

Policy Backgrounder

How the Swiss Debt Brake Can Improve the US Debt Ceiling

The United States is one of only two countries that restricts the amount of outstanding debt that the Federal government can hold; despite this, the US national debt continues to grow rapidly. The experience of the Swiss debt brake is a positive example of a reform the US can consider to constrain the growth in the national debt.

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- The debt ceiling is meant to promote fiscal responsibility by capping the amount of outstanding debt the Federal government can hold. When the debt limit is reached, the US Treasury Department employs extraordinary measures to prevent default until Congress increases or suspends the debt ceiling.
- Having a debt ceiling, however, has not succeeded in constraining the growth in US deficits and the national debt, and the brinksmanship associated with raising or suspending the debt limit has damaged the fiscal reputation of the Federal government and US creditworthiness.
- The Swiss debt brake is an example of a budget rule that accomplishes its objectives of promoting sustainable public finance and smoothing out the effects of the economic cycle. Since implementing the rule in 2003, Switzerland has lowered both its nominal debt and debt-to-GDP ratio while weathering crises including the 2008 financial crisis and the COVID-19 pandemic.
- Looking to examples like Switzerland will help the US to address its Debt Crisis urgently. A bipartisan Congressional commission on fiscal responsibility can consider a comprehensive package of reforms to reduce the debt over time.

How the US Attempts to Constrain Federal Debt

In the US, the “debt limit” (or “debt ceiling”) is an important [component](#) of the Federal budget process. The debt limit [restricts](#) the amount of outstanding debt the Federal government can hold—once the debt limit is reached, the Treasury Department loses its legal authority to issue debt to raise cash. This inhibits the Federal government’s ability both to pay for ongoing obligations and to finance existing obligations that have accrued in the form of sovereign debt.

Once the debt ceiling is reached, the Treasury can [forestall](#) a breach in the absence of Congressional action. The delay depends upon the extent to which the Treasury uses what are known as “extraordinary measures” to create “headroom” under the debt limit and the timing of Federal government outlays, tax receipts and other revenues, and tax refunds to individuals and businesses. Extraordinary [measures](#) include suspension of debt issuance for several government funds, exchanging US Treasury securities for obligations issued by the Federal Financing Bank, and drawing down cash from the account the Treasury holds at the Fed. Once extraordinary measures are exhausted—the point that is known as the X-date—the Treasury must cease debt issuance and funding of government operations and payments.

If the debt limit is reached, Congress must pass [legislation](#) to avoid this default on the US national debt, either by increasing the debt ceiling, suspending it, or eliminating it entirely. This legislation may be standalone, a component of the annual Federal appropriations process, or a part of reconciliation, which is an expedited process to consider legislation on taxation, mandatory spending, and other budget components to meet the revenue and spending targets outlined in a budget resolution. Under [reconciliation](#), the House and the Senate must adopt a concurrent resolution with special instructions to Congressional committees to develop and report legislation related to spending, revenues, and/or the debt limit within the remit of the respective committees. The reconciliation process has unique procedures that allow for the budget resolution and associated legislation to pass with a simple majority vote in the Senate. For example, [Public Law 119-21](#) (H.R. 1, 2025), also referred to as the “One Big Beautiful Bill Act” or OBBBA, used reconciliation to [increase](#) the debt ceiling by \$5 trillion.

Only the US and Denmark [have](#) a fixed debt limit. While some have proposed removing the debt limit (which would require amending the Second Liberty Bond Act of 1917), lawmakers have used the debt limit as a negotiating tool for fiscal policy. Between 1940 and 2009, the debt ceiling was [raised](#) often and mostly with limited fanfare. Almost every decision about the debt limit since 2009 has involved months of political rancor, a last-minute decision just before the Treasury ran out of cash, and extraordinary measures. Since 2009, the debt ceiling has been suspended six times (twice in 2013 (February and October), 2017, 2018, 2019, and 2023) and only risen five times (2010, 2011, twice in 2021 (October and December), and 2025).

