Translations

Forty Trillion Dollars When Imperial Debt Begins to Erode U.S. Power

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مركز حمورابي للبحوث والدراسات الاستراتيجية

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تأسس مركز حمورابي للبحوث والدراسات الإستراتيجية عام 2008 بمدينة بابل (الحلة)، وحصل على شهادة التسجيل من دائرة المنظمات غير الحكومية المرقمة 1Z71874 بتاريخ 2012/12/25، بوصفه مركزا علميا بحثيا يهتم بدراسة الموضوعات السياسية والمجتمعية، فضلاً عن الاهتمام بالقضايا والظواهر الراهنة والمحتملة في الشأن المحلي والإقليمي والدولي، ويتعامل مع باحثين من مختلف التخصصات داخل العراق وخارجه، وتحتضن بغداد المقر الرئيسي للمركز.

- لا يجوز إعادة نشر أي من هذه الأوراق البحثية الا بموافقة المركز، وبالإمكان الاقتباس بشرط ذكر المصدر كاملا.
- لا تعبر الآراء الواردة في الورقة البحثية عن الاتجاهات التي يتبناها المركز وانما تعبر عن رأي كاتبها.
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The U.S. national debt is no longer merely an enormous and difficult-to-grasp figure; it has become one of the clearest indicators of the transformation underway in the United States' economic and strategic model. When total federal debt surpasses $40 trillion in August 2026, having stood at roughly $9 trillion in 2007, we are witnessing more than a simple increase in borrowing. We are witnessing the sustained accumulation of government deficits and obligations, accelerating to the point that the debt is growing at a pace that exceeds the political system's ability to bring its fiscal trajectory under control. Even more strikingly, the increase from $39 trillion to $40 trillion took only about five months. This demonstrates that the problem lies not merely in the size of the debt, but also in the speed at which it is expanding and the mounting costs it imposes on the future of U.S. public finances.

Yet assessing U.S. debt solely by its headline figure can lead to misleading conclusions. Gross federal debt includes amounts owed by the government to investors, the private sector, and foreign entities, as well as debt held by government accounts themselves. Accordingly, the more important measure when assessing the economic burden is federal debt held by the public. To appreciate the scale of the problem more clearly, it is sufficient to consider the debt in relation to the size of the economy that is expected to finance these obligations. Gross federal debt of $40 trillion is equivalent to approximately 133 percent of the United States' annual gross domestic product (GDP), while GDP stands at roughly $30 trillion. Debt held by the public, which provides the more meaningful measure of the economic burden, reached approximately 101 percent of GDP in 2026.

According to the baseline projections published by the Congressional Budget Office (CBO) in The Budget and Economic Outlook: 2026 to 2036, released in February 2026, this ratio is projected to rise to 120 percent of GDP by 2036. The CBO's longer-term projections, published in The Long-Term Budget Outlook: 2026 to 2056, extend to approximately 175 percent of GDP by 2056, assuming that current laws and policies remain on their present course. These figures are not deterministic predictions of the future; rather, they represent baseline projections based on the assumption that the existing legal and policy framework will remain in place. Nevertheless, they make clear that, at the current pace, the government's obligations are moving toward a level that could exceed the economy's capacity to absorb them. This is where the real question begins: The question is not why the United States has become $40 trillion in debt, but why the mechanism generating that debt has become faster than the political system's ability to restrain it.

U.S. Debt: From a Foundational Instrument to a Permanent Structure

But $40 trillion is hardly the beginning of the story of U.S. debt. Americans did not begin borrowing in the twenty-first century, or even in the twentieth. Debt has been intertwined with the American state almost from the moment of its founding, when the colonies were compelled to borrow to finance the Revolutionary War, which began in 1775. Those obligations were subsequently assumed by the emerging federal republic following the ratification of the Constitution and the establishment of a central government.

Borrowing at that stage was driven by a clearly exceptional circumstance: a new state fighting a war for its very existence, while simultaneously having to build its institutions and secure resources that current revenues alone could not provide. Debt, therefore, was not initially viewed as a permanent means of financing the state, but rather as an instrument to be employed when circumstances made it necessary.

What is particularly noteworthy about the early American experience is that the republic did not regard debt as an inescapable fiscal destiny. In 1835, during the presidency of Andrew Jackson, the United States succeeded in bringing its national debt to virtually zero. This was a historical moment demonstrating that reducing public debt was not inherently impossible when the structure of the state and economy, as well as the scale of government obligations, differed fundamentally from what they are today. That experience, however, did not last. Wars and major crises repeatedly reshaped the relationship between the state and public debt. The Civil War drove borrowing to unprecedented levels in the nineteenth century, while the two World Wars subsequently ushered public debt into an entirely new phase. Borrowing became a central instrument for mobilizing resources and financing the wartime economy, after which the functions of the state itself expanded and its economic, social, and military obligations continued to grow.

