Press Release

Thinking the Unthinkable: The Risks of a U.S. Treasury Default

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The United States is rapidly approaching the "X-date," the day on which the Treasury Department will run out of cash unless Congress raises the federal debt limit. In new research, AAF's Vice President for Economic Policy Gordon Gray explains the mechanics of how a debt limit crisis could unfold and walks through the enduring costs of a real or perceived default.

Key points:

- Failure to increase or suspend the debt limit would require the federal government to reduce financial activities to the amount of cash inflow and consequently prioritize which expenses the federal government pays.
- This scenario – prioritization of payments – is highly risky, and significantly raises the potential for a real or perceived default by the U.S. government.
- A default would materially harm U.S. governance, impose more than $800 billion in lasting costs on taxpayers, and inflict substantial economic damage that could lead to recession and cost nearly 8 million American jobs.

Read the analysis