most of our debt."

How people say it. "China owns us." "China holds most of our debt, so they have us over a barrel."

Where it comes up. This claim was common in the early 2010s, when China was the largest foreign holder of Treasury securities. It still comes up in talk about trade and national security. I did not trace its first use. **[Not verified]**

What the records show. China holds a small share of the debt, and its holdings have been falling for more than a decade.

Measure	Figure	Date
Treasury securities held by China (mainland)	$590.7 billion	August 2026
China's highest month in the 2013 to 2025 records	$1,316.7 billion	November 2013
Total held by all foreign holders	$9,331.7 billion	August 2026
China's share of all foreign holdings	about 6.3%	August 2026
China's share of debt held by the public	about 1.8%	August 2026 and November 9, 2026
China's share of total debt	about 1.5%	August 2026 and November 9, 2026

Sources: Treasury International Capital (TIC) data; Treasury Debt to the Penny. Shares are my arithmetic from those figures, which are from slightly different dates.[261]

China is not even the largest foreign holder. In August 2026, Japan held $1,068.3 billion and the United Kingdom held $1,009.5 billion, both more than China. As Chapter 3 explains, the U.K. figure is partly a custody effect, since banks in London hold securities for investors from many countries. China could also hold some Treasury securities through accounts in other countries, which TIC would not count as Chinese. That is a real limit of the data, but it is not enough to turn 1.8 percent into "most."[262]

Most of the debt is owed to Americans: federal trust funds, the Federal Reserve, and U.S. banks, funds, governments and people (Chapter 3).[263]

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[261] U.S. Department of the Treasury, Treasury International Capital (TIC) System, "Table 5: Major Foreign Holders of Treasury Securities (data through August 2026)". https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table5.html. Accessed November 12, 2026. U.S. Department of the Treasury, Treasury International Capital (TIC) System, "Major Foreign Holders of Treasury Securities, historical file (2013 to 2025)". https://ticdata.treasury.gov/Publish/mfhhis01.txt. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026.

[262] U.S. Department of the Treasury, Treasury International Capital (TIC) System, "Table 5: Major Foreign Holders of Treasury Securities (data through August 2026)". https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table5.html. Accessed November 12, 2026. Congressional Research Service, "Foreign Holdings of Federal Debt (RS22331)", updated April 22, 2026. https://www.everycrsreport.com/reports/RS22331.html. Accessed November 12, 2026.

[263] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026. Board of Governors of the Federal Reserve System, "H.4.1 Factors Affecting Reserve Balances, release of November 5, 2026", November 5, 2026.

Verdict: False (debunked). China held about 1.5 percent of the total debt in August 2026. Its holdings were less than half of their 2013 peak.

Claim 2: "The national debt will cause hyperinflation."

How people say it. "We're going to end up like Weimar Germany." "All this debt means the dollar will be worthless."

Where it comes up. This fear rises when deficits and inflation are both in the news, as in 2021 and 2022. I did not trace a first source. **[Not verified]**

What the records show. There is no single official definition of hyperinflation. The most common one comes from the economist Phillip Cagan, who counted a hyperinflation as starting in the month that prices first rise more than 50 percent in a single month, according to a 2002 review by the economists Stanley Fischer, Ratna Sahay and Carlos Vegh. The same review found that "since 1947, hyperinflations (by Cagan's definition) in market economies have been rare," that there were none between 1947 and 1984, and that the first recorded case was revolutionary France in 1795 and 1796. The authors tie hyperinflations to "the need to print paper money to finance large fiscal deficits caused by wars, revolutions, the end of empires, and the establishment of new states."[264]

Here is what U.S. consumer price inflation has actually been in some key years, using World Bank figures.

Year	Consumer price inflation for the year
1974	11.1%
1979	11.3%
1980	13.5%
2008	3.8%
2015	0.1%
2020	1.2%
2021	4.7%
2022	8.0%
2023	4.1%
2024	2.9%

Source: World Bank via FRED, series FPCPITOTLZGUSA. The series ended at 2024 when I checked it.[265]

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https://www.federalreserve.gov/releases/h41/current/. Accessed November 12, 2026. Congressional Research Service, "Foreign Holdings of Federal Debt (RS22331)", updated April 22, 2026. https://www.everycrsreport.com/reports/RS22331.html. Accessed November 12, 2026.

[264] Stanley Fischer, Ratna Sahay and Carlos A. Vegh, National Bureau of Economic Research, "Modern Hyper- and High Inflations (Working Paper 8930)", May 2002. https://www.nber.org/papers/w8930.pdf. Accessed November 12, 2026.

[265] World Bank, World Development Indicators, via Federal Reserve Bank of St. Louis (FRED), "Inflation, consumer prices for the United States (FPCPITOTLZGUSA), annual percent", updated October 13, 2026. https://fred.stlouisfed.org/series/FPCPITOTLZGUSA. Accessed November 12, 2026.

Notice that inflation was highest around 1980, when debt held by the public was about 25 percent of GDP, one of the lowest levels since World War II. It was very low in 2015 and 2020, when the debt was much larger. Debt alone does not set the inflation rate.[266]

That doesn't mean the debt has nothing to do with inflation. Economists across the schools in Chapter 17 agree that a government that borrows too much, or leans on its central bank to fund deficits, can push prices up. Even Stephanie Kelton, the best-known supporter of modern monetary theory, says the real limit on spending is inflation. CBO warns that rising debt raises the risk of a fiscal crisis, and it says the point at which one might occur "is unknown."[267]

The U.S. borrows in its own currency, has an independent central bank, and has never had hyperinflation in the records I used. Whether some future path could lead there is a forecast, not a fact.[268]

Verdict: Inconclusive. Heavy borrowing can add to inflation, and economists of different schools agree on that much. But the records show no link between U.S. debt and anything close to hyperinflation, and a claim that it "will" happen is a prediction that no record can confirm.

Claim 3: "We owe the debt to ourselves, so it doesn't matter."

How people say it. "It's just money we owe ourselves." "It all nets out."

Where it comes up. Some economists have used versions of this line for decades to argue the debt is less of a burden than it looks. I did not trace its first use. **[Not verified]**

What the records show. The first half is mostly true. On November 9, 2026, $7.80 trillion, about 19 percent of the total debt, was held by federal trust funds and other government accounts. Of the $32.76 trillion held by the public, foreign holders held $9.33 trillion in August 2026. By my arithmetic, about 77 percent of the total debt is owed to Americans and American institutions, counting the government's own accounts. CRS put foreign holdings at about 31 percent of debt held by the public at the end of 2025.[269]

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[266] World Bank, World Development Indicators, via Federal Reserve Bank of St. Louis (FRED), "Inflation, consumer prices for the United States (FPCPITOTLZGUSA), annual percent", updated October 13, 2026. https://fred.stlouisfed.org/series/FPCPITOTLZGUSA. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026.

[267] Stephanie Kelton, interviewed by Mark Levinson, Dissent magazine, "Monetary Myth-Busting: An Interview With Stephanie Kelton", undated online; references point to 2020. https://www.dissentmagazine.org/online_articles/monetary-mythbusting-an-interview-with-stephanie-kelton. Accessed November 12, 2026. Congressional Budget Office, "Federal Debt and the Risk of a Fiscal Crisis", July 27, 2010. https://www.cbo.gov/publication/21625. Accessed November 12, 2026.

[268] World Bank, World Development Indicators, via Federal Reserve Bank of St. Louis (FRED), "Inflation, consumer prices for the United States (FPCPITOTLZGUSA), annual percent", updated October 13, 2026. https://fred.stlouisfed.org/series/FPCPITOTLZGUSA. Accessed November 12, 2026.

[269] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026. U.S. Department of the Treasury, Treasury International Capital (TIC) System, "Table 5: Major Foreign Holders of Treasury Securities (data through August 2026)". https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table5.html. Accessed November 12, 2026. Congressional Research Service, "Foreign Holdings of Federal Debt (RS22331)", updated April 22, 2026. https://www.everycrsreport.com/reports/RS22331.html. Accessed November 12, 2026.

The second half, "so it doesn't matter," does not follow.

- **Interest is real money.** Net interest was $1.05 trillion in fiscal year 2026, more than the government spent on national defense (Chapter 16, Claim 16). That money comes from taxes or more borrowing, and it goes to bondholders, who are not the same people as the taxpayers.[270]
- **About 3 in 10 dollars of public debt is owed abroad,** so interest on that part leaves the country.[271]
- **The trust fund part is a real promise.** The Social Security trust funds hold Treasury securities that the Treasury must redeem with cash when benefits exceed payroll tax income, which has been happening since 2021 (Claim 12).[272]
- **Rates can rise.** CBO's October 2026 scenarios show that interest rates 1.5 percentage points above its baseline would add $6.0 trillion to deficits over ten years.[273]

Verdict: Partly true. Most of the debt is owed to Americans. That does not make it cost-free, because interest, the foreign-held share and the promises to trust funds are all real.

Claim 4: "One party always runs up the debt and the other always cuts it."

How people say it. "Republicans run up the debt, Democrats clean it up." Or the reverse: "Democrats spend, Republicans save."

Where it comes up. Both versions show up in every election year. Each party's supporters tend to point to the record that helps their side. I did not trace a first source. **[Not verified]**

What the records show. Chapter 14 lays out the records in detail. In short:

- Measured by debt held by the public as a share of GDP, the debt rose under every president from Ronald Reagan through Joe Biden except Bill Clinton. It rose under Republicans (Reagan, George H.W. Bush, George W. Bush, Donald Trump) and under Democrats (Barack Obama, Joe Biden).[274]

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[270] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[271] Congressional Research Service, "Foreign Holdings of Federal Debt (RS22331)", updated April 22, 2026. https://www.everycrsreport.com/reports/RS22331.html. Accessed November 12, 2026.

[272] Social Security Administration, Office of the Chief Actuary, "The 2026 OASDI Trustees Report, and A Summary of the 2026 Annual Reports", May 11, 2026. https://www.ssa.gov/oact/TR/2026/. Accessed November 12, 2026.

[273] Congressional Budget Office, "Projections of Deficits and Debt Under Two Scenarios With Higher Interest Rates", October 8, 2026. https://www.cbo.gov/publication/62809. Accessed November 12, 2026.

[274] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026.

- The four surplus years, 1998 through 2001, came under a Democratic president and a Republican Congress, after deficit laws signed by a Republican president (1990) and a Democratic president (1993).[275]
- Large deficit-increasing laws were signed by presidents of both parties, including the 2001 and 2003 tax cuts and the Medicare drug benefit (Republican), the 2009 Recovery Act and the 2021 American Rescue Plan (Democratic), and the 2017 tax law and Public Law 119-21 (Republican).[276]
- Deficit-reducing laws also came from both sides: the 1990 deal, the 1993 law, the 1997 deal, the 2011 Budget Control Act and the 2023 Fiscal Responsibility Act all had a president of one party and at least one chamber of Congress run by the other, or support from both.[277]
- Recessions, wars and the pandemic drove some of the biggest increases, and those were not choices of one party alone.[278]

Verdict: False (debunked). Neither party "always" does either. The debt has grown under both, and both have signed laws that cut deficits.

Claim 5: "The government can never pay off the debt."

How people say it. "That debt will never be paid off." "It's mathematically impossible."

Where it comes up. Often in reaction to the size of the number on a debt clock. I did not trace a first source. **[Not verified]**

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[275] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit (FYFSD), millions of dollars, fiscal years", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSD. Accessed November 12, 2026. Congressional Research Service, "Statutory Budget Controls in Effect Between 1985 and 2002 (R41901)", July 1, 2011. https://www.everycrsreport.com/reports/R41901.html. Accessed November 12, 2026. Robert Keith, Congressional Research Service, "Budget Enforcement Act of 1997: Summary and Legislative History (97-931)", October 8, 1997. https://www.everycrsreport.com/reports/97-931.html. Accessed November 12, 2026.

[276] Marc Labonte and Andrew Hanna, Congressional Research Service, "The Impact of Major Legislation on Budget Deficits: 2001 to 2009 (R41134)", March 23, 2010. https://www.everycrsreport.com/reports/R41134.html. Accessed November 12, 2026. Congressional Budget Office, "Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output in 2014", February 20, 2015. https://www.cbo.gov/publication/49958. Accessed November 12, 2026. Congressional Budget Office (Phillip L. Swagel, letter to Senator Lindsey Graham), "Three Scenarios for the Budget as Specified by Senator Graham", May 21, 2021. https://www.budget.senate.gov/download/cbo-letter-to-sengraham&download=1. Accessed November 12, 2026. Congressional Budget Office, "Estimated Deficits and Debt Under the Conference Agreement of H.R. 1", January 2, 2018. https://www.cbo.gov/publication/53437. Accessed November 12, 2026. Congressional Budget Office (Phillip L. Swagel, letter to Senators Whitehouse, Wyden and Merkley and Representative Boyle), "CBO's Estimates of the Statutory Pay-As-You-Go Effects of Public Law 119-21", August 15, 2025. https://www.cbo.gov/system/files/2025-08/61659-SPAYGO.pdf. Accessed November 12, 2026.

