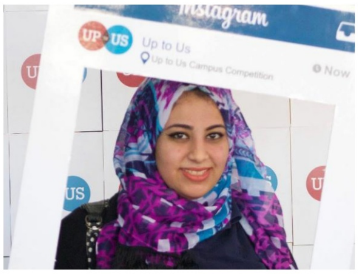
National Debt 101
TOOLKIT

Everything you need to know about the National Debt, how it affects our generation, and what we can do to support a more fiscally sound future.

To many American Millennials, the national debt may seem like an abstract concern. In an era of uncertain job market prospects and political polarization, the country's national debt is consistently placed on the back burner by our political leaders on both sides of the aisle. But our generation actually has the most at stake when it comes to policy decisions made today about our country's fiscal and economic future, and it's up to us to come together and speak up.

Through Up to Us, we can get loud and get heard about how this issue affects us and what our generation can do to raise awareness of America's fiscal and economic challenges.



Why should I care?

If we fail to address our national debt, the federal government will have a much harder time investing in priorities that drive economic growth like education, research and development, and infrastructure.

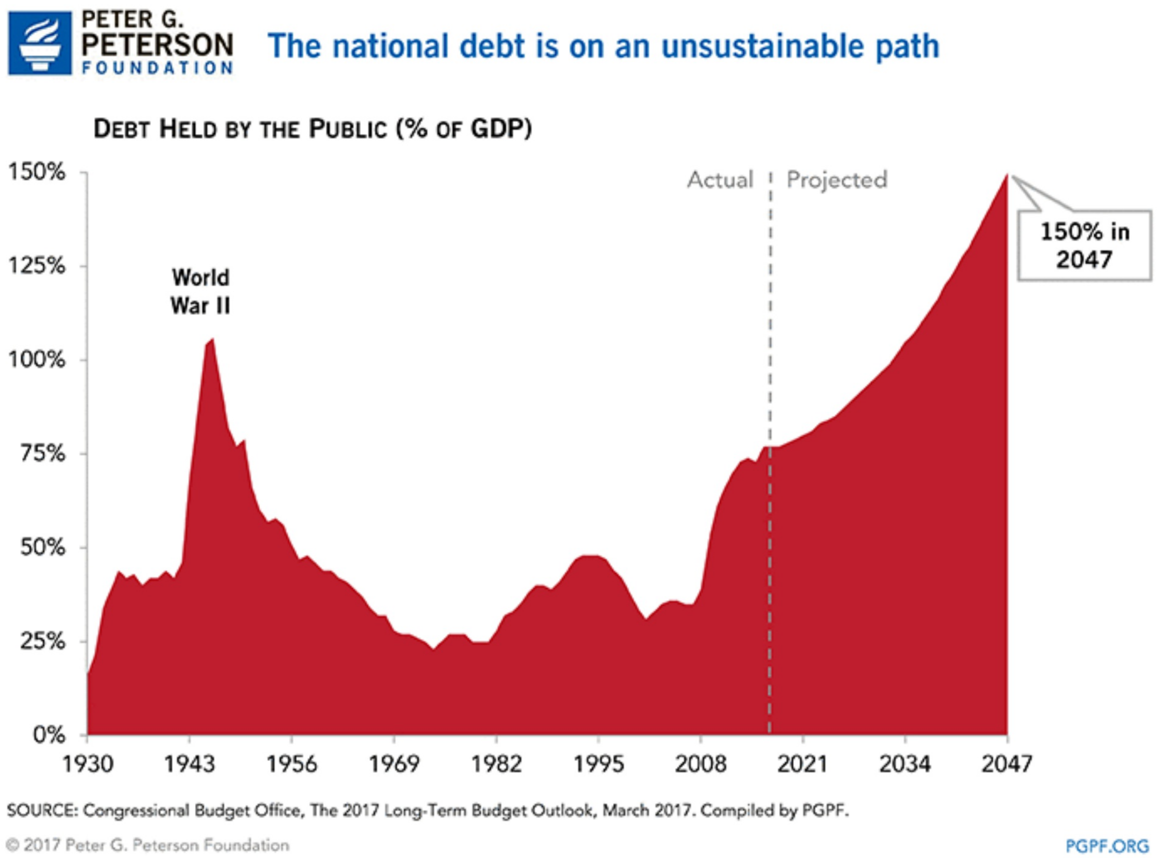
America's national debt is already nearly $20 trillion. The Congressional Budget Office projects that if current laws are maintained, federal debt will climb to 91 percent of GDP- the combined value of all the goods and services produced in the country- by 2027. These are dangerously high levels of debt that threaten the economy WE will inherit.

