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The Truth-O-Meter Says:



"Each day our nation pays communist China \$73.9 million in interest on our debt."

Randy Forbes on Thursday, April 14th, 2011 in a press release.

Randy Forbes says the U.S. pays China \$73.9 million per day in debt interest

When Rep. J. Randy Forbes voted against the budget compromise between President Barack Obama and Republican leaders earlier this month, he said the measure did not do enough to cut the nation's debt.



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Forbes, R-4th, said failure to address the nation's borrowing weakens the United States and strengthens China, the largest foreign holder of U.S. debt. The representative is chairman of the Congressional China Caucus and often discusses that nation's growing military power.

"Each day our nation pays communist China \$73.9 million in interest on our debt, money that is allowing them to aggressively modernize their military and increase their global influence," Forbes said in an April 14 press release.

Forbes' number -- \$73.9 million a day in interest payments to China -- left our heads spinning. We set out to see if it was right.

First, a little background. The total federal debt, as of April 22, was \$14.29 trillion. Of that amount, about \$9.65 trillion is called public debt, which refers to all federal securities held by institutions and individuals outside the U.S. government. That includes China and other foreign nations.

The remaining debt -- about \$4.64 trillion -- is held by the Federal Financing Bank, U.S. government trust funds, and other federal funds and accounts. The largest trust fund is the one that endows Social Security.

Our discussion and calculations for this fact check, as well as Forbes', are based on the public debt.

China buys U.S. Treasury bonds in public auctions, the same way other nations and investment companies purchase our debt.

The Treasury Department said that as of February 2011, China, along with Chinese companies and investment groups, held \$1.15 trillion in U.S. debt. Japan was the second-largest foreign holder, at \$890.3 billion, with Great Britain third at \$295.5 billion. In total, about \$3.16 trillion of the U.S. public debt, or 33 percent, is held overseas. The rest is owned by Americans.

Because American debt has long been considered one of the safest investments in the world, the government can borrow money at very low costs, paying less than 2 percent average annual interest on its debt during the past decade.

In fiscal 2010, which ended Sept. 30, the federal government spent \$197 billion on interest payments for public debt, according to the Congressional Budget Office. If we divide that by 365 days, we reach an average daily interest payment of \$539,726,027. Because the Treasury doesn't make payments on weekends or holidays, and because debt payments vary depending on when a Treasury note was issued, the actual daily number was probably never that exact amount.

On Sept. 30, 2010, China held about 12.8 percent of the U.S. public debt. If we assume China got 12.8 percent of our interest payments, it would have received roughly \$68.9 million per day during fiscal 2010.

Forbes based his comments on fiscal 2011, in which the CBO estimates the government will spend \$225 billion, or \$616,438,356 per day, on interest payments. China held 12.1 percent of public debt at the end of February. So if the 2011 estimates hold and China holds the same proportion of debt throughout the year, it would receive about \$74.4 million per day.

Forbes made his calculations with the March 16 public debt figures. That explains the \$500,000 difference between his calculation and ours.

About this statement:

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Sources:

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We don't know the exact mix of debt held by China. If the debt owned there is primarily short-term bonds, then the interest rates would be lower. If China mostly holds 10-year or 30-year bonds, it would stand to receive higher payments. Our calculations, and those by Forbes, assume China's debt holdings mirror the larger pool of U.S. debt.

Let's review:

Rep. Randy Forbes says the United States pays \$73.9 million per day in interest to China. He based his statistic on the percentage of U.S. debt held by China and the CBO's estimate of how much we will spend on interest payments during the 2011 fiscal year.

We looked into the numbers and discovered that based on CBO and Treasury Department data, China likely received about \$68.9 million per day during the 2010 fiscal year. Based on the nation's February holdings and the CBO data, China should receive about \$74.4 million per day in payments during the current fiscal year.

Forbes got the numbers right. We rate his statement True.



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