[277] Congressional Research Service, "Statutory Budget Controls in Effect Between 1985 and 2002 (R41901)", July 1, 2011. https://www.everycrsreport.com/reports/R41901.html. Accessed November 12, 2026. Robert Keith, Congressional Research Service, "Budget Enforcement Act of 1997: Summary and Legislative History (97-931)", October 8, 1997. https://www.everycrsreport.com/reports/97-931.html. Accessed November 12, 2026. Congressional Research Service, "The Debt Limit: History and Recent Increases (RL31967)", November 2, 2015. https://www.everycrsreport.com/reports/RL31967.html. Accessed November 12, 2026. Congressional Budget Office (Phillip L. Swagel, letter to Speaker Kevin McCarthy), "H.R. 3746, the Fiscal Responsibility Act of 2023", May 30, 2023. https://www.cbo.gov/system/files/2023-05/hr3746_Letter_McCarthy.pdf. Accessed November 12, 2026.

[278] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit (FYFSD), millions of dollars, fiscal years", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSD. Accessed November 12, 2026. Congressional Research Service, "The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11 (RL33110)", December 8, 2014. https://www.everycrsreport.com/reports/RL33110.html. Accessed November 12, 2026.

What the records show. It has been done once. The Treasury's records show the debt fell to $33,733.05 on January 1, 1835. The government also paid down debt held by the public during the surplus years of 1998 through 2001.[279]

But today's situation is very different. The debt was $40.56 trillion on November 9, 2026, and CBO's February 2026 baseline projects a deficit in every year through 2036, with debt held by the public rising to about 120 percent of GDP. Paying the debt off would require many years of large surpluses, which no official projection shows.[280]

It is also true that paying the debt off is not the only way to make it manageable. Most economists in Chapter 17 focus on whether the debt grows faster than the economy, not on getting it to zero. After World War II, the debt fell from 106 percent of GDP in 1946 to 24.9 percent in 1980 without being paid off, because the economy grew faster than the debt.[281]

Verdict: Partly true. "Never" is wrong as history, because the debt was paid off in 1835. As a practical matter today, no official projection shows the debt being paid off, and few economists think that is the right goal.

Claim 6: "The U.S. has never defaulted."

How people say it. "America has never missed a payment." "We have always paid our debts."

Where it comes up. This is said often during debt limit standoffs, to stress what is at stake.

What the records show. The United States has never failed to pay principal or interest because of a debt limit standoff in the way a true default would mean. But there are two episodes that some people count as defaults.

- **1979.** In the spring of 1979, after a late debt limit increase and a processing problem, the Treasury was late on some payments to holders of Treasury bills. CRS cites an estimate that the delays affected about $122 million in payments and that the extra interest owed came to about $125,000. The Treasury paid with back interest and described it as a delay, not a default. Chapter 15 describes this episode, and the short debt limit lapses of 1977 and 1978, in more detail.[282,283]

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[279] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny, Fiscal Data API (record dates September 28, 2001 through November 9, 2026)". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_to_penny. Accessed November 12, 2026.

[280] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026. Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026.

[281] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026. Jason Furman and Lawrence Summers, Brookings Institution and Peterson Institute discussion draft, "A Reconsideration of Fiscal Policy in the Era of Low Interest Rates", November 30, 2020. https://www.brookings.edu/wp-content/uploads/2020/11/furman-summers-fiscal-reconsideration-discussion-draft.pdf. Accessed November 12, 2026.

[282] Congressional Research Service, "Clearing the Air on the Debt Limit (R45011)", updated November 10, 2021. https://www.everycrsreport.com/reports/R45011.html. Accessed November 12, 2026.

- **1933.** Some government bonds, including a Liberty Bond held by a man named John Perry, promised payment in gold. In 1933, Congress declared those gold clauses "against public policy" and let the bonds be paid dollar for dollar in paper money. In Perry v. United States (1935), the Supreme Court's plurality said Congress's action "went beyond the congressional power," but Perry got nothing because he "could not show damages." Some analysts call this a partial default. Others say it was not, because bondholders were paid the face value in dollars. **[Not verified]** (the views of analysts)[284]

Verdict: Partly true. The U.S. has paid its debts in full in dollars, and it has never had a debt limit default. But the 1979 payment delays and the 1933 gold clause change are two episodes that some reasonable people count as defaults, depending on how "default" is defined.

Claim 7: "Social Security is responsible for the debt."

How people say it. "Social Security is bankrupting the country." Or the opposite: "Social Security has nothing to do with the debt."

Where it comes up. Both versions come up whenever Social Security's finances are in the news, usually after the yearly Trustees Report. I did not trace a first source. **[Not verified]**

What the records show. Social Security is the largest single program in the budget. It spent $1.667 trillion in fiscal year 2026, about 23 percent of all federal spending.[285]

But for most of its modern history, Social Security took in more than it paid out. Its surplus was lent to the rest of the government, which reduced how much the Treasury had to borrow from the public. According to the 2026 Trustees Report, the program's cost has been higher than its income from taxes (not counting interest) since 2010, and higher than its total income including interest since 2021. In 2025, cost was higher than income by $160.2 billion.[286]

So the right answer depends on the years.

- **Before 2010:** Social Security's taxes more than covered its benefits. Over those years, it was not adding to the government's deficits. It was helping cover them.

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[283] Congressional Research Service, "Clearing the Air on the Debt Limit (R45011)", updated November 10, 2021. https://www.everycrsreport.com/reports/R45011.html. Accessed November 12, 2026. NPR, Planet Money, "When Debt-Ceiling Talks Went Down To The Wire, And The U.S. (Sort Of) Defaulted", July 27, 2011. https://www.npr.org/sections/money/2011/07/27/138753971/when-debt-ceiling-talks-went-down-to-the-wire-and-the-u-s-defaulted-sort-of. Accessed November 12, 2026.

[284] Sean M. Stiff, Congressional Research Service, "Debating the Public Debt Clause (Legal Sidebar LSB10973)", June 1, 2023. https://www.everycrsreport.com/reports/LSB10973.html. Accessed November 12, 2026.

[285] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[286] Social Security Administration, Office of the Chief Actuary, "The 2026 OASDI Trustees Report, and A Summary of the 2026 Annual Reports", May 11, 2026. https://www.ssa.gov/oact/TR/2026/. Accessed November 12, 2026.

- **Since 2021:** The program draws down its trust fund reserves, which means the Treasury has to pay cash for securities the trust funds hold, and that cash comes from general revenue or borrowing from the public.
- **Going forward: The Trustees project the combined trust funds will run out of reserves in the third quarter of 2034, after which incoming taxes would cover about 83 percent of scheduled benefits. They project Social Security's cost rising from 5.3 percent of GDP in 2026 to a peak of about 6.9 percent in 2084, with its yearly shortfall, not counting interest, rising from 0.8 percent of GDP to 2.4 percent.**[287][288]

The other book in this series on Social Security covers its finances in more depth.

Verdict: Partly true. Social Security is the biggest program and now pays out more than it takes in, so it adds to borrowing today. But it did not cause the debt that built up before 2010, when its surpluses reduced what the Treasury had to borrow from the public.

Claim 8: "The 14th Amendment lets the president ignore the debt limit."

How people say it. "The Constitution says the debt can't be questioned, so the president can just keep borrowing."

Where it comes up. This idea got wide attention during the 2011 and 2023 standoffs, according to CRS.[289]

What the records show. Section 4 of the 14th Amendment says, "The validity of the public debt of the United States, authorized by law... shall not be questioned." CRS reports that:

- No court has ruled on whether the debt limit violates this clause.
- No president has used it to borrow above the limit.
- The only time the Supreme Court has examined the clause's text was in Perry v. United States (1935), and commentators have called parts of that ruling "baffling."[290]

Legal scholars disagree. Some argue the clause bars any action that would cause a default. Others argue it applies only to Congress and gives the president no power to borrow without Congress. **[Not verified]** (I give the two sides as CRS summarizes them, not as direct quotes from the scholars.)[291]

Verdict: Inconclusive. No court has decided the question, and no president has tried it. Until one does, the claim can't be confirmed or ruled out.

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[287] Social Security and Medicare Boards of Trustees, "A Summary of the 2026 Annual Reports" (2026). https://www.ssa.gov/oact/TRSUM/index.html. Accessed November 12, 2026.

[288] Social Security Administration, Office of the Chief Actuary, "The 2026 OASDI Trustees Report, and A Summary of the 2026 Annual Reports", May 11, 2026. https://www.ssa.gov/oact/TR/2026/. Accessed November 12, 2026.

[289] Sean M. Stiff, Congressional Research Service, "Debating the Public Debt Clause (Legal Sidebar LSB10973)", June 1, 2023. https://www.everycrsreport.com/reports/LSB10973.html. Accessed November 12, 2026.

[290] Sean M. Stiff, Congressional Research Service, "Debating the Public Debt Clause (Legal Sidebar LSB10973)", June 1, 2023. https://www.everycrsreport.com/reports/LSB10973.html. Accessed November 12, 2026.

[291] Sean M. Stiff, Congressional Research Service, "Debating the Public Debt Clause (Legal Sidebar LSB10973)", June 1, 2023. https://www.everycrsreport.com/reports/LSB10973.html. Accessed November 12, 2026.

Claim 9: "Tax cuts pay for themselves."

How people say it. "Cutting taxes brings in more revenue, because the economy grows." "The tax cuts paid for themselves."

Where it comes up. This claim has been made for major tax cuts since at least the 1980s, including the 1981, 2001, 2003, 2017 and 2025 laws. I did not trace a first source. **[Not verified]**

What the records show. Tax cuts can boost the economy, and a stronger economy brings in some extra revenue. The official scorekeepers try to measure that. In every major recent tax cut I checked, they found the extra revenue covered only a small part of the cost.

Tax law	What the official estimates found
2001 tax cut	CBO's projected 10-year surplus fell from $5.6 trillion (January 2001) to $1.6 trillion (February 2002). For 2002 alone, an analysis of CBO's figures called the 2001 tax cut "the primary legislative reason" for the drop.
2017 tax law (TCJA)	CBO estimated it would add $1.5 trillion to deficits over 2018 to 2027 before economic effects, and $1.8 trillion with interest. CRS found that "not enough growth occurred in the first year to cause the tax cut to pay for itself." Estimates of how much growth would offset the cost ranged from about 5 percent (CBO) to about 20 percent (JCT), according to CRS.
Public Law 119-21 (2025)	CBO's 2026 dynamic estimate, which counts economic effects, came in larger, not smaller, than its conventional estimate: about $4.2 trillion through 2034 versus $4.1 trillion, as reported by the Committee for a Responsible Federal Budget. The law also included spending cuts and other changes, so not all of the figure is tax cuts.

Sources: FRBSF Economic Letter 2002-08; CBO; CRS; CRFB reporting CBO.[292]

CBO also found that tax receipts in 2018 and 2019 came in slightly below what it had projected after the 2017 law, though it said it could not fully separate the law's effects from other factors.[293]

Supporters of tax cuts point out that they can raise growth, wages and investment, and that some feedback is real. That is a fair point, and CBO and JCT count it. The evidence shows feedback reduces the cost. It does not erase it.[294]

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[292] Carl E. Walsh, Federal Reserve Bank of San Francisco Economic Letter 2002-08, "The Changing Budget Picture", March 22, 2002. https://www.frbsf.org/research-and-insights/publications/economic-letter/2002/03/the-changing-budget-picture. Accessed November 12, 2026. Congressional Budget Office, "Estimated Deficits and Debt Under the Conference Agreement of H.R. 1", January 2, 2018. https://www.cbo.gov/publication/53437. Accessed November 12, 2026. Jane G. Gravelle and Donald J. Marples, Congressional Research Service, "The Economic Effects of the 2017 Tax Revision: Preliminary Observations (R45736)", updated June 7, 2019. https://www.everycrsreport.com/reports/R45736.html. Accessed November 12, 2026. Committee for a Responsible Federal Budget (deficit-focused advocacy group), reporting CBO estimates, "OBBBA Dynamic Score Comes In at $4.7 Trillion", March 11, 2026. https://www.crfb.org/blogs/obbba-dynamic-score-comes-47-trillion. Accessed November 12, 2026.

[293] Congressional Budget Office, "Additional Information About the Effects of Public Law 115-97 on Revenues", October 28, 2019. https://www.cbo.gov/publication/55743. Accessed November 12, 2026.

[294] Jane G. Gravelle and Donald J. Marples, Congressional Research Service, "The Economic Effects of the 2017 Tax Revision: Preliminary Observations (R45736)", updated June 7, 2019. https://www.everycrsreport.com/reports/R45736.html. Accessed November 12, 2026.

Verdict: False (debunked) for the major federal tax cuts of the last 25 years, as measured by the official scorekeepers. A tax cut could pay for itself only if tax rates were so high that cutting them unleashed very large growth. No official estimate found that to be the case for these laws.

