

Overview

In much of the recent coverage of the country's fiscal situation, the terms "deficits" and "national debt" are used interchangeably by policymakers and the media, even though they mean very different things.

What's the Deficit?

The deficit refers to the difference—in any *single* fiscal year—between the amount of money the federal government spends and what it collects in taxes. For example, in fiscal year 2012, the Congressional Budget Office expects the government to raise \$2.523 trillion in taxes and spend \$3.601 trillion on programs. The difference - \$1.130 trillion - is this year's projected deficit.

What's the National Debt?

The national debt is what you get from adding up *all* of the federal deficits accumulated from year to year. Whenever there is a deficit, the government adds to the national debt by borrowing money—from citizens, investors, pension and mutual funds, foreign governments such as China—to pay its bills. It does this by selling Treasury bills, U.S. Savings Bonds and other securities. The national debt also includes money that the federal government owes to itself, such as to the Social Security Trust Fund. On February 28, 2012, the national debt was \$15.44 trillion—an amount just shy of U.S. projected gross domestic product for 2011, which is estimated at \$15.49 trillion

What's the Debt Limit?

In 1917, Congress put a statutory limit on the total amount of money the federal government can borrow. This debt limit was part of the Second Liberty Bond Act of 1917, which helped finance America's entry into World War I. Congress has raised the debt limit 11 times in the last decade—from \$5.95 trillion in 2001 to its current limit of \$16.394 trillion (with more expected increases in the future).

What's the Problem?

The government hit the current debt limit at the end of May and only narrowly avoided a "default" on its bills when Congress and the President passed the Budget Control Act of 2011 to raise the debt limit by up to \$2.4 trillion. Many believe that had it occurred, a default would have plunged the U.S. economy back into recession and perhaps even global economic instability. The new law immediately raised the debt limit by \$400 billion and allows for additional automatic increases so long as Congress doesn't pass a "joint resolution of disapproval" to block it. The law also created a new joint committee tasked with proposing a plan by November 2011 for \$1.5 trillion in deficit reduction over the next ten years. However the committee failed to come to an agreement triggering \$1.2 trillion in across the board cuts (as set by the legislation) to be enacted in the next fiscal year.

Key Facts

National debt as of February 28, 2012:
\$ 15,442,120,983,663.88

Current debt limit: **\$16.394 trillion**

Amount of debt held by foreign governments as of May 2011: **\$5.8 trillion**

Projected federal deficit for fiscal 2012:
\$1.079 trillion

Fiscal 2012 deficit as a share of gross domestic product (GDP): **7.0 percent**

Fiscal 2000 *surplus*: **\$236 billion**

Fiscal 2000 surplus as a share of GDP:
2.4 percent

Other Resources

Blue Dog Coalition - [National Debt Clock](#)

U.S. Treasury Department - [Daily Report on the National Debt](#)

U.S. Treasury Department - [Monthly Bulletin](#)

U.S. Treasury Department - [Major Foreign Holders of Treasury Securities](#)

Congressional Budget Office - [Budget and Economic Outlook: Fiscal Years 2012 to 2022](#)

Congressional Budget Office - [Long-Term Budget Outlook](#)

Congressional Budget Office - [Analysis of Budget Control Act of 2011](#)

Congressional Research Service - The Debt Limit: History and Recent Increases (RL31967)

Links to Resources

- Blue Dog Coalition - National Debt Clock
<http://shuler.house.gov/2011/03/rep-shuler-and-blue-dog-coalition-announce-benchmarks-for-fiscal-reform.shtml>
- U.S. Treasury Department - Daily Report on the National Debt
<http://www.treasurydirect.gov/NP/BPDLogin?application=np>
- U.S. Treasury Department – Monthly Bulletin
<http://www.fms.treas.gov/bulletin/index.html>
- U.S. Treasury Department – Major Foreign Holders of Treasury Securities
<http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt>
- Congressional Budget Office – Budget and Economic Outlook: Fiscal Years 2012 to 2022
<http://cbo.gov/publication/42905>
- Congressional Budget Office – Long-Term Budget Outlook
<http://www.cbo.gov/publication/41486>
- Congressional Budget Office – Analysis of Budget Control Act of 2011
<http://www.cbo.gov/publication/41626>
- Congressional Research Service – The Debt Limit: History and Recent Increases (RL31967)