United States Government Required Supplementary Information (Unaudited) For the Fiscal Years Ended September 30, 2025, and 2024

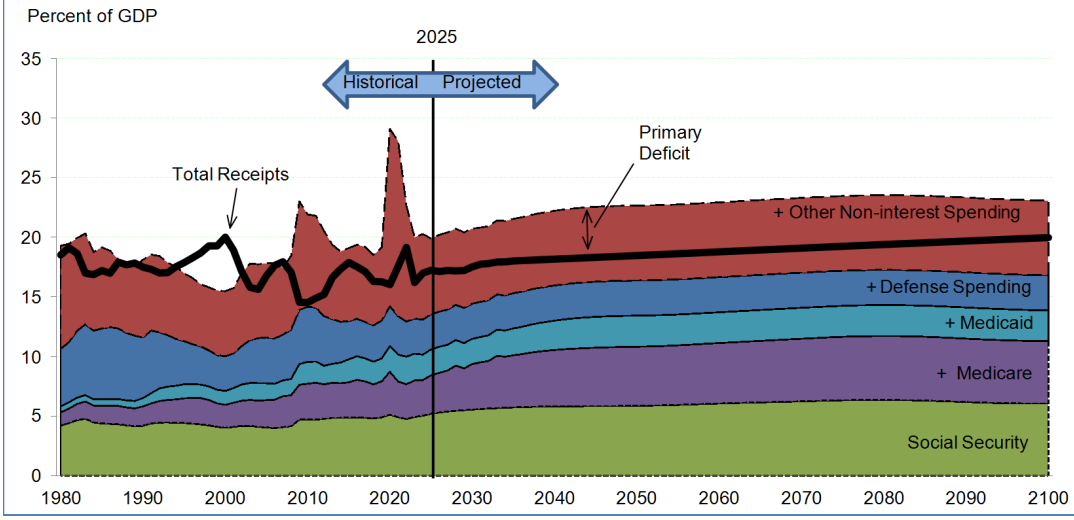
The Sustainability of Fiscal Policy

One of the important purposes of the *Financial Report* is to help citizens and policymakers assess whether current fiscal policy is sustainable and, if it is not, the urgency and magnitude of policy reforms necessary to make fiscal policy sustainable. A sustainable policy is defined in this report as one where the ratio of debt held by the public to GDP (the debt-to-GDP ratio) is ultimately stable or declining.

As discussed below, the projections based on this *Financial Report's* assumptions indicate that current policy is not sustainable. The debt-to-GDP ratio was 99 percent at the end of 2025, which is slightly higher than the debt-to-GDP ratio at the end of FY 2024.[1] If current policy is left unchanged, the projections show the debt-to-GDP ratio will be approximately 102 percent in 2026, exceed 200 percent by 2048 and reach 576 percent in 2100. For comparison, under the 2024 projections, the debt-to-GDP ratio exceeded 200 percent in 2049 and reached 535 percent in 2099.

These conclusions are rooted in the projected trends in receipts, spending, and deficits in the context of current law and policy, although, as described in the following pages, there is considerable uncertainty surrounding these projections. The projections are on the basis of current policies and are neither forecasts nor predictions. Changes in policy could have a significant effect on eventual fiscal outcomes.

Chart 1: Historical and Current Policy Projections for Receipts and the Composition of Non-interest Spending



[1] Calculated with the September 2025 total debt held by the public and the FY 2025 GDP, as reported in BEA's second estimate. Total debt held by the public is adjusted to account for borrowing by other (non-Treasury) entities and for net unamortized premiums/discounts. It excludes accrued interest payable. See Note 12 for details.

Current Policy Projections for Primary Deficits

A key determinant of growth in the debt-to-GDP ratio and hence fiscal sustainability is the ratio of the primary deficit to GDP. The primary deficit is the difference between non-interest spending and receipts, and the primary deficit-to-GDP ratio is the primary deficit expressed as a percentage of GDP. As shown in Chart 1, the primary deficit-to-GDP ratio spiked during 2009 through 2012 due to the 2008-09 financial crisis and the ensuing severe recession, and rose again in 2020 due to the COVID-19 pandemic and ensuing economic downturn. Increased spending and temporary tax reductions enacted to stimulate the economy and support recovery contributed to elevated primary deficits over both periods, resulting in sharp increases in the ratio of debt to GDP. The debt-to-GDP ratio rose from 39 percent at the end of 2008 to 70 percent at the end of 2012 and then from 79 percent at the end of 2019 to approximately 100 percent at the end of 2020.

