

Anatomy of a U.S. debt default

U.S. Treasury Secretary Tim Geithner has projected that by August the world's largest economy will be unable to pay its debts – and risks being in default – unless Congress increases the nation's \$14.3 trillion debt ceiling

Will Congress raise \$14.3 trillion debt ceiling?

Democrats

Accept severe spending cuts but insist that tax hikes for wealthy must be part of deal



Republicans

Will not agree to raise debt ceiling unless deal is first struck to cut U.S. deficit by \$4 trillion

NO

August 2: Debt ceiling breached. Government revenues of \$172bn but bills total \$306bn – 44% of debt obligations unpaid

Ratings agencies downgrade America's AAA credit rating

U.S. Treasury securities are seen as riskier and interest rates rise. Mortgages, credit cards, consumer and business loans – all linked to "Treasuries" – become more costly. U.S. economy slows down further with potential repeat of recent global financial crisis

YES

Republicans accept short-term deal with Obama administration to raise debt limit and stave off default

Senate agrees to some \$2.4 trillion in cuts to "discretionary" spending: law enforcement, airport security, military, benefit cuts, tax increases and health care savings

Largest holders of U.S. debt

China	\$1.153 trillion
Japan	\$906.9bn
UK	\$333bn