



Debt versus Deficits: What's the Difference?

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 2019, the Congressional Budget Office expects the government to raise \$3.511 trillion in taxes and spend \$4.407 trillion on programs. The difference - \$896 billion - 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. As of October 2019, the national debt was \$ 22.8 trillion—an amount just shy of U.S. projected gross domestic product for 2019, which is estimated at \$21.345 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 16 times since 2001—from \$5.95 trillion in 2001 to its current limit of \$22.03 trillion (with more expected increases in the future).

What's the Problem?

The government hit the current debt limit in August and only narrowly avoided a "default" on its bills when Congress and the President passed the Bipartisan Budget Act of 2019 on August 2, 2019 which increased discretionary spending limits and modified budget enforcement procedures. It suspended the debt limit until July 31, 2021. The bill increases FY2020 and FY2021 discretionary spending limits for defense and nondefense spending. The new law also sets forth procedures for enforcing spending and revenue levels, specifies limits on advance appropriations, and resets the balances on the Pay-As-You-Go (PAYGO) scorecards.

Center Forward Basics
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Center Forward Basics

Center Forward brings together members of Congress, not-for profits, academic experts, trade associations, corporations and unions to find common ground. Our mission: to give centrist allies the information they need to craft common sense solutions, and provide those allies the support they need to turn those ideas into results.

In order to meet our challenges we need to put aside the partisan bickering that has gridlocked Washington and come together to find common sense solutions.

For more information, please visit www.center-forward.org

Key Facts

National debt as of October 3, 2019:
\$22,829,455,689,908.62

Current debt limit: **\$22.03 trillion**

Amount of debt held by foreign governments as of December 2018: **\$6.3 trillion**

Projected federal deficit for fiscal 2019:
\$984 billion

Fiscal 2019 deficit as a share of gross domestic product (GDP): **4.7 percent**

Fiscal 2018 *surplus*: **-\$779 billion**

Fiscal 2018 surplus as a share of GDP:
-3.9 percent

Links to Resources

- Congressional Budget Office - [The Budget and Economic Outlook: 2019 to 2029](#)
- Congressional Research Service - [Foreign Holdings of Federal Debt](#)
- Congressional Research Service - [The Debt Limit: History and Recent Increases](#)
- Congressional Research Service - [The Debt Limit Since 2011](#)
- The Hill - [Federal deficit estimated at \\$984B, highest in seven years](#)
- NPR - [U.S. National Debt Hits Record \\$22 Trillion](#)
- U.S. Treasury Department - [Daily Report on the National Debt](#)
- U.S. Treasury Department - [Major Foreign Holders of Treasury Securities](#)