Fix the Debt
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Common Myths About U.S. Debt

Our national debt is on an unsustainable course. It is currently nearly twice the historical average and on track to grow even greater unless Congress acts. Below, we tackle some common misconceptions about U.S. debt.

Myth: Deficit levels are falling and therefore, debt is no longer a concern.
Fact: The era of trillion-dollar deficits is coming. In 2018, our government spent $779 billion more than it took in, which was higher than the previous year's deficit. Deficits and the debt are now on an upward trajectory, with debt on track to grow by more than $13 trillion over the next ten years. Permanent trillion-dollar deficits will return by 2020 and debt will near the size of the entire U.S. economy by 2028. An ever-rising debt path will inhibit long-term economic growth, increase the cost of living, leave the government unprepared for national emergencies, and increase the risk of a fiscal crisis.

Myth: There is no harm in waiting to solve our debt problems.
Fact: The longer we wait to confront our debt problems, the larger the required benefit cuts or tax increases will need to be for each individual. If policymakers wait 10 years before addressing the debt, spending cuts or tax increases would need to be roughly 50 percent larger to reduce debt back to the historical average. Delay means there is less time to take advantage of compound interest. We will also have less flexibility to respond to unexpected national emergencies, and it will be harder to protect the most vulnerable in society from bearing the burden.

Myth: Deficit reduction is just code for austerity, which will ultimately hurt the economy.
Fact: A comprehensive and gradual deficit reduction plan can replace austerity with more targeted and pro-growth reforms that promote economic recovery and accelerate long-term wage growth. For example, the Congressional Budget Office found that putting debt on a downward path back to the historic average would help the economy, increasing average real income by $6,000 by 2048 compared to the current debt path. (See The National Debt and You.)

Myth: Deficit reduction will harm low-income and vulnerable populations.
Fact: Every recent bipartisan deficit reduction plan has included progressive reforms that ask more from those who can afford it, protect low-income programs, and offer new enhancements for the most vulnerable.

Myth: The debt can be solved by cutting waste, fraud, or foreign aid.
Fact: Foreign aid represents around 1% of the federal budget. And while it is important to address waste, fraud and abuse of taxpayer money, doing so would only marginally reduce the debt. Even if we eliminated all waste, fraud, and foreign aid, we would still have not dealt with the long-term drivers of the debt. Specifically, we need to slow the unsustainable growth of entitlement spending, which currently makes up over 60 percent of the budget. Mandatory and interest spending will nearly double in the next 40 years due to population aging, rising health care costs, and projected increases in interest rates.

Myth: The debt can be solved with faster economic growth.
Fact: Economic growth must be part of the solution, but it can't solve the debt problem alone. The amount of growth required would be unprecedented. In addition, many spending programs grow faster when the economy does, which counteracts the benefits of growth in reducing the debt.

Myth: Taxing the wealthy more will solve the debt problem.
Fact: Our debt problems are too large, and the top 1% too few, to solve the entire problem by raising taxes on the wealthy. According to the Tax Policy Center, if we wanted to fix the debt only by raising taxes on those making over $250,000, the top rate would need to be over 100% - a clearly unworkable solution. Our debt problems are large enough that they should be solved by both tax reform to reduce tax breaks and spending reform to slow the growth of entitlement programs.