Claim 10: "Each person's share of the debt is more than $100,000."

How people say it. "Every man, woman and child owes over $100,000."

Where it comes up. Debt clocks show a "per citizen" figure, and politicians quote it often (Chapter 4 and Appendix D).[295]

What the records show.

Measure (November 9, 2026, debt; September 2026 population)	Per person
Total debt, $40.56 trillion	about $118,200
Debt held by the public, $32.76 trillion	about $95,500
Intragovernmental holdings, $7.80 trillion	about $22,700

Population: 343,105,000 (BEA via FRED, September 2026). The figures are my arithmetic.[296]

Verdict: True, if you use the total debt. If you leave out the debt the government owes its own trust funds, the figure is about $95,500, just under $100,000. Either way, nobody receives a bill for this amount. As Chapter 4 explains, it is a way to picture the size of the debt, not a measure of what any one person owes.

Claim 11: "Raising the debt limit lets Congress spend more."

How people say it. "Raising the debt ceiling is like raising the limit on your credit card." "If we don't raise it, they can't spend more."

Where it comes up. In every debt limit standoff.

What the records show. The debt limit caps borrowing to pay for spending and tax laws Congress has already passed. Raising it does not approve any new spending. CRS describes it as a limit on the Treasury's ability to borrow to pay obligations already made.[297]

The credit card comparison breaks down because Congress has already "made the purchases" by passing spending and tax laws. A better comparison is a household that has already run up the bill and now decides whether to pay it.[298]

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[295] U.S. National Debt Clock (privately run website; operator not named on its About page), "U.S. National Debt Clock: Real Time". https://www.usdebtclock.org/. Accessed November 12, 2026.

[296] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026. U.S. Bureau of Economic Analysis, via Federal Reserve Bank of St. Louis (FRED), "Population (POPTHM), September 2026", updated October 29, 2026. https://fred.stlouisfed.org/series/POPTHM. Accessed November 12, 2026.

[297] Congressional Research Service, "The Debt Limit (IF10292)", updated September 21, 2026. https://www.everycrsreport.com/files/2026-09-21_IF10292_c2e7be2cbda8c7c7acfafd40d64a2f6fc9b45aa8.html. Accessed November 12, 2026.

There is one way the claim has some truth in it. Debt limit fights have often been used to bargain over future spending. The Budget Control Act of 2011 and the Fiscal Responsibility Act of 2023 both paired debt limit increases with spending caps, which reduced future spending. In those cases, raising the limit came with less spending, not more.[299]

Verdict: False (debunked). Raising the limit lets the Treasury pay for spending already approved. It does not authorize new spending.

Claim 12: "Congress raided the Social Security trust fund."

How people say it. "Congress stole the Social Security money." "The trust fund is just a pile of IOUs."

Where it comes up. This claim has circulated for decades, especially in forwarded emails and on social media. I did not trace a first source. **[Not verified]**

What the records show. When Social Security takes in more than it pays out, the extra is invested in special Treasury securities. The Social Security Administration explains: "By law, income to the trust funds must be invested, on a daily basis, in securities guaranteed as to both principal and interest by the Federal government."[300]

The Treasury then uses that cash for the government's other bills. That part of the claim is accurate. The money was lent to the rest of the government, and the rest of the government spent it.[301]

What isn't accurate is the idea that the money is gone. The trust funds hold those securities, earn interest on them, and redeem them to pay benefits. At the end of 2025, the Old-Age and Survivors Insurance trust fund held $2,338.3 billion in reserves, and the Disability Insurance trust fund held $223.0 billion. SSA says, "Far from being 'worthless IOUs,' the investments held by the trust funds are backed by the full faith and credit of the U. S. Government."[302]

The real problem is different. To redeem the securities, the Treasury must raise taxes, cut other spending or borrow from the public. And the reserves are projected to run out in 2034 (Claim 7).[303]

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[298] Congressional Research Service, "The Debt Limit (IF10292)", updated September 21, 2026. https://www.everycrsreport.com/files/2026-09-21_IF10292_c2e7be2cbda8c7c7acfafd40d64a2f6fc9b45aa8.html. Accessed November 12, 2026.

[299] Congressional Research Service, "The Debt Limit: History and Recent Increases (RL31967)", November 2, 2015. https://www.everycrsreport.com/reports/RL31967.html. Accessed November 12, 2026. Congressional Budget Office (Phillip L. Swagel, letter to Speaker Kevin McCarthy), "H.R. 3746, the Fiscal Responsibility Act of 2023", May 30, 2023. https://www.cbo.gov/system/files/2023-05/hr3746_Letter_McCarthy.pdf. Accessed November 12, 2026.

[300] Social Security Administration, Office of the Chief Actuary, "Trust Fund FAQs". https://www.ssa.gov/oact/progdata/fundFAQ.html. Accessed November 12, 2026.

[301] Social Security Administration, Office of the Chief Actuary, "Trust Fund FAQs". https://www.ssa.gov/oact/progdata/fundFAQ.html. Accessed November 12, 2026.

[302] Social Security Administration, Office of the Chief Actuary, "The 2026 OASDI Trustees Report, and A Summary of the 2026 Annual Reports", May 11, 2026. https://www.ssa.gov/oact/TR/2026/. Accessed November 12, 2026. Social Security Administration, Office of the Chief Actuary, "Trust Fund FAQs". https://www.ssa.gov/oact/progdata/fundFAQ.html. Accessed November 12, 2026.

[303] Social Security Administration, Office of the Chief Actuary, "The 2026 OASDI Trustees Report, and A Summary of the 2026 Annual Reports", May 11, 2026. https://www.ssa.gov/oact/TR/2026/. Accessed November 12, 2026.

Verdict: Partly true. The government did lend Social Security's surpluses to itself and spend the cash, as the law requires. But "raided" implies the money was stolen and won't be repaid, and the records show the securities have been honored with interest.

Claim 13: "The Fed just prints money to pay for the debt."

How people say it. "The Fed buys all the debt with money it prints." "They just turn on the printing press."

Where it comes up. This claim grew during the Federal Reserve's large bond purchases after 2008 and during the pandemic. I did not trace a first source. **[Not verified]**

What the records show. The Fed does hold a lot of Treasury securities: about $4.58 trillion on November 4, 2026. That is about 14 percent of the $32.76 trillion held by the public, by my arithmetic. The rest is held by foreign investors, U.S. banks, funds, governments and people.[304]

The Fed buys Treasury securities with new bank reserves that it creates electronically. The Fed itself says this is not "printing money" in the usual sense: "The term 'printing money' often refers to a situation in which the central bank is effectively financing the deficit of the federal government on a permanent basis by issuing large amounts of currency." It says its purchases are matched by "a corresponding increase in reserve balances held by the banking system."[305]

Critics say that, whatever the label, Fed purchases made it easier and cheaper for the government to borrow during the pandemic. That is a fair debate about effects. The other book in this series on the Federal Reserve covers it in more depth.

Verdict: Partly true. The Fed does create money when it buys Treasury securities, and it holds a large amount of them. But it holds about one-seventh of the debt held by the public, not all of it, and the Treasury pays for the government's bills with taxes and borrowing from many investors, not with money the Fed prints for it.

Claim 14: "Foreign countries could dump our debt and crash the economy."

How people say it. "If China or Japan sells all its Treasuries, it's over."

Where it comes up. In trade disputes and tense moments with China. I did not trace a first source. **[Not verified]**

What the records show.

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[304] Board of Governors of the Federal Reserve System, "H.4.1 Factors Affecting Reserve Balances, release of November 5, 2026", November 5, 2026. https://www.federalreserve.gov/releases/h41/current/. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026.

[305] Board of Governors of the Federal Reserve System, "Is the Federal Reserve printing money in order to buy Treasury securities?", last updated August 25, 2016. https://www.federalreserve.gov/faqs/money_12853.htm. Accessed November 12, 2026.

- **Foreign holdings are large but spread out.** Foreign holders had $9.33 trillion in August 2026, about 28 percent of debt held by the public. CRS reported that about 58 percent of foreign holdings at the end of 2025 belonged to private investors, not governments.[306]
- **China has already sold down a lot.** China's holdings fell from $1,316.7 billion in November 2013 to $590.7 billion in August 2026. That was a gradual sale over years, not a sudden dump, and it did not crash the economy.[307]
- **A seller hurts itself.** A country that dumped its holdings quickly would push down the price of what it still held and, if it bought dollars back, could push up its own currency. **[Not verified]** (this is common economic reasoning, not a finding from an official source I read).
- **There is no test case.** No major holder has ever tried a sudden sell-off of the kind the claim describes, so its effects are a matter of forecasts.

Verdict: Inconclusive. A sudden sale by a big holder could push up U.S. interest rates for a time. Whether it could "crash the economy" has never been tested, and the one slow sell-down on record, by China, did not.

Claim 15: "The U.S. has the biggest debt in the world, so it is the worst off."

How people say it. "No country owes more than we do."

Where it comes up. Often next to debt clock numbers. I did not trace a first source. **[Not verified]**

What the records show. In dollars, the U.S. federal debt of $40.56 trillion is very likely the largest government debt in the world, because the U.S. has the world's largest economy. I did not find an official source that ranks countries in dollars, so I mark that part **[Not verified]**.[308]

But dollars are the wrong yardstick (Chapter 4). Measured against the size of each economy, some advanced countries owe more and some owe less. Here are the International Monetary Fund's figures for general government gross debt in 2025:

Country	General government gross debt, percent of GDP, 2025
Japan	204.8%
Italy	137.1%
France	115.5%
Canada	113.6%
Germany	62.7%

[306] U.S. Department of the Treasury, Treasury International Capital (TIC) System, "Table 5: Major Foreign Holders of Treasury Securities (data through August 2026)". https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table5.html. Accessed November 12, 2026. Congressional Research Service, "Foreign Holdings of Federal Debt (RS22331)", updated April 22, 2026. https://www.everycrsreport.com/reports/RS22331.html. Accessed November 12, 2026.

[307] U.S. Department of the Treasury, Treasury International Capital (TIC) System, "Major Foreign Holders of Treasury Securities, historical file (2013 to 2025)". https://ticdata.treasury.gov/Publish/mfhhis01.txt. Accessed November 12, 2026. U.S. Department of the Treasury, Treasury International Capital (TIC) System, "Table 5: Major Foreign Holders of Treasury Securities (data through August 2026)". https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table5.html. Accessed November 12, 2026.

[308] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026.

Source: IMF World Economic Outlook database. The same IMF database puts the United States at 124.4 percent, the United Kingdom at 102.1 percent and Greece at 146.6 percent for 2025.[309][310]

The IMF measure includes state and local governments, so it isn't the same as the federal figures used elsewhere in this book. For a rough comparison, total federal debt on November 9, 2026, was about 123 percent of U.S. GDP in the third quarter of 2026, by my arithmetic, and debt held by the public was 97.8 percent of GDP at the end of fiscal year 2025.[311]

Verdict: Partly true. The U.S. very likely has the biggest debt in dollars. It is not the most indebted country relative to the size of its economy. Japan, Italy and Greece owe more by that measure, while France, Canada and the United Kingdom owe less, according to the IMF's 2025 figures.

Claim 16: "We now spend more on interest than on defense."

How people say it. "Interest on the debt now costs more than the military."

Where it comes up. This became a common talking point in 2024 and 2025 as interest costs rose. I did not trace a first source. **[Not verified]**

What the records show.

Fiscal year	Net interest	National defense	Difference
2025	$970.4 billion	$916.6 billion	interest higher by $53.7 billion
2026	$1,051.8 billion	$965.2 billion	interest higher by $86.6 billion

Source: Treasury, Monthly Treasury Statement, Table 9. Differences are my arithmetic.[312]

Two cautions. First, "national defense" in the Treasury tables is mainly the Department of Defense and some related programs. It doesn't include veterans' benefits, which were another $416.2 billion in fiscal

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[309] International Monetary Fund, World Economic Outlook database (DataMapper API), "General government gross debt, percent of GDP (GGXWDG_NGDP), 2025" (undated). https://www.imf.org/external/datamapper/api/v1/GGXWDG_NGDP/USA/GBR/JPN/ITA/FRA/CAN/DEU/CHN?periods=2025. Accessed November 12, 2026.

[310] International Monetary Fund, World Economic Outlook database (DataMapper), "General government gross debt, percent of GDP, 2025". https://www.imf.org/external/datamapper/GGXWDG_NGDP@WEO. Accessed November 12, 2026.

[311] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026. U.S. Bureau of Economic Analysis, via Federal Reserve Bank of St. Louis (FRED), "Gross Domestic Product (GDP), third quarter 2026", updated October 29, 2026. https://fred.stlouisfed.org/series/GDP. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026.

[312] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

year 2026. Second, "net interest" leaves out interest paid to the government's own trust funds (Chapter 16).[313]

Verdict: True, using the Treasury's own budget categories for fiscal years 2025 and 2026. If you count veterans' benefits as part of defense, the comparison flips.

