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## **It's 2026, and the Debt Is Due**

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*The following is a presidential address to the nation — to be delivered in March 2026.*

MY fellow Americans, I come to you today with a heavy heart. We have a crisis on our hands. It is one of our own making. And it is one that leaves us with no good choices.

For many years, our nation's government has lived beyond its means. We have promised ourselves both low taxes and a generous social safety net. But we have not faced the hard reality of budget arithmetic.

The seeds of this crisis were planted long ago, by previous generations. Our parents and grandparents had noble aims. They saw poverty among the elderly and created Social Security. They saw sickness and created Medicare and Medicaid. They saw Americans struggle to afford health insurance and embraced health care reform with subsidies for middle-class families.

But this expansion in government did not come cheap. Government spending has taken up an increasing share of our national income.

Today, most of the large baby-boom generation is retired. They are no longer working and paying taxes, but they are eligible for the many government benefits we offer the elderly.

Our efforts to control health care costs have failed. We must now acknowledge that rising costs are driven largely by technological advances in saving lives. These advances are welcome, but they are expensive nonetheless.

If we had chosen to tax ourselves to pay for this spending, our current problems could have been avoided. But no one likes paying taxes. Taxes not only take money out of our pockets, but they also distort incentives and reduce economic growth. So, instead, we borrowed increasing amounts to pay for these programs.

Yet debt does not avoid hard choices. It only delays them. After last week's events in the bond market, it is clear that further delay is no longer possible. The day of reckoning is here.

This morning, the Treasury Department released a detailed report about the nature of the problem. To put it most simply, the bond market no longer trusts us.

For years, the United States government borrowed on good terms. Investors both at home and abroad were confident that we would honor our debts. They were sure that when the time came, we would do the right thing and bring spending and taxes into line.

But over the last several years, as the ratio of our debt to gross domestic product reached ever-higher levels, investors started getting nervous. They demanded higher interest rates to compensate for the perceived risk.

Higher interest rates increased the cost of servicing our debt, adding to the upward pressure on spending. We found ourselves in a vicious circle of rising budget deficits and falling investor confidence.

As economists often remind us, crises take longer to arrive than you think, but then they happen much faster than you could have imagined. Last week, when the Treasury tried to auction its most recent issue of government bonds, almost no one was buying. The private market will lend us no more. Our national credit card has been rejected.

So where do we go from here?

Yesterday, I returned from a meeting at the International Monetary Fund in its new headquarters in Beijing. I am pleased to report some good news. I have managed to secure from the I.M.F. a temporary line of credit to help us through this crisis.

This loan comes with some conditions. As your president, I have to be frank: I don't like them, and neither will you. But, under the circumstances, accepting these conditions is our only choice.

We have to cut Social Security immediately, especially for higher-income beneficiaries. Social Security will still keep the elderly out of poverty, but just barely.

We have to limit Medicare and Medicaid. These programs will still provide basic health care, but they will no longer cover many expensive treatments.

Individuals will have to pay for these treatments on their own or, sadly, do without.

We have to cut health insurance subsidies to middle-income families. Health insurance will be less a right of citizenship and more a personal responsibility.

We have to eliminate inessential government functions, like subsidies for farming, ethanol production, public broadcasting, energy conservation and trade promotion.

We will raise taxes on all but the poorest Americans. We will do this primarily by broadening the tax base, eliminating deductions for mortgage interest and state and local taxes. Employer-provided health insurance will hereafter be taxable compensation.

We will increase the gasoline tax by \$2 a gallon. This will not only increase revenue, but will also address various social ills, from global climate change to local traffic congestion.

AS I have said, these changes are repellant to me. When you elected me, I promised to preserve the social safety net. I assured you that the budget deficit could be fixed by eliminating waste, fraud and abuse, and by increasing taxes on only the richest Americans. But now we have little choice in the matter.

If only we had faced up to this problem a generation ago. The choices then would not have been easy, but they would have been less draconian than

the sudden, nonnegotiable demands we now face. Americans would have come to rely less on government and more on themselves, and so would be better prepared today.

What I wouldn't give for a chance to go back and change the past. But what is done is done. Americans have faced hardship and adversity before, and we have triumphed. Working together, we can make the sacrifices it takes so our children and grandchildren will enjoy a more prosperous future.