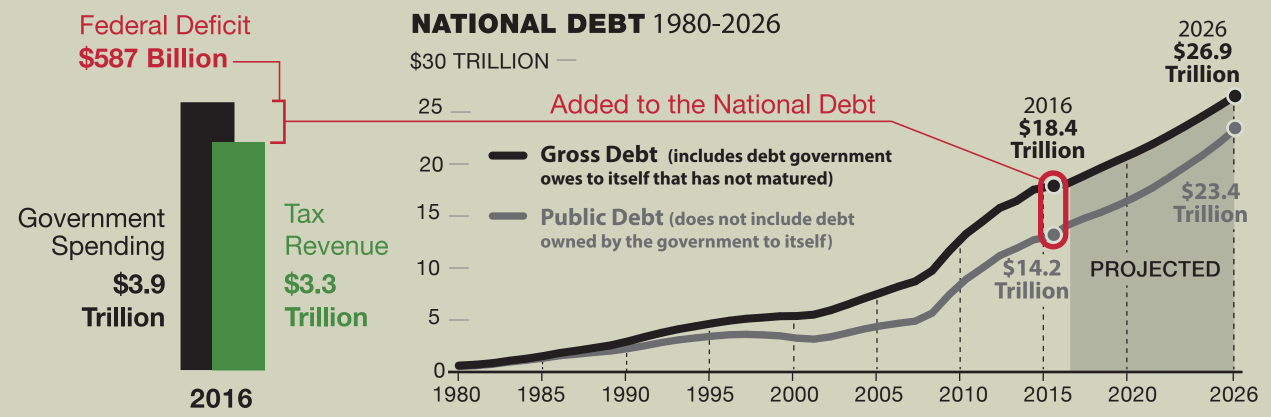
AN IN-DEPTH LOOK AT THE U.S. FEDERAL DEFICIT

The deficit is the fiscal year* difference between what the U.S Government takes in from taxes and other revenues, and the amount of money it spends. The difference between the two requires the U.S. Treasury to borrow money to raise cash needed to keep the government operating. It borrows the money by selling securities like Treasury bills, notes, bonds and savings bonds to the public. These securities issued to the public and to the government trust funds then become part of the total national debt.

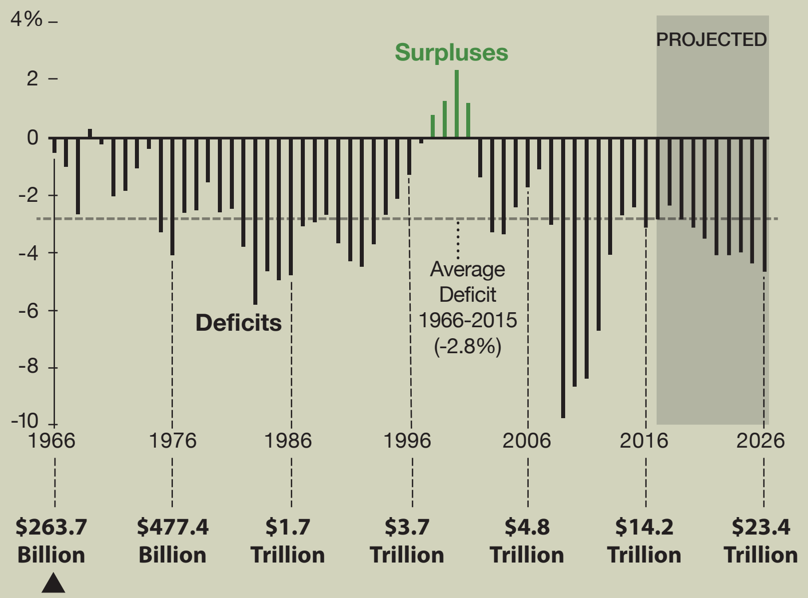
DEFICIT VS. DEBT

Deficit is the annual deficit amount, which is then added to the overall national ***debt***, as shown to the right.



DEFICITS & SURPLUSES AS PERCENTAGE OF GDP

In October 2016, the nation's public deficit was below the 40-year average, falling from 9.8% in 2009 when President Obama took office to 2.4% near the end of his two terms. By the end of the year, that number climbed to 3.2% with spending increases to programs such as Medicare, Medicaid and Social Security, which are sure to rise in the future.