Sometimes [decisions](#) to raise the debt limit were made only after concessions to cut spending, as with the Budget Control Act of 2011 (BCA), which included 10 years of sequestration (automatic spending cuts); and in 2023 with the Fiscal Responsibility Act of 2023 (FRA), which included provisions for possible sequestration in FY2024 and FY2025. Notably, sequestration in the BCA and FRA, both of which included across-the-board cuts to discretionary spending,

eventually resulted in limited or no effect on deficit and debt reduction. Sequestration under the BCA was only carried out for one year and repealed repeatedly over the balance of the 10-year enactment period. For the FRA, there were no [FY2024](#) or [FY2025](#) spending cuts because they were ultimately not necessary to meet the requirements in that Act .

The Treasury Department also risks defaulting on its obligations if the debt limit is not increased or suspended to align with the deficits in the Federal budget, which would have severe financial and economic [impacts](#) that threaten the US and global economy, the credit rating for US Treasury securities, and the role of the dollar as the world's reserve currency. The dysfunction over the past 15 years with raising the debt limit in a timely manner and addressing the Federal government's large and growing deficits has already caused [downgrades](#) in the United States' credit rating in 2011, 2023, and [2025](#), raising borrowing costs for the US Treasury. [Defaulting](#) on the national debt could also lead to a recession and financial crisis.

The Swiss Debt Brake as a Contrasting Approach

Despite the debt limit, total US Federal government debt has [grown](#) to \$36.7 trillion and the debt held by the public has reached 100 percent of GDP this year. Looking abroad, the example of the Swiss debt brake could be an alternative to the US debt ceiling to constrain increases in government debt. Between 1990 and 1998, Switzerland's gross debt-to-GDP ratio [increased](#) from 31% to 54% of GDP because of economic stagnation, low underlying productivity growth, and insufficient revenues to keep up with rising costs for health insurance, unemployment insurance, and pensions. After this experience of escalating national debt in the 1990s, 85% of Swiss voters [approved](#) a constitutional amendment in 2001 to implement a debt brake designed to prevent structural imbalances in Swiss Federal government finances while allowing for countercyclical fiscal policy.

Since full implementation in 2003, the Swiss debt [brake](#) has promoted sustainable public finances and has attempted to even out economic cycle and growth fluctuations by adhering to the [principle](#) that Switzerland must maintain its receipts and expenditures in balance at all times. The Swiss Federal Finance Administration (FFA) sets the ceiling for total expenditures based on expected tax receipts after accounting for economic conditions, with exceptions for emergencies such as pandemics and natural disasters. Over the course of an economic cycle, the goal of the Swiss debt brake is to keep the Federal budget balanced by generating surpluses during economic booms that offset the deficits of subsequent recessions.

In practice, the Swiss debt brake consists of four [components](#). The first is the expenditure rule, which states that the annual ceiling for ordinary expenditure is linked to the level of ordinary tax receipts. The FFA adjusts tax receipts by a cyclical factor based on the output gap for the Swiss economy, defined as the ratio of trend GDP to current GDP. Since 2021, the FFA has used the production function and output gap [published](#) by the State Secretariat for Economic Affairs for the cyclical factor. The expenditure rule and cyclical factor cause the spending ceiling to be lower than receipts during economic booms—generating a fiscal surplus—and permit deficit

spending during a recession. The expenditure rule also acts independently of the amount of the tax burden, though tax reductions must be accompanied by spending cuts.

The second component is the compensation account for the ordinary budget. The government [checks](#) compliance with the expenditure rule annually during the preparation of the budget. The FFA recalculates the expenditure ceiling based on earned receipts and revised economic forecasts. If actual expenditures exceed this revised ceiling, the difference is debited to the compensation account. Conversely, if actual expenditures are below the revised ceiling, that difference is credited to the compensation account. Forecasting errors for tax receipts and economic growth are also debited or credited to the compensation account via changes in the expenditure ceiling. Any deficits in the compensation account [must](#) be eliminated in subsequent years (surpluses are used to reduce debt). If the accumulated deficit in the compensation account is more than 6% of prior year spending, then it [must](#) be cleared within three years.