The primary deficit-to-GDP ratio in 2025 was 2.7 percent, a decrease of 0.6 percentage points from the primary deficit-to-GDP ratio reported for 2024 in last year's *Financial Report*. Under the technical assumptions of the SLTFP, receipts increased by 6.4 percent in 2025, non-interest spending increased by 2.9 percent, and nominal GDP increased by 4.6 percent. The primary deficit-to-GDP ratio is projected to average 3.3 percent over the next 10 years, based on the technical assumptions in this *Financial Report* and projected changes in receipts and outlays. Primary deficits are projected to peak at 4.2 percent of GDP in 2046. After 2046, Medicare and Medicaid spending (as a fraction of GDP) grows at a much slower rate due to demographic trends. Due to the bracket creep assumption, growth in individual income tax receipts exceeds growth in outlays beyond 2046. Primary deficits as a share of GDP gradually decrease after 2046 and reach 3.1 percent in 2100, the last year of the projection period.

Trends in the primary deficit are heavily influenced by tax receipts. The receipt share of GDP was markedly depressed in 2009 through 2012 because of the recession and tax reductions enacted as part of the *American Recovery and Reinvestment Act* and the *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010*. The share subsequently increased to almost 18.0 percent of GDP by 2015 before falling to nearly 16.3 percent in 2019 and 16.0 percent in 2020. Receipts were 17.2 percent of GDP in 2025, an increase of 0.1 percentage points relative to the share of GDP reported for 2024 in last year's *Financial Report*.[2] Receipts are projected to fall slightly to 17.1 percent of GDP in 2026, as decreases in individual and corporate income tax receipts are roughly offset by increases in customs duties. After 2026, total receipts gradually increase to 18.0 percent of GDP by 2035. After 2029, receipts grow slightly more rapidly than GDP over the projection period as increases in real (i.e., inflation-adjusted) incomes cause more taxpayers and a larger share of income to fall into the higher individual income tax brackets. How the path of the receipts-to-GDP ratio changes with this "bracket creep" assumption, and the implications for projected debt held by the public are analyzed in the "Alternative Scenarios" section.

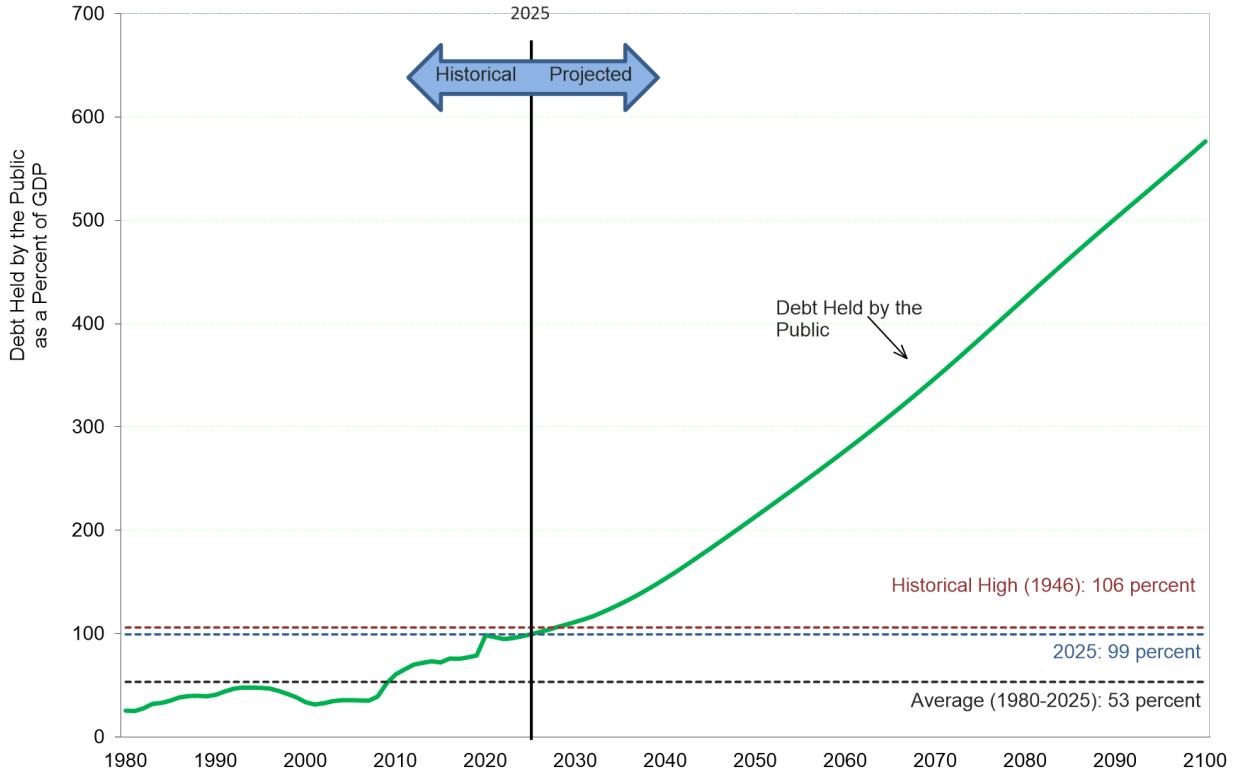
On the spending side, the non-interest expenditure as a share of GDP was 19.9 percent in 2025, 0.5 percentage points below the share of GDP reported for 2024 in last year's *Financial Report,* which was 20.4 percent. The ratio of non-interest spending to GDP is projected to rise gradually, peaking at 23.5 percent of GDP in 2080. The ratio of non-interest spending to GDP then declines to 23.1 percent in 2100, the end of the projection period. These increases are principally due to the expenditure growth rate of Social Security, Medicare, and Medicaid exceeding the GDP growth rate (see Chart 1). The aging of the population, among other factors, is projected to increase the Social Security and Medicare spending shares of GDP by about 0.5 percentage points and 1.6 percentage points, respectively, from 2026 to 2046. After 2046, the Social Security and Medicare spending shares of GDP continue to increase in most years, albeit at a slower rate, due to projected increases in health care costs and population aging, before declining toward the end of the projection period.

