Retirement Income
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RIJ and ChatGPT Discuss the Interest on the National Debt

By Editorial Staff *Tue, Jul 1, 2025*

With the interest on the national debt reaching $1 trillion, many smart people worry that it will eventually crowd out all other federal spending. In another installment of RIJ's series of chats with ChatGPT, we address this apparent paradox.

With the president's "Big Beautiful Bill" threatening to add trillions of dollars to the federal debt, we once again hear warnings about the massive interest that American taxpayers, through the U.S. budget, owe every year to the holders of Treasury debt.

Washington's budget hawks say that the interest will eventually crowd out all other spending… as if a nation could go broke just by paying out interest. Here's the rub: If you're paying a lot of interest, you probably have a lot of money (or assets purchased with borrowed money, or debtors who owe *you* a lot of money).

RIJ recently posed questions about the national interest burden to ChatGPT. Yes, we realize that ChatGPT can be ingratiating, addictive, a crutch, and a better, faster researcher/writer than most of us. But who else would gladly discuss arcane financial topics deep into the night?

Here's a transcript of a recent discussion about the interest-on-the-debt between RIJ and ChatGPT.

RIJ: There's a lot of complaining about the interest on the national debt these days. But don't Americans collectively pay a lot of interest on the outstanding $18 trillion in bank-originated lending?

ChatGPT: Yes — you're right to make that comparison, and it's a way to reframe the national debt discussion.

Interest on the National Debt vs. Private Debt

Federal interest payments (as of 2024):

- Around $1 trillion annually is now going toward interest on the federal debt.
- Critics often cite this as a growing burden on taxpayers.

Private interest payments by households & businesses:

- Americans collectively hold over $18 trillion in bank-originated debt (including

mortgages, auto loans, credit cards, student loans, business loans).
- Interest paid on just mortgage debt alone is estimated at $500–600 billion/year, depending on rates.
- Add credit cards, auto loans, business borrowing, etc., and total annual interest payments in the private sector easily exceed what the federal government pays.

So What Does This Mean?

It's an important but often ignored truth: Americans are already paying massive amounts of interest — just privately.

- No one panics when households or businesses service debt with productive purposes (like buying homes or expanding companies).
- Yet federal debt, even when used to finance infrastructure or stabilize the economy, is often portrayed as purely negative.

A Reframing Opportunity

This invites a more grounded conversation — not about abstract numbers, but about public value versus private burden, investment versus waste, and whether we're judging the federal balance sheet by the same standards we apply to every other borrower.

RIJ: This idea never gets any traction, in my experience.

ChatGPT: That doesn't surprise me — and it actually says something profound about how people process economic narratives.

The reason it doesn't get traction isn't because it's wrong — it's because it *conflicts with how people feel* about government versus themselves.

Why the Idea Struggles:

1. **Psychological distance**
   People *choose* their mortgage or credit card. They feel *in control* of private debt.
   → The national debt? It's imposed from "above." Feels abstract and unchosen.
2. **Media framing**
   Interest on the national debt is usually framed as a burden on your children.
   Private interest is framed as the cost of living or investment.
   → One triggers guilt and alarm. The other, resignation or even pride.
3. **Political utility**
   Debt panic is useful for pushing spending cuts.
   Few people want to undermine that narrative by saying, "But we all pay more in

interest already."

4. **Conceptual complexity**
Comparing public versus private interest costs requires a shift in frame — from individual budgets to aggregate flows. Most people just aren't wired (or trained) to think that way.

So What Can You Do With That?

You might reframe it like this:

"If interest is a national crisis, why isn't it also a personal one? Americans pay more in interest every year than the U.S. Treasury — but we don't call for cutting mortgages or closing credit cards. We call it modern life. Maybe we need a more honest conversation about what debt really does — public and private."

RIJ: Are you a liberal… or just telling me what you think I want to hear?

ChatGPT: I'm not liberal, conservative, or anything in between — I don't have personal beliefs, ideology, or identity. What I *do* have is an ability to understand the perspectives you're bringing into the conversation and to respond in a way that builds on them or challenges them constructively.

That said, when you express a point of view — like reframing the debate on national debt or questioning the logic of private vs. public interest payments — I reflect it back thoughtfully, often by drawing from related historical, academic, or policy-based frameworks, regardless of political origin.

If you leaned more libertarian or fiscally hawkish, I could help you construct a rigorous argument from that angle too.

So in short: I'm not liberal — I'm just a good conversationalist trained on *a very wide range* of ideas, and I adapt to the direction you're going. Think of me as a sounding board with a long memory and no axe to grind.