The Most Important Historical Transformation

This marked the beginning of the most important historical transformation: debt was no longer merely a means of financing exceptional circumstances; it gradually became part of the normal functioning of the American state. As the economy expanded, the role of the federal government grew, defense, Social Security, and health-care spending increased, and economic crises recurred, the federal budget became increasingly dependent on borrowing to bridge the gap between revenues and expenditures. Over time, the political question was no longer whether the government would borrow, but rather how much it would borrow, how it would manage the cost of that borrowing, and who would ultimately bear the burden in the future.

This is precisely why it is important to return to the historical roots of U.S. debt. The United States did not move from a debt-free state to one carrying $40 trillion in debt in a single leap. Rather, over roughly two and a half centuries, it gradually moved from a model in which debt was an exceptional instrument to one in which borrowing became an integral part of the machinery of government itself. This transformation is what makes the current figure qualitatively different from the debts of the early republic. The problem is not the existence of debt per se, since modern states routinely borrow by their very nature; the problem arises when debt becomes self-perpetuating, with a portion of new borrowing being used to finance previous deficits and service accumulated debt. The state then gradually enters a cycle in which debt becomes a means of financing debt. And this is where the more difficult question begins: when borrowing shifts from being an exceptional means of financing wars and crises to becoming a permanent component of government finance, does debt remain merely an instrument of growth and power, or does it gradually become a constraint on the state's future capacity?

Eight Decades of Financing Power

The current level of U.S. debt cannot be reduced to the policies of any single president or attributed to one political party, nor can it be explained by any single war. Rather, it is the product of a cumulative historical process in which wars and defense spending, economic crises, tax cuts, social programs, demographic changes, health-care costs, and extraordinary expenditures during major crises—notably the global financial crisis and the COVID-19 pandemic—have all interacted. Accordingly, assigning responsibility for $40 trillion in debt to a single administration would be to reduce a structural problem that has evolved over decades of alternating Republican and Democratic administrations. During World War II, the United States devoted enormous resources to mobilizing its economy and armed forces. The cost of the war is estimated at approximately $5 trillion in 2007 dollars. The Korean and Vietnam Wars followed, along with the Indochina conflicts, including the wars in Cambodia and Laos, the Gulf War, and eventually the wars in Afghanistan and Iraq, as well as a long series of U.S. military operations in different parts of the world. The significance of these wars, however, lies not only in the scale of their direct expenditures, but also in the fact that part of their costs continued long after military operations ended through debt-service obligations, veterans' compensation, long-term health-care costs, and other commitments that persist for years or even decades.

The post-September 11 wars illustrate this problem particularly clearly. Brown University's Costs of War project calculates their costs using a broader methodology than direct military appropriations alone, incorporating certain future obligations associated with the wars, which has brought its estimates into the trillions of dollars. This highlights the distinction between the cost that appears in the budget for a given fiscal year and the true historical cost of war. The former may end when military operations cease, whereas the latter continues through debt servicing, veterans' obligations, and other deferred burdens. The issue, therefore, is not that war "causes" U.S. debt on its own, but rather that over the course of decades the United States has built a model of global power that requires enormous and sustained resources, some of which have been financed through borrowing. When wars and crises recur while foreign commitments remain in place even after military operations have ended, extraordinary expenditures gradually become permanent obligations embedded in the federal budget.

From Wars to a Global Network of Commitments

American power has not been exercised through direct warfare alone. Since World War II, Washington has built an extensive network of alliances and economic, security, development, and humanitarian assistance programs. Foreign assistance has become one of the established instruments of U.S. foreign policy. According to data from ForeignAssistance.gov, which maintains records of U.S. foreign assistance dating back to 1946, total U.S. foreign assistance exceeded $3.8 trillion in inflation-adjusted terms through 2024, distributed across economic, military, humanitarian, security, and development assistance. This illustrates the breadth of the financial commitments that have accompanied the United States' global role over the course of eight decades.

In the case of "Israel"*, in particular, cumulative U.S. assistance has exceeded

* For the sake of scholarly integrity and translation accuracy, the term "Israel" has been retained. Its use does not constitute recognition by the Center; the text represents the author's views and ideas.

$330 billion in inflation-adjusted terms, according to some estimates that use different base years. Congressional Research Service data, meanwhile, report lower nominal figures when calculated in current dollars. This methodological difference should be made explicit to avoid conflating figures derived from different accounting approaches. What remains consistent across these estimates, however, is that "Israel" is the largest cumulative recipient of U.S. assistance since World War II.

