



The Daily Dish

Treasury Buyback BS

DOUGLAS HOLTZ-EAKIN | AUGUST 25, 2026

In the aftermath of the [global rise](#) in long-term rates, last week a panicky Trump Administration trotted out Treasury Secretary Scott Bessent to make a series of announcements regarding planned Treasury purchases of long-dated bonds. Per Bloomberg:

Bessent spoke after the Treasury Department said Wednesday that [it would increase](#) “by at least double” the size of buybacks for longer-dated securities. Thursday, he explained the move – which came as a surprise to market participants – was intended to ensure orderly trading in a “thin” summer market, and to get investors to focus on “fundamentals.”

None of this did a bit of good, leading *The Wall Street Journal* to feature the headline: “[The Wild Week When Scott Bessent Was Schooled by the Bond Market](#).” Ouch.

Now, Eakinomics is firmly of the opinion that you don’t fix a problem with fundamentals (the debt outlook) through gimmicks such as the duration of financing. (See, for example, the failed [yen intervention](#).) But the Treasury came to another conclusion: A larger panicky response would be way better than the original panicky response. CNBC [reported](#):

The Treasury could use its near \$1 trillion General Account to help fund its recently announced plans to increase purchases of government bonds, according to two senior Treasury officials.

Using the TGA would provide the Treasury with considerable firepower to influence long-term bond yields. The Treasury [surprised markets last week](#) with an announcement that it would be doubling the size of buybacks of off-the-run securities on the long end from \$2 billion to at least \$4 billion. Treasury Secretary Scott Bessent [said on CNBC](#) such operations could be even larger than the new higher

minimum.

Now, let's be clear. Tax revenues and proceeds of bond sales flow into the General Account; payments for contracts, goods, and bond purchases flow out. So, the General Account has been in the mix from the beginning. And if one finances long-term bond purchases by short-term bond sales, all the dollars flow through the General Account, but the size of the balance does not matter. To the extent that any of this matters, it is dictated by the size of the buyback, financed by a corresponding short-term debt issuance.

Aha! But the Treasury thought of that. Again, from CNBC:

Using the TGA could change that perception. The TGA is essentially the government's checking account, a rainy day fund of sorts held at the Federal Reserve. It is already funded with existing tax collections. Bessent has built up the TGA to around \$950 billion currently, compared with a stated goal under the Biden administration of around \$550 billion to \$600 billion.

So the Treasury could use, say, \$10 billion of the General Account balance to buy long-dated Treasuries. Unfortunately, that would leave \$10 billion less in the account. If revenues are unchanged, that is \$10 billion less available to pay the various bills, which means the Treasury will have to borrow – presumably short-term – to make ends meet.

This elaborate re-arranging of the deck chairs is just BS. And it is damaging BS, because it projects the image that there really is a problem, but that the administration is unwilling to fix it.