**What Are the National Debt, Debt Ceiling and Budget Deficit?**

*This is what you need to know about these three U.S. financial terms.*

By Anzish Mirza , Contributor | April 13, 2017, at 11:41 a.m.

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There are many ways to measure the financial health of the U.S. federal government. There’s the national debt, the debt ceiling and the budget deficit. Many people – including politicians – get confused by the differences and make mistakes comparing them.

**What Is the National Debt?**

This is the sum total of all the money the government has borrowed and owes to its creditors, as well as the interest on that debt. It is similar to the total amount an individual might owe on a mortgage, a car loan and credit cards.

The debt is built up when the government spends more than it collects through tax revenues and fees collected on visas, air fares and telecommunications, among other funding streams. The money is used to run all aspects of the government from education to health care and the military and to pay entitlements to various parties, such as retirees, veterans and others.

As of March 2017, the U.S. debt is about $19.9 trillion and is constantly changing; it amounts to:

$61,365 for every person living in the U.S.

$158,326 for every household in the U.S.

106 percent of the U.S. gross domestic product

560 percent of annual federal revenues

Much of the debt is bought and held by individuals, institutional investment companies and foreign governments. The debt is managed by the U.S. Treasury through its Bureau of the Public Debt. The debt falls into two categories: intragovernmental holdings and debt held by the public.

**What Is the Budget Deficit?**

When the government spends more in a given fiscal year than it brings in through revenues, it runs a deficit. It’s the same as when a person spends more than he or she has in the bank, except private citizens do not have as much freedom to keep a running tab. Running a deficit for a long time can be a bad thing for the country because the interest on borrowed money continues to accrue, exacerbating the long-term debt. The deficit usually increases when the nation is financing a war or is experiencing a recession, but at other times as well since the greater the national debt, the greater the interest on that debt becomes.

The federal government is borrowing about one out of seven dollars it spends and steadily piling up debt \_ to the tune of about $14 trillion held by investors. Over the long term, that threatens the economy and people’s pocketbooks.

**Debt Myths, Debunked**

The highest deficit of GDP was in 1944, at 21.2 percent during World War II; it remained below 3 percent of GDP for most of the nation’s history and was 3.5 percent in 2016. In order for the government to correct a budget deficit, it needs to cut back on expenditures or increase revenue through a hike in income taxes or fees. Another way the deficit can be reduced is by increasing the growth rate of the economy.

The projected U.S. federal budget deficit for fiscal year 2018 is $352 billion.

**What Is the Debt Ceiling?**

This is a fixed amount, set by Congress, on how much money the government may borrow. It’s akin to the credit limit on your Visa card.

This legislative limit was introduced in in the Second Liberty Bond Act of 1917 by Congress, as the U.S. entered World War I. Instead of the U.S. Treasury signing off on each of the government's loans and expenditures, it now sets a maximum limit.

If the government needs to go beyond this limit, it needs the approval of Congress. At various times, the party in control of Congress has made raising the debt ceiling a political issue, threatening a government shutdown or non-payment of federal employees. The limit has been permanently raised, temporarily extended or revised 78 separate times since 1960.

This is also known as the "debt limit" or "statutory debt limit."