Crucially, the debt brake [allows](#) for extraordinary expenditure, s the third key component. In exceptional cases such as severe recessions, natural disasters, and pandemics, the Swiss Parliament can vote to increase the expenditure ceiling by a qualified majority in both chambers. This [flexibility](#) to respond to events outside Switzerland's control has served the country well in the past two decades, allowing the Swiss government to help stabilize UBS during the 2008 financial crisis and respond to the economic devastation of the COVID-19 pandemic.

To keep track of extraordinary expenditures, the Swiss debt brake's fourth [component](#) is the amortization account for the extraordinary budget. As with the compensation account for the ordinary budget, the amortization account records extraordinary receipts and expenditures so Switzerland can work to offset these deficits in the medium term. The extraordinary expenditures in the amortization account must generally be paid off within the subsequent six accounting years via surpluses in the ordinary budget. However, the compensation account [must](#) be balanced before the government is required to reduce the amortization account, providing the necessary flexibility for Switzerland to emerge from a recession. The government can also vote to extend the period to eliminate the extraordinary expenditures in the amortization account. It did so for the CHF 30 billion (US\$37.19 billion) the government [spent](#) during the COVID-19 pandemic, which now must be paid off by 2035 to be paid off. Additionally, Swiss law encourages cautious spending cuts that lower the expenditure ceiling if deficits are foreseeable in the near term, with the goal of covering deficits through the ordinary budget.

Overall, the Swiss debt brake has been successful in achieving its aim of constraining the increases in government debt while promoting sustainable economic growth. Switzerland's debt-to-GDP ratio [fell](#) from 25.3% in 2003 to 13.5% in 2019. In fact, the gross nominal debt of Switzerland [decreased](#) from a high of around CHF 130 billion (US\$161.18 billion) in 2005 to less than CHF 100 billion (US\$123.99 billion) in 2019. While government debt sharply increased during the pandemic, net debt has [plateaued](#) and the net debt-to-GDP ratio has even slightly decreased between 2021 and 2024. Switzerland has also [revised](#) its cyclical factor calculation in response to issues encountered during the pandemic, demonstrating the adaptability of the debt brake to resist crises. The initial success of the Swiss debt brake [inspired](#) Germany to

adopt its own budget rule in 2011. In the 118th Congress, former Senator Mike Braun (R-IN) [introduced](#) the Responsible Budget Targets Act of 2023, modeled on the Swiss debt brake.

Conclusion

The US debt ceiling has not achieved its goal of constraining the national debt, and regular disputes and brinkmanship surrounding raising or suspending the debt ceiling damage the US' creditworthiness and fiscal reputation. Congress could [consider](#) several [options](#) to reform the debt limit to reduce this source of dysfunction. Congress could require the integration of debt limit increases in the budget resolution and allow automatic debt limit increases or suspensions if the fiscal targets in a budget resolution are met. Any changes to the debt limit concept itself would [require](#) amendments to 31 U.S.C. §3101, the codification of the 1917 Second Liberty Bond Act that originally established the debt limit. Congress could potentially also require a debt limit increase vote at the same time as a vote on any significant deficit-increasing legislation so lawmakers are accountable for changes in the debt limit then instead of months or years later. Alternatively, Congress may consider eliminating the debt limit if lawmakers believe that the brinkmanship and risks to the financial system outweigh its utility as a method to constrain the debt, currently rising at unsustainable levels.

The Swiss debt brake is another example of a potential avenue for reform. On top of the demonstrated success in constraining the growth of the Swiss national debt and producing structural surpluses, the Swiss debt brake provides a systematic process to assess government spending and revenues and account for economic factors. Using the compensation and amortization accounts, the Swiss government and public can track medium-term budgetary targets. The expenditure rule is clear and promotes balanced budgets across the business cycle, allowing for short-term increases in the national debt only to respond to emergencies like recessions and natural disasters. Congress and the Administration [must](#) consider these types of reforms in response to our ever-growing national debt, perhaps facilitated by a bipartisan Congressional commission on achieving fiscal stability.

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