In addition, as the federal government issues more debt and diverts more capital from markets, the private sector has less access to capital, which diminishes private investment. As our national debt burden grows, the economy is left with less fuel for innovation, entrepreneurship, growth, and job creation.

Younger generations will be the ones that get stuck with most of the bill. After all, today's students will be tomorrow's workers and eventually, retirees. We will face the higher tax burdens needed to fund the government and its interest obligations. And if we have to make drastic changes to our retirement programs, future benefits may not be sufficient for future generations of retirees.

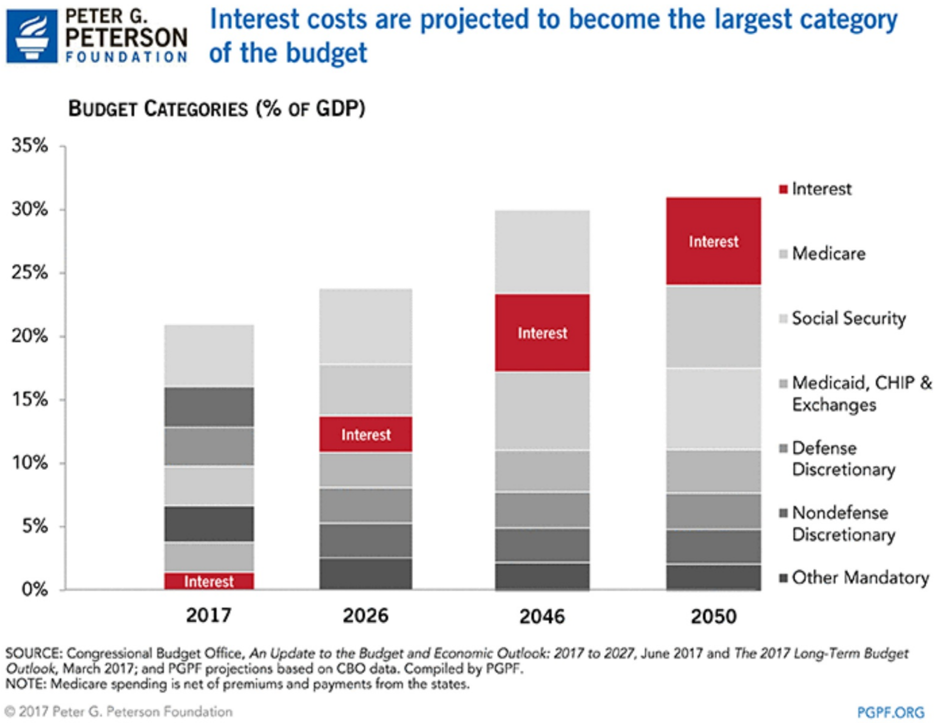
Federal debt is on an unsustainable path

As you can see in the graph, in 30 years the national debt is set to reach 150% of GDP, far surpassing any previous historical highs.



Interest costs on the national debt are growing

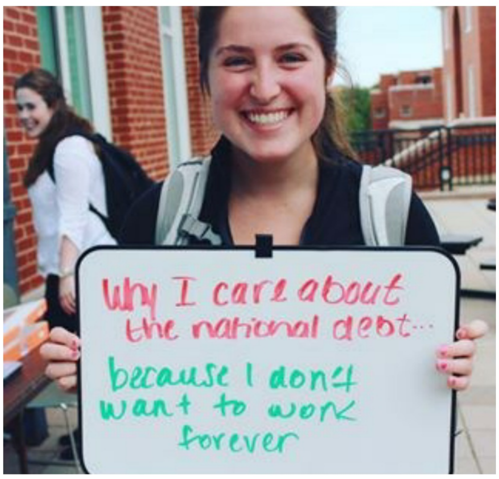
Interest costs are projected to become the largest category of the budget by 2050

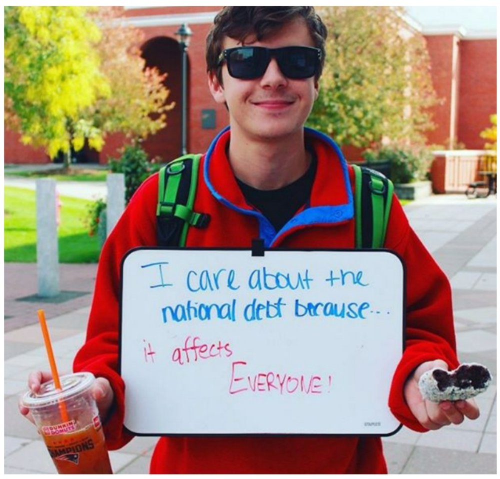


Look at first column in the graph. See the small red portion? That is what the federal government currently spends on interest on the national debt.