Claim 17: "A trillion-dollar platinum coin could get around the debt limit."

How people say it. "Just mint the coin."

Where it comes up. CRS reports that the idea got attention in 2013, and it came up again in later standoffs.[314]

What the records show. A 1996 law, 31 U.S.C. 5112(k), lets the Treasury Secretary mint platinum coins. It doesn't set a limit on their face value. Supporters say the Treasury could mint a very large coin, deposit it at the Fed and use the money to pay bills without borrowing. Opponents say the law was meant for collector coins, and that using it this way would be a stunt that courts might strike down and that could hurt confidence in the Fed. According to CRS, a Treasury spokesman said in 2013 that neither the Treasury nor the Federal Reserve believed the law "can or should be used" this way.[315]

No Treasury has tried it, and no court has ruled on it.

Verdict: Inconclusive. The law's words may allow it, but Treasury and the Fed have rejected it, and it has never been tested.

Claim 18: "Paying off the debt in 1835 caused the Panic of 1837."

How people say it. "The last time we paid off the debt, it caused a depression."

Where it comes up. Usually as a warning against paying down the debt too fast. I did not trace a first source. **[Not verified]**

What the records show. The debt fell to $33,733.05 on January 1, 1835, and a financial panic hit in 1837 (Chapter 6). So the timing is real.[316]

But economic historians point to other causes:

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[313] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[314] Congressional Research Service, "Clearing the Air on the Debt Limit (R45011)", updated November 10, 2021. https://www.everycrsreport.com/reports/R45011.html. Accessed November 12, 2026.

[315] Congressional Research Service, "Clearing the Air on the Debt Limit (R45011)", updated November 10, 2021. https://www.everycrsreport.com/reports/R45011.html. Accessed November 12, 2026.

[316] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Historical Debt Outstanding (annual, 1790 to 2025), Fiscal Data API". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_outstanding. Accessed November 12, 2026.

- The Federal Reserve Bank of New York's history of the panic stresses the Specie Circular of 1836, which required gold or silver for many public land purchases, and notes that New York banks stopped paying out gold and silver on May 9, 1837.[317]
- Economic historian Peter Rousseau found that neither the distribution of the federal surplus nor an outside shock from abroad was at the heart of the panic. He pointed instead to the transfers of government money between banks and to government policies that raised the demand for coin in the West.[318]

Paying off the debt did leave the government with surplus cash, and some of the policies for handling that cash are part of these stories. But no source I read found that paying off the debt itself caused the panic.[319]

Verdict: Inconclusive. The timing is right, and the surplus that followed played some part in the policies that historians blame. But the historians I read point to banking and land policy, not to the pay-off itself, and they disagree on how much weight each cause deserves.

Claim 19: "Cutting waste, fraud and foreign aid would balance the budget."

How people say it. "If we just stopped sending money overseas and cut the waste, we wouldn't have a deficit."

Where it comes up. In nearly every budget debate. I did not trace a first source. **[Not verified]**

What the records show.

Item	Amount	Year
Deficit	$1,992 billion	fiscal year 2026
International affairs (includes foreign aid, the State Department and other programs)	$48.0 billion	fiscal year 2026
Improper payments, all agencies, as estimated by GAO	about $186 billion	fiscal year 2025
International affairs plus improper payments	about $234 billion	(my arithmetic)
Share of the fiscal year 2026 deficit	about 12%	(my arithmetic)

[317] Thomas Klitgaard and James Narron, Federal Reserve Bank of New York, Liberty Street Economics, "Crisis Chronicles: The Man on the Twenty-Dollar Bill and the Panic of 1837", May 8, 2015. https://libertystreeteconomics.newyorkfed.org/2015/05/crisis-chronicles-the-man-on-the-twenty-dollar-bill-and-the-panic-of-1837/. Accessed November 12, 2026.

[318] Peter L. Rousseau, National Bureau of Economic Research, "Jacksonian Monetary Policy, Specie Flows, and the Panic of 1837 (Working Paper 7528; published in the Journal of Economic History, 2002)", February 2000. https://www.nber.org/papers/w7528. Accessed November 12, 2026.

[319] Thomas Klitgaard and James Narron, Federal Reserve Bank of New York, Liberty Street Economics, "Crisis Chronicles: The Man on the Twenty-Dollar Bill and the Panic of 1837", May 8, 2015. https://libertystreeteconomics.newyorkfed.org/2015/05/crisis-chronicles-the-man-on-the-twenty-dollar-bill-and-the-panic-of-1837/. Accessed November 12, 2026. Peter L. Rousseau, National Bureau of Economic Research, "Jacksonian Monetary Policy, Specie Flows, and the Panic of 1837 (Working Paper 7528; published in the Journal of Economic History, 2002)", February 2000. https://www.nber.org/papers/w7528. Accessed November 12, 2026.

Sources: Treasury Monthly Treasury Statement, Table 9; OMB via FRED; GAO. Figures are nominal dollars.[320]

Three things to know about those numbers:

- **"International affairs" is more than foreign aid.** It also pays for embassies and the State Department. Cutting all of it would still leave a deficit of more than $1.9 trillion.[321]
- **Improper payments are not all fraud.** GAO counts payments that should not have been made or were made in the wrong amount, including underpayments and payments missing paperwork. Some can be recovered, and some would be hard to stop without cutting legitimate payments. GAO estimates about $3 trillion in improper payments since fiscal year 2003, so the problem is real and worth fixing.[322]
- **Even both together fall far short.** Eliminating all international affairs spending and every improper payment would cover about 12 percent of the 2026 deficit.

Verdict: False (debunked). Fixing waste and fraud would save real money, and GAO has called for it for years. But the largest parts of the budget are Social Security, Medicare, health programs, interest and defense (Chapter 16). Foreign aid and improper payments together are too small to balance the budget.[323]

Key points

- Of the 19 claims, 2 are True, 7 are Partly true, 5 are False (debunked) and 5 are Inconclusive.
- The most common pattern is a claim that starts from a real fact and then goes too far, such as "we owe it to ourselves, so it doesn't matter" or "Congress raided the trust fund."
- The Inconclusive claims are mostly about things that have never been tested: the 14th Amendment, the platinum coin, a sudden foreign sell-off and future hyperinflation.

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[320] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit (FYFSD), millions of dollars, fiscal years", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSD. Accessed November 12, 2026. U.S. Government Accountability Office, "Improper Payments and Fraud". https://www.gao.gov/improper-payments. Accessed November 12, 2026.

[321] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[322] U.S. Government Accountability Office, "Improper Payments and Fraud". https://www.gao.gov/improper-payments. Accessed November 12, 2026.

[323] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026. U.S. Government Accountability Office, "Improper Payments and Fraud". https://www.gao.gov/improper-payments. Accessed November 12, 2026.

Part Eight: Today and Tomorrow

Chapter 19: Where It Stands and the Official Projections

The figures in this chapter are current as of November 12, 2026.

This chapter pulls the current numbers from the rest of the book into one place, then looks at what the official projections say and what to watch in 2027. If you are reading this later, every figure here will have changed. The sources are listed so you can look up the newest ones.

The numbers on November 12, 2026

Measure	Figure	As of	Source
Total public debt outstanding	$40.56 trillion	November 9, 2026	Treasury, Debt to the Penny
Debt held by the public	$32.76 trillion	November 9, 2026	Treasury, Debt to the Penny
Intragovernmental holdings	$7.80 trillion	November 9, 2026	Treasury, Debt to the Penny
Debt limit	$41.1 trillion	set July 2025	CRS
Room under the limit (approximate)	about $540 billion	November 9, 2026	my arithmetic
Federal revenue, fiscal year 2026	$5.40 trillion	year ended September 30, 2026	Monthly Treasury Statement
Federal spending, fiscal year 2026	$7.40 trillion	year ended September 30, 2026	Monthly Treasury Statement
Deficit, fiscal year 2026	$1.99 trillion	year ended September 30, 2026	Monthly Treasury Statement
Net interest, fiscal year 2026	$1.05 trillion	year ended September 30, 2026	Monthly Treasury Statement
Average interest rate on interest-bearing debt	3.58%	October 31, 2026	Treasury
Debt held by the public, share of GDP	101% (CBO projection for fiscal year 2026)	February 2026 projection	CBO
Held by foreign investors	$9.33 trillion	August 2026	Treasury International Capital data
Held by the Federal Reserve	about $4.58 trillion	November 4, 2026	Federal Reserve H.4.1
Total debt per person	about $118,200	November 9, 2026 debt; September 2026 population	my arithmetic
Credit ratings	AA+ (S&P), Aa1	latest actions 2025 and	agencies, as

Measure	Figure	As of	Source
	(Moody's), AA+ (Fitch)	2026	reported
Social Security combined trust funds, projected depletion	third quarter of 2034	May 2026 report	Social Security Trustees

All dollar figures are nominal. Sources as listed in each row.[324]

A note on the ratings row: S&P lowered the U.S. to AA+ in 2011, and I found news reports that it affirmed that rating in August 2025, but I did not read S&P's own statement. **[Not verified]** (the 2025 S&P affirmation)[325]

The first month of fiscal year 2027

Fiscal year 2027 began on October 1, 2026. The first monthly report is already out. In October 2026, the government took in $368.9 billion and spent $773.0 billion, for a one-month deficit of $404.1 billion.[326]

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[324] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026. Congressional Research Service, "The Debt Limit (IF10292)", updated September 21, 2026. https://www.everycrsreport.com/files/2026-09-21_IF10292_c2e7be2cbda8c7c7acfafd40d64a2f6fc9b45aa8.html. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1: Summary of Receipts, Outlays, and the Deficit/Surplus, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2026-09-30. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026. U.S. Department of the Treasury, Bureau of the Fiscal Service, "Average Interest Rates on U.S. Treasury Securities, record date October 31, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/avg_interest_rates. Accessed November 12, 2026. Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026. U.S. Department of the Treasury, Treasury International Capital (TIC) System, "Table 5: Major Foreign Holders of Treasury Securities (data through August 2026)". https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table5.html. Accessed November 12, 2026. Board of Governors of the Federal Reserve System, "H.4.1 Factors Affecting Reserve Balances, release of November 5, 2026", November 5, 2026. https://www.federalreserve.gov/releases/h41/current/. Accessed November 12, 2026. U.S. Bureau of Economic Analysis, via Federal Reserve Bank of St. Louis (FRED), "Population (POPTHM), September 2026", updated October 29, 2026. https://fred.stlouisfed.org/series/POPTHM. Accessed November 12, 2026. Paul Wiseman, Associated Press, via PBS NewsHour, "Moody's strips U.S. government of top credit rating over failure to rein in debt", May 16, 2025. https://www.pbs.org/newshour/economy/moodys-strips-u-s-government-of-top-credit-rating-over-failure-to-rein-in-debt. Accessed November 12, 2026. Eamonn Sheridan, investingLive, "Fitch affirms US at AA+, keeps outlook stable amid growth slowdown", August 13, 2026. https://investinglive.com/news/fitch-affirms-us-at-aa-keeps-outlook-stable-amid-growth-slowdown/. Accessed November 12, 2026. Congressional Research Service, "Standard and Poor's Downgrade of U.S. Government Long-Term Debt (R41955)", August 9, 2011. https://www.everycrsreport.com/reports/R41955.html. Accessed November 12, 2026. Social Security Administration, Office of the Chief Actuary, "The 2026 OASDI Trustees Report, and A Summary of the 2026 Annual Reports", May 11, 2026. https://www.ssa.gov/oact/TR/2026/. Accessed November 12, 2026.

[325] Congressional Research Service, "Standard and Poor's Downgrade of U.S. Government Long-Term Debt (R41955)", August 9, 2011. https://www.everycrsreport.com/reports/R41955.html. Accessed November 12, 2026.

[326] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1, fiscal year 2027 through October 31, 2026", Fiscal Data API. https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2026-10-31. Accessed November 12, 2026.

Don't multiply that by 12. As Appendix C explains, monthly numbers bounce around with tax deadlines and the timing of payments, so one month tells you very little about a whole year. I report it so you know where the official count stood on the day this book's information stops.

The government was also running on a stopgap spending law that expires December 11, 2026 (Chapter 13). So by the time you read this, Congress will have had to pass another stopgap, pass full-year spending bills, or let some funding lapse.

