2026-8-16

# We can't live beyond our means forever

Gen RE

A country can borrow its way through a recession, a war, or a pandemic. But it cannot borrow nearly 30 cents of every dollar it spends year after year without eventually facing a fiscal reckoning.

The Denver Gazette · 16 Aug 2026 · B9 · WASHINGTON EXAMINER

The federal government posted a $432.3 billion deficit in July, the biggest since March 2021, when then-President Joe Biden's COVID-19 stimulus checks sent deficits, and then inflation, soaring. President Donald Trump does not have a global pandemic or a declared war to excuse this level of borrowing, and with our population aging, the deficit picture is inevitably going to get worse.

We are living beyond our means, borrowing money for everyday expenses, and it cannot last forever. It is, as former House Speaker Paul Ryan used to note a generation ago, the most predictable train wreck imaginable.

Note

The Treasury Department's monthly statement posted this week shows the federal government has borrowed $1.8 trillion so far this fiscal year, matching last year's total with two more months left to go. Medicare was the top spending item in July at $174 billion, thanks to the first of the month being a nonbusiness day, which accelerated benefit payments. Social Security was second at $141 billion, and net interest on the national debt was third at $104 billion.

For most months, Social Security is the top spending item, reflected by the fact that $1.4 trillion has been spent on the program so far this year. Medicare is the second-largest expense at $955 billion, and net interest payments on the debt are third at $931 billion. "Healthcare," which includes Medicaid, came fourth at $845 billion.

Trump's deficits had been mitigated until recently by his tariffs, which brought in about $30 billion a month. But now, after the Supreme Court correctly held that Trump lacked authority to implement his tariffs, the Treasury is issuing refunds, which added $33 billion to the deficit in July, a $60 billion-a-month swing.

Note

Through July, federal spending totaled $6.28 trillion, of which $1.799 trillion had to be borrowed, meaning that for every $1 the federal government spent this fiscal year, roughly 29 cents has been added to the national debt.

This cannot continue without bankrupting the country. Every dollar Washington borrows today must eventually be financed through higher taxes, lower spending, inflation, or more borrowing. As debt grows, so does the interest bill, consuming an ever-larger share of federal revenue and leaving less money for defense, infrastructure, and the other basic functions of government.

Eventually, investors will demand higher interest rates to keep lending Washington money, and this will make the problem even worse. A country can borrow its way through a recession, a war, or a pandemic. But it cannot borrow nearly 30 cents of every dollar it spends year after year without eventually facing a fiscal reckoning.

There is an off-ramp coming soon. According to the latest Social Security trustees report, the Social Security Trust Fund will run out of special-issue Treasury bonds in 2032. At that point, the Treasury Department will not have the legal authority to pay out more in benefits than it takes in, a situation that has existed since 2010. That year, the Social Security system paid out $49 billion more in benefits than it took in through payroll taxes, meaning it added $49 billion to the deficit. Last year, that had risen to $229 billion.

In 1977 and again in 1983, Congress worked with the president on a bipartisan basis to raise taxes and cut spending to keep Social Security solvent. It will have to do so again in 2032. Unless the solution is simply to let the Treasury Department keep borrowing more money, a huge source of deficit spending will have been eliminated.

There is, of course, more that Congress can do, particularly on Medicare and Medicaid, which are the fastest-growing parts of the federal budget. Finding politically feasible ways to cut healthcare spending, or slow its growth, will be difficult, but after being forced to deal with Social Security's financial crisis, Congress may learn to legislate again.