

Dark Cloud Over Deficit Day

The U.S. government can afford to pay for only three out of every four days of its operations.

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Deficit Day, the day the United States government spends the last dollar of its annual income and starts spending on credit, is upon us.

Were the government to collect all the money it is owed for the year on Jan. 1, that money would last until Dec. 31 only if the budget were balanced. But because the government runs a deficit, the money runs out before the year ends. The day the money runs out is [Deficit Day](#). Every dollar the government spends from that day until the end of the year gets added to the United States' federal debt, which is now just a hair shy of [\\$20 trillion](#).

As if on cue, Deficit Day arrives in 2016 on Nov. 4, fewer than 100 hours before we choose our next president. Amid the storm of cast aspersions, neither major candidate has managed to say much of anything about the federal debt. But the debt is now and will continue to be the nation's single biggest issue. Indeed, it has gotten so large as to become an existential crisis. And every dollar the government spends from Deficit Day until the end of the year inflates the debt further. From Nov. 4 until Dec. 31, the federal government will add \$11 billion to the debt *every day*. That amount is more than what all but 10 of the world's [190-plus national governments](#) will spend all year.

The earliest Deficit Day has occurred in recent times was on Aug. 7 in 2009. That year, the government had to borrow \$1.4 trillion to keep the lights on through Dec. 31. Over the past eight years, the government has racked up a total of 750 days' worth of deficit spending – that's out of less than 3,000 total days. In other words, our government has only been able to afford three out of every four days of its operations.

The federal government's single largest creditor is the Social Security trust fund, to which the government owes about [\\$3 trillion](#). Politicians often claim that we shouldn't count this as debt because it is money the government owes itself, but that's only correct if the trust fund belongs to the government. If, instead, the government is holding the money in trust for people – which is the very definition of "trust fund" – then the money belongs to those people. That \$3 trillion is owed the nation's retirees. It counts.

Remarkably, our \$20 trillion federal debt is up from [\\$10 trillion](#) just eight years ago. For the past half-century, the government's debt has doubled, on average, every 10 years. That means that if the person we elect on Nov. 8 serves two terms, the debt will likely be approaching \$40 trillion when we select that person's successor.



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Of course, it's not really the debt that matters, it's the interest payments. The government can keep rolling over the debt. But every dollar the government has to pay in interest is a dollar that it can't spend on health care, social services, poverty programs, infrastructure and all the other things politicians like to spend money on. And that's where things get dicey. Thanks to the Federal Reserve's near decade-long effort to hold down interest rates, the government only pays around [2.2 percent](#) interest on its debt. That translates into about \$440 billion a year in interest expenses. But today's interest rates are unprecedentedly low. Historically, the government has paid around 5 percent interest on its debt. Were interest rates to return just to their historical average, the government would find itself owing \$1 trillion a year on interest alone. That's about as much as the federal government spends annually on Medicare or Social Security.

Every day earlier that Deficit Day falls on the calendar adds \$11 billion to the debt. At the current low interest rates, each of those \$11 billion additions costs the government an additional \$300 million a year in interest. In other words, every day earlier that Deficit Day falls costs us, our children, their children and their children's children \$300 million per year. Every year. Forever, or until the debt is repaid.

It would be reassuring if the candidates would focus their attentions on Deficit Day as keenly as they focus on Election Day. Over the long run, the former will have a far greater effect on our lives than the latter. But that's only because those standing for election will steadfastly ignore the deficit, and the massive debt it creates.