2026-8-20

ECO

(2)

WSJ Print Edition

image

U.S. Debt Eclipses $40 Trillion

Latest figure, as share of GDP, nears levels not seen since World War II

BY SAM GOLDFARB AND MATT GROSSMAN

Gross U.S. debt has surpassed $40 trillion, a new milestone in the country's struggle to control its finances.

The country's "total public debt outstanding" officially hit $40.047 trillion on Tuesday, the Treasury Department reported Wednesday, ticking up from $39.987 trillion a day earlier.

Reaching that threshold carries symbolic weight but isn't, by itself, economically significant. Most investors and economists care less about raw figures than other measures, like the ratio of debt to gross domestic product, which provides a better sense of an economy's borrowing capacity.

And economists typically focus more on a different measure of government debt— that held by the public—which doesn't include debt held within the government in Social Security trust funds. That number was $32.266 trillion on Tuesday.

Still, $40 trillion is a big number, likely to at least briefly draw attention to what economists broadly agree is an unsustainable fiscal trajectory. In recent days, rising long-term government borrowing costs— and a sudden reversal Wednesday after the Treasury announced plans to buy back more long-term debt—have underscored the stakes. Here is a look at how we got here and what it means:

2026-8-20

U.S. debt hits $40 trillion

BY ALAN RAPPEPORT

THE NEW YORK TIMES

Note

WASHINGTON>> America's gross national debt topped $40 trillion for the first time Wednesday, an ominous milestone for an economy that sits on a shaky fiscal foundation after decades of borrowing to pay for the rising costs of the military, social safety net programs and President Donald Trump's tax cuts.

The shortfall between what the United States spends and what it earns through taxes and other revenue now exceeds the size of its entire economy. This year alone, the United States is on track to borrow more than $2 trillion to help pay for its obligations, including spending on the war in Iran and the sweeping tax cuts that Republicans enacted in 2025. Soaring interest payments to investors who have purchased America's debt now make up about half of that red ink, pushing the United States into a deeper financial hole.

Note

Whether the mounting debt load is a problem to be solved or a function of America's economic strength remains a matter of debate. Deficits are also a point of political gamesmanship, with Republicans most passionate about eliminating them when they are out of power.

"The scariest thing about this is how we're starting to see the debt spiral begin," said Marc Goldwein, senior policy director for the Committee for a Responsible Federal Budget, which supports deficit reduction, referring to interest on the debt.

The inability of lawmakers to confront the debt comes with long-term risks. While the United States remains the world's largest economy, its mounting debt load could lead investors to demand higher interest rates for U.S. bonds or raise questions about the nation's creditworthiness, which could erode confidence in the dollar as the world's reserve currency.

Republicans and Democrats are responsible for America's borrowing burden. The United States has had to sell an increasing amount of debt to cover the costs of health programs, stimulus benefits, disaster relief and daily government operations.

Trump has promised to restore fiscal order, yet many of his policies have only exacerbated America's financial woes.

When he first ran for the White House in 2016, Trump said he would eliminate the national debt within eight years by making new trade deals and jump-starting economic growth. Since then, the national debt has doubled.

In his second term, Trump's biggest initiatives to cut spending and increase revenue have failed to materialize.

The Department of Government Efficiency, led initially by Elon Musk, promised to reduce federal spending by $1 trillion. So far it claims to have produced savings of just more than $200 billion. The Government Accountability Office said this month that the department's estimate lacked reliability and transparency.

The Trump administration was making progress in collecting additional government revenue by imposing sweeping tariffs on imports. Those plans were derailed this year when the Supreme Court ruled that some of those tariffs were illegal, forcing the federal government to refund more than $160 billion of the money to companies that paid the import duties.