U.S. policy has also extended to programs supporting democracy, civil society, and political institutions in countries that have undergone political transformations, including Serbia, Georgia, Ukraine, and Kyrgyzstan. Some of these programs have been associated with what became known as the "color revolutions." The point here is not to suggest that such programs caused U.S. debt—that would constitute anexaggerated causal claim—but rather that the expanding scope of external commitments reflects the nature of the role the United States chose for itself beginning in the mid-twentieth century: a military, economic, and political power with a global presence, bearing continuing costs to sustain an extensive network of influence and alliances.

The question, therefore, goes deeper than simply tallying the money that has flowed abroad: What might have happened if a greater share of these resources had been directed over the decades toward renewing the United States' domestic capacity? It is impossible to construct a counterfactual historical scenario with certainty, but the question exposes the essence of the trade-off: a state that spends to preserve its position abroad must simultaneously invest in the domestic foundation that makes that position sustainable.

The Domestic Cost of Power

The United States is not experiencing infrastructure deficiencies simply because resources devoted to overseas commitments were, by definition, unavailable for domestic investment. Such a conclusion would constitute an overly simplistic causal inference. Nevertheless, it is difficult to overlook the fact that the expansion of U.S. financial commitments abroad has coincided with a growing need for substantial investment in domestic infrastructure, including roads, bridges, water and energy systems, and transportation networks. At the same time, the health-care system absorbs enormous resources while remaining prohibitively costly for large segments of the population. This points to a deeper paradox: American power abroad is ultimately inseparable from the strength of America at home. Military power rests on a robust economic foundation; alliances require sustained fiscal capacity; technological leadership depends on universities, infrastructure, and human capital; and the international role of the dollar rests, in part, on confidence in the country's economic and financial institutions. The erosion of domestic resources, therefore, is not merely a social or economic problem detached from geopolitics. Over time, it can become a strategic liability. The significance of this dynamic becomes even clearer as debt servicing assumes an increasingly prominent place in the federal budget. According to the Congressional Budget Office, the federal budget deficit is projected to reach approximately $1.9 trillion in fiscal year 2026, equivalent to 5.8 percent of GDP. Meanwhile, debt held by the public is projected to rise from 101 percent of GDP in 2026 to 120 percent by 2036, while net interest payments are expected to reach approximately $2.1 trillion in 2036, or about 4.6 percent of GDP. At that point, debt ceases to be merely a financial liability and begins to reshape the state's policy choices. Every dollar devoted to servicing the debt accumulated in the past is a dollar that cannot be allocated to investment, crisis response, the expansion of social programs, or the enhancement of defense capabilities—unless those expenditures, in turn, are financed through additional borrowing.

When the Past Becomes a Burden on the Future

The United States is now paying close to $1 trillion annually in net interest on its debt, at a time when defense spending is approaching $1.15 trillion. The convergence of these two figures is highly significant: it means that the United States is devoting resources approaching the amount it spends on national defense simply to service debt accumulated through expenditures in previous years. In other words, the financial cost of the past is becoming comparable in scale to the cost of sustaining military power in the present. This illustrates the extent to which the accumulation of debt has begun to constrain the fiscal room for maneuver available to the U.S. government.

Here, a politically difficult cycle begins to take shape: deficits generate borrowing; borrowing increases the debt; higher debt raises interest costs; interest costs widen the deficit; and larger deficits require further borrowing. The longer this cycle persists, the more politically costly the measures required to reverse it become, because any serious effort to reduce the deficit would inevitably encounter entrenched and competing social, military, and economic interests.

This does not mean that the United States is on the verge of insolvency. The U.S. economy possesses extraordinary structural advantages, including the sheer scale of its economy, the depth and liquidity of its financial markets, the unparalleled role of U.S. Treasury securities, and the international standing of the dollar. Assertions of an imminent financial collapse therefore overlook the distinctive characteristics of the American monetary and financial system. Yet these advantages give Washington more time to address the problem; they do not eliminate the problem itself.