However, interest costs* on the national debt are growing. Now, look at the final column. By 2050, interest costs are projected to become the largest category of the federal budget.

*Interest is a sum charged for the use of borrowing money. When the federal government borrows money to finance its deficits, it is legally obligated to make regular interest payments on those debts.

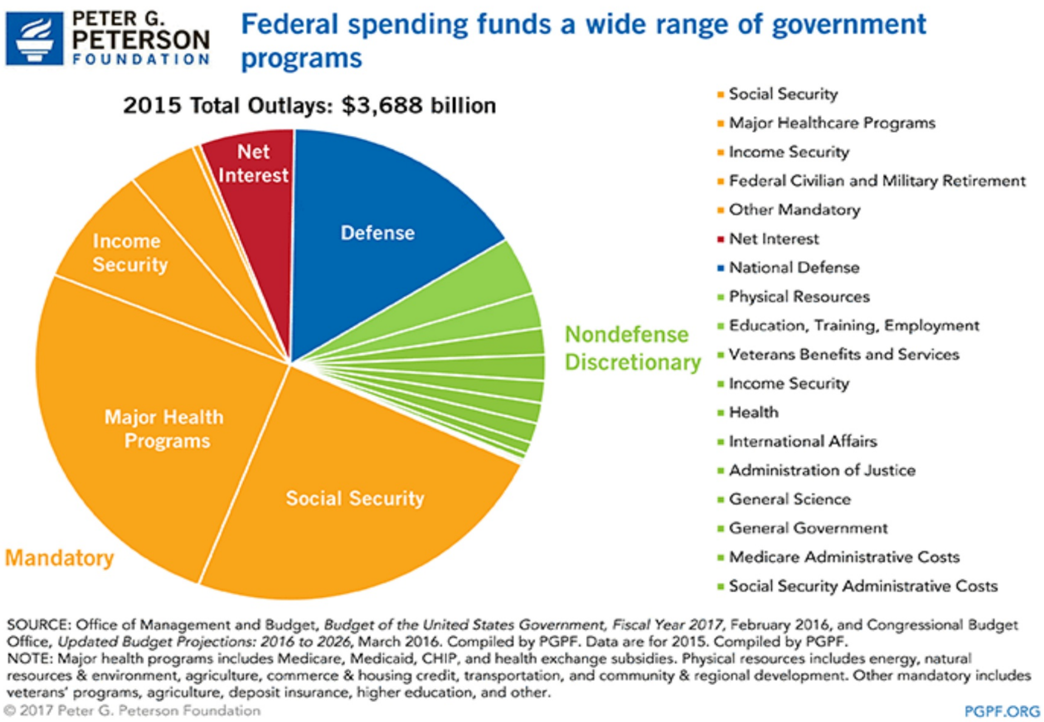




Interest crowds out opportunities for investments in our future

The federal budget funds a wide range of government programs and is made up of two major categories: mandatory spending and discretionary spending.

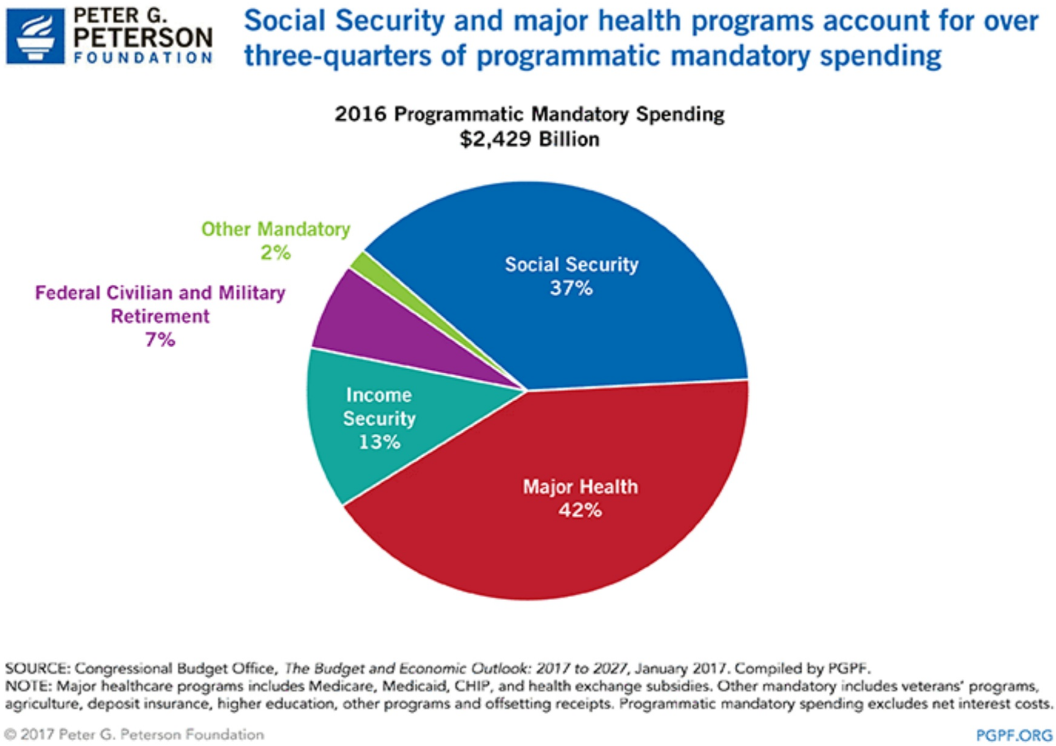
As we learned in the last graph, interests costs on the national debt are rising. As these interest costs rise, there is less money to fund other parts of the budget, including both mandatory and discretionary programs.