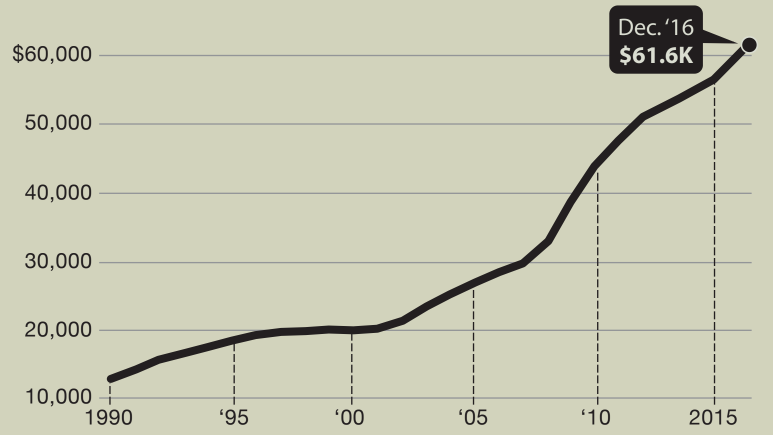


DEBT-TO-GDP RATIO EXPLAINED

Economists tend to make long-term comparisons using the debt-to-GDP ratio — the ratio between a country's government debt (a cumulative amount) and its gross domestic product (GDP) measured in years. A low debt-to-GDP ratio indicates an economy that produces and sells goods and services sufficient to pay back debts without incurring further debt.

PUBLIC DEBT PER CAPITA IN U.S. DOLLARS

The value of a government's debt expressed in terms of the amount attributable to each citizen under the government's jurisdiction.

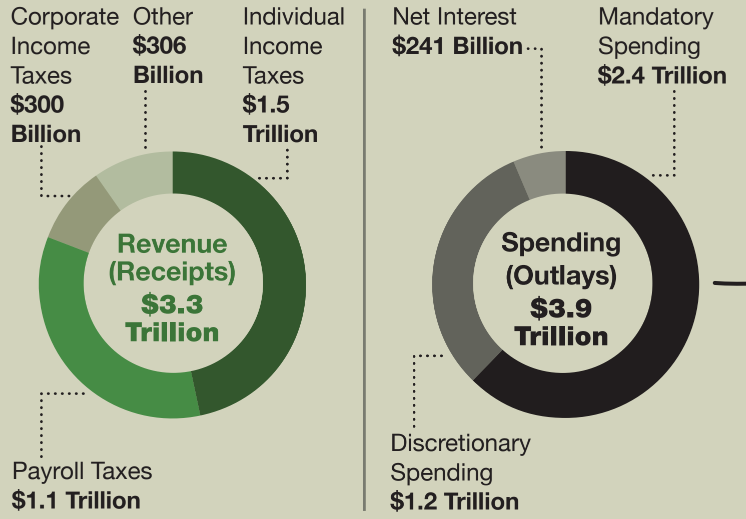


2016 BUDGET BREAKDOWN

For fiscal year 2016, the budget shortfall rose from the previous year for the first time in a number of years, totalling $587 billion. Debt held by the public reached 77 percent of GDP at the end of 2016, marking the highest ratio since 1950. Here is the breakdown:

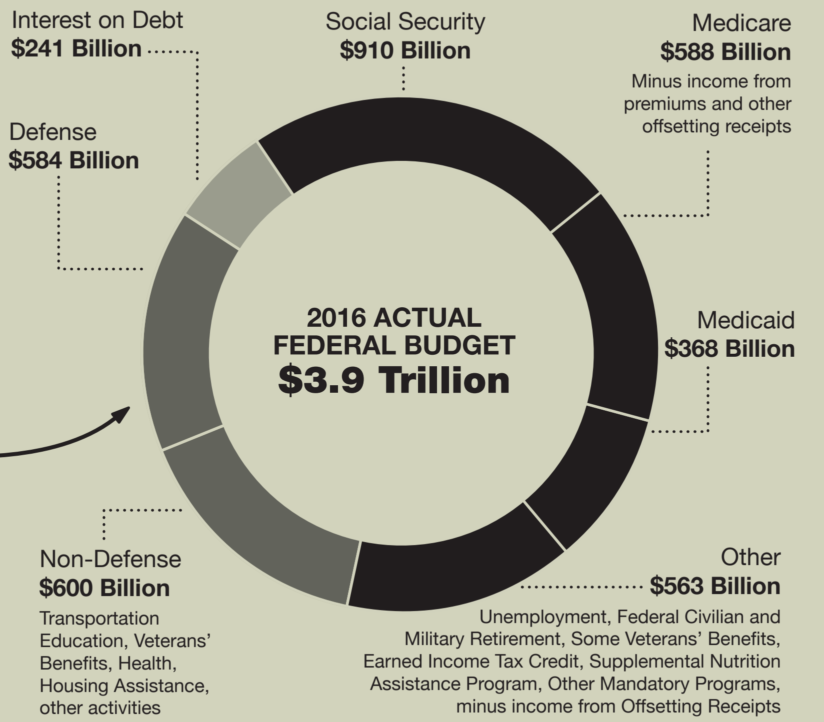
RECEIPTS VS OUTLAYS 2016

Government revenues come from taxes and other revenues, called ***receipts***, and the amount of money it spends is called ***outlays***. The difference between the two is the debt held by the public.