Current Policy Projections for Debt and Interest Payments

The primary deficit projections in Chart 1, along with projections for interest rates and GDP, determine the projections for the debt-to-GDP ratio shown in Chart 2. That ratio was 99 percent at the end of FY 2025, and under current policy and based on this *Financial Report's* assumptions is projected to reach 576 percent in 2100. The continuous rise of the debt-to-GDP ratio indicates that current policy under this *Financial Report's* assumptions is unsustainable.

[2] Calculated with the most recent data, total receipts as a percent of GDP rose by 0.2 percentage points in 2025, relative to 2024.

Chart 2: Historical and Current Policy Projections for Debt Held by the Public 1980-2100

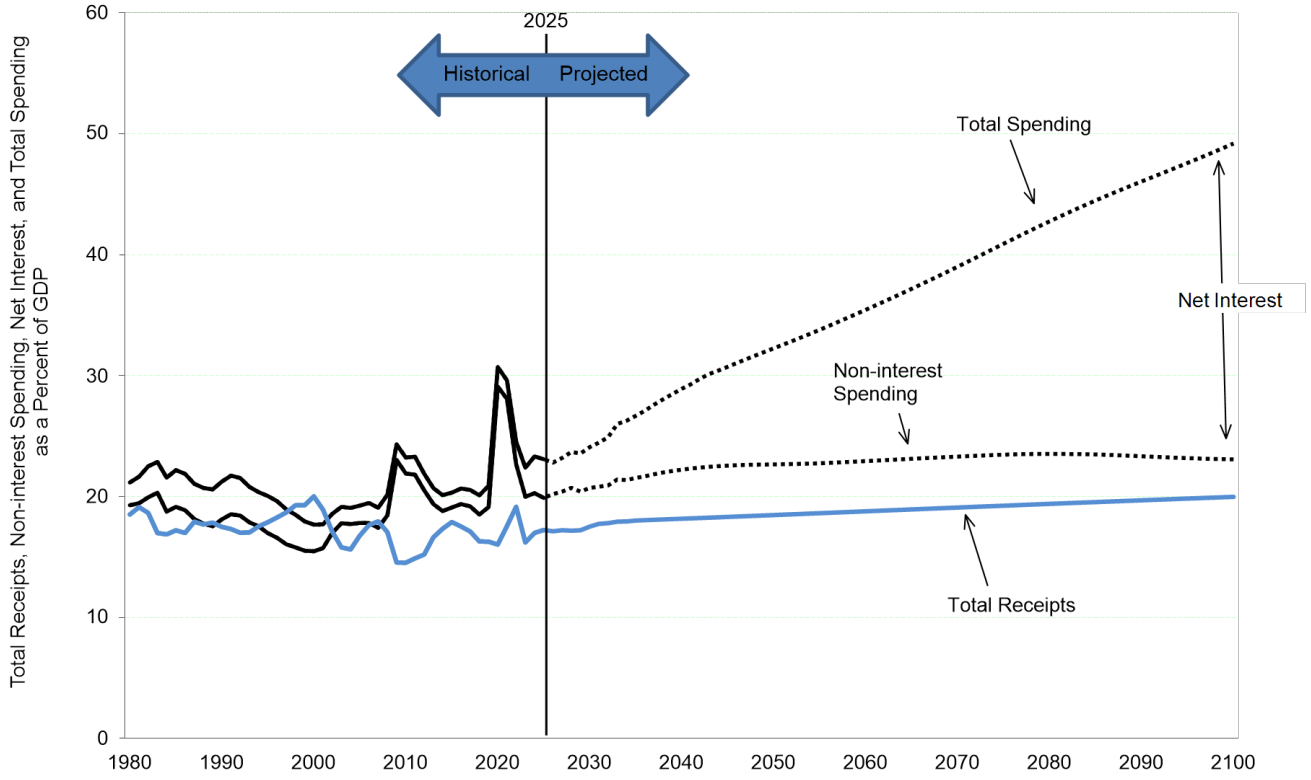


As a general approximation, the change in debt held by the public from one year to the next is the budget deficit, the difference between total receipts and total spending.[3] Total spending is non-interest spending plus interest spending. Chart 3 shows that the rapid rise in total spending and the unified deficit (total receipts less total spending) is almost entirely due to projected net interest, which results from the growing debt and an interest rate that is projected to increase from 2.7 percent in 2026 to 4.8 percent in 2050, where it remains for the balance of the 75-year window.[4] As a percent of GDP, net interest spending was 3.2 percent in 2025, and under current policy is projected to reach 8.5 percent in 2046, 14.4 percent in 2066, and 26.1 percent in 2100.

[3] The change in debt each year is also affected by certain transactions not included in the budget deficit, such as changes in Treasury's cash balances and the non-budgetary activity of federal credit financing accounts. These transactions are assumed to hold constant at about 0.3 percent of GDP each year, with the same effect on debt as if the primary deficit was higher by that amount.

[4] Interest rate projections come directly from the Social Security Trustees' Report.

Chart 3: Historical and Current Policy Projections for Total Receipts, Non-interest Spending, Net Interest, and Total Spending 1980-2100



Another way of viewing the change in the financial outlook in this year's *Financial Report* relative to previous years' *Financial Reports* is in terms of the projected debt-to-GDP ratio in 2098, the last year of the 75-year projection period used in the FY 2023 *Financial Report*. This ratio is projected based on this *Financial Report's* assumptions to reach 562 percent in the FY 2025 projections, which compares with 528 percent projected in the FY 2024 projections and 531 percent projected in the FY 2023 projections.[5]