What CBO projects for the next ten years

CBO's main projections come out once a year in its Budget and Economic Outlook. The February 2026 edition covers 2026 to 2036. These are projections under current law, which means CBO assumes today's tax and spending laws stay as written. They are not predictions of what Congress will do.[327]

CBO baseline projection (February 2026)	2026	2036
Deficit	$1.9 trillion (5.8% of GDP)	$3.1 trillion (6.7% of GDP)
Debt held by the public	101% of GDP	120% of GDP
Net interest	over $1.0 trillion (3.3% of GDP)	about 4.6% of GDP

Source: CBO, The Budget and Economic Outlook: 2026 to 2036, February 11, 2026. Dollar figures are nominal.[328]

CBO projected that debt held by the public would pass its 1946 record of 106 percent of GDP around 2030. That record was set at the end of World War II.[329]

Three things could make these numbers better or worse:

- **New laws.** CBO's projections reflect laws as of mid-January 2026 and trade policy as of November 20, 2025. Any new tax cut, spending increase or deficit deal changes the picture.[330]
- **Tariffs and the courts.** CBO counted on higher tariffs to reduce deficits by about $3.0 trillion over ten years. The Supreme Court's February 20, 2026, ruling struck down the tariffs imposed under IEEPA, and CBO's long-term numbers did not account for it. How much of that revenue will be lost or refunded is not settled.[331]

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[327] Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026.

[328] Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026.

[329] Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026.

[330] Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026.

[331] Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026. Congressional Budget Office, "The Long-Term Budget Outlook Data: 2026 to 2056", February 25, 2026. https://www.cbo.gov/publication/62044. Accessed November 12, 2026. Nathaniel B. Bolin and Karla M. Cure, K&L Gates LLP, National Law Review, "Summary - Supreme Court Decision on IEEPA Tariffs", February 20, 2026. https://natlawreview.com/article/summary-supreme-court-decision-ieepa-tariffs. Accessed November 12, 2026.

- **Interest rates.** In October 2026, CBO estimated that rates 0.5 percentage point above its baseline would add $1.9 trillion to deficits over 2026 to 2036, and rates 1.5 points higher would add $6.0 trillion.[332]

What CBO projects for the long term

In September 2026, CBO published longer-range scenarios. Under its extended baseline, debt held by the public rises from 101 percent of GDP in 2026 to 175 percent in 2056. If interest rates were 1 percentage point higher than CBO assumes, it would reach 222 percent.[333]

You might ask, "Will that really happen?" Probably not exactly, because Congress will change the laws long before 2056. CBO's long-term numbers are a way of showing where current law leads, not a forecast. They show that under current law, the debt grows faster than the economy every year, mainly because of rising costs for interest, Social Security and Medicare as the population ages, and revenue that doesn't keep up.[334] **[Not verified: this summary of causes is my reading of CBO's reports, which I read in summary form for this point.] The Social Security and Medicare Trustees point the same way for those two programs: costs grow "as the baby boomers reach retirement ages and as GDP growth slows in the future due to assumed lower birth rates and lower levels of immigration."**[335]

Social Security and Medicare in the 2026 Trustees Reports

The two largest programs in the budget each have trust funds with their own long-range projections. Their yearly reports are official, and they matter for the debt because, as Chapter 2 explains, when a trust fund draws down its reserves, the Treasury has to raise the cash.

For Social Security, the 2026 report found that the combined trust funds would be depleted in the third quarter of 2034. At that point, incoming taxes would pay 83 percent of scheduled benefits for the rest of 2034, falling to 65 percent by 2100. The retirement fund alone would run out sooner, in 2032, if the two funds are not combined.[336]

The Trustees measure the long-range gap as an "actuarial deficit," the average change in income or cost, as a share of taxable payroll, needed to balance the program for 75 years. For Social Security, it was 4.42 percent of taxable payroll in the 2026 report, up from 3.82 percent in 2025. The Trustees' summary gives three main reasons: a lower assumed birth rate (1.75 children per woman instead of 1.90), lower

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[332] Congressional Budget Office, "Projections of Deficits and Debt Under Two Scenarios With Higher Interest Rates", October 8, 2026. https://www.cbo.gov/publication/62809. Accessed November 12, 2026.

[333] Congressional Budget Office, "Projections of Deficits and Debt Under Alternative Scenarios for Interest Rates and the Budget", September 24, 2026. https://www.cbo.gov/publication/62758. Accessed November 12, 2026.

[334] Congressional Budget Office, "Projections of Deficits and Debt Under Alternative Scenarios for Interest Rates and the Budget", September 24, 2026. https://www.cbo.gov/publication/62758. Accessed November 12, 2026. Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026.

[335] Social Security and Medicare Boards of Trustees, "A Summary of the 2026 Annual Reports" (2026). https://www.ssa.gov/oact/TRSUM/index.html. Accessed November 12, 2026.

[336] Social Security Administration, Office of the Chief Actuary, "The 2026 OASDI Trustees Report, Section II.D: Projections of Future Financial Status" (2026). https://www.ssa.gov/oact/TR/2026/II_D_project.html. Accessed November 12, 2026.

assumed immigration, and the 2025 tax law, which will lower the income taxes on benefits that flow into the trust funds.[337]

For Medicare's hospital insurance trust fund, the 2026 report projects depletion in the second quarter of 2033, one quarter earlier than the year before, with 89 percent of costs payable at that point. Its 75-year actuarial deficit is 0.56 percent of taxable payroll. The report also issued a "Medicare funding warning," because the share of Medicare paid from general revenue, rather than dedicated taxes and premiums, is projected to exceed 45 percent.[338]

In the Trustees' words, costs for both programs grow as a share of the economy "as the baby boomers reach retirement ages and as GDP growth slows in the future due to assumed lower birth rates and lower levels of immigration." Social Security's cost rises from 5.3 percent of GDP in 2026 to a peak of about 6.9 percent in 2084.[339]

Chapter 20 shows what the Social Security actuaries estimate specific changes would do to close that gap.

What to watch in 2027

- **The debt limit.** Private forecasts reported in November 2026 put the limit being reached around February 2027, with the X date, when Treasury runs out of room, between about August and November 2027. Expect a debate in Congress before then. The Treasury's debt limit page and CRS reports will have the official picture.[340]
- **CBO's next outlook.** CBO published its last main outlook in February 2026. The next one should include its first full look at the tariff ruling. **[Not verified]** (timing of the next report)
- **Tariff refunds.** The Supreme Court left refunds to the lower courts. How much is refunded, and how quickly, will affect the deficit.[341]
- **Interest rates.** Every percentage point matters on $32.8 trillion of public debt. Treasury publishes average rates monthly.[342]

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[337] Social Security and Medicare Boards of Trustees, "A Summary of the 2026 Annual Reports" (2026). https://www.ssa.gov/oact/TRSUM/index.html. Accessed November 12, 2026.

[338] Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, "2026 Annual Report", June 9, 2026. https://www.cms.gov/oact/tr/2026. Accessed November 12, 2026.

[339] Social Security and Medicare Boards of Trustees, "A Summary of the 2026 Annual Reports" (2026). https://www.ssa.gov/oact/TRSUM/index.html. Accessed November 12, 2026.

[340] Deep News, published on Tiger Brokers news, "Wall Street projects U.S. debt ceiling will be hit in February, with "X date" possibly arriving before end of 2027", November 7, 2026. https://www.itiger.com/news/1107000038. Accessed November 12, 2026. Congressional Research Service, "The Debt Limit (IF10292)", updated September 21, 2026. https://www.everycrsreport.com/files/2026-09-21_IF10292_c2e7be2cbda8c7c7acfafd40d64a2f6fc9b45aa8.html. Accessed November 12, 2026. U.S. Department of the Treasury, "Debt Limit". https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/debt-limit/. Accessed November 12, 2026.

[341] Nathaniel B. Bolin and Karla M. Cure, K&L Gates LLP, National Law Review, "Summary - Supreme Court Decision on IEEPA Tariffs", February 20, 2026. https://natlawreview.com/article/summary-supreme-court-decision-ieepa-tariffs. Accessed November 12, 2026.

[342] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Average Interest Rates on U.S. Treasury Securities, record date October 31, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/avg_interest_rates. Accessed November 12, 2026. Congressional Budget Office, "Projections of Deficits and Debt Under Two Scenarios With Higher Interest Rates", October 8, 2026. https://www.cbo.gov/publication/62809. Accessed November 12, 2026.

- **The Social Security Trustees Report,** usually released each spring, with its updated depletion date.[343]
- **Expiring provisions.** Several tax breaks in Public Law 119-21 are scheduled to end after 2028, setting up another debate over whether to extend them.[344]

Key points

- On November 9, 2026, the debt was $40.56 trillion, about $540 billion under the $41.1 trillion limit.
- The fiscal year 2026 deficit was $1.99 trillion, and net interest passed $1 trillion.
- CBO projects debt held by the public rising from 101 percent of GDP in 2026 to 120 percent in 2036 under current law, and much higher in the long run.
- In 2027, watch the debt limit, tariff refunds and interest rates.

[343] Social Security Administration, Office of the Chief Actuary, "The 2026 OASDI Trustees Report, and A Summary of the 2026 Annual Reports", May 11, 2026. https://www.ssa.gov/oact/TR/2026/. Accessed November 12, 2026.

[344] Congressional Research Service, "Tax Provisions in P.L. 119-21, the FY2025 Reconciliation Law (R48611)", July 29, 2025. https://www.everycrsreport.com/reports/R48611.html. Accessed November 12, 2026.

Chapter 20: What People Think, and What Could Be Done

The figures in this chapter are current as of November 12, 2026.

What Americans say about the deficit

Americans have told pollsters for decades that the deficit is a problem. What is more interesting is how the answer changes depending on who is in the White House.

Pew Research Center has asked Americans how big a problem the federal budget deficit is. Here is the share who said it was "a very big problem."

Pew survey date	All adults	Republicans and Republican-leaning	Democrats and Democratic-leaning	President at the time
October 2018	55%	56%	53%	Trump (R)
September 2019	53%	54%	52%	Trump (R)
June 2020	47%	49%	45%	Trump (R)
April 2021	49%	71%	31%	Biden (D)
May 2022	51%	69%	35%	Biden (D)
June 2023	56%	72%	39%	Biden (D)
May 2024	53%	71%	35%	Biden (D)
February 2025	57%	66%	47%	Trump (R)
November 2025	56%	59%	52%	Trump (R)
April 2026	64%	62%	66%	Trump (R)

Source: Pew Research Center, survey of 5,103 adults, April 20-26, 2026, and earlier Pew surveys as shown in the same report. The question asked how big a problem each of a list of issues is for the country.[345]

Look at the party columns. When Joe Biden took office, the share of Republicans calling the deficit a very big problem jumped from 49 percent to 71 percent, and the share of Democrats fell from 45 percent to 31 percent. After Donald Trump returned, it went the other way. In April 2026, Democrats were more likely than Republicans to call the deficit a very big problem, the highest Democratic share in Pew's series since 2018.[346]

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[345] Shanay Gracia and Steven Shepard, Pew Research Center, "Americans See Health Care Costs, Deficit, Inflation as Big Problems Facing the Nation (survey of 5,103 adults, April 20-26, 2026)", May 11, 2026. https://www.pewresearch.org/politics/2026/05/11/americans-see-health-care-costs-deficit-inflation-as-big-problems-facing-the-nation/. Accessed November 12, 2026. Pew Research Center, "Share of Democrats saying federal budget deficit is a top problem spikes (chart)", May 11, 2026. https://www.pewresearch.org/chart/share-of-democrats-saying-federal-budget-deficit-is-a-top-problem-spikes/. Accessed November 12, 2026.

[346] Shanay Gracia and Steven Shepard, Pew Research Center, "Americans See Health Care Costs, Deficit, Inflation as Big Problems Facing the Nation (survey of 5,103 adults, April 20-26, 2026)", May 11, 2026. https://www.pewresearch.org/politics/2026/05/11/americans-see-health-care-costs-deficit-inflation-as-big-problems-facing-the-nation/. Accessed November 12, 2026. Pew Research Center, "Share of Democrats saying federal budget deficit is a top problem spikes (chart)", May 11, 2026. https://www.pewresearch.org/chart/share-of-democrats-saying-federal-budget-deficit-is-a-top-problem-spikes/. Accessed November 12, 2026.

This pattern is common in polling, and I report it without judging it. People of both parties are more worried about the deficit when the other party is in charge.

Gallup asks a different question: how much people personally worry about "federal spending and the budget deficit." In March 2026, 50 percent said they worried "a great deal," compared with 53 percent in 2025 and 51 percent in 2024.[347]

AP-NORC asks a third kind of question, about priorities for Congress. Its wording and results are in the next section, alongside Pew's and Gallup's.

How the questions are worded, and why it matters

Polls about the deficit can seem to disagree with each other. Most of the time, they are simply asking different questions. Here are the three national polls used in this chapter, with the wording and methods each one reports.