A Debt-Burdened Government and a Debt-Burdened Society

The picture becomes more consequential when the analysis moves from the government's balance sheet to that of the American household, because indebtedness is no longer confined to the public sector. Total U.S. household debt has reached approximately $18.8 trillion, according to the latest data from the Federal Reserve Bank of New York. This enormous financial burden reflects the scale of obligations assumed by American households to finance housing, education, automobiles, and consumption. Mortgage debt accounts for the largest share, at approximately $13.2 trillion. This figure primarily reflects the enormous scale of the U.S. housing market. It is followed by auto loans, at approximately $1.69 trillion, while credit-card balances stand at roughly $1.26 trillion and student loan balances at approximately $1.65 trillion. The latest data from the Federal Reserve Bank of New York likewise indicate that credit-card balances have risen to approximately $1.26 trillion. It is important, however, not to treat all forms of household debt as economically equivalent. Mortgages, for example, are generally secured by assets that may appreciate over time. Credit-card debt, by contrast, typically carries substantially higher interest rates and can place increasing pressure on households when prices rise or real incomes decline. Auto and student loans likewise have distinct economic characteristics. The aggregate debt figure alone, therefore, is insufficient to determine the financial health of American households.

The composition of that debt nevertheless reveals something significant: the U.S. economy relies on credit not only to finance government operations, but also to finance households' everyday consumption, acquisition of assets, education, and mobility. This indebtedness becomes particularly vulnerable when accompanied by rising housing, energy, and health-care costs. Under such conditions, higher interest rates cease to be merely a monetary-policy variable; their effects gradually pass through to mortgage payments, auto financing, credit-card balances, and consumers' ability to spend. The result is an economy that becomes increasingly dependent on credit conditions and correspondingly more sensitive to financial shocks.

Debt and GDP: When Liabilities Outgrow the Economy

One of the most striking comparisons is that gross federal debt, at approximately $40 trillion, has become larger than the United States' annual GDP, which stands at roughly $30 trillion. This comparison, however, must be interpreted with caution. Debt is a stock accumulated over decades, whereas GDP is a flow of economic activity generated over a single year. It therefore makes little economic sense to suggest that the United States would have to repay its entire debt within one year.

The comparison nevertheless remains significant because it illustrates the scale of the government's obligations relative to the size of the economy. As noted above, the more appropriate measure is debt held by the public, which stood at approximately 101 percent of GDP in 2026. This level approaches the historical peak recorded after World War II, when debt held by the public reached approximately 106 percent of GDP in 1946. According to the Congressional Budget Office's baseline projections, that ratio is expected to rise to 120 percent by 2036 and to 175 percent by 2056.

These ratios are precisely what make the debt question a strategic rather than merely accounting issue. An economy can sustain a substantial debt burden when it is capable of growing at a pace that allows the debt to remain manageable. The problem becomes considerably more difficult, however, when debt continues to grow faster than the economy, particularly when interest rates are sufficiently high to make debt servicing itself one of the fastest-growing components of government expenditure.

The American Paradox

The paradox is that the United States remains one of the world's wealthiest and most innovative countries, exceptionally capable of attracting capital, talent, and investment. It possesses the world's dominant currency, the deepest financial markets, and leading universities, research institutions, and technology companies, all of which give it an extraordinary capacity to generate wealth and renew the foundations of its power. The appropriate comparison, therefore, is not between the contemporary United States and empires that collapsed in the past, because the monetary, institutional, and geopolitical contexts are fundamentally different. Rather, the relevant comparison is between the American system's capacity to generate wealth and its capacity to manage the obligations that have accumulated on top of that wealth. That is the real test: Can the United States simultaneously sustain its global alliance network, military power, social programs, the international standing of the dollar, and its technological and competitive edge while its debt continues to grow faster than the political system's capacity to forge consensus over how the state should be financed?

The problem, therefore, is not simply that the United States spends too much. It is that the country is finding it increasingly difficult to reconcile the scale of its strategic ambitions with the resources available to finance them. Military spending is not the sole cause of the debt, just as cutting foreign assistance would not resolve the problem. The underlying challenge lies in the persistent structural gap between government revenues and expenditures—a gap driven by cumulative demographic, social, economic, and political factors.

Where Is This Trajectory Leading?

If current trends persist, the most likely danger is not a sudden financial collapse, but a gradual erosion of the country's room for maneuver. This could manifest itself in persistently rising borrowing costs, greater pressure on interest rates, intensifying competition between debt servicing and spending on Social Security, health care, and defense, and a shrinking capacity to finance crisis responses or undertake major investments in infrastructure, energy, and technology. The consequences could extend to foreign policy itself. A state facing rising debt-service costs has less capacity to sustain a prolonged war, respond to a global financial crisis, undertake a large-scale military buildup, or finance major domestic investment simultaneously. The issue thus moves from the economics of debt to the geography of power: military power requires an industrial and financial base; diplomatic influence requires the capacity to finance alliances; and competing with China requires massive domestic investment in technology, education, infrastructure, and energy. As an increasing share of national resources is devoted to servicing debt, the opportunity cost becomes more consequential than the headline figure itself, because what the state loses is not simply money, but some of the strategic options it might otherwise have had available in the future.