The Cost of Delay in Closing the 75-Year Fiscal Gap

The longer policy action to close the fiscal gap is delayed, the larger the post-reform primary surpluses must be to achieve the target debt-to-GDP ratio at the end of the 75-year period.[6] This can be illustrated by varying the years in which reforms closing the fiscal gap are initiated while holding the target ratio of debt to GDP in 2100 equal to the 2025 ratio of 99 percent of GDP. Three timeframes for reforms are considered, each one beginning in a different year. For each of those three hypothetical starting years, we ask how much the primary surplus must be increased in each year (as a fixed percent of GDP), relative to current policy, in order to make the 2100 debt-to-GDP ratios equal its 2025 value. The analysis shows that the longer policy action is delayed, the larger the post-reform primary surplus must be to bring the debt-to-GDP ratio in 2100 equal to its level in 2025. Future generations are burdened by delays in policy changes because delays necessitate higher primary surpluses during their lifetimes, and those higher primary surpluses must be achieved through some combination of lower spending and higher revenue.

[5] For additional information on changes from the 2023 projections, see the unaudited RSI in the 2024 *Financial Report*.
[6] The fiscal gap reflects how much the primary surplus (receipts less non-interest spending) must increase to have the 2100 debt-to-GDP ratio at the 2025 level. See Note 24 for further discussion of the fiscal gap.

As previously shown in Chart 1, under current policy, primary deficits occur throughout the projection period. Table 1 shows primary surplus changes necessary to make the debt-to-GDP ratio in 2100 equal to its level in 2025 under each of the three timeframes. If reform begins in 2026, then according to projections. It would be sufficient to raise the primary surplus share of GDP by 4.7 percentage points in every year between 2026 and 2100 in order for the debt-to-GDP ratio in 2100 to equal its level in 2025. This policy raises the average 2026-2100 primary surplus-to-GDP ratio from -3.9 percent to +0.8 percent.

Table 1 - Cost of Delaying Fiscal Reform

Timing of Reforms	Required Change in Average Primary Surplus
Reform in 2026 (No Delay)	4.7 percent of GDP between 2026 and 2100
Reform in 2036 (Ten-Year Delay)	5.6 percent of GDP between 2036 and 2100
Reform in 2046 (Twenty-Year Delay)	6.9 percent of GDP between 2046 and 2100

Note: Reforms taking place in 2025, 2035, and 2045 from the 2024 Financial Report were 4.3, 5.1, and 6.3 percent of GDP, respectively.