DISCRETIONARY SPENDING
Decided and set by Congress through the annual appropriations process each year.

MANDATORY SPENDING
Legislated outside of the annual appropriations process, usually less than once a year.



HOW CAN THE DEFICIT BE REDUCED

The national debt can only be reduced through these four methods listed below, although within each there are multiple actions that can be made within each action:

TAX
Increased Taxation

Reduced Spending

Debt Restructuring

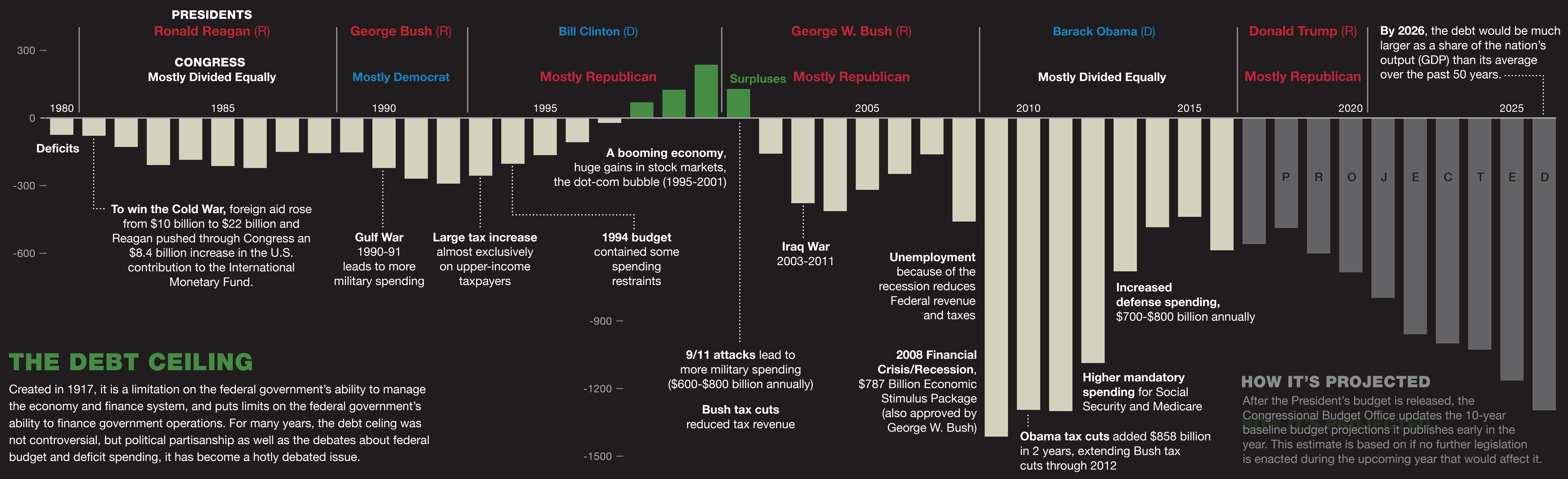
Monetization of the Debt

Outright Default

The federal budget process deals with taxation and spending levels and can create recommendations for restructuring or possible default.

ANNUAL FEDERAL DEFICIT, 1980-2026
IN BILLIONS OF U.S. DOLLARS

Debt has been a part of this nation's operations since it was founded. The U.S. government first found itself in debt in 1790, following the Revolutionary War. Since then, the debt has been fueled over the centuries by wars, economic recession and inflation. In modern times, the government has struggled to spend less than it takes in for over 60 years, making balanced budgets nearly impossible. Only briefly during the heyday of the economic markets and the Clinton administration in the late 1990s has the U.S. seen debt levels reduced in a material manner.



HOW IT'S PROJECTED

After the President's budget is released, the Congressional Budget Office updates the 10-year baseline budget projections it publishes early in the year. This estimate is based on if no further legislation is enacted during the upcoming year that would affect it.

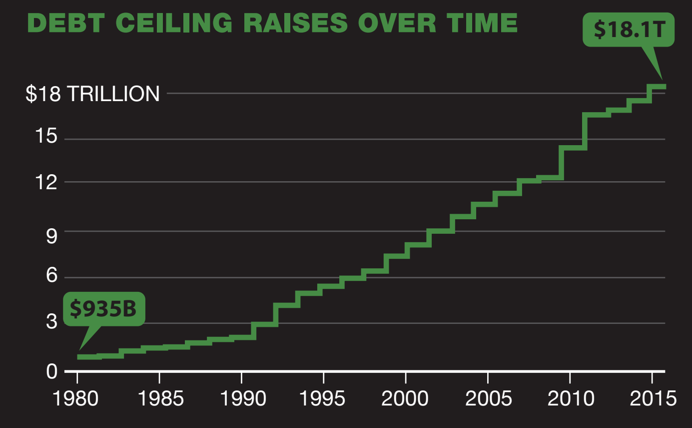
THE DEBT CEILING

Created in 1917, it is a limitation on the federal government's ability to manage the economy and finance system, and puts limits on the federal government's ability to finance government operations. For many years, the debt celing was not controversial, but political partisanship as well as the debates about federal budget and deficit spending, it has become a hotly debated issue.

