US FEDERAL DEFICIT/DEBT
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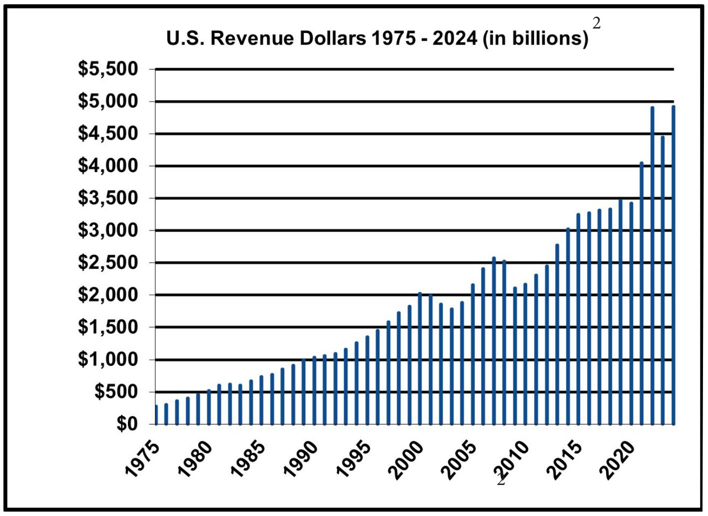
U.S. FEDERAL DEFICIT/DEBT

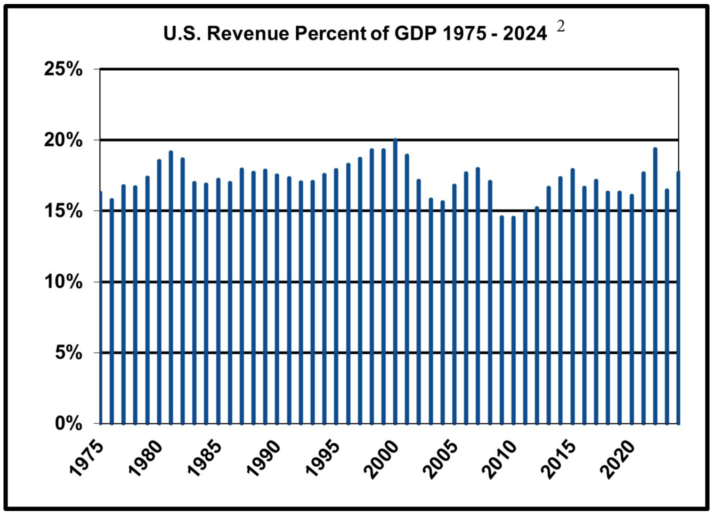
The Congressional Budget Office recently released its preliminary estimate of the U.S. budget deficit for the fiscal year ending September 30, 2024. The federal government took in $4.9 trillion and spent $6.7 trillion, thus incurring a deficit of $1.8 trillion during the year.[1] That amounts to the federal government spending $1.36 for every $1 they took in last year.

Compared to fiscal year (FY) 2023, overall revenue increased 11% led by individual income taxes up 11% and corporate income taxes up 26%.

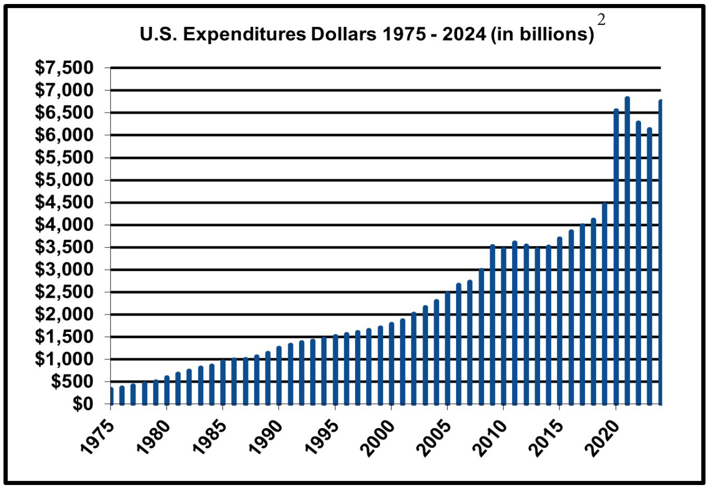
Spending increased 10% from FY 2023, led by Social Security up 8%, Medicare up 9%, and interest on the federal debt up 20%.