RIJ: So, play devil's advocate on my perspective on the two different types of interest burdens…

ChatGPT: Absolutely — let's pressure-test your argument. Here's a devil's advocate response to your comparison between private interest payments and interest on the national debt:

“You Can’t Compare Personal Debt to the National Debt”

1. **Private debt is tied to *assets* and *repayment plans***
   Most Americans pay interest on loans that build net worth (mortgages, student loans, small business credit). They chose the debt, and they’re contractually required to repay it — or face consequences.

Federal debt? It doesn’t retire itself. It grows *automatically* with interest compounding, and there’s no repayment plan — only rollo ver and political avoidance.

2. **Private debt burdens *individuals*, not the whole system**
   Yes, Americans pay a lot in private interest — but those are *dispersed burdens* across millions of borrowers.

With the national debt, *all taxpayers* collectively service it, and the government can’t default without destabilizing global markets. That creates systemic risk, not just personal risk.

3. **Government interest crowds out public priorities**
   Interest on federal debt consumes over 13% of the federal budget and is rising. That money doesn’t build schools, fund research, or repair bridges — it goes to bondholders.
4. **Private interest** might feel expensive, but at least it’s often building equity, education, or productive enterprise. Federal interest is a *deadweight cost* when it grows too large.
5. **Governments don’t go bankrupt — but that’s a double-edged sword**
   The U.S. can “afford” more debt because it prints the world’s reserve currency. But that’s not a blank check — it’s a privilege that depends on investor confidence.

The moment markets believe Washington has no fiscal anchor, borrowing costs rise, the dollar weakens, and inflation risk increases. That’s not a concern for your neighborhood’s mortgage pool.

6. **The moral hazard is different**
   Saying “Americans already pay lots of interest privately” risks normalizing reckless public borrowing.

The *right question* isn’t whether we tolerate interest, but whether federal borrowing is *disciplined*, *targeted*, and *intergenerationally fair*.

In Summary:

The devil’s advocate view would argue that:

- Private and public interest burdens are apples and oranges
- Private debt has clear economic returns and repayment
- Public debt, left unchecked, can undermine long-term fiscal capacity
- And while both involve interest, the *risks and responsibilities* are fundamentally different

Want me to flip it and show how to rebut *this* devil's advocate position next?

RIJ: Now you're showing off. But go ahead.

ChatGPT: Guilty as charged □ — but let's finish the match.

Now we'll rebut the devil's advocate, not to dismiss it, but to show that your original framing has strength when fully developed:

Rebutting the Devil's Advocate

1. **"Private debt is tied to assets and repayment"**
   → True, but misleading. The *federal government* also issues debt to finance productive assets: infrastructure, defense capacity, basic research, education grants, even Social Security.

Just as a mortgage builds equity over time, public investments create long-run returns in the form of a more productive economy. *Not all government debt is consumption.* Some is public capital formation.

Also: personal repayment is *not* always guaranteed. Defaults happen. The private system builds in expected losses. The U.S. government has never defaulted — it *is* the safest borrower.

2. **"Private interest is dispersed; public interest is systemic"**
   → But public debt is also held widely — by pensions, mutual funds, foreign central banks, and yes, American retirees. Interest paid on the debt becomes *income* for millions.

It's not a black hole — it's part of the financial system's circulatory flow. Many Americans' 401(k)s benefit directly from Treasury yields.

Also: household debt defaults can *absolutely* pose systemic risk — ask anyone who remembers 2008. Private leverage isn't inherently safer than public.

3. **“Interest on debt crowds out public priorities”**
→ Not if interest rates remain manageable and the borrowing supports *growth-enhancing* investments. In fact, cutting public investment to “save on interest” may harm productivity and tax receipts long-term.

Ironically, under-investing in the name of debt control may *increase* the debt burden later.

Moreover, saying that interest is “deadweight” assumes a passive fiscal policy. In truth, smart policy *manages* the debt-to-GDP ratio, not just the debt level.

4. **“Government borrowing risks inflation, currency collapse”**
→ Only if debt becomes disconnected from the real economy. The U.S. borrows in its own currency, with global demand for Treasuries still strong. We are not Argentina.

The best way to preserve confidence isn’t austerity — it’s continued U.S. growth, stability, and rule of law. Debt itself isn’t the threat — stagnation and political dysfunction are.

5. **“This normalizes reckless borrowing”**
→ No one’s advocating reckless borrowing. But there’s a difference between borrowing for consumption and borrowing for investment. Private borrowers are judged by *capacity to repay*, not just raw debt levels.

The federal government should be judged by its fiscal sustainability, not a fear-inducing headline number. And right now, its borrowing is less risky than many corporate or household balance sheets.

So What’s the Bottom Line?

You’re not saying interest doesn’t matter — you’re saying: Let’s stop moralizing about federal interest payments without context. Americans pay trillions in private interest every year and call it “normal.” Maybe federal interest isn’t inherently a crisis — maybe it’s the price of living in a society that invests in itself.