

## Voter Guide 2014: Debt and Deficit

*National Priorities Project examines issues related to the federal budget in time for the 2014 election.*

### How much is the Federal Debt?

As of July 31, 2014, the federal debt, or national debt, was more than \$17.6 trillion.<sup>1</sup> It is projected to climb to more than \$18.7 trillion by the end of fiscal year 2015.<sup>2</sup>

### What is the Difference between Debt and Deficit?

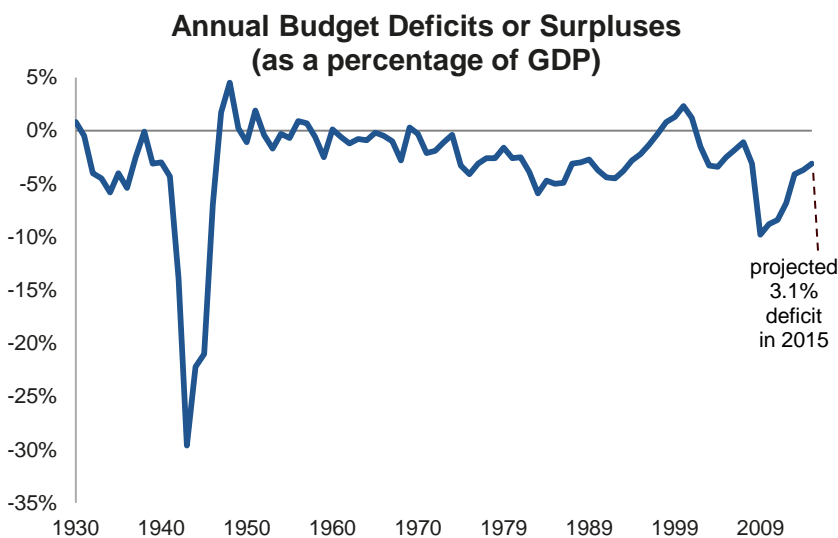
A budget deficit occurs if the federal government spends more in a given year than it collects in taxes or other revenues. Deficits are common: in the last half century, the federal government has run a deficit in 45 out of 50 years.<sup>3</sup> If the government runs a deficit, the U.S. Treasury borrows money to make up the difference between how much money is being spent and how much money is coming in – thus creating federal debt.

The federal debt is the sum of all past years' deficits, or the sum of all the previous borrowing that the U.S. Treasury has done to finance government programs. Every year that the federal government runs a deficit, that amount is added to the federal debt. In the event of a surplus, the extra money is used to pay down the existing debt.

### Recent Budget Deficits

Budget deficits have declined sharply in recent years, down from 10 percent of the U.S. economy in fiscal year 2009, to a projected 3.1 percent in 2015. Over the past 50 years, budget deficits have averaged 2.8 percent of the U.S. economy.<sup>4</sup>

During tough economic times, government spending often increases because there is a surge in the number of Americans eligible for needs-based programs like food stamps. Additionally, lawmakers may intentionally increase government spending during a recession in order to stimulate the economy, even though they know it could result in a budget deficit. Many economists support this approach.



Source: OMB  
 National Priorities Project

## How Do We Reduce Federal Debt?

A long-term high national debt could be problematic because it means fewer savings and income in future years; a limited ability for Congress to respond to unexpected events, like recessions; and investors may begin to doubt the U.S.'s ability to pay back its loans. In order to reduce debt in the long-run, Congress must enact spending cuts, raise new revenues, or both.<sup>5</sup>

## The Debt Ceiling

- The debt ceiling is the limit set by Congress on the total amount that the U.S. Treasury can borrow. If the level of federal debt hits the debt ceiling, the government cannot borrow additional funds, and debt cannot grow any higher.
- Congress has the legal authority to raise the debt ceiling to allow the U.S. Treasury to borrow more money. In practice, Congress does this when debt is nearing the debt ceiling and Congress decides not to cut spending, raise new revenues, or both.
- Congress has *suspended* the debt ceiling until March 15, 2015, which allows the U.S. Treasury to spend money and sell debt as needed.

### What Americans Say

*"The debt ceiling started to worry me. I agree with Warren Buffett when he said we need to do away with [it]."*

*-Charles (Greensboro, NC)*

## Public Opinion

A recent Pew Research poll found that deficit reduction is a priority among Americans, though not necessarily the top priority. In January 2013, 72 percent of poll respondents said deficit reduction was a top priority; a year later, that had fallen to 63 percent.<sup>6</sup> When it comes to how to reduce deficits, Americans favor spending cuts in theory, but are overwhelmingly against cutting most government services.<sup>7</sup> Raising revenue is more popular, as most Americans think corporations and the wealthy don't pay enough in taxes.<sup>8</sup>

## What to Ask your Congressional Candidate

- How urgent is it to reduce the federal debt right now?
- Are there national priorities that should supersede deficit reduction?
- How do you propose to lower the deficits - through spending cuts or raising revenues, or both? How would you accomplish meaningful compromise?

**More on Debt and Deficit:** [bit.ly/NPPdebtdeficit](http://bit.ly/NPPdebtdeficit)

<sup>1</sup> U.S. Department of Treasury, [Debt to the Penny and Who Holds It](#).

<sup>2</sup> Office of Management and Budget, 2015 President's Budget.

<sup>3</sup> Office of Management and Budget, 2015 President's Budget. (Table 1.2)

<sup>4</sup> Office of Management and Budget, 2015 President's Budget. (Table 1.2)

<sup>5</sup> Congressional Budget Office, [The 2014 Long-Term Budget Outlook](#).

<sup>6</sup> Pew Research [poll](#), conducted Jan. 15-19, 2014.

<sup>7</sup> Pew Research [poll](#), conducted Feb. 13-18, 2013.

<sup>8</sup> Gallup [poll](#), conducted April 3-6, 2014.