In contrast to a reform that begins immediately, if reform begins in 2036 or 2046, then the primary surpluses must be raised by 5.6 percent or 6.9 percent of GDP, respectively, in order for the debt-to-GDP ratio in 2100 to equal its level at the end of 2025. The difference between the primary surplus increase necessary if reform begins in 2036 or 2046 versus if reform began in 2026, an additional 0.9 and 2.2 percentage points, respectively, is a measure of the additional burden policy delay would impose on future generations. The costs of delay are due to the additional debt that accumulates between the end of 2025 and the year reform is initiated, relative to the scenario in which reform begins immediately.

Alternative Scenarios

The long-run projections are highly uncertain. This section illustrates this inherent uncertainty by presenting alternative scenarios for the growth rate of health care costs, interest rates, discretionary spending, individual income tax receipts, and customs duties. Not considered here are the effects of alternative assumptions for long-run trends in birth rates, mortality, and immigration, among other factors.

The population is aging rapidly and will continue to do so over the next several decades, which puts pressure on programs such as Social Security, Medicare, and Medicaid.

Effect of Changes in Health Care Cost Growth

One of the most important assumptions underlying the projections is the future growth of health care costs. These future growth rates – both for health care costs generally and for federal programs such as Medicare, Medicaid, and PPACA marketplace subsidies–are highly uncertain. The Medicare spending projections in the long-term fiscal projections are based on the projections in the 2025 Medicare Trustees Report, which assume the PPACA and MACRA payment rates will be effective in producing a substantial slowdown in Medicare input cost growth. As discussed in Note 25—Social Insurance, the Medicare projections are subject to much uncertainty about the ultimate effects of these provisions to reduce health care cost growth. For the long-term fiscal projections, that uncertainty also affects the projections for Medicaid and exchange subsidies, because the cost per beneficiary in these programs after 2033 is assumed to transition over a four-year period to match the Medicare costs per beneficiary growth rate.

Table 2 illustrates the effect of different assumptions about health care cost growth rates on the fiscal outlook. The two alternative scenarios set per capita health care cost growth one and two percentage points higher than in the Medicare Trustees Report. The table shows how the size of the fiscal reform needed to close the fiscal gap increases with higher health care cost growth rates, as well as the effect of delaying those fiscal reforms.[7] As indicated earlier, if reform is initiated in 2026, eliminating the fiscal gap requires that the 2026-2100 primary surplus increase by an average of 4.7 percent of GDP in the base case. However, that figure increases to 8.1 percent of GDP if per capita health cost growth is assumed to be one percentage point higher, and 13.6 percent of GDP if per capita health cost growth is two percentage points higher. The cost of

[7] The base case health cost growth rates are derived from the projections in the 2025 Medicare Trustees Report. These projections are summarized and discussed in Note 25 and the "Medicare Projections" section of the unaudited RSI for the SOSI.

delaying reform is higher with accelerated growth in health care costs, because more debt accumulates during the period of inaction. The deterioration of the long-run fiscal outlook caused by higher health care cost growth shows the critical importance of managing health care costs.

Table 2 - Impact of Alternative Health Cost Scenarios on Cost of Delaying Fiscal Reform

	Primary Surplus Increase (% of GDP) Starting in:		
Scenario	**2026**	**2036**	**2046**
Base Case	4.7	5.6	6.9
1.0 p.p. higher per capita health cost growth	8.1	9.6	11.9
2.0 p.p. higher per capita health cost growth	13.6	16.2	19.9

	Change in Primary Surplus Increase if Reform is Delayed from 2026 to:	
	2036	**2046**
Base Case	0.9	2.2
1.0 p.p. higher per capita health cost growth	1.5	3.8
2.0 p.p. higher per capita health cost growth	2.6	6.3

Note: Increments may not equal the subtracted difference of the components due to rounding. "p.p." means percentage point(s).

Effects of Changes in Interest Rates

A higher debt-to-GDP ratio is likely to increase the interest rate on government debt, making it costlier for the government to service its debt than if the debt-to-GDP ratio were lower. Table 3 displays how several alternative scenarios using different nominal interest rates than assumed in the base case, affect the size of reforms needed to close the fiscal gap as well as the effect of delaying fiscal reform.[8] If reform is initiated in 2026, eliminating the fiscal gap requires that the 2026-2100 primary surplus increase by an average of 4.7 percent of GDP in the base case, 5.5 percent of GDP if the interest rate is one percentage point higher in every year, and 6.3 percent of GDP if the interest rate is two percentage points higher in every year. The required increase in the 2026-2100 primary surplus decreases to an average of 3.8 percent of GDP if the interest rate is one percentage point lower in every year and 2.9 percent of GDP if the interest rate is two percentage points lower in every year. The cost of delaying reform is also increased if interest rates are higher, since more interest is paid on the debt during the period of inaction. For example, the lower part of Table 3 shows that delaying reform initiation from 2026 to 2036 requires that 2036-2100 primary surpluses be higher by an additional 0.9 percent of GDP per year in the base case, 1.4 percent of GDP if the interest rate is one percentage point higher, and 2.2 percent of GDP if the interest rate is two percentage points higher.