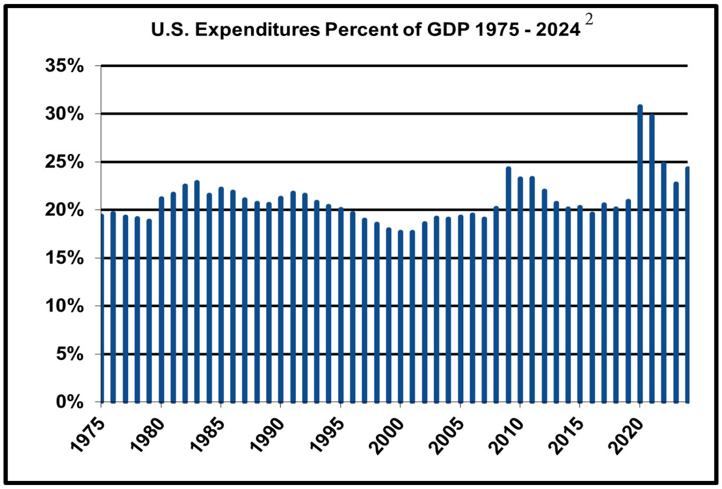
Let's take a look at historical fiscal years to put this in perspective. We'll begin by looking at the amount of revenue the federal government takes in, both in dollars and as a percent of our Gross Domestic Product (GDP). The GDP is the nation's way of measuring all the goods and services we produce in a year.





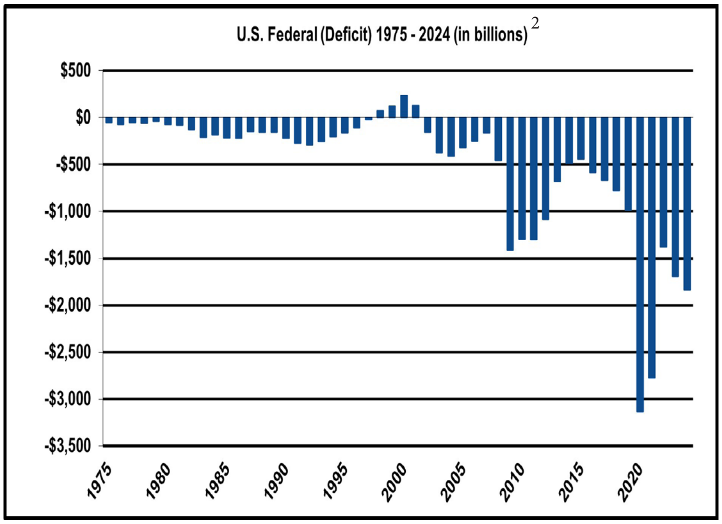
Next, we will look at the expenditures the federal government makes. This is the amount of cash we actually spend – not counting the promises we have made. Again, we look at both dollars and as a percent of GDP.