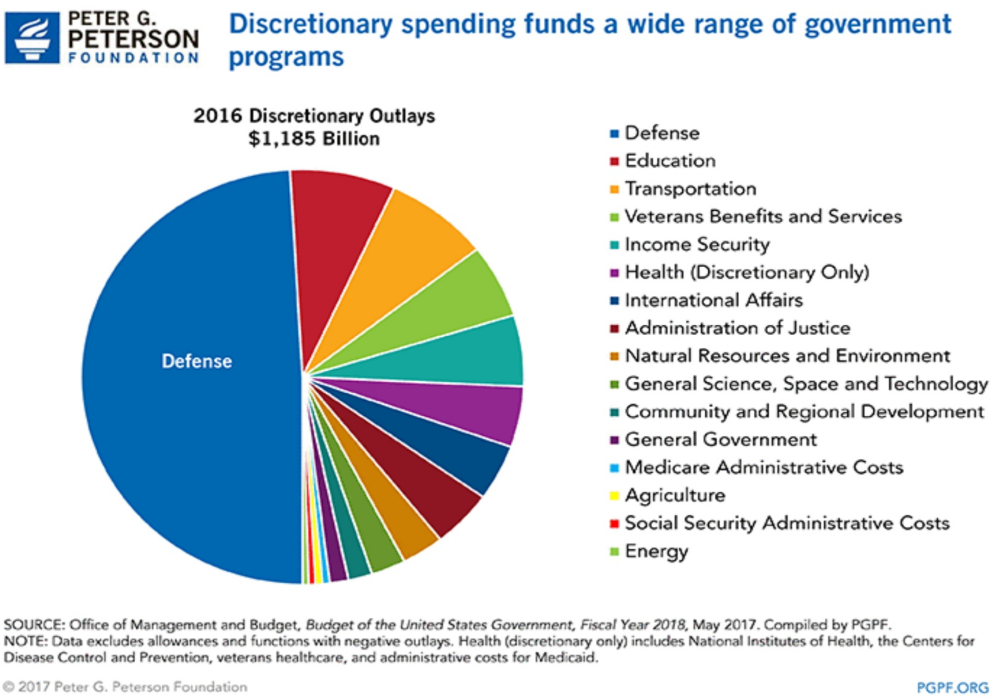
In the graph, you can see that all mandatory spending is in orange; it represents about 2/3 of the total budget. Discretionary spending, shown in green and blue, accounts for most of the final 1/3 of the budget. Interest payments on the national debt, in red, currently taking up the smallest portion.

Without intervention, these programs will potentially see major cuts in the next 30 years to account for the increasing cost of interest payments on the national debt.

About two thirds of the federal budget is mandated through pre-existing laws. Mandatory spending includes programs such as Social Security, Medicare, Medicaid, and even our student loans.



The last third of the federal budget is discretionary spending. Discretionary spending is everything else and includes federal expenditures for defense, education, infrastructure, research and development, national parks, and many other programs.