[8] The average annual nominal interest rate from 2026-2100 is 4.5 percent in the base case. The average real interest rate is 2.4 percent over the same period, when calculated using growth in the GDP deflator as inflation.

Table 3 - Impact of Alternative Interest Rate Scenarios on Cost of Delaying Fiscal Reform

	Primary Surplus Increase (% of GDP) Starting in:		
	2026	2036	2046
Base Case: Average of 4.5 percent over 75 years	4.7	5.6	6.9
1.0 p.p. higher interest rate in each year	5.5	7.0	9.1
2.0 p.p. higher interest rate in each year	6.3	8.5	11.9
1.0 p.p. lower interest rate in each year	3.8	4.3	5.1
2.0 p.p. lower interest rate in each year	2.9	3.2	3.6

	Change in Primary Surplus Increase if Reform is Delayed from 2026 to:	
	2036	2046
Base Case: Average of 4.5 percent over 75 years	0.9	2.2
1.0 p.p. higher interest rate in each year	1.4	3.6
2.0 p.p. higher interest rate in each year	2.2	5.6
1.0 p.p. lower interest rate in each year	0.5	1.2
2.0 p.p. lower interest rate in each year	0.3	0.7

Note: Increments may not equal the subtracted difference of the components due to rounding.

Effects of Changes in Discretionary Spending Growth

Growth in discretionary spending has an impact on long-term fiscal sustainability. The current base projection for discretionary spending assumes that spending grows with nominal GDP starting in 2026. Under the base projection, discretionary spending is approximately 6.1 percent of GDP each year over the projection period, down from 6.5 percent in the FY 2024 *Financial Report*. The implications of an alternative scenario are shown in Table 4. In the alternative scenario, discretionary spending grows at the inflation rate plus the population growth rate beginning in 2026, which holds discretionary spending constant on a real per capita basis. Discretionary spending grows at an average of 2.4 percent from 2026-2100 under the alternative assumption, and 4.0 percent in the baseline scenario. As shown in Table 4, if discretionary spending grows with nominal GDP, eliminating the fiscal gap requires that the 2026-2100 primary surplus increase by an average of 4.7 percent of GDP. If discretionary spending grows with inflation and population, the fiscal gap would be 2.4 percent of GDP. The cost of delaying reform is greater when discretionary spending levels are higher. Initiating reforms in 2036 requires that the primary surplus increase by an average of an additional 0.9 percent of GDP per year in the base case and by 0.5 percent of GDP in the alternate scenario. For context, discretionary spending grew at an annualized rate of 5.6 percent from 2018-2025, while nominal GDP grew at an annualized rate of 5.8 percent and the annualized rate of inflation plus population growth was 4.3 percent.

Table 4 - Impact of Alternative Discretionary Spending Growth Scenarios on Cost of Delaying Fiscal Reform

	Primary Surplus Increase (% of GDP) Starting in:		
Scenario	**2026**	**2036**	**2046**
Base Case: Growth with GDP	4.7	5.6	6.9
Growth with inflation and population	2.4	2.9	3.5
	Change in Primary Surplus Increase if Reform is Delayed from 2026 to:		
		2036	**2046**
Base Case: Growth with GDP		0.9	2.2
Growth with inflation and population		0.5	1.1

Note: Increments may not equal the subtracted difference of the components due to rounding.