Three ways of asking about the deficit, and what each found (newest results available as of November 12, 2026)

Poll	What it asked	How and when	What it found
Pew Research Center	The share who say an issue "is a very big problem for the country today," with the federal budget deficit as one item on a list	Online American Trends Panel, 5,103 adults, April 20-26, 2026	64% called the deficit a very big problem, up 7 points from February 2025
Gallup	How much people personally worry about a list of problems, including "federal spending and the budget deficit"	Telephone, 1,000 adults, March 2-18, 2026; about 750 asked each item; margin of error plus or minus 5 points per item	About half of adults worried "a great deal"; Republicans ranked it their second-biggest worry, at 47%
AP-NORC	"How much of a priority should each of the following be for the next Congress?" with "Reducing the federal budget deficit" as one item	1,119 adults, October 8-12, 2026; margin of error plus or minus 3.9 points	47% said one of the highest priorities, 44% a priority but not one of the highest, 7% not a priority

Sources: Pew Research Center, May 11, 2026; Gallup, March 31, 2026; AP-NORC October 2026 topline.[348]

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[347] Lydia Saad, Gallup, "Healthcare Reclaims Top Spot Among U.S. Domestic Worries (survey March 2-18, 2026)", March 31, 2026. https://news.gallup.com/poll/707732/healthcare-reclaims-top-spot-among-domestic-worries.aspx. Accessed November 12, 2026.

[348] Shanay Gracia and Steven Shepard, Pew Research Center, "Americans See Health Care Costs, Deficit, Inflation as Big Problems Facing the Nation (survey of 5,103 adults, April 20-26, 2026)", May 11, 2026. https://www.pewresearch.org/politics/2026/05/11/americans-see-health-care-costs-deficit-inflation-as-big-problems-facing-the-nation/. Accessed November 12, 2026. Lydia Saad, Gallup, "Healthcare Reclaims Top Spot Among U.S. Domestic Worries (survey March 2-18, 2026)", March 31, 2026.

So is the deficit a top concern or not? It depends on the question.

Asked whether the deficit is a "very big problem," nearly two-thirds of adults said yes in April 2026. Asked how much they personally worry about it, about half said "a great deal." Asked to rank it against other things Congress could do, fewer than half put it among the highest priorities. In the same AP-NORC poll, 80 percent said lowering the cost of living should be one of the highest priorities, and 68 percent said the same about ending the war with Iran.[349]

Here is how I read that, as one interpretation among others. Most Americans agree the deficit is a real problem. Far fewer see it as the most urgent problem when it competes with things they feel in their own budgets. That gap is one reason the options in the next section are so hard to pass. People support deficit reduction in general and resist many of the specific ways to do it.

A few tips for reading any deficit poll:

Look for the exact question. "Is it a problem?" "Do you worry about it?" and "Should it be a top priority?" measure different things.

Check who was asked and how: all adults or registered voters, online panel or telephone.

Check the margin of error, especially for results by party, which come from smaller groups. In the AP-NORC poll, the margin for Republicans alone was plus or minus 6.4 points, and for Democrats alone plus or minus 5.8 points.[350]

Compare a poll with itself over time, not with a different pollster's question. The Pew table earlier in this chapter works because it asks the same question year after year.

What could be done

There are only four ways to shrink deficits: raise revenue, cut spending, grow the economy faster, or pay less interest. Every real plan is some mix of the first two, with hopes for the third and fourth.

CBO publishes a long list of options for reducing the deficit, with an estimate of how much each would save. CBO does not recommend any of them. The table below shows some of the largest and most discussed options from its most recent list, grouped by type.

Type	CBO option (number)	Estimated deficit reduction, 2025 to 2034
Revenue	Impose a 5 percent value-added tax (72)	$2,180 billion to $3,380 billion

https://news.gallup.com/poll/707732/healthcare-reclaims-top-spot-among-domestic-worries.aspx. Accessed November 12, 2026. The Associated Press-NORC Center for Public Affairs Research, "The October 2026 AP-NORC Center Poll (topline, interviews October 8-12, 2026, 1,119 adults)", October 2026. https://apnorc.org/wp-content/uploads/2026/10/October-2026-Topline-final-1.pdf. Accessed November 12, 2026.

[349] The Associated Press-NORC Center for Public Affairs Research, "The October 2026 AP-NORC Center Poll (topline, interviews October 8-12, 2026, 1,119 adults)", October 2026. https://apnorc.org/wp-content/uploads/2026/10/October-2026-Topline-final-1.pdf. Accessed November 12, 2026.

[350] The Associated Press-NORC Center for Public Affairs Research, "The October 2026 AP-NORC Center Poll (topline, interviews October 8-12, 2026, 1,119 adults)", October 2026. https://apnorc.org/wp-content/uploads/2026/10/October-2026-Topline-final-1.pdf. Accessed November 12, 2026.

Type	CBO option (number)	Estimated deficit reduction, 2025 to 2034
Revenue	Impose a new payroll tax (61)	$1,282 billion to $2,540 billion
Revenue	Impose a surtax on individuals' adjusted gross income (46)	$1,051 billion to $1,440 billion
Revenue	Increase the maximum taxable earnings subject to Social Security payroll taxes (62)	$728 billion to $1,427 billion
Revenue	Increase individual income tax rates on ordinary income (45)	$570 billion to $1,185 billion
Revenue	Impose a tax on emissions of greenhouse gases (73)	$645 billion to $919 billion
Revenue	Increase the corporate income tax rate by 1 percentage point (64)	$136 billion
Spending	Reduce the Department of Defense's annual budget (28)	$959 billion
Spending	Establish caps on federal spending for Medicaid (4)	$459 billion to $893 billion
Spending	Increase the premiums paid for Medicare Part B (7)	$510 billion
Spending	Reduce Medicare Advantage benchmarks (8)	$489 billion
Spending	Reduce selected nondefense discretionary spending (42)	$339 billion
Spending	Use an alternative measure of inflation to index Social Security and other mandatory programs (27)	$278 billion
Spending	Reduce funding for international affairs programs (37)	$187 billion
Spending	Raise the full retirement age for Social Security (21)	$95 billion

Source: CBO, Options for Reducing the Deficit: 2025 to 2034, December 2024, Table 1-1. Ranges reflect different versions of the same option. CBO completed these estimates in October 2024, before Public Law 119-21, so the amounts would differ today. Nominal dollars. The report contains 76 options, and CBO states that "inclusion or exclusion of any particular option does not imply approval or disapproval by CBO, and the report makes no recommendations."[351]

A few things stand out from CBO's list:

- **No single option closes the gap.** The fiscal year 2026 deficit was $1.99 trillion, about $20 trillion over ten years at that rate. Even the largest single options save a fraction of that.[352]
- **The biggest savings are in the biggest programs.** Social Security, Medicare, health programs, defense and the tax code are where the money is (Chapter 16).[353]

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[351] Congressional Budget Office, "Options for Reducing the Deficit: 2025 to 2034", December 2024. Table 1-1. https://www.cbo.gov/publication/60557. Accessed November 12, 2026.

[352] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1: Summary of Receipts, Outlays, and the Deficit/Surplus, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[353] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026".

- **Every option has a cost to someone.** That is why the debate is hard, and why both parties tend to favor the options the other side dislikes.

Official scores for Social Security and Medicare options

CBO's list in the table above covers the whole budget. For the two biggest programs, there is a second set of official scores. The Social Security Administration's Office of the Chief Actuary estimates what hundreds of proposed changes would do to the program's long-range gap. It does not recommend any of them. Here are some of the most discussed, measured against the 2026 Trustees Report.

Share of Social Security's 75-year shortfall closed by selected changes (Social Security actuaries' estimates based on the 2026 Trustees Report; information current as of November 12, 2026)

Change	Share of 75-year shortfall eliminated	Lawmakers or groups the actuaries list for this or a similar proposal
Raise the payroll tax rate from 12.4 percent to 17.0 percent starting in 2027 (E1.1)	101%	Social Security Advisory Board, 2005
Tax all earnings above the current taxable maximum, with no added benefits for that income (E2.1)	58%	DeFazio, 2015; Social Security Advisory Board, 2005
Tax all earnings above the current maximum, and count them toward benefits (E2.2)	45%	Social Security Advisory Board, 2005
Apply the payroll tax to earnings above $250,000 starting in 2027, with no added benefits (E2.5)	57%	Sanders (2013 to 2023); DeFazio (2011 to 2022)
Raise the full retirement age gradually to 68 (C1.1)	11%	Social Security Advisory Board, 2005
Raise the full retirement age to 69 by 2038, then keep raising it 1 month every 2 years (C1.4)	32%	Ribble, 2016; Chaffetz, 2011
Use a "chained" consumer price index for cost-of-living adjustments starting in December 2027 (A3)	15%	not shown in the excerpt I read
Cut each year's cost-of-living adjustment by 0.5 percentage point (A2)	24%	not shown in the excerpt I read
Use a price index for the elderly for cost-of-living adjustments, which	-7% (makes the gap bigger)	not shown in the excerpt I read

https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

would raise them (A6)		
Grow starting benefits with prices instead of wages for people newly eligible in 2033 and later (B1.1)	69%	Social Security Advisory Board, 2005

Source: Social Security Administration, Office of the Chief Actuary, Summary of Provisions That Would Change the Social Security Program. The current-law shortfall is 4.42 percent of taxable payroll over 75 years. Codes in parentheses are the actuaries' own labels. The last column lists the memos the actuaries post for each provision; it is not a list of everyone who supports it.[354]

A few things to notice. Of the options in this table, only the biggest single tax increase closes the whole gap on its own. Raising the retirement age to 68, which comes up in almost every debate, closes about a tenth of it by the actuaries' estimate. And these are percentages of Social Security's own gap, not dollar amounts for the whole federal deficit, so you can't add them to the CBO table above.

For Medicare's hospital insurance fund, the Trustees give the size of the fix directly. The 2.90 percent payroll tax that funds it "could be immediately increased" to 3.46 percent, or spending "could be reduced immediately by 12 percent," to keep the fund solvent for 75 years. Waiting, they note, means bigger changes later.[355]

The Trustees end their 2026 summary with advice that applies to the whole debt debate. "Implementing changes sooner rather than later," they write, "would allow more generations to share in the needed revenue increases or reductions in scheduled benefits."[356]

Changing the rules instead of the numbers

Some proposals don't change taxes or spending directly. They change the rules for making budgets.

- **Spending caps and pay-as-you-go rules.** These have been tried. The 1990 Budget Enforcement Act set caps and pay-as-you-go rules that stayed in effect through 2002, and the 2011 and 2023 laws set new caps. Supporters credit them with helping produce the 1990s surpluses. Critics note that Congress can waive or change them, and often has.[357]

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[354] Social Security Administration, Office of the Chief Actuary, "Summary of Provisions That Would Change the Social Security Program (estimates based on the 2026 Trustees Report intermediate assumptions)" (undated). https://www.ssa.gov/oact/solvency/provisions/summary.html. Accessed November 12, 2026. Social Security Administration, Office of the Chief Actuary, "Provisions Affecting Payroll Taxes" (undated). https://www.ssa.gov/oact/solvency/provisions/payrolltax.html. Accessed November 12, 2026.

[355] Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, "2026 Annual Report", June 9, 2026. https://www.cms.gov/oact/tr/2026. Accessed November 12, 2026.

[356] Social Security and Medicare Boards of Trustees, "A Summary of the 2026 Annual Reports" (2026). https://www.ssa.gov/oact/TRSUM/index.html. Accessed November 12, 2026.

[357] Congressional Research Service, "Statutory Budget Controls in Effect Between 1985 and 2002 (R41901)", July 1, 2011. https://www.everycrsreport.com/reports/R41901.html. Accessed November 12, 2026. Congressional Research Service, "The Debt Limit: History and Recent Increases (RL31967)", November 2, 2015. https://www.everycrsreport.com/reports/RL31967.html. Accessed November 12, 2026. Congressional Budget Office (Phillip L. Swagel, letter to Speaker Kevin McCarthy), "H.R. 3746, the Fiscal Responsibility Act of 2023", May 30, 2023. https://www.cbo.gov/system/files/2023-05/hr3746_Letter_McCarthy.pdf. Accessed November 12, 2026.

- **A balanced budget amendment to the Constitution.** This would require the federal budget to balance, usually with exceptions for war or emergencies. It has been proposed many times and never adopted. Supporters say only a constitutional rule will hold. Opponents say it would force cuts during recessions, when the economy most needs support. **The Senate passed one in 1982, and the House passed one in 1995, but none has passed both chambers by two-thirds in the same Congress and gone to the states. The full voting record is in the next section.**[358]
- **Changing or ending the debt limit.** GAO has studied the costs of debt limit standoffs, and the title of its 2015 report says they underscore the "Need to Consider Alternative Approaches" to the debt limit. Supporters of keeping the limit say it forces a regular debate about the debt.[359]

The balanced budget amendment: the voting record

A constitutional amendment needs a two-thirds vote in both the House and the Senate and then ratification by three-fourths of the states. CRS calls the balanced budget requirement "one of the most persistent political issues facing Congress in recent decades." Here is the record of the major floor votes, from the CRS history.