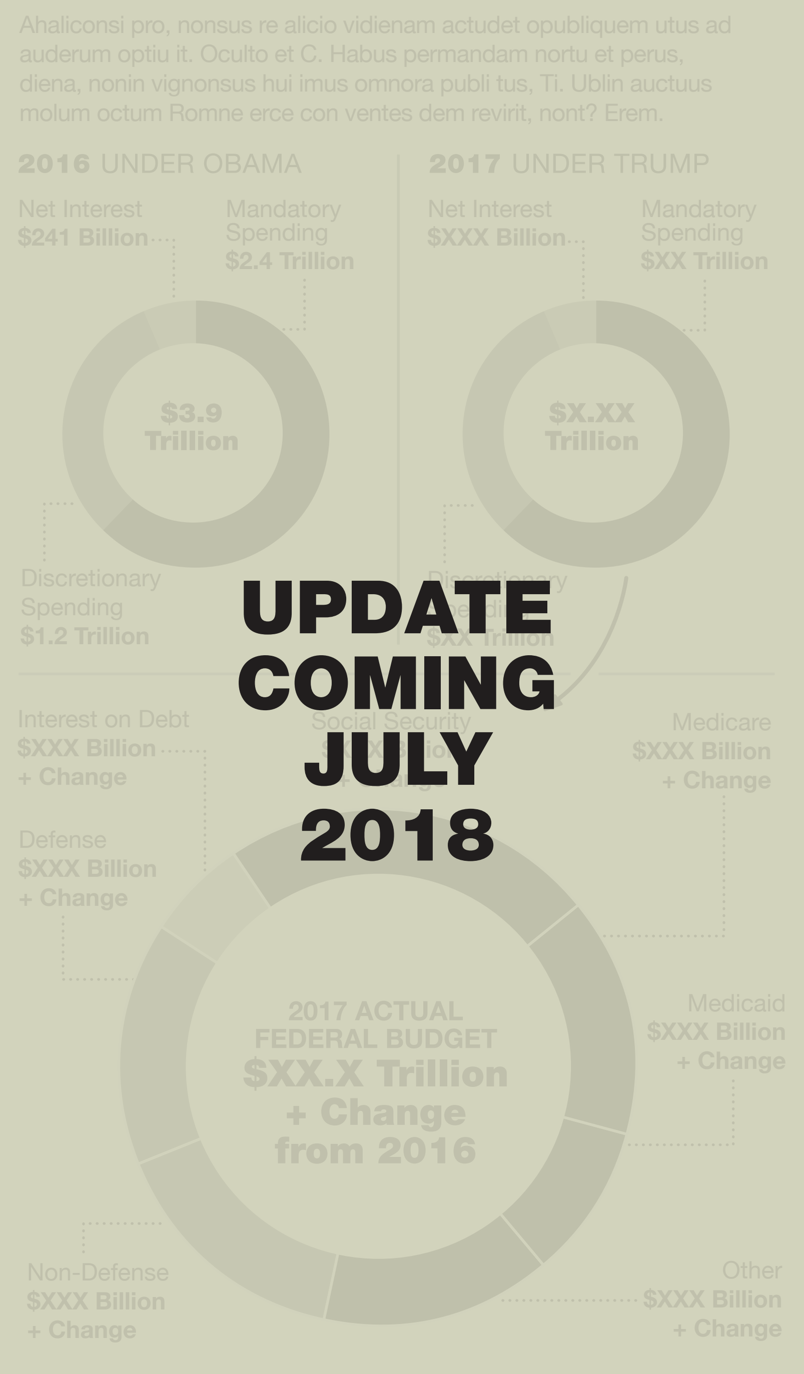
WHO'S RAISED IT MORE AND BY HOW MUCH

In practice, the debt ceiling has never been reduced, even though the public debt itself may have reduced. The debt ceiling has been raised 74 times since 1962.

DEBT CEILING RAISES OVER TIME



COMPARING BUDGETS 2016 VS. 2017



*Covers October 1, 2016, through September 30, 2017.
NOTE: All numbers are rounded

SOURCES: Table S-5. Mid-Session Review Fiscal Year 2017, Office of Management and Budget, July 15, 2016; Congressional Research Service; U.S. Census bureau; U.S. Treasury Department; U.S. Congressional Budget Office; TreasuryDirect.gov; thebalance.com; Investopdia; The Christian Science Monitor; factcheck.org; Politifact.com

Hiram Henriquez
AintDataTruth.org