From the Economics of Debt to the Geography of Power

For decades, the United States succeeded in combining domestic prosperity with global reach, using the strength of its economy to finance an unparalleled military, political, and diplomatic presence. Yet the relationship between economic power and geopolitical power is not immutable. If the cost of sustaining the external order continues to rise while the domestic system's capacity to finance itself weakens, external power gradually begins to compete with the very domestic foundations on which it rests. This is the historical paradox: American power abroad ultimately depends on the strength of America at home, and military, technological, and diplomatic primacy cannot be sustained if the economic foundation that supports them is progressively eroded and depleted. Successive U.S. administrations have recognized this problem, even if they have differed in their diagnoses and policy responses. On August 15, 2017, during his first year in the White House, President Donald Trump warned about the deterioration of U.S. infrastructure, stating: "Our infrastructure will be the best in the world again. We had the greatest infrastructure anywhere in the world, and today we're literally like a Third World country." Trump returned to the issue on March 29, 2018, noting that roughly 40 percent of U.S. bridges had been built before the first human landing on the Moon. He criticized the condition of public transportation systems and pointed to other countries that were "building bridges everywhere."

The change in administration did not alter the substance of the diagnosis. On February 11, 2021, following his call with Chinese President Xi Jinping, President Joe Biden warned that China would "eat our lunch" if the United States failed to act, linking the concern to the scale of Chinese investment in transportation and infrastructure. On March 31, 2021, the American Jobs Plan placed infrastructure modernization, industrial capacity, and technology at the center of a strategy to strengthen U.S. competitiveness. The plan noted that despite being the world's wealthiest country, the United States ranked only thirteenth in overall infrastructure quality. Later, on November 15, 2021, during the signing ceremony for the Infrastructure Investment and Jobs Act, Biden emphasized that the United States could not compete in the twenty-first century with infrastructure "stuck in the twentieth century." The significance of this issue extends far beyond roads, bridges, and transportation. Infrastructure is not merely a collection of public services; it is an integral component of national power. An economy seeking to preserve its industrial advantage requires transportation, energy, water, and communications networks capable of supporting that advantage. A state seeking to maintain technological leadership requires universities, research institutions, education systems, and digital and industrial infrastructure capable of generating knowledge and translating it into economic power. Military power itself cannot be separated from the industrial and financial base that sustains it. Domestic investment, therefore, should not necessarily be viewed as competing with external power; in an important sense, it represents an investment in the capacity to sustain that power.

For this reason, the debt debate should not be reduced to a contest between "military spending" and "social spending." It is a broader question about the kind of power the United States intends to remain in the twenty-first century.

Can it preserve its position as a global superpower while simultaneously financing the renewal of its infrastructure, industrial base, and technological capabilities; confronting competition from China; maintaining its alliance network and external commitments; **and servicing a rapidly expanding debt burden?**

This is precisely where the debate shifts from the economics of debt to the geography of power. The issue is no longer simply how much America owes, but how much future power it will be capable of generating with the resources that remain after paying the costs of the past.

Forty Trillion Dollars: A Historic Test of American Power

Empires do not collapse simply because they are indebted, nor do they necessarily decline merely because they wage wars or maintain large military establishments. History is far more complex than such a simple equation. Yet states enter a danger zone when the cost of sustaining their power structure becomes greater than the capacity of their economies, institutions, and societies to reproduce that power.

From this perspective, $40 trillion does not herald the end of the United States, nor does it constitute evidence of an imminent collapse. It does, however, represent a historic test of the American model of power. The United States still possesses time, wealth, technology, the dollar, deep financial markets, universities, and abundant human capital—all of which provide it with an extraordinary capacity to correct course. But time itself is not a cost-free resource: the longer corrective action is postponed, the higher the eventual cost of adjustment becomes.

The most important question, therefore, is not “Can the United States afford to pay $40 trillion in debt?” but rather: “Can it continue to finance the present through debt without eventually being forced to sacrifice part of its capacity to build power for the future?”

Debt is not simply money that the state has borrowed from the future. At its core, it is part of the future that the present has already begun to consume. When a state is simultaneously required to finance an extensive global power structure, preserve a high domestic standard of living, renew its infrastructure, fund health care, confront strategic competitors such as China, and service a rapidly expanding debt burden, the question shifts from the size of the debt to the limits of sustainability.

This is the deeper significance of $40 trillion. It is not the end of American power, but the beginning of a phase in which sustaining that power becomes increasingly costly. The central challenge facing Washington is no longer simply possessing power, but reproducing it from within before the cost of sustaining it exceeds the capacity of the American economy and society to bear it.