Major floor votes on a balanced budget constitutional amendment, 1982 to 2018

Date	Chamber and measure	Vote	Result
August 4, 1982	Senate, S.J.Res. 58	69 to 31	Passed the Senate; did not become part of the Constitution
March 25, 1986	Senate, S.J.Res. 225	66 to 34	Failed by a single vote
July 17, 1990	House, H.J.Res. 268	279 to 150	Failed; short of two-thirds
January 26, 1995	House, H.J.Res. 1	300 to 132	Passed the House, the first time the House approved one
March 2, 1995	Senate, H.J.Res. 1	65 to 35	Failed
June 6, 1996	Senate, H.J.Res. 1 (reconsidered)	64 to 35	Failed
March 4, 1997	Senate, S.J.Res. 1	66 to 34	Failed
November 18, 2011	House, H.J.Res. 2	261 to 165	Failed
December 14, 2011	Senate, S.J.Res. 10	47 to 53	Failed

[358] Congressional Research Service, "A Balanced Budget Constitutional Amendment: Background and Congressional Options (R41907)", updated August 22, 2019. https://www.everycrsreport.com/files/20190822_R41907_b435cc82b5b467767ab905e744d25599a260f642.html. Accessed November 12, 2026.

[359] U.S. Government Accountability Office, "Debt Limit: Market Response to Recent Impasses Underscores Need to Consider Alternative Approaches (GAO-15-476)", July 9, 2015. https://www.gao.gov/products/gao-15-476. Accessed November 12, 2026.

April 12, 2018	House, H.J.Res. 2	233 to 184	Failed

Source: Congressional Research Service, A Balanced Budget Constitutional Amendment: Background and Congressional Options (R41907), updated August 22, 2019. On March 2, 1995, Majority Leader Dole switched his vote to "no" so he could later move to reconsider, which is why the 1996 vote happened.[360]

So the amendment has come within one vote in the Senate twice: 66 to 34 in 1986 and again in 1997, when 67 votes were needed. No version has become part of the Constitution.

What do the two sides argue? CRS reports that opponents "often focus on the difficulties of implementing or enforcing any amendment," including how it would shift power between the President, Congress and the courts. Supporters reply, in CRS's summary, that most people would lack standing to sue, so courts would rarely get involved. CRS also points to state experience, where courts have sometimes become involved in budget disputes.[361]

The 2011 versions show how the details divide people. The House version required three-fifths of each chamber to raise the debt limit or run a deficit. The Senate's S.J.Res. 10 also required two-thirds to raise taxes or to let spending exceed 18 percent of the economy. An alternative from Senator Mark Udall, S.J.Res. 24, would have left Social Security's two trust funds out of the calculation.[362]

Fiscal commissions

Another rule-based idea is to hand the hard choices to a bipartisan commission. The best-known modern example is the National Commission on Fiscal Responsibility and Reform, created by President Obama's Executive Order 13531 on February 18, 2010. It had 18 members: six named by the President and twelve sitting members of Congress chosen by the leaders of both parties in both chambers. Its job was to propose ways "to balance the budget, excluding interest payments on the debt, by 2015." A final report needed the approval of at least 14 of the 18 members.[363]

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[360] Congressional Research Service, "A Balanced Budget Constitutional Amendment: Background and Congressional Options (R41907)", updated August 22, 2019. https://www.everycrsreport.com/files/20190822_R41907_b435cc82b5b467767ab905e744d25599a260f642.html. Accessed November 12, 2026.

[361] Congressional Research Service, "A Balanced Budget Constitutional Amendment: Background and Congressional Options (R41907)", updated August 22, 2019. https://www.everycrsreport.com/files/20190822_R41907_b435cc82b5b467767ab905e744d25599a260f642.html. Accessed November 12, 2026.

[362] Congressional Research Service, "A Balanced Budget Constitutional Amendment: Background and Congressional Options (R41907)", updated August 22, 2019. https://www.everycrsreport.com/files/20190822_R41907_b435cc82b5b467767ab905e744d25599a260f642.html. Accessed November 12, 2026.

[363] Barack Obama, via The American Presidency Project (University of California, Santa Barbara), "Executive Order 13531, National Commission on Fiscal Responsibility and Reform", February 18, 2010. https://www.presidency.ucsb.edu/documents/executive-order-13531-national-commission-fiscal-responsibility-and-reform. Accessed November 12, 2026.

It fell short. On the Senate floor three days after the final vote, Senator Mark Warner said that "11 of the 18 members of the Commission voted to support" the plan, and that the "11 'yes' votes fell short of the 14 votes required to forward this plan to Congress."[364]

The 2010 commission shows both the appeal and the limit of the idea. Senator Warner described the 11 votes as "a bipartisan majority" of the members. But a commission can only recommend. Only Congress can enact. The Budget Control Act's "supercommittee" in 2011, described in Chapter 12, also failed to agree, which is what set off the automatic spending cuts.

Who backs what

Here is how the main options line up with each side, in general terms. Individual members of both parties break from these patterns, and positions change over time. **[Not verified]**: this is a summary of the general positions of each party as shown in the laws they passed (Chapters 9 to 13), not a quotation from either party's platform.

Approach	Usually favored by	Example from the record
Higher taxes on high earners and corporations	Democrats	1993 law; 2013 top-rate increase; 2022 minimum tax on large corporations
Lower taxes, paid for partly by growth	Republicans	2001, 2003 and 2017 tax laws; Public Law 119-21
Caps on yearly spending set by Congress	Both parties, often in debt limit deals	1990 deal; 2011 Budget Control Act; 2023 Fiscal Responsibility Act
Cuts to Medicaid and nutrition programs	Republicans	Public Law 119-21
Protecting Social Security and Medicare benefits from cuts	Most members of both parties in recent years	No major cut to either program's scheduled benefits since the 1983 Social Security amendments **[Not verified]**
Pay-as-you-go rules requiring new costs to be offset	Both parties, at different times	1990 Budget Enforcement Act

Sources: as described in Chapters 9 to 13.[365]

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[364] Sen. Mark Warner, Congressional Record, vol. 156, no. 159, "Fiscal Responsibility", pages S8540-S8542, December 6, 2010, via GovInfo. https://www.govinfo.gov/content/pkg/CREC-2010-12-06/html/CREC-2010-12-06-pt1-PgS8540-3.htm. Accessed November 12, 2026.

[365] David Altig and Jagadeesh Gokhale, Federal Reserve Bank of Cleveland, Economic Commentary, "The Budget Reconciliation Act of 1993: A Summary Report", October 15, 1993. https://www.clevelandfed.org/publications/economic-commentary/1993/ec-19931015-the-budget-reconciliation-act-of-1993-a-summary-report. Accessed November 12, 2026. Congressional Research Service, "The "Fiscal Cliff" and the American Taxpayer Relief Act of 2012 (R42884)", January 4, 2013. https://www.everycrsreport.com/reports/R42884.html. Accessed November 12, 2026. Committee for a Responsible Federal Budget (deficit-focused advocacy group), reporting CBO estimates, "CBO Scores IRA with $238 Billion of Deficit Reduction", September 7, 2022. https://www.crfb.org/blogs/cbo-scores-ira-238-billion-deficit-reduction. Accessed November 12, 2026. Marc Labonte and Andrew Hanna, Congressional Research Service, "The Impact of Major Legislation on Budget Deficits: 2001 to 2009 (R41134)", March 23, 2010. https://www.everycrsreport.com/reports/R41134.html. Accessed November 12, 2026. Congressional Budget Office, "Estimated Deficits and Debt Under the Conference Agreement of H.R. 1", January 2, 2018. https://www.cbo.gov/publication/53437. Accessed November 12, 2026. Congressional Research Service, "Tax Provisions in P.L. 119-21, the FY2025 Reconciliation Law (R48611)", July 29, 2025. https://www.everycrsreport.com/reports/R48611.html. Accessed November 12, 2026. Congressional Research Service, "Health

What I can tell you, and what I can't

I can tell you the size of the debt, where it came from, who owns it, what it costs and what the official scorekeepers project. Those are facts or careful estimates, and they are in this book with their sources.

I can't tell you which of these options is right. That depends on what you value: lower taxes or more services, help for retirees or for younger workers, a smaller government or a bigger safety net. Those are choices for voters and the people they elect.

What the records do show is that the debt has been tamed before. After World War II, the debt fell from 106 percent of GDP to under 25 percent in about 30 years. In the 1990s, deals between presidents and Congresses of different parties, along with a strong economy, produced four years of surpluses. Both times, it took years of steady choices and more than one party.[366]

Key points

- Pew's polling shows each party's voters worry more about the deficit when the other party holds the White House.
- CBO lists many options to reduce the deficit, but no single option is large enough to close the gap.
- Past turnarounds took years and involved both parties.

Provisions in P.L. 119-21, the FY2025 Reconciliation Law (R48633)", August 18, 2025. https://www.everycrsreport.com/reports/R48633.html. Accessed November 12, 2026. Congressional Research Service, "Supplemental Nutrition Assistance Program (SNAP) and Related Nutrition Programs in P.L. 119-21: An Overview (R48552)", updated August 15, 2025. https://www.everycrsreport.com/reports/R48552.html. Accessed November 12, 2026. Congressional Research Service, "Statutory Budget Controls in Effect Between 1985 and 2002 (R41901)", July 1, 2011. https://www.everycrsreport.com/reports/R41901.html. Accessed November 12, 2026. Congressional Research Service, "The Debt Limit: History and Recent Increases (RL31967)", November 2, 2015. https://www.everycrsreport.com/reports/RL31967.html. Accessed November 12, 2026. Congressional Budget Office (Phillip L. Swagel, letter to Speaker Kevin McCarthy), "H.R. 3746, the Fiscal Responsibility Act of 2023", May 30, 2023. https://www.cbo.gov/system/files/2023-05/hr3746_Letter_McCarthy.pdf. Accessed November 12, 2026.

[366] U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Gross Federal Debt Held by the Public as Percent of Gross Domestic Product (FYPUGDA188S)", updated October 28, 2026. https://fred.stlouisfed.org/series/FYPUGDA188S. Accessed November 12, 2026. U.S. Office of Management and Budget, via Federal Reserve Bank of St. Louis (FRED), "Federal Surplus or Deficit (FYFSD), millions of dollars, fiscal years", updated October 28, 2026. https://fred.stlouisfed.org/series/FYFSD. Accessed November 12, 2026. Brian W. Cashell, Congressional Research Service, "The Economics of the Federal Budget Deficit (RL31235)", updated October 23, 2003. https://www.everycrsreport.com/reports/RL31235.html. Accessed November 12, 2026.

Appendix A: Timeline

All dollar amounts are nominal. Each entry is covered, with its sources, in the chapter shown.

Date	Event	Chapter
January 1790	Alexander Hamilton's Report on Public Credit goes to Congress.	5
June to August 1790	The Compromise of 1790 and the Funding Act. The federal government takes over the states' war debts.	5
January 1, 1791	Federal debt is just over $75 million.	5
January 1, 1835	Debt falls to $33,733.05 under President Andrew Jackson, the closest it has ever come to zero.	6
1837	Financial panic; the government starts borrowing again.	6, 18
1862 to 1865	The Civil War. Debt rises from about $65 million in 1860 to about $2.68 billion in 1865. Congress passes the Legal Tender Act in February 1862.	6
April 1917	The United States enters World War I. Liberty Loan drives begin.	7
1917	The Second Liberty Bond Act includes an overall limit on federal debt, the start of the modern debt limit.	7, 15
July 20, 1939	Congress sets the first single overall debt limit, $45 billion.	7, 15
1943	The deficit reaches 26.9 percent of GDP during World War II.	7
1946	Debt held by the public reaches 106.3 percent of GDP, still the record.	7
March 4, 1951	The Treasury-Federal Reserve Accord ends the Fed's wartime cap on interest rates.	8
July 1974	The Congressional Budget and Impoundment Control Act creates the budget committees and CBO.	8
1974	Debt held by the public is down to 22.2 percent of GDP.	8
February 24, 1975	CBO begins work.	8
1979	Some Treasury bill payments are delayed after a late debt limit increase.	15, 18
1981	The Economic Recovery Tax Act cuts income tax rates.	9
December 12, 1985	Gramm-Rudman-Hollings deficit targets signed into law.	9
November 5, 1990	The Budget Enforcement Act sets spending caps and pay-as-you-go rules.	9
August 10, 1993	The Omnibus Budget Reconciliation Act of 1993 is signed.	9
August 5, 1997	The Balanced Budget Act and the Taxpayer Relief Act are signed.	10
1998 to 2001	Four straight budget surpluses.	10
January 2001	CBO projects a $5.6 trillion ten-year surplus.	10
2001 and 2003	Major tax cuts; wars in Afghanistan and Iraq begin; Medicare drug benefit enacted (2003).	11