Effects of Changes in Customs Duties

Customs duties are a considerable source of uncertainty in the FY 2025 *Financial Report*. The base projection for customs duties from 2026-2035 follow the FY 2026 *Budget* MSR, as a share of GDP. Then, starting in 2036, customs duties revenue as a share of GDP is fixed at its projected 2035 level (1.2 percent of GDP). From 2017-2024, the average annual customs duties were 0.3 percent of GDP. Two alternate scenarios are considered, meant to reflect the economic and legal uncertainty surrounding these increased customs duties. The first alternative scenario reflects the possibility that customs duties may raise less revenue than projected in the MSR. Following CBO's aggregate estimate of customs revenues, published in November 2025, customs duties, as a fraction of GDP, are roughly 0.3 percentage points lower than in the MSR. Using this alternative scenario, the fiscal gap would be 5.0 percent – meaning between 2026 and 2100, the primary deficit would have to be reduced by an average of 5.0 percent per year in order to stabilize the debt-to-GDP ratio. If fiscal reform is delayed by 10 years, the fiscal gap would be 5.9 percent of GDP, and a delay of 20 years would entail a 7.3 percent fiscal gap. The second alternate scenario reflects the legal uncertainty surrounding the new customs duties by using CBO's January 2025 baseline projections for customs duties. In this scenario, the long-run average of customs duties as a fraction of GDP is 0.2 percent. The fiscal gap would be 5.6 percent under this scenario, rising to 6.7 and 8.2 percent of GDP if fiscal reform is delayed by 10 and 20 years, respectively.

Table 5 - Impact of Alternative Assumptions Regarding Customs Duties (Tariff Revenues)

Scenario	Primary Surplus Increase (% of GDP) Starting in: 2026	2036	2046
Base Case: Customs duties (tariff revenue) as specified in 2026 Mid-Session Review	4.7	5.6	6.9
Based on CBO November 2025 update	5.0	5.9	7.3
As specified in CBO January 2025 baseline	5.6	6.7	8.2

	Change in Primary Surplus Increase if Delayed from 2026 to: 2036	2046
Base Case: Customs duties (tariff revenue) as specified in 2026 Mid-Session Review	0.9	2.2
Based on CBO November 2025 update	0.9	2.3
As specified in CBO January 2025 baseline	1.1	2.6

Note: Increments may not equal the subtracted difference of the components due to rounding.

Effects of Changes in Individual Income Receipt Growth

The growth rate of receipts, specifically individual income taxes, is another key determinant of long-term sustainability. The base projections assume growth in individual income tax receipts (as a percent of GDP) over time to account for the gradual shift of individuals and earnings into higher tax brackets due to real wage growth ("real bracket creep"). Over the past fifty years, we have observed growth in individual income taxes as a percentage of wages and salaries.[9] The assumption is also consistent with current policy without change, as future legislation would be required to prevent real bracket creep—current law indexes individual income tax brackets to inflation. As an illustration of the potential effect of variations in individual income tax receipts growth, Table 5 shows the effect on the size of reforms necessary to close the fiscal gap, as well as the effect of delaying fiscal reform. In the base case, bracket creep increases individual income tax receipts (as a percentage of wages and salaries) by 0.1 percentage points per year, starting in 2036. If long-term receipt growth as a share of wages and salaries is 0.2 percentage points per year, then eliminating the fiscal gap requires that the 2026-2100 primary surplus increase by an average of 3.6 percent of GDP. If reform is delayed by 10 years, that becomes 4.3 percent of GDP from 2036-2100. If we assume no bracket creep, then eliminating the fiscal gap requires that the 2026-2100 primary surplus increase by an average of 5.8 percent of GDP.

[9] In 1974, individual income tax receipts were 15.4 percent of wages and salaries. In 2024, that statistic was 19.8 percent. These projections put that statistic at 29.5 percent in 2100.

Table 6 - Impact of Alternative Revenue Growth Scenarios on Cost of Delaying Fiscal Reform

Scenario	Primary Surplus Increase (% of GDP) Starting in: 2026	2036	2046
Base Case: Individual income tax bracket creep of 0.1% of wages and salaries per year	4.7	5.6	6.9
0.2% of wages and salaries per year after 2035	3.6	4.3	5.3
0.0% of wages and salaries per year after 2035 (no bracket creep)	5.8	6.9	8.4

	Change in Primary Surplus Increase if Delayed from 2026 to: 2036	2046
Base Case: Individual income tax bracket creep of 0.1% of wages and salaries per year	0.9	2.2
0.2% of wages and salaries per year after 2035	0.7	1.7
0.0% of wages and salaries per year after 2035 (no bracket creep)	1.1	2.7

Note: Increments may not equal the subtracted difference of the components due to rounding.

Fiscal Projections in Context

In this *Financial Report*, a sustainable fiscal policy is defined as one where the federal debt-to-GDP ratio is stable or declining over the projection period. However, the ultimate goal of fiscal policy is not to maintain a particular debt ratio. Rather, the various goals of fiscal policy might include financing public goods, such as infrastructure and government services; promoting a strong and growing economy; and managing the debt so that it is not a burden on future generations. These goals are interrelated, and readers should consider how policies intended to affect one might depend on or affect another.