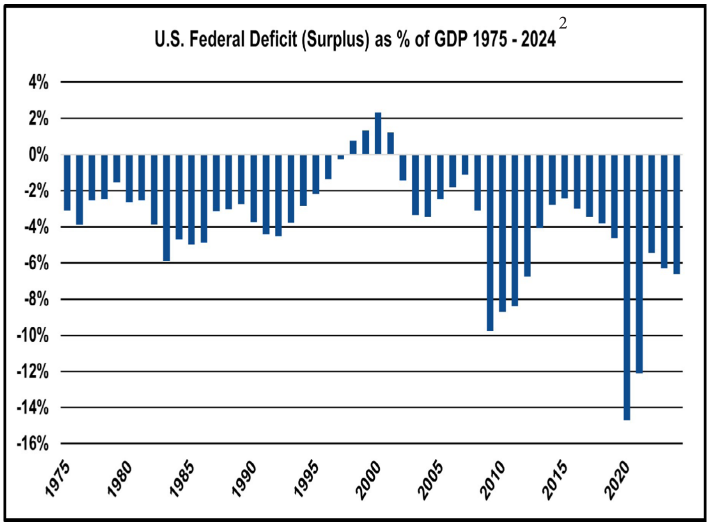




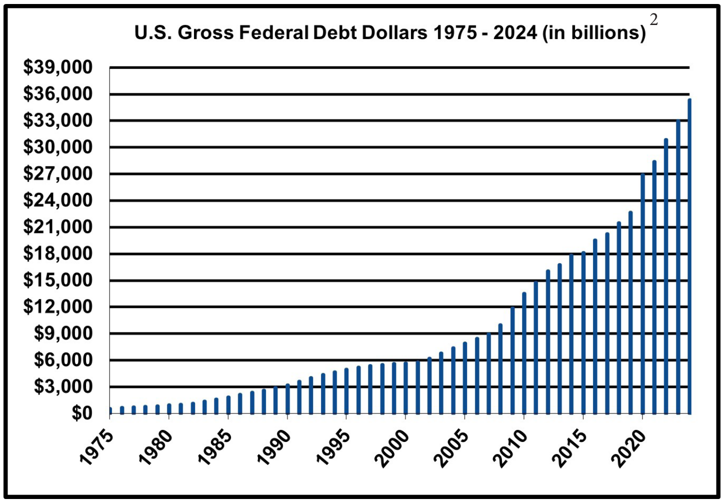
1. Congressional Budget Office - Monthly Budget Review - September 2024 (October 8, 2024)
2. https://www.whitehouse.gov/omb/budget/historical-tables/

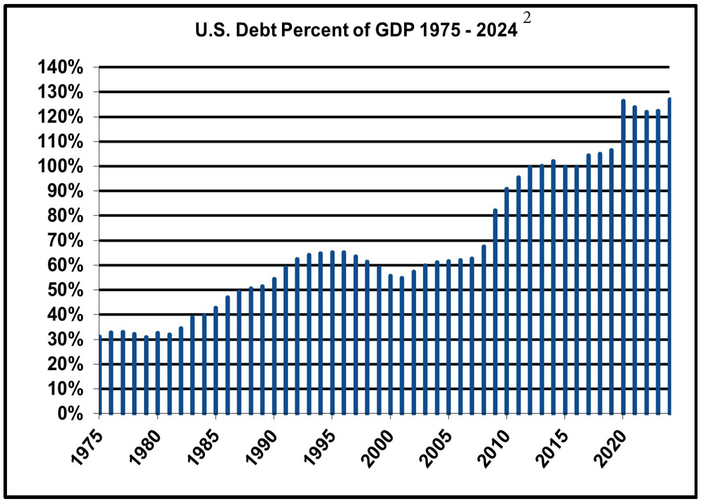
The difference between the two brings us to the federal government's annual deficits, the amount we spend over the amount we take in – both in dollars and as a percent of GDP.





Adding the deficits together brings us to the federal government's total debt, the amount the federal government has borrowed – both in dollars and as a percent of GDP.

