US National Debt Hits $40 Trillion

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Action: US national debt now exceeds $40 trillion, a new record reached at an accelerated rate.[1]

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- The government's debt accumulation has grown at an astounding rate since Congress raised the debt limit by $5 trillion in July 2025, when the total national debt was roughly $36.2 trillion.[2]
- Debt-to-GDP ratio now stands at 123%.[3] If the debt-to-GDP ratio continues to rise, the price of government bonds will drop, causing an increase in their yield and interest costs for the Federal government. The value of the dollar will also decrease, contributing to inflation.
- High levels of debt require the government to spend more on interest payments, leaving fewer resources available for other spending. If investors begin to view US debt as riskier, interest rates could rise further, increasing borrowing costs for expansion, hiring, and investment.
- While we cannot know whether there is a specific threshold for the debt that will tip the US into crisis, the rising debt and projected insolvency of the primary Trust Funds for Medicare and Social Security within seven years increase the risk of the US reaching this tipping point.
- This milestone and rising debt-to-GDP are an urgent call for Congress to act. The

CEO Center has long recommended the US reduce its debt-to-GDP ratio to a more sustainable level, such as 70%. A bipartisan fiscal commission composed of Members of Congress provides the space for lawmakers to focus on developing solutions, deliberate tradeoffs, lend bipartisan credibility and collective responsibility to fiscal reform efforts, and encourage public support for these reforms.

- With the midterm elections approaching in November, Congress must address our unsustainable fiscal outlook, including by considering reforms to Social Security, Medicare and other major Federal health programs, and the broken Federal budget process itself.
- **What this means for CEOs**:
  - As the risk of another debt ceiling crisis in early-mid 2027 approaches, stress-test your organization for the impact of another government shutdown and even the risk of a temporary default.
  - Evaluate the impact of potentially higher interest rates on business operations, ability to borrow, cash holdings and investments, and expected consumer impact.
  - Consider a public education campaign among employees to help them understand the impact of the debt on business operations and national finances, including potential impacts on retirement security.

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1. Fiscal Data, *Debt to the Penny*, U.S. Treasury, accessed August 19, 2026.
2. Fiscal Data, *Debt to the Penny*, U.S. Treasury, accessed August 19, 2026.
3. https://www.bea.gov/data/gdp/gross-domestic-product