New Treasury buyback eases ‘debt reckoning’ worries

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Key takeaways

Following pressure on the bond markets, the Treasury Department announced that it would at least double the size of buybacks for longer-dated Treasury securities.

Whether one agrees with these actions is beside the point. They show that policymakers are willing to take steps in response to market developments.

Investors have worried about US debt for decades. But the US government has shown it has tools available to help address the debt.

For as long as I can remember, investors have asked some version of the same question: When does the US finally run out of rope? When does the national debt become so large that investors refuse to fund it, triggering a crisis that ripples through the global financial system?

It’s one of the longest-running concerns in markets. Decade after decade, the numbers get bigger,1 the headlines become more dramatic, and the warnings grow louder. Yet the predicted day of reckoning never seems to arrive.

Today’s actions from Treasury Secretary Scott Bessent provide a useful reminder of why.2

US Treasury to double its long-term government bond purchases

Earlier today, the Treasury Department announced that it would at least double the size of its liquidity support buyback operations for longer-dated Treasury securities, specifically in the 10- to 30-year part of the yield curve. In simple terms, the Treasury will become a bigger buyer of existing long-term government bonds to help improve liquidity in a market that has been under pressure from rising yields.

Markets responded immediately. Long-term Treasury yields moved sharply lower,3 and the US dollar weakened as would be expected as the rate differential between US rates and those of the rest of the world narrowed.4

Reasonable people can debate whether the impact on yields will be temporary or lasting. That’s not my purpose here.

Three reasons why I don’t worry about a debt-driven catastrophe

For years, I’ve pushed back against the notion that the US is destined for some unavoidable debt-driven catastrophe. The argument has always rested on several points.

The US continues to be regarded as one of the world’s strongest creditors. Investors often focus on the roughly $40 trillion5 federal debt figure while ignoring the broader balance sheet. It remains one of the wealthiest nations in human history, US household net worth is approximately $175 trillion,6 supported by deep capital markets, innovative companies, productive workers, and enormous private wealth.

The investor base for Treasury securities has historically been broad and diversified. Roughly three-quarters of US government debt is held domestically.7 Much of the remainder is owned by allies and trading partners, including countries like Japan and Germany.8

Perhaps most importantly, the US federal government isn't a household. Households have limited options. They must earn income to pay their debts. If they cannot generate enough income, they can face difficult and sometimes painful consequences. Governments operate differently. The US government can raise taxes. It can modify spending. It can change regulations. It can adjust the composition and maturity structure of its debt issuance. And as today's announcement demonstrates, it can intervene in the Treasury market when policymakers believe market functioning has become impaired.

Treasury's actions illustrate that it'll act when needed

Whether one agrees with these actions is beside the point. The point is that policymakers don't have to be passive observers. When pressure emerged at the long end of the curve, the Treasury demonstrated that it possesses tools and is willing to use them. Today's announcement reinforces something I've believed for a long time. The US government is unlikely to sit back and allow a disorderly debt crisis to unfold if it has mechanisms available to help address it.

Investors have worried about US debt for decades. They'll likely worry about it for decades more. Yet I suspect the feared moment of financial comeuppance can continue to prove elusive for one simple reason. The US government, in my view, has both the ability and the incentive to prevent it.

Source: US Treasury, based on US government debt outstanding.

Source: Politico, "Treasury announces move to buy back more US debt after days of bond market pain," Aug. 19, 2026.

Source: Bloomberg, L.P., Aug. 19, 2026, based on the 30-year US Treasury rate.

Source: Bloomberg L.P., Aug. 19, 2026, based on the US Dollar Index, which measures the value of the US dollar versus a trade-weighted basket of currencies.

Source: US Treasury, based on US government debt outstanding.

The yield curve plots interest rates at a set point in time for bonds of equal credit quality but differing maturity dates in order to project future interest rate changes and economic activity.

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