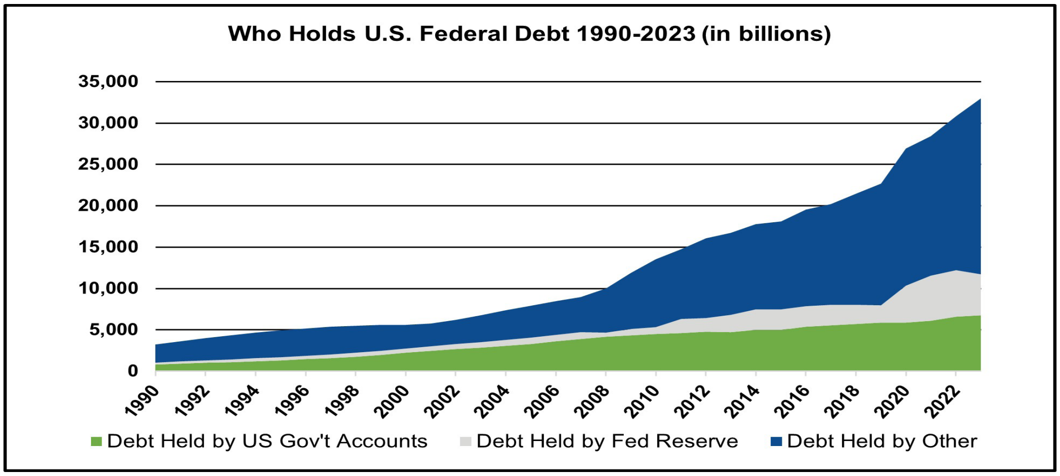




The following table documents the fact that while our annual revenue has kept pace with our GDP, our expenditures have increased at a much faster rate than either our revenues or our GDP (by proxy, our ability to absorb debt). And sadly, our debt has risen faster than our revenues, our expenditures and our GDP.

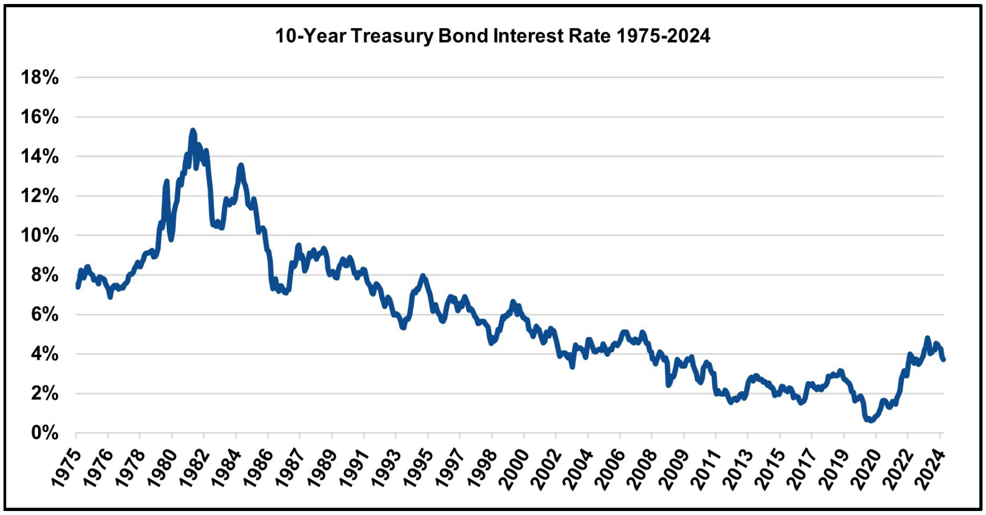
Since Year	% Increase in Revenue	% Increase in Expenditures	% Increase in GDP	% Increase in Federal Debt
2015	51%	83%	53%	95%
2005	128%	173%	116%	347%
1995	264%	345%	268%	617%
1985	570%	613%	552%	1836%
1975	1662%	1932%	1522%	6520%

When analyzing the U.S. national debt it is important to look at who holds the debt. The chart below shows the debt divided among 3 different holders, debt owed by one federal agency to another (debt to ourselves), debt owed to the Federal Reserve Bank ("printed money" – also, debt to ourselves) and debt owed to outside parties. As of December 31, 2023 the debt owed to ourselves amounted to 35% of the total while 65% was owed to outside parties.



Of the $22 trillion national debt owed to outside parties approximately $8 trillion is owed to foreign countries. Japan holds $1.1 trillion, while China and the U.K. hold $775 billion each. No other country holds more than $400 billion. Foreign countries that trade with the U.S. buy U.S debt as a hedge against currency fluctuation.

The remainder is held by mutual funds, U.S. banks, state and local governments, pension funds, insurance companies and individual investors. The following chart shows the interest rate on the U.S. 10-year Treasury Bond which is the expected return the market demands over the next 10 years. The 10-year treasury bond is one way to look at the markets' perceived safety of the government's ability to repay.



The U.S. national debt has been expanding for many years. Political and economic commentators debate the long-term effects on the future of the U.S. economy. Thus far, the concern has not impacted the market's belief in the safety and security of the U.S.'s ability to meet its obligations.

At JVL Wealth Strategies, our goal is to construct portfolios for the long term. We read, study, research and analyze the markets to build portfolios that meet clients' specific needs.

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