NATIONAL REVIEW

Why the National Debt Is a Tiny Bit Smaller Than Before

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February 27, 2017 1:44 PM

Last week, Donald Trump boasted on Twitter, “the National Debt in my first month went down by $12 billion.” The fact-checkers scolded him, declaring that “people shouldn’t read much into the numbers. Nor should Trump be popping champagne.”

They’re right in the sense that no president has that much direct influence on federal spending in his first month in office, and that the shift in the numbers reflects natural month-to-month fluctuation in the amount of money coming in and the amount going out – but they didn’t get into much into why those numbers are fluctuating.

The day President Trump took office, January 20, the national debt was $19,947,304,555,212.49 – what we usually would write as $19.9 trillion. The last day the debt was totaled by the Treasury Department on Friday, February 23, it was $19,913,901,120,188.15. No need to break out the calculators – that’s $33,403,435,024.34 less than on Inauguration Day, or what we would usually refer to as $33 billion.

So the debt is $33 billion lower than on Inauguration Day! Hurrah! Of course, that could end up being a short-lived reduction. The amount of money coming into the government and the amount going out can vary by a surprising amount, day by day, month-by-month and year-by-year. For example, in February 2016, the federal government collected only $169 billion. But by April, as taxpayers’ checks to the IRS came in, it increased to $438 billion.

The U.S. government collects individual income taxes, Social Security and other payroll taxes, corporate taxes, and a slew of other duties, fees and other taxes. They spend it each month on Social Security, Medicare, defense, interest payments on the debt, and “other,” which covers everything else. Dan Mitchell, a libertarian economist and senior fellow at the Cato Institute quoted in the PolitiFact report, noted that “revenues tend to be more volatile.

If you track down historical data, you'll see expenditures jump around a bit when something big happens — faux stimulus, wars, etcetera." He added a point that that didn't make it into the PolitiFact story: "I suppose there may be some legitimacy to the argument that the stock market has jumped since Trump's election and this may be producing some higher-than-expected spin-off revenues, presumably from capital gains."

In other words, tax revenues from the booming stock market might be shrinking the debt a bit… a tiny, tiny, tiny bit in relation to the total level. In the coming weeks, a slew of Baby Boomers may start collecting Social Security, or fewer elderly social spending recipients may die off, or another payment on an aircraft carrier may come due, or the government could have some other big expenditure that boosts the daily outlays.

In other words, U.S. government revenue could decline and expenditures may increase. But considering how rarely we see the federal debt numbers decline, it's hard to begrudge the administration celebrating some unexpectedly good numbers, even if it is short-lived and basically a rounding error on the total level of government debt.