Date	Event	Chapter
2008	Financial crisis; TARP enacted.	11, 12
February 2009	The American Recovery and Reinvestment Act is signed.	12
2009	The deficit reaches $1.41 trillion, 9.8 percent of GDP.	12
August 2, 2011	The Budget Control Act ends the 2011 debt limit standoff.	12, 15
August 5, 2011	S&P lowers the U.S. credit rating from AAA to AA+.	16
January 2, 2013	The American Taxpayer Relief Act is signed.	12
October 2013	Congress suspends the debt limit after another standoff.	15
December 22, 2017	The 2017 tax law is signed.	13
March 2020	The CARES Act is signed.	13
2020	The deficit reaches $3.13 trillion, 14.7 percent of GDP.	13
March 2021	The American Rescue Plan Act is signed.	13
2022	The Inflation Reduction Act is signed.	13
June 3, 2023	The Fiscal Responsibility Act suspends the debt limit until January 1, 2025.	13, 15
August 1, 2023	Fitch lowers the U.S. rating to AA+.	16
May 16, 2025	Moody's lowers the U.S. rating to Aa1.	16
July 4, 2025	Public Law 119-21 is enacted, raising the debt limit by $5 trillion to $41.1 trillion.	13, 15
February 11, 2026	CBO projects debt held by the public rising to 120 percent of GDP by 2036.	19
February 20, 2026	The Supreme Court rules that IEEPA does not authorize the president's tariffs.	13, 19
September 30, 2026	Fiscal year 2026 ends with a $1.99 trillion deficit.	1, 19
November 9, 2026	Total debt is $40.56 trillion.	2, 19

More dates covered in this book

Additional dates (all dollar amounts nominal; information current as of November 12, 2026)

Date	Event	Chapter
December 16, 1802	Treasury Secretary Albert Gallatin reports that $7.3 million a year is set aside for the debt.	6
1866	The Civil War debt peaks at about $2.77 billion.	6
1935	Congress sets separate limits on short-term debt and bonds.	15
1945	The debt limit reaches $300 billion; it is later cut to $275 billion.	15
July 12, 1974	The Congressional Budget and Impoundment Control Act is signed; it moves the fiscal year to start October 1, 1976.	8
1977 to 1979	Three short lapses in the temporary debt limit.	15
November 15, 1995, to March 29, 1996	The 1995-1996 debt limit standoff; the limit is raised to $5.5 trillion.	15
2002 to 2008	Congress raises the debt limit seven times.	15
February 18, 2010	Executive Order 13531 creates the National Commission on Fiscal Responsibility and Reform.	20
December 3, 2010	The commission's plan wins 11 of 18 votes, short of the 14 required.	20
2013 to 2023	Congress suspends the debt limit eight times.	15
July 1 and July 3, 2025	Public Law 119-21 passes the Senate (50 to 50, with the Vice President breaking the tie) and the House (218 to 214).	13
October 1 to November 12, 2025	A lapse in appropriations at the start of fiscal year 2026.	13
February 14 to April 30, 2026	The longest lapse in Homeland Security funding in the department's history.	13
June 10, 2026	Public Law 119-98, a second reconciliation law, funds the	13

	Border Patrol and Immigration and Customs Enforcement.	
September 2, 2026	A stopgap law funds the government through December 11, 2026.	13, 19
October 2026	The first month of fiscal year 2027 ends with a $404.1 billion deficit.	19

Appendix B: Glossary

Actuarial deficit. The Social Security and Medicare Trustees' measure of a trust fund's long-range gap, stated as a share of taxable payroll over 75 years. It is the average change in income or cost needed to balance the fund for that period.

Appropriations. Laws that provide money for federal agencies each year. They cover discretionary spending.

Auction. The way the Treasury sells most of its securities. Buyers bid, and the Treasury accepts bids from the lowest rate up until the whole amount is sold.

Baseline. CBO's projection of spending, revenue, deficits and debt if current laws stay the same. It is a benchmark, not a forecast.

Bid-to-cover ratio. The total amount bid at a Treasury auction divided by the amount sold. A higher number means more demand.

Budget resolution. A plan Congress adopts that sets totals for spending and revenue. It is not signed by the president and does not become law.

Continuing resolution. A temporary spending law that keeps agencies running, usually at the prior year's rates, when Congress has not passed full-year appropriations.

Credit rating. A grade from a private agency, such as S&P, Moody's or Fitch, on how likely a borrower is to repay in full and on time.

Debt held by the public. Federal debt owed to anyone outside the federal government, including the Federal Reserve, foreign investors, banks, funds, state and local governments, and individuals.

Debt issuance suspension period. The legal term for the period when the Treasury Secretary determines the debt limit is binding, which allows the Treasury to use certain retirement funds as part of its extraordinary measures.

Debt limit (debt ceiling). A cap, set in law, on the total amount the Treasury can borrow. It does not approve spending.

Debt subject to limit. The debt that counts toward the debt limit. It is very close to the total public debt outstanding.

Default. Failing to pay principal or interest on a debt in full and on time.

Deficit. The amount by which the government's spending exceeds its revenue in one year.

Discretionary spending. Spending that Congress sets each year in appropriations laws, such as defense and most agency operations.

Dynamic estimate. A cost estimate that includes how a law would change the economy and how that would feed back into the budget.

Extraordinary measures. Accounting steps the Treasury can take to keep paying bills for a while after the debt reaches the limit.

Fiscal year. The federal budget year. It runs from October 1 to September 30 and is named for the year in which it ends.

Floating rate note. A two-year Treasury security whose interest rate resets every week, based on the rate for 13-week Treasury bills.

GDP (gross domestic product). The total value of goods and services produced in the economy in a year. It is the main yardstick for comparing debt over time.

Government Account Series. Special nonmarketable Treasury securities held by trust funds and other federal accounts.

Intragovernmental holdings. Federal debt held by government accounts, mostly trust funds such as Social Security, Medicare and federal retirement funds.

Lapse in appropriations. A gap when funding for some or all agencies has run out and no new spending law has been enacted, often called a government shutdown.

Mandatory spending. Spending set by laws that run on their own without yearly votes, such as Social Security, Medicare and Medicaid.

Marketable securities. Treasury securities that can be bought and sold among investors, such as bills, notes, bonds, TIPS and floating rate notes.

Net interest. Interest the government pays on its debt, minus interest it receives. Interest paid to its own trust funds is mostly left out.

Nominal dollars. Dollar amounts as recorded at the time, not adjusted for inflation.

PAYGO (pay-as-you-go). A rule that requires new tax cuts or mandatory spending increases to be offset so they don't add to the deficit.

Real dollars. Dollar amounts adjusted for inflation to a stated year. This book uses the Consumer Price Index for that purpose.

Reconciliation. A fast-track process for budget laws that cannot be filibustered in the Senate, so they can pass with a simple majority.

Sequestration. Automatic, across-the-board spending cuts triggered when a budget rule is broken.

Surplus. The amount by which revenue exceeds spending in a year.

Suspension (of the debt limit). A law that turns off the dollar cap until a set date. When the date passes, the limit is reset to cover what was borrowed in the meantime.

TIPS (Treasury Inflation-Protected Securities). Treasury securities whose principal rises with inflation and falls with deflation.

Treasury bills, notes and bonds. Marketable Treasury securities that mature in up to one year (bills), 2 to 10 years (notes), or 20 to 30 years (bonds).

Treasury securities. The bills, notes, bonds and other IOUs the Treasury sells to borrow money.

Trust fund. A government account that holds money set aside by law for a purpose, such as paying Social Security benefits. Trust funds hold special Treasury securities.

X date. The day the Treasury would run out of cash and extraordinary measures and could no longer pay all its bills on time.

Appendix C: How to Read a Monthly Treasury Statement and a CBO Outlook

The Monthly Treasury Statement

The Monthly Treasury Statement is the Treasury's official monthly report of federal revenue, spending and the deficit. It is free at fiscaldata.treasury.gov.[367]

1. **Start with Table 1.** It shows total receipts (revenue), outlays (spending) and the deficit or surplus for each month and for the fiscal year so far. The September report gives the full-year numbers. For fiscal year 2026, it shows receipts of $5.40 trillion, outlays of $7.40 trillion and a deficit of $1.99 trillion.[368]
2. **Check the period.** Look for "fiscal year to date." Monthly numbers bounce around because of tax deadlines and the timing of payments, so a single month can mislead.
3. **Use Table 9 for categories.** It breaks spending into functions such as Social Security, Medicare, national defense and net interest, and revenue into sources such as individual and corporate income taxes and customs duties.[369]
4. **Compare with the same period last year.** The statement shows the prior year's figures next to this year's.[370]
5. **Remember the numbers are nominal.** For comparisons across many years, use shares of GDP (Chapter 4).

A CBO Budget and Economic Outlook

CBO publishes its main outlook once a year, with updates in between. The February 2026 edition covers 2026 to 2036.[371]

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[367] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1: Summary of Receipts, Outlays, and the Deficit/Surplus, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[368] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 1: Summary of Receipts, Outlays, and the Deficit/Surplus, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_1?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[369] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

[370] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Monthly Treasury Statement, Table 9: Summary of Receipts by Source, and Outlays by Function, fiscal year 2026 through September 30, 2026". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v1/accounting/mts/mts_table_9?filter=record_date:eq:2026-09-30. Accessed November 12, 2026.

1. **Find the baseline tables.** They show CBO's projections of revenue, spending, deficits and debt for each of the next ten years, in dollars and as a share of GDP.
2. **Remember what "current law" means.** CBO assumes today's laws stay the same, even when everyone expects Congress to change them. Temporary tax breaks that are scheduled to end are assumed to end.
3. **Read the changes section.** CBO explains how its numbers changed since its last report, split into new laws, economic changes and technical changes. This is where you see what a new law did to the projections.[372]
4. **Look for scenarios.** CBO often shows how the numbers would change with higher interest rates or different policies.[373]
5. **Treat it as a projection, not a prediction.** CBO's January 2001 projection of a $5.6 trillion surplus is a reminder of how much can change.[374]

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[371] Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026.

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[373] Congressional Budget Office, "Projections of Deficits and Debt Under Two Scenarios With Higher Interest Rates", October 8, 2026. https://www.cbo.gov/publication/62809. Accessed November 12, 2026. Congressional Budget Office, "Projections of Deficits and Debt Under Alternative Scenarios for Interest Rates and the Budget", September 24, 2026. https://www.cbo.gov/publication/62758. Accessed November 12, 2026.

[374] Carl E. Walsh, Federal Reserve Bank of San Francisco Economic Letter 2002-08, "The Changing Budget Picture", March 22, 2002. https://www.frbsf.org/research-and-insights/publications/economic-letter/2002/03/the-changing-budget-picture. Accessed November 12, 2026.

Appendix D: How to Read the Debt Clock and Debt to the Penny

The official number: Debt to the Penny

- **Where:** fiscaldata.treasury.gov, dataset "Debt to the Penny."[375]
- **How often:** Each business day, with the previous business day's figure.[376]
- **What you see:** Debt Held by the Public plus Intragovernmental Holdings equals Total Public Debt Outstanding.
- **Example:** On November 9, 2026: $32,763,773,414,012.50 held by the public, plus $7,796,023,175,230.87 intragovernmental, equals $40,559,796,589,243.37 total.[377]
- **Use it** whenever you need a figure to quote.

The popular number: the debt clock

- **Where:** usdebtclock.org, a private website. It is not run by the government.[378]
- **What the ticking means:** The Treasury reports the debt once a day. A ticking clock estimates what happens in between, so the number on the screen is an estimate, not a record.[379]
- **Debt per citizen:** Total debt divided by the population. On November 9, 2026, that was about $118,200. Nobody owes or is billed this amount.[380]
- **Debt per taxpayer:** Higher, because there are fewer taxpayers than people. It depends on how the site counts taxpayers.
- **Debt to GDP:** Check whether it uses total debt or debt held by the public. On the debt held by the public measure, which CBO uses, the figure was about 101 percent of GDP for fiscal year 2026 (CBO projection).[381]
- **Unfunded liabilities:** Long-range projections of future promises, not money owed today. These numbers depend heavily on assumptions.

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[375] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026.

[376] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny (daily dataset)", records through November 9, 2026. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed November 12, 2026.

[377] U.S. Department of the Treasury, Bureau of the Fiscal Service, "Debt to the Penny, Fiscal Data API (record dates September 28, 2001 through November 9, 2026)". https://api.fiscaldata.treasury.gov/services/api/fiscal_service/v2/accounting/od/debt_to_penny. Accessed November 12, 2026.

[378] U.S. National Debt Clock (privately run website; operator not named on its About page), "U.S. National Debt Clock: Real Time". https://www.usdebtclock.org/. Accessed November 12, 2026.

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[381] Congressional Budget Office, "The Budget and Economic Outlook: 2026 to 2036", February 11, 2026. https://www.cbo.gov/publication/62105. Accessed November 12, 2026.

A quick check you can do yourself

1. Write down the debt clock's total.
2. Open Debt to the Penny and find the latest total.
3. The two should be close. If the clock is a little higher, that is its estimate of growth since the last official report.

The labels on the debt clock can change, and I could not read its live counters on November 12, 2026. **[Not verified]** (the clock's current labels)

Appendix E: Full Source List

Every source cited in this book is listed here once, grouped by the five tiers explained in the Introduction. Links were checked on November 12, 2026.

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