

# Uh Oh: China Doesn't Want To Lend Us Money Anymore

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The United States needs to borrow nearly \$10 trillion over the next decade, including about \$1.6 trillion this year.


Where's it going to come from?

This is critical question, because resistance on the part of creditors will drive up interest rates, clobbering the housing market and demolishing the value of whatever cash savings Americans have left. The other answer--our government lending the money to itself--will destroy the value of the dollar, and that wouldn't help too many people, either (except debtors--it would help debtors because they will be able to repay nominal debts with toilet-paper dollars).

For now, the money we're borrowing is coming from somewhere, thankfully. But it's not coming from China, which has funded our spending for most of the past decade. As you can see in the chart above from the NYT, China's absolute purchases of Treasury debt continued to rise through last year, but the percentage of our borrowing that China is funding is shrinking fast.

Here's Floyd Norris in the NYT:

China reduced its holdings of [Treasury securities](#) by \$25 billion in June, the most China had ever sold in a month...

China and Hong Kong, which is reported separately but is combined under China in the accompanying graphic, together ed more than half of the increase in the amount of Treasuries sold to the public — that is, to buyers other than United States government agencies like the Federal Reserve or [Social Security](#) — in 2006.

That share had fallen to 22 percent last year, when the government increased its public debt by a record \$1.2 trillion. In the first half of 2009, China and Hong Kong acquired only 9 percent of the more than \$800 billion worth of Treasuries that were sold.

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