Fast Facts about the U.S. Federal Debt

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High and rising government debt slows growth, crowds out private investment, limits the government's ability to respond to unexpected emergencies, and elevates the risk of a sudden fiscal crisis, where investors would lose confidence in U.S. Treasury bonds and the U.S. dollar. This fact sheet lays out everything legislators and the public need to know about the U.S. federal debt to help them examine the unsustainability of the U.S. budget.

- The total or gross federal debt is **$31.5 trillion**. This is the debt subject to the debt limit.
  - At **120 percent** of gross domestic product (GDP), the gross federal debt exceeds the amount of goods and services produced in the U.S. every year by one-fifth.
  - The total federal debt burden per U.S. person is **$94,000**.
  - The total federal debt burden per U.S. household is **$240,000**.
  - Total federal debt consists of publicly held debt (borrowed from credit markets, including from individuals, state/local governments, foreign entities, and the Federal Reserve) and intragovernmental debt (borrowed from federal trust funds like Social Security).

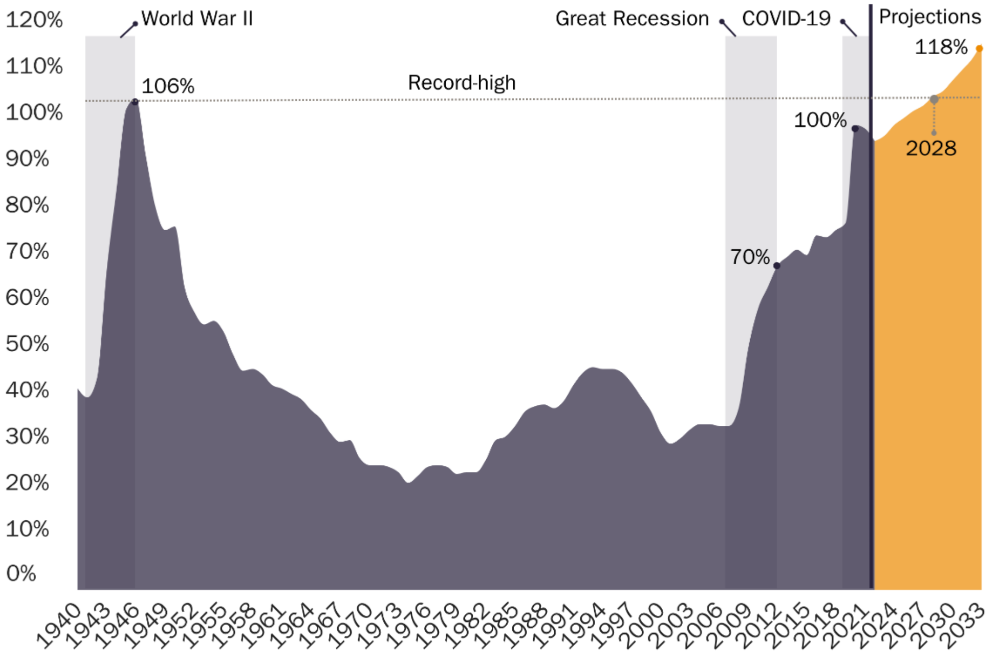
- The publicly held or public debt is **$24.6 trillion**. This debt is borrowed in credit markets.
  - At **95 percent** of gross domestic product, the publicly held debt is approaching the size of the U.S. economy, as measured by all the goods and services produced in the U.S. in one year.
  - Such high levels of debt reduce economic growth. Researchers identified that government debt drags down economic growth beginning at 78 percent of GDP.
  - Economists focus on the publicly held debt to assess how government debt affects interest rates and crowding out of private investment, because this debt is mostly held outside the federal government and traded in public markets.
  - The public debt will surpass its WWII-high of **106 percent of GDP by 2028**.
  - The public debt is projected to grow to **118 percent of GDP by 2032** under CBO's optimistic scenario and to **130 percent of GDP** by 2032 under a more realistic scenario, in which the 2017 middle class tax cuts are extended.
  - We owe **one-third** of the publicly held debt to foreign entities; two of our biggest foreign bondholders are **China and Japan**.
  - The U.S. Federal Reserve holds about **one-quarter** of publicly held debt. When the Fed buys U.S. government debt, this is called quantitative easing, and represents the issuance of new money in the economy. When the money supply increases faster than production, this leads to **inflation**.

- The federal government paid **$475 billion** in interest costs in 2022. Net interest is the cost of servicing the publicly held debt, paid to foreign and domestic bondholders.
  - **10 cents of every taxpayer dollar** the federal government collected last year went toward paying the interest on the debt.
  - If average annual interest rates were 1 percentage point higher than CBO projects, cumulative interest costs would increase by $4 trillion over 10 years.

- The annual federal deficit will more than double over the next 10 years from **$1.4 trillion in 2023 to $2.9 trillion in 2033**. The annual deficit is the difference between annual government spending and revenues.
  - Federal spending is projected to rise to 25 percent of GDP by 2033. That's 4.4 percentage points above the historical average over the last 50 years.
  - Federal revenues will rise to 18 percent of GDP, about 1 percentage point above the historical average.

Figure 1

Federal debt held by the public, share of gross domestic product



Source: Congressional Budget Office, "The Budget and Economic Outlook: 2023 to 2033, Historical Budget Data"; Office of Management and Budget, "Table 7.1—Federal Debt at the End of Year: 1940–2027," February 15, 2023

- The 75-year unfunded obligation, as reported in the Financial Report of the United States Government, is **$79.5 trillion**. That's the difference between the present value of total government receipts and total non-interest government spending over the next 75 years.
    - **95 percent** of the total non-interest unfunded obligation is driven by social insurance programs (98 percent by Social Security and Medicare; and less than 0.2 percent by Railroad Retirement and Black Lung Benefits).
    - Public debt will reach **200 percent of GDP by 2046 and 566 percent of GDP by 2097**.
    - According to Treasury and the Office of Management and Budget: "the continuous rise of the debt-to-GDP ratio indicates that current fiscal policy is unsustainable."

Further reading:

- The Debt Limit and the High Costs of Debt [Cato]
  "High and rising debt slows growth, crowds out private investment, limits the government's ability to respond to unforeseen emergencies, and elevates the risk of a sudden fiscal crisis where investors would lose confidence in U.S. Treasury bonds and the U.S. dollar."
- The CBO Budget and Economic Outlook in the Post-COVID Fiscal Era [Cato]
  "CBO forecasts a worsening fiscal trajectory characterized by high and rising federal debt [in which] pandemic spending followed by a surge in interest costs [has] accelerated the [unsustainability of the U.S. budget."
- The Impact of Public Debt on Economic Growth [Cato]
  Academic research has identified a negative effect of high and rising debt levels on economic growth. "For the 25 studies that provide threshold estimates, [the] mean and median threshold levels [where debt drags down growth] are found at 78 percent and 82 percent of GDP [for advanced countries], respectively."
- Q&A: Gross Debt Versus Debt Held by the Public [CRFB]
  "This explainer will lay out everything you need to know about the different measures of debt and what they mean for the government's fiscal situation."