This *Financial Report* shows that current policy under this *Financial Report's* assumptions is not sustainable. In evaluating policies that could make policy sustainable, note that debt may play roles in both facilitating and hindering a healthy economy. For example, government deficit spending—either via increased outlays or reduced revenues—may support demand and allow the economy to emerge from recessions more quickly. Debt may also be a cost-effective means of financing capital investment that promotes future economic growth, which may in turn make future debt levels more manageable. However, economic theory also suggests that high levels of debt may contribute to higher interest rates, leading to lower private investment and a smaller capital stock that the economy can use to grow. Unfortunately, it is unclear exactly how the debt-to-GDP ratio translates into these adverse outcomes, or whether the key concern is the level of debt per se, or a trend that shows debt increasing over time.

While empirical studies have studied the relationship between debt and economic growth using historical evidence, the literature is inconclusive. One study suggested that debt-to-GDP ratios in excess of 90 percent had significant negative consequences for real GDP growth across advanced countries.[10] Real GDP growth is generally lower by about 1 percent when the countries' debt-to-GDP ratios are above 90 percent relative to the times when they are below 90 percent.[11] However, after removing sample countries with very high indebtedness – those with debt-to-GDP ratios of more than 120 percent – and very low indebtedness – those with debt-to-GDP ratios of less than 30 percent – the negative relationship between growth and debt is difficult to determine. Another study reports that differences in average GDP growth in countries with debt-to-GDP ratios between 30-60 percent, 60-90 percent, and 90-120 percent cannot be statistically distinguished.[12] Some countries with high debt-to-GDP ratios have been observed to experience lower-than-average growth, while other countries with similarly high debt-to-GDP ratios have continued to enjoy robust growth. Analogously, low debt-to-GDP ratios are no guarantee of strong

[10] Reinhart, Carmen M., Vincent R. Reinhart and Kenneth S. Rogoff. 2012. "Public Debt Overhangs: Advanced-Economy Episodes Since 1800." *Journal of Economic Perspectives*, 26(3):69.86.
[11] Errata: "Growth in a Time of Debt," Carmen M. Reinhart and Kenneth S. Rogoff. Harvard University, 2013.
[12] Herndon, Thomas, Michael Ash, and Robert Pollard, "Does High Public Debt Consistently Stifle Economic Growth? A Critique of Reinhart and Rogoff," *Cambridge Journal of Economics*, 2013.

economic growth. Moreover, the direction of causality is unclear. High debt may undermine growth through increased interest rates and lower business confidence, or low growth may contribute to high debt by depressing tax revenues and increasing deficit spending on social safety net programs.

Nevertheless, to put the current and projected debt-to-GDP ratios in context, it is instructive to examine how the U.S. experience compares with that of other countries. The U.S. government's debt as a percent of GDP is relatively large compared with central government debt of other countries, but far from the largest among developed countries. Based on historical data as reported by the IMF for 29 advanced economies, the debt-to-GDP ratio in 2022 ranged from 12.4 percent of GDP to 213.2 percent of GDP.[13] The U.S. is not included in this set of statistics, which underscores the difficulty in calculating debt ratios under consistent definitions, but the 2025 debt-to-GDP ratio for the U.S. government was 99 percent. Despite using consistent definitions where available, these debt measures are not strictly comparable due to differences in the share of government debt that is debt of the central government, how government responsibilities are shared between central and local governments, how current policies compare with the past policies that determine the current level of debt, and how robustly each economy grows.

The historical experience of the U.S. may also provide some perspective. As Chart 4 shows, the debt-to-GDP ratio was highest in the 1940s, following the debt buildup during World War II. In the projections in this *Financial Report*, the U.S. would reach the previous peak debt ratio in 2028. However, the origins of current and future federal debt are quite different from the wartime debt of the 1940s, which limits the direct relevance of past experience.

Chart 4: Debt Held by the Public as a Percent of GDP, 1940-2025

[13] Government Finance Statistics Yearbook, Main Aggregates and Balances, available at https://data.imf.org. Data are for D1 debt liabilities for the central government, excluding social security funds, for Advanced Economies.

As the cross-country and historical comparisons suggest, there is an imperfect relationship between the current level of central government debt and the sustainability of overall government policy. Past accrual of debt is important, but current policies and their implications for future debt accumulation and growth are both important and under our collective control.

Conclusion

The projections in this *Financial Report* indicate that if policy remains unchanged, the debt-to-GDP ratio will steadily increase throughout the projection period and beyond, which implies current policy under this *Financial Report's* assumptions is not sustainable and ultimately must change. Subject to the important caveat that policy changes are not so abrupt that they slow economic growth, the sooner policies are put in place to slow debt growth, the smaller are the adjustments necessary to return the nation to a sustainable fiscal path, and the lower the burden that will rest upon future generations.