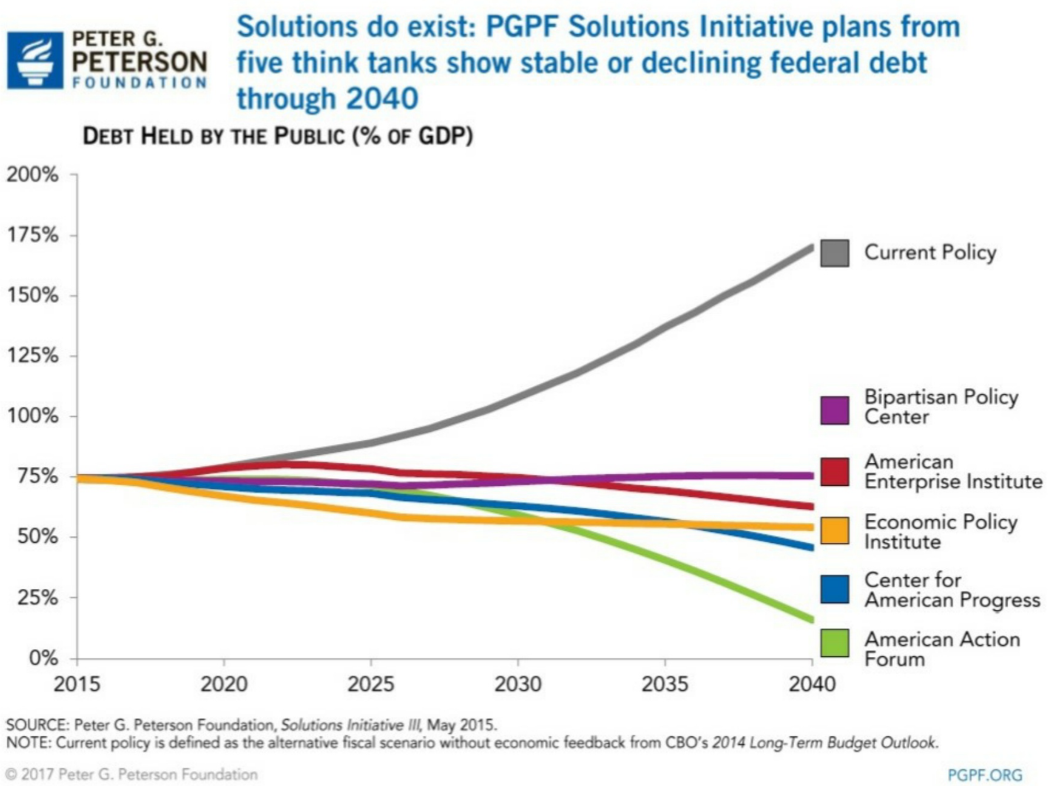


What can we do?

Solutions do exist! The national debt can be a politically divisive issue, so coming up with solutions means thinking outside the box.

Most solutions are fiscal solutions, and they tend to fall into two categories: increasing revenue, or decreasing spending. Bipartisan solutions to our country's fiscal challenges require a mix of revenue increases and spending cuts-- not one or the other.

The Peter G. Peterson Foundation asked experts from five leading think tanks across the ideological spectrum to develop specific policy proposals to set the federal budget on a sustainable, long-term path for prosperity and economic growth. You can see that all five organizations came up with plans to do just that.



As a non-partisan campaign, Up to Us is committed to exploring solutions that involve collaboration and that people from all parts of the political spectrum can come together around.

Key Definitions

To understand the debt more thoroughly, below are some key definitions to know!

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DEFICIT

The amount by which spending exceeds revenues over a given period (usually a 12-month fiscal year).

The opposite is a surplus.

DEBT-to-GDP RATIO

The size of a country's government debt expressed as a percentage of the size of its economy is known as the gross domestic product or GDP.

Debt-to-GPD ratio is a helpful indicator for comparing debt between countries and across time. A country with a high debt-to-GDP ratio may be at higher risk of numerous economic challenges.

DEBT

The amount of accumulated deficits minus accumulated surpluses at a given point in time.

The majority of the government's debt is financed by borrowing from outside the federal government and is known as the debt held by the public. A smaller portion of the federal debt known as intra-governmental debt is owed from one government account to another.

MANDATORY SPENDING

Spending on certain programs that is mandated by existing law without requiring Congress and the President to appropriate funds.

Lawmakers do not provide specific funding levels for mandatory spending; rather, they specify who is eligible for benefits as well as the type and level of benefits that they can receive.

Without action by lawmakers, mandatory programs continue indefinitely.

DISCRETIONARY SPENDING

Spending that is set by Congress and the President on a yearly basis through the appropriations process.

If lawmakers do not enact appropriations, these programs have no funding to operate.

MEDICARE

a major federal program that provides health insurance to senior citizens and those with disabilities, regardless of income level.

MEDICAID

a health insurance program for low-income Americans financed jointly by the federal government and the states and administered by the states

SOCIAL SECURITY

a social insurance program that supplements retiree income through monthly cash payments. It is an important component of many Americans' retirement income