

Total U.S. Debt as % of GDP Projected to Surpass 100% By 2025 - Fiscal Policy

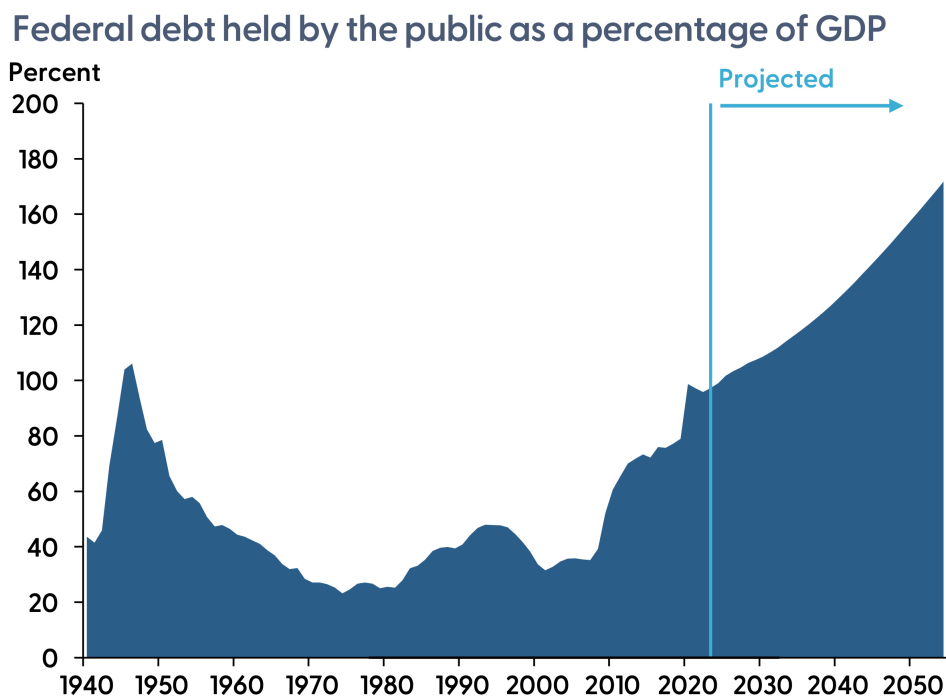
Federal debt held by the public as a percentage of GDP is projected to exceed 100% in the next year or two. The Congressional Budget Office (CBO) projects that debt held by the public will rise above 100% of GDP by 2025. Debt held by the public was 97% of GDP at the end of fiscal year 2023, and is projected to exceed GDP by 100% or greater in 2025.

The federal government issues debt on an ongoing basis for operating expenses and to meet obligations such as social security benefits and medicare payments. A rapidly growing expense has been interest payments on debt including Treasury bonds and notes. Slowing economic growth reduces tax revenue from individuals and corporations as income drops and tax receipts fall.

The debt-to-GDP ratio is a key economic indicator that measures a country's government debt in relation to its gross domestic product (GDP). The debt-to-GDP ratio is calculated by dividing a country's total government debt by its gross domestic product.

After peaking at over 100% in 1945 and 1946, the debt-to-GDP ratio gradually fell over the next three decades to only around 25% by 1975. The United States was able to reduce its post-WWII debt ratio from a historic high of over 100% in 1946 to a historic low of roughly 25% in 1975 by a combination of a balanced primary budget and economic growth that surpassed the interest rate on debt.

Sources: CBO, U.S. Treasury, Federal Reserve



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